Experts Weigh In on Readers' Questions About Inflation

FROM FIRST BUSINESS PAGE
economists and experts — from the White House, the Federal Reserve, Wall Street, academia and financial advisory firms — to weigh in. Here is what they had to say.

Readers want to know what caused inflation, and what might come next.

What would cause prices to keep increasing versus staying at their current level? Why wouldn't competition keep prices in check?
NICK ALTMANN, CHICAGO

Prices have been rising for two basic reasons: Consumers are buying a lot of goods and services, and supply is limited.

Consumer demand is the easier part of that equation to explain. Households saved money during long months of lockdown in 2020, often helped by repeated government stimulus checks and other payments. Some saw their wealth further buoyed by a rising stock market and soaring home prices. Now, jobs are plentiful and wages are rising, further shoring up many families' finances. People have money, and they want to spend it on services and, more than usual, on goods like furniture and camping gear.

That rapid consumption is running up against constrained supply. Factories shut down early in the pandemic, and in parts of Asia they continue to do so as Omicron cases surge. There aren't enough containers to ship all of the goods people want to buy, and ports have become clogged trying to process so many imports.

As companies have struggled to get their hands on enough goods to go around, many have raised prices, in many cases to cover their own climbing costs. Some, noticing that they and their competitors were able to charge more without crushing consumer demand, have tested how far they can push up prices — expanding their profits.

In theory, competition should eat away at extra earnings over time. New firms should jump into the market to sell the same products for less and steal away the customer. Existing competitors should ramp up production to meet demand.

But this may be an unappealing time for new firms to enter the market. Established companies may be hesitant to expand production if doing so would involve a lot of investment, because it is not clear how long today's strong demand will last.

"It is a very uncertain environment," said Matthew Luzzetti, chief U.S. economist at Deutsche Bank. "A new firm stepping in is a lot of investment, with a lot of financial risk."

Until companies can produce and transport enough of a given product to go around — as long as shortages remain — companies will be able to raise prices without running much risk of losing customers to a competitor.

In past periods of inflation, did employers typically increase wages or award higher-than-average yearly increases to help employees offset inflation? If so, in what industries is this practice most common?
ANNMARIE KUTZ, ERIE, PA.

There is no standard historical experience with wages and inflation, Mary C. Daly, president of the Federal Reserve Bank of San Francisco, said during an interview with The New York Times on Twitter Spaces last week.

Wages did increase sharply alongside inflation in the 1970s and 1980s, but in the decades since, pay has struggled to keep pace with price increases. Factors like unionization, worker bargaining power and the state of the labor market all affect whether companies pay more. Those can vary quite a bit by sector. For instance, lower-wage service industries have been competing mightily for workers in recent months, and pay is climbing faster there.

"The history isn't so clear that cost of living translates into higher wages, but that's largely because inflation has been low and stable for a very long time," Ms. Daly said.

Many are curious about how it will affect their personal finances.

Is inflation a valid reason for asking for a raise (or a larger raise than I would otherwise receive)? In addition to other merits (work performance, role change, etc.), does my reduced purchasing power due to inflation give me ground to stand on when negotiating my new salary?
DEIRDRE KENNEDY, ST. PAUL, MINN.

Several economists and advisers agreed: Higher prices can be a valid reason to ask for a raise.

"Absolutely sit down with your boss and say, 'I'm a great performer, I do this work, I want to stay with the company, but it's been harder and harder to make ends meet and I would like to talk about some compensation to make that easier,'" Ms. Daly said.

I'm 55 and on track to have put aside enough for a modest but workable retirement in 10 to 15 years. How much less might my savings and investments be worth in the face of current trends? I'm concerned I won't have enough time to bounce back if it gets really bad and that higher prices will eat up my resources long before I die.
JON WILLOW, INTERLOCHEN, MICH.


JUTHARAT PINYODOONYACHET FOR THE NEW YORK TIMES
Prices have been rising for two basic reasons: Consumers are buying a lot of goods and services, and supply chain problems are causing shortages and delays.

