Interest Rate Quells Unemployment but *Not* Inflation

Gordon Bechtel[1]

[1] Warrington College of Business, University of Florida, Gainesville, USA

Correspondence: Gordon Bechtel, Warrington College of Business, University of Florida, Gainesville, FL 32611-7150, USA. E-mail: bechtel@ufl.edu.

Received: April 10, 2023 Accepted: May 24, 2023 Online Published: June 12, 2023

doi:10.5430/rwe.v14n1p28 URL: https://doi.org/10.5430/rwe.v14n1p28

Abstract

Our data-driven results are: (1) The nonsignificant correlation of -.2094 (probability = .2946) between inflation and interest rate over the trans-century period 1991-2017, demonstrating the extreme difficulty in quelling inflation. (2) The highly significant correlation of -.7035 (probability = .0000) between unemployment and interest rate over this same period.

Interest, unemployment, and inflation rates are percents, which are the most powerful calibrations in economics, medicine, and physics. Rate measurements may not be rescaled by multiplicative and additive constants, as can less stringent interval scales common in the social sciences. Finally, the data-dependent findings brought by Stata commands (1) and (2) generalize beyond interest, unemployment, and inflation rates to all social and data-science variates.

Keywords: federal reserve, stata command pwcorr, trans-century time series

JELs: C, E, G

1. Interest Rates in the 20th and 21st Centuries

The legendary Federal Reserve Chair Paul Volcker's mission was to "ensure that the demise of the Bretton Woods system, made inescapable by America's slide from surplus to deficit nation status, should bestow more power upon the United States of America, not less. A few short weeks after Giscard de'estaing and Helmut Schmidt had made a pilgrimage to Charlemagne's tomb, having signed the Franco-German European Monetary System agreement, Volcker gave a momentous speech to students and staff at the University of Warwick. It was November 9, 1978 and Volcker addressed his audience in his capacity as president of the New York Federal Reserve. Ten months later, President Carter was to appoint him chairman of the Federal Reserve system, giving him an opportunity to put into practice what he preached in Warwick. Volcker's Warwick speech is relatively unknown but it must surely go down as probably the most significant ever in central banking history. 'It is tempting to look at the market as an impartial arbiter', Volcker said adopting a phrase so banal that even first-year economics students might have yawned at it. Of course, the sting was in the word 'tempting', as Volcker is not a man often tempted by blandness. His next sentence was crafted to prove this, packing a degree of brute honesty that central bankers are not known for: "But balancing the requirements of a stable international system against the desirability of retaining freedom of action for national policy, a number of countries, including the US, opted for the latter".

And as if such unbridled veracity were insufficient, Volker added a phrase equivalent to undermining all the assumptions on which Western Europe and Japan had erected their postwar economic miracles: "A controlled disintegration in the world economy is a legitimate objective for the 1980s". It was a fitting epitaph for the Bretton Woods system and the clearest exposition of the second postwar phase that was dawning and which Volcker had been busily working toward. But why would "a disintegration in the world economy", even if "controlled", help the United States in the 1980s?

Volcker had been trying to answer the questions he had asked himself in 1960, when out of the blue the price of gold shot up to $40. How could America retain its hegemony once it went into deficit in relation to Japan, Germany and, later, China? If the United States had no surpluses to recycle, how could it dominate global capitalism? It took Volcker some time to develop a fully fledged answer. By 1978 he was ready to present it to his Warwick audience, just before moving from the powerful New York Federal Reserve to the almighty Fed.

The essence of his Warrick University lecture was, if America cannot recycle its surplus, having slipped into a deficit position back in the mid-1960s, it must now recycle other people's surpluses! But how, one may reasonably ask, can a deficit nation recycle other nations' surpluses? Surely those with the money, the surplus owners, have the power to do as they please with it, paying next to no attention to the musings of those in deficit. Usually, but not always, thought Volcker.

The trick for America to gain the power to recycle other countries' surpluses in the 1980s, Volcker believed, was to persuade foreign capitalists to voluntarily send their capital to Wall Street. Tricky but not impossible. The trick was to hit two usually contradictory targets at once: on the one hand, push American interest rates through the roof while on the other, ensuring that Wall Street offered a more lucrative market for investors than its equivalents in London, Frankfurt, Tokyo, Paris or anywhere else" (Varoufakis 2016, pp.70-71).

