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Biden Keeps Rosy Outlook Despite a Spike in Inflation

FROM FIRST BUSINESS PAGE

The event was essentially a rally for the so-called Inflation Reduction Act, which raised taxes on large corporations, targeted nearly \$400 billion in spending and tax incentives to reduce the fossil fuel emissions driving climate change, and took steps to reduce prescription drug costs for seniors on Medicare and premium costs for Americans who buy health insurance through the Affordable Care Act.

Mr. Biden called the law “the single most important legislation passed in the Congress to combat inflation and one of the most significant laws in our nation’s history.”

“There’s an extraordinary story being written in America today by this administration,” Mr. Biden said, adding, “This bill cut costs for families, helped reduce inflation at the kitchen table.”

On Wednesday, Mr. Biden will head to the Detroit auto show, where he will champion his policies to bolster manufacturing and low-emission sources of energy.

But the country’s economic reality remains more muddled than Mr. Biden’s rosy message, as the inflation report underscored. Food prices are continuing to spike, straining lower-income families in particular. The global economy is slowing sharply, and threats remain to the American recovery if European sanctions force millions of barrels of Russian oil off the global market in the months to come.

A possible railroad strike could disrupt domestic supply chains. The White House press secretary, Karine Jean-Pierre, told reporters on Tuesday that the president had called union and company leaders on Monday in an attempt to broker an agreement.



The release of a sobering report on inflation did not deter President Biden from hosting an event to celebrate the passage of the Inflation Reduction Act.

Most important — and perhaps most damaging for Mr. Biden and Democrats — Americans’ wages have struggled to keep pace with fast-rising prices, an uncomfortable truth for a president who promised to make real wage gains a centerpiece of his economic pro-

Unwelcome news for Democrats with the midterms looming.

gram. Inflation-adjusted average hourly earnings ticked up across the economy in August, the Labor Department said on Tuesday, but they remain down nearly 3 percent from a year ago.

Republicans were quick to criticize Mr. Biden after the report on Tuesday. “Every day, Americans endure Biden’s economic crisis,” said Representative Blaine

Luetkemeyer of Missouri, the top Republican on the Small Business Committee. “The Democrats’ inflation continues to drive up costs and leads more and more small businesses and families questioning their future.”

Mr. Biden and his aides have celebrated falling gasoline prices on a daily basis throughout the summer. Those decreasing prices have helped inflation moderate from its high point this year, though not enough to offset rising rent, food and other costs.

Even as he acknowledges the pain of rapid price increases, Mr. Biden has claimed progress in the fight against inflation, including with the signing last month of the energy, health care and tax bill that Democrats called the Inflation Reduction Act. On Tuesday morning, he sought to put a positive shine on the August data, saying in a statement that it was a sign of “more progress” in bringing down inflation.

At his celebration on Tuesday, Mr. Biden barely mentioned the word “inflation.” Instead, he talked about reducing medical and energy costs — and, to a much larger extent, about the law’s efforts to combat climate change.

Near the end of the speech, he gave a strident defense of his administration’s economic record, including strong job creation, record small-business formation and a rebound of the manufacturing sector.

“And guess what?” Mr. Biden said. “For all the criticism I got and the help you gave me for gas prices bringing — they’re down more than \$1.30 a gallon since the start of the summer. We’re making progress. We’re getting other prices down as well. We have more to do. But we’re getting there.”

Recent weeks have brought signs of hope for administration officials, among both consumers and companies. The National Federation of Independent Business reported on Tuesday that its Small Business Optimism Index rose in August as inflation anxiety eased. The Federal Reserve Bank of New York reported on Monday that consumer inflation expectations were also falling.

Officials inside the administration and at the Federal Reserve say strong job growth and consumer spending this summer have put to rest fears that the country slipped into recession in the first half of the year.

“What is most notable about where we are right now is the resilience of the labor market recovery, the resilience of American consumers and households, and that we are beginning to see some signs that prices may be moderating,” Brian Deese, the director of Mr. Biden’s National Economic

Council, said this week.

“There’s more work to do,” Mr. Deese said. “But I think that is a signal that the economic decisions that this president has made are bearing fruit.”

But polls continue to show that inflation is hurting Mr. Biden and his party at a pivotal moment, as Democrats seek to retain control of the House and the Senate. High prices loom as the top issue for voters in national opinion polls, and Americans say they trust Republicans more to handle inflation and the economy than Democrats.

On Tuesday, stock markets recorded their largest daily loss in two years, driven by investor fears of stubborn inflation pushing the Federal Reserve to raise interest rates higher and faster than many expected.

