What should the White House do to combat inflation? Experts weighed in with 12 ideas.

From stopping spending to breaking up big companies, there are no simple solutions. But there are plenty of options.

By Jeff Stein and Rachel Siegel

January 26, 2022 at 6:00 a.m. EST

The United States is experiencing its most dramatic burst of inflation in four decades, as rising prices hit nearly every sector of the economy and create new political hurdles for the Biden administration.

As the country frets over inflation and the administration weighs how to react, The Washington Post asked independent experts from across the ideological spectrum how they would respond if they controlled the White House.

Their 12 ideas include using antitrust to break up large corporations, relaxing the trade war with China, and massively scaling up U.S. manufacturing production, among other proposals. Some of the experts blamed President Biden for increasing economic demand, while others insisted that concerns about inflation have been overblown. The proposals are not meant as exhaustive, and many of these economists support each other's ideas.

1 Make America produce again

'We can once again make the United States the world's workshop for democracy'

By Robert C. Hockett

It should have been obvious even in February 2020 that the coronavirus was going to present the American economy with both demand-side and supply-side challenges. It should therefore also have been obvious that measures to boost demand with government programs — such as stimulus checks and unemployment benefits — would fuel inflationary pressures if not accompanied by measures to boost supply and the availability of goods and products.

Almost two years after our pandemic began, policymakers are now finally talking about supply chains, as they should have done early in 2020. But thus far they are talking almost solely about improving the domestic transport links in those chains — not the production of what is being consumed.

Attention to truck routes, warehouses and loading docks is helpful, but it isn't nearly enough in our present environment — not in a world where we needlessly *import* so much of what we used to *produce*.

This presents all of us with a grand opportunity now — to reverse inflation in a manner that restores American production and world leadership in the industries of today and tomorrow. We can, in other words, make our war on inflation a war on national decline.

For instance, America invented the semiconductor industry and then globally dominated it for decades until the turn of the millennium. Yet since we relinquished our lead over microchips to insecure sources such as China and Taiwan, the importance of this ubiquitous input to all modern products has only grown. That is why so many supply shortage stories we read about now — from autos to homes to appliances — boil down to chip shortage stories.

Next, consider electric vehicles and their lithium-ion batteries, as well as other related forms of high-capacity power storage, such as the big battery packs used by power generation stations nationwide. Here, too, production lines are bottlenecked, slowing product availability, lengthening product waitlists and raising product prices.

Similar stories to these can be told about solar power cells; hydrogen fuel cells; steel, concrete and other housing materials; essential medical equipment; affordable cutting-edge pharmaceuticals; rare-earth metals; and a host of other essential inputs to modern life. If we want to end inflation and reclaim the mantle of "workshop of the free world" in one stroke, there can be no better way forward than to invest massively in restoring U.S. productive prowess.

It can be done. When Nazi Germany rolled over France in but six weeks in 1940, President Franklin D. Roosevelt demanded that our aircraft industry, which had produced just over 3,000 planes the previous year, produce at least 50,000 planes that year. Roosevelt then directly set about building the factories, in consultation with public officials and private-sector industries, to produce U.S. planes, ships, tanks, trucks, munitions, synthetic rubber and other materiel. The government then cheaply leased these facilities to manufacturers with plausible production plans, selling them once the war had been won.

Roosevelt also built entire neighborhoods for workers wishing to move near the new factories, schools for their children, clinics for their health and power lines for their domestic needs, making the United States the world's "arsenal of democracy."

This massive expansion provided the productive foundation for America's global economic leadership from the end of the war to the late 1970s. We lost that edge only when we began massively "outsourcing" in the 1980s and 1990s.

We have all the tools Roosevelt had. The president and White House Cabinet, in consultation with experts from industry, should plan a national reindustrialization across industries in every region of the country, and the Federal Financing Bank within Treasury can fund projects devised by all relevant federal agencies.

We can once again make the United States the world's workshop for democracy. That will reverse not only inflation, but also four decades of decline.

— Robert C. Hockett is a law professor at Cornell Law School. Follow him on Twitter: @rch371.

