The "Affordability Crisis" and US Elections

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There is broad consensus around the view that the higher costs of living, or what is generally known as "the affordability crisis", is the single most important reason for the Republican debacle in the mid-term elections in the USA, just as it was also responsible for the emergence of Zohran Mamdani as New York Mayor a year ago. Both economists and media reports agree: ordinary people in the US are feeling the pain of higher prices and greater difficulty in making ends meet, and are frustrated by an apparently unconcerned federal government with a tone-deaf narcissistic President.

To people in much of the rest of the world, while the problem is familiar to them, the extreme response to this is less so. After all, the US still has among the highest wage rates in the world, even after adjustment for Purchasing Power Parity exchange rates, which tend to understate incomes in richer countries and overstate those in lower income countries. (Figure 1)

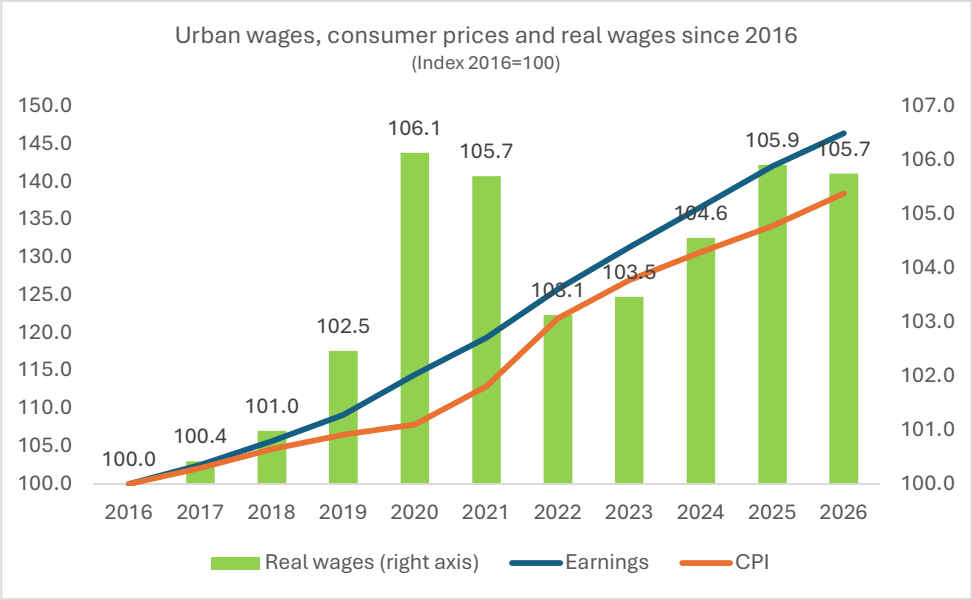
Figure 1.



Source: https://ourworldindata.org/grapher/average-hourly-earnings, using ILOSTAT database

Of course, people typically do not compare their conditions with those in other countries, but use the benchmark of their own recent past experience. Consumer prices that rise faster than money wage rates obviously erode people's ability to keep up to earlier levels of consumption and can force difficult choices on spending upon families. But Figure 2 suggests that in fact wages rose faster than consumer prices over the past decade. While average real wages (here "wages" refers to all employee compensation, that is wages and salaries) peaked in 2020 and then fell quite sharply, they have been rising since then.

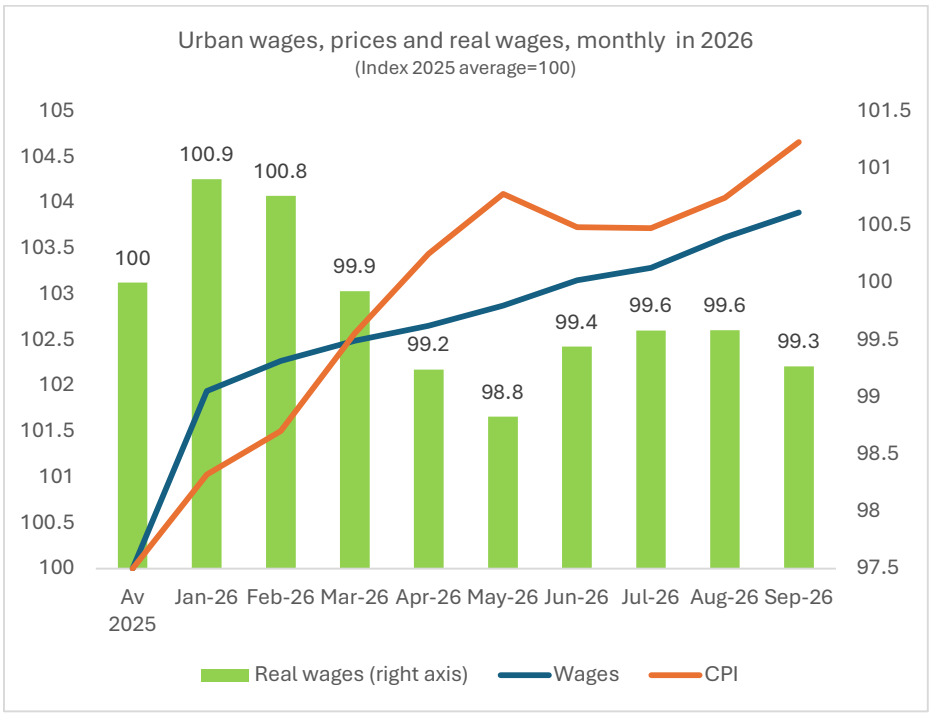
Figure 2.



