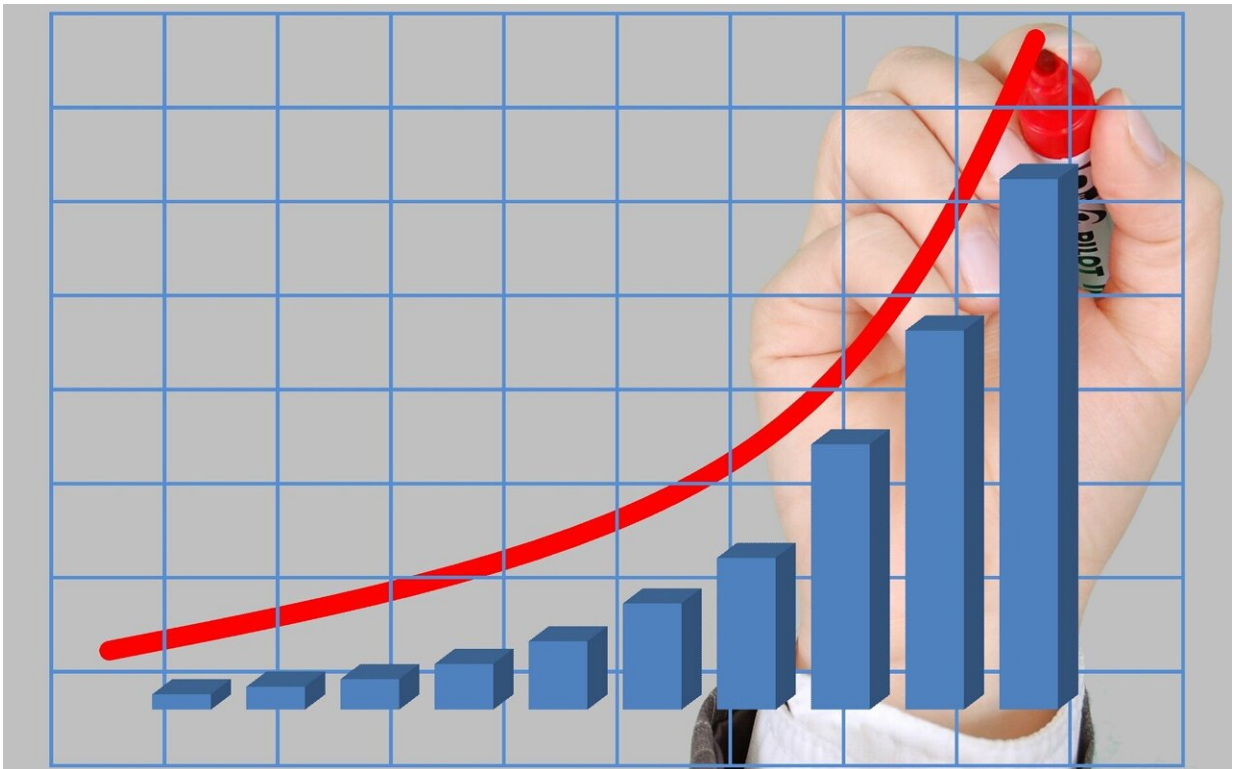


# Americans hate inflation: No traction for more positive economic developments

June 21 2024, by Clea Simon

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Say "inflation" these days and the minds of most Americans jump to steep grocery bills and high interest rates.

As highlighted by two recent papers by Stefanie Stantcheva, the

Nathaniel Ropes Professor of Political Economy, the majority are much less likely to focus on the more positive economic trends of the past few years, including wage growth and strong employment prospects.

What's more, Americans overwhelmingly oppose the tools that policymakers use to mitigate [inflation](#)'s worst effects. In fact, many see inflation as only getting worse when the Federal Reserve raises interest rates, as it did 11 times between spring 2022 and last summer.

"There hasn't been enough work to see how people understand inflation, what policies they want to support in order to fight inflation, and also how inflation actually impacts them," Stantcheva said.

For a [paper](#) titled "People's Understanding of Inflation," Stantcheva and graduate student co-authors Francesco Nuzzi (Harvard) and Alberto Binetti (Princeton) conducted a large-scale survey through which they found that most Americans believe inflation has been caused by government action, trailed by supply-chain disruptions and other COVID-related issues. Respondents expressed skepticism about rate hikes as an effective countermeasure.

Clear partisan differences surfaced in the findings. Republicans were more likely to blame inflation on the government (more than 75% of GOP voters vs. 60% of Democrats) and less likely to blame private companies.

All respondents saw inflation as more harmful to [lower-income people](#), but Republicans were less likely to support policies that might help these households, such as expanding access to [food stamps](#) (supported by 80% of Democrats vs. 50% of Republicans) or boosting the [minimum wage](#) (80% for Democrats vs. 50% of Republicans).

The most cited burden of inflation was the impact on family budgets,

notably the way it raises the stakes on household purchases and standard of living.

Among the details that caught Nuzzi's attention was the lack of ambiguity in survey responses. "People perceive inflation as unequivocally negative, rarely associating it with positive economic developments or with a good economy," he said.

Discussing the [second paper](#), "Why Do We Dislike Inflation?" Stantcheva noted that inflation typically plays out in one of two ways. The first is a product of a booming economy. "There's high demand, things are going well, and that can actually generate inflation."

The other possibility, "stagflation," is associated with high unemployment and stagnant demand.

Most respondents viewed all inflationary episodes as "stagflation," Stantcheva said. "There is a perception that inflation is unambiguously a bad thing."

Views on the tools policymakers use in attempts to control inflation echoed findings from "People's Understanding of Inflation."

"People tend to think that policymakers do not face harsh trade-offs when it comes to fighting inflation," she said.

This is important, she added, because "when you ask people what type of policies they support to fight inflation ... contractionary monetary policies like increasing interest rates or reducing money supply have very low support."

**More information:** Alberto Binetti et al, People's Understanding of Inflation (2024). [DOI: 10.3386/w32497](https://doi.org/10.3386/w32497)

Stefanie Stantcheva, Why Do We Dislike Inflation? (2024). [DOI: 10.3386/w32300](https://doi.org/10.3386/w32300)

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