

As published in [The Hill](#)

## **The Irony of Inflation Politics**

By Allan Chernoff

Only in the crazy, confused world of Washington politics could the Democrats be pointing their fingers of blame at anyone but the federal policymaker who bears much responsibility for their loss—Jerome Powell, Chair of the Federal Reserve Board. Though the Fed chair is an apolitical position, Powell inadvertently helped get Trump elected.

Exit polls showed the soaring cost of living was a prime concern for voters, with [75% saying inflation had caused hardship](#) for their households. The electorate, not surprisingly, blamed President Joe Biden, and by extension Vice President Kamala Harris, for runaway inflation, even though the Federal Reserve is the nation's true guardian against high prices, with vastly more power to fight inflation than the White House. Indeed, the central bank's job, under the Federal Reserve Act, is to use monetary policy to keep inflation under control while maximizing employment. In trying to fulfil the later part of that [dual mandate](#), Jerome Powell erred, allowing inflation to accelerate to the fastest pace in more than four decades, a fact that likely cost the Democrats millions of votes.

In late August of 2020, ten weeks before that year's presidential election, Chair Powell, without any apparent political intent, revealed a policy shift that would plant the seeds of the Democrat's demise four years later. Concerned about the pandemic's impact on the economy, Powell [announced](#) a plan to allow inflation to run above the Fed's traditional two percent annual target, in effect giving the central bank policy flexibility to fuel an economic rebound. The Fed had already [chopped short-term interest rates to near zero](#) and was pumping [\\$120 billion each month into the financial system](#) to promote lending.

At the time, price pressures were beginning to build due to pandemic-induced supply chain shortages, and, before long, the cost of everything from milk to automobiles was soaring. By autumn of 2021 inflation, measured by the Consumer Price Index (CPI), was running at an annual rate of [more than six percent](#). Yet Fed Chair Powell continued to pump up the economy through his easy money policy, claiming that inflation was "[transitory](#)." Leading economists,

including former New York Fed President [Bill Dudley](#) and former Treasury Secretary [Larry Summers](#), declared that Powell and his Fed had fallen way behind the curve in fighting inflation.

Not until the spring of 2022 did the Federal Reserve begin to apply the economic brakes, aggressively raising interest rates at the [fastest pace in more than four decades](#). But the damage had been done, as the annual rate of inflation hit a staggering [9.1%](#) that summer. A humbled Powell would later [admit](#), “I think we understand better how little we understand about inflation.”

There were many reasons inflation soared to its highest rate since 1981, including the pandemic supply chain shock, aggressive federal stimulus spending by both the Trump and Biden administrations, and Russia’s war against Ukraine. But it’s the Federal Reserve’s job to respond to such factors to keep a lid on inflation, which Fed Chair Powell failed to do as he tried to sustain post-pandemic economic growth.

Voters felt the lasting pain of higher prices all the way to Election Day 2024 where they punished the Democrats, who paid the price for the Fed’s mistakes. Never mind that Powell’s belated effort to bring inflation under control has been largely successful.

The Democrats should have paid more attention to the economic pain afflicting average Americans. But ultimately, other than commiserate, there was not much they could do because the Federal Reserve, through its delayed response to runaway price increases, had already sealed their doom.

Now, as he prepares to return to office, President-elect Trump should be especially appreciative of the man he appointed to lead the Federal Reserve, rather than following his impulses to bully the Fed chair, as he did during his first administration, because Jerome Powell’s misreading of the inflation threat was the greatest political gift Trump could have received during his four years out of office.

--

*Allan Chernoff, former senior correspondent for CNN and CNBC, is CEO of [Chernoff Communications](#).*