2. The Effect of Interest Rates on Inflation and Unemployment

Yanis Varoufakis (2016, p. 71) again turns to former Fed Chair Paul Volcker to answer this question. "The trick for America to gain the power to recycle other countries' surpluses in the 1980s, Volcker believed, was to persuade foreign capitalists to voluntarily send their capital to Wall Street. Tricky but not impossible. The trick was to hit two usually contradictory targets at once: on the one hand, push American interest rates through the roof while on the other, ensuring that Wall Street offered a more lucrative market for investors than its equivalents in London, Frankfurt, Tokyo, Paris or anywhere else". Varoufakis' turn to Volcker was accurate. Volcker *did* control inflation in the 1980s by hiking interest rates "through the roof" to as high as 20%, which quelled inflation in the 20^{th} century.

Currently, Fed Chair Powell, also a disciple of Volcker, is dedicated to do whatever it takes to bring the US inflation rates down to a monthly average of 2%. The Fed's realization of this goal will become apparent over 2023-24. However, Stata commands (1) and (2) below predict the Fed's success will be limited. Our data-dependent forecast is based upon the failure of interest rates in controlling inflation rates over the yearly time series 1991-2017.

pwcorr InflationRate InterestRate, obs sig (1)

pwcorr UnemploymentRate InterestRate, obs sig (2)

The pwcorr command (1) returns a correlation of -.2094, which is *not* statistically significant (probability = .2946) (StataCorp. 2011). The pwcorr command (2) returns a correlation of -.7035, which is *highly* significant (probability = .0000) (StataCorp. 2011).

Summarizing, we have shown that interest rates, the Fed's major tool, only worked by reducing unemployment over the trans-century period 1991-2017. Because the interest, unemployment, and inflation rate time series occurred over this period, our finding shows that the benefit of interest rates with unemployment, and their failure with inflation, are endemic.

3. The Global Economic Outlook

In 2021 Prince Charles warned the G20 summit that COP26 is the "last chance saloon to save the planet". In 2023 Economist Larry Summers would place better than 50-50 odds on the world being shaken by another Covid-scale event within the next 15 years. The Harvard professor and former U.S. treasury secretary shared what he believes are the world's biggest near-term risks during a CNBC-moderated panel on the World Economic Forum in Davos, Switzerland. They included the possibility of the Covid19 virus mutating again, *potential or actual nuclear war, the banking crisis, and the USA defaulting on its debts,* which he noted no other panelist had brought up when discussing the global economic outlook (italic mine).

Summers took part in the session alongside IMF Managing Director Kristalina Giorieva, ECB President Christine Lagarde, French Finance Minister Bruno Le Maire, and Bank of Japan Governor Haruhiko Kuroda. Summers said his top concerns were a resurgence of inflation because of a loss of central bank credibility, high debt in many regions, and the potential need for 'financial firefighting domestically and globally' if interest rates rise more than anticipated, hyper-populism impacting elections, and geopolitical risks in Asia and the Middle East providing a 'political destabilizing wild card'. I would note that the odds in my view are better than 50-50 that there will be a Covid-scale problem within the next 15 years and that the world is utterly unprepared for that eventuality,' he said" (world economic forum 2023, remarks by Larry summers).

In contrast to Larry Summers, Wharton professor Jeremy Siegel has been outspoken in his view that the Federal Reserve's outsized interest rate hikes could do lasting damage to the economy as more and more investors grow concerned about a recession. Yet, unlike other stock market commentators, Siegel's 2023 forecast is bullish, and calls for an upside of at least 20% because he sees inflation rates collapsing and a resilient economy that too many investors underestimate.

In an extended interview with CNBC, Siegel outlined his views about what will happen to the stock market and economy 2024, and why Fed Chairman Jerome Powell could be making a big mistake. "We had 5% year-over-year wage growth. We have 8% inflation. Workers are trying to catch up and they're not. They're still falling well behind. It just disturbs me to think that the Fed policy is to crush wages so they go back down to 2%, basically saying to the worker, 'you're not going to catch up to inflation, and we're going to prevent you from catching up to inflation.' That's an insane policy," Siegel said. "So this idea that the worker trying to catch up because he's lost so much purchasing power is something the Fed has to crush.

