

Trump's Campaign Message About Inflation Is Wrong on His Promises—And on Biden's Success

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June 20, 2024 3:52 PM EDT

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On the campaign trail, Donald Trump has been hammering away at President Joe Biden for the “[nightmare](#)” of “[disastrous inflation](#).” He has made inflation one of his key attacks against the incumbent President, even [blaming](#) Biden for food prices increasing by up to 50% or 60%. (They [have not](#).)

Trump's attack conveniently ignores the economic facts: as Nobel Prize Laureate Paul Romer wrote this week, [inflation as measured by CPI is about 2.8% and still falling](#), which Federal Reserve chair Jerome Powell celebrated last week as down from [a high of over 7%](#).

And this falling inflation is not just matched by record low unemployment but also 2.5% economic growth. Last week, the World Bank reported that this—the world's biggest economy—accounted for 80% of their upgraded global outlook. Plus, while not the case cumulatively over the course of the Biden Presidency, the U.S. has seen [wage growth finally](#) outpacing inflation, a reversal from a trend that has persisted for much of the last 40 years.

To be sure, for many consumers, [prices](#) are still too high. But a benchmark of Trump's last year in office, when inflation [averaged](#) 1.2%, is misleading, as lower prices were a consequence of the collapse of the economy under Trump. The unprecedented and rapid economic growth reacceleration under Biden was a revived economy coming out of the Trump term's COVID-19 shutdown, which had led to the [deepest economic recession in the post-World War II era](#) according to the National Bureau of Economic Research, which certifies recessions. Under Trump, in November of [2020, unemployment was 6.7%](#)—the highest since President Gerald Ford's administration 50 years earlier.

Some argue that Biden's early fiscal policies contributed to inflation, but there is no doubt that Biden's [vow](#) to respect central bank independence in tightening monetary policy, cutting the budget deficit, and more restrained fiscal spending have been helpful in bringing inflation down since then. And despite such restraint, the World Bank [reported](#) last week that "The U.S. economy, in particular, has shown impressive resilience. Growth has remained buoyant in the teeth of the fiercest monetary policy tightening in four decades."

In stark contrast, one of the most underappreciated ironies is that despite Trump's aggressive attacks, his own economic policy promises are extremely inflationary, far in excess of Biden's policies.

In fairness, Trump has not been a model of cogent clarity on his economic policy platform so far, and it's likely that Trump is just throwing pasta against the wall to see what sticks—so not all his promises are likely to make it to the table.

Nevertheless, the ideas Trump has tossed out provide a decent sense of where his headspace is—and it's clear that his overarching goal does not seem to be combating inflation. Consider the key tenets of Trump's trade policy, fiscal policy, and monetary policy promises so far, and their hyperinflationary effects:

- On trade policy, Trump has promised to levy [universal 10% tariffs](#) on all imports as well as [60% tariffs](#) on all imports from China—and the higher costs would be, in turn, passed on to U.S. consumers. According to objective, impartial [Bloomberg Economics modeling](#), these tariffs would raise U.S. consumer prices at least 2.5% higher and reduce GDP by 0.5%. This does not even factor in the fact that America's top trade partners would almost certainly impose retaliatory tariffs on U.S. products as well, which would significantly reduce U.S. exports and hurt U.S. manufacturers.
- On the fiscal policy side, Trump's primary fiscal priority seems to be tax cuts without commensurate cuts in government spending—which would stand to raise deficits to their highest peacetime levels ever. While it is easy to cheer for tax cuts, record deficit spending—in other words, unsustainable government borrowing—will artificially turbocharge demand and increase inflationary pressures. In particular, Trump has pledged to [extend permanently](#) all the expiring provisions of the 2017 Trump Tax Cuts and Jobs Act, which the Congressional Budget Office has estimated will cost [\\$4.6 trillion over 10 years](#). But even beyond that, Trump has pledged to cut the corporate tax rate to 20%—apparently because "[it is a round number](#)," as he told the Business Roundtable last week. Already, Trump left office with the highest deficits in history; though deficits are still higher than pre-pandemic levels, Biden has presided over a reduction in the federal deficit by [over \\$1 trillion](#) during his time in office.

Yale Chief Executive Leadership Institute calculations based on data from Bloomberg, FactSet, and the Congressional Budget Office.

- Perhaps the most brazenly bizarre, idiosyncratic, and hyperinflationary parts of Trump's economic platform manifest in his monetary policy views. Trump and his advisors have floated the idea of [stripping the Federal Reserve of its independence](#) and letting Trump [himself set rates](#) arbitrarily. Trump, across his entire life, has almost always [favored lower interest rates](#), irrespective of where we are in the economic cycle, and keeping interest rates down through de facto yield-curve control would prove massively inflationary at a time of already strong demand. Trump's monetary policy views are so

wacky that even his fellow Republican Senators [repeatedly thwarted](#) Trump's efforts to appoint pliant allies such as pizza salesman Herman Cain and gold-standard advocate Judy Shelton to the Fed Board; and [protected](#) Chair Jerome Powell from Trump's repeated efforts to fire him during his first term.

- Trump and his advisors have also pledged to [devalue the dollar](#)—a [sudden reversal](#) of a century-long pillar of global business, which would not only reignite inflation but reduce the purchasing power of U.S. consumers.

Trump's other complaints about inflation veer toward empty cliches. For example, Trump has promised to unleash American energy amidst spirited cries of “drill, baby, drill”—ignoring the fact that under Biden, the U.S. has become the single largest producer of crude oil in the world by far, producing well over 13 million barrels per day. That's more than the U.S. ever pumped under Trump, more than any country in history, and 50% more than the runners-up, Saudi Arabia and Russia, with oil and natural gas prices lower today than they were during Trump's first term. In fact, despite ire from greens and progressives, Biden has [approved 50% more oil and gas drilling permits](#) for wells on federal lands compared to Trump.

And what about those skyrocketing food [prices](#)? The outlier increase—a more than 70% [jump in egg prices](#) since Biden took office, which Trump surrogates have [seized upon](#) to criticize the President—shows the yolk is on Trump. Unless he has any cures for the bout [of avian flu](#) that led to the destruction of [100 million hens](#), it is unlikely he, or any elected official, can do anything about egg prices.

Despite all the noise Trump makes about Biden's inflationary policies, Trump's own prescription—much higher tariffs, a politicized Fed, a devalued dollar, and record federal deficits—is sure to make inflation much worse.

Exactly 50 years ago when inflation was over 12% under President Gerald Ford, humorist George Gobel lamented, “We now have to work like a dog to live like a dog.” Happily, those days are long gone.