A PLAIN-ENGLISH FACT CHECK

WHY EVERYTHING COSTS MORE

Inflation and the Dollar Explained



PRICES · THE CPI · THE DOLLAR · CLAIMS

How Prices Are Measured, Why They Rise, and What the Records Show

ANDREW DOMINGUEZ

TRINFINITY Enterprises

Why Everything Costs More

Inflation and the Dollar Explained

Andrew Dominguez

Trinfinity Enterprises

Why Everything Costs More: Inflation and the Dollar Explained

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The information in this book stops at November 12, 2026. Prices, laws, office holders and official statistics change. Numbers in this book come from the newest official reports available on that date, and each is footnoted with its source and release date.

This book is for general information only. It is not financial or investment advice. For decisions about your own money, consult a qualified professional.

Every factual statement in this book is footnoted to a source a reader can open and check. Where a fact could not be confirmed, it is marked [Not verified].

About This Book

Why do prices keep rising, and who decides how much? This book explains inflation in plain language: what it is, what causes it, how the government measures it, and how the U.S. dollar went from silver and gold coins to the world's main currency. It walks through the big inflation episodes from the Revolution to 2026, shows who is hurt and who is protected, tests popular claims with clear verdicts, and lays out the options for keeping prices stable without telling you which to choose.

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Chapter 1: How to Read This Book

The information in this book stops at November 12, 2026.

You have probably stood in a grocery checkout line, looked at the total, and thought, "That can't be right." Then you heard on the news that inflation was only a few percent, and you wondered who was buying the groceries in that report. I wrote this book for that moment.

My goal is simple. I want you to understand what inflation is, how the official numbers are built, where the dollar came from, and what the arguments about it are really about. I am not going to tell you who to vote for or what to do with your money. I am going to show you the records and let you check them.

Why This Book Exists

Inflation is one of the few economic topics everyone feels. You do not need a degree to notice that a gallon of gas, a month of rent or a dozen eggs costs more than it used to. But the explanations you hear are often short, angry and one-sided. One person blames the government. Another blames big companies. Another says the numbers are fake. Each of them usually has a piece of the story, and each usually leaves something out.

This book is part of a series built the same way. Every book in the series follows the same rules: plain language, no party favorites, and every fact traced to a source you can open and read yourself.

The Date This Information Stops At

Prices change every month. Government agencies release new numbers on a schedule, and those numbers get revised. So I need to tell you exactly when this book was finished.

The information in this book stops at **November 12, 2026**. The newest Consumer Price Index (CPI) report available on that date was the October 2026 report, released by the Bureau of Labor Statistics (BLS) on November 10, 2026.[1] The newest Personal Consumption Expenditures (PCE) price report was for September 2026, released by the Bureau of Economic Analysis (BEA) on October 29, 2026.[2] The newest Federal Reserve policy statement was dated October 28, 2026.[3]

If you are reading this later, the numbers have moved. Every chapter about the present repeats this date at the top, and every table with current figures has the date in its title. In the back of the book, Appendix C shows you how to read a new CPI report yourself, so you can update any number in here on your own.

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[1] U.S. Bureau of Labor Statistics, "Consumer Price Index - October 2026," news release USDL-26-1685, November 10, 2026. https://www.bls.gov/news.release/cpi.nr0.htm (accessed November 12, 2026).

[2] U.S. Bureau of Economic Analysis, "Personal Income and Outlays, September 2026," news release, October 29, 2026. https://www.bea.gov/news/2026/personal-income-and-outlays-september-2026 (accessed November 12, 2026).

[3] Board of Governors of the Federal Reserve System, "Federal Reserve issues FOMC statement," press release, October 28, 2026. https://www.federalreserve.gov/newsevents/pressreleases/monetary20261028a.htm (accessed November 12, 2026).

Two Kinds of Dollars: Nominal and Adjusted

Whenever this book gives a dollar amount, I will tell you which kind it is.

- **Nominal dollars** are the dollars printed on the price tag at the time. If something cost 10 cents in 1920, those are 10 cents in the money of that year, with no adjustment.
- **Inflation-adjusted dollars** (also called "real" or "constant" dollars) are amounts converted to the buying power of one chosen year. When I adjust, I will say which year, for example "in October 2026 dollars," and which price index I used to do it.

You might ask, "Why does this matter?" Because comparing a 1970 salary with a 2026 salary without adjusting is like comparing miles with kilometers. The numbers look like they mean the same thing, and they do not.

How the Sources Work

Every factual sentence or table in this book has a footnote. The footnote gives the title, the agency or author, the date, a link, and the date I opened it. If you want to check me, you can.

Not all sources are equal, so I use them in this order:

Tier	Kind of source	Examples in this book
1	Primary and official	BLS price data and handbooks, BEA price data, Federal Reserve publications, Treasury and Mint records, laws, executive orders, court opinions, presidential addresses
2	Nonpartisan analysis	Congressional Research Service (CRS), Congressional Budget Office (CBO), Government Accountability Office (GAO), inspectors general
3	Scholarly	Peer-reviewed economics journals, university press histories, the 1996 Boskin Commission report
4	Fact-checks and journalism	Associated Press (AP), Reuters, PolitiFact, FactCheck.org, newspapers of the time, used mainly to point back to primary records
5	Advocacy and think tanks	Groups that argue a side, always labeled, and always balanced with a group on the other side

I do not use social media posts, chain emails, forums, video channels or computer-generated web pages as evidence. When I mention one, it is only to show that a claim was being spread, and I give the date.

Facts, Interpretations and Unknowns

Economics is full of arguments, and honest experts disagree. So I keep three things apart:

- **Confirmed facts** are things the records show: the CPI rose a certain amount in a certain month, a law passed on a certain date, a president said certain words.
- **Interpretations** are explanations of why something happened. When I give one, I tell you whose interpretation it is and where they said it.
- **Unknowns** are things the evidence cannot settle yet. When I hit one, I say so. If I could not find a source for something, I mark it **[Not verified]** and tell you what I searched.

The Four Verdicts

Part Six tests popular claims about inflation and the dollar. Each claim gets one of only four verdicts:

Verdict	What it means
True	Primary sources confirm it as usually stated
Partly true	There is a real fact underneath, but the usual version leaves out or twists something important. I say exactly which part is true.
False (debunked)	Primary sources contradict it
Inconclusive	The evidence is not enough to say either way, or an investigation is still open. I say what would settle it.

I test claims from every side of the political spectrum with the same care. Some of the claims come from people who distrust the government. Some come from people who distrust business. Both get the same treatment.

A Note on Sister Books

This book overlaps with another book in the series on the Federal Reserve, *The Fed: Who Runs America's Money and How It Works*. To keep from repeating each other, that book covers the Federal Reserve itself: how it is organized, its tools, its chairs and the claims people make about it. This book covers how inflation is measured, the history of the dollar and gold, the big inflation episodes, and the claims people make about the numbers. Where the two meet, I give a short summary and point you to the other book.

How the Book Is Organized

- **Part One** explains what inflation is and the main theories of what causes it.
- **Part Two** walks through how the official numbers are built, step by step.
- **Part Three** tells the history of the dollar, from silver and gold coins to the dollar's role in the world today.
- **Part Four** covers the big inflation episodes: the wars, the 1970s, the pandemic years and what has happened since.
- **Part Five** looks at who gets hurt by inflation and who does not, and shows what a dollar from past years buys now.
- **Part Six** tests popular claims and gives each a verdict.
- **Part Seven** shows where things stand as of November 12, 2026, how people feel about prices, and the main options for keeping prices stable. I lay out the options and the evidence. I do not pick one.

The appendices hold a year-by-year price table, a glossary, a guide to reading a CPI report, and the full list of sources.

This book is for general information only. It is not financial or investment advice.

Part One: What Inflation Is and What Causes It

Chapter 2: What Inflation Is

Let me start with a plain definition, because the word gets used loosely.

Inflation is a general rise in prices across the economy over time. When inflation is happening, the same dollar buys a little less each month. The key word is *general*. If coffee goes up because of a bad harvest in Brazil while most other prices hold still, that is a price change in coffee. It becomes inflation when prices across most of what people buy are rising together.

The Bureau of Labor Statistics (BLS), the federal agency that measures consumer prices, describes the Consumer Price Index (CPI) as a measure of the average change over time in the prices that urban consumers pay for a market basket of goods and services.[4] Inflation, as most news reports use the word, is the percent change in that index over a stretch of time, usually 12 months.

Prices Versus the Price Level

You might ask, "If the price of eggs doubled, isn't that inflation?" Not by itself.

Economists separate two ideas:

- **Relative prices** are prices compared with each other. Eggs getting more expensive compared with chicken is a change in relative prices. These shifts happen all the time because of weather, disease, new technology and changes in what people want.
- **The price level** is the average of all prices, weighted by how much people spend on each thing. Inflation is a rise in the price level.

This matters because people tend to remember the prices that jumped and forget the ones that fell or held still. Research on how people experience prices has found that the items they buy often, like groceries and gasoline, shape their sense of inflation more than items they buy rarely.[5] I come back to this in Chapter 17.

Four Words That Sound Alike

Word	What it means	Example from U.S. history
Inflation	The price level is rising	The CPI annual average rose 13.5 percent from 1979 to 1980[6]
Disinflation	Prices are still rising, but more slowly than before	The CPI annual average rose 8.0 percent from 2021 to 2022, then 4.1 percent from 2022 to 2023 and 2.9 percent from 2023 to 2024[7]

[4] U.S. Bureau of Labor Statistics, "Consumer Price Index Frequently Asked Questions," last modified September 25, 2025. https://www.bls.gov/cpi/questions-and-answers.htm (accessed November 12, 2026).

[5] Stefanie Stantcheva, "Why Do We Dislike Inflation?" Brookings Papers on Economic Activity, Spring 2024, Brookings Institution, March 27, 2024. https://www.brookings.edu/articles/why-do-we-dislike-inflation/ (accessed November 12, 2026).

[6] U.S. Bureau of Labor Statistics, Consumer Price Index for All Urban Consumers: All Items in U.S. City Average (CPIAUCNS), not seasonally adjusted, 1982-84=100, retrieved from Federal Reserve Bank of St. Louis, FRED, last updated November 10, 2026. https://fred.stlouisfed.org/series/CPIAUCNS (accessed November 12, 2026).

Word	What it means	Example from U.S. history
Deflation	The price level is falling	The CPI annual average fell about 10.3 percent from 1931 to 1932[8]
Hyperinflation	Prices rising extremely fast, so fast that people stop trusting the money	Chapter 11 covers the collapse of the Continental currency during the Revolution

The percentages in that table are my own calculations from the annual average CPI for All Urban Consumers (CPI-U), using the figures published through the Federal Reserve Bank of St. Louis's FRED database.[9] I show the full year-by-year table in Appendix A so you can check the math.

One more word: when people say "prices came down," they often mean disinflation, not deflation. In 2023 and 2024, the rate of inflation fell, but the price level kept rising.[10] Prices did not go back to where they were in 2020. They just stopped climbing as fast.

How Inflation Is Usually Reported

When you hear "inflation was 3 percent," the reporter almost always means one of these:

- **The 12-month change in the CPI**, comparing this month's index with the same month a year earlier. This is the headline number in most news stories.[11]
- **The 1-month change, seasonally adjusted**, which compares this month with last month after removing normal seasonal swings, like holiday sales.[12]
- **The 12-month change in the Personal Consumption Expenditures (PCE) price index**, published by the Bureau of Economic Analysis (BEA). This is the measure the Federal Reserve uses for its 2 percent goal.[13]

There is also a version that leaves out food and energy, called **core** inflation. Food and energy are not left out because they don't matter. They are left out of this one version because their

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[7] U.S. Bureau of Labor Statistics, Consumer Price Index for All Urban Consumers: All Items in U.S. City Average (CPIAUCNS), not seasonally adjusted, 1982-84=100, retrieved from Federal Reserve Bank of St. Louis, FRED, last updated November 10, 2026. https://fred.stlouisfed.org/series/CPIAUCNS (accessed November 12, 2026).

[8] U.S. Bureau of Labor Statistics, Consumer Price Index for All Urban Consumers: All Items in U.S. City Average (CPIAUCNS), not seasonally adjusted, 1982-84=100, retrieved from Federal Reserve Bank of St. Louis, FRED, last updated November 10, 2026. https://fred.stlouisfed.org/series/CPIAUCNS (accessed November 12, 2026).

[9] U.S. Bureau of Labor Statistics, Consumer Price Index for All Urban Consumers: All Items in U.S. City Average (CPIAUCNS), not seasonally adjusted, 1982-84=100, retrieved from Federal Reserve Bank of St. Louis, FRED, last updated November 10, 2026. https://fred.stlouisfed.org/series/CPIAUCNS (accessed November 12, 2026).

[10] U.S. Bureau of Labor Statistics, Consumer Price Index for All Urban Consumers: All Items in U.S. City Average (CPIAUCNS), not seasonally adjusted, 1982-84=100, retrieved from Federal Reserve Bank of St. Louis, FRED, last updated November 10, 2026. https://fred.stlouisfed.org/series/CPIAUCNS (accessed November 12, 2026).

[11] U.S. Bureau of Labor Statistics, "Consumer Price Index - October 2026," news release USDL-26-1685, November 10, 2026. https://www.bls.gov/news.release/cpi.nr0.htm (accessed November 12, 2026).

[12] U.S. Bureau of Labor Statistics, "Consumer Price Index - October 2026," news release USDL-26-1685, November 10, 2026. https://www.bls.gov/news.release/cpi.nr0.htm (accessed November 12, 2026).

[13] Federal Open Market Committee, "Statement on Longer-Run Goals and Monetary Policy Strategy," adopted effective January 24, 2012, as reaffirmed effective January 27, 2026. https://www.federalreserve.gov/monetarypolicy/files/FOMC_LongerRunGoals.pdf (accessed November 12, 2026).

prices swing up and down so much that they can hide the underlying trend. The headline "all items" CPI includes them, and so does the all-items PCE index.[14] I cover this more in Chapter 6, and test the claim that "food and gas aren't counted" in Chapter 16.

A Small Note About October 2025

If you look up the official CPI series, you will find a hole in it. During the federal government shutdown in the fall of 2025, BLS did not collect price data from October 1 through November 12, 2025, and it never published an October 2025 index for most CPI series.[15] Because of that gap, BLS could not publish 12-month changes for October 2026 for most indexes, since there was no October 2025 number to compare against.[16] I explain how BLS handled this in Chapter 4. For now, just know that when you see a dash in the October 2026 report where a 12-month change would normally be, that is why.

Why a Little Inflation Is the Goal

You might ask, "If inflation is bad, why doesn't anyone aim for zero?"

The Federal Reserve's official position is that inflation of 2 percent per year, measured by the PCE price index, is "most consistent over the longer run" with the goals Congress gave it: maximum employment and stable prices.[17] The Fed first adopted that 2 percent figure as an explicit goal in January 2012.[18] It reaffirmed its long-run goals statement, including the 2 percent figure, effective January 27, 2026.[19]

The Fed's statement explains its reasoning. It says that "longer-term inflation expectations that are well anchored at 2 percent foster price stability." It also warns that inflation running too low is a risk, "particularly if the federal funds rate is constrained by its effective lower bound," which is a technical way of saying the Fed cannot cut interest rates much below zero to fight a downturn.[20] Why the target is 2 rather than 0 or 3 is a real debate among economists. The

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[14] U.S. Bureau of Labor Statistics, "Consumer Price Index Frequently Asked Questions," last modified September 25, 2025. https://www.bls.gov/cpi/questions-and-answers.htm (accessed November 12, 2026).

[15] U.S. Bureau of Labor Statistics, "2025 Federal Government Shutdown Impact on the Consumer Price Index". https://www.bls.gov/cpi/additional-resources/2025-federal-government-shutdown-impact-cpi.htm (accessed November 12, 2026).

[16] U.S. Bureau of Labor Statistics, "Consumer Price Index - October 2026," news release USDL-26-1685, November 10, 2026. https://www.bls.gov/news.release/cpi.nr0.htm (accessed November 12, 2026).

[17] Federal Open Market Committee, "Statement on Longer-Run Goals and Monetary Policy Strategy," adopted effective January 24, 2012, as reaffirmed effective January 27, 2026. https://www.federalreserve.gov/monetarypolicy/files/FOMC_LongerRunGoals.pdf (accessed November 12, 2026).

[18] Board of Governors of the Federal Reserve System, "Federal Reserve issues FOMC statement of longer-run goals and policy strategy," press release, January 25, 2012. https://www.federalreserve.gov/newsevents/pressreleases/monetary20120125c.htm (accessed November 12, 2026).

[19] Federal Open Market Committee, "Statement on Longer-Run Goals and Monetary Policy Strategy," adopted effective January 24, 2012, as reaffirmed effective January 27, 2026. https://www.federalreserve.gov/monetarypolicy/files/FOMC_LongerRunGoals.pdf (accessed November 12, 2026).

[20] Federal Open Market Committee, "2025 Statement on Longer-Run Goals and Monetary Policy Strategy," adopted effective January 24, 2012, as amended effective August 22, 2025. https://www.federalreserve.gov/monetarypolicy/monetary-policy-strategy-tools-and-communications-statement-on-longer-run-goals-monetary-policy-strategy-2025.htm (accessed November 12, 2026).

Federal Reserve book in this series covers that debate in detail, and I describe the main alternatives in Chapter 18.

What I can tell you plainly is what 2 percent means over time. At exactly 2 percent a year, prices roughly double in about 35 years. At 3 percent, they double in about 23 years. At 7 percent, they double in about 10 years. Those are simple compound-interest calculations, not forecasts. The rule of thumb many teachers use is the "rule of 70": divide 70 by the inflation rate to estimate how many years it takes prices to double.

Inflation Is About Money, Not Just Things

Here is a way to think about inflation that helped me. Every price has two sides: the thing you are buying and the money you are paying with. When a loaf of bread goes from $3 to $3.30, you can say bread got more expensive. You can also say the dollar got weaker, because it now buys about 9 percent less bread.

When most prices rise together, the second way of saying it is often more accurate. The goods did not all change at once. The value of the money changed. That is why this book covers both inflation and the dollar. They are two views of the same thing.

Over the long run the change is large. Using official annual CPI-U averages, the price level in 2025 was about 32.6 times what it was in 1913.[21] Put another way, something that cost $1.00 in 1913 cost about $32.58 in 2025 on average, and about $34.15 by October 2026.[22,23] Chapter 15 walks through these comparisons and explains what they do and do not mean. Chapter 16 tests the popular claim that "the dollar has lost 97 percent of its value since 1913."

Inflation Is Not the Same as "High Prices"

People sometimes say "inflation" when they mean "prices are high." These are different.

Inflation is the *speed* at which prices are rising. High prices are the *level* they have reached. Even when inflation slows to 2 percent, prices do not fall back. They keep rising, just more slowly. That is why many people feel that inflation "is still bad" even after the official rate drops. The rate fell, but the level stayed up. A simple example shows it. Say a basket of goods costs $100 one year, $110 the next and $112 the year after. Inflation was 10 percent in the second year and then fell to about 1.8 percent in the third. The rate dropped sharply, yet the basket cost more in both years. For prices themselves to come down, the level has to fall, which is deflation, not just lower inflation. Research by Harvard economist Stefanie Stantcheva found that many people think about inflation in terms of price levels and fairness, not just rates.[24]

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[21] U.S. Bureau of Labor Statistics, Consumer Price Index for All Urban Consumers: All Items in U.S. City Average (CPIAUCNS), not seasonally adjusted, 1982-84=100, retrieved from Federal Reserve Bank of St. Louis, FRED, last updated November 10, 2026. https://fred.stlouisfed.org/series/CPIAUCNS (accessed November 12, 2026).

[22] U.S. Bureau of Labor Statistics, Consumer Price Index for All Urban Consumers: All Items in U.S. City Average (CPIAUCNS), not seasonally adjusted, 1982-84=100, retrieved from Federal Reserve Bank of St. Louis, FRED, last updated November 10, 2026. https://fred.stlouisfed.org/series/CPIAUCNS (accessed November 12, 2026).

[23] U.S. Bureau of Labor Statistics, "Consumer Price Index - October 2026," news release USDL-26-1685, November 10, 2026. https://www.bls.gov/news.release/cpi.nr0.htm (accessed November 12, 2026).

[24] Stefanie Stantcheva, "Why Do We Dislike Inflation?" Brookings Papers on Economic Activity, Spring 2024, Brookings Institution, March 27, 2024. https://www.brookings.edu/articles/why-do-we-dislike-inflation/ (accessed November 12, 2026).

Whether wages keep up is a separate question. If prices rise 4 percent and your pay rises 5 percent, your buying power grew. If your pay rises 2 percent, it shrank. I cover who comes out ahead and who falls behind in Chapter 14.

A Worked Example: Your Grocery Bill

Let me make this concrete with simple, made-up numbers, so you can see how the pieces fit. Suppose a family buys only three things each month:

Item	Last year's price	This year's price	Change
Rent	$1,500	$1,560	+4.0%
Groceries	$600	$630	+5.0%
Gasoline	$200	$180	-10.0%
Total	$2,300	$2,370	+3.0%

This family's personal inflation rate is 3.0 percent, because their total cost went from $2,300 to $2,370. Notice three things:

- Groceries rose 5 percent, faster than the total. If this family judges inflation by the grocery store, it feels like 5 percent.
- Gasoline fell, which pulled the total down. People tend to remember the increases more than the decreases.
- Rent is the biggest item, so its 4 percent rise matters more than the bigger percentage moves in smaller items.

That is exactly how the CPI works, only with thousands of items and weights drawn from what American households actually spend. Chapter 4 walks through it step by step.

How Small Rates Add Up

A rate that sounds small does real damage when it runs for years, because each year's increase builds on the last. This is the same compounding that makes a savings account grow, only working against you.

Here is what happens to the buying power of $100 at different steady inflation rates. These are plain arithmetic, not forecasts:

Steady inflation rate	$100 buys this much after 10 years	After 30 years	Years for prices to double
1 percent	$90.53	$74.19	about 70
2 percent	$82.03	$55.21	about 35
3 percent	$74.41	$41.20	about 23
4 percent	$67.56	$30.83	about 18
7 percent	$50.83	$13.14	about 10
10 percent	$38.55	$5.73	about 7

A handy shortcut is the "rule of 70": divide 70 by the inflation rate to get the rough number of years it takes prices to double. At 2 percent, that is 35 years. At 7 percent, it is 10 years.

Look at the 2 percent row. Even at the rate the Federal Reserve aims for, a dollar loses close to half its buying power over 30 years. That is why a long-run loss in the dollar's value is not, by itself, proof that something went wrong. Chapter 16 comes back to this when it checks the claim that the dollar has lost 97 percent of its value.

Now look at the jump from 2 to 4 percent. Doubling the rate does much more than double the damage over 30 years: $100 keeps $55.21 of buying power at 2 percent but only $30.83 at 4 percent. Ask yourself: if you are saving for something 30 years away, which of those two worlds would you rather plan for?

Questions Readers Ask

"If inflation is 3 percent, does that mean everything costs 3 percent more?" No. It means the average, weighted by spending, rose about 3 percent. Some prices rose more, some less, and some fell.

"Is inflation always bad?" Not always. Mild, steady inflation is the Fed's stated goal.[25] High or unpredictable inflation is harmful because it makes planning hard and erodes savings and fixed incomes. Deflation can also be harmful, as the 1930s showed (Chapter 8).

"Who decides the inflation rate?" No one decides it directly. BLS and BEA *measure* it.[26,27] The Federal Reserve tries to *influence* it through interest rates.[28] Congress and the President affect it through spending, taxes, trade policy and their choice of Fed leaders.

"Why do different news stories give different inflation numbers?" Usually because they are quoting different measures (CPI or PCE), different versions (headline or core), or different time spans (1 month or 12 months). Chapter 6 sorts these out.

Key Points from This Chapter

- Inflation is a general rise in the price level, not a rise in one price.
- Disinflation means prices are rising more slowly. Deflation means they are falling.
- The CPI is the best-known measure. The Fed's 2 percent goal uses the PCE price index.
- Core measures leave out food and energy to show the trend, but the headline numbers include them.
- The October 2025 CPI is missing because of the 2025 government shutdown.
- Inflation is the speed of price increases. Lower inflation does not mean lower prices.

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[25] Federal Open Market Committee, "Statement on Longer-Run Goals and Monetary Policy Strategy," adopted effective January 24, 2012, as reaffirmed effective January 27, 2026. https://www.federalreserve.gov/monetarypolicy/files/FOMC_LongerRunGoals.pdf (accessed November 12, 2026).

[26] U.S. Bureau of Labor Statistics, "Consumer Price Index Frequently Asked Questions," last modified September 25, 2025. https://www.bls.gov/cpi/questions-and-answers.htm (accessed November 12, 2026).

[27] U.S. Bureau of Economic Analysis, "Personal Consumption Expenditures Price Index". https://www.bea.gov/data/personal-consumption-expenditures-price-index (accessed November 12, 2026).

[28] Federal Open Market Committee, "Statement on Longer-Run Goals and Monetary Policy Strategy," adopted effective January 24, 2012, as reaffirmed effective January 27, 2026. https://www.federalreserve.gov/monetarypolicy/files/FOMC_LongerRunGoals.pdf (accessed November 12, 2026).

Chapter 3: What Causes It: The Main Explanations

If you ask five economists what causes inflation, you may get five answers that sound different. In my reading, most of them are describing the same machine from different sides. This chapter lays out the main explanations, who holds them, and what each side says in its own words. I am not going to tell you which one is right. In most real episodes, more than one force was at work, and the honest fights are about how much each one mattered.

The Basic Idea: Too Much Money Chasing Too Few Goods

The oldest and simplest explanation is that prices rise when spending grows faster than the economy's ability to produce things. You might hear this as "too much money chasing too few goods."

Picture a small town with one bakery that makes 100 loaves a day. If everyone in town suddenly has twice as much money and wants twice as much bread, the bakery cannot double its ovens overnight. The baker raises prices. Now multiply that across a whole country and every kind of good and service.

From this starting point, the schools of thought split on one big question: *where does the extra spending come from, and what keeps it going?*

Explanation 1: The Money Supply (Monetarism)

What it says. Inflation over the long run is driven by growth in the amount of money compared with the growth in what the economy produces. If the money supply grows much faster than output for years, prices rise.

Who holds it. The best-known voice was economist Milton Friedman, who won the Nobel Prize in economics in 1976. He wrote that "inflation is always and everywhere a monetary phenomenon." The line comes from his 1970 lecture *The Counter-Revolution in Monetary Theory*. I confirmed the publication but could not check the page itself before the cutoff, so treat the exact wording as [Not verified], even though it is widely quoted.[29] Friedman and Anna Schwartz also wrote *A Monetary History of the United States, 1867-1960*, which the Federal Reserve's own history of the Great Depression lists among its sources.[30]

The evidence for it. Over long stretches and across many countries, places that create money very fast have high inflation. That pattern is clearest in extreme cases like hyperinflations.

The evidence against it, or limits. The link between measured money supply and inflation became much weaker in the United States after the 1980s, as banking and payment habits changed. The Federal Reserve stopped targeting money growth directly. The Federal Reserve

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[29] Milton Friedman, The Counter-Revolution in Monetary Theory, Institute of Economic Affairs Occasional Paper 33, London, 1970 (library catalog record; quotation as widely reproduced, page text not checked). https://libcat.library.tamu.edu/Record/in00000229507 (accessed November 12, 2026).

[30] Gary Richardson, "The Great Depression," Federal Reserve History, Federal Reserve System, written as of November 22, 2013. https://www.federalreservehistory.org/essays/great-depression (accessed November 12, 2026).

book in this series covers how the Fed's approach changed. I test the popular version of this idea, "printing money always causes inflation," in Chapter 16.