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2 Stop the spending

'This surge in spending is a key driver of higher prices'

By Brian Riedl

A year ago, the Federal Reserve forecast that inflation would increase by 1.8 percent in 2021. Instead, consumer prices jumped 7 percent — the highest rate since 1982. Some of this unanticipated inflation was driven by knotty issues such as supply chain disruptions, rising energy prices, and shifts in demand to sectors with less capacity to maintain low prices.

Yet Washington poured gasoline on this fire by enacting the $1.9 trillion American Rescue Plan in March. This surge in spending is a key driver of higher prices faced by consumers. To combat it, lawmakers should begin paring back portions of the remaining $500 billion in scheduled spending from the rescue plan, put Biden's Build Back Better legislation on the back burner and resist new spending sprees.

The critics of Biden's rescue plan were ignored, mocked — and ultimately vindicated. A year ago, the Congressional Budget Office estimated that the baseline economy would operate $420 billion below capacity in 2021, and then gradually close that output gap by 2025. Biden and congressional Democrats — believing that the Great Recession had been unnecessarily lengthened by insufficient stimulus — overlearned their lesson and decided to shoot a $1.9 trillion bazooka at a $420 billion output gap.

The problem is that once America's output capacity taps out, any additional stimulus will simply bring inflation rather than additional production — especially when financed in part by Federal Reserve bond purchases. Economists on the left and right warned lawmakers that ARP would accelerate inflation, with top Clinton and Obama White House economist Lawrence Summers leading the charge.

With the word "trillion" becoming commonplace, it is easy to downplay the sheer size of the American Rescue Plan. It is the most expensive spending law of the past 50 years, including the Cares Act approved under President Donald Trump. In its first seven months, ARP spent $1.2 trillion — which exceeds the entire cost of the 2017 tax cuts from their enactment through the same late 2021 date. All this spending is on top of the December 2020 stimulus bill that poured in $900 billion.

The inflation damage created by Biden's stimulus would be more justifiable if it was necessary to end the pandemic. However, just 1 percent of its cost went toward vaccines and 5 percent had any direct relation to health care. Instead, the law gave state and local governments $350 billion for budget deficits that did not exist. Schools received $129 billion even as they sat on $50 billion in unused relief funds from earlier emergency bills. The unemployment bonuses were so large and self-defeating that 26 states took the rare step of refusing federal assistance and canceling the bonuses before they expired. Even the popular relief checks — which, combined with earlier checks, amounted to $11,400 for a typical family of four — contributed to the very inflation that ultimately eroded their value.

Moving forward, combating inflation requires addressing supply chains, reducing tariffs and gradually tightening Federal Reserve policy. Yet it makes no sense to push one foot on the gas and one foot on the brake. Lawmakers should explore options to pare back the $500 billion in scheduled ARP spending, such as rescinding extraneous assistance to K-12 education, businesses and private pension bailouts. They should also reject BBB legislation that would spend trillions more upfront, yet delays many of its disinflationary taxes until later years. BBB's subsidies and regulations would also drive drastic price increases in child care, and thus should be rejected.

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3 Control the covid pandemic

'Covid's fingerprints on inflation are unmistakable'

By Claudia Sahm

Consumer prices rose 7 percent in 2021 — the fastest pace in 40 years — and covid deaths doubled to more than 800,000. These two facts are bound together. The solution to today's high inflation, as with labor shortages and supply chain disruptions, is clear: Contain the pandemic.

Federal Reserve Chair Jerome H. Powell agrees. Asked at his reconfirmation hearing by Sen. Catherine Cortez Masto (D-Nev.) if he believes containing the pandemic is the best way to fight inflation, Powell said: "I do. And imagine a world in which we no longer have to deal with the pandemic. … We would quickly see the supply-side problems alleviate. We'd probably see significantly more labor supply. So these issues are still related to the pandemic."

The data supports Powell and experts like me who focus on covid. As one example, economists at the Federal Reserve Bank of San Francisco estimate that the price increases in the spending categories most sensitive to covid disruptions accounted for about half of the total inflation (excluding food and energy) before the pandemic. Now they account for three-quarters of it. Of course, what's pandemic-related and what's not is impossible to know for certain. But covid's fingerprints on inflation are unmistakable.