Economists on Wall Street and in policy circles are debating whether the U.S. economy can achieve a so-called soft landing, with economic and job growth slowing in order to bring inflation down — but not slowing so much as to push millions of Americans out of work. Some, like the former Treasury Secretary Lawrence H. Summers, have warned that the unemployment rate will need to rise significantly to bring price growth down to historical levels.

Mark Zandi, the chief economist at Moody’s Analytics, whose analyses of Mr. Biden’s policy proposals are often promoted by the White House, said on Twitter on Tuesday that “job and wage growth must sharply slow” to reduce price increases in the service sector. “This is on the Fed, which must hike rates to get job and wage growth down without pushing the economy under.”

Tuesday’s inflation report, he added, “suggests that while still doable, it won’t be easy.”



Howard Schultz, the Starbucks interim chief executive, said the company had “lost its way.”

Starbucks Is Planning For Changes

By JULIE CRESWELL

Starbucks provided a window into its much-anticipated “re-invention” strategy on Tuesday, highlighting automations it plans to begin using over the next three years that will get food and drink orders to customers faster while cutting down on the work done by employees. It also pointed to high-growth markets like China, where it intends to open thousands of additional stores.

Still, the coffee giant, which has been facing a wave of unionization efforts inside stores across the United States, was light on specifics around some of the concerns that have been raised by its employees, like scheduling.

While Starbucks is largely viewed as a “winner” of the pandemic, having successfully moved customers away from in-store experiences to drive-through and mobile orders, Howard Schultz, the company’s interim chief executive, said the company had also made strategic mistakes. Mr. Schultz, who replaced Kevin Johnson as chief executive five months ago, said that, in certain ways, the company had “lost its way.”

In a meeting that ran much of the day, Mr. Schultz and other members of the Starbucks leadership team — many of whom have been installed since he took over this spring, including the newly named chief, Laxman Narasimhan, who will take over in April — gave a look into how they planned to push revenues and profits even higher in the next three years.

In recent months, Starbucks has seen a massive surge in revenues from younger customers ordering elaborate, cold, customized coffees, like venti caramel crunch frappuccinos. These cold drinks now make up 70 percent of Starbucks’ revenues. So-called modifiers of these drinks — think, a shot of espresso or three pumps of pumpkin sauce — now account for more than \$1 billion in sales each year on their own.

But the complexity of the drinks, along with order surges at certain times of the day, have made barista jobs more demanding and can sometimes result in delays. To help address that, the company unveiled a new cold beverage system that reduces the number of steps needed to make the drinks, as well as the need for employees to repeatedly bend down and dig into buckets for ice. In a demonstration of the system, two Starbucks employees showed that it took 35 seconds to make a mocha frappuccino with whipped cream as opposed to 87 seconds.

“We will never replace our baristas,” said Deb Hall Lefevre, who joined Starbucks in May as its chief technology officer. “Rather, our job is to automate the work and simplify it so that their job is easier.”

The company said that it began paying all retail employees a starting minimum wage of \$15 an hour on Aug. 1. It introduced a new savings plan, which it said would include company contributions. But there were few details provided on other initiatives, such as a student loan management system and a new scheduling system.

The company noted that employee turnover was better than for the rest of the industry, but was still too high and that there was a focus on reducing it.

It was nearly three hours into the meeting before any executives brought up the issue of unionization. So far, more than 200 stores of the 9,000 Starbucks operates have unionized.

“On the subject of unionization, there are two paths,” said John Culver, group president of North America and chief operating officer, who is leaving the company at the end of September. “We can work together as partners, side by side, or we can have a third party between us. If we are working side by side, we can efficiently deliver solutions that support our partners in their jobs, support their physical, financial and mental well-being.”

For Life’s Big Moments, Japan Sends a Telegram

FROM FIRST BUSINESS PAGE

Minister Shinzo Abe, reportedly over the political leader’s ties to the Unification Church, politicians across Japan scrambled to explain their connections to the fringe religious group. Among them was the environment minister at the time, Tsuyoshi Yamaguchi, who over the years had sent congratulatory telegrams to organizations affiliated with the church.

For Mr. Yamaguchi, it was business as usual: Politicians get requests for telegrams “from all over the place,” he said, adding that “we send one to everyone who asks.”

Japan is far from the only country where telegrams still exist. They remain a useful, albeit increasingly rare, method of communication in places where poverty and infrastructure limit access to mobile phones and email.

In wealthier nations, as well, a telegram can still carry legal or ceremonial weight. When President Biden was sick with Covid-19 this summer, the Chinese leader, Xi Jinping, sent a telegram wishing him a speedy recovery. After the death of Queen Elizabeth II on Thursday, world leaders sent condolences by telegram.