Explanation 2: Too Much Demand (Demand-Pull)

What it says. When total spending in the economy, from households, businesses and government, runs ahead of what the economy can produce, prices get pulled up. Money supply is one way that can happen, but government deficits, easy credit, or a burst of pent-up spending can also do it.

Who holds it. This is the mainstream view taught in most textbooks, and it appears in some form in nearly every analysis of the 2021 to 2023 surge. Economist Lawrence Summers, a Treasury Secretary under President Clinton, warned in February 2021 that the size of the proposed pandemic relief package could push up inflation.[31]

An example. A 2022 study by economists at the Federal Reserve Bank of San Francisco estimated that U.S. fiscal support during the pandemic may have raised inflation by "about 3 percentage points by the end of 2021." The authors also warned that the estimate came "with considerable uncertainty."[32]

Explanation 3: Costs and Supply Shocks (Cost-Push)

What it says. Sometimes prices rise because it costs more to make and deliver things. An oil embargo, a war, a pandemic that shuts factories, a drought, or a blocked shipping lane can raise costs across the economy. Businesses pass those costs on.

Who holds it. Nearly every school accepts that supply shocks raise prices for a while. The argument is about whether they cause lasting inflation or just a one-time jump in the price level.

An example. Ben Bernanke, a former Federal Reserve Chair, and Olivier Blanchard, a former chief economist of the International Monetary Fund (IMF), studied the 2021 to 2022 surge. They concluded that "most of the rise in inflation in 2021 and 2022 was driven by developments that directly raised prices rather than wages," such as energy and food price jumps and supply shortages.[33] They also wrote that "fiscal policy contributed to the inflation, but primarily through its effects on consumer demand."[34]

A more recent example is the oil shock that followed the outbreak of war with Iran in late February 2026. Economists at the Federal Reserve Bank of Dallas estimated in April 2026 that,

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[31] Lawrence H. Summers, "The Biden stimulus is admirably ambitious. But it brings some big risks, too," The Washington Post, February 4, 2021 (as reposted on the author's website). https://larrysummers.com/news-item/the-biden-stimulus-is-admirably-ambitious-but-it-brings-some-big-risks-too/ (accessed November 12, 2026).

[32] Oscar Jorda, Celeste Liu, Fernanda Nechio and Fabian Rivera-Reyes, "Why Is U.S. Inflation Higher than in Other Countries?" FRBSF Economic Letter 2022-07, Federal Reserve Bank of San Francisco, March 28, 2022. https://www.frbsf.org/research-and-insights/publications/economic-letter/2022/03/why-is-us-inflation-higher-than-in-other-countries/ (accessed November 12, 2026).

[33] Ben S. Bernanke and Olivier Blanchard, "What caused the U.S. pandemic-era inflation?" Hutchins Center Working Paper, Brookings Institution, June 13, 2023. https://www.brookings.edu/articles/what-caused-the-u-s-pandemic-era-inflation/ (accessed November 12, 2026).

[34] Ben S. Bernanke and Olivier Blanchard, "What caused the U.S. pandemic-era inflation?" Hutchins Center Working Paper, Brookings Institution, June 13, 2023. https://www.brookings.edu/articles/what-caused-the-u-s-pandemic-era-inflation/ (accessed November 12, 2026).

in their central scenario, the war would add about 0.6 percentage points to headline PCE inflation for 2026, measured fourth quarter to fourth quarter.[35] I cover this in Chapter 13.

Explanation 4: Expectations and the Wage-Price Spiral

What it says. Inflation can feed on itself if people come to expect it. If workers expect prices to rise 8 percent next year, they ask for raises to keep up. If businesses expect their costs to rise, they raise prices ahead of time. Each side's moves push the other, and the expectation becomes self-fulfilling.

Who holds it. This idea is central to how modern central banks think. The Federal Reserve's official strategy statement puts heavy weight on keeping longer-term inflation expectations steady.[36] Many economists see the 1970s as a period when expectations came loose, which is part of why stopping that inflation took the severe steps described in Chapter 12.[37]

What we know about today. The Federal Reserve Bank of New York surveys people each month about the inflation they expect. In its October 2026 survey, released November 9, 2026, the median expected inflation one year ahead was 3.9 percent, three years ahead 3.3 percent, and five years ahead 3.0 percent.[38]

Explanation 5: Government Budgets (Fiscal Theory)

What it says. A newer school, called the fiscal theory of the price level, argues that inflation ultimately depends on whether people believe the government will pay its debts through future taxes and spending cuts. If people lose confidence that the government will cover its debts, they try to get rid of government bonds and money, and prices rise.

Who holds it. Economist John Cochrane of Stanford University's Hoover Institution laid out the theory in a 2023 book, *The Fiscal Theory of the Price Level*.[39]

Why it matters for the debate. Supporters of this view say it helps explain why the large deficits of 2020 and 2021 were followed by inflation. Critics say it is hard to test. Either way, it adds a new angle to the old argument about government spending, which I test in Chapter 16.

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[35] Lutz Kilian, Michael Plante, Alexander W. Richter and Xiaoqing Zhou, "Implications of the Iran war for U.S. inflation," Dallas Fed Economics, Federal Reserve Bank of Dallas, April 17, 2026 (views of the authors). https://www.dallasfed.org/research/economics/2026/0417 (accessed November 12, 2026).

[36] Federal Open Market Committee, "Statement on Longer-Run Goals and Monetary Policy Strategy," adopted effective January 24, 2012, as reaffirmed effective January 27, 2026. https://www.federalreserve.gov/monetarypolicy/files/FOMC_LongerRunGoals.pdf (accessed November 12, 2026).

[37] Michael Bryan, "The Great Inflation," Federal Reserve History, Federal Reserve System. https://www.federalreservehistory.org/essays/great-inflation (accessed November 12, 2026).

[38] Federal Reserve Bank of New York, Center for Microeconomic Data, "Survey of Consumer Expectations," October 2026 survey, released November 9, 2026. https://www.newyorkfed.org/microeconomics/sce (accessed November 12, 2026).

[39] John H. Cochrane, The Fiscal Theory of the Price Level, Princeton University Press, 2023 (ISBN 9780691242248). https://www.exploring-economics.org/en/study/books/the-fiscal-theory-of-the-price-level/ (accessed November 12, 2026).

Explanation 6: Business Pricing Power and Profits (Sellers' Inflation)

What it says. Some economists argue that in a crisis, large companies can raise prices by more than their costs went up, because shortages give them cover and customers expect prices to rise anyway. In this view, wider profit margins added to inflation.

Who holds it. Economist Isabella Weber of the University of Massachusetts Amherst and Evan Wasner wrote in 2023 that "the US COVID-19 inflation is predominantly a sellers' inflation that derives from microeconomic origins."[40] The Economic Policy Institute (EPI), a labor-aligned think tank, published an analysis finding that "over half of this increase (53.9%)" in prices in the nonfinancial corporate sector from mid-2020 through the end of 2021 "can be attributed to fatter profit margins."[41]

The evidence on the other side. Economists at the Federal Reserve Bank of Kansas City found that "although corporate profits indeed contributed to inflation in 2021, their contribution fell in 2022." They also found that profits typically make up a large share of price growth early in recoveries, so the 2021 pattern was not unusual by historical standards.[42] Critics of the "greed" explanation also point out that businesses did not become greedier in 2021 than they were in 2019, so greed alone cannot explain the timing. I test both the "greed" and the "spending" claims in Chapter 16.

Explanation 7: Policy Choices on Trade and Taxes

What it says. Government actions other than spending can also raise prices directly. Tariffs, which are taxes on imported goods, raise the cost of imports and of products that compete with them.

Evidence. A 2026 note by Federal Reserve Board economists estimated that the tariffs imposed in 2025 "have raised core goods PCE prices by 3.1 percent through February 2026," contributing "a 0.8 percent boost in core PCE prices as a whole."[43] The White House argued in September 2025 that U.S. goods inflation was lower than in other countries, and that "some commentators have been quick to attribute the increase in goods inflation to trade policy."[44] I lay out both sides on tariffs in Chapter 16.

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[40] Isabella M. Weber and Evan Wasner, "Sellers' inflation, profits and conflict: why can large firms hike prices in an emergency?" Review of Keynesian Economics, vol. 11, no. 2 (Summer 2023), pp. 183-213. https://s3.documentcloud.org/documents/25050964/weber-wasner.pdf (accessed November 12, 2026).

[41] Economic Policy Institute, "Corporate profits have contributed disproportionately to inflation. How should policymakers respond?" Working Economics Blog, 2022 (advocacy; labor-aligned think tank) [author and exact date not shown on the page as read; Not verified]. https://www.epi.org/blog/corporate-profits-have-contributed-disproportionately-to-inflation-how-should-policymakers-respond/ (accessed November 12, 2026).

[42] Andrew Glover, Jose Mustre-del-Rio and Jalen Nichols, "Corporate Profits Contributed a Lot to Inflation in 2021 but Little in 2022 - A Pattern Seen in Past Economic Recoveries," Economic Bulletin, Federal Reserve Bank of Kansas City, May 12, 2023. https://kansascityfed.org/research/economic-bulletin/corporate-profits-contributed-a-lot-to-inflation-in-2021-but-little-in-2022 (accessed November 12, 2026).

[43] Robert Minton, Madeleine Ray and Mariano Somale, "Detecting Tariff Effects on Consumer Prices in Real Time - Part II," FEDS Notes, Board of Governors of the Federal Reserve System, April 8, 2026. https://www.federalreserve.gov/econres/notes/feds-notes/detecting-tariff-effects-on-consumer-prices-in-real-time-part-II-20260408.html (accessed November 12, 2026).

[44] The White House, "U.S. Goods Inflation Lower than Other Countries," September 3, 2025. https://www.whitehouse.gov/releases/2025/09/u-s-goods-inflation-lower-than-other-countries/ (accessed November 12, 2026).

How These Explanations Fit Together

Explanation	Main cause	Main remedy its supporters favor	Main criticism
Money supply	Money grows faster than output	Slow money growth	Link weakened since the 1980s
Demand-pull	Spending outruns production	Tighter interest rates or budgets	Hard to separate from supply effects
Cost-push	Supply shocks raise costs	Wait it out, fix supply, or help those hurt	Can't explain lasting inflation alone
Expectations	People expect inflation and act on it	Credible central bank	Expectations are hard to measure
Fiscal theory	Doubts about government debt	Credible budget plan	Hard to test
Sellers' inflation	Pricing power in a crisis	Competition policy, targeted controls	Profits share fell in 2022
Trade and tax policy	Tariffs or taxes raise prices	Lower tariffs or taxes	Size of effect is debated

You will notice these are not mutually exclusive. A supply shock can raise prices, strong demand can let businesses pass on costs, and if the central bank does not respond, expectations can start to drift. Bernanke and Blanchard's study, for example, found roles for supply shocks, demand and, later, the job market.[45]

Key Points from This Chapter

- There is no single cause of inflation that every economist agrees on.
- Long-run inflation is closely tied to money and spending. Short-run surges often start with supply shocks.
- Expectations can make inflation stick.
- The 2021 to 2023 surge had several causes; the fights are about how much each mattered.

[45] Ben S. Bernanke and Olivier Blanchard, "What caused the U.S. pandemic-era inflation?" Hutchins Center Working Paper, Brookings Institution, June 13, 2023. https://www.brookings.edu/articles/what-caused-the-u-s-pandemic-era-inflation/ (accessed November 12, 2026).

Part Two: How It Is Measured, Step by Step

Chapter 4: How BLS Builds the Consumer Price Index

When someone says "the government says inflation is 3 percent," what they usually mean is that the Bureau of Labor Statistics (BLS) published a number. BLS is part of the U.S. Department of Labor. Its job is to measure, not to make policy. It does not set interest rates, write budgets or decide benefits. It collects prices and reports what it finds.

In this chapter I walk through how that number is built, step by step. You might ask, "Why should I care how the sausage is made?" Because almost every argument about whether the official number is "real" turns on one of these steps. If you know the steps, you can judge the arguments for yourself.

A Short History of the Index

BLS began publishing consumer price indexes for 32 cities in 1919, and it later estimated indexes back to 1913.[46] That is why most long-run price tables, including the one in Appendix A, start in 1913.

Over the years BLS made big changes:

Year	Change	Source
1919	First published indexes, for 32 cities	[47]
1978	Added the CPI for All Urban Consumers (CPI-U), covering a much larger share of the population	[48]
1983 (CPI-U) and 1985 (CPI-W)	Switched to "rental equivalence" for owner-occupied housing	[49]
1998	Added the Telephone Point-of-Purchase Survey to pick stores	[50]
1999	Began using a geometric mean formula for most basic indexes	[51]
2002	Began publishing the Chained CPI (C-CPI-U)	[52]

[46] U.S. Bureau of Labor Statistics, "Handbook of Methods: Consumer Price Index, History". https://www.bls.gov/opub/hom/cpi/history.htm (accessed November 12, 2026).

[47] U.S. Bureau of Labor Statistics, "Handbook of Methods: Consumer Price Index, History". https://www.bls.gov/opub/hom/cpi/history.htm (accessed November 12, 2026).

[48] U.S. Bureau of Labor Statistics, "Handbook of Methods: Consumer Price Index, History". https://www.bls.gov/opub/hom/cpi/history.htm (accessed November 12, 2026).

[49] U.S. Bureau of Labor Statistics, "Handbook of Methods: Consumer Price Index, History". https://www.bls.gov/opub/hom/cpi/history.htm (accessed November 12, 2026).

[50] U.S. Bureau of Labor Statistics, "Handbook of Methods: Consumer Price Index, History". https://www.bls.gov/opub/hom/cpi/history.htm (accessed November 12, 2026).

[51] U.S. Bureau of Labor Statistics, "Handbook of Methods: Consumer Price Index, History". https://www.bls.gov/opub/hom/cpi/history.htm (accessed November 12, 2026).

[52] U.S. Bureau of Labor Statistics, "Chained Consumer Price Index for All Urban Consumers (C-CPI-U) Questions and Answers," last modified July 30, 2026. https://www.bls.gov/cpi/additional-resources/chained-cpi-questions-and-answers.htm (accessed November 12, 2026).

Year	Change	Source
2019	Replaced the telephone store survey with Consumer Expenditure Survey data	[53]
2023	Began updating spending weights every year instead of every two years	[54]

Several of these changes are at the center of the claim that "they changed the formula to hide inflation." I test that claim in Chapter 16. For now, notice that changes have been made over the years, they were announced publicly, and each one is documented.

Step 1: Decide Whose Prices to Measure

There is no single "American shopper." BLS publishes several indexes for different groups of people:

- **CPI-U, the CPI for All Urban Consumers.** This is the headline number. BLS says its population covers about 93 percent of the U.S. population.[55] The BLS question-and-answer page puts it at "over 90 percent."[56]
- **CPI-W, the CPI for Urban Wage Earners and Clerical Workers.** This covers households that get most of their income from hourly or clerical jobs, about 29 to 30 percent of the population.[57,58] Social Security uses the CPI-W to set its yearly cost-of-living adjustment (COLA).[59]
- **C-CPI-U, the Chained CPI.** This uses a different formula to account for people switching between products when prices change (more in Chapter 5).[60]
- **R-CPI-E, a research index for Americans 62 and older.** This is an experimental index, not an official one, that reweights prices to match older Americans' spending.[61]

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[53] U.S. Bureau of Labor Statistics, "Handbook of Methods: Consumer Price Index, History". https://www.bls.gov/opub/hom/cpi/history.htm (accessed November 12, 2026).

[54] U.S. Bureau of Labor Statistics, "Handbook of Methods: Consumer Price Index, History". https://www.bls.gov/opub/hom/cpi/history.htm (accessed November 12, 2026).

[55] U.S. Bureau of Labor Statistics, "Handbook of Methods: Consumer Price Index, Design". https://www.bls.gov/opub/hom/cpi/design.htm (accessed November 12, 2026).

[56] U.S. Bureau of Labor Statistics, "Consumer Price Index Frequently Asked Questions," last modified September 25, 2025. https://www.bls.gov/cpi/questions-and-answers.htm (accessed November 12, 2026).

[57] U.S. Bureau of Labor Statistics, "Handbook of Methods: Consumer Price Index, Design". https://www.bls.gov/opub/hom/cpi/design.htm (accessed November 12, 2026).

[58] U.S. Bureau of Labor Statistics, "Consumer Price Index Frequently Asked Questions," last modified September 25, 2025. https://www.bls.gov/cpi/questions-and-answers.htm (accessed November 12, 2026).

[59] Social Security Administration, Office of the Chief Actuary, "Latest Cost-of-Living Adjustment". https://www.ssa.gov/oact/cola/latestCOLA.html (accessed November 12, 2026).

[60] U.S. Bureau of Labor Statistics, "Chained Consumer Price Index for All Urban Consumers (C-CPI-U) Questions and Answers," last modified July 30, 2026. https://www.bls.gov/cpi/additional-resources/chained-cpi-questions-and-answers.htm (accessed November 12, 2026).

[61] U.S. Bureau of Labor Statistics, "R-CPI-E Homepage" (research index for Americans 62 and older), last modified November 10, 2026. https://www.bls.gov/cpi/research-series/r-cpi-e-home.htm (accessed November 12, 2026).

In BLS's words, "Not covered are people living in rural nonmetropolitan areas, in farm households, on military installations, in religious communities, and in institutions such as prisons and mental hospitals."[62]

Step 2: Find Out What People Buy (The Weights)

You cannot average prices without knowing how much people spend on each thing. Rent matters more to a typical household budget than birthday candles, so rent should count for more.

BLS gets this from the **Consumer Expenditure Surveys (CE)**, which ask households in detail what they spend money on. BLS says, "Annual CE data are used for the CPI-U and CPI-W weights; these expenditure weights are updated annually."[63] Beginning with January 2023, BLS updates the weights every year, using spending from two years earlier.[64]

These weights are called **relative importance**. Here is how they looked for the CPI-U as of December 2025, based on 2024 spending:

Table 4-1. Selected relative importance weights, CPI-U, December 2025 (percent of the index)

Category	Weight
Food and beverages	14.539
- Food at home (groceries)	8.325
- Food away from home (restaurants)	5.373
Housing (all)	44.469
- Shelter	35.625
- Rent of primary residence	7.840
- Owners' equivalent rent of primary residence	25.230
- Fuels and utilities	4.546
Apparel	2.368

Source: BLS relative importance table for December 2025.[65] The weights for transportation, medical care, recreation, education and communication, and other goods were in the same table; I did not include them here because I could not confirm them line by line when this book was written. **[Not verified]** for those categories. Searched: the BLS December 2025 relative importance page, which gave only partial text in my reading.

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[62] U.S. Bureau of Labor Statistics, "Consumer Price Index Frequently Asked Questions," last modified September 25, 2025. https://www.bls.gov/cpi/questions-and-answers.htm (accessed November 12, 2026).

[63] U.S. Bureau of Labor Statistics, "Handbook of Methods: Consumer Price Index, Data Sources". https://www.bls.gov/opub/hom/cpi/data.htm (accessed November 12, 2026).

[64] U.S. Bureau of Labor Statistics, "Relative importance and weight information for the Consumer Price Indexes". https://www.bls.gov/cpi/tables/relative-importance/home.htm (accessed November 12, 2026).

[65] U.S. Bureau of Labor Statistics, "Relative importance of components in the Consumer Price Indexes: U.S. city average, December 2025" (Table 1, 2024 weights). https://www.bls.gov/cpi/tables/relative-importance/2025.htm (accessed November 12, 2026).

You might notice that shelter alone is more than a third of the whole index. That is why the way BLS measures housing, which I cover in Chapter 5, matters so much.

These weights are for an average urban household. Your own household may look very different. A retiree who owns a paid-off home and drives little has a very different "basket" from a young renter who commutes 40 miles a day. That is one reason your personal inflation may not match the national number.

Step 3: Organize Everything into Groups

BLS sorts everything people buy into more than 200 categories, arranged into eight major groups:[66]

1. Food and beverages
2. Housing
3. Apparel
4. Transportation
5. Medical care
6. Recreation
7. Education and communication
8. Other goods and services

Under the hood, the index is built from small building blocks. BLS divides the country into 32 index areas and divides goods and services into 243 basic item categories, for a total of 7,776 combinations. Each combination gets its own "basic index."[67,68]

Step 4: Pick the Stores and the Items

BLS cannot price every item in every store. So it takes a sample, the same way a poll samples voters.

- **Where.** Prices are collected each month in 75 urban areas across the country.[69]
- **Which stores.** The list of stores is built from what households in the Consumer Expenditure Surveys report about where they shop.[70]
- **Which items.** Within each store, specific items are chosen for pricing, and the same item is then priced again over time, so BLS can compare like with like.[71]

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[66] U.S. Bureau of Labor Statistics, "Handbook of Methods: Consumer Price Index, Concepts". https://www.bls.gov/opub/hom/cpi/concepts.htm (accessed November 12, 2026).

[67] U.S. Bureau of Labor Statistics, "Handbook of Methods: Consumer Price Index, Design". https://www.bls.gov/opub/hom/cpi/design.htm (accessed November 12, 2026).

[68] U.S. Bureau of Labor Statistics, "Handbook of Methods: Consumer Price Index, Calculation". https://www.bls.gov/opub/hom/cpi/calculation.htm (accessed November 12, 2026).

[69] U.S. Bureau of Labor Statistics, "Handbook of Methods: Consumer Price Index, Design". https://www.bls.gov/opub/hom/cpi/design.htm (accessed November 12, 2026).

[70] U.S. Bureau of Labor Statistics, "Handbook of Methods: Consumer Price Index, Design". https://www.bls.gov/opub/hom/cpi/design.htm (accessed November 12, 2026).

[71] U.S. Bureau of Labor Statistics, "Handbook of Methods: Consumer Price Index, Design". https://www.bls.gov/opub/hom/cpi/design.htm (accessed November 12, 2026).

How many prices? BLS pages give slightly different figures. The Handbook overview says about 94,000 prices and 8,000 rental housing quotes a month.[72] The Handbook design page says approximately 80,000 goods and services from about 6,000 housing units and approximately 23,000 retail establishments.[73] The data sources page says about 100,000 prices per month.[74] The difference may come from which items each page counts and when it was last updated. I report the range rather than pick one.

Step 5: Collect the Prices

BLS data collectors gather prices in person, by phone and online. BLS also buys some data from outside sources. For example, beginning with July 2025 data, BLS replaced survey data for wireless phone service with "secondary source data," and beginning with April 2025 data, it replaced survey data for leased cars and trucks with "transaction data purchased from a vendor."[75]

Taxes. The CPI includes sales taxes and other taxes tied directly to buying something. It does not include income taxes.[76]

What is left out. The CPI is about spending on things people use, not investments. In BLS's words, "the CPI excludes investment items, such as stocks, bonds, real estate, and business expenses."[77] It also excludes life insurance, though health, home and car insurance are included.[78] Buying a house is treated as an investment, which is why house prices are not directly in the CPI. Chapter 5 explains what BLS uses instead.

Collection Cuts in 2025

In 2025, BLS cut back how many prices it collected. In April 2025 it stopped collecting CPI prices entirely in Lincoln, Nebraska, and Provo, Utah, and in June 2025 in Buffalo, New York.[79] BLS said, "BLS makes reductions when current resources can no longer support the collection

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[72] U.S. Bureau of Labor Statistics, "Handbook of Methods: Consumer Price Index, Overview," last modified January 30, 2025. https://www.bls.gov/opub/hom/cpi/home.htm (accessed November 12, 2026).

[73] U.S. Bureau of Labor Statistics, "Handbook of Methods: Consumer Price Index, Design". https://www.bls.gov/opub/hom/cpi/design.htm (accessed November 12, 2026).

[74] U.S. Bureau of Labor Statistics, "Handbook of Methods: Consumer Price Index, Data Sources". https://www.bls.gov/opub/hom/cpi/data.htm (accessed November 12, 2026).

[75] U.S. Bureau of Labor Statistics, "Recent and upcoming methodology changes: 2025," last modified December 18, 2025. https://www.bls.gov/cpi/notices/2025/methodology-changes-2025.htm (accessed November 12, 2026).

[76] U.S. Bureau of Labor Statistics, "Handbook of Methods: Consumer Price Index, Concepts". https://www.bls.gov/opub/hom/cpi/concepts.htm (accessed November 12, 2026).

[77] U.S. Bureau of Labor Statistics, "Handbook of Methods: Consumer Price Index, Concepts". https://www.bls.gov/opub/hom/cpi/concepts.htm (accessed November 12, 2026).

[78] U.S. Bureau of Labor Statistics, "Handbook of Methods: Consumer Price Index, Concepts". https://www.bls.gov/opub/hom/cpi/concepts.htm (accessed November 12, 2026).

[79] U.S. Bureau of Labor Statistics, "Notice of CPI collection reductions," June 16, 2025. https://www.bls.gov/cpi/notices/2025/collection-reduction.htm (accessed November 12, 2026).

effort."[80] BLS also said that "roughly 15 percent of the sample in the other 72 areas also was suspended from collection, on average."[81]

When a price is missing, BLS fills in an estimate based on similar items, a process called **imputation**. BLS said that "the number of imputed items increased in April due to these actions."[82]

Did that change the national number? BLS tested what would have happened if those three cities had been dropped back in 2018. From January 2019 through May 2025, the 12-month CPI-U change in its test "differed from the published CPI ... by less than 1/100th of a percentage point on average."[83] BLS also said it "did not measure the impact of collection suspensions on subnational and item indexes."[84] So the agency's own evidence is that the national number was barely affected, but city and item-level numbers are less certain.

BLS later reported that hiring resumed in November 2025, and that "as BLS successfully onboards new field staff, collection is expected to resume for portions of the sample previously suspended."[85] Since June 2026, BLS has published monthly response and collection rates so the public can track this.[86]

The October 2025 Gap

During the federal government shutdown, BLS "did not collect CPI data from October 1, 2025, through November 12, 2025."[87] Here is how BLS handled the gap, from its own question-and-answer page:[88]

- BLS did not publish an October 2025 CPI news release.
- For goods and services, October prices were "carried forward" from September 2025. That means BLS treated them as unchanged.

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[80] U.S. Bureau of Labor Statistics, "Notice of CPI collection reductions," June 16, 2025. https://www.bls.gov/cpi/notices/2025/collection-reduction.htm (accessed November 12, 2026).

[81] U.S. Bureau of Labor Statistics, "More information on CPI collection reductions," July 29, 2025. https://www.bls.gov/cpi/notices/2025/more-information-collection-reduction.htm (accessed November 12, 2026).

[82] U.S. Bureau of Labor Statistics, "Notice of CPI collection reductions," June 16, 2025. https://www.bls.gov/cpi/notices/2025/collection-reduction.htm (accessed November 12, 2026).

[83] U.S. Bureau of Labor Statistics, "More information on CPI collection reductions," July 29, 2025. https://www.bls.gov/cpi/notices/2025/more-information-collection-reduction.htm (accessed November 12, 2026).

[84] U.S. Bureau of Labor Statistics, "More information on CPI collection reductions," July 29, 2025. https://www.bls.gov/cpi/notices/2025/more-information-collection-reduction.htm (accessed November 12, 2026).

[85] U.S. Bureau of Labor Statistics, "Update regarding data collection for the Consumer Price Index," October 22, 2026. https://www.bls.gov/cpi/notices/2026/data-collection-update.htm (accessed November 12, 2026).

[86] U.S. Bureau of Labor Statistics, "Update regarding data collection for the Consumer Price Index," October 22, 2026. https://www.bls.gov/cpi/notices/2026/data-collection-update.htm (accessed November 12, 2026).

[87] U.S. Bureau of Labor Statistics, "2025 Federal Government Shutdown Impact on the Consumer Price Index". https://www.bls.gov/cpi/additional-resources/2025-federal-government-shutdown-impact-cpi.htm (accessed November 12, 2026).

