

The Bottom Line – August 2022

By Howard Headlee, President, Utah Bankers Association

Recently, I was rummaging through my mother's basement, when I found a fascinating letter to my father from the White House, signed by Bill Seidman. I guess I never knew of their relationship. The letter started, "The President and the Congress have agreed to hold a Conference on Inflation. They would appreciate your participation . . ."

It concluded with, "The Conference on Inflation is a bipartisan national effort to deal with our number one domestic problem. Your participation will be a real service to our country, and I do hope that you will be able to give us the benefit of your thinking."

That was pretty cool! And very relevant to today's economic circumstances.

I vaguely remember our country's last big fight with inflation; the year was 1980, and I was 16 years old. Ronald Reagan had just been elected with a mandate to fix the problem, which he did by working with Tip O'Neill and Howard Baker to implement some very tough economic measures. This led to a devastating election for Republicans in 1982, the year my dad just happened to be running for Governor of Michigan. But by 1984, inflation was whipped, and Reagan was overwhelmingly re-elected.

So, imagine my confusion - and stunned disbelief - when I looked at the date on the White House letter: September 24, 1974! I had no idea that our last big battle with inflation lasted almost TEN YEARS!

This makes today's situation seem so much more daunting. It's not that we don't know what causes inflation and what it takes to get it under control. But whipping inflation requires political will, discipline, and bipartisan resolve. It took 10 years to muster those resources back in the '70s. Today, I wonder if it is even possible.

Republicans are poised to make gains in the upcoming election, and perhaps they will take control of the House and even the Senate. Democrats will be desperate to retain the White House in 2024 and will have little incentive to help a Republican Congress whip inflation. Rather, they will likely focus their efforts on shifting blame for inflation onto Republicans.

If you don't believe me, just look at immigration. Building a world class immigration system is not rocket science, so why have we had to endure a broken system for decades? Because it's a great political weapon both parties use to try to win elections; there is little incentive to actually fix it.

My guess is that in the short run, political consultants for both parties will convince their party leadership that they can successfully build a narrative around inflation that will punish their opponents. This will go on for as long as voters will tolerate - and reward - it. But in the long

run, after every American is much poorer, voters will have had enough, and one party will realize that the reward of ending inflation is worth the tough medicine required.

How long will that be? It depends on how long the American people tolerate the political gamesmanship.

I believe bankers can expedite the solution by clearly communicating the real causes of inflation, and what it will take to get it under control. We should organize an aggressive and united campaign to repudiate any opportunists that promote myths and false narratives about inflation for political gain.

Stopping inflation is central to the core mission of banking - helping every American build wealth and pursue the American Dream. It will not be easy, but if we speak up now and keep the focus where it needs to be, we can dramatically reduce the amount of time it will take to stop the current erosion of American wealth.

Americans trust banks far more than Congress, so I'm confident that we could have an impact. Just like PPP, America once again needs bankers to take the lead.