There's good news here: Hardly any economists or policymakers expect today's inflation to last. Fed officials in December projected that price gains will drop back below 3 percent by the end of the year, and will level off to normal levels over the longer term.

That's a reason to avoid reacting too swiftly, advisers said. But if you do worry inflation will last, there are a few ways to assess how it might affect your savings, said Christine Benz, Morningstar's director of personal finance.

She recommended that investors take a look at their sources of income. Social Security and many government pensions are adjusted for inflation, so those should keep pace with price gains. Bonds that pay back fixed rates do less well during periods of inflation, while stock investments — though riskier — tend to rise more quickly than consumer prices. Ms. Benz recommends holding assets across an array of securities, potentially including inflation-protected securities such as some exchange-traded funds or Treasury Inflation Protected Securities, commonly called TIPS.

"It argues against having too much in cash," Ms. Benz said. "That's too much dead money."

Readers wonder how government policymakers will react.

We currently have low unemployment, strong wage growth (largely through attrition / voluntary retirements), easy monetary policy and now rising inflation. What are other periods of time when the United States has had these conditions? How did things work out then?
HARSHAL PATEL, MOORESTOWN, N.J.

Jared Bernstein, a member of the White House Council of Economic Advisers, pointed to the post-World War II period as a reference point for the present moment.

"Demand was strong, and supply was constrained," he said in an interview. "That's a very instructive path for us."

The good news about that example is that supply eventually caught up, and prices came down without spurring any greater crisis.

Other, more worried commentators have drawn parallels between now and the 1970s, when the Fed was slow to raise rates as unemployment fell and prices rose — and inflation jumped out of control. But many economists have argued that important differences separate that period from this one: Workers were more heavily unionized and may have had more bargaining power to push for higher wages back then, and the Fed was slow to react for years on end. This time, it's already gearing up to respond.

Why are price controls thought to be a highly disfavored response to inflation?
JIM MOHER, SAN LEANDRO, CALIF.

In the 1970s, President Richard Nixon tried wage and price controls — which put a cap on how much pay can rise — to control inflation. The freezes worked for a time, but prices rocketed up when they were lifted, and they got a bad rap among economists. That reputation has haunted them ever since. We asked experts about price controls in a recent article, and a vocal minority think that the 1970s experience unfairly tarnished the idea and that it might be worthwhile to reopen the debate.

"This is a great suppressed topic," said James K. Galbraith, an economist at the University of Texas. "It was absolutely mainstream from the start of World War II until the Reagan administration."

If inflation is being caused by supply chain problems, how will raising interest rates help?
LARRY HARRIS, VENTURA, CALIF.

Kristin J. Forbes, an economist at the Massachusetts Institute of Technology, said a big part of today's inflation ties to roiled supply chains, which monetary policy can't do much to fix.

But trade is actually happening at elevated levels even amid the disruptions. Factories are producing, ships are shipping, and consumers are buying at a rapid clip. It is just that supply is not keeping up with that booming demand. Higher interest rates can relieve pressure on demand, making it more expensive to buy a boat or a car, cooling off the housing market and slowing business investment.

"A good part of the supply chain problems, you can't do anything about," Ms. Forbes said. "But you can affect demand. And it is the combination of the two which determines inflation."

Palin Suit Highlights Push to Redraw Libel Law

FROM FIRST BUSINESS PAGE
tricts that Republicans were hoping to pick up. Those districts, including the one held by Ms. Giffords, were displayed under stylized cross hairs. In correcting the editorial, The Times said it had "incorrectly stated that a link existed between political rhetoric and the 2011 shooting."

Those who argue that media outlets should pay a steeper legal price when they get something wrong are more emboldened now than at any point since the landmark 1964 Supreme Court decision in The New York Times Company v. Sullivan. That ruling set a high bar for public officials to prove defamation: They had to show not only that a report was inaccurate and harmed their reputation, but that those who produced it had acted with "actual malice," meaning they displayed a reckless disregard for the truth or knew it was false.