We do not have a monetary policy crisis. We have a covid crisis. In fact, up to this point, fiscal and monetary policy have been a relatively bright spot in the pandemic and notably better than after the Great Recession. Yes, inflation is high. Consumer spending, even with the higher prices, is strong. The unemployment rate dropped below 4 percent in December, less than two years after the recession began. Overall, the economy is moving rapidly in the right direction. But the pandemic is moving rapidly in the wrong direction with the omicron variant.

To fight inflation, the Biden White House must end the pandemic. The goals the administration set in January 2021, including "expanding masking, testing, treatment, data, workforce and clear public health standards" and "protect[ing] those most at risk," are the right ones. Julia Raifman, a public health professor at Boston University, argues: "That's what we need to do now that will help us navigate our way out of this pandemic. If we don't have that, we will continue to have the virus manage us." High inflation and labor shortages will continue too.

The White House must use all its influence to push business leaders, community organizers, members of Congress, governors and mayors across the political spectrum to join in these public health efforts. Instead, administration officials used their bully pulpit to bust a strike by the Chicago teachers union over a lack of coronavirus protections, saying that they "do not believe people should be sitting at home" and should go to unsafe workplaces. That won't solve our economic problems, but it will kill people.

The Fed is not "behind the curve" in fighting inflation. It's the White House that's behind on "bending the curve" of covid cases, and it's falling further behind every day.

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4 Invest in child care

Child-care policies 'can boost the capacity, productivity and the potential of our economy'

By Lauren Melodia

Although the unemployment rate is falling faster than expected, the pandemic continues to fundamentally disrupt our economy. Many people are choosing to remain out of the labor market altogether until public health conditions and disruptions subside, which in turn limits productive capacity and can raise prices. One policy that could address many of these issues across sectors at once has already passed the House and is waiting for Senate action: public investment in our child-care system.

Child care is the backbone of our economy and can enable all parents — who historically have some of the highest labor force participation rates across all genders, races and education levels — to get and keep a job. But as of 2018, many communities across the country are child-care deserts — a result of our nation's complex history of underfunding, undervaluing and under-compensating care work and women's labor more broadly.

The covid pandemic has further decimated this infrastructure. As of this time last year, 20,000 child-care providers were estimated to have permanently shut down. And yet ample evidence exists that access to even part-time day care and preschool programming has a dramatic impact on parents' labor force participation.

Private markets and existing policies will not solve these problems on their own, for many reasons.

First, America's historical and continued reliance on unpaid care workers drives women's wages down throughout the economy. This is one of the major dynamics of the gender pay gap and makes the choice of paying for child care unaffordable for many families. Because care work traditionally done by women is unpaid, women are undervalued in the labor market — where they make 83 cents on the dollar to men. That disincentivizes them from entering the labor market. What results is a cycle in which women are unable to secure jobs that allow them to pay for the cost of child care, which in turn keeps the pay for child-care providers low.

Second, because of this dynamic, the child-care industry is built around low wages and thin, unsustainable profits that have contributed to the failure of the market to deliver a greater supply of child-care centers to meet demand.

Lastly, the government's existing consumer subsidies program, while making child care more affordable for many, has not resulted in the growth of the supply of child care. A 2021 Government Accountability Office report found that 78 percent of families eligible for child-care subsidies do not use them, often because there are no available spaces at local child-care facilities or because they live in a child-care desert.

By making supply-side child-care investments — building new child-care centers; offering loans and grants to existing or recently closed small-business child-care providers; and offering universal pre-K — we could both enable parents to reenter the workforce and create new jobs in child care. Those new jobs would disproportionately go to Black and Brown women, who have been hit hardest by the pandemic and are still suffering from some of the lowest employment rates. Black women, who historically have some of the highest labor force participation rates in the country, currently experience the largest gap (3.5 percent) in their employment rate, comparing December 2021 with pre-pandemic levels.