Siegel went on to explain why he is so critical of the Fed: "Yes, I'm very critical of the Fed. To be blunt, here's a Fed that caused the inflation by expanding liquidity greater than any other time in history, is basically talking as if, to the worker 'we're not going to let you catch up to the inflation that I caused.' That's a slap in the face to the American worker, in my opinion. I just don't think that is justified."

On which direction inflation takes from here, Siegel opined "I still believe inflation is over ... everything else I see on the price front is down ... I am not changing my view that inflation is basically over. This is catch-up wages, and the Fed should not be setting policy to go against that... There's tremendous evidence of slowing inflation."

On where bond yields go from here, Seigel continued: "I think bond yields are going to keep going down, because I think we're going to have slower growth. This was not a hot November jobs report. And we're going to have slowing inflation. Those are two good things for bonds, and they're also good for stocks."

Concerning the federal funds rate, he emphasized: "I'm really sticking my neck out here, but I wouldn't be surprised by the end of the next year that we have a handle on the fed funds rate. That's way out of consensus, I know that... But I'm just saying when we get this data in, we're gonna get down very quickly." The effective fed funds rate is currently at 3.8%

His response as to when the Fed will begin to cut interest rates was "The talk is not going to be is it going to be a 25-basis-point hike or what else. It's going to be when are we going to decrease the rate? That may come as early as the spring."

As for everyone’s fear, a recession in 2023, Siegel lectured the Fed: "Earnings are important, to say the least. If the Fed does stay tight we're going to go into a recession. Earnings aren't going to be $230 per share for the S&P 500, they're going to be $200, or $190 for a couple of years or a year-and-a-half. GDP this year is going to be below 1%... That's not strong. It's not a recession, not yet. But if the Fed goes to 6%, you're going to have it."

Finally, Siegel predicted economic growth in 2023: "We have 4.5 million new workers and almost no GDP increase. I think next year we're going to have much lower payroll growth, and much better GDP. Because that record decline in productivity we had this year is going to reverse in 2023 ... productivity is going to go up, that improves margins and that's good for profits" (Jeremy Siegel interview with CNBC 2023).

Shortly after Summer’s and Siegel’s views were aired, the inflation narrative took a sharp turn away from capitalism toward socialism. American Senator Bernie Sanders lamented “Here is the simple straightforward reality: The uber capitalist economic system that has taken hold in the United States in recent years, compelled by uncontrollable greed and contempt for human decency, is not merely unjust. It is grossly immoral (Sanders 2023, p. 3). Later in his book he fleshes out his feeling about capitalism: “In order to assure that public health, public safety, and consumer and environmental protections are not just retained but adapted to a new economy, and that workers are protected in that economy, we have to step up anti-trust regulation and prosecution (Sanders 2023, p. 198). … Power over the future of our economy should not be ceded to a handful of tech giants”. Sanders concerns about capitalism were preceded by those of the renowned Arundhati Roy: “Capitalism is going through a crisis whose gravity has not revealed itself completely yet. Marx said ‘What the bourgeoisie … produces, above all, are its own grave-diggers. Its fall and the victory of the proletariat are equally inevitable.’ The proletariat, as Marx saw it, has been under continuous assault. Factories have shut down, jobs have disappeared, trade unions have been disbanded. Those making up the proletariat have, over the years, been pitted against each other in every possible way. … And yet all over the world they are fighting back. Capitalism is in crisis. Trickledown failed. Now Gush-Up is in trouble too. The international financial meltdown is closing in. … Major international corporations are sitting on huge piles of money, not sure where to invest it, not sure how the financial crisis will play out. This is a major, structural crack in the juggernaut of global capital. Capitalism’s real ‘gravediggers’ may end up being its own delusional cardinals, who have turned ideology into faith. Despite their strategic brilliance, they seem to have trouble grasping a simple fact: Capitalism is destroying the planet.

The two old tricks that dug it out of past crises -- War and Shopping – simply will not work" (Roy 2014, pp. 45-46). This dark assessment was reinforced by CNBC, who repeatedly mentioned the *"stock market apocalypse"* on April 27, 2023. But the annihilation of the stock market is merely a harbinger to Armageddon itself. Noam Chomsky, the world's leading public intellectual, warns that "the Doomsday Clock of the Bulletin of Atomic Scientists … was set at two minutes to midnight. That's as close as it's been to terminal disaster since 1947 (Chomsky 2020, p. 97).

