



The Daily Dish

The Economy and the Election?

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The election is six months away and voters' views of the economy tend to get settled over the next few months. Yesterday *The Washington Post* ran an article on this territory entitled "[Americans are down on the economy \(again\), with inflation topping election concerns.](#)" It summarizes the key recent data.

Consumer sentiment fell sharply – the largest drop since 2021 – and is now at its lowest in the past six months. Gas prices have risen sharply – always a politically sensitive development – since the turn of the year. But the heart of the issue is the absence of growth in real wages.

The graph below shows the cumulative rise – or, as it turns out, decline – in real average hourly earnings measured for all workers and for production and non-supervisory workers. The reality is that real wages are down since the beginning of the Biden Administration. Notice that inflation peaked in June 2022 at 9.1 percent, and as the disinflation proceeded, real wages made progress until the end of 2023. With the recent hot readings on inflation, however, the progress has reversed in 2024.

The Post notes that "The White House has doubled down on its economic message — touting its progress on inflation but conceding that it must do more to lower the cost of health care and housing as well as cut taxes for middle-class families."

But it is not obvious that there is a compelling message that resonates with the voters. The same article quotes Jared Bernstein, chair of Biden's Council of Economic Advisers as saying: "We've made a lot of progress in the right direction, and we are going to keep fighting to lower costs for families and make billionaires and corporations pay their fair share." The phrase "make billionaires and corporations pay their fair share" is simply a non-sensical *non sequitur* in economic logic.

The last issue is whether inflation will continue to be the chief issue or the focus shifts to economic growth. The most recent data on credit card use, jobs, retail sales, housing starts, and services employment have come in softer than expected and raise the specter of a household sector pulling back.

Cumulative Growth in Real Average Hourly Earnings