Many of these policies were passed by the House in the Build Back Better Act and are now on the table in the Senate. And once they are passed and implemented, we can boost the capacity, productivity and the potential of our economy and reduce future economic disruptions — all of which can be deflationary and stabilizing.

Insofar as today's inflation — or the fear of future inflation — is linked to labor market tightness or dynamics, investment in child care is critical for minimizing ongoing disruptions and expanding people's ability to work across all industries in our economy.

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5 Tax wealthy investors

'The richest 10 percent consume as much as the bottom 40 percent combined'

By William Spriggs

The economy proved far less resilient to the shock of the global coronavirus crisis than most people had expected. We need to focus on measures that increase the supply of goods and target price inflation — particularly in markets where inequality is helping drive prices — rather than taking measures that would destroy jobs and weaken growth. One way to do so would be to raise capital gains taxes on investors and levy new taxes on income from stock dividends.

Consumption in America is currently extraordinarily "top-heavy," meaning the wealthy consume far more than most people. In fact, the richest 10 percent consume as much as the bottom 40 percent combined, according to the Bureau of Labor Statistics. Instead of taking measures that would hurt growth and cost jobs, policymakers could temper demand amid massive supply chain disruptions by slowing down the consumption of those at the very top with modest taxes on the rich.

A tax on short-term capital gains and dividends would disproportionately target wealthy Americans who are currently responsible for very high demand. This would alleviate the pressures on the supply chain without leading to a broader economic slowdown. Encouraging longer-term savings — and having companies retain earnings — will keep balance sheets strong and result in investments that can help the economy become more resilient.

It's worth stressing the potential danger of alternative approaches. Using the blunt instrument of raising interest rates, the tool of the Federal Reserve, would be an attempt at price controls. But that mechanism for lowering prices would broadly shrink demand across the income distribution. Lower demand would lower prices, at the cost of even lower production. In the case of automobiles, for instance, that would be disastrous, because the unprecedented spike in used-car prices is caused by the collapse in the current auto supply; domestic production in November was at 58 percent of its February 2020 level. We do not want to solve inflation by starving the economy and causing production to plummet.

Policymakers should remember that inflationary trends are caused in part by numerous factors outside higher demand, and we need to be careful if we are attempting to tame it. We have seen a rapid recovery in demand for consumer goods, but weak demand for services. This switch in consumption has helped protect employment by facilitating the movement of workers forced out of the service sector, but it comes with higher prices for some goods. In addition to exacting a devastating human toll, the lack of protections for workers has led to millions getting sick, creating disruptions that lead to supply shocks that drive up prices. And it's not clear exactly how broad-based inflation is. For instance, rental costs have been relatively stable — well within the Federal Reserve's target level for inflation — in another sign that price pressures have more to do with supply shocks and demand shifts than an overheating economy.

Nonetheless, tempering demand might be desirable. To do it, there is no better place to start than a short-term capital gains tax on the rich.

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6 Prepare for Fed intervention, de-escalate the trade war

'Congress needs to ensure the central bank is prepared to act decisively to cool down an overheating economy'

By Michael Strain

Biden has announced three nominees to fill vacancies on the Federal Reserve Board. Congress, with the president's encouragement, should make sure these nominees recognize that the central bank has been behind the curve on taming inflation. Biden's appointees should have as their top priority maintaining stable prices, not addressing racial inequity or risks from climate change. Congress needs to ensure the central bank is prepared to act decisively to cool down an overheating economy before inflation worsens and the longevity of the current economic expansion is put at greater risk.

The White House should also de-escalate the trade war with China to reduce the price of traded goods. Certainly, the administration should not increase tariffs, as it did recently when it doubled the duty on softwood lumber imported from Canada. Tariffs on about $300 billion of imported goods from China imposed by the Trump administration remain in effect. The Biden administration is reluctant to ease them without concessions from China, but visible progress in its negotiations is scant. Easing tariffs would not be a game changer by any stretch — but every little bit helps.

