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INFLATION COMMENTARY

What matters in setting inflation long-term is really people's expectations. There's almost a Peter Pan aspect, where if you believe you can fly, you can fly. — Quoted by *Sinclair Broadcast Group*

The inflation we're seeing today gets us back on track to price stability by offsetting the deflation and disinflation of the last 10 years. This is painful for families... The question is what's worse: a small decrease in your inflation-adjusted salary, or longer and larger layoffs during recessions? The Fed is betting that a bit of inflation today saves jobs tomorrow.

— “Good Monetary Policy Is About More Than Inflation” in *Reason*

Policymakers should stay the course and prove the credibility of their 2 percent target. Banish the deflationary specter haunting Europe and Japan from our shores. But continue to act in a data-dependent way. With the national debt again above 100 percent of GDP, plan for the possibility that inflation continues to soar, even while the labor market remains somewhat slack.

— “Inflation Marches, But Don’t Tighten - Yet” in *Morning Consult*

It’s not plausible that cooked books hide double-digit inflation... The Bureau of Economic Analysis measures that dollar GDP grew by about 2.3% from March 2020 to March 2021. Over the same period, the money supply grew by 24%. If the price level is also up by 24%, then real GDP must be down by about 18%. That’s absurd and clearly not true: We’d need Depression-era soup kitchens to feed all the unemployed.

— “The Government Isn’t Cooking the Books” in *Discourse Magazine*

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DEBT LIMIT COMMENTARY

Our nation risks another self-inflicted wound when the debt limit suspension expires on July 31. Allowing expiration exposes the nation to emergencies, harms our public credit and financial stability, and does not solve the federal government's long-term budget problems. Congress and the president should marry a permanent suspension of the debt limit with real economic reforms. Time is running out.

— “Permanently Suspend the Debt Limit” in *The Hill*

Even if the debt limit is eventually increased after the deadline, it is difficult for investment banks and securities traders to handle a sudden flood of newly issued debt. As with the debt limit episode in 2019, we might again see Treasury markets dry up and yields spike, lowering the value of bank capital and collateral for derivatives. Last time, the Federal Reserve fixed these markets with enormous Treasury purchases and repo operations. — Quoted by *Discourse Magazine*

As things stand today, all options are on the table, and the stakes have never been higher. My message to Washington is simple: Do not make the Fed use any of them. Yes, despite the serious institutional risks recognized by all, the Fed will attempt to mitigate the “grave threat” of a dollar default. But with each unprecedented intervention, they weaken their credibility and strengthen moral hazard. One day, they won't be able to ride to your rescue.

— “Inside the Fed's Playbook for a Dollar Default” in *Barron's*

Talk of a mere “technical default,” in which the Treasury misses a debt payment because of the debt limit, is just political euphemism.

— “Permanently Suspend the Debt Limit” in *The Hill*

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GAMESTOP CORP. COMMENTARY

The rise and fall of GameStop's stock price was not a speculative bubble. Rather, short sellers of GameStop were overleveraged. Like a game of musical chairs, when the music stops, short sellers must scramble to cover their shorts. When the music did stop, investors were paid handsomely. It is not irrational exuberance; it is supply and demand. — Quoted by *Al Jazeera*

Billionaire hedge fund manager Leon Cooperman accused GameStop investors of “sitting at home, getting their checks from the government.” ... When hedge funds behave this way, they simply call it “arbitrage.” Reality check: Hedge funds offered up a free lunch, and the public ate it. — “Let the People Trade” in *The Washington Times*

Retail investors must not be prosecuted simply because they were on the winning side of a trade and used colorful language on the internet... And as SEC officials regularly point out in their indictments, professional traders also use colorful language in their chats. So, let's be fair. Absent an underlying crime, when hedge funds leave a free lunch on the table, don't punish retail traders for eating it. — “The GameStop Short Squeeze” in *Discourse Magazine*

Somebody making money in the market and somebody losing money in the market is not a threat to the economy, and it's not a threat to your 401(k). What really matters for our retirement accounts and our general economic well-being as the public is the ability to have stable financial markets—stable in a broad sense of not worrying about any particular asset price—and the long-run growth of the economy. And this GameStop saga doesn't seem to affect either. — “The GameStop Saga” in *Discourse Magazine*