4. Can the Planet Be Saved?

Money. Near the end of World War II in 1944, Keynes proposed "a new world currency, a system of fixed exchange rates between this world currency and the national currencies, and a world central bank that would run the whole system" (Varoufakis 2016, p.14). With an American victory in sight, Keynes proposal was dismissed at the Bretton Woods Conference by American planners who insisted on a *dollar-backed* fixed exchange-rate system which has since controlled the global economy. This international monetary policy has set the global stage for the renowned Rutger Bregman, who has opined that governments, by simply giving everyone money, will induce them to do the right thing for themselves and others, supporting Ann Frank's belief, even as she sat in a Nazi concentration camp, that "people are good at heart" (Aljazeera, Up Front, January 27 2023). "Most people deep down are pretty decent but power corrupts," argues Bregman. "For centuries, philosophers and historians from Machiavelli to Thucydides to Thomas Hobbes have said human beings are primarily motivated by self-interest, inherently competitive, or even born evil. This idea has permeated Western culture for centuries and influenced major social, economic and foreign policy decision-making. But Bregman, a Dutch historian and author, challenges this conventional wisdom and believes "people are, well, actually fundamentally pretty decent". His latest book, *Humankind: A Hopeful History*, proposes a new worldview predicated on what he refers to as survival of the friendliest (cf. *UpFront, Marc Lamont Hill talks to Rutger Bregman about why he believes history should make us hopeful about the future of humanity*, Aljazeera, January, 27 2023). Under intensive probes by Marc Lamont Hill, Bregman reverted to his book, published in English in 2021 and a New York Times best seller.

Bregman's response to Hill emphasized that "If there is one belief that has united the left and right, psychologists and philosophers, ancient thinkers and modern ones, it is the tacit assumption that humans are bad. From Machiavelli to Hobbes, Freud to Pinker, this notion has sunk deep into western thought, driving newspaper headlines and guiding the laws that shape our lives. But what if it isn't true? In *Humankind* Rutger Bregman demonstrates that we are actually hardwired for kindness and cooperation. In fact, this instinct has a firm evolutionary basis that extends from the origin of *Homo sapiens.* … Bregman delivers a taut narrative journey through human history, showing us that a belief in our own generosity and collaboration isn't merely optimistic – it's realistic" (Back cover of *Humankind: A Hopeful History*.) This view is in the spirit of Karl Marx who stressed: "To each according to their needs. From each according to their ability".

Bregman's hardwiring suggests that rising prices press consumers to buy quickly before further increases, thus, stimulating further inflation. On February 1, 2023 Powell reminded the media that inflation threatens both of the Fed's congressional mandates, i.e., reducing unemployment and inflation. On it's meeting that day he reported that the 12 Governors were unanimous in their vote to stay the course with ongoing interest rate hikes until this dual mandate is accomplished.

Artificial Intelligence. On December 23, 2022 former U.S. Treasury Secretary Lawrence Sommers described artificial intelligence as the most important technological advance in human history. Sommers declared "The most significant breakthrough of 2022 wasn't nuclear fusion, which is still decades away from being a reality, but the advent of artificially intelligent chatbots and that one of these chatbots, ChatGPT, is a development on par with the printing press, electricity, and even the wheel and fire". ("A chatbot or chatterbot is a software application used to conduct an online chat conversation via text or text-to-speech, in lieu of providing direct contact with a live human agent. Chatbots are computer programs that are capable of maintaining a conversation with a user in natural language, understanding their intent, and replying based on preset rules and data" (Wickipedia)).

Sommers description has been corroborated by three eminent economists Agrawal, Gans, and Goldfarb (2018) who emphasize that "Artificial intelligence does the seemingly impossible, magically bringing machines to life, driving cars, trading stocks, and teaching children. But facing the sea change that AI will bring can be paralyzing. How should companies set strategies, governments design policies, and people plan their lives for a world so different from what we know?"

Figure 1 gives a compelling example of this sea change. Agrawal, Gans, and Goldfarb "travel to the cornfields of Iowa in the 1930s. There, some pioneering farmers introduced a new form of corn that they created through extensive cross-breeding for the better of two decades. This hybrid corn was more specialized than ordinary commercial corn. It required crossing two inbred lines of corn to improve properties such as drought resistance and local environment-specific yields. The hybrid corn was a critical change because not only did it promise dramatically higher yields, but the farmer became dependent on others for the special seeds. The new seeds needed to be tailored to local conditions to yield their full benefits.

