

Powell: Fed's Inflation Battle Could be Painful

By CHRISTOPHER RUGABER
AP Economics Writer

JACKSON HOLE, Wyoming (AP) — Federal Reserve Chair Jerome Powell delivered a stark warning Friday about the Fed's determination to fight inflation with more sharp interest rate hikes: It will likely cause pain for Americans in the form of a weaker economy and job losses.

The message landed with a thud on Wall Street, sending the Dow Jones Industrial Average down more than 1,000 points for the day.

"These are the unfortunate costs of reducing inflation," Powell said in a high-profile speech at the Fed's annual economic symposium in Jackson Hole. "But a failure to restore price stability would mean far greater pain."

Investors had been hoping for a signal from Powell that the Fed might soon moderate its rate increases later this year if inflation were to show further signs of easing. But the Fed chair indicated that that time may not be near, and stocks tumbled in response.

Runaway price increases have eroded most Americans on the economy, even as the unemployment rate has fallen to a half-century low of 3.5%. It has also created political risks for President Joe Biden and congressional Democrats in this fall's elections, with Republicans denouncing Biden's \$1.9 trillion financial support package, approved last year, as having fueled inflation.

The Dow Jones average finished down 3% on Friday, its worst day in three months. The tech-heavy Nasdaq composite shed nearly 4%. Shorter-term Treasury yields climbed as traders built up bets for the Fed to stay aggressive with rates.

Some on Wall Street expect the economy to fall into recession later this year or early next year, after which they expect the Fed to reverse itself and reduce rates.

A number of Fed officials, though, have pushed back against that notion. Powell's remarks suggested that the

Fed is aiming to raise its benchmark rate — to about 3.75% to 4% by next year — yet not so high as to tank the economy, in hopes of slowing growth long enough to conquer high inflation.

"The idea they are trying to hammer into the market's head is that their approach likely," said Eric Winograd, an economist at asset manager AllianceBernstein. "They are going to stay tight even when it hurts."

After raising its key short-term rate by a steep three-quarters of a point at each of its past two meetings — part of the Fed's fastest series of hikes since the early 1980s — Powell said the Fed might ease up on that pace "at some point," suggesting that any such slowing isn't near.

Powell said the size of the Fed's rate increase at its next meeting in late September — whether one-half or three-quarters of a percentage point — will depend on inflation and jobs data. An increase of either size, though, would exceed the Fed's traditional four-point hike, a reflection of how severe inflation has become.

The Fed chair said that while lower inflation readings that have been reported for July have been "welcome," he added that, "a single month's improvement falls far short of what (Fed policymakers) will need to see before we are confident that inflation is moving down."

On Friday, an inflation gauge that is closely monitored by the Fed showed that prices actually declined 0.1% from June to July. Though prices did jump 6.3% in July from 12 months earlier, that was down from a 6.8% year-over-year jump in June, which had been the highest since 1982. The drop largely reflected lower gas prices.

In his speech Friday, Powell noted that the history of high inflation in the 1970s, when the central bank sought to counter high prices with only intermittent rate hikes, shows that the Fed must stay focused.

"The historical record cautions strongly against prematurely" lowering interest rates, he said. "We must keep at it until the job is done."

What particularly worries Powell and other Fed officials is the prospect that inflation would become entrenched, leading consumers and businesses to change their behavior in ways that would perpetuate higher prices. If, for example, workers began demanding higher pay to match higher inflation, many employers would then pass on those higher labor costs to consumers in the form of higher prices.

Many analysts speculate that Fed officials want to see roughly six months or so of lower monthly inflation readings, similar to July's, before stopping their rate hikes.

Powell's speech was the marquee event of the Fed's annual economic symposium at Jackson Hole, the first time the conference of central bankers is being held in person since 2019, after it went virtual for two years during the COVID-19 pandemic.

Since March, the Fed has implemented its fastest pace of rate increases in decades to try to curb inflation, which has punished households with soaring costs for food, gas, rent and other necessities. The central bank has lifted its benchmark rate by 2 full percentage points in just four meetings, to a range of 2.25% to 2.5%.

Those hikes have led to higher costs for mortgages, car loans and other consumer and business borrowing. Home sales have been plunging since the Fed first signaled it would raise borrowing costs.

In June, the Fed's policymakers signaled that they expected their key rate to end 2022 in a range of 3.25% to 3.5% and then to rise further next year to between 3.75% and 4%. If rates reached their projected level at the end of this year, they would be at the highest point since 2008.

Powell is betting that he can engineer a high-risk outcome: Slow the economy enough to ease inflation pressures yet not so much as to trigger a recession.

