



**The Daily Dish**

# The July CPI Report and the Political Economy of 2024

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Yesterday the Bureau of Labor Statistics delivered the July report on the Consumer Price Index (CPI). As has been widely reported, the report contained good inflation news. Measured on a year-over-year basis, top-line CPI inflation ticked down to 2.9 percent from 3.0 percent while the core CPI inflation came in at 3.2 percent, down from 3.3 percent in June. These developments were a bit softer than expected.

The only nettlesome aspect of the report was a one-month surge in shelter inflation to a 4.1 percent annual rate. Despite this, year-over-year shelter inflation only declined from 5.2 to 5.1 percent.

Looking at the Fed's two mandates, this report is another step toward having a balance of risks between the upside of faster inflation and the downside of slower employment growth; that is, between inflation and recession. Certainly, there is no strong evidence of an immediate recession threat – so no reason for an accelerated or dramatic Fed rate cut – but a case can be made that monetary policy should move closer to neutral as well. All that points to a 25-basis point cut at the September Fed policy meeting.

How do these developments affect the election season? It will be interesting to see how the Trump campaign reacts to a rate cut next month. Let's cross that bridge when we come to it. The Biden-Harris axis, however, seems dead set on declaring victory in an utterly counterproductive fashion.

The chart below shows measures of inflation for all 43 months of the administration and not just cherry-picked windows over the past year or so. There are six bars. The first five are measures of CPI inflation: (1) all items, (2) food, (3) energy, (4) shelter, and (5) food, energy, and shelter (FES). None is less than 5 percent and energy is in double digits, on average.

The sixth bar is wages – average hourly earnings of production and non-supervisory workers. It is the shortest bar, which means that when viewed in its entirety the legacy of Biden-Harris is prices that are much higher. And, while they might not rise as fast in the future, they are not coming down. Also, paychecks have not risen to cover these higher prices. In short, for 43 months people have been going to work (unemployment is low) but have been falling behind in the process.

This is the legacy candidate Harris is trying to figure out how to jettison. The strategy so far has been to deny the facts and patronizingly lecture the voters that things are good (based on a few months of cherry-picked data), that unemployment is low, and that the United States is doing better than other countries. Harris would be wise to find another approach.

# Average Inflation Rate

(43 Months at Annual Rate)

