

# TRUMP AND INFLATION

## Consumers struggle to keep up amid higher prices, mounting debt, financial uncertainty



BLOOMBERG PHOTO A shopper holds a shopping basket with groceries inside a grocery store on May 2, 2022, in San Francisco, California.

BY THOMAS CLOUSE THE SPOKESMAN-REVIEW

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In a December interview after winning the presidential election, Donald Trump credited his win at the polls on two topics: immigration and the economy.

“I won on the border and I won on groceries. It’s a very simple word. Groceries. Like almost ... I started using the word ‘The groceries’ and I won an election based on that. We’re gonna bring those prices way down.” Numbers released last week by the U.S. Bureau of Labor Statistics show that the prices Americans pay for everyday items continue to climb.

The Consumer Price Index that tracks prices for all urban consumers was up 0.5% from December and 3% compared to January 2024. For the West Region, which is all states west of the eastern borders of New Mexico to Montana, the numbers were very similar.

And that’s before a dizzying series of tariff threats – implemented, paused and delayed – which many economists say will likely drive prices even higher. Steve Scranton, the chief economist for Washington Trust Bank, said most consumers don’t care about the abstract number of the inflation rate. But they do care about trying to figure out how to pay higher costs for health care, fixing their cars and veterinarian bills.

“The bigger issue with the consumers I have talked to was that inflation was a problem before we had elevated prices. Even if inflation went to zero, they are asking when prices will be coming down,” he said.

Federal Reserve policy makers generally keep interest rates higher to slow the economy if price hikes start to exceed 2%.

“Even if inflation hits the 2% target, consumers are still going to be upset,” Scranton said. “For the lower half of wage earners, they haven’t been able to keep pace with inflation. So, many of them were forced to use credit cards because they couldn’t pay their monthly bills in full.”

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In addition to his comments in December, Trump said on the campaign trail in August that he would end inflation on “Day 1.”

But Scranton, the local economist, said any decisions made by government officials take a while to take effect.

White House officials recently said the same thing, cautioning that Trump’s efforts will take time.

“We’re in a cleanup phase with the last administration’s economic policies,” Kush Desai, a spokesman for the White House told the Washington Post.

“Some of the things we’d like to do are really quick, like deregulation and energy policy. But as far as cutting government spending to reduce aggregate demand, that takes a bit more time to kick in.”

For instance, an Avian flu outbreak prompted farmers to kill millions of chickens, and thus the price of eggs shot up. There is virtually nothing either political party could have done to undo that market dynamic, Scranton said.

“If deportation happens the way it has been promised, we will not have the labor to produce the foods that we want to purchase,” Scranton said. “The consumer is still in buying mode. If we lose a bunch of our labor, even though there is strong demand ... prices will go up.”

### Higher costs

While the consumer price index tracks the costs of things like food for the home and purchases of food at restaurants, Scranton said he focuses on those things that consumers tell him matter most.

The cost of day care is up 5.9% over last year; natural gas is up 4.9%. But consumers got some relief in gasoline prices, which were down 0.2%, and nonprescription drugs were down 1.3%.

“Day care has a very small rating in the overall (consumer price index) rating, yet for our consumers, that’s probably their second- or third-highest expense after mortgage and rent,” he said. ×

University, showed that state residents continue to worry about food prices.

Some 78% of respondents “felt” that prices were rising, and 82% were worried about future price increases. They also worried more about affording groceries than any expense, even housing.

“Too many Washingtonians are struggling with food insecurity and the high cost of food,” Gov. Bob Ferguson said in a news release. “The federal government’s policies risk making the problem worse.”

Stress, anxiety and depression were more common in food-insecure households, with 84% of those households reporting high stress, according to the state study.

“Food insecurity is when families can’t consistently access or afford the food they need,” Jennifer Otten, a professor in the UW Department of Environmental and Occupational Health Sciences, said in the release. “Food insecurity can lead to increased chronic disease risk, as well as long-term cognitive deficits in children and mental health challenges, including greater stress, anxiety and depression.”

Nationally, a majority of Americans – 53% – say they generally approved of Trump’s overall performance, but 66% said he isn’t focusing enough on bringing down prices, according to a recent CBS News/YouGov poll.

Scranton said campaign promises to immediately bring down prices would be difficult for anyone to fulfill.

“As a general rule, the U.S. government is the most inefficient manager in executing tactical economic strategies. Private businesses are more nimble and responsive if something is not working,” he said. “I guess we’ll find out if this new strategy works. If you create chaos, does that make change occur faster?”

Scranton likes to use the analogy of piloting a massive oil tanker when describing changes in economic policy.

“With an oil tanker, you have to start making a turn 2 or 3 miles before you ×

## Delayed tariff effect

Once he took office a second time, Trump swiftly announced new tariffs, including an extra 10% on Chinese imports and a 25% levy on steel and aluminum. While his plan for 25% tariffs on Canada and Mexico has been put on hold, they could materialize in the coming weeks.

If the White House follows through on its most extreme proposal – tariffs of 60% on China and 10% on all other countries – that could bump up inflation by as much as 2.2 percentage points, according to estimates from the Boston Fed.

The Trump administration, though, maintains that tariffs will help bring back manufacturing to the United States, boost the economy and create jobs.

“Prices move up, prices move down, that’s the way the world works,” Kevin Hassett, the president’s economic adviser, said on MSNBC Thursday. “My expectation is that prices will fluctuate ... and so am I confident that there won’t be strong evidence of a price effect of tariffs? Yes, I am confident.”

Scranton advises business owners to plan for the worst-case scenario so they have room to maneuver.

“I just keep saying, ‘Look, the simple thing to remember is that tariffs are a tax’,” he said. “Every administration has multiple ways to create revenue. Trump has decided that tariffs are the taxes he likes. You, as a business, have to respond as if your taxes were raised 25%.”

Scranton also suggests that Spokane-area business owners stop trying to respond to every new twist. He thinks Trump may be rolling out threats of new tariffs as a negotiating tactic.

“My role is cutting through the noise of politics and telling them what this means economically,” he said. “I tell them you need to cut off social media and focus on your business and your customers. If you try to respond to everything you read, you just get lost.”

Tom Clouse can be reached at (509) 450-5105 or at [tom@spokesman.com](mailto:tom@spokesman.com)