But the days of mainstream use of telegrams are long past. Western Union, once synonymous with telegrams, ended its service in 2006. India, one of the last major national holdouts, shut down its state-run service in 2013 after 162 years.

The telegram services that remain have changed greatly since Samuel Morse’s invention of the telegraph put the Pony Express out of business.

Today, messages are mostly composed online and transmitted digitally before being printed out and hand delivered. In Japan, senders can choose from among a variety of fonts and elegant card stocks and select an accompanying gift from catalogs full of luxury goods and branded items — Disney and Hello Kitty are popular. Flowers or stuffed animals are common choices for weddings, incense sticks for funerals.

Payment schemes have also evolved: Instead of being charged by the character, as in the old days, customers are billed at a fixed rate for a fixed number of characters, and pay extra if they go over.

The telegram’s essence, however, has remained: a concise message printed on a small card and (relatively) swiftly delivered.

The telegram’s transformation into a vessel of etiquette was a decades-long process. Telegram use peaked in Japan in 1963, when the medium — then considered the gold standard for urgent communication — was used to send around 95 million messages, according to a government report assessing the recent state of the industry.

By the 1990s, telegram traffic

had nearly halved. At the same time, the messages’ content had undergone an unexpected evolution: Nearly all of them conveyed congratulations or condolences.

In 2020, the most recent year for which data is available, more than four million telegrams were delivered in Japan. That makes it the third largest market for the medium behind Russia and Italy, according to statistics provided by International Telegram, a private firm that provides telegram services worldwide. (In the United States, fewer than a million telegrams are sent annually, the company said.)

The bulk of telegrams in Japan are sent by Nippon Telegraph and Telephone, known as NTT. The company, which started life as a state-owned entity, was given an effective monopoly on the telegram business when it was privatized in 1985. In exchange, the company had to guarantee that it



An assortment of telegrams. In Japan, wedding messages should avoid punctuation, which could symbolize an end.



Keisuke Yamamoto, left, started a telegram company 15 years ago aimed at appealing to younger customers. Right, an employee checking telegrams.



would provide the service indefinitely.

Under NTT’s monopoly, the industry stagnated, and the company’s profits from it eventually vanished. But as government overhauls opened the business to competition in the past two decades, a number of small companies

‘There’s a lot more emotion when you get a telegram.’

Toshihiko Fujisaki, who works at a company that offers the service.

sprang up, introducing innovations like online ordering that have helped the industry survive.

For these firms, telegrams remain a moneymaking niche business.

Keisuke Yamamoto, the president of Roys International, started his company 15 years ago. At the time, he was working in li-

censing and had noticed a growing demand for telegrams that featured popular brands and characters like Peter Rabbit and Paddington Bear.

At the time, the market was 45 billion yen, he said, or about \$325 million in today’s money, and he realized that “snagging even just 1 percent of that would make a successful business.”

He set out to differentiate his company, he said, by pairing the messages with gifts that would appeal to a younger generation. “It worked,” he said, adding that a competitor had even “stolen our ideas.”

The pandemic has hurt telegram traffic as people have avoided large events like weddings and funerals, but customers have become more likely to send telegrams with expensive presents, said Toshihiko Fujisaki, who heads the corporate planning department at Sagawa Humony, a company that offers telegram services.

The company has tried to bring young people onboard, giving uni-

versity students the opportunity to experience ordering a telegram. It is also working on a smartphone app.

“Young people don’t know telegrams. They’re used to smartphones,” Mr. Fujisaki said. But compared with getting an email or a text message, “there’s a lot more emotion when you get a telegram.”

For those unfamiliar with the protocol, telegram companies offer online primers on sending messages for a variety of occasions. For weddings, guests should avoid using punctuation, because it could signify bringing something to an end. Senders are also advised to notify the recipient in advance to avoid any potentially unpleasant surprises.

Even as the broader market for telegrams has shrunk, they have remained popular among corporate clients and politicians, who see them as important tools for keeping up relationships.

Politicians send them not just to constituents but to each other, said Mr. Matsuda, the political

consultant.

“They send them to each other when they can’t participate in a fund-raising event or when their colleagues get appointed to an important post,” he said.

Mr. Yamaguchi’s scandal, however, may have cooled that enthusiasm. During a recent talk show appearance, Toshinao Sasaki, a freelance journalist and political commentator, said the Unification Church controversy could finally end politicians’ love affair with the telegram.

“Times have changed,” he said, adding, “I think it’s the beginning of the end.”

For Asuka and Hiroshi Kanno, though, the telegram remains something to cherish. They proudly display their wedding telegrams in their living room, and Ms. Kanno said she planned to send one when her own future child gets married.

Still, the couple would never think to send a telegram under other circumstances, she said. When it comes to events like birthdays, “I’d probably go digital.”