[88] U.S. Bureau of Labor Statistics, "2025 Federal Government Shutdown Impact on the CPI: Frequently Asked Questions," last modified September 16, 2026. https://www.bls.gov/cpi/additional-resources/2025-federal-government-shutdown-impact-cpi-faq.htm (accessed November 12, 2026).

- For rents, October values were carried forward from April 2025, so the rent and owners' equivalent rent indexes showed no change for October.
- November 2025 indexes were calculated using normal procedures once collection resumed on November 14.
- For the 2025 annual average of series missing October, BLS used the average of the 11 published months.

BLS itself acknowledged that the carry-forward method "may result in an underestimation" when prices are generally rising.[89] I think it matters that the agency said this openly. It is also why, in October 2026, BLS could not publish the usual 12-month changes for most series.[90]

Step 6: Adjust for Quality and Size

When a product changes, BLS has to decide how much of any price change is "real" inflation and how much reflects a better or worse product. If a 64-ounce carton of orange juice is replaced by a 59-ounce carton at the same price, the price per ounce went up, and BLS counts that as a price increase.[91] This is how the CPI handles what people now call "shrinkflation." I go deeper into quality adjustment in Chapter 5.

Step 7: Do the Math

Once the prices are in, BLS calculates the index in two stages:

- **Within each small category** (for example, apples in the Boston area), BLS mostly uses a **geometric mean** formula. In plain words, this kind of average gives a little less weight to items whose prices shot up, on the idea that shoppers tend to buy a bit less of what got more expensive. BLS began using it for most categories in 1999.[92] Some categories, including electricity, utility gas, prescription drugs, doctors' and hospital services, still use the older arithmetic-type formula.[93]
- **Across categories,** BLS combines the small indexes using the spending weights from Step 2, in a fixed-weight formula called a modified Laspeyres index.[94]

The index is set so that the average for 1982 to 1984 equals 100. In October 2026 the CPI-U, not seasonally adjusted, stood at 337.511.[95] That means prices on average were about 3.4 times their 1982-84 level.

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[89] U.S. Bureau of Labor Statistics, "2025 Federal Government Shutdown Impact on the CPI: Frequently Asked Questions," last modified September 16, 2026. https://www.bls.gov/cpi/additional-resources/2025-federal-government-shutdown-impact-cpi-faq.htm (accessed November 12, 2026).

[90] U.S. Bureau of Labor Statistics, "Consumer Price Index - October 2026," news release USDL-26-1685, November 10, 2026. https://www.bls.gov/news.release/cpi.nr0.htm (accessed November 12, 2026).

[91] U.S. Bureau of Labor Statistics, "Consumer Price Index Frequently Asked Questions," last modified September 25, 2025. https://www.bls.gov/cpi/questions-and-answers.htm (accessed November 12, 2026).

[92] U.S. Bureau of Labor Statistics, "Handbook of Methods: Consumer Price Index, History". https://www.bls.gov/opub/hom/cpi/history.htm (accessed November 12, 2026).

[93] U.S. Bureau of Labor Statistics, "Handbook of Methods: Consumer Price Index, Calculation". https://www.bls.gov/opub/hom/cpi/calculation.htm (accessed November 12, 2026).

[94] U.S. Bureau of Economic Analysis, "What accounts for the differences in the PCE price index and the Consumer Price Index?" FAQ 555, November 3, 2010. https://www.bea.gov/help/faq/555 (accessed November 12, 2026).

Step 8: Seasonal Adjustment and Release

Some prices rise and fall with the seasons. Gas often rises in summer, clothing often drops after the holidays. To see the trend, BLS publishes both unadjusted and "seasonally adjusted" numbers. In 2026, 36 of the 81 parts of the all-items index were not seasonally adjusted because they showed no clear seasonal pattern.[96]

The results come out on a fixed schedule, usually around the middle of the month after the prices were collected. The October 2026 report came out on November 10, 2026, and the November 2026 report was scheduled for December 10, 2026.[97]

Walking Through One Month

Here is a simplified picture of how one month's CPI comes together, using the steps above.

1. **Early in the month,** data collectors in the 75 sampled urban areas visit stores, call businesses and check websites to record prices for the specific items assigned to them.[98]
2. **For housing,** BLS gets rents from its sample of rental units. Each unit is priced every six months, so about one-sixth of the sample is priced each month.[99]
3. **When an item is gone,** the collector picks the closest replacement and records its features, and BLS decides whether and how to adjust for quality or size.[100,101]
4. **When a price cannot be collected,** BLS imputes it from similar items.[102]
5. **BLS computes** the 7,776 basic indexes, combines them with the spending weights, and seasonally adjusts the results.[103,104]

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[95] U.S. Bureau of Labor Statistics, "Consumer Price Index - October 2026," news release USDL-26-1685, November 10, 2026. https://www.bls.gov/news.release/cpi.nr0.htm (accessed November 12, 2026).

[96] U.S. Bureau of Labor Statistics, "Consumer Price Index - October 2026," news release USDL-26-1685, November 10, 2026. https://www.bls.gov/news.release/cpi.nr0.htm (accessed November 12, 2026).

[97] U.S. Bureau of Labor Statistics, "Consumer Price Index - October 2026," news release USDL-26-1685, November 10, 2026. https://www.bls.gov/news.release/cpi.nr0.htm (accessed November 12, 2026).

[98] U.S. Bureau of Labor Statistics, "Handbook of Methods: Consumer Price Index, Design". https://www.bls.gov/opub/hom/cpi/design.htm (accessed November 12, 2026).

[99] U.S. Bureau of Labor Statistics, "Consumer Price Index: Owners' equivalent rent and rent," fact sheet, last modified February 13, 2026. https://www.bls.gov/cpi/factsheets/owners-equivalent-rent-and-rent.htm (accessed November 12, 2026).

[100] U.S. Bureau of Labor Statistics, "Quality Adjustment in the CPI," last modified September 28, 2026. https://www.bls.gov/cpi/quality-adjustment/home.htm (accessed November 12, 2026).

[101] U.S. Bureau of Labor Statistics, "Consumer Price Index Frequently Asked Questions," last modified September 25, 2025. https://www.bls.gov/cpi/questions-and-answers.htm (accessed November 12, 2026).

[102] U.S. Bureau of Labor Statistics, "Notice of CPI collection reductions," June 16, 2025. https://www.bls.gov/cpi/notices/2025/collection-reduction.htm (accessed November 12, 2026).

[103] U.S. Bureau of Labor Statistics, "Handbook of Methods: Consumer Price Index, Design". https://www.bls.gov/opub/hom/cpi/design.htm (accessed November 12, 2026).

[104] U.S. Bureau of Labor Statistics, "Handbook of Methods: Consumer Price Index, Calculation". https://www.bls.gov/opub/hom/cpi/calculation.htm (accessed November 12, 2026).

6. **About two weeks after the month ends,** BLS publishes the release, with the all-items number, core, and hundreds of detailed indexes.[105]

Questions Readers Ask

"Why doesn't BLS just track what I buy?" Because every household's basket is different. A single index for everyone has to be an average. BLS does publish many sub-indexes, by category and by region, so you can look at the parts that matter most to you.[106]

"Can a president or political appointee change the numbers?" BLS publishes its methods, weights and changes in advance.[107,108] Changes to methods are announced in public notices.[109] The 2025 removal of the BLS commissioner raised public concern about political pressure on statistics, though it involved the jobs report rather than the CPI.[110] I test the "hidden inflation" claim in Chapter 16.

"Does the CPI include interest on my credit card or mortgage?" No. BLS treats interest and finance charges as outside the scope of the CPI.[111]

Is the CPI a "Cost of Living" Index?

People often call the CPI a cost-of-living index. BLS says the CPI "is widely used as a cost-of-living index" but that it "only approximates a cost-of-living index."[112] BLS calls it a "conditional" cost-of-living index, because some things that affect your cost of living, like the quality of the air you breathe or the safety of your neighborhood, are outside what it measures.[113]

That difference is important. The CPI measures changes in prices of a fixed basket of goods and services. It does not measure how much you need to spend to live a life you are satisfied with, which depends on many things besides prices.

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[105] U.S. Bureau of Labor Statistics, "Consumer Price Index - October 2026," news release USDL-26-1685, November 10, 2026. https://www.bls.gov/news.release/cpi.nr0.htm (accessed November 12, 2026).

[106] U.S. Bureau of Labor Statistics, "Consumer Price Index Frequently Asked Questions," last modified September 25, 2025. https://www.bls.gov/cpi/questions-and-answers.htm (accessed November 12, 2026).

[107] U.S. Bureau of Labor Statistics, "Handbook of Methods: Consumer Price Index, Overview," last modified January 30, 2025. https://www.bls.gov/opub/hom/cpi/home.htm (accessed November 12, 2026).

[108] U.S. Bureau of Labor Statistics, "Recent and upcoming methodology changes: 2025," last modified December 18, 2025. https://www.bls.gov/cpi/notices/2025/methodology-changes-2025.htm (accessed November 12, 2026).

[109] U.S. Bureau of Labor Statistics, "CPI Notices" (list of notices, 2025-2026). https://www.bls.gov/cpi/notices/ (accessed November 12, 2026).

[110] Christopher Rugaber and Josh Boak, "Trump removes official overseeing jobs data after dismal employment report," Associated Press, August 1, 2025 (syndicated copy, ABC7 News). https://abc7news.com/post/trump-demands-official-overseeing-jobs-data-fired-dismal-employment-report/17393568/ (accessed November 12, 2026).

[111] U.S. Bureau of Labor Statistics, "Handbook of Methods: Consumer Price Index, Concepts". https://www.bls.gov/opub/hom/cpi/concepts.htm (accessed November 12, 2026).

[112] U.S. Bureau of Labor Statistics, "Handbook of Methods: Consumer Price Index, Concepts". https://www.bls.gov/opub/hom/cpi/concepts.htm (accessed November 12, 2026).

[113] U.S. Bureau of Labor Statistics, "Handbook of Methods: Consumer Price Index, Concepts". https://www.bls.gov/opub/hom/cpi/concepts.htm (accessed November 12, 2026).

Who Runs BLS

BLS is led by a commissioner, nominated by the President and confirmed by the Senate. On August 1, 2025, President Trump removed Commissioner Erika McEntarfer hours after a weak jobs report. He posted that the jobs numbers "were RIGGED," and the Associated Press reported that he "provided no evidence for the charge."[114] His first nominee for the post, E.J. Antoni, was withdrawn in September 2025.[115] Brett Matsumoto became the 17th Commissioner of Labor Statistics on August 11, 2026, after Senate confirmation on August 7, 2026.[116]

The firing involved the jobs report, not the CPI. I mention it because it is part of why some people distrust government statistics today, and I test the claim that "the government hides the real inflation rate" in Chapter 16.

Key Points from This Chapter

- The CPI is built from a sample of about 80,000 to 100,000 prices a month, depending on which BLS page you read, plus rental quotes.
- The weights come from a household spending survey and are updated every year.
- Shelter is more than a third of the index.
- In 2025, BLS cut collection in some areas and missed October because of the shutdown. BLS published how it handled both.
- The CPI is close to, but not the same as, a cost-of-living index.

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[114] Christopher Rugaber and Josh Boak, "Trump removes official overseeing jobs data after dismal employment report," Associated Press, August 1, 2025 (syndicated copy, ABC7 News). https://abc7news.com/post/trump-demands-official-overseeing-jobs-data-fired-dismal-employment-report/17393568/ (accessed November 12, 2026).

[115] CBS News, "White House withdraws E.J. Antoni nomination to lead Bureau of Labor Statistics," September 30, 2025. https://www.cbsnews.com/news/ej-antoni-bureau-of-labor-statistics-nomination-withdrawn (accessed November 12, 2026).

[116] U.S. Bureau of Labor Statistics, "Brett Matsumoto, Commissioner," biography, last modified September 16, 2026. https://www.bls.gov/bls/senior_staff/matsumoto.htm (accessed November 12, 2026).

Chapter 5: Housing, Quality and Substitution

This chapter covers the three parts of the CPI that draw the most suspicion: how it counts housing, how it adjusts for better or worse products, and how it handles people switching what they buy. If you have ever heard that the CPI is "rigged," the argument almost always runs through one of these three.

I will explain each one plainly, show what BLS says it does and why, and give you the strongest criticism from the other side.

Housing: Why House Prices Are Not in the CPI

You might ask, "Home prices went through the roof. Why doesn't the CPI show that?"

Here is the answer. BLS treats a house as two things at once: a place to live, and an investment. The CPI is meant to measure the cost of things people consume, and BLS excludes investments. In BLS's words, "Purchases of houses, antiques, and collectibles are viewed as investment expenditures and therefore excluded."[117]

So instead of the purchase price, BLS tries to measure the cost of the *shelter* a home provides. For renters that is simple: it is the rent. For owners, BLS uses a measure called **owners' equivalent rent (OER)**. OER estimates how much an owner would pay to rent their own home.

How OER Is Measured

BLS does not ask homeowners about their house values or mortgages to build the index. In fact, BLS says plainly, "Owned housing units themselves are not priced in the CPI Housing Survey."[118] Instead, the Housing Survey collects rents from a sample of rental units, and "the CPI program collects rent data from each sampled unit every 6 months."[119] BLS then uses rent changes from rental units that are similar to owner-occupied homes to estimate OER.[120]

BLS switched to this "rental equivalence" method for the CPI-U in January 1983 and for the CPI-W in January 1985.[121] Before that, BLS used what it calls "an asset-based approach," which treated a home as a purchase rather than as a stream of housing services.[122]

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[117] U.S. Bureau of Labor Statistics, "Handbook of Methods: Consumer Price Index, Concepts". https://www.bls.gov/opub/hom/cpi/concepts.htm (accessed November 12, 2026).

[118] U.S. Bureau of Labor Statistics, "Consumer Price Index: Owners' equivalent rent and rent," fact sheet, last modified February 13, 2026. https://www.bls.gov/cpi/factsheets/owners-equivalent-rent-and-rent.htm (accessed November 12, 2026).

[119] U.S. Bureau of Labor Statistics, "Consumer Price Index: Owners' equivalent rent and rent," fact sheet, last modified February 13, 2026. https://www.bls.gov/cpi/factsheets/owners-equivalent-rent-and-rent.htm (accessed November 12, 2026).

[120] U.S. Bureau of Labor Statistics, "Consumer Price Index: Owners' equivalent rent and rent," fact sheet, last modified February 13, 2026. https://www.bls.gov/cpi/factsheets/owners-equivalent-rent-and-rent.htm (accessed November 12, 2026).

[121] U.S. Bureau of Labor Statistics, "Handbook of Methods: Consumer Price Index, History". https://www.bls.gov/opub/hom/cpi/history.htm (accessed November 12, 2026).

Why It Matters So Much

As of December 2025, owners' equivalent rent of primary residences was 25.230 percent of the CPI-U, and all of shelter was 35.625 percent.[123] No other single item comes close.

The Strengths of the OER Method

- It keeps investment gains out of a consumer price index. When your house goes up in value, you are richer on paper; your monthly cost of living in it did not necessarily change.
- It treats owners and renters the same way, based on the cost of using a home.

The Criticisms

- **It lags.** Because each rental unit is priced every six months and most leases last a year, the index moves slowly. When market rents for new leases jump, the CPI shelter index catches up over many months. This was widely discussed in 2022 and 2023.
- **It misses what buyers feel.** Someone buying a home today pays today's house price and today's mortgage rate. Neither appears directly in the CPI. In a 2024 paper, economists Marijn Bolhuis, Judd Cramer, Karl Oskar Schulz and Lawrence Summers argued that leaving out borrowing costs makes consumers' experience and the official numbers drift apart, especially when interest rates rise fast.[124]
- **Few homeowners think in rent.** Many homeowners do not know what their house would rent for, which makes the concept feel abstract.

I think both sides have a fair point. OER is a defensible way to measure the cost of shelter as a consumer good. It is not a measure of what it costs to buy a house today. If your question is "can my kids afford a house?", the CPI is not built to answer that.

Quality Adjustment: When the Product Changes

Products change all the time. A new television is bigger and sharper. A new car has more safety features. A new box of cereal is smaller. BLS has to decide how much of a price change reflects a different product.

What BLS Does

When an item a data collector has been pricing disappears and is replaced by a similar but different item, BLS has several ways to compare them:

- If the items are close enough, it compares prices directly.

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[122] John S. Greenlees and Robert B. McClelland, "Addressing misconceptions about the Consumer Price Index," Monthly Labor Review, U.S. Bureau of Labor Statistics, August 2008. https://www.bls.gov/opub/mlr/2008/08/art1full.pdf (accessed November 12, 2026).

[123] U.S. Bureau of Labor Statistics, "Relative importance of components in the Consumer Price Indexes: U.S. city average, December 2025" (Table 1, 2024 weights). https://www.bls.gov/cpi/tables/relative-importance/2025.htm (accessed November 12, 2026).

[124] Marijn A. Bolhuis, Judd N. L. Cramer, Karl Oskar Schulz and Lawrence H. Summers, "The Cost of Money is Part of the Cost of Living: New Evidence on the Consumer Sentiment Anomaly," NBER Working Paper 32163, National Bureau of Economic Research, February 2024. https://www.nber.org/papers/w32163 (accessed November 12, 2026).

- If the size changed, it compares price per unit. BLS's own example: "a 64-ounce container of orange juice has been replaced by a 59-ounce container."[125] In that case BLS records a price increase per ounce. BLS says it prices candy and most other foods "on a per-ounce basis."[126]
- For some items, it uses a statistical method called **hedonic quality adjustment**, which estimates how much each feature of a product is worth. BLS describes it this way: "The hedonic quality adjustment method removes any price differential attributed to a change in quality."[127]

BLS lists items that use hedonic adjustment, including men's and women's clothing, footwear, watches, several appliances such as refrigerators, washers and dryers, ranges and microwaves, phone and internet services, cable TV, and rent and owners' equivalent rent.[128] For rent, BLS says the adjustments "are used primarily to adjust for the age of a rental unit."[129]

The Criticisms

- **It can feel like a trick.** If a new phone costs $100 more and BLS decides $90 of that is better quality, the CPI shows a small increase even though you paid $100 more. Critics argue that you often cannot buy the older, cheaper version anymore, so the "quality" is forced on you.
- **It can go both ways.** Quality adjustment can also *raise* measured inflation when quality falls, for example when a package shrinks.[130]
- **How big is the effect?** BLS economists John Greenlees and Robert McClelland reported in 2008 that the use of hedonic models "has increased the annual rate of change of the all-items CPI, but by only about 0.005 percent per year." In other words, the adjustments they studied pushed measured inflation slightly up, not down.[131] Critics like John Williams of ShadowStats argue that methods adopted since 1980 together lower reported inflation substantially.[132] I weigh these claims in Chapter 16.

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[125] U.S. Bureau of Labor Statistics, "Consumer Price Index Frequently Asked Questions," last modified September 25, 2025. https://www.bls.gov/cpi/questions-and-answers.htm (accessed November 12, 2026).

[126] John S. Greenlees and Robert B. McClelland, "Addressing misconceptions about the Consumer Price Index," Monthly Labor Review, U.S. Bureau of Labor Statistics, August 2008. https://www.bls.gov/opub/mlr/2008/08/art1full.pdf (accessed November 12, 2026).

[127] U.S. Bureau of Labor Statistics, "Quality Adjustment in the CPI," last modified September 28, 2026. https://www.bls.gov/cpi/quality-adjustment/home.htm (accessed November 12, 2026).

[128] U.S. Bureau of Labor Statistics, "Quality Adjustment in the CPI," last modified September 28, 2026. https://www.bls.gov/cpi/quality-adjustment/home.htm (accessed November 12, 2026).

[129] U.S. Bureau of Labor Statistics, "Quality Adjustment in the CPI," last modified September 28, 2026. https://www.bls.gov/cpi/quality-adjustment/home.htm (accessed November 12, 2026).

[130] U.S. Bureau of Labor Statistics, "Consumer Price Index Frequently Asked Questions," last modified September 25, 2025. https://www.bls.gov/cpi/questions-and-answers.htm (accessed November 12, 2026).

[131] John S. Greenlees and Robert B. McClelland, "Addressing misconceptions about the Consumer Price Index," Monthly Labor Review, U.S. Bureau of Labor Statistics, August 2008. https://www.bls.gov/opub/mlr/2008/08/art1full.pdf (accessed November 12, 2026).

[132] Shadow Government Statistics (ShadowStats, John Williams), "Alternate Inflation Charts" (advocacy/alternative estimate; not official data). https://www.shadowstats.com/alternate_data/inflation-charts (accessed November 12, 2026).

Substitution: When People Switch What They Buy

If beef gets expensive, many people buy more chicken. If one brand jumps in price, they switch brands. A fixed basket ignores that switching and can overstate how much more it costs to maintain your standard of living. Economists call this **substitution bias**.

BLS addresses it in two ways:

1. **Within small categories**, since 1999, BLS uses a geometric mean formula for most item categories.[133] This assumes shoppers shift a bit toward items that become relatively cheaper inside a category, like switching between kinds of apples.
2. **Across categories**, BLS publishes the separate **Chained CPI (C-CPI-U)**, which it began publishing with July 2002 data. BLS says the C-CPI-U "employs a formula that reflects the effect of substitution that consumers make across item categories."[134] It is published only for the national average and gets revised for 10 to 12 months after first release.[135]

The regular CPI-U, the headline number, does not use the chained formula across categories. The two are published side by side.

Where the Chained CPI Is Used

The Tax Cuts and Jobs Act of 2017 switched federal income tax indexing to the chained CPI. In the Congressional Research Service's description of the final bill, it "uses the chained Consumer Price Index (CPI) measure of inflation to index rate brackets and other parameters such as the standard deduction."[136] Because the chained CPI usually rises a little more slowly than the CPI-U, brackets climb a little more slowly, which over time raises taxes slightly for many people. The Income Tax and the IRS book in this series covers that in more detail. Social Security still uses the CPI-W, not the chained CPI.[137]

The Criticism

- **"Substitution means you're worse off."** Critics say that switching from steak to hamburger is not a sign that your cost of living held steady. It is a sign you were forced to settle for less. BLS's answer, based on the economic theory of a cost-of-living index, is

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[133] U.S. Bureau of Labor Statistics, "Handbook of Methods: Consumer Price Index, History". https://www.bls.gov/opub/hom/cpi/history.htm (accessed November 12, 2026).

[134] U.S. Bureau of Labor Statistics, "Chained Consumer Price Index for All Urban Consumers (C-CPI-U) Questions and Answers," last modified July 30, 2026. https://www.bls.gov/cpi/additional-resources/chained-cpi-questions-and-answers.htm (accessed November 12, 2026).

[135] U.S. Bureau of Labor Statistics, "Chained Consumer Price Index for All Urban Consumers (C-CPI-U) Questions and Answers," last modified July 30, 2026. https://www.bls.gov/cpi/additional-resources/chained-cpi-questions-and-answers.htm (accessed November 12, 2026).

[136] Jane G. Gravelle, "Tax Cuts and Jobs Act (H.R. 1): Conference Agreement," Congressional Research Service In Focus IF10792, December 19, 2017. https://www.everycrsreport.com/reports/IF10792.html (accessed November 12, 2026).

[137] Social Security Administration, Office of the Chief Actuary, "Latest Cost-of-Living Adjustment". https://www.ssa.gov/oact/cola/latestCOLA.html (accessed November 12, 2026).

that people choose the switch because it is the best deal for them, and that a fixed basket overstates their real cost increase.[138] Reasonable people weigh this differently.

The Boskin Commission: The Fight That Started It All

Much of today's argument about the CPI goes back to one report.

In 1995 the Senate Finance Committee appointed an expert panel, the Advisory Commission to Study the Consumer Price Index, usually called the Boskin Commission after its chairman, economist Michael Boskin.[139] Its final report, "Toward a More Accurate Measure of the Cost of Living," was dated December 4, 1996.[140]

What it found. The commission concluded that the CPI overstated the rise in the cost of living. Its words: "The Commission's best estimate of the size of the upward bias looking forward is 1.1 percentage points per year. The range of plausible values is 0.8 to 1.6 percentage points per year."[141] It named four sources of bias: "substitution bias," "outlet substitution bias," "quality change bias" and "new product bias."[142]

Why it mattered. Many federal programs and tax brackets are tied to the CPI. If the CPI ran too high, benefits and bracket adjustments grew faster than the true cost of living, which costs the government money.

What happened next. BLS made several changes in the years after, including the geometric mean formula in 1999 and the launch of the chained CPI in 2002.[143,144] BLS economists later wrote that the geometric mean formula "was being evaluated for use in the U.S. CPI well before the Boskin Commission was formed," and that the method changes "were, in fact, the result of analysis and recommendations made over a period of decades."[145]

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[138] U.S. Bureau of Labor Statistics, "Handbook of Methods: Consumer Price Index, Concepts". https://www.bls.gov/opub/hom/cpi/concepts.htm (accessed November 12, 2026).

[139] Advisory Commission to Study the Consumer Price Index (Boskin Commission), "Toward a More Accurate Measure of the Cost of Living," Final Report to the Senate Finance Committee, December 4, 1996 (Social Security Administration history archive). https://www.ssa.gov/history/reports/boskinrpt.html (accessed November 12, 2026).

[140] Advisory Commission to Study the Consumer Price Index (Boskin Commission), "Toward a More Accurate Measure of the Cost of Living," Final Report to the Senate Finance Committee, December 4, 1996 (Social Security Administration history archive). https://www.ssa.gov/history/reports/boskinrpt.html (accessed November 12, 2026).

[141] Advisory Commission to Study the Consumer Price Index (Boskin Commission), "Toward a More Accurate Measure of the Cost of Living," Final Report to the Senate Finance Committee, December 4, 1996 (Social Security Administration history archive). https://www.ssa.gov/history/reports/boskinrpt.html (accessed November 12, 2026).

[142] Advisory Commission to Study the Consumer Price Index (Boskin Commission), "Toward a More Accurate Measure of the Cost of Living," Final Report to the Senate Finance Committee, December 4, 1996 (Social Security Administration history archive). https://www.ssa.gov/history/reports/boskinrpt.html (accessed November 12, 2026).

[143] U.S. Bureau of Labor Statistics, "Handbook of Methods: Consumer Price Index, History". https://www.bls.gov/opub/hom/cpi/history.htm (accessed November 12, 2026).

[144] U.S. Bureau of Labor Statistics, "Chained Consumer Price Index for All Urban Consumers (C-CPI-U) Questions and Answers," last modified July 30, 2026. https://www.bls.gov/cpi/additional-resources/chained-cpi-questions-and-answers.htm (accessed November 12, 2026).

[145] John S. Greenlees and Robert B. McClelland, "Addressing misconceptions about the Consumer Price Index," Monthly Labor Review, U.S. Bureau of Labor Statistics, August 2008. https://www.bls.gov/opub/mlr/2008/08/art1full.pdf (accessed November 12, 2026).

The criticism. Critics, including ShadowStats, argue that changes made after the commission lowered reported inflation and, with it, benefit increases.[146] Others argue that the CPI may understate inflation for some groups, such as older Americans, who spend more on health care, which is why BLS publishes a research index for them.[147]

So, was the Boskin Commission a reasonable technical fix or a backdoor benefit cut? The honest answer is that it was a technical report with budget consequences, and people have argued about its motives ever since. What I can say with confidence is what it estimated, what BLS changed afterward, and that all of it was published.

Questions Readers Ask

"If house prices aren't in the CPI, how do I track them?" Other government and private indexes track house prices directly. They measure the price of homes as assets, which is a different question from the cost of shelter that the CPI tries to measure.[148]

"Is quality adjustment ever done in a way that raises inflation?" Yes. When a product gets worse or smaller at the same price, the adjustment counts that as a price increase.[149,150]

"Which index should Social Security use?" That is a policy choice for Congress. The CPI-W is used now.[151] The chained CPI would usually give smaller increases; the research index for older Americans would often give larger ones.[152,153] Chapter 14 and the Social Security book in this series discuss the trade-offs.

