

US presidential election 2024

US inflation is down. Could it still be Kamala Harris's downfall?

American voters' discontent with high living costs may decide who wins the White House next week

Myles McCormick in Atlanta and Joel Suss in London YESTERDAY



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“We are not going back,” declared Kamala Harris at a recent campaign rally in Atlanta, Georgia, as the US vice-president warned about the “brutally serious” consequences of Donald Trump returning to the White House.

“Not going back to what — when things were better?” asked Kristen Reese, recently laid off from her hospice administrator job and irate about the surging cost of living. “Then where are we going? Further into hell?”

Reese, 43, is “thankful” for President Joe Biden’s work cancelling student debt, but plans to [vote](#) for Trump, betting that he will do a better job tackling inflation. “Running the country is a business, and you want a businessman running it or what? I do.”

Days away from going to the polls, the stakes have never seemed higher for American voters. Trump’s re-election bid has prompted widespread warnings about the threat to democracy, not least from his [one-time chief of staff](#) who said he fitted “the general definition of a fascist”.

[Trump](#) in turn has issued dark alerts about “millions” of migrants crossing America’s southern border and proposed militarised mass deportations from the US, which he says is becoming a “garbage can for the world”.

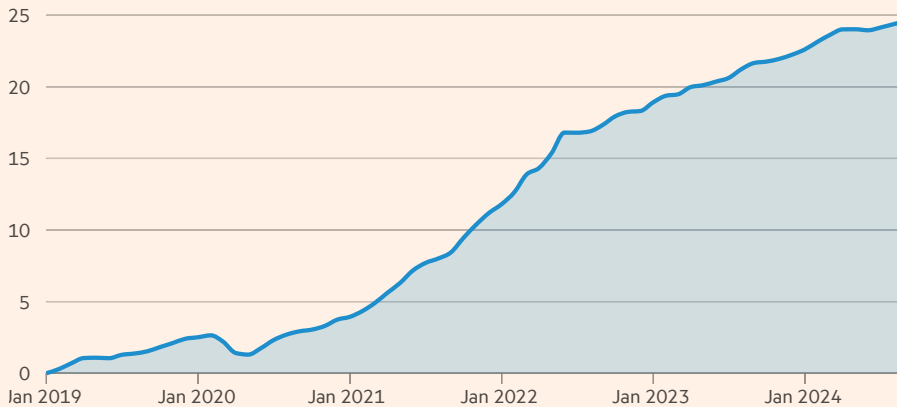
But for many undecided voters who will ultimately determine the result, the concerns are more mundane: the cost of living and especially [inflation](#).

“Despite the other big issues in American politics . . . voters actually care about their economic welfare more than anything else,” said Erik Gordon, a professor at the University of Michigan Ross School of Business.

Or as Bernard Yaros from Oxford Economics puts it, borrowing from political strategist James Carville’s famous coinage: “It’s inflation, stupid!”

Prices in the US have gone up by nearly 25% on average since 2019

CPI cumulative inflation (%)



FINANCIAL TIMES

Source: [Bureau of Labor Statistics](#)

If Trump wins a second term next week, popular discontent about the price of everything from petrol and groceries to rent and clothing will be a significant reason — and the Republican is pinning much of his campaign on it.

“I’d like to begin with a very, very simple question: are you better off now than you were four years ago?” he asked as he opened a rally in Pennsylvania on Tuesday evening.

US annual inflation hit a multi-decade high of 9.1 per cent in mid-2022 amid snarled supply chains caused by the coronavirus pandemic and a surge in commodity prices after Russia’s full-scale invasion of Ukraine.

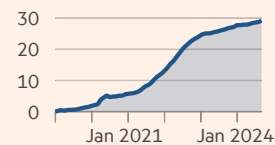
In September, it was 2.4 per cent — beaten lower by more than a year of high interest rates from the Federal Reserve. But prices are still up by roughly 25 per cent on average since 2019, according to the Bureau of Labor Statistics.

The cost of petrol — politically potent, given its visibility on every highway — has averaged \$3.48 a gallon this year, more than 30 per cent higher than its average in 2019, though it has fallen recently.

