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Experts: Trump economic plan would worsen inflation

PAUL WISEMAN AND CHRISTOPHER RUGABER
Associated Press

WASHINGTON — With characteristic bravado, Donald Trump has vowed that if voters return him to the White House, "inflation will vanish completely."

It's a message tailored for Americans who are still exasperated by the jump in consumer prices that began 3½ years ago.

Yet most mainstream economists say Trump's policy proposals wouldn't vanquish inflation. They'd make it worse. They warn that his plans to impose huge tariffs on imported goods, deport millions of migrant workers and demand a voice in the Federal Reserve's interest rate policies would likely send prices surging.

Sixteen Nobel Prize-winning economists signed a letter in June expressing fear that Trump's proposals would "reignite" inflation, which has plummeted since peaking at 9.1% in 2022 and is nearly back to the Fed's 2% target.

Last month, the Peterson Institute for International Economics predicted that Trump's policies would drive consumer prices sharply higher two years into his second term. Peterson's analysis concluded that inflation, which would otherwise register 1.9% in 2026, would instead jump to between 6% and 9.3% if Trump's economic proposals were adopted.

Many economists aren't thrilled with Vice President Kamala Harris' economic agenda, either. They dismiss, for example, her proposal to combat price gouging as an ineffective tool against high grocery prices. But they don't regard her policies as particularly inflationary.

Moody's Analytics has estimated that Harris' policies would leave the inflation outlook virtually unchanged, even if she enjoyed a Democratic majority in both chambers of Congress. An unfettered Trump, by contrast, would leave prices higher by 1.1 percentage points in 2025 and 0.8 percentage points in 2026.

Taxes on imports — tariffs — are Trump's go-to economic policy. He argues that tariffs protect American factory jobs from foreign competition and deliver a host of other benefits.

While in office, Trump started a trade war with China, imposing high tariffs on most Chinese goods. He also raised import taxes on foreign steel and aluminum, washing machines and solar panels. He has grander plans for a second term: Trump wants to impose a 60% tariff on all Chinese goods and a "universal'' tariff of 10% or 20% on everything else that enters the United States.

Trump insists that the cost of taxing imported goods is absorbed by the foreign countries. The truth is that U.S. importers pay the tariff — and then typically pass along that cost to consumers in the form of higher prices. Americans themselves end up bearing the cost.

Kimberly Clausing and Mary Lovely of the Peterson Institute have calculated that Trump's proposed 60% tax on Chinese imports and his high-end 20% tariff on everything else would, in combination, impose an after-tax loss on a typical American household of $2,600 a year.

EVAN VUCCI, ASSOCIATED PRESS

Republican presidential nominee former President Donald Trump speaks along the southern border with Mexico on Aug. 22 in Sierra Vista, Ariz.

The Trump campaign notes that U.S. inflation remained low even as Trump aggressively imposed tariffs as president.

But Mark Zandi, chief economist at Moody's Analytics, said that the magnitude of Trump's current tariff proposals has vastly changed the calculations. "The Trump tariffs in 2018-19 didn't have as large an impact as the tariffs were only just over $300 billion in mostly Chinese imports,'' he said. "The former president is now talking about tariffs on over $3 trillion in imported goods.''

And the inflationary backdrop was different during Trump's first term when the Fed worried that inflation was too low, not too high.

Trump, who has invoked incendiary rhetoric about immigrants, has promised the "largest deportation operation'' in U.S. history.

Many economists say the increased immigration over the past couple of years helped tame inflation while avoiding a recession.

The surge in foreign-born workers has made it easier for fill vacancies. That helps cool inflation by easing the pressure on employers to sharply raise pay and to pass on their higher labor costs by increasing prices.

Net immigration — arrivals minus departures — reached 3.3 million in 2023, more than triple what the government had expected. Employers needed the new arrivals. As the economy roared back from pandemic lockdowns, companies struggled to hire enough workers to keep up with customer orders.

Immigrants filled the gap. Over the past four years, the number of people in the United States who either have a job or are looking for one rose by nearly 8.5 million. Roughly 72% of them were foreign born.

Wendy Edelberg and Tara Watson of the Brookings Institution found that by raising the supply of workers, the influx of immigrants allowed the United States to generate jobs without overheating the economy.

In the past, economists estimated that America's employers could add no more than 100,000 jobs a month without igniting inflation. But when Edelberg and Watson factored in the immigration surge, they found that monthly job growth could reach 160,000 to 200,000 without exerting upward pressure on prices.

Trump's mass deportations, if carried out, would change everything. The Peterson Institute calculates that the U.S. inflation rate would be 3.5 percentage points higher in 2026 if Trump managed to deport all 8.3 million undocumented immigrant workers thought to be working in the United States.

Trump alarmed many economists in August by saying he would seek to have "a say" in the Fed's interest rate decisions. Economic research has found that the Fed and other central banks can properly manage inflation only if they're kept independent of political pressure.

The Peterson Institute report found that upending the Fed's independence would increase inflation by 2 percentage points a year.