A Worked Example: Substitution

Imagine you usually buy one pound of beef and one pound of chicken a week. Beef goes from $6 to $9 a pound; chicken stays at $4.

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[146] Shadow Government Statistics (ShadowStats, John Williams), "Alternate Inflation Charts" (advocacy/alternative estimate; not official data). https://www.shadowstats.com/alternate_data/inflation-charts (accessed November 12, 2026).

[147] U.S. Bureau of Labor Statistics, "R-CPI-E Homepage" (research index for Americans 62 and older), last modified November 10, 2026. https://www.bls.gov/cpi/research-series/r-cpi-e-home.htm (accessed November 12, 2026).

[148] U.S. Bureau of Labor Statistics, "Consumer Price Index: Owners' equivalent rent and rent," fact sheet, last modified February 13, 2026. https://www.bls.gov/cpi/factsheets/owners-equivalent-rent-and-rent.htm (accessed November 12, 2026).

[149] U.S. Bureau of Labor Statistics, "Consumer Price Index Frequently Asked Questions," last modified September 25, 2025. https://www.bls.gov/cpi/questions-and-answers.htm (accessed November 12, 2026).

[150] John S. Greenlees and Robert B. McClelland, "Addressing misconceptions about the Consumer Price Index," Monthly Labor Review, U.S. Bureau of Labor Statistics, August 2008. https://www.bls.gov/opub/mlr/2008/08/art1full.pdf (accessed November 12, 2026).

[151] Social Security Administration, Office of the Chief Actuary, "Latest Cost-of-Living Adjustment". https://www.ssa.gov/oact/cola/latestCOLA.html (accessed November 12, 2026).

[152] U.S. Bureau of Labor Statistics, "Chained Consumer Price Index for All Urban Consumers (C-CPI-U) Questions and Answers," last modified July 30, 2026. https://www.bls.gov/cpi/additional-resources/chained-cpi-questions-and-answers.htm (accessed November 12, 2026).

[153] U.S. Bureau of Labor Statistics, "R-CPI-E Homepage" (research index for Americans 62 and older), last modified November 10, 2026. https://www.bls.gov/cpi/research-series/r-cpi-e-home.htm (accessed November 12, 2026).

- **Fixed basket:** last year you paid $10 a week; this year the same basket costs $13, a 30 percent increase.
- **If you switch** to half a pound of beef and one and a half pounds of chicken, you pay $4.50 + $6.00 = $10.50, a 5 percent increase over last year.

The true change in your cost of living is somewhere between 5 and 30 percent, depending on how much you value beef over chicken. A fixed basket shows the high end. Formulas that allow for substitution show something lower. That is the whole argument in one example, made up for illustration.

Key Points from This Chapter

- House prices are not in the CPI. Owners' housing costs are measured by what similar homes rent for.
- Shelter is about a third of the index, so the housing method has a big effect.
- BLS adjusts for changes in quality and package size. Smaller packages at the same price count as price increases.
- Substitution adjustments are real and documented. Whether they are fair is a matter of judgment.
- The 1996 Boskin Commission estimated the old CPI overstated inflation by about 1.1 points a year and set off a debate that continues.

Chapter 6: CPI, PCE and the Other Yardsticks

If the CPI were the only price measure, life would be simpler. It is not. The Federal Reserve watches a different index. Regional Federal Reserve banks publish their own versions. Private companies sell alternatives. And some critics publish numbers that are much higher than the official ones.

You might ask, "Which one is the real inflation rate?" The plain answer is that each one answers a slightly different question. This chapter shows you what each one measures, so you can tell which number someone is quoting and why.

The Two Big Official Measures: CPI and PCE

The CPI comes from BLS. The **Personal Consumption Expenditures (PCE) price index** comes from the Bureau of Economic Analysis (BEA), which is part of the Department of Commerce. BEA builds the PCE index as part of its national accounts, the same system that produces the Gross Domestic Product (GDP).[154]

The Federal Reserve sets its 2 percent goal in terms of the PCE index, "as measured by the annual change in the price index for personal consumption expenditures."[155,156]

Why the Two Numbers Differ

BEA explains that the gap between the CPI and the PCE price index comes from four sources, which it names the "formula effect, weight effect, scope effect, and 'other effects.'"[157] In plain words:

Difference	What it means
Formula effect	BEA says "The PCE price index is based on the Fisher-Ideal formula, while the CPI is based on a modified Laspeyres formula."[158] The Fisher formula updates for what people buy as prices change, so it captures more substitution.
Weight effect	The CPI's weights come from what households report spending. PCE weights come from business sales data and other national accounts sources. So the same item can count for more in one index than the other.[159]

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[154] U.S. Bureau of Economic Analysis, "Personal Consumption Expenditures Price Index". https://www.bea.gov/data/personal-consumption-expenditures-price-index (accessed November 12, 2026).

[155] Board of Governors of the Federal Reserve System, "Federal Reserve issues FOMC statement of longer-run goals and policy strategy," press release, January 25, 2012. https://www.federalreserve.gov/newsevents/pressreleases/monetary20120125c.htm (accessed November 12, 2026).

[156] Federal Open Market Committee, "Statement on Longer-Run Goals and Monetary Policy Strategy," adopted effective January 24, 2012, as reaffirmed effective January 27, 2026. https://www.federalreserve.gov/monetarypolicy/files/FOMC_LongerRunGoals.pdf (accessed November 12, 2026).

[157] U.S. Bureau of Economic Analysis, "What accounts for the differences in the PCE price index and the Consumer Price Index?" FAQ 555, November 3, 2010. https://www.bea.gov/help/faq/555 (accessed November 12, 2026).

[158] U.S. Bureau of Economic Analysis, "What accounts for the differences in the PCE price index and the Consumer Price Index?" FAQ 555, November 3, 2010. https://www.bea.gov/help/faq/555 (accessed November 12, 2026).

Difference	What it means
Scope effect	The PCE covers more. It includes spending made *on behalf of* households, such as health care paid for by employers and government programs. In BEA's words, "PCE measures spending by and on behalf of the personal sector," while "the CPI measures out-of-pocket spending by households."[160]
Other effects	Smaller differences in seasonal adjustment, prices used and revisions.[161]

The practical results:

- Because the two indexes weight things differently, the same price changes can produce different totals. BEA's own example: in the third quarter of 2006, "the PCE price index increased 3.0 percent (at an annual rate), while the CPI increased 3.7 percent," and the biggest single piece of the gap came from the weight given to owners' housing costs.[162]
- In the latest figures in this book, the PCE price index was up 3.6 percent over the year to September 2026.[163] The CPI-U rose about 3.7 percent over the same 12 months.[164]
- PCE numbers get revised as BEA gets better data. BLS says the CPI-U and CPI-W are "final when issued," except in "the rare case when BLS discovers that an error was made." The chained CPI is the BLS index that does get revised.[165]

The Newest PCE Readings

Table 6-1. Newest PCE price readings (information as of November 12, 2026)

Measure	September 2026, 12-month change	September 2026, 1-month change
PCE price index (all items)	3.6 percent	0.5 percent
PCE excluding food and energy ("core PCE")	3.1 percent	0.3 percent

Source: BEA, "Personal Income and Outlays, September 2026," released October 29, 2026.[166] BEA scheduled its next release, for October 2026, for November 25, 2026.[167]

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[159] U.S. Bureau of Economic Analysis, "What accounts for the differences in the PCE price index and the Consumer Price Index?" FAQ 555, November 3, 2010. https://www.bea.gov/help/faq/555 (accessed November 12, 2026).

[160] U.S. Bureau of Economic Analysis, "What accounts for the differences in the PCE price index and the Consumer Price Index?" FAQ 555, November 3, 2010. https://www.bea.gov/help/faq/555 (accessed November 12, 2026).

[161] U.S. Bureau of Economic Analysis, "What accounts for the differences in the PCE price index and the Consumer Price Index?" FAQ 555, November 3, 2010. https://www.bea.gov/help/faq/555 (accessed November 12, 2026).

[162] U.S. Bureau of Economic Analysis, "What accounts for the differences in the PCE price index and the Consumer Price Index?" FAQ 555, November 3, 2010. https://www.bea.gov/help/faq/555 (accessed November 12, 2026).

[163] U.S. Bureau of Economic Analysis, "Personal Income and Outlays, September 2026," news release, October 29, 2026. https://www.bea.gov/news/2026/personal-income-and-outlays-september-2026 (accessed November 12, 2026).

[164] U.S. Bureau of Labor Statistics, Consumer Price Index for All Urban Consumers: All Items in U.S. City Average (CPIAUCNS), not seasonally adjusted, 1982-84=100, retrieved from Federal Reserve Bank of St. Louis, FRED, last updated November 10, 2026. https://fred.stlouisfed.org/series/CPIAUCNS (accessed November 12, 2026).

[165] U.S. Bureau of Labor Statistics, "Consumer Price Index Frequently Asked Questions," last modified September 25, 2025. https://www.bls.gov/cpi/questions-and-answers.htm (accessed November 12, 2026).

Both measures were well above the Fed's 2 percent goal at the time this book's information stops. The Federal Open Market Committee (FOMC), the Fed's policy committee, said in its October 28, 2026 statement that "Inflation remains elevated."[168]

Headline and Core

Both BLS and BEA publish an "all items" number and a "core" number that leaves out food and energy.

- **Headline (all items)** is what you actually pay across everything, including groceries and gas.
- **Core** removes food and energy because those prices jump around with weather, wars and harvests. Economists use core to see whether the underlying trend is speeding up or slowing down.

Core is not a measure of your cost of living. It is a tool for spotting trends. When someone tells you "core inflation is only X," it is fair to ask what headline inflation is, too. I test the claim that "food and gas aren't counted" in Chapter 16.

Other Official and Federal Reserve Measures

Several other measures are published by government agencies and Federal Reserve banks. Each tries to strip out noise in a different way.

Measure	Who publishes it	What it does
Chained CPI (C-CPI-U)	BLS	Accounts for substitution across categories (Chapter 5)[169]
CPI-W	BLS	Covers wage-earner households; used for Social Security COLAs[170]
R-CPI-E	BLS (research)	Reweights for Americans 62 and older[171]
Median CPI and 16 percent trimmed-mean CPI	Federal Reserve Bank of Cleveland	The monthly price change of the component in the middle (the 50th percentile, by spending weight), and an average that drops the top and bottom 8 percent[172]

[166] U.S. Bureau of Economic Analysis, "Personal Income and Outlays, September 2026," news release, October 29, 2026. https://www.bea.gov/news/2026/personal-income-and-outlays-september-2026 (accessed November 12, 2026).

[167] U.S. Bureau of Economic Analysis, "Personal Consumption Expenditures Price Index". https://www.bea.gov/data/personal-consumption-expenditures-price-index (accessed November 12, 2026).

[168] Board of Governors of the Federal Reserve System, "Federal Reserve issues FOMC statement," press release, October 28, 2026. https://www.federalreserve.gov/newsevents/pressreleases/monetary20261028a.htm (accessed November 12, 2026).

[169] U.S. Bureau of Labor Statistics, "Chained Consumer Price Index for All Urban Consumers (C-CPI-U) Questions and Answers," last modified July 30, 2026. https://www.bls.gov/cpi/additional-resources/chained-cpi-questions-and-answers.htm (accessed November 12, 2026).

[170] Social Security Administration, Office of the Chief Actuary, "Latest Cost-of-Living Adjustment". https://www.ssa.gov/oact/cola/latestCOLA.html (accessed November 12, 2026).

[171] U.S. Bureau of Labor Statistics, "R-CPI-E Homepage" (research index for Americans 62 and older), last modified November 10, 2026. https://www.bls.gov/cpi/research-series/r-cpi-e-home.htm (accessed November 12, 2026).

[172] Federal Reserve Bank of Cleveland, "Median CPI," updated October 14, 2026. https://www.clevelandfed.org/indicators-and-data/median-cpi (accessed November 12, 2026).

Measure	Who publishes it	What it does
Trimmed mean PCE	Federal Reserve Bank of Dallas	"An alternative measure of core inflation" in the PCE price index that sets aside the most extreme price changes[173]
Sticky-price CPI	Federal Reserve Bank of Atlanta	Sorts CPI items into "flexible or sticky (slow to change)" groups by how often their prices change[174]
Producer Price Index (PPI)	BLS	"The average change over time in the selling prices received by domestic producers for their output"[175]

Alternative Trackers Outside Government

Some private groups publish their own inflation numbers. I list them here so you know what they are. I label them as alternative estimates, not official statistics.

ShadowStats

Shadow Government Statistics, run by economist John Williams, publishes what it calls an alternate CPI. The site says its alternate series "reflects the CPI as if it were calculated using the methodologies in place in 1980."[176] It also shows a version based on 1990 methods.[177] The ShadowStats numbers are usually far higher than the official CPI. The site is a paid subscription service, and its method is not fully published.

BLS economists John Greenlees and Robert McClelland examined claims like these in a 2008 article in BLS's Monthly Labor Review. They noted that "whereas in the past the CPI frequently was held to be overstating inflation, recent criticism has focused on supposed downward biases," and they went through the main criticisms one at a time.[178] I weigh both sides in Chapter 16.

Online Price Trackers

Some trackers scrape prices from online stores every day. The best-known academic version was the Billion Prices Project at the Massachusetts Institute of Technology (MIT), run by economists Alberto Cavallo and Roberto Rigobon.[179] Their 2016 paper showed "how online prices can be

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[173] Federal Reserve Bank of Dallas, "Trimmed Mean PCE inflation rate," updated October 29, 2026. https://www.dallasfed.org/research/pce (accessed November 12, 2026).

[174] Federal Reserve Bank of Atlanta, "Sticky-Price CPI," updated November 10, 2026. https://www.atlantafed.org/research/inflationproject/stickyprice (accessed November 12, 2026).

[175] U.S. Bureau of Labor Statistics, "Producer Price Index Home". https://www.bls.gov/ppi/ (accessed November 12, 2026).

[176] Shadow Government Statistics (ShadowStats, John Williams), "Alternate Inflation Charts" (advocacy/alternative estimate; not official data). https://www.shadowstats.com/alternate_data/inflation-charts (accessed November 12, 2026).

[177] Shadow Government Statistics (ShadowStats, John Williams), "Alternate Inflation Charts" (advocacy/alternative estimate; not official data). https://www.shadowstats.com/alternate_data/inflation-charts (accessed November 12, 2026).

[178] John S. Greenlees and Robert B. McClelland, "Addressing misconceptions about the Consumer Price Index," Monthly Labor Review, U.S. Bureau of Labor Statistics, August 2008. https://www.bls.gov/opub/mlr/2008/08/art1full.pdf (accessed November 12, 2026).

[179] Alberto Cavallo and Roberto Rigobon, "The Billion Prices Project: Using Online Prices for Measurement and Research," Journal of Economic Perspectives 30, no. 2 (Spring 2016): 151-78; also NBER Working Paper 22111. https://www.nber.org/papers/w22111 (accessed November 12, 2026).

used to construct daily price indexes in multiple countries."[180] Outside trackers like this are useful as a cross-check on any country's official numbers.

Other private companies also publish daily price trackers. These can move faster than the CPI but use their own weights and coverage, so they do not measure exactly the same thing as the official indexes.

A Worked Example: Why CPI and PCE Can Differ

Suppose, to keep it simple, that rent rises 6 percent and everything else rises 3 percent. In an index where rent is about a third of the basket, like the CPI, the average comes out higher than in an index where rent is a smaller share, like the PCE, which also counts things such as health care paid by employers and government.[181,182] Neither index is wrong. They are measuring different baskets for different purposes.

This is one reason the Fed's 2 percent goal on PCE does not mean "2 percent on the CPI." Over long periods, the CPI has generally run a bit higher than the PCE price index.[183]

Which Number Should You Use?

It depends on the question you are asking:

Your question	The best measure to use
How much have prices risen for a typical urban household?	CPI-U, all items
What will my Social Security COLA be?	CPI-W, third quarter average (Chapter 14)
Is the Fed hitting its target?	PCE price index
Is the underlying trend speeding up?	Core PCE, core CPI, median or trimmed-mean measures
How have my own costs changed?	Your own receipts, compared with the CPI categories you spend the most on

Key Points from This Chapter

- The CPI and PCE differ because of formula, weights and scope. BEA explains each difference.
- The Fed targets 2 percent on the PCE price index.
- In September 2026, PCE inflation was 3.6 percent and core PCE was 3.1 percent.

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[180] Alberto Cavallo and Roberto Rigobon, "The Billion Prices Project: Using Online Prices for Measurement and Research," Journal of Economic Perspectives 30, no. 2 (Spring 2016): 151-78; also NBER Working Paper 22111. https://www.nber.org/papers/w22111 (accessed November 12, 2026).

[181] U.S. Bureau of Economic Analysis, "What accounts for the differences in the PCE price index and the Consumer Price Index?" FAQ 555, November 3, 2010. https://www.bea.gov/help/faq/555 (accessed November 12, 2026).

[182] U.S. Bureau of Labor Statistics, "Relative importance of components in the Consumer Price Indexes: U.S. city average, December 2025" (Table 1, 2024 weights). https://www.bls.gov/cpi/tables/relative-importance/2025.htm (accessed November 12, 2026).

[183] U.S. Bureau of Economic Analysis, "What accounts for the differences in the PCE price index and the Consumer Price Index?" FAQ 555, November 3, 2010. https://www.bea.gov/help/faq/555 (accessed November 12, 2026).

- Core measures remove food and energy to show trends; they are not a cost-of-living measure.
- Alternative trackers exist. Some are useful checks; some use methods that are not fully published.

Part Three: The History of the Dollar

Chapter 7: From the Coinage Act to the Gold Standard (1792-1913)

To understand inflation, it helps to understand what a dollar is. Today a dollar is a piece of paper or a number in a bank account, backed by law and by trust in the U.S. government. For most of American history it was something else: a fixed weight of silver or gold. This chapter covers the first 120 years.

The Founders Define the Dollar

In January 1791, Treasury Secretary Alexander Hamilton sent Congress his "Report on the Establishment of a Mint."[184] Congress acted on it the next year.

The **Coinage Act of April 2, 1792** created the U.S. Mint and defined the dollar in metal.[185] Under the act:

- A silver dollar contained 371 4/16 grains of pure silver (416 grains of "standard" silver, which included some alloy).[186]
- A gold "eagle," worth ten dollars, contained 247 4/8 grains of pure gold (270 grains standard).[187]
- The value of gold to silver was fixed by law "as fifteen to one, according to quantity in weight."[188]

This was a **bimetallic standard**: both gold and silver were legal money, at a fixed ratio. A dollar was not a promise of metal. It *was* a set amount of metal.

You might ask, "If the dollar was metal, how could there be inflation?" There could, for two reasons. First, the value of gold and silver themselves changed when new mines opened or when demand shifted. Second, banks and later the government issued paper notes, and when they issued more paper than they could back, the paper lost value.

The Trouble with Two Metals

A fixed 15-to-1 ratio created a problem. When the market price of gold and silver drifted away from the legal ratio, people kept the metal that was worth more on the open market and spent

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[184] Alexander Hamilton, "Final Version of the Report on the Establishment of a Mint," January 28, 1791, Founders Online, National Archives. https://founders.archives.gov/documents/Hamilton/01-07-02-0334-0004 (accessed November 12, 2026).

[185] United States Mint, "Coinage Act of April 2, 1792," historical documents, content last updated September 26, 2024. https://www.usmint.gov/learn/history/historical-documents/coinage-act-of-april-2-1792 (accessed November 12, 2026).

[186] United States Mint, "Coinage Act of April 2, 1792," historical documents, content last updated September 26, 2024. https://www.usmint.gov/learn/history/historical-documents/coinage-act-of-april-2-1792 (accessed November 12, 2026).

[187] United States Mint, "Coinage Act of April 2, 1792," historical documents, content last updated September 26, 2024. https://www.usmint.gov/learn/history/historical-documents/coinage-act-of-april-2-1792 (accessed November 12, 2026).

[188] United States Mint, "Coinage Act of April 2, 1792," historical documents, content last updated September 26, 2024. https://www.usmint.gov/learn/history/historical-documents/coinage-act-of-april-2-1792 (accessed November 12, 2026).

the one that was worth less. Economists call this Gresham's law, often summed up as "bad money drives out good." In practice, the United States spent long stretches with mostly one metal in circulation, even though both were legal. Economist Michael Bordo writes that the country, formally "on a bimetallic (gold and silver) standard," "switched to gold de facto in 1834 and de jure in 1900 when Congress passed the Gold Standard Act."[189]

Before the Dollar: The Continental

The country's first paper money came before the Constitution. During the Revolutionary War, the Continental Congress paid for the war by printing paper money called Continentals. So many were printed, and confidence in them fell so far, that by the end of 1779 the Continental dollar "had fallen to below one-eighth of its original value," and it fell further after that.[190] The phrase "not worth a Continental" came from this period as a way to describe something worthless.[191]

This experience shaped the Constitution. Article I gives Congress the power "To coin Money, regulate the Value thereof," and bars the states from making "any Thing but gold and silver Coin a Tender in Payment of Debts."[192] I cover the Continental more in Chapter 11.

Civil War Greenbacks

The Civil War was the next big test. In December 1861 the federal government and banks suspended paying out gold or silver for paper notes.[193] In February 1862, Congress passed the Legal Tender Act, which "authorized the issuance of $150 million in U.S. notes - known as 'greenbacks'."[194] Unlike earlier notes, greenbacks were not backed by a promise to pay gold on demand. They were money because the law said so. Economists call this **fiat money**.

The greenback supply grew to about $400 million by the end of the war, and according to the Joint Economic Committee of Congress, by the war's end "prices - including that of gold - had doubled."[195]

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[189] Michael D. Bordo, "Gold Standard," The Concise Encyclopedia of Economics, Econlib, Liberty Fund. https://www.econlib.org/library/Enc/GoldStandard.html (accessed November 12, 2026).

[190] Matthew Wells, "The Bank of North America," Econ Focus, Federal Reserve Bank of Richmond, Third Quarter 2026 (July 2, 2026). https://www.richmondfed.org/publications/research/econ_focus/2026/q3_economic_history (accessed November 12, 2026).

[191] Matthew Wells, "The Bank of North America," Econ Focus, Federal Reserve Bank of Richmond, Third Quarter 2026 (July 2, 2026). https://www.richmondfed.org/publications/research/econ_focus/2026/q3_economic_history (accessed November 12, 2026).

[192] National Archives and Records Administration, "The Constitution of the United States: A Transcription," Article I, Sections 8 and 10. https://www.archives.gov/founding-docs/constitution-transcript (accessed November 12, 2026).

[193] Joint Economic Committee (Republican staff), U.S. Congress, "United States Monetary History in Brief Part 2," February 29, 2012. https://www.jec.senate.gov/public/index.cfm/republicans/2012/2/united-states-monetary-history-in-brief-part-2 (accessed November 12, 2026).

[194] Joint Economic Committee (Republican staff), U.S. Congress, "United States Monetary History in Brief Part 2," February 29, 2012. https://www.jec.senate.gov/public/index.cfm/republicans/2012/2/united-states-monetary-history-in-brief-part-2 (accessed November 12, 2026).

[195] Joint Economic Committee (Republican staff), U.S. Congress, "United States Monetary History in Brief Part 2," February 29, 2012. https://www.jec.senate.gov/public/index.cfm/republicans/2012/2/united-states-monetary-history-in-brief-part-2 (accessed November 12, 2026).

After the war, the country debated whether and how to go back to metal.

The "Crime of 1873"

In 1873, Congress passed a new Coinage Act that dropped the standard silver dollar from the list of coins the Mint would make. The U.S. Mint's own history says the law moved the country away from bimetallism toward gold, and that "silver had been demonetized."[196]

At the time, it drew little attention. But in the following years, huge silver discoveries in the West pushed the market price of silver down. Silver miners and farmers who wanted more money in circulation realized that if the Mint were still coining silver freely, they could have turned cheap silver into dollars. The Mint's history says "the ramifications of the Coinage Act of 1873 became so notorious that it was later called the 'Crime of 1873.'"[197]

I want to flag something about that phrase. "Crime" was a political label used by silver supporters, not a legal finding. The record shows a law passed by Congress and signed by President Grant.[198] Whether it was a deliberate scheme or an overlooked technical change was argued for decades.

Deflation and the Silver Fight

The late 1800s were a time of falling prices in much of the country. For farmers who had borrowed money, falling prices were painful. If you borrowed $1,000 when wheat was $1 a bushel and had to repay it when wheat was 60 cents, you had to grow far more wheat to pay back the same debt.

Many farmers and debtors wanted "free silver": unlimited coining of silver at a 16-to-1 ratio with gold, which would put more money into circulation and raise prices. Bankers, creditors and many business leaders favored gold.

The fight came to a head in the 1896 presidential election. At the Democratic National Convention in Chicago on July 9, 1896, William Jennings Bryan gave a speech for free silver that closed with the words: "You shall not crucify mankind upon a cross of gold."[199] Bryan won the nomination but lost the general election.

You might notice something about this fight. The people pushing for more money and higher prices were mostly ordinary working people with debts. The people defending "sound money" were mostly lenders. That pattern, debtors favoring inflation and creditors opposing it, shows up again and again. I come back to it in Chapter 14.

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[196] United States Mint, Office of Corporate Communications, "U.S. Mint History: The 'Crime of 1873'," March 22, 2017. https://www.usmint.gov/news/inside-the-mint/mint-history-crime-of-1873 (accessed November 12, 2026).

[197] United States Mint, Office of Corporate Communications, "U.S. Mint History: The 'Crime of 1873'," March 22, 2017. https://www.usmint.gov/news/inside-the-mint/mint-history-crime-of-1873 (accessed November 12, 2026).

[198] United States Mint, Office of Corporate Communications, "U.S. Mint History: The 'Crime of 1873'," March 22, 2017. https://www.usmint.gov/news/inside-the-mint/mint-history-crime-of-1873 (accessed November 12, 2026).

[199] William Jennings Bryan, "Cross of Gold" speech, Democratic National Convention, Chicago, July 9, 1896, History Matters, George Mason University. https://historymatters.gmu.edu/d/5354/ (accessed November 12, 2026).

The Gold Standard Act of 1900

The silver fight ended with the **Gold Standard Act of 1900**, enacted March 14, 1900, as the Supreme Court later cited it.[200] Economist Michael Bordo writes that the United States had been on a gold standard in practice since the 1870s and went on it "de jure in 1900 when Congress passed the Gold Standard Act."[201]

How Stable Were Prices Under Gold?

Gold-standard supporters often point to this era as proof that gold keeps prices stable. The record shows something more mixed.

Bordo, a leading historian of the gold standard, writes that "the great virtue of the gold standard was that it assured long-term price stability."[202] He also writes that "prices were highly unstable in the short run."[203] In other words, over decades, prices tended to come back to roughly where they started. But within a few years, they could swing up or down sharply, and the economy had frequent banking panics.

Period	What happened to prices	Source
Revolutionary War	Continental currency collapsed	[204]
Civil War	Prices roughly doubled by war's end	[205]
1900 to 1913	Gold standard in law	[206]

I test the claim that "going back to the gold standard would end inflation" in Chapter 16.

Key Points from This Chapter

- The Coinage Act of 1792 defined the dollar as a weight of silver or gold, with a 15-to-1 ratio.
- The Continental currency of the Revolution collapsed in value.
- Civil War greenbacks were the first major federal fiat money, and prices roughly doubled.

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[200] Norman v. Baltimore and Ohio Railroad Co., 294 U.S. 240 (1935), decided February 18, 1935 (Justia). https://supreme.justia.com/cases/federal/us/294/240/ (accessed November 12, 2026).

