

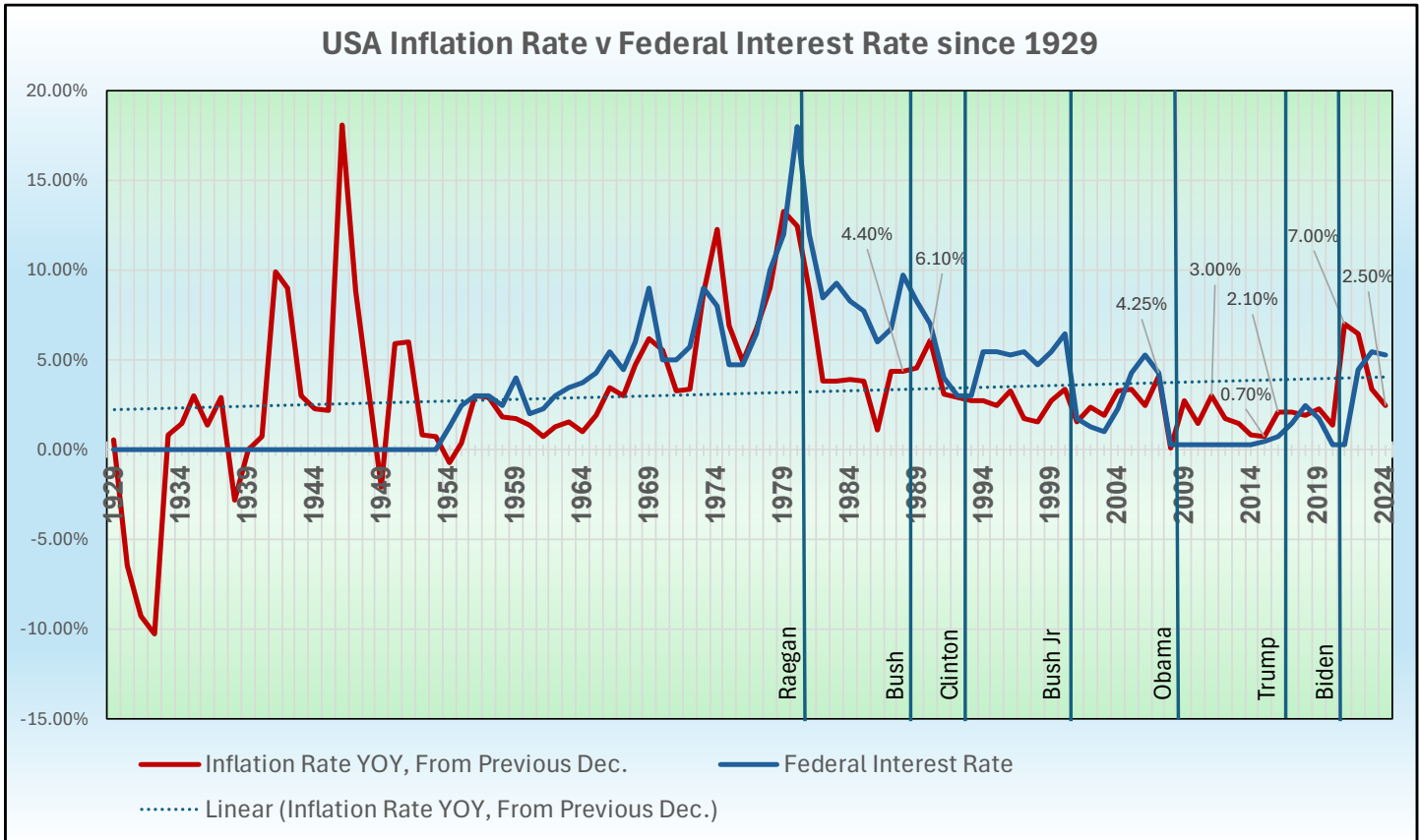


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For a Better District 71

USA INFLATION



Inflation is a loss of purchasing power over time, when a broad rise in prices for goods and services outpaces a rise of income. The inflation rate is calculated as the average price increase of a basket of selected goods and services over one year. This means that every dollar buys fewer goods and services, thereby increasing the cost of living.

Economists agree that the following factors drive inflation:

1. Demand for goods and services is higher than their supply.
2. Businesses pass these higher costs on to consumers in the form of higher prices.
3. Devaluation of a country's currency, causing import prices to rise.
4. Increased Money Supply: If a country's central bank sets interest rates too low or increases money supply too rapidly, it can lead to inflation.
5. Factors like labor shortages, supply chain disruptions, and geopolitical conflicts can disrupt production.



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Inflation starts to show up only after some or all of these 5 factors are established. When more than 1 of the factors combine, the pressure on inflation increases and becomes measurable in the following months.

One may wish that someone like the President has levers to turn inflation on or off, but unfortunately, that is not how it works. Both the causes of and the control of inflation takes time. **It is simply put a political lie to say that Biden had anything to do with the cause of high inflation that showed up during the first months of his Term. Almost all the 5 factors that cause inflation were developed during Trump's term.**

The Chart above shows USA Inflation from the Great Depression (1929 to 1939), until July 2024, and the start of presidential terms since Ronald Raegan. From an economic perspective, a small amount of inflation of about 2% to 2.5% is desirable. One can see that the effects of Government policy, such as increasing interest rates to combat inflation, take from months to years to be effective. It is also clear that the Biden Administration acted quickly and decisively to bring inflation down from an annualized high near 7% to the current level near 2.57%, and every indication is there that if Biden continues past 2024, that trend will continue. In fact, like Trump claimed credit for the inherited economic benefits established by Obama, one may expect that if Trump is elected, the Biden measures will continue to drive down inflation, and Trump will again claim he did it. There are, however, other grave reasons to Not elect Trump ever again.

The good news is that a Kamala Harris Administration will economically benefit every citizen, and the lower income people even faster by Democrats continuing to do everything in their power to raise minimum wages to catch up with higher prices that are controlled by private businesses. In contrast, **the GOP has decreased hourly wages every time they occupied the Oval Office over the past 50 years** (see my Hourly Wages Fact Sheet).

Inflation rates are provided by the Bureau of Labor Statistics. The Federal funds interest rate provided by the Board of Governors of the Federal Reserve System and is represented by the top of the range. Business cycle is provided by the National Bureau of Economic Research. GDP growth is provided by the Bureau of Economic Analysis.

Please read my other Fact Sheets to get a deeper understanding of the economy and why the Democratic Party is the only sensible choice in November 2024.