



The Daily Dish

# Real People and Inflation

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I am periodically (i.e., daily) reminded that not everybody thinks like the lunatic fringe known as economists. Given that inflation has dominated the economic landscape for the past three years, it is perhaps overdue that someone asked real people what they think about inflation. Repeating work done by Robert Shiller in 1997, Stefanie Stantcheva yesterday presented survey research on inflation during the Brookings Papers on Economic Activity (BPEA). The paper, “[Why Do We Dislike Inflation?](#),” is chock-full of interesting findings.

The key finding is the same as in the 1990s: People believe it erodes their standard of living. According to the BPEA summary, “80% of respondents to recent surveys [Stantcheva] conducted believe prices systematically increase faster than wages. Moreover, when they do receive a raise, people tend to attribute it to job performance or career progression rather than an adjustment for inflation.”

A second finding is that people tend to overstate inflation. The median participant said inflation in 2023 was 5 percent – higher than the actual – and they continued to expect 5 percent in 2024. There are demographic differences as well: Republican, female, and Black participants estimate higher inflation rates and expect higher inflation in the future.

Regardless of political leanings, people identified inflation as the most important economic and social issue – above economic growth, health care, unemployment, national defense, and education. There is, however, a partisan divide on whom people blame for inflation. Republicans blamed President Biden, fiscal policy, and monetary policies (in that order). Democrats on the other hand equally blamed the president and corporate greed, with few pointing the finger at fiscal and monetary policies. Interestingly, nobody blamed COVID-19 for inflation.

Finally, inflation is an emotional issue. The following is replicated from the presentation slides:

# Word cloud for “When hearing rising inflation I feel...”



To summarize, to the public, inflation is far from a technical issue and policy nuisance. It is a very big and very personal deal, with strong personal and political consequences.