The White House has made some attempts to ease supply chain restrictions and other measures to reduce inflationary pressures. These are welcome, but ultimately won't have a huge effect on the rate of growth of consumer prices. The White House should also tame its ambitions for its legislative agenda. It certainly shouldn't reduce taxes for upper-income households in states with relatively high state and local tax burdens, as it has been planning to do as part of its Build Back Better framework.

But filling the Fed board with governors who recognize that inflation is their top priority and easing tariffs while risking looking soft on China would signal that the White House takes inflation seriously. That's the right signal to send.

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7 Improve America's supply chains

'We should use this as an opportunity for reforms that help us manage growing abundance'

By Matt Darling

We are not seeing high inflation and out-of-stock goods because the supply chain is performing worse than usual. Instead, ports are overloaded with goods because we are importing 20 percent more than before the pandemic. The fast-paced economic recovery is leading to supply chains that are functioning above — not below — their normal capacities. The fixes we need to implement are ones that improve the functioning of the supply chain when demand is high.

There are some obvious steps we can take to do so.

On the sea, we should repeal the Jones Act — a 1920 law that prohibits shipping goods between U.S. cities unless the boat is owned, built and crewed by the United States. This sort of protectionism dramatically raises the costs of shipping to and within the United States. The Biden administration has already ordered ports to stay open 24 hours a day, seven days a week. We should also change zoning laws to allow for denser storage of shipping containers. The port of Long Beach, Calif., is allowing containers to be stacked twice as high as before, which should be replicated in other ports.

On the roads, the fundamental problem is the number of truck drivers. Trucking employment has struggled to recover to its pre-pandemic high, despite the surge in demand. One way to alleviate the problem is to reduce the legal barriers to becoming a truck driver, such as by no longer requiring testing for marijuana use. But getting more truckers is especially difficult because the current rise in demand will be short-lived, in addition to the — so far unfounded — belief that trucking jobs are about to be automated. Potential drivers recognize that advertised wage increases could be temporary, so increasing wages alone will not entice people into the field. Increasing the number of truckers may require permanent labor reforms that increase truckers' bargaining power. For example, the PRO Act supported by the White House would classify many truckers, who are currently independent contractors, as employees for the purposes of the National Labor Relations Act, making it easier for them to organize and join unions.

The pandemic has put our supply chains under stress. So it makes sense to think about ways that we can increase domestic production of critical goods, such as semiconductors. But that does not imply we should retreat from trade altogether — which would simply make any current shortages permanent. A prosperous U.S. economy will always rely on imports. We should use this as an opportunity for reforms that help us manage growing abundance.

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8 Inflation is a wildly overblown attempt to stop progressives

'Let's not let the bravado of politically driven inflation anxiety deter us from public investments'

By Darrick Hamilton and Demond Drummer

We are nowhere near an inflation crisis. The real pain families are feeling from price increases today is not a result of stimulus spending. Rather, it is structural — the result of policy failings and an economic policy infrastructure that has been for years designed to keep wages low and enable the hoarding of economic resources by the super wealthy and the upper-middle class. To be clear, we do not want to see hyperinflation. But the political anxiety around inflation is a straw man intended to curtail a progressive agenda.

Context: While a 7 percent inflation rate is the fastest since 1982, it is nowhere near unprecedented. It is much less, for instance, than the 13.5 percent inflation rate of 1980 — or the 11 percent inflation rate of 1974. The difference between then and now is critical; the increase in price levels in the 1970s was spurred largely by an energy crisis imposed upon the United States by oil-producing countries (OPEC). Similarly, the hyperinflation experienced by Germany in the 1920s and Latin American countries in the 1980s were the result of debt crises and structural adjustment currency destabilizations imposed by the International Monetary Fund and other foreign powers. Here, again, a key difference emerges. Unlike Germany coming out of World War I with a massive war reparations bill, or Global South nations beholden to the currency whims of global finance, the United States is a sovereign monetary entity with the world's largest economy.

More context: For the past two years we've endured an unprecedented public health crisis and answered an unprecedented economic downturn with an unprecedented stimulus. It is not extraordinary to have inflation after deploying fiscal stimulus to lift our economy out of a downturn. In light of an economy that was essentially shut down to preserve life, including resulting supply chain disruptions, it is simply disingenuous and irresponsible to lay current price levels solely, or even primarily, at the feet of fiscal stimulus.