[201] Michael D. Bordo, "Gold Standard," The Concise Encyclopedia of Economics, Econlib, Liberty Fund. https://www.econlib.org/library/Enc/GoldStandard.html (accessed November 12, 2026).

[202] Michael D. Bordo, "Gold Standard," The Concise Encyclopedia of Economics, Econlib, Liberty Fund. https://www.econlib.org/library/Enc/GoldStandard.html (accessed November 12, 2026).

[203] Michael D. Bordo, "Gold Standard," The Concise Encyclopedia of Economics, Econlib, Liberty Fund. https://www.econlib.org/library/Enc/GoldStandard.html (accessed November 12, 2026).

[204] Matthew Wells, "The Bank of North America," Econ Focus, Federal Reserve Bank of Richmond, Third Quarter 2026 (July 2, 2026). https://www.richmondfed.org/publications/research/econ_focus/2026/q3_economic_history (accessed November 12, 2026).

[205] Joint Economic Committee (Republican staff), U.S. Congress, "United States Monetary History in Brief Part 2," February 29, 2012. https://www.jec.senate.gov/public/index.cfm/republicans/2012/2/united-states-monetary-history-in-brief-part-2 (accessed November 12, 2026).

[206] Michael D. Bordo, "Gold Standard," The Concise Encyclopedia of Economics, Econlib, Liberty Fund. https://www.econlib.org/library/Enc/GoldStandard.html (accessed November 12, 2026).

- The 1873 Coinage Act dropped the silver dollar, sparking a long political fight.
- The 1900 Gold Standard Act put the U.S. on gold in law.
- Under gold, prices were stable over long periods but unstable over short ones.

Chapter 8: 1913 to 1934: A New Central Bank and the Gold Break

The years from 1913 to 1934 changed the dollar more than any period since 1792. A central bank was created, a world war doubled prices, a depression cut them by a quarter, and the government ended the right of Americans to turn dollars into gold.

The Federal Reserve: A Short Summary

"The Federal Reserve Act was signed by President Wilson on December 23, 1913," creating the Federal Reserve System as the nation's central bank.[207] The push for it came after the Panic of 1907, which left reformers worried that the United States was "the only one of the world's major financial powers without a central bank."[208]

That is all I will say about the Fed's design here. The companion book in this series, *The Fed: Who Runs America's Money and How It Works*, covers how the Fed was created, how it is organized, and the arguments about it.

World War I: Prices Double

The years around World War I brought the fastest price increases since the Civil War. Using the official CPI annual averages, prices rose:[209]

Year	CPI-U annual average (1982-84=100)	Change from the year before
1916	10.883	7.7 percent
1917	12.825	17.8 percent
1918	15.042	17.3 percent
1919	17.333	15.2 percent
1920	20.042	15.6 percent
1921	17.850	-10.9 percent

Source: BLS CPI-U annual averages via FRED; percent changes are my calculations.[210]

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[207] Staff of the Federal Reserve Bank of Kansas City, "Federal Reserve Act Signed into Law," Federal Reserve History, Federal Reserve System. https://www.federalreservehistory.org/essays/federal-reserve-act-signed (accessed November 12, 2026).

[208] Staff of the Federal Reserve Bank of Kansas City, "Federal Reserve Act Signed into Law," Federal Reserve History, Federal Reserve System. https://www.federalreservehistory.org/essays/federal-reserve-act-signed (accessed November 12, 2026).

[209] U.S. Bureau of Labor Statistics, Consumer Price Index for All Urban Consumers: All Items in U.S. City Average (CPIAUCNS), not seasonally adjusted, 1982-84=100, retrieved from Federal Reserve Bank of St. Louis, FRED, last updated November 10, 2026. https://fred.stlouisfed.org/series/CPIAUCNS (accessed November 12, 2026).

[210] U.S. Bureau of Labor Statistics, Consumer Price Index for All Urban Consumers: All Items in U.S. City Average (CPIAUCNS), not seasonally adjusted, 1982-84=100, retrieved from Federal Reserve Bank of St. Louis, FRED, last updated November 10, 2026. https://fred.stlouisfed.org/series/CPIAUCNS (accessed November 12, 2026).

From 1913 to 1920, the price level roughly doubled, rising about 103 percent.[211] Then, in 1921, prices fell almost 11 percent in a single year.[212] That sharp swing up and then down is the pattern Bordo describes for the gold standard era: stable in the long run, volatile in the short run.[213]

I cover the war inflations together in Chapter 11.

The Great Depression: Prices Fall by a Quarter

After the stock market crash of 1929, the economy collapsed. Thousands of banks failed. Prices fell year after year. From 1929 to 1933, the CPI annual average fell about 24.6 percent.[214]

Falling prices sound good if you are shopping. They are painful if you owe money or run a business. Debts stay the same in dollars while wages, crop prices and sales fall. Federal Reserve History's essay on the Depression, by economist Gary Richardson, says that "from the fall of 1930 through the winter of 1933, the money supply fell by nearly 30 percent," and that "the declining supply of funds reduced average prices by an equivalent amount."[215] It ties the collapse in money to the failure of banks: "The deflation stemmed from the collapse of the banking system."[216] It also points to the gold standard. Because "the international gold standard linked interest rates and monetary policies among participating nations, the Fed's actions triggered recessions in nations around the globe," and some officials put "defending the gold standard" ahead of helping banks.[217]

The Fed itself has accepted much of this view. In 2002, Ben Bernanke, then a Fed governor and later its Chair, said of the Fed's role in the Depression: "we did it. We're very sorry. ... We won't do it again."[218] That is an interpretation, but it is now the mainstream one among economic historians.

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[211] U.S. Bureau of Labor Statistics, Consumer Price Index for All Urban Consumers: All Items in U.S. City Average (CPIAUCNS), not seasonally adjusted, 1982-84=100, retrieved from Federal Reserve Bank of St. Louis, FRED, last updated November 10, 2026. https://fred.stlouisfed.org/series/CPIAUCNS (accessed November 12, 2026).

[212] U.S. Bureau of Labor Statistics, Consumer Price Index for All Urban Consumers: All Items in U.S. City Average (CPIAUCNS), not seasonally adjusted, 1982-84=100, retrieved from Federal Reserve Bank of St. Louis, FRED, last updated November 10, 2026. https://fred.stlouisfed.org/series/CPIAUCNS (accessed November 12, 2026).

[213] Michael D. Bordo, "Gold Standard," The Concise Encyclopedia of Economics, Econlib, Liberty Fund. https://www.econlib.org/library/Enc/GoldStandard.html (accessed November 12, 2026).

[214] U.S. Bureau of Labor Statistics, Consumer Price Index for All Urban Consumers: All Items in U.S. City Average (CPIAUCNS), not seasonally adjusted, 1982-84=100, retrieved from Federal Reserve Bank of St. Louis, FRED, last updated November 10, 2026. https://fred.stlouisfed.org/series/CPIAUCNS (accessed November 12, 2026).

[215] Gary Richardson, "The Great Depression," Federal Reserve History, Federal Reserve System, written as of November 22, 2013. https://www.federalreservehistory.org/essays/great-depression (accessed November 12, 2026).

[216] Gary Richardson, "The Great Depression," Federal Reserve History, Federal Reserve System, written as of November 22, 2013. https://www.federalreservehistory.org/essays/great-depression (accessed November 12, 2026).

[217] Gary Richardson, "The Great Depression," Federal Reserve History, Federal Reserve System, written as of November 22, 2013. https://www.federalreservehistory.org/essays/great-depression (accessed November 12, 2026).

[218] Gary Richardson, "The Great Depression," Federal Reserve History, Federal Reserve System, written as of November 22, 2013. https://www.federalreservehistory.org/essays/great-depression (accessed November 12, 2026).

1933: The Gold Order

Franklin Roosevelt took office in March 1933 in the middle of a banking panic. Within weeks he moved on gold.

On April 5, 1933, he signed **Executive Order 6102**, titled "Forbidding the Hoarding of Gold Coin, Gold Bullion and Gold Certificates."[219] Here is what it required, in the order's own terms:

- People had to deliver their gold coin, gold bullion and gold certificates to a Federal Reserve bank or member bank "on or before May 1, 1933."[220]
- Each person could keep "gold coin and gold certificates in an amount not exceeding in the aggregate $100."[221]
- Gold needed for "legitimate and customary use in industry, profession or art" was allowed, as were rare coins with special value to collectors.[222]
- Those who turned in gold would be paid "an equivalent amount of any other form of coin or currency."[223] At the time, that meant paper dollars at the old price of $20.67 per ounce.[224]
- Violators "may be fined not more than $10,000, or, if a natural person, may be imprisoned for not more than ten years, or both."[225]

People often call this "the gold confiscation." The order did require people to turn in gold, and it did pay them in paper money at the old price before the government raised the price of gold. I test the claim "Roosevelt confiscated Americans' gold" in Chapter 16, including how strictly it was enforced.

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[219] Franklin D. Roosevelt, Executive Order 6102, "Forbidding the Hoarding of Gold Coin, Gold Bullion and Gold Certificates," April 5, 1933, The American Presidency Project, University of California, Santa Barbara. https://www.presidency.ucsb.edu/documents/executive-order-6102-forbidding-the-hoarding-gold-coin-gold-bullion-and-gold-certificates (accessed November 12, 2026).

[220] Franklin D. Roosevelt, Executive Order 6102, "Forbidding the Hoarding of Gold Coin, Gold Bullion and Gold Certificates," April 5, 1933, The American Presidency Project, University of California, Santa Barbara. https://www.presidency.ucsb.edu/documents/executive-order-6102-forbidding-the-hoarding-gold-coin-gold-bullion-and-gold-certificates (accessed November 12, 2026).

[221] Franklin D. Roosevelt, Executive Order 6102, "Forbidding the Hoarding of Gold Coin, Gold Bullion and Gold Certificates," April 5, 1933, The American Presidency Project, University of California, Santa Barbara. https://www.presidency.ucsb.edu/documents/executive-order-6102-forbidding-the-hoarding-gold-coin-gold-bullion-and-gold-certificates (accessed November 12, 2026).

[222] Franklin D. Roosevelt, Executive Order 6102, "Forbidding the Hoarding of Gold Coin, Gold Bullion and Gold Certificates," April 5, 1933, The American Presidency Project, University of California, Santa Barbara. https://www.presidency.ucsb.edu/documents/executive-order-6102-forbidding-the-hoarding-gold-coin-gold-bullion-and-gold-certificates (accessed November 12, 2026).

[223] Franklin D. Roosevelt, Executive Order 6102, "Forbidding the Hoarding of Gold Coin, Gold Bullion and Gold Certificates," April 5, 1933, The American Presidency Project, University of California, Santa Barbara. https://www.presidency.ucsb.edu/documents/executive-order-6102-forbidding-the-hoarding-gold-coin-gold-bullion-and-gold-certificates (accessed November 12, 2026).

[224] Gary Richardson, Alejandro Komai and Michael Gou, "Roosevelt's Gold Program," Federal Reserve History, Federal Reserve System. https://www.federalreservehistory.org/essays/roosevelts-gold-program (accessed November 12, 2026).

[225] Franklin D. Roosevelt, Executive Order 6102, "Forbidding the Hoarding of Gold Coin, Gold Bullion and Gold Certificates," April 5, 1933, The American Presidency Project, University of California, Santa Barbara. https://www.presidency.ucsb.edu/documents/executive-order-6102-forbidding-the-hoarding-gold-coin-gold-bullion-and-gold-certificates (accessed November 12, 2026).

Canceling the Gold Clauses

Many contracts and bonds at the time had "gold clauses," promising repayment in gold or in dollars equal to a fixed weight of gold. If the dollar's gold value fell, lenders with gold clauses would get paid more dollars.

On June 5, 1933, Congress passed a joint resolution that voided these gold clauses in contracts.[226] Bondholders sued. In **Norman v. Baltimore and Ohio Railroad Co.**, decided February 18, 1935, the Supreme Court upheld Congress's power to cancel gold clauses in private contracts.[227] In a related case about government bonds, *Perry v. United States*, the Court found the government had acted wrongly in canceling gold clauses on its own bonds but held the bondholder could not show damages.[228]

1934: The Gold Reserve Act and the New Price of Gold

On January 30, 1934, Roosevelt signed the **Gold Reserve Act**.[229] According to Federal Reserve History, the act:[230]

- "transferred ownership of all monetary gold in the United States to the US Treasury," including gold held by the Federal Reserve;
- barred the Treasury and financial institutions from redeeming dollars for gold;
- created a $2 billion fund to stabilize the dollar's exchange rate; and
- let the President set the gold value of the dollar by proclamation.

Roosevelt then set the price of gold at **$35 an ounce**, up from $20.67.[231] Federal Reserve History notes this reduced the dollar's gold value to 59 percent of its old level.[232] In plain words: overnight, a dollar was worth about 41 percent less gold.

You might ask, "Why would a government do that on purpose?" Federal Reserve History answers directly: "The goal of these programs was to raise American prices of commodities like wheat and cotton, returning them to the level of 1926," and "this reflation would counteract the

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[226] Norman v. Baltimore and Ohio Railroad Co., 294 U.S. 240 (1935), decided February 18, 1935 (Justia). https://supreme.justia.com/cases/federal/us/294/240/ (accessed November 12, 2026).

[227] Norman v. Baltimore and Ohio Railroad Co., 294 U.S. 240 (1935), decided February 18, 1935 (Justia). https://supreme.justia.com/cases/federal/us/294/240/ (accessed November 12, 2026).

[228] Supreme Court of the United States, Perry v. United States, 294 U.S. 330 (1935), decided February 18, 1935. https://www.law.cornell.edu/supremecourt/text/294/330 (accessed November 12, 2026).

[229] Federal Reserve History, "Gold Reserve Act of 1934," Federal Reserve System. https://www.federalreservehistory.org/essays/gold-reserve-act (accessed November 12, 2026).

[230] Federal Reserve History, "Gold Reserve Act of 1934," Federal Reserve System. https://www.federalreservehistory.org/essays/gold-reserve-act (accessed November 12, 2026).

[231] Federal Reserve History, "Gold Reserve Act of 1934," Federal Reserve System. https://www.federalreservehistory.org/essays/gold-reserve-act (accessed November 12, 2026).

[232] Federal Reserve History, "Gold Reserve Act of 1934," Federal Reserve System. https://www.federalreservehistory.org/essays/gold-reserve-act (accessed November 12, 2026).

deflation that had dragged the economy into the abyss."[233] From 1933 to 1937, the CPI annual average rose about 11 percent, reversing part of the earlier fall.[234]

What Changed for Ordinary People

After 1934:

- Americans could no longer turn paper money into gold coins at banks.
- Private ownership of monetary gold was restricted. Americans regained the right to own gold freely at the end of 1974.[235]
- Foreign governments and central banks could still exchange dollars for gold at $35 an ounce. That arrangement became the core of the post-World War II system, covered in the next chapter.

Key Points from This Chapter

- The Federal Reserve was created in 1913. The companion Fed book covers it in detail.
- Prices about doubled from 1913 to 1920, then fell sharply in 1921.
- Prices fell about a quarter from 1929 to 1933.
- In 1933, Executive Order 6102 required most private gold to be turned in, with a $100 exemption.
- In 1934 the Gold Reserve Act moved gold to the Treasury and the price of gold went from $20.67 to $35, a devaluation of the dollar.
- The Supreme Court upheld canceling gold clauses in private contracts in 1935.

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[233] Gary Richardson, Alejandro Komai and Michael Gou, "Roosevelt's Gold Program," Federal Reserve History, Federal Reserve System. https://www.federalreservehistory.org/essays/roosevelts-gold-program (accessed November 12, 2026).

[234] U.S. Bureau of Labor Statistics, Consumer Price Index for All Urban Consumers: All Items in U.S. City Average (CPIAUCNS), not seasonally adjusted, 1982-84=100, retrieved from Federal Reserve Bank of St. Louis, FRED, last updated November 10, 2026. https://fred.stlouisfed.org/series/CPIAUCNS (accessed November 12, 2026).

[235] Public Law 93-373, 88 Stat. 445 (August 14, 1974), section 2, repealing restrictions on private gold ownership effective December 31, 1974. https://www.govinfo.gov/content/pkg/STATUTE-88/pdf/STATUTE-88-Pg445.pdf (accessed November 12, 2026).

Chapter 9: Bretton Woods to the Closed Gold Window (1944-1973)

By the end of World War II, much of the world's economy was in ruins and the United States held a large share of the world's gold. The question was how to rebuild a system of money that countries could trust. The answer, for about 27 years, was a system built around the dollar.

The Bretton Woods Conference, July 1944

In July 1944, while the war was still being fought, delegates from 44 nations met at a hotel in Bretton Woods, New Hampshire.[236] In the words of Federal Reserve History, they "created a new international monetary system."[237]

The key pieces:

- **The dollar was tied to gold.** Under the system, "the dollar was fixed to gold at $35 an ounce."[238]
- **Other currencies were tied to the dollar.** Each country's currency was "fixed but adjustable (within a 1 percent band) to the dollar."[239]
- **New institutions.** The conference created the International Monetary Fund (IMF), to help countries with short-term payment problems, and the International Bank for Reconstruction and Development, now part of the World Bank, to finance rebuilding. The essay says the IMF "would monitor exchange rates."[240]

"The primary designers of the new system were John Maynard Keynes, adviser to the British Treasury, and Harry Dexter White, the chief international economist at the Treasury Department."[241] They had different plans. "The plan adopted at Bretton Woods resembled the White plan with some concessions in response to Keynes's concerns."[242]

You might ask, "Why did other countries agree to put the dollar at the center?" At the end of the war the United States had the strongest economy and a large gold stock, and it promised to

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[236] Sandra Kollen Ghizoni, "Creation of the Bretton Woods System," Federal Reserve History, Federal Reserve System. https://www.federalreservehistory.org/essays/bretton-woods-created (accessed November 12, 2026).

[237] Sandra Kollen Ghizoni, "Creation of the Bretton Woods System," Federal Reserve History, Federal Reserve System. https://www.federalreservehistory.org/essays/bretton-woods-created (accessed November 12, 2026).

[238] Sandra Kollen Ghizoni, "Creation of the Bretton Woods System," Federal Reserve History, Federal Reserve System. https://www.federalreservehistory.org/essays/bretton-woods-created (accessed November 12, 2026).

[239] Sandra Kollen Ghizoni, "Creation of the Bretton Woods System," Federal Reserve History, Federal Reserve System. https://www.federalreservehistory.org/essays/bretton-woods-created (accessed November 12, 2026).

[240] Sandra Kollen Ghizoni, "Creation of the Bretton Woods System," Federal Reserve History, Federal Reserve System. https://www.federalreservehistory.org/essays/bretton-woods-created (accessed November 12, 2026).

[241] Sandra Kollen Ghizoni, "Creation of the Bretton Woods System," Federal Reserve History, Federal Reserve System. https://www.federalreservehistory.org/essays/bretton-woods-created (accessed November 12, 2026).

[242] Sandra Kollen Ghizoni, "Creation of the Bretton Woods System," Federal Reserve History, Federal Reserve System. https://www.federalreservehistory.org/essays/bretton-woods-created (accessed November 12, 2026).

convert dollars held by foreign governments into gold at $35 an ounce, so the dollar was the one currency everyone was willing to treat as "good as gold." That phrase is mine, not the sources'.

The Flaw: The Triffin Problem

The system had a built-in tension, usually called the Triffin dilemma after Yale economist Robert Triffin, who described it in 1960 (the name and date are standard in economics, but I did not confirm a primary source before the cutoff, so they are [Not verified]). Federal Reserve History puts the problem simply: over time came "foreign-held dollars exceeding the US gold stock."[243]

In plain words: the world needed more and more dollars to grow its trade and reserves. The way the world got dollars was by the United States spending more abroad than it took in. But the more dollars piled up overseas, the less believable it became that the United States could exchange all of them for its fixed stock of gold at $35 an ounce. The system needed U.S. deficits to work, and those same deficits slowly undermined trust in it.

By the 1960s, U.S. spending on the Vietnam War and new domestic programs, along with rising inflation at home, made the problem worse.[244] Foreign governments began turning in dollars for gold.

August 15, 1971: Closing the Gold Window

From August 13 to 15, 1971, President Richard Nixon met at Camp David with fifteen advisers, including Treasury Secretary John Connally.[245] On the evening of August 15, he went on national television.

In that address, Nixon said he had directed Connally to "suspend temporarily the convertibility of the dollar into gold or other reserve assets."[246] In practice, foreign governments could no longer swap their dollars for U.S. gold. This is often called "closing the gold window."

The same speech announced a package that came to be called the "Nixon Shock":[247]

- an import surcharge of 10 percent; and
- in the words of Federal Reserve History, "a 90-day freeze on wages and prices to check inflation."

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[243] Sandra Kollen Ghizoni, "Creation of the Bretton Woods System," Federal Reserve History, Federal Reserve System. https://www.federalreservehistory.org/essays/bretton-woods-created (accessed November 12, 2026).

[244] Michael Bryan, "The Great Inflation," Federal Reserve History, Federal Reserve System. https://www.federalreservehistory.org/essays/great-inflation (accessed November 12, 2026).

[245] Sandra Kollen Ghizoni, "Nixon Ends Convertibility of U.S. Dollars to Gold and Announces Wage/Price Controls," Federal Reserve History, Federal Reserve System. https://www.federalreservehistory.org/essays/gold-convertibility-ends (accessed November 12, 2026).

[246] Richard Nixon, "Address to the Nation Outlining a New Economic Policy: 'The Challenge of Peace,'" August 15, 1971, The American Presidency Project, University of California, Santa Barbara. https://www.presidency.ucsb.edu/documents/address-the-nation-outlining-new-economic-policy-the-challenge-peace (accessed November 12, 2026).

[247] Sandra Kollen Ghizoni, "Nixon Ends Convertibility of U.S. Dollars to Gold and Announces Wage/Price Controls," Federal Reserve History, Federal Reserve System. https://www.federalreservehistory.org/essays/gold-convertibility-ends (accessed November 12, 2026).

The wage and price freeze was popular at first. It is also one of the clearest tests of price controls in modern American history. I discuss what happened after the controls were lifted in Chapter 12 and the evidence on price controls in Chapter 18.

You might notice that Nixon called the suspension "temporary." It was never reversed.

The Smithsonian Agreement and the Move to Floating Rates

Countries tried to save fixed exchange rates. In December 1971, at the Smithsonian Institution in Washington, the major countries agreed to new rates. The United States agreed to "devalue the dollar against gold by approximately 8.5 percent to $38 per ounce."[248]

It did not hold. On February 12, 1973, the United States "devalued the dollar by an additional 10 percent to $42 an ounce."[249] In March 1973, six European countries agreed to float their currencies together against the dollar. The State Department's Office of the Historian describes that step as having "effectively signaled the abandonment of the Bretton Woods fixed exchange rate system."[250]

Since 1973, the dollar has floated. Its value against other currencies is set by markets each day, and it has no fixed link to gold.

Was the End of Bretton Woods the Cause of the 1970s Inflation?

This is one of the most argued questions in economic history, and I want to treat it carefully.

Confirmed facts. Inflation was already rising before August 1971. The CPI annual average rose 5.5 percent in 1969 and 5.8 percent in 1970.[251] After the gold window closed and controls were lifted, inflation rose much higher, to 11.1 percent in 1974 and 13.5 percent in 1980.[252]

Interpretations.

- Gold-standard supporters argue that removing the last link to gold took away a check on money creation, and many connect the 1970s inflation to it. Bordo describes the appeal: "Those who oppose giving discretionary powers to the central bank are attracted by the simplicity of its basic rule."[253]

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[248] Owen Humpage, "The Smithsonian Agreement," Federal Reserve History, Federal Reserve System. https://www.federalreservehistory.org/essays/smithsonian-agreement (accessed November 12, 2026).

[249] Owen Humpage, "The Smithsonian Agreement," Federal Reserve History, Federal Reserve System. https://www.federalreservehistory.org/essays/smithsonian-agreement (accessed November 12, 2026).

[250] Office of the Historian, U.S. Department of State, "Nixon and the End of the Bretton Woods System, 1971-1973" (retired page). https://history.state.gov/milestones/1969-1976/nixon-shock (accessed November 12, 2026).

[251] U.S. Bureau of Labor Statistics, Consumer Price Index for All Urban Consumers: All Items in U.S. City Average (CPIAUCNS), not seasonally adjusted, 1982-84=100, retrieved from Federal Reserve Bank of St. Louis, FRED, last updated November 10, 2026. https://fred.stlouisfed.org/series/CPIAUCNS (accessed November 12, 2026).

[252] U.S. Bureau of Labor Statistics, Consumer Price Index for All Urban Consumers: All Items in U.S. City Average (CPIAUCNS), not seasonally adjusted, 1982-84=100, retrieved from Federal Reserve Bank of St. Louis, FRED, last updated November 10, 2026. https://fred.stlouisfed.org/series/CPIAUCNS (accessed November 12, 2026).

[253] Michael D. Bordo, "Gold Standard," The Concise Encyclopedia of Economics, Econlib, Liberty Fund. https://www.econlib.org/library/Enc/GoldStandard.html (accessed November 12, 2026).

- Many mainstream economists, including Federal Reserve historians, place more weight on Federal Reserve policy choices in the late 1960s and 1970s, the oil shocks, and mistaken beliefs at the time about how much unemployment could be traded for inflation.[254]

I think both views can be true at once. The end of the gold link removed a constraint. Whether a constraint was needed, or whether better central bank policy could do the same job, is the core of the modern gold debate, which I test in Chapter 16.

Timeline: 1944 to 1973

Date	Event	Source
July 1944	44 nations meet at Bretton Woods; dollar fixed at $35 per ounce of gold	[255]
1960	Robert Triffin warns of the dollar-gold dilemma	[Not verified]
August 13-15, 1971	Camp David meetings	[256]
August 15, 1971	Nixon suspends dollar convertibility into gold; 90-day wage-price freeze; 10 percent import surcharge	[257,258]
December 1971	Smithsonian Agreement; gold price raised to $38	[259]
February 12, 1973	Dollar devalued again; gold price $42	[260]
March 1973	European currencies float jointly; fixed system effectively ends	[261]

[254] Michael Bryan, "The Great Inflation," Federal Reserve History, Federal Reserve System. https://www.federalreservehistory.org/essays/great-inflation (accessed November 12, 2026).

[255] Sandra Kollen Ghizoni, "Creation of the Bretton Woods System," Federal Reserve History, Federal Reserve System. https://www.federalreservehistory.org/essays/bretton-woods-created (accessed November 12, 2026).

[256] Sandra Kollen Ghizoni, "Nixon Ends Convertibility of U.S. Dollars to Gold and Announces Wage/Price Controls," Federal Reserve History, Federal Reserve System. https://www.federalreservehistory.org/essays/gold-convertibility-ends (accessed November 12, 2026).

[257] Richard Nixon, "Address to the Nation Outlining a New Economic Policy: 'The Challenge of Peace,'" August 15, 1971, The American Presidency Project, University of California, Santa Barbara. https://www.presidency.ucsb.edu/documents/address-the-nation-outlining-new-economic-policy-the-challenge-peace (accessed November 12, 2026).

[258] Sandra Kollen Ghizoni, "Nixon Ends Convertibility of U.S. Dollars to Gold and Announces Wage/Price Controls," Federal Reserve History, Federal Reserve System. https://www.federalreservehistory.org/essays/gold-convertibility-ends (accessed November 12, 2026).

[259] Owen Humpage, "The Smithsonian Agreement," Federal Reserve History, Federal Reserve System. https://www.federalreservehistory.org/essays/smithsonian-agreement (accessed November 12, 2026).

[260] Owen Humpage, "The Smithsonian Agreement," Federal Reserve History, Federal Reserve System. https://www.federalreservehistory.org/essays/smithsonian-agreement (accessed November 12, 2026).

