

Funding the Future

How inflation is calculated and why it is really problem...

Published: January 13, 2026, 6:19 am

A quick thread on inflation this morning, in reply to a tweet from the Rev Richard Coles:



Richard Murphy
@RichardJMurphy

...

Inflation is simple to explain @RevRichardColes. It's a measure of the increase in prices in a month compared to the previous year. It is high now as the impact of Putin's war works through the economy. That war has lasted less than a year so far. A quick thread.....



Richard Coles ✅ @RevRichardColes · 1h

Can someone point me to something that explains the dynamics of inflation?
Thanks!

9:10 AM · Nov 16, 2022 · Twitter for iPad



Richard Murphy @RichardJMurphy · 32m

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Replying to @RichardJMurphy

What this means is that right now we are comparing prices after Putin's war began with those before it began. And since the war has pushed up energy and food prices, especially, the inflation rate is high right now.

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Richard Murphy @RichardJMurphy · 31m

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When Putin's war has lasted more than a year we will compare prices after the war began with earlier high prices from months also after the war began. That means the rate of inflation is mathematically bound to fall unless we get another massive shock like that again.

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Richard Murphy @RichardJMurphy · 31m

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I stress, that does not mean prices will fall. They won't necessarily until energy costs decline, if they ever do. But inflation will fall. Interest rate increases will have nothing to do with it. They can't tackle this type of inflation and take two years to work anyway.

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Richard Murphy @RichardJMurphy · 31m

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The real social problems from inflation are a) the immediate poverty inducing price rises if people do not have wage increases to match and b) the continuing poverty if they do not get wage increases to match new price levels in the long term.

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Richard Murphy @RichardJMurphy · 31m

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Then there is also the problem of inequality this type of inflation causes. Historically, wage driven inflation reduced inequality. But we have energy price driven inflation now and this increases inequality. If wages don't rise now profits will. The rich win. Wage earners lose.

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Richard Murphy @RichardJMurphy · 31m

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What that means is government desperation to keep wages down disguises