Source: US Bureau of Labor Statistics

However, there has indeed been a fall in real wages in the current year, 2026, which is evident more clearly in the monthly data presented in Figure 3.

Figure 3.



Source: US Bureau of Labor Statistics

This is worth noting, because the opinion polls all suggest that President Trump's increasingly unfavourable ratings began with the unprovoked war on Iran. This obviously reneged on his earlier promise not to embroil the US in external wars, but more importantly the Iranian response, which showed both resilience of the regime and the ability to block traffic in the crucial Strait of Hormuz, affected global oil supplies. Since oil, natural gas and their by-products are universal intermediates that enter into production of most modern goods and even services, this had a direct impact across the world. If anything, the US was less affected than poor people in many lower and middle income countries, where the sharp reduction in oil and gas imports and significantly higher prices of food and other essentials could mean the difference between life and death. But that does not mean there was no impact. There was definitely pressure, both because of higher grocery bills and because higher prices at the pump were immediately felt due to the massive reliance on private transport for everyday activities, including work.

But other prices, or costs faced by ordinary people, also made matters worse: the increase in mortgage payments with rising interest rates; the bigger payouts to meet health insurance and co-pay requirements; rising rents in many urban areas.

This points to what may be the main—if less clearly expressed—reason for the electorate's dissatisfaction: very high and rising inequality. The wage share of national income in the US has been declining since 1970, but as Figure 4 shows, there has been a further steep decline especially since 2020. Wages and salaries now account for just over half of the GDP, compared to nearly 60 per cent in 1970.

Figure 4.

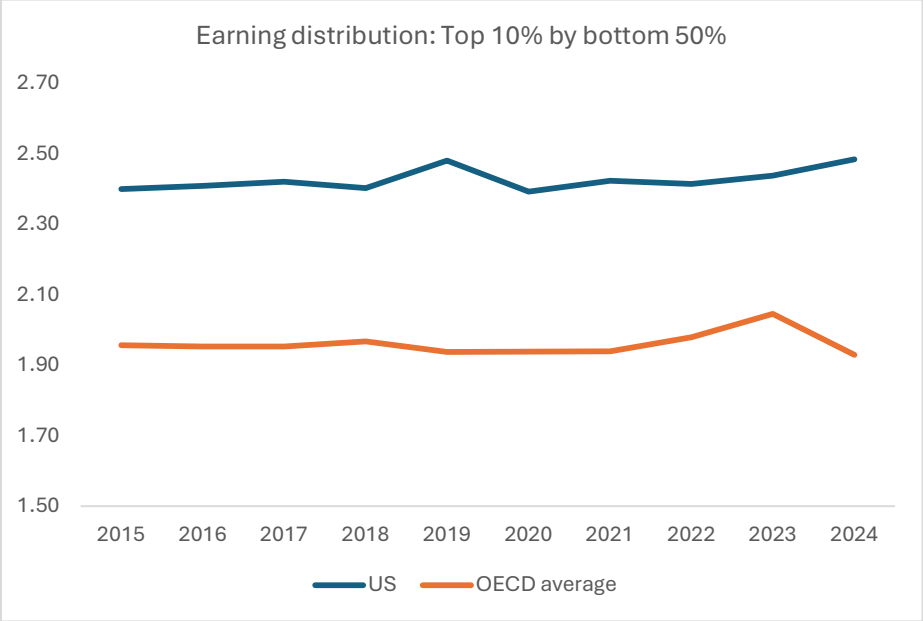


Source: St. Louis Fed, https://fred.stlouisfed.org/series/A4002E1A156NBEA

But even as workers' income share of national income have fallen, the wage distribution itself has remained very unequal and become slightly worse in recent years. Figure 5 suggests that the top 10 per cent of wage owners in the US generally received around two and a half times

the income shares of the bottom half of the population. This is significantly higher than the average of all OECD countries, and also much higher than the same ratio in European countries.

Figure 5.



Source: OECD https://data-explorer.oecd.org/vis?lc=en&df[ds]=dsDisseminateFinalDMZ&df[id]=DSD_EARNINGS%40DEC_I&df[ag]=OECD.ELS.SAE&df[vs]=1.0&dq=....._T&pd=2015,&to[TIME_PERIOD]=false&vw=tb

In fact, both workers incomes and capital incomes have become more unequal. Top incomes (the top 1 per cent and the top 0.001 per cent) have exploded and wealth concentration has also reached historic highs. These have not been accidental or inevitable—they were very much the result of policy choices made by successive governments, especially in the neoliberal era. But the Trump regime has been more openly partisan in its approach to very large multinational capital, and particular to digital giants and crypto currency fintech companies that have received government subsidies and incentives of various kinds, as well as very favourable regulatory treatment. In the process, the Trump family has joined the group of dollar billionaires, openly enriching themselves through business enabled by proximity to power.

Therefore, it is not surprising that many polls found that corruption was the second most important concern among voters, followed by the Iran War. As it happens, all of these factors are connected, and pollsters may have erred in separating them. The affordability crisis is just one aspect of the generalised failure of this specific form of crony capitalism, which enriches those close to power and impoverishes the rest—and lack of accountability is another crucial aspect.

These are issues that require systemic overhaul, not bandages to cover the surface wounds, and people protesting in other countries increasingly recognise this.

* This article was originally published in The Business line on November 12, 2026.