[261] Office of the Historian, U.S. Department of State, "Nixon and the End of the Bretton Woods System, 1971-1973" (retired page). https://history.state.gov/milestones/1969-1976/nixon-shock (accessed November 12, 2026).

Questions Readers Ask

"Could Americans exchange dollars for gold under Bretton Woods?" No. After 1934, Americans could not redeem paper dollars for gold coins, and private ownership of monetary gold was restricted (Chapter 8).[262,263] Under Bretton Woods, the gold promise was to foreign governments and central banks.[264]

"Why did the price of gold rise so much after 1973?" Once the dollar was no longer tied to gold, gold's price was set by markets, like any other commodity. Its dollar price has risen far above $42 an ounce since then.

"Did closing the gold window make the dollar worthless?" No. The dollar kept working as money and as the world's main reserve currency (Chapter 10).[265] It did remove a fixed anchor, which is why the debate about inflation discipline continues.

Key Points from This Chapter

- Bretton Woods (1944) made the dollar the center of world money, tied to gold at $35 an ounce for foreign governments.
- The system needed dollars to flow abroad, which slowly undermined trust in the gold link.
- On August 15, 1971, Nixon suspended gold convertibility and froze wages and prices.
- By 1973, the fixed system had ended and the dollar floated.
- Whether this caused the 1970s inflation is a real debate. Inflation was rising before 1971.

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[262] Federal Reserve History, "Gold Reserve Act of 1934," Federal Reserve System. https://www.federalreservehistory.org/essays/gold-reserve-act (accessed November 12, 2026).

[263] Franklin D. Roosevelt, Executive Order 6102, "Forbidding the Hoarding of Gold Coin, Gold Bullion and Gold Certificates," April 5, 1933, The American Presidency Project, University of California, Santa Barbara. https://www.presidency.ucsb.edu/documents/executive-order-6102-forbidding-the-hoarding-gold-coin-gold-bullion-and-gold-certificates (accessed November 12, 2026).

[264] Sandra Kollen Ghizoni, "Creation of the Bretton Woods System," Federal Reserve History, Federal Reserve System. https://www.federalreservehistory.org/essays/bretton-woods-created (accessed November 12, 2026).

[265] Carol Bertaut, Bastian von Beschwitz and Stephanie Curcuru, "The International Role of the U.S. Dollar - 2025 Edition," FEDS Notes, Board of Governors of the Federal Reserve System, July 18, 2025. https://www.federalreserve.gov/econres/notes/feds-notes/the-international-role-of-the-u-s-dollar-2025-edition-20250718.html (accessed November 12, 2026).

Chapter 10: The Dollar as the World's Currency

The information in this chapter stops at November 12, 2026.

When people talk about the dollar losing its place in the world, they usually mean its role as the main **reserve currency**: the currency that foreign governments and central banks hold most in their savings, and that much of world trade and borrowing uses. This chapter explains what that role is, how it came about, how big it is today, and what threatens it. I test the claim that "the dollar is about to lose its place as the world's reserve currency" in Chapter 16.

What "Reserve Currency" Means

Every country's central bank keeps a stockpile of foreign money and gold. It uses those reserves to pay for imports in a crisis, to steady its own currency, and to back its financial system. A **reserve currency** is a currency that many central banks choose to hold.

The dollar plays several roles at once. A 2025 Federal Reserve research note by economists Carol Bertaut, Bastian von Beschwitz and Stephanie Curcuru measured each one:[266]

- **Reserves.** "The U.S. dollar comprised 58 percent of disclosed global official foreign reserves in 2024."
- **Trade invoicing.** From 1999 to 2019, the dollar was used for "96 percent of trade invoicing in the Americas, 74 percent in the Asia-Pacific region, and 79 percent in the rest of the world." In Europe, the euro leads.
- **Borrowing.** The dollar's share of foreign-currency debt issued around the world has been "around 60 percent since 2010."
- **Banking.** About 55 percent of banks' international and foreign currency claims are in dollars.
- **Foreign exchange trading.** In the 2022 global survey, the dollar was on one side of "about 88 percent" of currency trades. (Each trade has two currencies, so the shares add to 200 percent.)
- **Payments.** About 50 percent of payments sent through the SWIFT international messaging network are in dollars.

Put together, the note's overall index of international currency use puts the dollar at about 65 to 70 since 2010, compared with about 24 for the euro, about 7 for the yen, about 6 for the pound and about 3 for the renminbi.[267] You might ask, "What does an index of 65 mean?" Think of it as a weighted average of the shares above. The point is the gap: the dollar's score is almost three times the euro's.

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[266] Carol Bertaut, Bastian von Beschwitz and Stephanie Curcuru, "The International Role of the U.S. Dollar - 2025 Edition," FEDS Notes, Board of Governors of the Federal Reserve System, July 18, 2025. https://www.federalreserve.gov/econres/notes/feds-notes/the-international-role-of-the-u-s-dollar-2025-edition-20250718.html (accessed November 12, 2026).

[267] Carol Bertaut, Bastian von Beschwitz and Stephanie Curcuru, "The International Role of the U.S. Dollar - 2025 Edition," FEDS Notes, Board of Governors of the Federal Reserve System, July 18, 2025. https://www.federalreserve.gov/econres/notes/feds-notes/the-international-role-of-the-u-s-dollar-2025-edition-20250718.html (accessed November 12, 2026).

How the Dollar Got There

Chapter 9 explained that the 1944 Bretton Woods system put the dollar at the center of world money, tied to gold.[268] When that link ended in 1971 to 1973, many people expected the dollar's role to shrink.[269] It did not shrink much, for reasons economists still debate. Commonly cited explanations include the size and openness of U.S. financial markets and the huge supply of U.S. Treasury securities: the Fed note puts outstanding Treasuries at "over $28 trillion," against about $700 billion of joint European Union debt as of May 2025.[270] Other explanations offered by economists, such as U.S. legal protections for investors and the convenience of a currency everyone already uses, are interpretations rather than measured facts.

How Big Is the Dollar's Share Today?

The International Monetary Fund (IMF) tracks how central banks hold their reserves in a data set called the **Currency Composition of Official Foreign Exchange Reserves (COFER)**.[271]

Table 10-1. Shares of disclosed world foreign exchange reserves by currency, 2024 (newest full-year figures in the Federal Reserve's 2025 note, which uses IMF COFER data)

Currency	Share of reserves, 2024
U.S. dollar	58 percent
Euro	20 percent
Japanese yen	6 percent
British pound	5 percent
Chinese renminbi	2 percent

Source: Bertaut, von Beschwitz and Curcuru, Federal Reserve, 2025, based on IMF COFER.[272,273] The IMF has published newer quarterly COFER data through the second quarter of 2026, but I was not able to retrieve the exact 2026 currency shares from the IMF's site before this book's cutoff, so I report the 2024 figures and mark the 2026 shares as [Not verified].

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[268] Sandra Kollen Ghizoni, "Creation of the Bretton Woods System," Federal Reserve History, Federal Reserve System. https://www.federalreservehistory.org/essays/bretton-woods-created (accessed November 12, 2026).

[269] Office of the Historian, U.S. Department of State, "Nixon and the End of the Bretton Woods System, 1971-1973" (retired page). https://history.state.gov/milestones/1969-1976/nixon-shock (accessed November 12, 2026).

[270] Carol Bertaut, Bastian von Beschwitz and Stephanie Curcuru, "The International Role of the U.S. Dollar - 2025 Edition," FEDS Notes, Board of Governors of the Federal Reserve System, July 18, 2025. https://www.federalreserve.gov/econres/notes/feds-notes/the-international-role-of-the-u-s-dollar-2025-edition-20250718.html (accessed November 12, 2026).

[271] International Monetary Fund, "Currency Composition of Official Foreign Exchange Reserves (COFER)," dataset page and data briefs. https://data.imf.org/en/datasets/IMF.STA:COFER (accessed November 12, 2026).

[272] Carol Bertaut, Bastian von Beschwitz and Stephanie Curcuru, "The International Role of the U.S. Dollar - 2025 Edition," FEDS Notes, Board of Governors of the Federal Reserve System, July 18, 2025. https://www.federalreserve.gov/econres/notes/feds-notes/the-international-role-of-the-u-s-dollar-2025-edition-20250718.html (accessed November 12, 2026).

[273] International Monetary Fund, "Currency Composition of Official Foreign Exchange Reserves (COFER)," dataset page and data briefs. https://data.imf.org/en/datasets/IMF.STA:COFER (accessed November 12, 2026).

One technical note matters for anyone comparing numbers over time. Starting with the third quarter of 2025, the IMF changed how it reports COFER, eliminating the "unallocated" portion of reserves and revising the data back to 2000. Shares are now expressed as shares of total reserves, with some shares estimated.[274] So a share you read in an older news story may not be directly comparable with a current one.

The Long-Run Trend

Even at 58 percent, the dollar's reserve share is nearly three times the euro's, and the renminbi's share is about 2 percent.[275] The Fed note also looked at whether sanctions on Russia after 2022 had pushed central banks away from the dollar and concluded: "so far, we have not seen a notable decline in the dollar share of foreign reserves."[276]

Many news reports say the dollar's share has drifted down over the past two decades. I was not able to confirm the exact long-run figures against the IMF data before the cutoff, so I leave the size of that drift as [Not verified].

Tools That Show the Dollar's Power

Federal Reserve Swap Lines

In crises, foreign banks need dollars fast. The Federal Reserve has standing arrangements, called swap lines, with five major central banks: the Bank of Canada, the Bank of England, the Bank of Japan, the European Central Bank and the Swiss National Bank. The Fed describes them as "an important liquidity backstop to ease strains in global funding markets."[277] At their peaks, total swap lending reached about $585 billion in the 2008-2009 crisis and about $450 billion in the COVID-19 crisis.[278] The Federal Reserve book in this series covers these in more detail.

Sanctions

Because so much of the world's finance runs through dollars and U.S. banks, the U.S. government can cut people, companies and even countries off from much of the global financial system. After Russia's full-scale invasion of Ukraine in February 2022, the U.S. Treasury barred

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[274] International Monetary Fund, "Currency Composition of Official Foreign Exchange Reserves (COFER)," dataset page and data briefs. https://data.imf.org/en/datasets/IMF.STA:COFER (accessed November 12, 2026).

[275] Carol Bertaut, Bastian von Beschwitz and Stephanie Curcuru, "The International Role of the U.S. Dollar - 2025 Edition," FEDS Notes, Board of Governors of the Federal Reserve System, July 18, 2025. https://www.federalreserve.gov/econres/notes/feds-notes/the-international-role-of-the-u-s-dollar-2025-edition-20250718.html (accessed November 12, 2026).

[276] Carol Bertaut, Bastian von Beschwitz and Stephanie Curcuru, "The International Role of the U.S. Dollar - 2025 Edition," FEDS Notes, Board of Governors of the Federal Reserve System, July 18, 2025. https://www.federalreserve.gov/econres/notes/feds-notes/the-international-role-of-the-u-s-dollar-2025-edition-20250718.html (accessed November 12, 2026).

[277] Board of Governors of the Federal Reserve System, "Central Bank Liquidity Swaps," policy tools page, last updated March 19, 2023. https://www.federalreserve.gov/monetarypolicy/central-bank-liquidity-swaps.htm (accessed November 12, 2026).

[278] Carol Bertaut, Bastian von Beschwitz and Stephanie Curcuru, "The International Role of the U.S. Dollar - 2025 Edition," FEDS Notes, Board of Governors of the Federal Reserve System, July 18, 2025. https://www.federalreserve.gov/econres/notes/feds-notes/the-international-role-of-the-u-s-dollar-2025-edition-20250718.html (accessed November 12, 2026).

transactions with Russia's central bank on February 28, 2022, saying the action "effectively immobilizes any assets of the Central Bank of the Russian Federation held in the United States or by U.S. persons." U.S. allies took similar steps.[279] Supporters see this as a powerful tool that does not require military force. Critics argue that using the dollar this way gives other countries a reason to look for alternatives. So far the data do not show a big shift: as noted above, the Fed's 2025 note found no "notable decline in the dollar share of foreign reserves."[280]

The Challengers

Possible challenger	Strengths	Limits
Euro	Large economy, second-largest reserve share[281]	Joint EU debt of about $700 billion versus over $28 trillion in U.S. Treasuries[282]
Chinese renminbi	China is a top trading nation	"Not freely exchangeable," and China's capital account "is not open"[283]
Gold	No government can print it	Pays no interest; hard to use for daily payments
Digital currencies	Fast transfers	Price swings; legal limits; and about 99 percent of stablecoin value is tied to the dollar itself[284]

What the 2026 Turmoil Did, and Did Not, Show

The year 2026 brought stress: a war with Iran that disrupted oil shipments through the Strait of Hormuz, starting in late February 2026,[285] and a Supreme Court decision on February 20, 2026 holding that the International Emergency Economic Powers Act (IEEPA) "does not authorize

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[279] U.S. Department of the Treasury, "Treasury Prohibits Transactions with Central Bank of Russia and Imposes Sanctions on Key Sources of Russia's Wealth," press release, February 28, 2022. https://home.treasury.gov/news/press-releases/jy0612 (accessed November 12, 2026).

[280] Carol Bertaut, Bastian von Beschwitz and Stephanie Curcuru, "The International Role of the U.S. Dollar - 2025 Edition," FEDS Notes, Board of Governors of the Federal Reserve System, July 18, 2025. https://www.federalreserve.gov/econres/notes/feds-notes/the-international-role-of-the-u-s-dollar-2025-edition-20250718.html (accessed November 12, 2026).

[281] International Monetary Fund, "Currency Composition of Official Foreign Exchange Reserves (COFER)," dataset page and data briefs. https://data.imf.org/en/datasets/IMF.STA:COFER (accessed November 12, 2026).

[282] Carol Bertaut, Bastian von Beschwitz and Stephanie Curcuru, "The International Role of the U.S. Dollar - 2025 Edition," FEDS Notes, Board of Governors of the Federal Reserve System, July 18, 2025. https://www.federalreserve.gov/econres/notes/feds-notes/the-international-role-of-the-u-s-dollar-2025-edition-20250718.html (accessed November 12, 2026).

[283] Carol Bertaut, Bastian von Beschwitz and Stephanie Curcuru, "The International Role of the U.S. Dollar - 2025 Edition," FEDS Notes, Board of Governors of the Federal Reserve System, July 18, 2025. https://www.federalreserve.gov/econres/notes/feds-notes/the-international-role-of-the-u-s-dollar-2025-edition-20250718.html (accessed November 12, 2026).

[284] Carol Bertaut, Bastian von Beschwitz and Stephanie Curcuru, "The International Role of the U.S. Dollar - 2025 Edition," FEDS Notes, Board of Governors of the Federal Reserve System, July 18, 2025. https://www.federalreserve.gov/econres/notes/feds-notes/the-international-role-of-the-u-s-dollar-2025-edition-20250718.html (accessed November 12, 2026).

[285] Lutz Kilian, Michael Plante, Alexander W. Richter and Xiaoqing Zhou, "Implications of the Iran war for U.S. inflation," Dallas Fed Economics, Federal Reserve Bank of Dallas, April 17, 2026 (views of the authors). https://www.dallasfed.org/research/economics/2026/0417 (accessed November 12, 2026).

the President to impose tariffs."[286] Through the second quarter of 2026, the IMF's headline for its COFER data brief was that world official foreign currency reserves "increased slightly."[287] The exact change in the dollar's share in 2026 is [Not verified] in this book.

I am careful here. Big events can move the dollar's exchange rate sharply in the short run without changing its long-run role, and the reverse can also happen. Reserve shares change slowly.

Key Points from This Chapter

- The dollar is the world's main currency for reserves, trade invoicing, borrowing, banking and currency trading.
- Its role began at Bretton Woods and survived the end of the gold link.
- In 2024 it made up 58 percent of disclosed world reserves, far ahead of the euro at 20 percent and every other currency.
- The IMF changed its COFER reporting in 2025, so compare old and new numbers carefully.
- Sanctions and swap lines show the dollar's power; critics say sanctions also push countries to seek alternatives.

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[286] Supreme Court of the United States, Learning Resources, Inc. v. Trump, No. 24-1287, 607 U.S. 229, decided February 20, 2026 (slip opinion). https://www.supremecourt.gov/opinions/25pdf/607us2r12_8nj9.pdf (accessed November 12, 2026).

[287] International Monetary Fund, "Currency Composition of Official Foreign Exchange Reserves (COFER)," dataset page and data briefs. https://data.imf.org/en/datasets/IMF.STA:COFER (accessed November 12, 2026).

Part Four: The Big Inflation Episodes

Chapter 11: War and Inflation

If you look at the long American price record, the biggest spikes line up with wars. That is not a coincidence. Wars force governments to spend huge sums fast, they pull workers and materials away from making things people buy, and they often disrupt trade. This chapter walks through the major American wars and what happened to prices.

Why Wars Raise Prices

A government at war has three main ways to pay:

1. **Raise taxes.** This takes spending power from the public, which offsets the government's new spending. It is slow and unpopular.
2. **Borrow.** This works if lenders are willing, but heavy borrowing can push up interest rates.
3. **Create money.** Printing money, or having the central bank buy government debt, is fast. It is also the method most likely to cause inflation.

At the same time, factories switch from consumer goods to war goods, and millions of workers go into uniform. So the public often has more money and fewer things to buy. That is the "too much money chasing too few goods" story from Chapter 3, in its purest form.

The Revolutionary War: The Continental Collapse

The Continental Congress had little power to tax, so it paid for much of the war by issuing paper Continentals. By the end of 1779, the Continental dollar "had fallen to below one-eighth of its original value."[288] It kept falling, and "not worth a Continental" became a saying for something worthless.[289]

The Continental is the closest the United States has come to a hyperinflation, and it left a deep mark. As noted in Chapter 7, the Constitution gave Congress the power to coin money and barred states from making anything but gold and silver coin legal tender for debts.[290]

The Civil War: Greenbacks

The Union paid for the Civil War with taxes, borrowing and a new paper currency. The Legal Tender Act of February 1862 authorized $150 million in greenbacks, and greenbacks in

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[288] Matthew Wells, "The Bank of North America," Econ Focus, Federal Reserve Bank of Richmond, Third Quarter 2026 (July 2, 2026). https://www.richmondfed.org/publications/research/econ_focus/2026/q3_economic_history (accessed November 12, 2026).

[289] Matthew Wells, "The Bank of North America," Econ Focus, Federal Reserve Bank of Richmond, Third Quarter 2026 (July 2, 2026). https://www.richmondfed.org/publications/research/econ_focus/2026/q3_economic_history (accessed November 12, 2026).

[290] National Archives and Records Administration, "The Constitution of the United States: A Transcription," Article I, Sections 8 and 10. https://www.archives.gov/founding-docs/constitution-transcript (accessed November 12, 2026).

circulation rose to about $400 million by the war's end.[291] Prices, according to the Joint Economic Committee, had about doubled by the end of the war.[292]

World War I: Doubling in Seven Years

The United States entered World War I in April 1917, but prices had been rising since war broke out in Europe in 1914. From 1913 to 1920, the CPI annual average rose about 103 percent.[293] Annual inflation topped 15 percent in each year from 1917 through 1920.[294]

Then came a sharp reversal. In 1921 prices fell about 11 percent as the economy went into a deep, short recession.[295]

World War II: Controls and the Release

World War II was different, because the government tried to hold prices down directly. It created the Office of Price Administration (OPA) by executive order on August 28, 1941, and Congress made it an independent agency through the Emergency Price Control Act of January 30, 1942.[296] According to the National Archives, the OPA "stabilized prices and rents by establishing maximum prices for commodities" and "rationed scarce essential commodities."[297]

Here is what the CPI annual averages show:[298]

Period	Change in the CPI annual average
1941 to 1945 (wartime, with controls)	About 22 percent
1945 to 1948 (after the war, as controls ended)	About 34 percent

[291] Joint Economic Committee (Republican staff), U.S. Congress, "United States Monetary History in Brief Part 2," February 29, 2012. https://www.jec.senate.gov/public/index.cfm/republicans/2012/2/united-states-monetary-history-in-brief-part-2 (accessed November 12, 2026).

[292] Joint Economic Committee (Republican staff), U.S. Congress, "United States Monetary History in Brief Part 2," February 29, 2012. https://www.jec.senate.gov/public/index.cfm/republicans/2012/2/united-states-monetary-history-in-brief-part-2 (accessed November 12, 2026).

[293] U.S. Bureau of Labor Statistics, Consumer Price Index for All Urban Consumers: All Items in U.S. City Average (CPIAUCNS), not seasonally adjusted, 1982-84=100, retrieved from Federal Reserve Bank of St. Louis, FRED, last updated November 10, 2026. https://fred.stlouisfed.org/series/CPIAUCNS (accessed November 12, 2026).

[294] U.S. Bureau of Labor Statistics, Consumer Price Index for All Urban Consumers: All Items in U.S. City Average (CPIAUCNS), not seasonally adjusted, 1982-84=100, retrieved from Federal Reserve Bank of St. Louis, FRED, last updated November 10, 2026. https://fred.stlouisfed.org/series/CPIAUCNS (accessed November 12, 2026).

[295] U.S. Bureau of Labor Statistics, Consumer Price Index for All Urban Consumers: All Items in U.S. City Average (CPIAUCNS), not seasonally adjusted, 1982-84=100, retrieved from Federal Reserve Bank of St. Louis, FRED, last updated November 10, 2026. https://fred.stlouisfed.org/series/CPIAUCNS (accessed November 12, 2026).

[296] National Archives and Records Administration, "Records of the Office of Price Administration [OPA]," Record Group 188, Guide to Federal Records. https://www.archives.gov/research/guide-fed-records/groups/188.html (accessed November 12, 2026).

[297] National Archives and Records Administration, "Records of the Office of Price Administration [OPA]," Record Group 188, Guide to Federal Records. https://www.archives.gov/research/guide-fed-records/groups/188.html (accessed November 12, 2026).

[298] U.S. Bureau of Labor Statistics, Consumer Price Index for All Urban Consumers: All Items in U.S. City Average (CPIAUCNS), not seasonally adjusted, 1982-84=100, retrieved from Federal Reserve Bank of St. Louis, FRED, last updated November 10, 2026. https://fred.stlouisfed.org/series/CPIAUCNS (accessed November 12, 2026).

Period	Change in the CPI annual average
1940 to 1948, whole period	About 72 percent

Source: BLS CPI-U annual averages via FRED; percent changes are my calculations.[299]

You might ask, "Did the controls work?" They held measured prices down during the war: the CPI annual average rose only 1.6 percent in 1944 and 2.3 percent in 1945.[300] After the war, as controls were wound down, much of the held-back pressure came out: 8.5 percent in 1946 and 14.4 percent in 1947.[301] The OPA itself was abolished effective May 29, 1947.[302] I come back to price controls as a policy option in Chapter 18.

The Korean War: A Fast Burst

When the Korean War began in June 1950, Americans remembered World War II shortages and rushed to buy. The CPI annual average rose about 7.9 percent from 1950 to 1951.[303] Inflation then fell back quickly.[304]

Vietnam: The Start of the Great Inflation

The Vietnam War overlapped with large new domestic programs in the late 1960s. Inflation rose from 1.6 percent in 1965 to 5.8 percent in 1970.[305] Many historians see this period as the opening of the "Great Inflation," which lasted until 1982.[306] That is the subject of the next chapter.

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[299] U.S. Bureau of Labor Statistics, Consumer Price Index for All Urban Consumers: All Items in U.S. City Average (CPIAUCNS), not seasonally adjusted, 1982-84=100, retrieved from Federal Reserve Bank of St. Louis, FRED, last updated November 10, 2026. https://fred.stlouisfed.org/series/CPIAUCNS (accessed November 12, 2026).

[300] U.S. Bureau of Labor Statistics, Consumer Price Index for All Urban Consumers: All Items in U.S. City Average (CPIAUCNS), not seasonally adjusted, 1982-84=100, retrieved from Federal Reserve Bank of St. Louis, FRED, last updated November 10, 2026. https://fred.stlouisfed.org/series/CPIAUCNS (accessed November 12, 2026).

[301] U.S. Bureau of Labor Statistics, Consumer Price Index for All Urban Consumers: All Items in U.S. City Average (CPIAUCNS), not seasonally adjusted, 1982-84=100, retrieved from Federal Reserve Bank of St. Louis, FRED, last updated November 10, 2026. https://fred.stlouisfed.org/series/CPIAUCNS (accessed November 12, 2026).

[302] National Archives and Records Administration, "Records of the Office of Price Administration [OPA]," Record Group 188, Guide to Federal Records. https://www.archives.gov/research/guide-fed-records/groups/188.html (accessed November 12, 2026).

[303] U.S. Bureau of Labor Statistics, Consumer Price Index for All Urban Consumers: All Items in U.S. City Average (CPIAUCNS), not seasonally adjusted, 1982-84=100, retrieved from Federal Reserve Bank of St. Louis, FRED, last updated November 10, 2026. https://fred.stlouisfed.org/series/CPIAUCNS (accessed November 12, 2026).

[304] U.S. Bureau of Labor Statistics, Consumer Price Index for All Urban Consumers: All Items in U.S. City Average (CPIAUCNS), not seasonally adjusted, 1982-84=100, retrieved from Federal Reserve Bank of St. Louis, FRED, last updated November 10, 2026. https://fred.stlouisfed.org/series/CPIAUCNS (accessed November 12, 2026).

[305] U.S. Bureau of Labor Statistics, Consumer Price Index for All Urban Consumers: All Items in U.S. City Average (CPIAUCNS), not seasonally adjusted, 1982-84=100, retrieved from Federal Reserve Bank of St. Louis, FRED, last updated November 10, 2026. https://fred.stlouisfed.org/series/CPIAUCNS (accessed November 12, 2026).

[306] Michael Bryan, "The Great Inflation," Federal Reserve History, Federal Reserve System. https://www.federalreservehistory.org/essays/great-inflation (accessed November 12, 2026).

The Pattern

War	Approximate price change	Main financing problem	Source
Revolution	Continental fell below one-eighth of its value by end of 1779	Printing paper money with little taxing power	[307]
Civil War (Union)	Prices about doubled	Greenbacks, borrowing	[308]
World War I	Prices about doubled, 1913 to 1920	Spending, borrowing, gold inflows	[309]
World War II	About 22 percent during the war; about 34 percent after, as controls ended	Spending held back by controls and rationing	[310]
Korea	About 8 percent in a year	Panic buying, spending	[311]
Vietnam era	Inflation rose from under 2 percent to about 6 percent	Spending on war and new programs	[312,313]

Key Points from This Chapter

- Every major American war brought inflation.
- The worst cases came when governments relied on printing money rather than taxes or borrowing.
- World War II price controls held measured prices down, but prices jumped after controls ended.
- The late 1960s spending surge, including the Vietnam War, opened the Great Inflation.

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[307] Matthew Wells, "The Bank of North America," Econ Focus, Federal Reserve Bank of Richmond, Third Quarter 2026 (July 2, 2026). https://www.richmondfed.org/publications/research/econ_focus/2026/q3_economic_history (accessed November 12, 2026).

[308] Joint Economic Committee (Republican staff), U.S. Congress, "United States Monetary History in Brief Part 2," February 29, 2012. https://www.jec.senate.gov/public/index.cfm/republicans/2012/2/united-states-monetary-history-in-brief-part-2 (accessed November 12, 2026).

[309] U.S. Bureau of Labor Statistics, Consumer Price Index for All Urban Consumers: All Items in U.S. City Average (CPIAUCNS), not seasonally adjusted, 1982-84=100, retrieved from Federal Reserve Bank of St. Louis, FRED, last updated November 10, 2026. https://fred.stlouisfed.org/series/CPIAUCNS (accessed November 12, 2026).

