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Wages aren't rising fast enough to counter still rising prices.

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The Affordability Problem in One Chart

REVIEW & OUTLOOK

President Trump keeps telling Americans they've never had it better, even as polls show Americans are still worried about keeping up with rising prices. Tuesday's two reports from the Labor Department on prices and wages help to explain Mr. Trump's political problem. They show the two sides of the "affordability" coin.

Regarding prices, the consumer-price index came in somewhat hotter than expected with an increase of 0.3% in December and 2.7% over the past 12 months. Overall inflation isn't rising, but it also isn't coming down. Increases last month were especially notable for categories of goods and services that Americans buy on a regular basis like shelter (0.4%), medical care (0.4%), food (0.7%) and energy bills (1%).

Housing costs have eased in recent months, but electricity and gas bills were still up 7.7% over the year, and tenant and household insurance climbed 8.2%. Lower- and middle- income Americans spend a larger share of their paychecks on energy, food and housing, so they are no doubt feeling this inflation more acutely than the affluent.

Economists differ on the price impact of the Trump tariffs, though they seem to have contributed to rising prices last year in some goods such as furniture and bedding (3.6%) and tools and hardware (5.4%).

The other side of affordability is what people earn. And on that score, a separate Labor report Tuesday on real earnings is revealing. The nearby chart shows the trend in average hourly earnings after inflation in the last year. Real average hourly earnings rose 0.7% during the first five months of this year, but income growth has since stalled. For production and nonsupervisory workers, real average hourly earnings have declined 0.2% since May. The reason is a bump in inflation in the summer months that erased the gains from wage increases. The earnings jump in March and May has given way to flat or negative growth. Monthly data for October and November aren't available because of the government shutdown, but average hourly earnings through December rose only 1.1% over the previous 12 months.

This goes a long way to explain why so many Americans feel as if they are treading financial water. It also shows that Mr. Trump ought to worry more about inflation than he does about the Federal Reserve's interest-rate policy. The Fed still hasn't hit its 2% inflation target, and the way to get there isn't more monetary easing or cutting the fed funds rate to 1%, as Mr. Trump wants. The President has recently been rolling out a flurry of counterproductive policies worthy of Bernie Sanders in the name of reducing prices (see the editorial nearby on credit-card interest rates). But what the President really needs is what he promised in the campaign, which is rising real wages.

That means further reducing inflation and letting deregulation and tax policy drive faster economic growth and productivity. That will make everything more affordable.