



Experts From Across The Political Spectrum Agree: Inflation is Not a Worry

1. The risk of doing too little is greater than inflation
2. The Federal Reserve has the tools to address inflation if it occurs

International Monetary Fund's Gita Gopinath: IMF Sees Limited Inflation Risk From Biden's \$1.9 Trillion Plan

- "Our preliminary estimate is that the proposed U.S. package, equivalent to 9 percent of GDP, would increase U.S. GDP by a cumulative 5-6 percent over three years. Inflation, as measured by the Fed's preferred index, would reach around 2.25 percent in 2022, which is **nothing to be concerned about** and, indeed, would help underpin the achievement of the goals outlined in the Fed's policy framework." [IMFBlog, [2/19/21](#)]

David Beckworth, former Treasury Department Economist, and Ramesh Ponnuru, fellow at the American Enterprise Institute: Stop Worrying About Inflation

- **"The evidence that high inflation is on the way is weak.** It's too weak, actually: An economy on the verge of a robust recovery would be showing more signs of rising inflation. Right now, inflation appears more likely to stay below its optimal level than above."
- "The danger to which the inflation hawks are pointing is mostly illusory. The one the hawks themselves pose is all too real." [New York Times, [2/17/21](#)]

Eric Winograd, Senior Economist for Fixed Income at Alliance Bernstein:

- "For the Fed, the risk of tightening policy prematurely is much greater than the cost of tightening too late ... The same is true on the fiscal side. **If you do too little, we risk a very weak economy. You do too much, we get an overheated economy. Oh well. We have the tools to deal with that.**" [Politico, [2/11/21](#)]

Former Vice Chair of the Federal Reserve Alan Blinder: The Risks of Skimping on Covid Relief

- **"If inflation starts to rise, the Fed will see it coming and take steps to arrest it."** [Wall Street Journal, [2/17/21](#)]



Treasury Secretary and Former Federal Reserve Chair Janet Yellen:

- “My predecessor has indicated that there’s a chance this will cause inflation to rise. That’s also a risk we have to consider. **I spent many years studying inflation and worrying about inflation and I can tell you we have the tools to deal with that risk if it materializes.** But we face a huge economic challenge here, tremendous suffering in the country, we’ve got to address that – that’s the biggest risk.” [CNN, [2/7/21](#)]

National Economic Council Director Brian Deese: Biden Economy Chief Sees Jobs as More Urgent Risk Than Inflation

- “We take very seriously the economic risks that are out there, we spend a lot of time thinking about them, a lot of time worrying about them. [Inflation is] a risk that we’re keeping our eye on and it’s something to consider. As we assess and balance these risks, we believe that the risks of further scarring in the labor market – **the risks of further extending this economic pain – outweigh the risks of doing too much**” [Bloomberg, [2/22/21](#)]

White House Economic Council Adviser Jared Bernstein:

- “**I don’t believe it will lead to overheating** [...] I think that risk is far smaller than the risk of not doing enough to vanquish the virus and provide people the help they need.” [CBS News, [2/19/21](#)]

Paul Krugman, Nobel Prize-Winning Economist:

- “**There’s an easy answer if inflation should start to rise: the Federal Reserve can tighten monetary policy.** I’ve seen suggestions that this won’t work — either that the Fed will lack the will to tighten or that it can’t tighten without causing a recession. But when was the last time the Fed was too hesitant about tightening? I think you have to go back to Arthur Burns in the 1970s; its bias has gone the other way ever since.” [New York Times, [2/7/21](#)]
- “Now, thinking about this as a war budget doesn’t mean that we can ignore macroeconomics: Emergency spending may not be intended as stimulus, but it nonetheless has a stimulative effect. And wartime surges in spending have often been accompanied by bursts of inflation, because they can lead to an overheated economy. So is that something that might happen this time? Yes, it might. But we don’t know for sure that it will. **And to the extent that inflation is a risk, that’s an argument for seeking ways to limit that risk, not for skimping on Covid relief.** [...] So we shouldn’t dismiss concerns about



overheating, but we shouldn't let them get in the way of giving Americans the aid they need."

