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Inflation, interest rates, jobs report frustrate Trump

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The Associated Press

WASHINGTON>> President Donald Trump has spent 20 months promising that America was on the cusp of an economic boom. But Friday's surprisingly positive jobs report ultimately provoked frustration from Trump.

The August job numbers might have been a welcome break from after months of sluggish hiring and concerns about inflation that have been weighing on Trump and his party two months from Election Day. But speaking from the Oval Office, Trump instead launched into a grievance session about inflation and interest rates. His anger was aimed at the financial markets, the Federal Reserve and U.S. trade partners. He objected to the commonly accepted notion in economics that the surprise gain of 162,000 jobs in August could contribute to inflationary pressures. Note

"Success does not cause inflation. Stupidity causes inflation," Trump vented in the Oval Office, as he declared it "crazy" that the stock markets fell Friday on inflation concerns.

The combination over his second term of a drop-off in hiring and higher prices has dogged Trump and his pledge to instantly unleash historic levels of growth. "When I win the election, we will immediately begin a brand new Trump economic boom," Trump said at an August 2024 rally in North Carolina. But so far, the economy has grown at about 2% annually, slower than the gains during the Biden administration.

Trump blamed his inability to deliver stronger growth on higher interest rates for U.S. government debt, saying on social media that America could retaliate by stopping trade with foreign countries. Rates have been climbing in response to persistently high inflation fueled by Trump's tariffs and oil shortages from the Iran war. The national debt has now crossed the daunting threshold of $40 trillion and rates on the 10-year U.S. Treasury note on Friday rose to 4.79%.

As the promised growth has yet to materialize, the president has lost some of the public's trust in his ability to steer the world's largest economy. His own policies have enabled, in part, the inflation and high interest rates that he wishes to blame on others.

"The administration's credibility on growth, inflation, rates, debt and deficit dynamics have taken a hit given the outsized predictions that are not aligned with economic reality," said Joe Brusuelas, chief economist at the consultancy RSM US.

Note

If the Fed did as Trump wanted and cut its benchmark rate so that more money could flow into the U.S. economy, the potential influx of cash could make inflation even worse and only add to his political and economic headaches.

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But the president disputed this foundational concept in monetary policy. He said Friday that gross domestic product would grow at "12, 13, 14, 15%" if the rates were lower as he seemed to shrug off the inflation risks.

"We could have a GDP that would break every single record," Trump said.

The president's approval rating on the economy was a lowly 32% in the middle of the summer, according to polling by The Associated Press-NORC Center for Public Affairs Research. When Republicans were last facing midterm voters in 2018 under Trump, his economic approval rating was 50%.

Trump's threat to cut off foreign trade could endanger growth, further hurting his ratings. His recent levying of tariffs against Canada has become problematic for Republicans in the Maine and Michigan Senate races.

Trump officials say their policies are working as intended. They say the development of artificial intelligence will lead to more productivity to boost growth. They say that last year's tariffs ultimately should bring more factory work to America, while Trump's tax cuts will create more business investment and his administration's efforts to identify fraud will create savings for taxpayers.

"I expect higher growth," said Christopher Phelan, chairman of the White House Council of Economic Advisers. "We're doing stuff to make good things happen."

If U.S. economic growth could exceed 3% growth annually for the next decade, that would only be enough to stabilize the government's high debt load, according to an analysis by Ernie Tedeschi, head of economic insights and research at Stripe, the financial technology company.

Tedeschi said he would be "thrilled" if AI could help to deliver those kinds of gains for 10 straight years, but history shows that growth that large due to advancements in computers were likely "wildly optimistic."

"We should absolutely not be planning for the optimistic scenario," Tedeschi said.