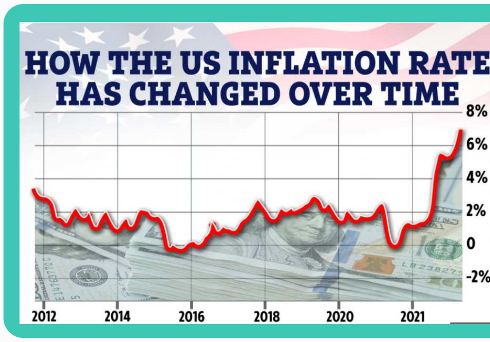
Civics in Real Life

Inflation & Presidential Approval

Civics is all around us. There is a lot to know about the government and how "We the People" interact with the government and each other. Let's help each other expand our civic literacy.



The success or failure of a presidential administration is often linked with how the public perceives the president's handling of the economy. When the economy is going well, the American people are quick to give a thumbs up to the president. When the economy is not going well, the American people are quick to give a thumbs down to the president.

The criteria Americans often use to evaluate the president's handling of the economy are not typically macroeconomic factors, such as Gross Domestic Product (GDP), international trade, or industry modernization. Americans focus more on their day to day economic outlook as employees and consumers. Is it fair for the public to make this evaluation?

A recent example occurred with the 1980 presidential election. In one of the presidential debates, the Republican candidate, Governor Ronald Reagan of California, asked the American people if they were "better off than you were four years ago." Reagan's question, among other things, referenced ongoing increases in the cost of goods (inflation) Americans were paying at the grocery store and at the gas pump. Rhetorical in nature, Reagan's question resonated with the electorate. After all, the American public had been paying higher prices for daily goods for a long time and there did not seem to be an end in sight. Despite Democratic President Jimmy Carter's economic policy efforts to help combat rising prices, relief did not come fast enough, and the electorate voted Jimmy Carter out as president and voted Ronald Reagan in.

The term "inflation" refers to an economic occurrence when prices increase at the same time that the purchasing value of a dollar diminishes. Simply put, it means what one can purchase for a dollar today is less than what that dollar could buy yesterday. In the United States, inflation is measured by the Consumer Price Index (CPI) and the Personal Consumption Expenditures Index (PCE). America has a central bank, the Federal Reserve, which takes on the important job of monitoring inflation and is charged with keeping prices from increasing too rapidly.

Inflation most often occurs when people have extra money to spend. When this happens, companies will start to raise their prices either to balance demand with supply, or because they realize they can increase profits without losing customers. There are also additional factors which may cause or affect inflation, such as international forces, global pandemics, or production disruptions. So, despite the weak connection between the driving forces of inflation and the roles and responsibilities of the executive branch in trying to curb it, history teaches us that Americans typically will not wait for economic forces to stabilize. Rather, Americans will change who gets elected to public office.

Economist Milton Friedman famously said, "inflation is the cruelest tax of all," because it affects everyone. Currently, inflation is at its highest level in over thirty years. To highlight its unifying effect on presidential approval, a recent ABC news poll showed almost 70% of Americans disapprove of how President Biden is handling inflation. This may be cause for alarm for Democrats seeking public office in 2022.

In 2022, all 435 members of the U.S. House of Representatives is up for reelection, as is one-third of the U.S. Senate. Will voters hold congressional Democrats accountable for the president's handling of inflation?

Again, we turn to the Reagan years for answers. Ronald Reagan won the 1980 presidential election in a landslide, receiving the highest number of electoral votes ever won by a non-incumbent presidential candidate. But two years later, as the economy began to slip into a recession, the 1982 midterm elections saw congressional Republicans lose 27 seats in the U.S. House of Representatives. If history predicts the future, it is highly likely that Democrats will lose seats, and their majorities, in both houses of Congress later in 2022.

To Think and To Do: Using the U.S. inflation calculator, calculate the cost of inflation on a gallon of milk, a loaf of bread, a box of cereal, or any other good your family might consume. What is the difference in cost from one year to the next? How does the increase in price affect the overall purchasing power of the dollar? How might these changes affect political support for one party or the other?

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NPR: How Inflation Hurts Presidents

The White House: Historical Parallels to Today's Inflationary Episode

UCF Lou Frey Institute

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