Final context: The past 40 years have been characterized by a delicate two-step between fiscal and monetary policy. Under this regime, government stimulus has been primarily directed to the corporate sector under the guise of a supply-side market dynamism that would trickle down and lift all of our (proverbial) boats. That stimulus has been coupled with a monetary policy prioritizing price stability in the Fed's dual mandate of both price and employment stability. The result has been a flatlining of real worker wages and the facilitation of an obscene, undemocratic and dysfunctional concentration of wealth and power.

Let's not let the bravado of politically driven inflation anxiety deter us from public investments to our environment and our economic security. Rather than looking at current price levels and concluding that our stimulus went too far, we should be looking at the looming eviction crisis and concluding that our stimulus hasn't gone far enough.

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9 Use antitrust to curb corporate profiteering

'Monopolies leave us more vulnerable to price-gouging, collusion and pandemic profiteering'

By Lindsay Owens

Today's supply shortages were entirely foreseeable. Beginning in the 1970s, we began a long, sclerotic march toward a hyper-efficient — but brittle — economy that brought us to the eve of the pandemic without a semiconductor to spare. Corporate America's ruthless pursuit of short-term profits also fueled a mergers and acquisitions frenzy that resulted in today's economywide monopolies. This extreme concentration has thinned out our supply chains and left the remaining mega-companies perfectly positioned to capitalize on inflation to post record profits.

While we won't be able to instantly fix decades of corporate consolidation and lax antitrust regulation, Biden's focus on addressing monopoly and profiteering as part of his three-part plan to address rising costs represents an important start. But there is still more he can and must do.

First, he should ramp up the enforcement and regulatory power of agencies such as the Federal Trade Commission, Federal Maritime Commission and Agriculture Department to break up monopolies, stop price-gouging and encourage competition. The president must also continue to call out profiteering by monopolists from the podium, an approach with historical precedent that could have an immediate impact, including numerous corporate CEOs who have been crowing to investors on recent earnings calls about pulling off strategic price hikes.

Congress must play its part, too, by passing legislation aimed at breaking up and re-regulating the large ocean shipping monopolies that are stoking inflation. It is also past time to tax excess profits, as Congress did after World War I and World War II to encourage productive investment and deter price gouging.

There is no one-size-fits-all solution to inflation — and no one is claiming that taking on corporate consolidation and profiteering will “fix” inflation on its own. Still, these actions will help alleviate current price hikes for two important reasons.

First, corporate concentration has hollowed out and nearly eliminated redundancy in our supply chain, leaving us without enough productive capacity to withstand a significant increase in demand or a pandemic-induced plant closure without supply shortages. This extreme consolidation has also left us with a bare-bones workforce and just a handful of companies in industries that are absolutely essential to the functioning of our supply chains. Case in point: The majority of the goods Americans rely on are delivered by as few as three ocean shipping alliances, packed by four meatpackers and equipped by a single chip maker. This lack of excess capacity or redundancy has made us so lean there’s absolutely no margin for error.

Second, monopolies leave us more vulnerable to price-gouging, collusion and pandemic profiteering. Concentration has enabled these firms to use their extraordinary market power and near-monopoly position to post spectacular increases in profits during a global pandemic without any risk of being undercut by competition. Maersk, one of the world’s largest shipping companies, just had its best quarter in 117 years. According to a recent analysis from the White House National Economic Council, the four big meatpackers have seen their net profit margins go up more than 300 percent since the start of the pandemic. Record-setting profits by monopolists have contributed to a 70-year high in corporate profit margins, and according to Jeff Meli, head of global research for Barclays, these companies are just getting started.

Addressing concentrated corporate power isn’t the only tool the president can or should use to bring down prices that are straining family budgets. But given the pernicious and pervasive links between concentration, shortages and price hikes, any policy response must center this approach or underdeliver. American consumers can afford nothing less.

