

Opinion

Inflation rears its ugly head – and it's not the first time

By DENNIS GRUBAUGH

The hue and cry over rising costs have been with us at least since the first shopkeeper raised the price on sacks of flour



Grubaugh

at Dry Gulch Dry Goods.

Still, appreciating the history of inflation doesn't make it any less painful to walk into a restaurant today and spend \$100 on a simple meal. Add in booze and you're talking real money.

Many people need the alcohol just to numb the reality of the last two years.

Covid-19, that rattrap that we just can't seem to escape, continues to stick to us as consumers. We voluntarily rolled up our sleeves to get our jab, and now we're getting jabbed right back — in the pocketbook. At least those out there who nonsensically refuse to get jabbed are getting financially pinched like the rest of us.

The concern over inflation, I'm sorry to say, has always been with us. It is a

measure of the rate of rising prices of goods and services in an economy. When it occurs, basic necessities start increasing in price, sometimes dramatically.

One of the recent tales I heard with frequency involved Dollar Tree, where the buck has apparently stopped. The chain said it is now selling products at \$1.25 and \$1.50 in some of its stores, after a pilot program showed that store customers didn't really mind as much as the chain suspected they would.

What choice do the dollar-minded have? If you shop at Dollar Tree, you're not going to give up on the bargains just because they cost an extra quarter.

No, you'll complain, but you'll go right along with life as we know it — which has been pretty odd of late and looks to be just as strange in 2022.

You can blame the sorrowful supply chains. Or the laborious labor market. Or greed. Blame any thing that makes sense, but the bottom line is, this round of inflation will eventually pass. Meanwhile, you'll adapt, just like we've always adapted.

I remember, 40 years ago, when my brother-in-law told his wife to start spending less. She responded

by cutting her paper plates in half.

True story. We all remember our economic low points when it comes to inflation.

For President Gerald Ford, the worst came in 1974 when his administration came up with a campaign that he mistakenly called, Whip Inflation Now, or WIN. It encouraged people to combat inflation through personal savings and disciplined spending habits. It was a disaster. Inflation driven by oil prices continued on — and stretched completely through successor Jimmy Carter's administration. Carter's third year in office, inflation shot to 14.8 percent. It was fixed only after Fed Chairman Paul Volcker engineered a series of monetary actions and bank restrictions that allowed inflation to settle back to a manageable 3 percent by 1983.

During those times, everyone felt inflated prices, just like they feel them now. In 1984, my first home mortgage carried a whopping 10.75 percent interest rate, and we thought Old Man Potter had taken over the bank. Fast forward almost four decades and we bought a car that carried an interest rate of only 0.9 percent. We wondered if Mr. Potter had finally died.

The point: These periods of upheaval are sporadic, driven by things that few of us can foresee. War. Political confrontation. Freight costs. Market uncertainty. Foreign intrigue. Worldwide viruses.

Conversely, inflation is cured by things just as obtuse — tinkering with interest rates, passage of time, producers doing better, consumer confidence, etc.

According to a White House report this summer, there have been six significant periods of inflation since World War II. Measured by a Consumer Price Index of 5 percent or higher, the periods happened in 1946–48, 1950–51, 1969–71, 1973–82, and 2008.

And now we have what we have. I'm confident we'll get through it. But I would like to see truth come back to the marketplace. I'm waiting for somebody to open a store called, "Everything's at Least a Dollar."

I don't know if I'd shop there, but I'd definitely visit to check out the hue and cry.

Dennis Grubaugh is editor of the Illinois Business Journal. He can be contacted at dgrubaugh@ibjonline.com

As we embark on a new year, is America on the right track or wrong?

By ALAN J. ORTBALS

Periodically pollsters take Americans' temperature on how they think the country is doing. It's a very simple — perhaps



Ortbals

too simple — question: Is America on the right track or the wrong track? In the latest survey, Americans were clearly of the mind that the nation was headed in the wrong direction. Real Clear Politics reported on six such polls, the average of which showed a meager 28 percent happy about the way things were going and nearly two-thirds believing the country is heading down the wrong path.

