

Finance & economics

Nov 13th 2021 edition >

Inflation in America

A three-decade high in inflation sows concerns about America's recovery

How a broad pickup in prices puts pressure on the Fed to raise rates

As inflation has accelerated economists and officials have debated whether it is a transitory phenomenon—reflecting overstretched supply chains—or a more persistent problem. It is far more than an academic debate. If inflation is short-lived, the right move for the Federal Reserve would be to look through it, aware that jacking up interest rates may do more harm than good. If, however, inflation is stubbornly high, the central bank is duty-bound to tame it. The big jump in prices in October tilts the debate in favour of “Team Persistent”, as some have taken to calling it, and puts pressure on the Fed.

Historically, growth cycles tend to come to an end when the central bank tightens policy, so today's price pressures may augur economic disappointment a little farther down the road. Mr Biden, a teetotaler, cannot