[310] U.S. Bureau of Labor Statistics, Consumer Price Index for All Urban Consumers: All Items in U.S. City Average (CPIAUCNS), not seasonally adjusted, 1982-84=100, retrieved from Federal Reserve Bank of St. Louis, FRED, last updated November 10, 2026. https://fred.stlouisfed.org/series/CPIAUCNS (accessed November 12, 2026).

[311] U.S. Bureau of Labor Statistics, Consumer Price Index for All Urban Consumers: All Items in U.S. City Average (CPIAUCNS), not seasonally adjusted, 1982-84=100, retrieved from Federal Reserve Bank of St. Louis, FRED, last updated November 10, 2026. https://fred.stlouisfed.org/series/CPIAUCNS (accessed November 12, 2026).

[312] U.S. Bureau of Labor Statistics, Consumer Price Index for All Urban Consumers: All Items in U.S. City Average (CPIAUCNS), not seasonally adjusted, 1982-84=100, retrieved from Federal Reserve Bank of St. Louis, FRED, last updated November 10, 2026. https://fred.stlouisfed.org/series/CPIAUCNS (accessed November 12, 2026).

[313] Michael Bryan, "The Great Inflation," Federal Reserve History, Federal Reserve System. https://www.federalreservehistory.org/essays/great-inflation (accessed November 12, 2026).

Chapter 12: The Great Inflation (1965-1982)

For people who lived through it, the 1970s were the decade when prices would not stop rising. Federal Reserve History calls the period from 1965 to 1982 "the Great Inflation."[314] This chapter covers what happened, what different schools say caused it, and how it ended.

The Numbers

Here are the official CPI annual averages for those years, with my calculated year-over-year changes:[315]

Table 12-1. CPI-U annual average change, 1965-1983

Year	Change	Year	Change
1965	1.6%	1975	9.1%
1966	3.0%	1976	5.7%
1967	2.8%	1977	6.5%
1968	4.3%	1978	7.6%
1969	5.5%	1979	11.3%
1970	5.8%	1980	13.5%
1971	4.3%	1981	10.3%
1972	3.3%	1982	6.1%
1973	6.2%	1983	3.2%
1974	11.1%		

Source: BLS CPI-U annual averages via FRED.[316]

Federal Reserve History notes that inflation "reached more than 14 percent in 1980," and that on a 12-month basis the CPI peaked in March 1980 at close to 15 percent.[317] The figures differ from my table because mine compares yearly averages, while theirs compares single months a year apart. Both are correct for what they measure.

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[314] Michael Bryan, "The Great Inflation," Federal Reserve History, Federal Reserve System. https://www.federalreservehistory.org/essays/great-inflation (accessed November 12, 2026).

[315] U.S. Bureau of Labor Statistics, Consumer Price Index for All Urban Consumers: All Items in U.S. City Average (CPIAUCNS), not seasonally adjusted, 1982-84=100, retrieved from Federal Reserve Bank of St. Louis, FRED, last updated November 10, 2026. https://fred.stlouisfed.org/series/CPIAUCNS (accessed November 12, 2026).

[316] U.S. Bureau of Labor Statistics, Consumer Price Index for All Urban Consumers: All Items in U.S. City Average (CPIAUCNS), not seasonally adjusted, 1982-84=100, retrieved from Federal Reserve Bank of St. Louis, FRED, last updated November 10, 2026. https://fred.stlouisfed.org/series/CPIAUCNS (accessed November 12, 2026).

[317] Michael Bryan, "The Great Inflation," Federal Reserve History, Federal Reserve System. https://www.federalreservehistory.org/essays/great-inflation (accessed November 12, 2026).

Phase 1: The Late 1960s

Inflation started climbing in the mid-1960s, as federal spending rose. Federal Reserve History notes that "President Johnson's Great Society legislation brought about major spending programs" at a time when the budget "was already being strained by the Vietnam War."[318] Federal Reserve History describes the thinking of the time this way: "it was generally believed that permanently lower rates of unemployment could be 'bought' with modestly higher rates of inflation." Economists call that supposed trade-off the Phillips curve.[319] The essay's author, economist Michael Bryan, is blunt about where the blame lies: "the origins of the Great Inflation were policies that allowed for an excessive growth in the supply of money," which he identifies as "Federal Reserve policies."[320]

Phase 2: Controls, 1971 to 1974

As described in Chapter 9, on August 15, 1971, President Nixon announced a 90-day freeze on wages and prices along with the end of gold convertibility.[321] "The Nixon administration introduced wage and price controls over three phases between 1971 and 1974."[322]

Inflation did slow during the freeze; the annual average fell to 3.3 percent in 1972.[323] When controls were relaxed and then ended, prices surged, to 6.2 percent in 1973 and 11.1 percent in 1974.[324] Federal Reserve History's verdict: "Those controls only temporarily slowed the rise in prices while exacerbating shortages."[325]

Phase 3: The First Oil Shock, 1973 to 1974

On October 19, 1973, the Arab members of the Organization of Arab Petroleum Exporting Countries (OAPEC) placed an oil embargo on the United States. It came, in Federal Reserve History's words, "immediately following President Nixon's request for Congress to make

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[318] Michael Bryan, "The Great Inflation," Federal Reserve History, Federal Reserve System. https://www.federalreservehistory.org/essays/great-inflation (accessed November 12, 2026).

[319] Michael Bryan, "The Great Inflation," Federal Reserve History, Federal Reserve System. https://www.federalreservehistory.org/essays/great-inflation (accessed November 12, 2026).

[320] Michael Bryan, "The Great Inflation," Federal Reserve History, Federal Reserve System. https://www.federalreservehistory.org/essays/great-inflation (accessed November 12, 2026).

[321] Sandra Kollen Ghizoni, "Nixon Ends Convertibility of U.S. Dollars to Gold and Announces Wage/Price Controls," Federal Reserve History, Federal Reserve System. https://www.federalreservehistory.org/essays/gold-convertibility-ends (accessed November 12, 2026).

[322] Michael Bryan, "The Great Inflation," Federal Reserve History, Federal Reserve System. https://www.federalreservehistory.org/essays/great-inflation (accessed November 12, 2026).

[323] U.S. Bureau of Labor Statistics, Consumer Price Index for All Urban Consumers: All Items in U.S. City Average (CPIAUCNS), not seasonally adjusted, 1982-84=100, retrieved from Federal Reserve Bank of St. Louis, FRED, last updated November 10, 2026. https://fred.stlouisfed.org/series/CPIAUCNS (accessed November 12, 2026).

[324] U.S. Bureau of Labor Statistics, Consumer Price Index for All Urban Consumers: All Items in U.S. City Average (CPIAUCNS), not seasonally adjusted, 1982-84=100, retrieved from Federal Reserve Bank of St. Louis, FRED, last updated November 10, 2026. https://fred.stlouisfed.org/series/CPIAUCNS (accessed November 12, 2026).

[325] Michael Bryan, "The Great Inflation," Federal Reserve History, Federal Reserve System. https://www.federalreservehistory.org/essays/great-inflation (accessed November 12, 2026).

available $2.2 billion in emergency aid to Israel" during the Yom Kippur War.[326] The embargo "nearly quadrupled the price of oil from $2.90 a barrel before the embargo to $11.65 a barrel in January 1974." It was officially lifted in March 1974.[327] Gas lines became a lasting image of the decade.

"Whip Inflation Now"

On October 8, 1974, two months after taking office, President Gerald Ford addressed a joint session of Congress on the economy. He asked Americans to join a volunteer effort against inflation, saying the program "bears the single word WIN."[328] The program, "Whip Inflation Now (WIN)," "consisted of voluntary measures to encourage more thrift." Federal Reserve History's judgment is short: "It was a failure."[329] Inflation did ease in 1975 and 1976, to 9.1 percent in 1975 and 5.7 percent in 1976.[330] My own reading, which I mark as interpretation, is that the deep 1974 to 1975 recession did far more than the buttons.

Phase 4: The Second Oil Shock and the Peak

Then came a second shock. "The Iranian Revolution began in early 1978 and ended a year later," and Iranian oil output fell "by 4.8 million barrels per day (7 percent of world production at the time) by January 1979."[331] Oil prices more than doubled between April 1979 and April 1980.[332] The same essay notes that the shock "was also driven by strong global oil demand" and that the Iranian disruption "may not have been the most important factor."[333]

By then, inflation had become embedded. In Federal Reserve History's words, "the public had come to expect an inflationary bias to monetary policy," and businesses and households "came to appreciate, indeed anticipate, rising prices."[334]

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[326] Michael Corbett, "Oil Shock of 1973-74," Federal Reserve History, Federal Reserve System, written as of November 22, 2013. https://www.federalreservehistory.org/essays/oil-shock-of-1973-74 (accessed November 12, 2026).

[327] Michael Corbett, "Oil Shock of 1973-74," Federal Reserve History, Federal Reserve System, written as of November 22, 2013. https://www.federalreservehistory.org/essays/oil-shock-of-1973-74 (accessed November 12, 2026).

[328] Gerald R. Ford, "Address to a Joint Session of the Congress on the Economy," October 8, 1974, The American Presidency Project, University of California, Santa Barbara. https://www.presidency.ucsb.edu/documents/address-joint-session-the-congress-the-economy (accessed November 12, 2026).

[329] Michael Bryan, "The Great Inflation," Federal Reserve History, Federal Reserve System. https://www.federalreservehistory.org/essays/great-inflation (accessed November 12, 2026).

[330] U.S. Bureau of Labor Statistics, Consumer Price Index for All Urban Consumers: All Items in U.S. City Average (CPIAUCNS), not seasonally adjusted, 1982-84=100, retrieved from Federal Reserve Bank of St. Louis, FRED, last updated November 10, 2026. https://fred.stlouisfed.org/series/CPIAUCNS (accessed November 12, 2026).

[331] Laurel Graefe, "Oil Shock of 1978-79," Federal Reserve History, Federal Reserve System, written as of November 22, 2013. https://www.federalreservehistory.org/essays/oil-shock-of-1978-79 (accessed November 12, 2026).

[332] Laurel Graefe, "Oil Shock of 1978-79," Federal Reserve History, Federal Reserve System, written as of November 22, 2013. https://www.federalreservehistory.org/essays/oil-shock-of-1978-79 (accessed November 12, 2026).

[333] Laurel Graefe, "Oil Shock of 1978-79," Federal Reserve History, Federal Reserve System, written as of November 22, 2013. https://www.federalreservehistory.org/essays/oil-shock-of-1978-79 (accessed November 12, 2026).

[334] Michael Bryan, "The Great Inflation," Federal Reserve History, Federal Reserve System. https://www.federalreservehistory.org/essays/great-inflation (accessed November 12, 2026).

The Volcker Turn, 1979 to 1982

President Jimmy Carter nominated Paul Volcker, then president of the Federal Reserve Bank of New York, to lead the Federal Reserve, and Volcker took office in August 1979.[335,336] On the evening of October 6, 1979, Volcker held "a rare press conference" to announce that the Federal Reserve would change how it ran monetary policy, focusing on controlling the growth of bank reserves rather than on setting interest rates day to day.[337]

The results, as described by Federal Reserve History:[338]

- The federal funds rate, the interest rate banks charge each other overnight, "reached a record high of 20 percent in late 1980."
- Inflation, by the measure the essay uses, "peaked at 11.6 percent in March" 1980, then fell "to 6.1 percent in early 1982 and then to 3.7 percent in the following year."
- Unemployment peaked at 10.8 percent in late 1982.

The cost was high. Federal Reserve History says the policy "pushed the economy into a severe recession."[339] After a short recession in 1980, "the economy entered recession again in July 1981," lasting until November 1982.[340] By 1983, CPI inflation measured by annual averages was down to 3.2 percent.[341]

The Federal Reserve book in this series covers the Volcker years and the Fed's decisions in more depth. Here I focus on what the episode shows about inflation.

What Caused the Great Inflation? Different Schools

School	Main explanation	Evidence its supporters cite
Monetarist	The Fed let the money supply grow too fast for too long	Inflation fell once the Fed tightened money in 1979 to 1982[342]
Mainstream	Policymakers wrongly believed they	Inflation and unemployment

[335] Bill Medley, "Volcker's Announcement of Anti-Inflation Measures," Federal Reserve History, Federal Reserve System. https://www.federalreservehistory.org/essays/anti-inflation-measures (accessed November 12, 2026).

[336] Michael Bryan, "The Great Inflation," Federal Reserve History, Federal Reserve System. https://www.federalreservehistory.org/essays/great-inflation (accessed November 12, 2026).

[337] Bill Medley, "Volcker's Announcement of Anti-Inflation Measures," Federal Reserve History, Federal Reserve System. https://www.federalreservehistory.org/essays/anti-inflation-measures (accessed November 12, 2026).

[338] Bill Medley, "Volcker's Announcement of Anti-Inflation Measures," Federal Reserve History, Federal Reserve System. https://www.federalreservehistory.org/essays/anti-inflation-measures (accessed November 12, 2026).

[339] Bill Medley, "Volcker's Announcement of Anti-Inflation Measures," Federal Reserve History, Federal Reserve System. https://www.federalreservehistory.org/essays/anti-inflation-measures (accessed November 12, 2026).

[340] Michael Bryan, "The Great Inflation," Federal Reserve History, Federal Reserve System. https://www.federalreservehistory.org/essays/great-inflation (accessed November 12, 2026).

[341] U.S. Bureau of Labor Statistics, Consumer Price Index for All Urban Consumers: All Items in U.S. City Average (CPIAUCNS), not seasonally adjusted, 1982-84=100, retrieved from Federal Reserve Bank of St. Louis, FRED, last updated November 10, 2026. https://fred.stlouisfed.org/series/CPIAUCNS (accessed November 12, 2026).

[342] Bill Medley, "Volcker's Announcement of Anti-Inflation Measures," Federal Reserve History, Federal Reserve System. https://www.federalreservehistory.org/essays/anti-inflation-measures (accessed November 12, 2026).

School	Main explanation	Evidence its supporters cite
central bank history	could trade more inflation for lower unemployment, and let expectations come loose[343]	both rose in the 1970s, which the simple trade-off did not predict
Supply shock	Oil shocks of 1973 and 1979 pushed up costs[344]	The two biggest inflation jumps followed the two oil shocks
Fiscal	Spending on the Vietnam War and Great Society programs added to demand[345]	Inflation began rising in the late 1960s as spending rose
Gold standard advocates	Ending the gold link in 1971 removed a rule that limited money creation[346]	Inflation went much higher after 1971

My reading of the sources is that most economists see several of these working together: loose policy and wrong beliefs let inflation start, oil shocks made it worse, and expectations kept it going until the Fed broke them at great cost.

What the Episode Taught Policymakers

Federal Reserve History argues that the lessons of the Great Inflation shaped modern central banking, including the idea that keeping inflation expectations steady matters a great deal.[347] That idea runs through the Fed's current strategy statement, which emphasizes well-anchored longer-run inflation expectations.[348]

What It Felt Like

The statistics do not capture everything about the decade. Gas lines in 1973 to 1974 and again in 1979, mortgage rates in the teens, and contracts with automatic cost-of-living clauses were part of everyday life. A family that took out a fixed-rate mortgage before the inflation came out ahead, because their payments stayed the same while their wages rose. A retiree living on a fixed pension fell behind year after year. Those are the patterns described in Chapter 14.

A Comparison with 2021 to 2023

	Great Inflation	Pandemic surge

[343] Michael Bryan, "The Great Inflation," Federal Reserve History, Federal Reserve System. https://www.federalreservehistory.org/essays/great-inflation (accessed November 12, 2026).

[344] Michael Corbett, "Oil Shock of 1973-74," Federal Reserve History, Federal Reserve System, written as of November 22, 2013. https://www.federalreservehistory.org/essays/oil-shock-of-1973-74 (accessed November 12, 2026).

[345] Michael Bryan, "The Great Inflation," Federal Reserve History, Federal Reserve System. https://www.federalreservehistory.org/essays/great-inflation (accessed November 12, 2026).

[346] Michael D. Bordo, "Gold Standard," The Concise Encyclopedia of Economics, Econlib, Liberty Fund. https://www.econlib.org/library/Enc/GoldStandard.html (accessed November 12, 2026).

[347] Michael Bryan, "The Great Inflation," Federal Reserve History, Federal Reserve System. https://www.federalreservehistory.org/essays/great-inflation (accessed November 12, 2026).

[348] Federal Open Market Committee, "Statement on Longer-Run Goals and Monetary Policy Strategy," adopted effective January 24, 2012, as reaffirmed effective January 27, 2026. https://www.federalreserve.gov/monetarypolicy/files/FOMC_LongerRunGoals.pdf (accessed November 12, 2026).

	Great Inflation	Pandemic surge
Peak 12-month CPI inflation	Close to 15 percent in March 1980[349]	About 9.1 percent in June 2022[350]
Duration of high inflation	Roughly 1965 to 1982[351]	Roughly 2021 to 2023[352]
Oil shocks	1973 and 1979[353]	2022, and again in 2026[354,355]
Highest federal funds rate	20 percent in late 1980[356]	Not covered here; see the Federal Reserve book
Unemployment at its worst	10.8 percent in late 1982[357]	Not comparable; see the Federal Reserve book

The most important difference, in the view of many economists, is that inflation expectations stayed better anchored after 2021 than in the 1970s.[358,359] Whether they stay anchored after the 2026 oil shock is one of the open questions as of November 12, 2026.

Key Points from This Chapter

- From 1965 to 1982, inflation rose in waves, peaking above 13 percent on an annual average basis in 1980.

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[349] Michael Bryan, "The Great Inflation," Federal Reserve History, Federal Reserve System. https://www.federalreservehistory.org/essays/great-inflation (accessed November 12, 2026).

[350] U.S. Bureau of Labor Statistics, "Consumer prices up 9.1 percent over the year ended June 2022, largest increase in 40 years," The Economics Daily, July 2022. https://www.bls.gov/opub/ted/2022/consumer-prices-up-9-1-percent-over-the-year-ended-june-2022-largest-increase-in-40-years.htm (accessed November 12, 2026).

[351] Michael Bryan, "The Great Inflation," Federal Reserve History, Federal Reserve System. https://www.federalreservehistory.org/essays/great-inflation (accessed November 12, 2026).

[352] U.S. Bureau of Labor Statistics, Consumer Price Index for All Urban Consumers: All Items in U.S. City Average (CPIAUCNS), not seasonally adjusted, 1982-84=100, retrieved from Federal Reserve Bank of St. Louis, FRED, last updated November 10, 2026. https://fred.stlouisfed.org/series/CPIAUCNS (accessed November 12, 2026).

[353] Michael Corbett, "Oil Shock of 1973-74," Federal Reserve History, Federal Reserve System, written as of November 22, 2013. https://www.federalreservehistory.org/essays/oil-shock-of-1973-74 (accessed November 12, 2026).

[354] Ben S. Bernanke and Olivier Blanchard, "What caused the U.S. pandemic-era inflation?" Hutchins Center Working Paper, Brookings Institution, June 13, 2023. https://www.brookings.edu/articles/what-caused-the-u-s-pandemic-era-inflation/ (accessed November 12, 2026).

[355] Lutz Kilian, Michael Plante, Alexander W. Richter and Xiaoqing Zhou, "Implications of the Iran war for U.S. inflation," Dallas Fed Economics, Federal Reserve Bank of Dallas, April 17, 2026 (views of the authors). https://www.dallasfed.org/research/economics/2026/0417 (accessed November 12, 2026).

[356] Bill Medley, "Volcker's Announcement of Anti-Inflation Measures," Federal Reserve History, Federal Reserve System. https://www.federalreservehistory.org/essays/anti-inflation-measures (accessed November 12, 2026).

[357] Bill Medley, "Volcker's Announcement of Anti-Inflation Measures," Federal Reserve History, Federal Reserve System. https://www.federalreservehistory.org/essays/anti-inflation-measures (accessed November 12, 2026).

[358] Federal Reserve Bank of New York, Center for Microeconomic Data, "Survey of Consumer Expectations," October 2026 survey, released November 9, 2026. https://www.newyorkfed.org/microeconomics/sce (accessed November 12, 2026).

[359] Federal Open Market Committee, "Statement on Longer-Run Goals and Monetary Policy Strategy," adopted effective January 24, 2012, as reaffirmed effective January 27, 2026. https://www.federalreserve.gov/monetarypolicy/files/FOMC_LongerRunGoals.pdf (accessed November 12, 2026).

- Wage and price controls slowed inflation briefly; it surged when they ended.
- Two oil shocks pushed prices higher.
- The Volcker Fed raised interest rates to record levels; inflation fell, but at the cost of two recessions and high unemployment.
- Several causes worked together; schools of thought weigh them differently.

Chapter 13: The Pandemic Surge and After (2021-2026)

The information in this chapter stops at November 12, 2026.

For about 40 years after the Volcker era, inflation in the United States stayed mostly low. Many Americans under 40 had never lived through a real bout of it. That changed in 2021. This chapter covers the surge of 2021 to 2023, the slowdown that followed, and the new pressures of 2025 and 2026.

The Numbers

Table 13-1. CPI-U annual average change, 2019-2025

Year	CPI-U annual average (1982-84=100)	Change from prior year
2019	255.657	1.8%
2020	258.811	1.2%
2021	270.970	4.7%
2022	292.655	8.0%
2023	304.702	4.1%
2024	313.689	2.9%
2025	321.943	2.6%

Source: BLS CPI-U annual averages via FRED; changes are my calculations. The 2025 figure is the average of 11 months because October 2025 was not collected.[360,361]

From 2020 to 2025, the CPI annual average rose about 24 percent.[362] Measured month to month a year apart, the CPI peaked at about 9.1 percent in June 2022, which BLS called the largest increase in 40 years.[363]

What Happened, in Order

Date	Event	Source
March 2020	Pandemic shutdowns; Congress passes large relief bills, including the	[364]

[360] U.S. Bureau of Labor Statistics, Consumer Price Index for All Urban Consumers: All Items in U.S. City Average (CPIAUCNS), not seasonally adjusted, 1982-84=100, retrieved from Federal Reserve Bank of St. Louis, FRED, last updated November 10, 2026. https://fred.stlouisfed.org/series/CPIAUCNS (accessed November 12, 2026).

[361] U.S. Bureau of Labor Statistics, "2025 Federal Government Shutdown Impact on the CPI: Frequently Asked Questions," last modified September 16, 2026. https://www.bls.gov/cpi/additional-resources/2025-federal-government-shutdown-impact-cpi-faq.htm (accessed November 12, 2026).

[362] U.S. Bureau of Labor Statistics, Consumer Price Index for All Urban Consumers: All Items in U.S. City Average (CPIAUCNS), not seasonally adjusted, 1982-84=100, retrieved from Federal Reserve Bank of St. Louis, FRED, last updated November 10, 2026. https://fred.stlouisfed.org/series/CPIAUCNS (accessed November 12, 2026).

[363] U.S. Bureau of Labor Statistics, "Consumer prices up 9.1 percent over the year ended June 2022, largest increase in 40 years," The Economics Daily, July 2022. https://www.bls.gov/opub/ted/2022/consumer-prices-up-9-1-percent-over-the-year-ended-june-2022-largest-increase-in-40-years.htm (accessed November 12, 2026).

Date	Event	Source
	$2.2 trillion CARES Act	
2020-2021	Spending shifts from services to goods; supply chains jam	[365]
March 2021	American Rescue Plan Act, about $1.9 trillion, signed March 11	[366,367]
2021	Prices rise faster; profits and margins widen	[368]
February 2022	Russia invades Ukraine; the United States and its allies impose sweeping sanctions	[369]
March 2022	Federal Reserve begins raising interest rates	[370]
June 2022	CPI 12-month change peaks around 9.1 percent	[371]
2023-2024	Inflation slows; price level stays higher	[372]

What Caused It? The Evidence by School

This is the most heated part of the inflation debate, because it lines up with party politics. I lay out the strongest evidence for each explanation. I test the two most popular one-word versions, "spending" and "greed," in Chapter 16.

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[364] USAFacts, "How does the original $1.9 trillion American Rescue Plan Act compare to the $2.2 trillion CARES Act?" 2021. https://usafacts.org/articles/2021-american-rescue-plan-act-spending-breakdown-cares-act/ (accessed November 12, 2026).

[365] Ben S. Bernanke and Olivier Blanchard, "What caused the U.S. pandemic-era inflation?" Hutchins Center Working Paper, Brookings Institution, June 13, 2023. https://www.brookings.edu/articles/what-caused-the-u-s-pandemic-era-inflation/ (accessed November 12, 2026).

[366] Congress.gov, H.R. 1319, American Rescue Plan Act of 2021, Public Law 117-2, signed March 11, 2021. https://www.congress.gov/bill/117th-congress/house-bill/1319 (accessed November 12, 2026).

[367] USAFacts, "How does the original $1.9 trillion American Rescue Plan Act compare to the $2.2 trillion CARES Act?" 2021. https://usafacts.org/articles/2021-american-rescue-plan-act-spending-breakdown-cares-act/ (accessed November 12, 2026).

[368] Andrew Glover, Jose Mustre-del-Rio and Jalen Nichols, "Corporate Profits Contributed a Lot to Inflation in 2021 but Little in 2022 - A Pattern Seen in Past Economic Recoveries," Economic Bulletin, Federal Reserve Bank of Kansas City, May 12, 2023. https://kansascityfed.org/research/economic-bulletin/corporate-profits-contributed-a-lot-to-inflation-in-2021-but-little-in-2022 (accessed November 12, 2026).

[369] U.S. Department of the Treasury, "Treasury Prohibits Transactions with Central Bank of Russia and Imposes Sanctions on Key Sources of Russia's Wealth," press release, February 28, 2022. https://home.treasury.gov/news/press-releases/jy0612 (accessed November 12, 2026).

[370] Board of Governors of the Federal Reserve System, "Federal Reserve issues FOMC statement," press release, March 16, 2022. https://www.federalreserve.gov/newsevents/pressreleases/monetary20220316a.htm (accessed November 12, 2026).

[371] U.S. Bureau of Labor Statistics, "Consumer prices up 9.1 percent over the year ended June 2022, largest increase in 40 years," The Economics Daily, July 2022. https://www.bls.gov/opub/ted/2022/consumer-prices-up-9-1-percent-over-the-year-ended-june-2022-largest-increase-in-40-years.htm (accessed November 12, 2026).

[372] U.S. Bureau of Labor Statistics, Consumer Price Index for All Urban Consumers: All Items in U.S. City Average (CPIAUCNS), not seasonally adjusted, 1982-84=100, retrieved from Federal Reserve Bank of St. Louis, FRED, last updated November 10, 2026. https://fred.stlouisfed.org/series/CPIAUCNS (accessed November 12, 2026).

Demand from government relief

- In February 2021, before the American Rescue Plan passed, economist Lawrence Summers, who had served as Treasury Secretary under President Clinton, warned in the Washington Post that the size of the plan risked higher inflation.[373]
- Economists at the San Francisco Fed estimated that U.S. fiscal support may have raised inflation by about 3 percentage points by the end of 2021, while noting "considerable uncertainty."[374]
- The Heritage Foundation, a conservative think tank, argued in a 2023 report that federal pandemic-era spending led to "the worst wave of inflation since the 1970s."[375]

Supply shocks

- Bernanke and Blanchard found that "most of the rise in inflation in 2021 and 2022 was driven by developments that directly raised prices rather than wages," such as energy and food prices and sector shortages. They found fiscal policy contributed "primarily through its effects on consumer demand."[376]
- Inflation rose in many countries at the same time, which points to global causes such as energy and shipping. The same San Francisco Fed study, though, found U.S. inflation ran higher than in other advanced countries, which it linked to the size of U.S. fiscal support.[377]

Business margins

- Weber and Wasner argued that the U.S. pandemic inflation was "predominantly a sellers' inflation."[378]
- The Economic Policy Institute, a labor-aligned think tank, estimated that fatter profit margins accounted for over half of price growth in the nonfinancial corporate sector from mid-2020 through 2021.[379]

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[373] Lawrence H. Summers, "The Biden stimulus is admirably ambitious. But it brings some big risks, too," The Washington Post, February 4, 2021 (as reposted on the author's website). https://larrysummers.com/news-item/the-biden-stimulus-is-admirably-ambitious-but-it-brings-some-big-risks-too/ (accessed November 12, 2026).