As shown in Figure 1, Alabama farmers appeared to be laggards compared to those in Iowa, but when Harvard economist Zvi Griliches looked closely at the numbers, he found that the twenty-year lag between Iowa and Alabama widespread adoption was not because Alabama farmers were slow, but rather because the ROI for hybrid corn for Alabama farmers did not justify its adoption in the 1930s. Alabama farms were smaller, with thin profit margins compared to those north and west. By contrast, Iowa farmers could apply a successful seed across their larger farms and reap larger benefits to justify the higher seed costs. A big farm meant experimentation with new hybrid varieties was easier because the farmer had to set aside only a small portion of the property until the new varieties proved effective. The Iowa farmers risks were lower, and they had healthier margins to act as a buffer. Once enough farmers in the area adopted the new seeds, seed markets became thicker with more buyers and sellers and the cost of selling the seeds fell, so the risks of adoption were reduced further still. Eventually, corn farmers across the United States (and worldwide) adopted hybrid seeds as the costs fell and the perceived risks diminished (Agraval, A., Gans, J. and Goldfarb, A. 2018, pp, 158-160).

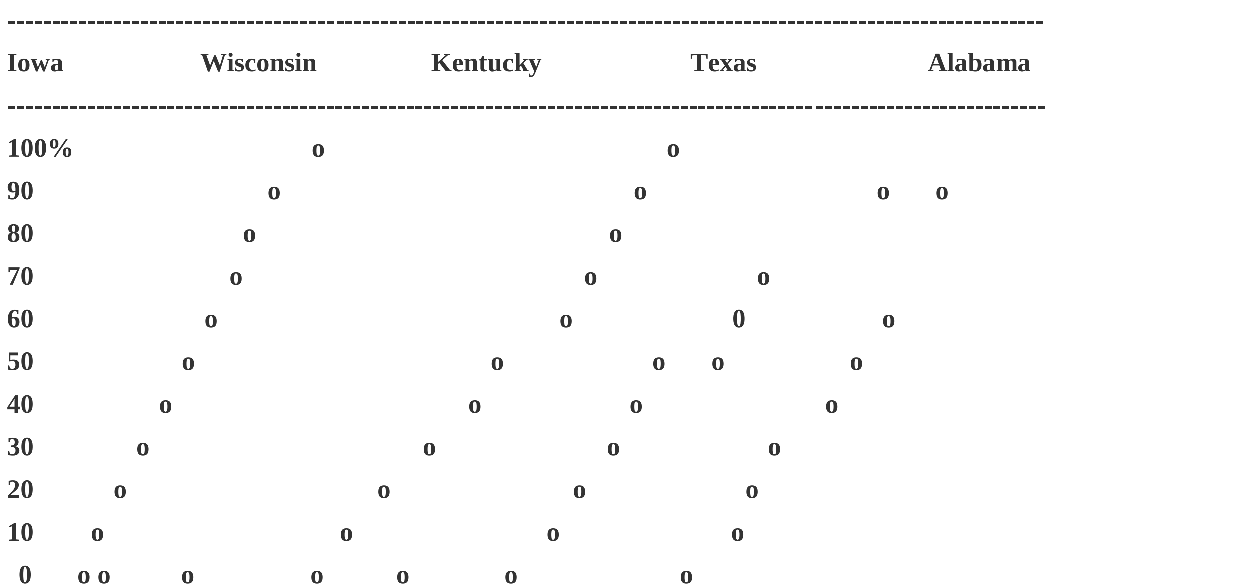

Figure 1. The Diffusion of Hybrid Corn

Adapted from Agrawal, Gans, and Goldfarb (2018), p. 159

Unfortunately, Zvi Griliches' beneficial discovery in 2018 about the diffusion of hybrid corn foreshadowed untoward outcomes.

Warnings. On May 1 2023 Treasury Secretary Janet Yellen warned that "the United States could run out of money to pay its bills by June 1 if Congress does not raise or suspend the debt limit." She stressed that "failure to raise the debt limit, which caps the total amount of money the United States can borrow, threatens to rock financial markets and throw the global economy into a financial crisis".