The Palin case, being tried in the United States District Court for the Southern District of New York, won't directly deal with larger constitutional issues. The jury will weigh testimony and evidence that is expected to offer a rare, under-the-hood glimpse at the often messy process of how daily journalism is produced.

Most libel suits against The Times are dismissed before they ever reach a jury, making this case particularly uncommon. Though defenders of broad First Amendment protections for the media have said Ms. Palin's evidence is weak, they also acknowledged that a jury could decide otherwise.

"The case will come down to whether the jury — as juries sometimes do — will decide based on their likes and impressions of the parties," said George Freeman, executive director of the Media Law Resource Center and a former lawyer for The Times, "or whether they will actually follow the actual malice rules the judge will give them."

Those fundamental First Amendment issues loom over the trial. Ms. Palin's lawyers, through legal briefs and public statements, have made no secret of the fact that they want to see the courts rethink the legal leeway that media organizations have to make an unintentional error. The law currently considers an occasional mistake a natural result of a free press.

Some First Amendment scholars, politicians and judges, mostly but not exclusively conservative, have started to press their case more boldly for unwinding the bedrock precedent set by the Sullivan case, saying it has not kept pace with the changing nature of news and public commentary. These include two Supreme Court justices, Clarence Thomas, who suggested in 2019 that Sullivan was not grounded in the original meaning of the Constitution, and Neil M. Gorsuch, who wrote last summer that the standard has "evolved into an ironclad subsidy for the publication of falsehoods."

At the same time, some Republicans are using defamation allegations against journalists with an aggressiveness that media advocates say is without precedent — from the Trump campaign's since-dismissed suit against The Times in 2020 for a critical opinion piece to former Representative Devin Nunes's ongoing case against a reporter now working for Politico who posted to Twitter an article that Mr. Nunes said defamed his family.

The heart of The Times's defense in the Palin case is that the error in the editorial was not a case of actual malice but a mistake made under a tight and routine production deadline that was corrected after it was pointed out.

The statements that Ms. Palin argues were defamatory were introduced during the editing process by James Bennet, who was then the editorial page editor for The Times. (The opinion section and the newsroom operate independently of each other.)

Lawyers who support the broad free speech protections that Sullivan and other legal precedents guarantee say that the risk to a free and impartial press is not only that it could be held liable for honest mistakes.

If public figures are no longer required to meet a high legal bar for proving harm from an unflattering article, press freedom advocates warn, journalists, especially those without the resources of a large news organization behind them, will self-censor.


JOSHUA ROBERTS/REUTERS
Sarah Palin at an event in 2015.

"We worry a lot about the risk that public officials and other powerful figures can use threats of defamation suits to deter news gathering and suppress important conversations on matters of public concern," said RonNell Andersen Jones, a law professor at the University of Utah who has documented the judiciary's increasingly dim view of the media. "It's a trend that press freedom scholars find deeply troubling."

Ms. Jones said she and many other legal scholars considered Mr. Trump's insistence in 2016 that libel laws be reopened "deeply improbable, even laughable." But now she regrets her indifference and said she is looking at the Palin case as a test of how harshly a jury — in today's political climate — will judge media companies for their mistakes.

Ms. Palin's suit was initially dismissed by the judge, Jed S. Rakoff, soon after it was filed. But a three-judge appeals court panel overturned that decision in 2019 and reinstated the case. Elizabeth Locke, who represented Ms. Palin during the appeal but is no longer involved in the case, has argued on behalf of several high-profile clients in defamation suits against major media outlets and been at the forefront of the conservative effort to make the rethinking of libel laws more mainstream. Ms. Locke said in an interview that while the Sullivan precedent is not worth scrapping entirely, it fails in today's media culture.

"How do you balance free speech rights with the right to your individual reputation, and in the context of public officials who have volunteered for public service and do need to be held to account?" she said.