His task has been complicated by the economy's cloudy picture: On Thursday, the government said the economy shrank at a 0.6% annual rate in the April-June period, the second straight quarter of contraction. Yet employers are still hiring rapidly, and the number of people seeking unemployment aid, a measure of layoffs, remains relatively low.

At its meeting in July, Fed policymakers expressed two competing concerns that highlighted their delicate task.



Skye Steritz, Amber Morris and Madison Perlick, from left, harvest sugar kelp at Noble Ocean Farms recently. (Photo by Mark Titus)

Kelp Farms Producing A Better Environment

By Rachel Heimke

More wildfires, hotter days, and melting glaciers make it impossible to ignore that the world around us is changing. As carbon dioxide floods the atmosphere, the chemistry of our oceans changes as well.

As a Fisheries and Ocean Sciences major at the University of Alaska Fairbanks, I wanted to learn about seaweed mariculture. Acidification is already having an effect on marine ecosystems, and I desired to be part of the solution. To my surprise, I found that kelp has the potential to mitigate the effects of ocean acidification at a local level. To learn more, I found a position at Noble Ocean Farms: a small-scale, woman-owned kelp farm near Cordova, Alaska, in Eyak and Alutiiq territory.

Although I had never heard of them before this summer, I discovered that kelp farms are spreading across Alaska. Here is an industry that can help humans and the environment simultaneously. The process of growing kelp is environmentally friendly, as it is a zero-input crop that boosts marine biodiversity and reduces Alaska's need to import vegetables. No fertilizer, freshwater, nor arable land are needed to grow kelp, making it unique from conventional agricultural practices.

Growing kelp produces what's known as a halo effect: cleaner water, reduced acidification, and increased biodiversity. Kelp purifies and alkalizes the water by removing carbon and producing oxygen through photosynthesis. This results in a more productive, oxygen-rich habitat for hundreds of marine species.

One of the many effects of climate change, acidification occurs as the ocean absorbs high levels of carbon dioxide from the atmosphere (acting as a sink). Chemical changes occur as the carbon dioxide interacts with the water, making it more acidic and changing the living conditions for marine organisms.

A study done in Monterey Bay found that conditions in a kelp forest had increased pH levels (less acidic locally), more oxygen present, and were overall more productive than adjacent waters.

The effects of kelp were most pronounced higher in the water column, declining with deeper water. Noble Ocean Farms is working with marine scientists from the University of Alaska to study the impacts of kelp farming in Prince William Sound.

Kelp photosynthesizes to grow, a process that uses carbon dioxide and releases oxygen.

Therefore, as it grows, it absorbs carbon dioxide from the water column. For this reason, kelp may be one tool for coastal Alaskan communities to build climate resilience.

Kelp is also an important habitat for many marine species, including fish, shellfish, invertebrates and marine mammals. According to NOAA, kelp reduces ocean current speed, creating a calmer environment for animals to live in.

Kelp is home to sea urchins, anemones, sea stars, and other invertebrates. NOAA states that it also provides critical habitat for various types of rockfish. These large seaweeds provide nursery habitat: a sanctuary for juvenile fish as they grow. More kelp

can mean more fish.

Besides boosting the productivity of fisheries we depend on, the abundance of fish also provides a haven for marine mammals. Seals, sea lions, and sea otters prey on fish and invertebrates there, and gray whales have been found in kelp forests as well. By providing a productive habitat, full food chains can emerge in areas rich with kelp.

Not only does kelp serve as shelter, it is also a key food source for many marine species.

Abalone rely on kelp for nutrients. Sea stars, such as brittle stars, eat kelp as well as other algae that live on it. Certain species of crab also consume kelp, especially when they are molting and need extra nutrients.

The National Park Service states that kelp forests provide both food and shelter for at least 1,000 marine species. Kelp is a primary producer, supplying an energy-rich food source that forms the foundation of the food chain.

Kelp is considered a superfood for humans as well. According to Healthline, kelp contains high amounts of magnesium, calcium, iron, potassium, and folate. It is considered to be one of the best natural sources of iodine, which supports thyroid health, leading to better brain function and higher energy levels.

Seafood Nutrition Partnership adds that kelp has a high level of antioxidants. These can protect cardiovascular health and help fight off other diseases. Besides containing many healthy components, kelp is rich in fiber and healthy fats. It has alginates, which act to clump toxins together, which can clean out the lymphatic systems and flush toxins out of the body. Kelp also helps diabetic people regulate glucose in the blood (Eat This, Not That).

