

The inflation narrative is fabricated, as is the respon...

Published: January 13, 2026, 1:00 pm

I was pleased [to note an article in the FT](#) this morning by Paul Donovan that began:

The writer is chief economist at UBS Global Wealth Management

In the world's financial markets, US Federal Reserve chair Jay Powell is increasingly cast in the role of playground bully — looming over the prostrate form of the global economy and chanting "hike, hike, hike" with malicious glee. US policy rates are rising relentlessly.

However, Powell's public remarks offer little insight into how he expects higher rates to tame inflation. The omission matters as the current policy tightening will have an impact through an unusual route. That is because today's price inflation is more a product of profits than wages.

I agree: it is profit increases driving inflation right now, if anything is. This is obvious from the energy sector.

As Donovan notes, a pretty big web of lies (he does not use the term) supports this. For example, as he observes bread price increases cannot be increased by wheat price increases when wheat forms only a small part of the cost of a UK loaf.

He concludes with:

So the prices that drove the early 2021 inflation story were transitory after all. By understanding that, the narrative used to justify today's higher prices could also be attacked. Social media memes work both ways; a narrative of "rip-off Britain" and intense media focus in the UK in 2010 may have damped inflation at that time. Ending Fed chair Powell's sphinx-like silence on what higher rates are supposed to achieve could help turn around the inflation story.

I am glad that I am not alone in thinking there is a narrative conspiracy going on around inflation, because there undoubtedly is.