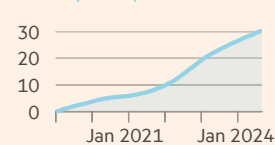
The prices of some items have risen more than headline CPI

CPI cumulative inflation by category (%)

Food



Rent of primary residence



Gasoline (all types)



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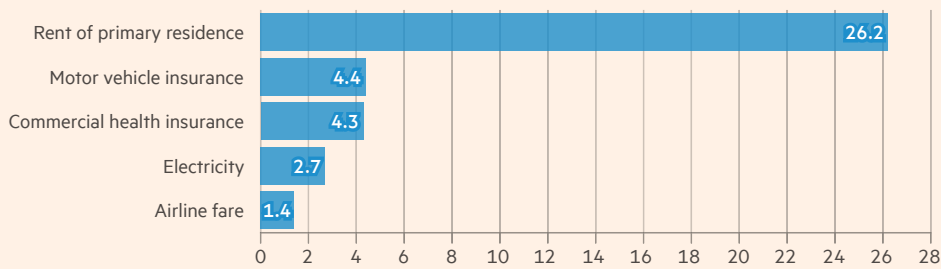
Source: [Bureau of Labor Statistics](#)

But the biggest burden has fallen on lower-income Americans — who also account for a relatively large portion of undecided voters. The poorest households in the US have endured an extra two percentage points of cumulative inflation relative to the richest households since 2019.

One big reason is rents, now about 30 per cent higher on average than in 2019. Lower-income households are more likely to rent their home.

Rent is the predominant driver of the rich-poor inflation gap, as poorer households are much more likely to rent rather than own their home

Contribution of CPI item categories to inflation gap (%), 2023



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Source: BLS

“Experiences of inflation leave quite a scarring mark,” said Stefanie Stantcheva, professor of political economy at Harvard. “Inflation induces a big sense of inequity and injustice.”

Although [Harris](#) has eroded much of Trump’s earlier polling advantage on whom voters trust on the economy, high prices remain a threat to the Democratic candidate next week. Some frustrated voters will simply opt to stay home.

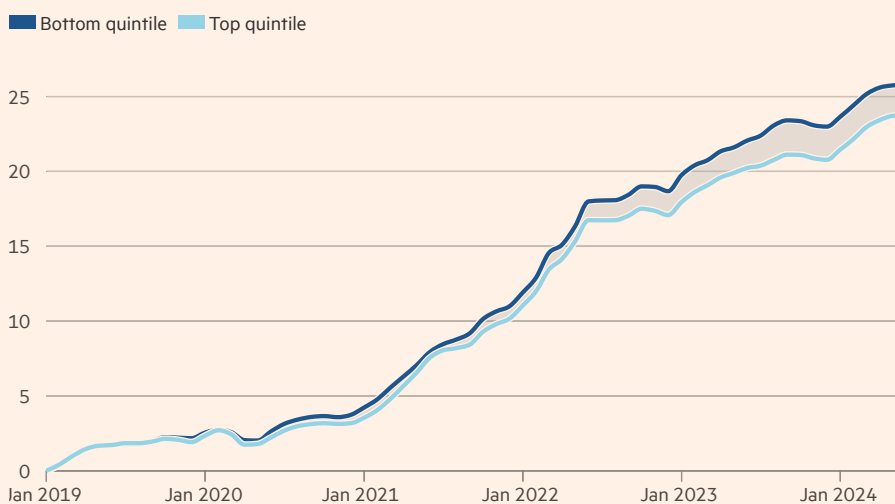
“It’s not going to make a difference to me,” said Javier, a 32-year-old Atlanta resident, who declined to give his last name and said he would not vote for either candidate. “The Democratic and Republican party is part of the same house.”

Inflation, he said, was “putting people in a hole, it’s putting you in the grave before your time comes”.

“It’s not going to change. Both parties tell lies.”

Poorer households have seen higher inflation in the US since 2019

Cumulative CPI increase (%) by income quintile



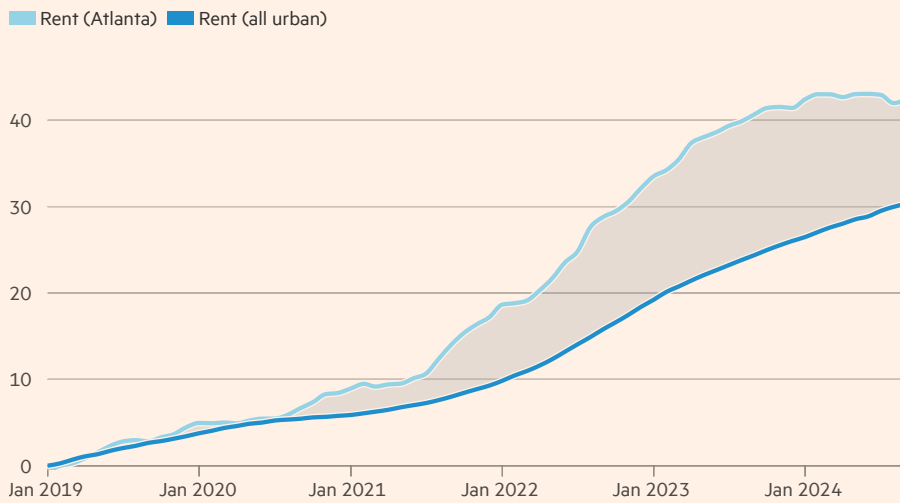
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Source: BLS

Georgia is also the most unequal of the [election’s swing states](#) and Atlanta — by some measures — the most unequal city. Rent costs in Atlanta have increased cumulatively by 43 per cent since 2019 relative to 30 per cent in urban areas nationally. In one Atlanta postcode, rents have risen almost 70 per cent since 2019, according to Zillow, a listing website.