As a sea vegetable, kelp can also be eaten in a variety of tasty ways. It is used in seaweed salad, in soups and sushi, as naturally salty chips, and can even be made into noodles. Its savory, complex flavor can make broths richer. Kelp can also be used in hot sauce, salsa, pickles, and ice cream. Companies like Noble Ocean Farms are working on new products designed specifically for Alaskans.

Food insecurity is a considerable issue in Alaska, especially in more remote areas around the state. Making a superfood such as kelp available to more people could be one solution.

In addition to providing a delicious and nutritious food to people across Alaska, the process of growing kelp is environmentally beneficial. Between making the surrounding ocean healthier, providing shelter to fish, and providing excellent food to people, it seems like an ideal crop.

I was inspired by working with Noble Ocean Farms and learning more about seaweed mariculture. The growing kelp farming industry is one of many ways to boost Alaska's food security while building climate resilience. This may be incredibly important in the near future, as we need more food supplies that are not harmful to our planet. Kelp can help.

Rachel Heimke, a University of Alaska Fairbanks student, is a 2020 graduate of West Anchorage High School.

Environmentalists Question OK of N. Slope Oil Project

ANCHORAGE (AP) — The Biden administration's approval of a five-year exploration program at an oil field on Alaska's North Slope is being challenged by environmental groups who say a federal agency failed to assess greenhouse gas emissions.

The U.S. Bureau of Land Management "approved the program without assessing the greenhouse gas emissions that would result from oil and gas produced and consumed if exploration results in discovery, development, and production," the lawsuit states.

The land agency "later assessed only a fraction of the direct emissions that would result from on-the-ground operations to conduct the exploration."

The lawsuit challenging the adequacy of environmental reviews for the Peregrine project was filed by

Earthjustice on behalf of the Sierra Club, Friends of the Earth and Greenpeace USA, the Anchorage Daily News reported.

"We are beyond frustrated with Biden's rubber stamping of Big Oil's drilling in Alaska's vulnerable and wild places," said Hallie Templeton, legal director for Friends of the Earth, in a statement.

Emerald House, a subsidiary of Australia-based 88 Energy, was granted the exploration approvals for the field in the National Petroleum Reserve-Alaska. The field is about 40 miles (64 kilometers) south of ConocoPhillips' Willow prospect, which conservation groups have sued to stop.

Representatives with the federal agency and 88 Energy declined to comment when contacted by the newspaper.

2 'Forever Chemicals' Put on EPA Toxic List

By MATTHEW DALY
The Associated Press

WASHINGTON (AP) — The Environmental Protection Agency moved Friday to designate two "forever chemicals" used in cookware, carpets and firefighting foams as hazardous substances, a step that would clear the way for quicker cleanup of the toxic compounds, which have been linked to cancer and other health problems.

Designation as a hazardous substance under the so-called Superfund law doesn't ban the chemicals. But it requires that releases of PFOA and PFOS into soil or water be reported to federal, state or tribal officials if they meet or exceed certain levels. The EPA could then require cleanups to protect public health and recover cleanup costs.

PFOA and PFOS have been voluntarily phased out by U.S. manufacturers but are still in limited use and remain in the environment because they do not degrade over time. The compounds are part of a larger cluster of "forever chemicals" known as PFAS that have been used in consumer products and industry since the 1940s. The term is short for per- and polyfluoroalkyl substances, which have been used in nonstick frying pans, water-repellent sports gear, stain-resistant rugs, cosmetics and countless other consumer products.

The chemicals can accumulate and persist in the human body for long periods of time, and evidence from animal and human studies indicates that exposure to PFOA or PFOS may lead to cancer or other health problems.

"Communities have suffered far too long from exposure to these forever chemicals," EPA Administrator Michael Regan said in a statement Friday. "The action announced today will improve transparency and advance EPA's aggressive efforts to confront this pollution."

Under the proposed rule, "EPA will both help protect communities from PFAS pollution and seek to hold polluters accountable for their actions," Regan said. The rule is expected to become final next year.

The Superfund law allows the EPA to clean up contaminated sites and forces parties responsible for the contamination to either perform cleanups or reimburse the government for EPA-led cleanup work. When no responsible party can be identified, Superfund gives EPA money and authority to clean up contaminated sites.

The EPA's action follows a recent report by the National Academies of Science that calls PFAS a serious public health threat in the U.S. and worldwide. It comes after an EPA announcement in June that PFOA and PFOS are more dangerous than previously thought and pose health risks even at levels so low they cannot currently be detected.

The agency issued nonbinding health advisories that set health risk thresholds for PFOA and PFOS to near zero, replacing 2016 guidelines that had set them at 70 parts per trillion. The chemicals are found in products including cardboard packaging, carpets and firefighting foam and increasingly found in drinking water.