Sand

From A1

The views of the Old Florida beach town were not unlike those after a blustery Midwestern blizzard.

"The best way to describe it, it's like getting 4 to 6 feet of snow up north," said Jeremi Roberts, a member of the State Emergency Response Team surveying the damage that day.

Another hour south, Ron and Jean Dyer said the storms blew about 3 feet of sand up against their condo building on Venice Island.

"The beach just moved over everything," Ron Dyer said.

It had taken dozens of volunteers armed with shovels and wheelbarrows two days to dig all the sand out of the condo's pool after Hurricane Helene, only to see Milton fill it back in, he said.

"They just kept digging and wheeling and digging and wheeling. ... They were there for two days doing that," he said. "We got to do it all over again."

Storm recovery contractor Larry West estimates that his team will do about $300,000 worth of work just to clean up all the sand and debris left behind at one of the condo buildings he's restoring in Manasota Key, about 35 miles south of Sarasota. He expects many property owners, especially those who don't have flood insurance, will have to pay out of pocket for this kind of cleanup.

"The poor homeowner who's going to have to spend $150,000 cleaning up, that's going to hurt them hard," West said.

West said he is not sure where to take the sand after he heard that a local park that Charlotte County officials designated as a drop-off site was filling up with the stuff. According to the county, two sites remain open for dropping off sand.

"Right now I'm building mountains in their parking area," West said of the condo complex he's restoring. "We're just kind of waiting to find out if they're gonna have us transport it to a different location."

Officials in hard-hit Pinellas County, home to St. Petersburg, are still crunching the numbers on just how big of a bite Helene and Milton took out of the coastline there, but county Public Works director Kelli Hammer Levy puts the current estimate at 1 million cubic yards of sand lost.

"A lot of volume has been lost, and that's our main concern here, right now," she told the county's Tourism Development Council. "It's hard to kind of stay positive with some of this stuff. I know the pictures are not what we want to see."

For perspective, a 2018 beach renourishment project to shore up the county's coastline with 1.3 million cubic yards of sand cost more than $50 million, according to the U.S. Army Corps of Engineers.

Levy is hopeful that much of the displaced sand can be repurposed. Pinellas officials are encouraging residents to cart their sand right back out onto the beach — as long as it's clean.

"Again, we just need to remove debris. I've seen some piles out there with kitchen cabinets in it," Levy said. "We're going to have a problem if we have a lot of that stuff out there."

The county has also opened a drop-off location where residents can leave sand for workers to screen and clean, or dispose of if it's contaminated, under guidance from the state's Department of Environmental Protection.

In the meantime, Florida residents are continuing to dig out of the storm-driven sand, many of them by hand.

"Every shovelful is heavy," said West, the construction contractor. "This is horrendous, as far as the cleanup."

Wilson

From A1

Two days after Helene's wretched visit, I opened my T-shirt drawer to see, neatly folded, my shirt from Lake Lure. I remember the day I bought it. Cousin Renee was visiting from Illinois and wanted to see where "The Last of the Mohicans" was filmed. She's a Daniel Day-Lewis fan and wanted to tour the famous waterfall.

We enjoyed a sandwich lunch, poked around the Lake Lure Inn, and browsed the gift shop.

Later, we took the boat ride of the lake with its narration of how the lake was formed in Hickory Nut Gorge into a place where "summer" is a verb. The Morse family, who founded Carolina Mountain Power Company, paid to build a dam on the Broad River to create the lake back in 1927.

Our boat captain indulged us in movie lore, too, including spots used to shoot "Dirty Dancing," the film that made stars of Patrick Swayze and Jennifer Grey. We drifted past Firefly Cove and the stone steps where Jennifer Grey practiced her dance steps in cutoff shorts.

It's not that I have spent that much time at Lake Lure, but I've made enough visits to envy those who have. It had cottagey surroundings, stunning views, and laid-back ambiance. It was a place lost in time, a poignant reminder of a time and place that's been erased.

Lake Lure sprouted up as a tourist attraction with a striped awning vibe. The affluent built lakeside cottages with screened porches and walls of windows. They pondered the looking glass water and lore about the outline of the mountain ridge that looks like a sleeping lady.

My first visit to Lake Lure was about 30 years ago, when I attended a conference at the Inn. I remember imagining how the hotel would have appeared during the Gatsby era. In fact, Gatsby's creator, F. Scott Fitzgerald, and wife Zelda stayed there back in the day.

A recent attraction was the Flowering Bridge. When it became known that the state would decommission the 1925 bridge, a group of citizens with green thumbs urged the structure to be saved and used as a garden space. They called it the Flowering Bridge. They say it attracted as many as 18,000 visitors a year.

Two years ago, the garden was expanded for pet owners and their furry friends to snatch a chewable from the Doggie Stick Library and enjoy a drink of water. Pet owners, wracked in grief, would visit the Rainbow Bridge, and pay tribute to departed pets, placing collars on the bannisters. People came from far and wide to memorialize pets that had passed on.

No one could imagine that a monster storm could churn its way northward and demolish the Flower Bridge, much less Lake Lure itself.

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