Atlanta has seen substantially higher rent inflation than the US as a whole since 2019

Cumulative CPI increase (%)



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Source: [BLS](#)

Vallon Laurence, 68, a Navy veteran in Atlanta, supports Harris but believes many Democratic voters will not show up to vote for the candidate from the Biden administration. “It’s easy to blame the president,” he said.

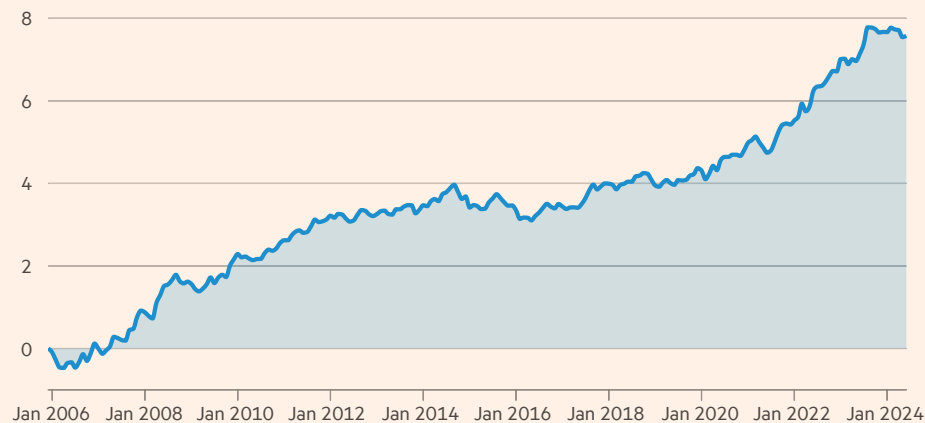
On paper, the US economy is the envy of the world and Harris — Biden’s vice-president — has much to brag about: GDP is motoring, unemployment is historically low and borrowing costs are falling.

But while employment and wages have soared under Biden — partly as a result of the strong Covid recovery — voters tend not to credit the administration.

For most people, “inflation is always a sign of a bad economy, it’s never a byproduct of a great economy”, said Stantcheva.

Poorer households typically see larger price increases in the US

Cumulative CPI inflation gap (percentage points) between bottom and top income quintiles



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Source: [BLS](#)

Nominal wage growth has generally outstripped inflation for all income groups since 2020. But voters are more inclined to see wage increases as their own doing rather than the government’s.

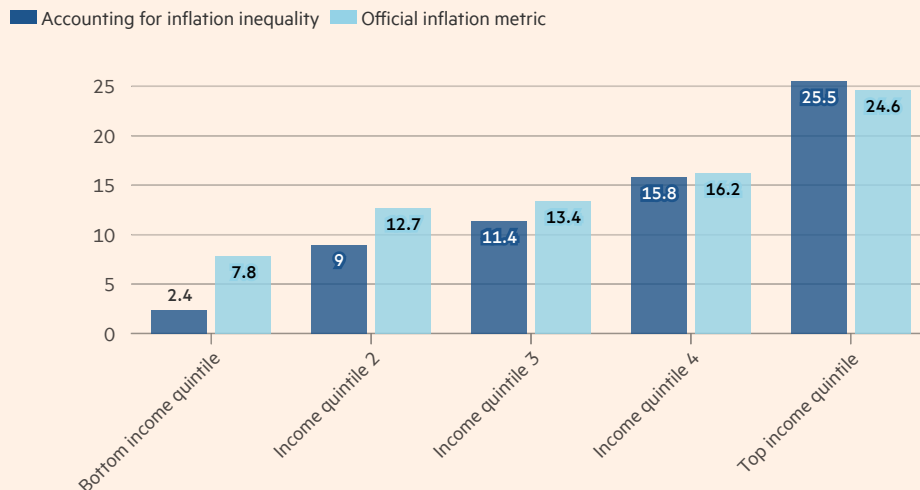
“People tend to blame whoever is in charge for inflation. And they don’t seem to give credit to whoever’s in charge for wage increases,” said Xavier Jaravel, professor of economics at the London School of Economics.

Accounting for the fact that poorer households have experienced higher inflation over time, the real income gains are even worse for low-income households.

Between 2002 and 2019, Jaravel calculates that real income for the bottom quintile of the population rose by just 2.4 per cent, versus about 25 per cent for the top quintile.