On May 6, 2023 Warren Buffett, the Oracle of Omaha, said "worries about bank deposits and the debt ceiling are dangerous. It would have been catastrophic if the government didn't make Silicon Valley Bank's (SVB's) depositors whole, he said. Failure to do so would have sparked bank runs and caused global disruptions. Buffett cautioned that people's fears about the safety of their bank deposits and the possibility of a debt default are hugely dangerous. If the US government failed to guarantee Silicon Valley Bank's depositors after the bank's sudden failure in March, there would have been devastating fallout" the famed investor and Berkshire Hathaway CEO said during his company's annual shareholder meeting in Omaha, Nebraska. “It would have been catastrophic, and that's why they were covered” Buffett said.

The Federal Deposit Insurance Corp. (FDIC) only insures up to $250,000 of a depositor's money at any single bank. However, when SVB and Signature Bank collapsed after facing a tidal wave of withdrawals, the FDIC said it would guarantee *all* of the banks' deposits. "That is not how the US is going to behave, any more than they're going to let the debt ceiling cause the world to go into turmoil," Buffett said about the idea of the government letting depositors lose money from a bank failure.

The second part of Buffett's comments signal that he's not worried about the impasse in Congress about raising the debt ceiling, which threatens to leave the US government short of the money it needs to pay its bills. The billionaire investor said he “couldn't imagine a government official going on television to say people's bank deposits wouldn't be guaranteed in full. The outcome would be starting a run on every bank in the country and disrupting the world system." (CNBC, May 6, 2023).

Final Word. We close by confronting Janet Yellen and Warren Buffett with Rutger Bregman’s optimism about capitalism, money, and new developments like artificial intelligence, which allay the economic specter of inflation (CNBC, May 6, 2023). The necessity of taming this specter has been well recognized by Fed Chair Powell, who stresses that inflation expectations *must* be prevented from becoming entrenched, creating further inflation which spirals out of control. Further inflation expectations *were* reported one week later by the closely watched University of Michigan’s Survey Research Center (CNBC, May 12, 2023).

A year earlier in April 2022, Richard Curtin, the director of Michigan’s consumer sentiment surveys since 1976, delivered a paper foreshadowing his book stressing that inflationary psychology has set in (Curtin 2019). “Dislodging it won't be easy. There is a high probability that a self-perpetuating wage-price spiral will develop in the next few years. Households have already become less resistant to paying higher prices and firms have become less resistant to offering higher wages. Prices and wages will continue to spiral upward until the cumulative erosion in inflation-adjusted incomes causes the economy to collapse in recession. It is like the children's game of musical chairs: Everyone knows the game will end, but they feel compelled to keep racing around the circle at an ever-faster pace hoping their forced exit will leave them in the best possible position—even if it still means an inflation-adjusted loss. This situation has been termed inflationary psychology. Consumers purposely advance their purchases in order to beat anticipated future price increases. Firms readily pass along higher costs to consumers, including the future cost increases that they anticipate. That's what happened in the last inflationary age, which started in 1965 and ended in 1982: Expected inflation became a self-fulfilling prophecy. Many commentaries assert that the current situation is nothing like the situation faced in 1978-80. That's true, but irrelevant. The more apt comparison would be to the five to ten years prior to that period, when inflation had not yet reached crisis levels. Government officials claimed they had the policy tools that could easily reverse inflation, just as they claim now. Those policies, however, repeatedly failed across administrations, from Lyndon B. Johnson's surtax, to Richard Nixon's wage and price controls, to Gerald Ford's public relations ‘Whip Inflation Now’ campaign, and Jimmy Carter's fireside pleas to diminish material aspirations. Only after Paul Volcker was appointed Federal Reserve chair and raised the fed funds rate to 20% in 1980 did inflation begin to fall. He pushed up rates aggressively, by 10 percentage points in just six months. The resulting 10% unemployment rate was needed to reduce inflation by 10 percentage points. Today's mantra is, ‘This time is different.’ Supply disruptions were said to be transient, and the inflation rate would soon fade. The University of Michigan's survey confirmed that shortages were important, and those shortages played an initial role in raising inflation expectations. Awareness of shortages has remained high, mentioned by half of all consumers in the past nine months. Nonetheless, shortages are no longer associated with higher inflation expectations -- their inflation expectations now differ by less than one-tenth of a percentage point. Consumers quickly adopted the notion that inflation had multiple causes, focusing on growth in federal spending and expansionary monetary policy as the dual driving forces. Pandemic transfers and relief payments produced extraordinary increases in household incomes. The income gains meant that household budgets could easily withstand higher prices. These transfers meant survival for many households, with some quickly exhausting their funds. Most workers still remained employed and boosted their spending. A good deal of those funds were added to their savings and reserves, which will constitute a more-lasting offset to higher prices.