The EPA said in a statement that

it is focused on holding responsible companies that manufactured and released significant amounts of PFOA and PFOS into the environment and will not target individual landowners or farmers "who may have been inadvertently impacted by the contamination." The agency also said it is committed to further outreach and engagement to hear from communities affected by PFAS pollution.

Erik Olson, a health and food expert at the Natural Resources Defense Council, called the announcement an important step to clean up hundreds of contaminated sites across the country and protect millions of families exposed to the toxic chemicals.

"Listing PFOA and PFOS as hazardous under Superfund law should allow EPA to hold polluters responsible for that contamination," he said. "Ratepayers and public utilities should not be footing the bill for industry's decades of wonton use of these dangerous chemicals."

Attorney Rob Blott, an anti-PFAS advocate, said the EPA's proposal "sends a loud and clear message to the entire world that the United States is finally acknowledging and accepting the now overwhelming evidence that these man-made poisons present a substantial danger to the public health and the environment."

Blott, whose work to uncover the widespread presence of PFAS chemicals in the environment and in human blood was highlighted in the 2019 film "Dark Waters," said the EPA must work to ensure that costs of cleaning up the toxins are borne by PFAS manufacturers that caused the contamination — "not the innocent victims of this pollution who didn't create the toxins and were never warned any of this was ever happening."

Sen. Shelley Moore Capito, R-W. Va., said she supports strong action to address PFAS contamination in West Virginia and across the country but was concerned about "the unintended consequences that today's proposal could have."

If finalized, "property owners, farmers, employers, essential utilities and individuals may be liable for unknowingly having PFAS on their land, even if it was there years or even generations prior to ownership and came from an unknown source," Capito said.

The American Chemistry Council, which represents major chemical companies, called the EPA's proposal "an expensive, ineffective and unworkable means to achieve remediation for these chemicals."

Listing the chemicals under Superfund could harm local fire departments, water utilities, small businesses, airports and farmers, the group said. "The proposed (Superfund) designation would impose tremendous costs on these parties without defined cleanup standards," the council said in a statement.

The EPA said it expects to propose national drinking water regulations for PFOA and PFOS later this year, with a final rule expected in 2023.

Dow Takes 1,003 Dive

NEW YORK (AP) — The Dow Jones Industrial Average sank more than 1,000 points Friday after the head of the Federal Reserve dashed Wall Street's hopes that it may soon ease up on high interest rates in its effort to tame inflation.

The S&P 500 lost 3.4%, its biggest drop since mid-June, after Jerome Powell said the Fed will likely need to keep interest rates high enough to slow the economy "for some time" in order to beat back the high inflation sweeping the country.

The Dow dropped 3% and the Nasdaq composite ended 3.9% lower, reflecting a broad sell-off by technology stocks. Higher rates help corral inflation, but they also hurt asset prices.

Investors initially struggled to make out the meaning of Powell's highly anticipated speech. Stocks fell at first, then turned nearly all their losses, and then erased decisively lower with all but five of the companies in the S&P 500 ending up in the red.

"He focused more on the Fed's goals rather than the path," said Jeffrey Kleintop, chief global investment strategist at Charles Schwab. "That left the market with less to grab onto in terms of the future path for policy."

Sitka Yesterday

20 YEARS AGO
August 2002

Winners in the 4th Annual Sitka Open Golf tournament, held at Sea Mountain Driving Range have been listed. John Findley, Semisi Funaki and Bruce Belley won in the men's division; and Judy Sudnikovich, Mary Haug and Myrtle Helem topped the women's Division. Richard Stein and Robert Stein won in the youth division.

50 YEARS AGO
August 1972

Mrs. Claudia O'Connell's two children and their families are due to visit their mother and attend the dedication of the John O'Connell Memorial Bridge. Chuck O'Connell is an Anchorage teacher, and Mrs. Don Peterson, the former Jerry Anne O'Connell, lives in Bellevue, Wash.

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Weather

Sitka Forecast

Tonight, expect a low of 52 degrees with an 80 percent chance of rain. On Saturday expect a high of 58 degrees and heavy rain, with an overnight low of 51 and rain likely. Then on Sunday it's a high of 59 degrees, and overnight low of 54 and rain, and on Monday expect a high of 62 degrees, and overnight low of 55, and rain.

Sitka Weather

Temperatures ranged from 57 to 63 degrees, the wind hit 19 mph out of the northwest at 1:36 p.m., and .34 inch of rain was logged in the 24 hours ending at midnight, Sitka Flight Service Station reports.