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10 Make expectations realistic

‘Communications are substance in this situation’

By Adam Posen

The best the White House can do now is communicate realistic expectations of a slow decline in inflation this year, while setting up the Federal Reserve to make that happen. High inflation is already baked in for 2022, though it is likely to be declining from last year’s highs. Now that inflation is persisting economywide, though, affecting general wage and price trends, it is a job for the Fed’s monetary tools rather than addressing particular bottlenecks or shortages.

But, given the popular outcry and the risk that visibly neglected inflation would accelerate, the Biden administration should not be seen to just wait it out. Instead, officials should do their part to keep inflation expectations low for the future. Communications are substance in this situation: The more the public understands that inflation will come down, the less likely that new price pressures will feed on those already there. The more confidence the public has that the Fed will successfully contain inflation, the less aggressively the Fed might have to tighten.

How can the White House do this? The first step is for officials on the Council of Economic Advisers and the Treasury to publicly raise their inflation forecasts for 2022 — a 3.5 percent increase in the consumer price index would be my best projection — and clearly say that they had underestimated the forces of inflation. Somewhat paradoxically, admitting that inflation is unlikely to go away quickly would help reestablish credibility.

Second, the president and the treasury secretary should use the confirmation of Jerome H. Powell and Lael Brainard as Federal Reserve Board chair and vice chair, respectively, to retell the story of the 1980s, when the Fed tightened monetary policy to reverse rising inflation. That exemplifies good central bankers doing what is needed when the situation demands. This would reinforce the virtues of central bank independence, the need for interest rate increases to reduce inflation once it becomes persistent, and the fact that doing so takes time and sometimes pain, but is worth the cost.

Third, the White House should reframe and push anew the part of the Biden administration's economic agenda that can be justifiably claimed as a disinflationary priority: the child-care, family leave and educational components of the still-unpassed Build Back Better legislation. These measures to increase female labor force participation would move the needle on inflation a lot and move it quickly. As seen in France, Japan and other high-income nations, providing more child care and other flexibility to make it easier for women to return to work yields nearly immediate large-scale improvements in labor supply. That would directly reduce labor shortages now contributing to the main trend of inflation.

There is only so much the White House can do directly to reduce inflation beyond that, because fiscal policy has already been tightening, and the dollar has already been strengthening since the summer. The Fed has the remaining macro tool, monetary policy. But the tools the administration still can employ to shape public expectations — expanding labor supply, reminding the public about what reducing inflation actually takes, and committing to a realistic path for that disinflation — would at least help the Fed succeed more quickly at lower cost.

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11 Drive down health-care costs

'Rising health-care costs affect nearly everyone'

By Arnab Datta, Skanda Amarnath and Alex Williams

Many parts of the government can influence short-run consumer prices. But few have the tools and authority to do so with the same reliable impact as regulating health-care costs — the largest single sector of consumer spending.

The United States already faces higher health-care costs than any other advanced economy. And rising health-care costs affect nearly everyone. Higher insurance premiums and deductibles hurt businesses and workers. Higher drug costs and Medicare premiums hurt families and seniors. Higher Medicare costs and deficits hurt the federal government.

But health-care costs are also unique: Policymakers already have the tools and discretion to lower inflation by lowering health-care costs. Both Congress and the Centers for Medicaid and Medicare Services can lower cost pressures by exercising greater reform and restraint in government spending. Then, public and private actors can bargain harder and reduce costs for consumers.

Congress just extended a temporary increase in Medicare reimbursement rates through June — overriding previously bargained pay-fors in the Bipartisan Infrastructure Deal. The rate increase was meant to subsidize a health-care sector that is still bearing the costs of the pandemic. But from a revenue standpoint, hospitals and providers have seen significant earnings growth over the pandemic. The administration and Congress should allow these increases to begin expiring at the next deadline at the end of March.

A considerable body of research shows that targeted reductions on government spending to health-care providers reliably reduce health-care inflation. Medicare rates help determine prices throughout the health-care system, including what private payers can bargain for. Reimbursement rate cuts, such as those that contributed to lower-than-expected inflation during the 2010s, reduce inflation readings while lowering costs throughout the health-care system.