"Redrawing that balance does not mean that we lock up journalists or that any falsehood should result in a huge jury verdict," Ms. Locke added. "But imposing the potential for legal liability, which is virtually nonexistent with the Sullivan standard in place, would create self-restraint."

Ms. Palin's lawyers have argued that Mr. Bennet had to know that there was no evidence that her political rhetoric incited the shooter and that he had a "preconceived storyline" and harbored ill-will toward the pro-gun rights former governor in part because his brother, Senator Michael Bennet of Colorado, is a Democrat who favors gun control.

The Times has denied those allegations, rebutting the notions that it would ever knowingly print something false and that Mr. Bennet was acting out of spite. "We published an editorial about an important topic that contained an inaccuracy. We set the record straight with a correction," a spokeswoman for The Times, Danielle Rhoades Ha, said. "We are deeply committed to fairness and accuracy in our journalism, and when we fall short, we correct our errors publicly, as we did in this case."

A lawyer for Ms. Palin did not respond to a request for comment.

Mr. Bennet left the paper in 2020 after the newspaper's opinion section published an Op-Ed by Senator Tom Cotton, Republican of Arkansas, calling for a military response to civic unrest in American cities. The piece caused an outcry among readers and Times journalists.

Mr. Bennet is expected to testify on Wednesday, a day after Ms. Palin.

Employees at REI Store In Manhattan Begin Drive For Retailer's Only Union

By NOAM SCHEIBER

Employees at an REI store in Manhattan filed for a union election on Friday, making the outdoor equipment and apparel retailer the latest prominent service-industry employer whose workers have sought to unionize.

Amazon employees in Bessemer, Ala., rejected a union in an election last year, though the National Labor Relations Board later threw out the result, citing improprieties on the part of the company, and ordered a new election to begin next month.

In December, workers at two Starbucks stores in Buffalo voted to unionize, making them the only company-owned Starbucks locations in the country with a union. Employees at about 20 other Starbucks have since filed for union elections.

The filing at the REI store in SoHo asked the labor board for an election involving about 115 employees, who are seeking to be represented by the Retail, Wholesale and Department Store Union, the same union that has overseen the union campaign at the Amazon warehouse in Alabama.

In addition to filing for the election, the REI employees have asked for voluntary recognition of their union, which would make a vote unnecessary.

Like Starbucks, REI, a consumer cooperative made up of customers who buy lifetime memberships for $20, cultivates a progressive image. REI's website says that the cooperative believes in "putting purpose before profits" and that it invests more than 70 percent of its profits "back into the outdoor community" through initiatives like dividends to members and employee profit-sharing.

The site also says that REI closes all of its roughly 170 stores, none of which are currently unionized, on Black Friday to allow employees to spend the day with family and friends.

The retailer has more than 15,000 employees in the United States, compared with more than 230,000 at roughly 9,000 U.S. Starbucks locations that are owned by the company.

In a statement, Graham Gale, an employee involved in union organizing at the SoHo REI store, said the campaign was partly a response to "a tangible shift in the culture at work that doesn't seem to align with the values that brought most of us here."

The statement also pointed to "the new struggle of facing unsafe working conditions during a global pandemic."

In a follow-up text, Mx. Gale, who prefers gender-neutral courtesy titles and pronouns, said REI declined to bring back some long-tenured employees who had been outspoken about workplace concerns after the retailer temporarily closed its stores in 2020.

Since the beginning of the pandemic, some REI employees have criticized the retailer over what they say are insufficient safety protocols, including a lack of transparency over which employees have tested positive for Covid and a decision to relax its masking policy. The retailer has said that it follows relevant guidance from state and federal health authorities, but it has adjusted some policies as it faced criticism.

Responding to the union campaign in Manhattan, REI said in a statement: "We respect the rights of our employees to speak and act for what they believe — and that includes the rights of employees to choose or refuse union representation. However, we do not believe placing a union between the co-op and its employees is needed or beneficial."

The statement went on to say that the co-op was committed to working with employees at the SoHo store to resolve their concerns.