

POINT/COUNTERPOINT: Inflation’s cause and impact — and what can we do about it?

EDITOR’S NOTE: For the past month the Illinois Business Journal has gathered reactions to the onrush of inflation from across the political spectrum. Here is a sampling of voices from the debate.

Josh Bivens of the Economic Policy Institute: “As the inflation debate continues, it’s worth reiterating some important points that policymakers should keep in mind in coming months as they ponder what to do about inflation that emerged last year.

“- The argument that too-generous fiscal relief and recovery efforts played a large role in the 2021 acceleration of inflation by overheating the economy is weak, even after accounting for rapid growth in the last quarter of 2021.

“- The COVID-19 pandemic is the primary factor driving excessive inflation through demand and supply-side distortions. Going forward, the economic distortions imposed by COVID-19 are highly likely to become less extreme in 2022, providing relief on inflation.

“- The worry that inflation ‘expectations’ among workers, households, and businesses will become embedded and keep inflation high is misplaced. What matters more than ‘expectations’ of higher inflation is the leverage workers and firms have to protect their incomes from inflation. For decades this leverage has been entirely one-sided, with workers having very little ability to protect wages against price pressures. This one-sided leverage will stem upward pressure on wages in coming months and this will dampen inflation.

“- Moderate interest rate hikes will not slow inflation by themselves. The benefit of these hikes in convincing

households and businesses that inflation is taken seriously by policymakers needs to be weighed against their possible downsides in slowing growth.

“There are also many reasons to think that the global supply chain dysfunction may be near a plateau. Of course, given the unpredictability of COVID-19, it’s hard to definitively declare this. But between continued global vaccine roll-out and a growing disconnect between COVID-19 waves and economic disruption, there is decent reason to think pressure from global supply chain kinks may start to resolve in the coming year.”

Daniel Sutter, Affiliated Senior Scholar at the Mercatus Center and professor of economics at the Manuel H. Johnson Center for Political Economy at Troy University: “Expect politicians to try selling their pet projects as fighting inflation. But as economist Milton Friedman famously said, ‘Inflation is everywhere and always a monetary phenomenon.’ Alleged inflation remedies should be evaluated on their own merits.” - From The Heartland Institute.

Peter St. Onge, a research fellow in economic policy at The Heritage Foundation: “President Joe Biden has yet another inflation scapegoat: the war in Ukraine. On March 10, in response to new data showing year-on-year inflation hitting 7.9 percent, Biden characterized the jump as “Putin’s price hike,” pinning 14 months of inflation on a 2-week-old war.

“This administration needs to quit the excuses and get to work reversing the trillion-dollar deficits, the war on energy and supply chains, and the bumbling mandates, regulations, and subsidies that drive

up prices and drain Americans’ pockets.

“When Biden took office, inflation was running at a 3 percent annual rate, and prices had risen just 1.4 percent during the previous year under President Donald Trump. Almost immediately, the administration and its allies in Congress got to work for the activists who installed them, pushing a trillion-dollar spending bill and ham-handed executive orders targeting, above all, energy. These drove inflation to 7.9 percent year-on-year—a 40-year high — long before Russian President Vladimir Putin’s war ever began.

“Absent from the parade of excuses is what’s actually driving inflation: \$6 trillion in deficit spending crashing into supply chains, and energy production crippled by green mandates, labor restrictions, and handouts that took millions of workers off the job when we needed them most.

Dr. Daniel McMillen, head of the Stuart Handler Department of Real Estate at the University of Illinois at Chicago College of Business Administration: “The number of home sales taking place in Illinois experienced a modest decline compared to the same time last year. However, the number of homes listed for sale remains low, and sales prices continue to increase. Inflation is a source of concern for potential homebuyers, and interest rates are at their highest level in over a decade.” - From The Heartland Institute.

Clark Kaericher, senior vice president of government affairs at the Illinois Chamber of Commerce on the impact of gas prices, which are up 43 percent,

new cars, up 12.6 percent, and rents, which are up 5.1 percent this year. “The last time that rents increased at this rate, Marky Mark and Wilson Phillips had No. 1 hits.” – From The Center Square

Ken Simonson, chief economist for the Associated General Contractors of America, in a construction inflation alert, spotlighting the climb of diesel, aluminum mill shapes, copper and plastic construction products. “This period is unique in how broad-based price increases are. Previously, we’ve seen just a limited number of items soaring in price. This time, it’s much more extensive in the number and magnitude, long lead times, unexpected shortages and things not showing up in the quantities or times expected.”

Dan Varroney, author of “Reimagining Industry Growth”: “Whatever way you look at it, energy costs are a key culprit for supply chains, companies, and consumers. Inflation’s steady climb is increasing raw materials costs, overall supply chain costs, and it’s going to make top line growth and profitability much more challenging in the weeks and months ahead.”

“Keep in mind that inflation has been on the rise for over a year and the war in Ukraine is clearly having an accelerator effect on availability of products and pricing. The 8.5 percent year over year jump in inflation is extraordinary and for now we should expect that inflation will not abate through the end of 2022. What’s more it looks like we should lower expectations for U.S. GDP growth in the third and fourth quarters of this year.”

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Continued from Page 1

“It was super low key, just trying to dip my toe back in and help some old friends with cases they were working on,” he said.

One of those old friends was Ethan Flint, who Cooper says he hired at SimmonsCooper years ago, straight out of law school.

“Over the last couple of years, most of the cases I worked on were cases Ethan had brought to us,” he said.

That ultimately led to the decision to form the partnership with Flint, who’d formed his own firm in 2007.

“It made a lot of sense to jump back in,” Cooper said. “As I spent more time practicing law, it went from being a side job to more of a full-time one.”

Now, FlintCooper is actively working on a caseload worth more than \$17 billion, the majority of which is comprised of post-judgment collections and damages phase litigation.

Flint has built much of his practice around 5th Amendment “takings cases,” which involve eminent domain, primarily as it deals with federal jurisdictions taking property to the detriment of private land holders.

Flint’s firm has acquired many cases deriving from the Olmsted dam project in Paducah, Ky., which Cooper calls the largest lock and dam system in the country.

“When they built that system, it flooded out hundreds of thousands of acres of farmland owned by private citizens down there. We’re currently in litigation against the federal government to get the value of that land back for each of those land-owning families.”

Most of the land affected is in

Southern Illinois and Northern Kentucky. The dam backs up the Ohio River and tributaries in that area.

“What Ethan has built from a legal standpoint and a business standpoint is incredibly impressive and, I think, unmatched in the area, and perhaps the country. This was a great opportunity for me to jump back in to build, along with Ethan, a national powerhouse.”

Ethan Flint currently represents the largest contingent of plaintiffs with claims against the federal government than any single firm in the country.

Cooper added: “Those are really big cases with a lot of money at stake and a lot of people’s interests at stake. ... It was those cases, along with the asbestos cases, and all the other cases he’s got under his roof that really drew me back in to it.”

FlintCooper has plans to expand its offices to include Washington, D.C., he said.

In a statement, Flint said he envisions the potential for growth.

“Our firms have always respected and supported each other when it comes to shared values around client commitment and reputational excellence,” said Flint. “Together the growth we have created represents meaningful benefits to our existing roster of clients and our ability to bring our expertise to a broader scope of new clients around the world.”

Cooper says the new union reminds him of his early days with Simmons when they built a firm from the ground up.

“This has that same exact feeling. I think we have the chance to build something really special on a global scale,” he said.

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