The polls don't explain or give any detail regarding why people responded the way they did. When these results come out, I often ask myself how I would reply. In this latest iteration, it would depend on how I viewed the question.

On the one hand I would say America is doing very well. After all, more than 4 million jobs have been created this year, unemployment is down to 4.6 percent,

wages are up 5 percent and, as of this writing, the DJIA was near a record high and economists were predicting fourth quarter GDP growth in the 8 to 9 percent range. Plus, the largest infrastructure program in U.S. history was enacted in November and it's expected to create 1 million more jobs and add \$1.4 trillion to the GDP.

Yes, inflation right now is high. But that's primarily a byproduct of the pandemic. Last year supply exceeded demand for all kinds of goods and services and so manufacturers and producers cut way back. Now demand is soaring, and the supply side of the scale is ramping up as fast as it can but not yet keeping pace. Economists predict that supply and demand will come into balance next year and inflation will then drop back down in the 2 percent range. From this perspective, I would say we're definitely on the right track.

On the other hand, I see America headed down a very scary path. I am quite pessimistic about the future of American democracy — and I'm not alone.

Last November 150 governmental experts — university professors from Georgia to Washington state and scholars ranging from the Brookings Institution on the left to the American Enterprise Institute on the right — signed onto a report to Congress warning that American

Democracy is, "at a moment of great peril and risk" and urging immediate action.

What has them so unnerved — me too — is that Republican controlled legislatures across the nation have passed laws making it harder to vote, restricting early voting, squelching mail-in voting, and most alarming of all, creating avenues for partisan politicians to overturn state elections.

"The partisan politicization of what has long been trustworthy, non-partisan administration of elections represents a clear and present threat to the future of electoral democracy in the United States," says the report.

These experts call on Congress to pass the Freedom to Vote Act in response.

The Freedom to Vote Act would set basic voting standards such as a minimum of two weeks of early voting, automatic voter registration and a guarantee of the right to vote by mail. It would also block partisan and racial gerrymandering.

"If Congress fails to pass the Freedom to Vote Act," the scholars warn, "American democracy will be at critical risk. Not only could this failure undermine the minimum condition for electoral democracy — free and fair elections — but it would in turn likely result in an extended period of minority rule, which a majority of the country would reject

as undemocratic and illegitimate. This would have grave consequences not only for our democracy, but for political order, economic prosperity, and the national security of the United States as well."

I agree that the passage of the Freedom to Vote Act is essential to the future of American democracy. But what is perhaps more important is ending the electoral vote system. If Trump had succeeded in flipping a mere 43,000 vote — just two-tenths of a percent of the total cast — he could have created a tie in the electoral college, thrown the election into the House of Representatives and won the presidency despite still losing the popular vote by 7 million.

The 2020 election revealed how dangerous the electoral system is to our democracy. Dispense with it and you've gone a long way to putting an end to the treachery that nearly toppled our republic. But I see no chance that Congress will amend the Constitution to do so and very little chance that it will pass the Freedom to Vote Act. Hence, my pessimism.

Right track? Wrong track? As we go forward into the new year, there is plenty to be excited about and a whole lot to fear.

Alan J. Ortals, former publisher of the Illinois Business Journal, can be reached at aortbals@ibjonline.com.



Illinois Business Journal

The *Illinois Business Journal* is owned and operated by Better Newspapers Inc.
P.O. Box C • Mascoutah, IL 62258
Web site: www.ibjonline.com
Periodical mailing permit 332440

President/Publisher: Greg Hoskins
ghoskins@heraldpubs.com (618) 566-8282
Editor: Dennis Grubaugh
dgrubaugh@ibjonline.com (618) 977-6865
Marketing Manager: Charles Huelsmann
chuelsmann@better-newspapers.com
(618) 973-0414

emailus

If you would like to express your opinion on a topic relevant to Southwestern Illinois business readers, send your letter to the editor of 300 words or less to dgrubaugh@ibjonline.com
Please include your city of residence