

Macro Roundup Article

Headline: [Inflation: A Series of Unfortunate Events vs. Original Sin](#)

Article Link: <https://www.brookings.edu/wp-content/uploads/2023/04/20230523-Hutchins-Inflation-Comment-v2.pdf>

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Tweet: [.@jasonfurman](#) differs from [@benbernanke](#) and [@ojblanchard1](#), arguing that core inflation was primarily driven by the “original sin” of excessive fiscal stimulus.

Summary: Was inflation the result of unpredictable shocks (i.e., unfortunate events) or was it predictable (i.e., original sin)? My view: core predominantly original sin but excess of headline was due to an unfortunate accident. An elegant paper but it does not answer whether inflation was “a series of unfortunate events” or “original sin”. The paper does suggest that food and energy shocks do not explain core inflation. Shortages are consistent with demand increases—and demand supporting higher overall consumption. It may be more fruitful to ignore the labor market in assessing large non-linear shocks. Regardless, we all agree about the present situation--and the unlikelihood of a soft landing to 2% inflation. Related: What Caused the U.S. Pandemic-Era Inflation?

Primary Topic: Inflation

Topics: GDP, Inflation, Monetary Policy, Op-Ed/Blog Post

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