Several other associated findings from the University of Michigan's consumer sentiment survey are also relevant. Although consumers have increasingly expected higher inflation, they have also expected a strong job market and rising wages, especially among consumers under age 45. In the year ahead, wage gains will continue to reduce resistance to rising prices among consumers, and the ability of firms to easily raise their selling prices will continue to reduce their resistance to increasing wages. Thus, the essential ingredients of a self-perpetuating wage-price spiral are now in place: rising inflation accompanied by rising wages. The Federal Reserve has the difficult task of balancing reductions in inflation against job losses. When consumers were recently asked which was the more critical problem facing the nation, nearly nine-in-ten cited inflation. The erosion in living standards due to rising inflation was the most common complaint when consumers were asked to describe in their own words how their finances had recently changed. While the initial rise was among the lowest-income households, those complaints have rapidly spread to middle- and upper-income households. Surging gas, food, and housing prices have forced nearly all families to go through the painful process of deciding which normally purchased items they could no longer afford. Importantly, the majority of today's consumers did not experience the accelerating inflation of the 1970s. Most have personally experienced only very low inflation, with a few short-lived spikes in oil prices. This lack of experience has magnified their reactions to the higher inflation rate that now prevails. Another critical characteristic of the earlier inflation era was frequent temporary reversals in inflation, only to be followed by new peaks. That same pattern should be expected in the months ahead. Most consumers expect the government to undertake policy actions to curb inflation. Indeed, the largest proportion of consumers in the past half-century have expected the Fed to hike interest rates. Given that the fed funds rate had lingered for an extended period near zero, that was not a hard call to make. What was perhaps more surprising was that the quarter-point hike the Fed adopted in March was simply too small to signal an aggressive defense against rising inflation. Instead, it signaled the continuation of a strong labor market along with an inflation rate that would continue to rise. Much more aggressive policy moves against inflation may arouse some controversy. Nonetheless, they are needed. Adam Smith's legendary invisible hand describes how individuals acting in their own self-interest can create unintended benefits for the entire society. Unfortunately, the country now faces the potential for an inflationary hand that can transform self-interested decisions into losses for the entire economy".

Acknowledgments

This article is dedicated to the memories of the author's best critic, Maria Cohn Bechtel, and his mentor, Clyde Hamilton Coombs. The author thanks Aryil Bechtel for his contribution to the concept of parsimonious prediction, Timothy Bechtel for describing the global milieu surrounding inflation, and Dr. Bethany Bechtel for her insistence on monitoring inflation over time.

Conflicts of interest

The author declares no conflicts of interest.

References

Agraval, A., Gans, J., & Goldfarb, A. (2018). *Prediction Machines: The Simple Economics of Artificial Intelligence*. Harvard Business Review Press, Boston, MA, USA.

Bregman, R. (2020). *Humankind: A Hopeful History*. Back Bay Books, New York, NY, USA.

Chomsky, N. (2020). *Internationalism or Extinction*. Routledge, New York, NY, USA. https://doi.org/10.4324/9781003001034

Curtin, R. (2019). *Consumer Expectations*: *Micro Foundations and Macro Impact.* Cambridge University Press, Cambridge, UK. https://doi.org/10.1017/9780511791598

Roy, A. (2014). *The Ghost of Capitalism*. Haymarket Books, Chicago, IL, USA.

Sanders, B. (2023). *It's OK to be Angry about Capitalism*. Penguin Random House LLC, New York, NY, USA.

StataCorp. (2011). *Stata Statistical Software, Release 12*. StataCorp LP: College Station, TX, USA.

Varoufakis, Y. (2016). *And the Weak Suffer What Must? Europe's Crisis and America's Economic Future*. National Books: New York, NY, USA.