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Trump Needs Rising Real Incomes

REVIEW & OUTLOOK

President Trump assured Americans during his White House speech on Wednesday that happier times will be here again, and we hope he's right. The Labor Department's inflation report on Thursday provided a glimpse of sunshine, though it also underscored why many Americans feel glum: Paychecks are barely keeping pace with rising costs.

The Labor Department's consumer-price index rose 2.7% over the last 12 months, and overall monthly prices ticked up only 0.2% between September and November. The data is spotty because the government didn't collect prices during the government shutdown in October, but the report suggests that disinflation may be resuming after an inflation surge during the summer.

Housing costs and rents are growing at a slower rate as the effects of higher interest rates roll through the market. Travelers are also seeing relief on air fares (-5.4% yearover-year) and hotels (-5.7%). Mr. Trump boasted about a decline in egg prices (-13.2%), but they had been artificially high because of the bird flu.

Americans are still seeing price increases on things they regularly consume, including electricity (6.9%), household furnishings and operations (4.6%), medical care services (3.3%) and food (2.6%). A Fox News poll this week shows that 72% of Americans rate the economy as fair or poor, essentially unchanged from when Mr. Trump entered office.

Mr. Trump is right that he inherited the inflation mess from Joe Biden, but Americans don't feel that their situation is improving. Job growth has stalled since the spring, and more important is that incomes after inflation haven't been rising fast enough.

The Bureau of Labor Statistics reported on Thursday that real average hourly earnings for all employees have increased only 0.8% over the last 12 months. That's down from a 1.4% 12-month rate a year ago and 1.4% in April before most of his tariffs hit. This is why it's crucial to get inflation down further and faster if Republicans want voters to feel better before the midterm elections.

The President is betting on the benefits of his tax bill kicking in next year. Its expensing provisions could lift business investment, and exemptions for tips and overtime and larger state-and-local tax deductions will increase take-home pay for some. Deregulation is also easing burdens on businesses, which could lead to a boost in hiring and pay. But his tariff barrage is creating uncertainty and adding costs for businesses. Deporting foreign workers without a criminal record is also hampering businesses. According to a Stateline analysis of government survey data, restaurants, construction and landscaping businesses have lost 315,000 foreign workers through August of this year.

The Administration's trade and immigration policies make it harder to boost housing supply and build new factories, pipelines and power plants. The Associated General Contractors of America says worker shortages are the top reason for construction delays. Nearly one in three contractors reports being affected by stepped-up immigration enforcement.

JD Vance says restricting immigration will raise wages for American workers, but there's little evidence this is happening. Deporting bus boys and hotel workers won't make Americans feel richer. Nor will Mr. Trump telling voters they've never had it so good. Americans will start to feel better when they get a raise that isn't washed away by inflation.

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