Rigorous prescription drug negotiation should also be included in the Build Back Better bill. As we push for a booming economy, these important cost reforms ensure stronger growth remains sustainable and equitable.

Let’s contrast health-care policy with interest rate policy. The Federal Reserve is seen as the primary discretionary policymaker when it comes to inflation, but its main mechanism for slowing down inflation is quite the bank shot: raising financing costs so much that businesses spend less on labor, all to slow household income and consumer demand.

Solving inflation through interest rate hikes inherently depends on slowing down paychecks to Americans who are already disproportionately affected by higher rent, rising energy costs and elevated food prices. Meanwhile, slowing down aggregate business spending will also imply slowing down inventory and capital expenditures as part of the supply-side response to bottlenecks, particularly in goods that have nothing to do with domestic labor.

While many are looking to the Fed to slow down inflation, it is the responsibility of economists to fashion better fiscal and regulatory tools that can address the demand- and supply-side causes of inflation than interest rate hikes. The White House has limited authority to directly address these challenges, so it must act where it has discretion to directly and equitably reduce inflation. The cost of health care is an excellent place to start.

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12 Consider using price controls

'The time is now to begin destigmatizing greater democratic control over price levels'

By Todd Tucker

On March 23, 2020, President Donald Trump approved an emergency declaration that empowered him to prevent businesses from charging above the originally prevailing rates for goods deemed to be scarce. N95 masks and other personal protective equipment were included on the list. These price controls have been successfully enforced, as a U.S. District Court affirmed in December 2021 in a case brought by the Justice Department against an Illinois businessman who charged a 367 percent markup on scarce masks in the early days of the pandemic. The defendant accused the government of violating his constitutional rights, arguments that Judge Jeffrey Cole dismissed, noting that the more than century-long U.S. practice of price controls had been upheld hundreds of times by courts.

In a recent op-ed, economist Isabella Weber suggested that strategic price controls — government rules on what prices can be charged and how for certain industries or products — could be a useful tool *among others* in responding to price shocks. The piece provoked a hysterical, over-the-top reaction that treated price controls as a foolish fantasy rather than a policy option that has a history many scholars have been studying for years. Much of the reaction to Weber's piece missed that price controls could prove an effective and time-tested part of policymakers' tool kit.

There are some sectors where price controls have particular appeal — in monopolistic or otherwise highly concentrated industries; for products and services essential to human flourishing; and in "upstream" sectors that produce the inputs many other industries use.

In the first category, competitive markets do not exist to begin with, so prices are determined by political and economic power. This is why the prices of utilities and prescription drugs are heavily regulated almost everywhere.

In the second category, there are normative reasons for not wanting pure markets to exist, because necessary products could be priced out of reach for poor and middle-class consumers. Thus, products including face masks and foods are also heavily regulated around the world.

Finally, policymakers can use subsidies to target lower prices of common inputs such as energy, steel and semiconductor chips, as envisioned through the Build Back Better Act's support for renewable energy; the U.S.-E.U. framework to lower the price of traditional and (eventually) green steel; and the bipartisan Chips Act. The result: All downstream users of these inputs benefit.

But the academic research makes one thing clear: Any more-systematic attempts at price controls require significantly more government capacity than we have at present. As I noted in a recent brief for the Roosevelt Institute, at the peak of price control efforts in World War II, the government employed 160,000 price regulators. While widespread use of digital payments could make enforcement easier, the economy has grown substantially, and it is likely many more officials would need to be hired. That capacity won't be developed overnight, so if we think future crises might merit price controls, expanding governments' abilities now to track prices throughout supply chains is a must.

It is not obvious that price controls are a silver bullet for all of the recent price spikes. While there appear to be some instances of opportunistic price-gouging, other price increases appear to be transitory. But to deal with the supply shocks and commodity hoarding that the transition to a clean energy economy could produce, no policy response should be off the table — especially those such as price controls that have a history of effective use. To ensure that the wealthy do not bid up prices for essential items, the time is now to begin destigmatizing greater democratic control over price levels.

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