Kathy Jones, Head Of Fixed Income At Charles Schwab

- "Right now, to put it in context, we have an unemployment rate that's well above 10%. [...] **The chances of seeing significant inflation anytime soon are quite slim.**" [CNBC, [8/27/20](#)]

New York Times Editorial Writer Binyamin Appelbaum: Inflation Isn't Lurking Around the Corner. This Isn't the 1970s.

- "The threat of inflation has been invoked repeatedly as the justification for placing limits on federal spending, for restraining the pursuit of full employment and for limiting the economic power of workers."
- "It is a tired refrain that seems to be sung mostly by those whose views were forged during the stagflationary 1970s. **But we live in an era of anemic inflation, and changes in the economic landscape since the '70s have significantly reduced the chances of a revival, including the watchfulness of the Federal Reserve, workers' loss of bargaining power and the effects of globalization.**"
- "The boldness of the Biden administration, and of the Fed, shows that many in the government understand the need to stop fighting the last war. It's not the 1970s anymore." [The New York Times, [2/16/21](#)]

Federal Reserve Chair Jerome Powell:

- "If inflation were to move up in ways that are unwelcome, **we have the tools for that, and we will use them.** No one should doubt that." [CNBC, [1/14/21](#)]
- "I'm much **more worried about falling short of a complete recovery** and losing people's careers and lives that they built because they don't get back to work in time. I'm more concerned about...the damage that will do not just to their lives, but to the United States economy, to the productive capacity of the economy. I'm more concerned about that than about the possibility which exists of higher inflation." [White House Press Briefing Transcript, [2/5/21](#)]

Wall Street Journal Columnist James Mackintosh: Markets Don't Think Biden's \$1.9 Trillion Covid Relief Is Too Much

INVEST in AMERICA

- **“Raising rates is a tried and tested way to hold down inflation. It is better than the risk of doing too little** and spending another decade struggling to escape the shadow of a deep recession.” [The Wall Street Journal, [2/9/21](#)]

Economic Policy Institute:

- “Recent proposals for large-scale fiscal relief and recovery from the economic effects of COVID-19 have drawn criticism that they could lead to ‘overheating’ of the U.S. economy. These criticisms should be ignored. **Proposals under discussion—including Biden’s economic plan introduced tonight—are highly unlikely to lead to any durable uptick in inflation or interest rates** (the normal indicators of ‘overheating’) and even if they did, these higher interest rates and inflation would be a welcome sign of economic healing, not something to worry about.” [Economic Policy Institute, [1/14/21](#)]
- “The Biden plan is essentially the reverse of opportunistic disinflation—it’s opportunistic go-for-growth. Yes, there are several factors arguing that the economy could be well-poised to return unemployment to non-crisis levels relatively soon even without quite as big a plan. But, so what? Why not do even better than that? **As many have pointed out, the risks of going too-big are trivial—a period of inflation that the Federal Reserve is well-equipped to neutralize.** The risks of going too-small are large—letting the unemployment shock from COVID-19 linger for years.” [Economic Policy Institute, [2/5/21](#)]

Former Wall Street Economist Nick Sargen:

- **“My own take is the threat of inflation is not imminent** with both core and headline CPI only at 1.4% over the last 12 months and the U.S. economy operating well below its potential. However, the economy will likely be much stronger in the second half of this year when covid vaccines allow businesses to reopen and the impact of increased federal spending is felt. By year’s end, the economy should be near where it would have been before covid struck.” [Forbes, [2/16/21](#)]

The Bottom Line: Experts from across the political spectrum agree that the benefits of going big fair outweigh any costs. Former Federal Reserve Chairs agree with Chair Jerome Powell, who argues that the Federal Reserve has the tools to address any potential rise in inflation rates.