When **accounting for inflation inequality**, household real income growth has been worse for the bottom income quintile than when using the **official inflation metric**

Household real income growth (%), 2002-2019



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Source: [Xavier Jaravel](#)

Real wage growth at the lower end has been much faster since 2020, however, boosted by a tight labour market. But that has not always fed through to voter sentiment.

“It doesn’t stop or slow down,” said Cornelius Walker, 32, an author and podcaster in Atlanta, who added that many people he knows had reverted to having roommates to cut down on rent costs and “want to know exactly” how the two candidates were going to address the malaise.

“A lot of people are having a big, big issue with the cost of food,” said Walker. “Groceries are outrageous. Bread used to be \$1.50 or something for a loaf. Now everything is like \$3-\$4. Also the cost of eggs — it’s just a lot.”

Driving his Uber around Atlanta, Tommy Brown, 55, hears passengers fume over the cost of living. Many blame Harris, seeing her as the new face of the Biden administration. “It looks like she’s not doing her job.”

An FT Michigan-Ross poll [released last week](#) found 45 per cent of voters trusted Trump to leave them better off financially, versus 37 per cent for Harris. More than three-quarters of voters said price increases were among their main sources of financial stress.

Walker, an author and podcaster in Atlanta: ‘Groceries are outrageous. Bread used to be \$1.50 or something for a loaf. Now everything is like \$3-\$4’ © Myles McCormick/FT

Ansley Rosenberg was forced to almost double her fees as a nanny recently to cover the increase in her rent © Myles McCormick/FT

Trump sees this as fertile territory to Hoover up votes, claiming “inflation will vanish completely” if he is re-elected.

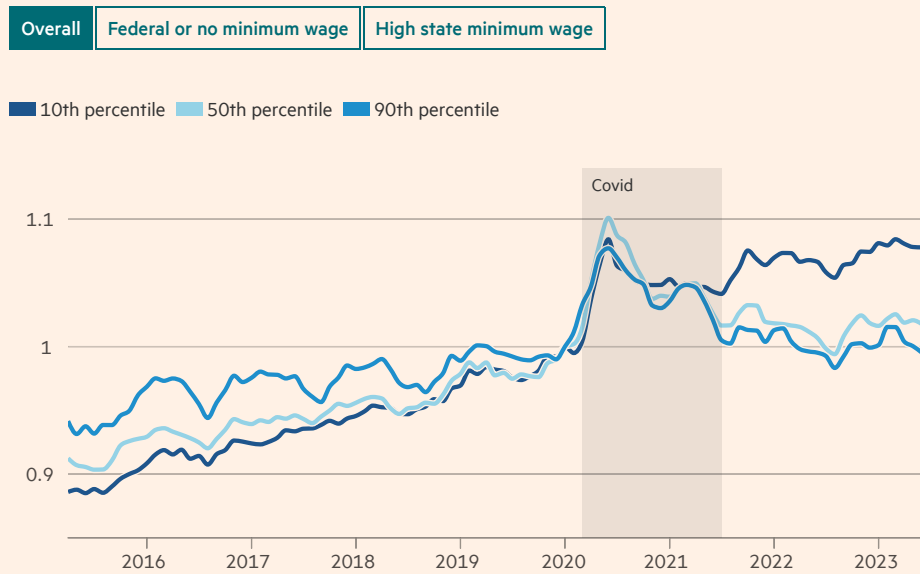
The former president has vowed to unshackle US oil production — at record highs — to bring down prices at the pump, even though they have fallen steadily recently. He would also dial back government spending, cut regulations and slash taxes.

Harris’s plan to bring down prices would include capping the costs of medicines, a crackdown on “gouging” by grocers, building more houses and offering credits to homebuyers and families. She also says Trump’s plan to ratchet up tariffs would amount to a tax on consumers.

“Our biggest challenge is to lower costs,” she said in a speech on Tuesday. “I get it.”

The low paid in the US have had bigger real wage increases since 2020

Real wage index: Jan 2020 = 1



FINANCIAL TIMES

Sources: FT calculations, [Autor, Dube, McGrew](#)

Will her efforts be enough?

Ansley Rosenberg, 23, will vote for Harris and blames Trump for the inflation. She was forced to almost double her fees as a nanny recently to cover the increase in her rent — a “crazy upscoop”, she acknowledged, but she “couldn’t afford to do it any cheaper”. Now she runs a pop-up clothes stall in downtown Atlanta, where she is feeling the pinch from higher garment costs.

For Elijah Richardson, 27, who runs a car-hire business, backing Trump is an easy decision. “You’ve seen the difference — when Biden was in office and when Trump was in office. There’s really nothing else to say.”

Additional reporting by Lauren Fedor in Washington