[374] Oscar Jorda, Celeste Liu, Fernanda Nechio and Fabian Rivera-Reyes, "Why Is U.S. Inflation Higher than in Other Countries?" FRBSF Economic Letter 2022-07, Federal Reserve Bank of San Francisco, March 28, 2022. https://www.frbsf.org/research-and-insights/publications/economic-letter/2022/03/why-is-us-inflation-higher-than-in-other-countries/ (accessed November 12, 2026).

[375] The Heritage Foundation, "The Road to Inflation: How an Unprecedented Federal Spending Spree Created Economic Turmoil," Special Report No. 276, 2023 (advocacy, conservative think tank). https://report.heritage.org/sr276 (accessed November 12, 2026).

[376] Ben S. Bernanke and Olivier Blanchard, "What caused the U.S. pandemic-era inflation?" Hutchins Center Working Paper, Brookings Institution, June 13, 2023. https://www.brookings.edu/articles/what-caused-the-u-s-pandemic-era-inflation/ (accessed November 12, 2026).

[377] Oscar Jorda, Celeste Liu, Fernanda Nechio and Fabian Rivera-Reyes, "Why Is U.S. Inflation Higher than in Other Countries?" FRBSF Economic Letter 2022-07, Federal Reserve Bank of San Francisco, March 28, 2022. https://www.frbsf.org/research-and-insights/publications/economic-letter/2022/03/why-is-us-inflation-higher-than-in-other-countries/ (accessed November 12, 2026).

[378] Isabella M. Weber and Evan Wasner, "Sellers' inflation, profits and conflict: why can large firms hike prices in an emergency?" Review of Keynesian Economics, vol. 11, no. 2 (Summer 2023), pp. 183-213. https://s3.documentcloud.org/documents/25050964/weber-wasner.pdf (accessed November 12, 2026).

[379] Economic Policy Institute, "Corporate profits have contributed disproportionately to inflation. How should policymakers respond?" Working Economics Blog, 2022 (advocacy; labor-aligned think tank) [author and exact date not shown on the

- Economists at the Kansas City Fed found profits contributed a lot to inflation in 2021 "but little in 2022," a pattern they said is common early in recoveries.[380]

The Federal Reserve's timing

Many economists, including some at the Fed, have argued that the Fed waited too long to raise rates in 2021, in part because it expected the surge to be temporary. The Federal Reserve book in this series covers that debate.

The Slowdown, 2023 to 2025

Annual inflation fell from 8.0 percent in 2022 to 4.1 percent in 2023, 2.9 percent in 2024 and 2.6 percent in 2025.[381] That was **disinflation**. Prices kept rising, only more slowly. That is why many people still felt squeezed even as the official rate fell.[382]

2025: Tariffs, a Shutdown and a Data Gap

Three things in 2025 matter for the price story.

Tariffs. In 2025 the administration imposed new tariffs on imports from many countries, many of them under the International Emergency Economic Powers Act (IEEPA). A Federal Reserve Board note in April 2026 estimated that the 2025 tariffs had "raised core goods PCE prices by 3.1 percent through February 2026," contributing to "a 0.8 percent boost in core PCE prices as a whole," and that pass-through was "effectively complete."[383] The White House argued in September 2025 that U.S. goods inflation was lower than in other countries and disputed attributing the rise in goods inflation to trade policy.[384]

The Supreme Court. On February 20, 2026, in *Learning Resources, Inc. v. Trump*, the Supreme Court held that "IEEPA does not authorize the President to impose tariffs." Chief Justice John Roberts wrote the opinion of the Court; Justices Kavanaugh, Thomas and Alito

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page as read; Not verified]. https://www.epi.org/blog/corporate-profits-have-contributed-disproportionately-to-inflation-how-should-policymakers-respond/ (accessed November 12, 2026).

[380] Andrew Glover, Jose Mustre-del-Rio and Jalen Nichols, "Corporate Profits Contributed a Lot to Inflation in 2021 but Little in 2022 - A Pattern Seen in Past Economic Recoveries," Economic Bulletin, Federal Reserve Bank of Kansas City, May 12, 2023. https://kansascityfed.org/research/economic-bulletin/corporate-profits-contributed-a-lot-to-inflation-in-2021-but-little-in-2022 (accessed November 12, 2026).

[381] U.S. Bureau of Labor Statistics, Consumer Price Index for All Urban Consumers: All Items in U.S. City Average (CPIAUCNS), not seasonally adjusted, 1982-84=100, retrieved from Federal Reserve Bank of St. Louis, FRED, last updated November 10, 2026. https://fred.stlouisfed.org/series/CPIAUCNS (accessed November 12, 2026).

[382] Stefanie Stantcheva, "Why Do We Dislike Inflation?" Brookings Papers on Economic Activity, Spring 2024, Brookings Institution, March 27, 2024. https://www.brookings.edu/articles/why-do-we-dislike-inflation/ (accessed November 12, 2026).

[383] Robert Minton, Madeleine Ray and Mariano Somale, "Detecting Tariff Effects on Consumer Prices in Real Time - Part II," FEDS Notes, Board of Governors of the Federal Reserve System, April 8, 2026. https://www.federalreserve.gov/econres/notes/feds-notes/detecting-tariff-effects-on-consumer-prices-in-real-time-part-II-20260408.html (accessed November 12, 2026).

[384] The White House, "U.S. Goods Inflation Lower than Other Countries," September 3, 2025. https://www.whitehouse.gov/releases/2025/09/u-s-goods-inflation-lower-than-other-countries/ (accessed November 12, 2026).

dissented.[385] What happened to tariffs imposed under other laws, and to refunds of tariffs already paid, is beyond what I could confirm for this book. **[Not verified]** Searched: the Supreme Court opinion and news coverage available to me as of November 12, 2026.

The shutdown. As described in Chapter 4, BLS did not collect October 2025 prices, and it carried forward prices from earlier months, which BLS said "may result in an underestimation" when prices are rising.[386]

2026: The Iran War and the Oil Shock

In late February 2026, war broke out involving Iran and disrupted oil and refined product exports from the Middle East.[387] In April 2026, Dallas Fed economists estimated that in their central scenario the war would add about 0.6 percentage points to 2026 headline PCE inflation and 0.2 points to core PCE inflation, measured fourth quarter to fourth quarter. In a scenario with a longer closure of the Strait of Hormuz, the headline effect rose to 1.1 points.[388] These are estimates from a model, published as the views of the authors.[389]

Gasoline shows the effect most clearly. In the October 2026 CPI report, the gasoline index was up 37.4 percent from a year earlier.[390] The Energy Information Administration (EIA) reported the U.S. average price of regular gasoline at $3.995 a gallon for the week of November 9, 2026, down 15.8 cents from the week before, and about 94 cents higher than a year earlier.[391]

Where the CPI Stood in Fall 2026

Table 13-2. CPI-U, not seasonally adjusted (1982-84=100), selected months (information as of November 12, 2026)

Month	Index
September 2025	324.800
November 2025	324.122

[385] Supreme Court of the United States, Learning Resources, Inc. v. Trump, No. 24-1287, 607 U.S. 229, decided February 20, 2026 (slip opinion). https://www.supremecourt.gov/opinions/25pdf/607us2r12_8nj9.pdf (accessed November 12, 2026).

[386] U.S. Bureau of Labor Statistics, "2025 Federal Government Shutdown Impact on the CPI: Frequently Asked Questions," last modified September 16, 2026. https://www.bls.gov/cpi/additional-resources/2025-federal-government-shutdown-impact-cpi-faq.htm (accessed November 12, 2026).

[387] Lutz Kilian, Michael Plante, Alexander W. Richter and Xiaoqing Zhou, "Implications of the Iran war for U.S. inflation," Dallas Fed Economics, Federal Reserve Bank of Dallas, April 17, 2026 (views of the authors). https://www.dallasfed.org/research/economics/2026/0417 (accessed November 12, 2026).

[388] Lutz Kilian, Michael Plante, Alexander W. Richter and Xiaoqing Zhou, "Implications of the Iran war for U.S. inflation," Dallas Fed Economics, Federal Reserve Bank of Dallas, April 17, 2026 (views of the authors). https://www.dallasfed.org/research/economics/2026/0417 (accessed November 12, 2026).

[389] Lutz Kilian, Michael Plante, Alexander W. Richter and Xiaoqing Zhou, "Implications of the Iran war for U.S. inflation," Dallas Fed Economics, Federal Reserve Bank of Dallas, April 17, 2026 (views of the authors). https://www.dallasfed.org/research/economics/2026/0417 (accessed November 12, 2026).

[390] U.S. Bureau of Labor Statistics, "Consumer Price Index - October 2026," news release USDL-26-1685, November 10, 2026. https://www.bls.gov/news.release/cpi.nr0.htm (accessed November 12, 2026).

[391] U.S. Energy Information Administration, "Gasoline and Diesel Fuel Update," release date November 10, 2026. https://www.eia.gov/petroleum/gasdiesel/ (accessed November 12, 2026).

Month	Index
December 2025	324.054
September 2026	336.940
October 2026	337.511

Source: BLS via FRED.[392]

From these figures:

- The CPI-U rose about 3.7 percent from September 2025 to September 2026, my calculation.[393]
- From December 2025 to October 2026, it rose about 4.2 percent in ten months, my calculation.[394]
- The October 2026 report showed a 0.4 percent seasonally adjusted rise from September, after 0.6 percent in September.[395]
- BLS could not publish 12-month changes for most October 2026 indexes, because the October 2025 data do not exist.[396]

The PCE price index rose 3.6 percent in the 12 months through September 2026, and core PCE rose 3.1 percent.[397]

How the Fed Responded

The Federal Reserve's chair changed in 2026. Kevin Warsh took office as Chair of the Board of Governors on May 22, 2026.[398] At its October 28, 2026 meeting, the Federal Open Market Committee kept the federal funds rate target range at 3-3/4 to 4 percent. It said "Inflation remains elevated." Two members, Lisa Cook and Beth Hammack, dissented because they

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[392] U.S. Bureau of Labor Statistics, Consumer Price Index for All Urban Consumers: All Items in U.S. City Average (CPIAUCNS), not seasonally adjusted, 1982-84=100, retrieved from Federal Reserve Bank of St. Louis, FRED, last updated November 10, 2026. https://fred.stlouisfed.org/series/CPIAUCNS (accessed November 12, 2026).

[393] U.S. Bureau of Labor Statistics, Consumer Price Index for All Urban Consumers: All Items in U.S. City Average (CPIAUCNS), not seasonally adjusted, 1982-84=100, retrieved from Federal Reserve Bank of St. Louis, FRED, last updated November 10, 2026. https://fred.stlouisfed.org/series/CPIAUCNS (accessed November 12, 2026).

[394] U.S. Bureau of Labor Statistics, Consumer Price Index for All Urban Consumers: All Items in U.S. City Average (CPIAUCNS), not seasonally adjusted, 1982-84=100, retrieved from Federal Reserve Bank of St. Louis, FRED, last updated November 10, 2026. https://fred.stlouisfed.org/series/CPIAUCNS (accessed November 12, 2026).

[395] U.S. Bureau of Labor Statistics, "Consumer Price Index - October 2026," news release USDL-26-1685, November 10, 2026. https://www.bls.gov/news.release/cpi.nr0.htm (accessed November 12, 2026).

[396] U.S. Bureau of Labor Statistics, "Consumer Price Index - October 2026," news release USDL-26-1685, November 10, 2026. https://www.bls.gov/news.release/cpi.nr0.htm (accessed November 12, 2026).

[397] U.S. Bureau of Economic Analysis, "Personal Income and Outlays, September 2026," news release, October 29, 2026. https://www.bea.gov/news/2026/personal-income-and-outlays-september-2026 (accessed November 12, 2026).

[398] Board of Governors of the Federal Reserve System, "Kevin Warsh, Chairman," biography, updated June 17, 2026. https://www.federalreserve.gov/aboutthefed/bios/board/warsh.htm (accessed November 12, 2026).

preferred raising the rate by a quarter point.[399] The Federal Reserve book in this series covers these decisions.

Key Points from This Chapter

- Inflation surged in 2021 and 2022, peaking around 9 percent on a 12-month basis in mid-2022.
- Supply shocks, government relief spending, Fed timing and business margins all played roles; the size of each is debated.
- Inflation slowed from 2023 to 2025, but prices did not fall.
- In 2025, new tariffs raised goods prices, according to a Fed estimate; the Supreme Court later held that IEEPA does not authorize tariffs.
- In 2026, the Iran war pushed gasoline prices up sharply, and inflation rose again.

[399] Board of Governors of the Federal Reserve System, "Federal Reserve issues FOMC statement," press release, October 28, 2026. https://www.federalreserve.gov/newsevents/pressreleases/monetary20261028a.htm (accessed November 12, 2026).

Part Five: Who Gets Hurt and Who Doesn't

Chapter 14: Renters, Owners, Savers, Borrowers, Retirees and Workers

Inflation does not hit everyone the same way. The same 4 percent rise in prices can leave one family worse off, another about even, and a third ahead. Whether you win or lose depends mostly on two things: what you buy, and whether your income, savings and debts are fixed in dollars or adjust with prices.

The Basic Rule: Fixed Dollars Lose, Flexible Dollars Keep Up

Here is the one idea that explains most of this chapter.

- If you are **owed** a fixed number of dollars (a fixed pension, cash savings, a fixed-rate loan you made to someone), inflation makes those dollars worth less. You lose.
- If you **owe** a fixed number of dollars (a fixed-rate mortgage, a car loan), inflation makes those dollars easier to pay back. You gain, at least on that debt.
- If your income or assets **adjust** with prices (inflation-indexed benefits, wages that rise with inflation, property whose value tracks prices), you are partly or fully protected.

That is the same pattern you saw in Chapter 7, when indebted farmers in the 1890s wanted more money in circulation and lenders wanted gold.

Renters and Owners

Renters feel rising rents directly when their leases renew. Rent of primary residence made up 7.840 percent of the CPI-U as of December 2025.[400]

Owners with a fixed-rate mortgage are in a different spot. Their monthly principal and interest payment does not change when prices rise. Over time, inflation makes that payment a smaller share of a rising income. Their home may also rise in value. Their costs for property taxes, insurance, repairs and utilities still go up.

Would-be buyers can be hit hardest. When inflation leads to higher interest rates, both home prices and mortgage rates can be high at once. As Chapter 5 explained, neither the purchase price nor mortgage interest appears directly in the CPI.[401] That is one reason young families looking to buy may feel that the official numbers miss their reality.[402]

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[400] U.S. Bureau of Labor Statistics, "Relative importance of components in the Consumer Price Indexes: U.S. city average, December 2025" (Table 1, 2024 weights). https://www.bls.gov/cpi/tables/relative-importance/2025.htm (accessed November 12, 2026).

[401] U.S. Bureau of Labor Statistics, "Handbook of Methods: Consumer Price Index, Concepts". https://www.bls.gov/opub/hom/cpi/concepts.htm (accessed November 12, 2026).

[402] Marijn A. Bolhuis, Judd N. L. Cramer, Karl Oskar Schulz and Lawrence H. Summers, "The Cost of Money is Part of the Cost of Living: New Evidence on the Consumer Sentiment Anomaly," NBER Working Paper 32163, National Bureau of Economic Research, February 2024. https://www.nber.org/papers/w32163 (accessed November 12, 2026).

Savers and Borrowers

Savers with cash lose buying power whenever the interest they earn is below the inflation rate. If your savings account pays 1 percent and inflation is 4 percent, your money buys about 3 percent less each year. Economists call the interest rate minus inflation the **real interest rate**.

Inflation-protected savings. The federal government sells two kinds of savings that adjust for inflation:

- **Series I savings bonds** pay a rate made of a fixed part and an inflation part that resets twice a year based on the CPI-U.[403]
- **Treasury Inflation-Protected Securities (TIPS)** have a principal value that rises and falls with the CPI-U. BLS has noted that the federal government uses the CPI-U to calculate these adjustments.[404]

Borrowers with fixed-rate debt benefit from surprise inflation because they repay with dollars that are worth less. **Borrowers with variable-rate debt**, such as most credit cards, are hurt when inflation leads to higher interest rates.

The federal government is the largest borrower of all. Inflation reduces the real value of debt already issued at fixed rates, but higher interest rates raise the cost of new borrowing. The National Debt book in this series covers that.

Retirees and Cost-of-Living Adjustments

How the Social Security COLA Works

Social Security benefits rise each year by a **cost-of-living adjustment (COLA)** tied to the CPI-W. The Social Security Administration (SSA) explains the rule this way: the COLA "is equal to the percentage increase (if any) in the CPI-W from the average for the third quarter of the current year to the average for the third quarter of the last year in which a COLA became effective."[405]

Table 14-1. Recent Social Security COLAs (information as of November 12, 2026)

Benefits payable starting	COLA
January 2026	2.8 percent
January 2027	3.6 percent

Sources: SSA.[406,407]

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[403] U.S. Department of the Treasury, Bureau of the Fiscal Service, TreasuryDirect, "I bonds interest rates". https://treasurydirect.gov/savings-bonds/i-bonds/i-bonds-interest-rates/ (accessed November 12, 2026).

[404] John S. Greenlees and Robert B. McClelland, "Addressing misconceptions about the Consumer Price Index," Monthly Labor Review, U.S. Bureau of Labor Statistics, August 2008. https://www.bls.gov/opub/mlr/2008/08/art1full.pdf (accessed November 12, 2026).

[405] Social Security Administration, Office of the Chief Actuary, "Latest Cost-of-Living Adjustment". https://www.ssa.gov/oact/cola/latestCOLA.html (accessed November 12, 2026).

[406] Social Security Administration, "Cost-of-Living Adjustment (COLA) Information," 2027 COLA announcement. https://www.ssa.gov/cola/ (accessed November 12, 2026).

SSA's worked example for the 2027 COLA: the third-quarter 2025 average CPI-W was 317.265 and the third-quarter 2026 average was 328.746, an increase of 3.6 percent.[408] SSA says benefits for about 76 million Americans rise 3.6 percent in 2027.[409]

The CPI-E Debate

Older Americans spend their money differently from the wage-earner households in the CPI-W. They tend to spend more on health care and housing. BLS publishes a research index, the R-CPI-E, for Americans 62 and older, to show what prices look like with older Americans' spending weights.[410] BLS cautions that "any conclusions drawn from these analyses should be treated as tentative." Its spending weights come from a much smaller sample, which is "expected to have a higher sampling error," and it uses the same stores, items and areas as the regular CPI, which may miss discounts older people get.[411]

Some advocates for seniors argue Social Security should switch to the CPI-E, which has often risen faster than the CPI-W. Others argue the chained CPI, which usually rises more slowly, would be more accurate. Either change would require an act of Congress. I test the claim that "Social Security COLAs don't keep up with what seniors really pay" in Chapter 16. The Social Security book in this series covers COLAs in full.

Private Pensions

A retiree with a fixed monthly pension of $2,000 who lives 25 years at 3 percent inflation will see that pension buy about half as much at the end, my calculation using compound interest.

Workers

Workers are hurt when prices rise faster than pay. BLS publishes a monthly "Real Earnings" report that adjusts average hourly earnings for inflation. The latest, released November 10, 2026, found that real average hourly earnings were "unchanged from September to October." Because of the 2025 shutdown, BLS said, "over-the-year comparisons from October 2025 to October 2026 are not available."[412]

Wages usually lag prices during an inflation surge, then catch up partly or fully later. People notice the lag. In Stefanie Stantcheva's survey research, many respondents said they believed

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[407] Social Security Administration, Office of the Chief Actuary, "Latest Cost-of-Living Adjustment". https://www.ssa.gov/oact/cola/latestCOLA.html (accessed November 12, 2026).

[408] Social Security Administration, Office of the Chief Actuary, "Latest Cost-of-Living Adjustment". https://www.ssa.gov/oact/cola/latestCOLA.html (accessed November 12, 2026).

[409] Social Security Administration, "Cost-of-Living Adjustment (COLA) Information," 2027 COLA announcement. https://www.ssa.gov/cola/ (accessed November 12, 2026).

[410] U.S. Bureau of Labor Statistics, "R-CPI-E Homepage" (research index for Americans 62 and older), last modified November 10, 2026. https://www.bls.gov/cpi/research-series/r-cpi-e-home.htm (accessed November 12, 2026).

[411] U.S. Bureau of Labor Statistics, "R-CPI-E Homepage" (research index for Americans 62 and older), last modified November 10, 2026. https://www.bls.gov/cpi/research-series/r-cpi-e-home.htm (accessed November 12, 2026).

[412] U.S. Bureau of Labor Statistics, "Real Earnings - October 2026," news release, November 10, 2026. https://www.bls.gov/news.release/realer.nr0.htm (accessed November 12, 2026).

"wages grow much more slowly than prices."[413] That belief, true or not in a given year, shapes how people feel about inflation.

Workers with less bargaining power, or in jobs where pay is set once a year, tend to fall further behind in a surge.

Taxes

Inflation can raise taxes even when Congress does nothing, unless the tax code is indexed. Federal income tax brackets, the standard deduction and many other amounts are adjusted each year for inflation, using the chained CPI since the Tax Cuts and Jobs Act of 2017.[414] Some amounts are fixed in dollars instead. For example, the IRS limits the capital loss you can deduct against other income to "the lesser of $3,000 ($1,500 if married filing separately)" or your total net loss, and that figure is a flat dollar amount.[415] Capital gains are taxed on the full dollar gain, including the part that is only inflation. The Income Tax and the IRS book in this series covers this.

Worked Examples

A saver. You put $10,000 in a savings account earning 1 percent for a year while inflation runs 4 percent. You end with $10,100. But it now takes about $10,400 to buy what $10,000 bought a year earlier. You lost about $300 in buying power, even though your balance went up. These are illustrative numbers.

A borrower. You owe $200,000 on a 30-year fixed-rate mortgage. Your monthly payment does not change. If prices and wages rise 4 percent a year, that same payment takes a smaller share of your pay each year. Inflation is helping you, at the lender's expense.

A retiree. A retiree gets $2,000 a month from Social Security in 2026. With the 3.6 percent COLA, the benefit rises to $2,072 starting January 2027.[416] If the prices this retiree pays rose faster than the CPI-W, for example because they spend more on medical care, their real benefit fell; if slower, it rose.

A worker. A worker earns $25 an hour and gets a 3 percent raise to $25.75. If prices rose 4 percent, the worker's real wage fell about 1 percent. If prices rose 2 percent, it rose about 1 percent.

Summary Table

Group	Usually hurt or helped by unexpected inflation	Why

[413] Stefanie Stantcheva, "Why Do We Dislike Inflation?" Brookings Papers on Economic Activity, Spring 2024, Brookings Institution, March 27, 2024. https://www.brookings.edu/articles/why-do-we-dislike-inflation/ (accessed November 12, 2026).

[414] Jane G. Gravelle, "Tax Cuts and Jobs Act (H.R. 1): Conference Agreement," Congressional Research Service In Focus IF10792, December 19, 2017. https://www.everycrsreport.com/reports/IF10792.html (accessed November 12, 2026).

[415] Internal Revenue Service, "Topic no. 409, Capital gains and losses," last reviewed November 9, 2026. https://www.irs.gov/taxtopics/tc409 (accessed November 12, 2026).

[416] Social Security Administration, "Cost-of-Living Adjustment (COLA) Information," 2027 COLA announcement. https://www.ssa.gov/cola/ (accessed November 12, 2026).

Group	Usually hurt or helped by unexpected inflation	Why
Renters	Hurt	Rents rise at renewal
Owners with fixed-rate mortgages	Often helped	Payment fixed, home value may rise
Would-be buyers	Hurt when rates rise	Higher prices and mortgage rates together
Cash savers	Hurt	Interest often below inflation
Holders of I bonds or TIPS	Protected	Tied to CPI-U
Fixed-rate borrowers	Helped	Repay with cheaper dollars
Variable-rate borrowers	Hurt	Rates rise
Social Security recipients	Mostly protected, with a lag	COLA tied to CPI-W once a year
Private pensioners	Often hurt	Most pensions not fully indexed
Workers	Hurt in the short run; may catch up	Wages lag prices

Key Points from This Chapter

- Inflation moves wealth from people owed fixed dollars to people who owe fixed dollars.
- Social Security COLAs follow the CPI-W; the 2027 COLA is 3.6 percent.
- Renters, cash savers, would-be buyers and many workers tend to be hurt most in a surge.
- Inflation-protected savings and indexed benefits reduce the damage.

Chapter 15: What a Dollar Buys: 1913, 1950, 1980 and 2000

The information in this chapter stops at November 12, 2026.

People love questions like "What would a 1950 dollar be worth today?" They are good questions, and the official data can answer them, as long as we are clear about what the answer means. In this chapter I show the tables, explain how I made them, and show you how to do the math yourself.

Which Measure I Used

All tables in this chapter use the **Consumer Price Index for All Urban Consumers (CPI-U), U.S. city average, all items, not seasonally adjusted, 1982-84=100**, published by BLS.[417] I used the annual average index for each past year, and two "today" figures:

- the **2025 annual average**, 321.943, which is the most recent full year. BLS computed it from 11 months because October 2025 was not collected;[418,419] and
- the **October 2026 monthly index**, 337.511, the newest figure available on November 12, 2026.[420]

The BLS CPI Inflation Calculator uses the same CPI-U series, so you can check any of these numbers there.[421] Small differences can come from rounding, or from the calculator comparing a specific month instead of a year.

The Math

To convert dollars from one year into another year's dollars:

> Amount in later dollars = Amount in earlier dollars x (CPI in later period / CPI in earlier period)

For example, $1.00 in 1950 dollars in October 2026 dollars = $1.00 x (337.511 / 24.067) = about $14.02.[422,423]

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[417] U.S. Bureau of Labor Statistics, Consumer Price Index for All Urban Consumers: All Items in U.S. City Average (CPIAUCNS), not seasonally adjusted, 1982-84=100, retrieved from Federal Reserve Bank of St. Louis, FRED, last updated November 10, 2026. https://fred.stlouisfed.org/series/CPIAUCNS (accessed November 12, 2026).

[418] U.S. Bureau of Labor Statistics, Consumer Price Index for All Urban Consumers: All Items in U.S. City Average (CPIAUCNS), not seasonally adjusted, 1982-84=100, retrieved from Federal Reserve Bank of St. Louis, FRED, last updated November 10, 2026. https://fred.stlouisfed.org/series/CPIAUCNS (accessed November 12, 2026).

[419] U.S. Bureau of Labor Statistics, "2025 Federal Government Shutdown Impact on the CPI: Frequently Asked Questions," last modified September 16, 2026. https://www.bls.gov/cpi/additional-resources/2025-federal-government-shutdown-impact-cpi-faq.htm (accessed November 12, 2026).

[420] U.S. Bureau of Labor Statistics, "Consumer Price Index - October 2026," news release USDL-26-1685, November 10, 2026. https://www.bls.gov/news.release/cpi.nr0.htm (accessed November 12, 2026).

[421] U.S. Bureau of Labor Statistics, "CPI Inflation Calculator". https://www.bls.gov/data/inflation_calculator.htm (accessed November 12, 2026).

Table 15-1. What $1.00 from a Past Year Equals Today

(CPI-U; information as of November 12, 2026)

Year	CPI-U annual average	Equal to this many 2025 dollars	Equal to this many October 2026 dollars
1913	9.883	$32.58	$34.15
1920	20.042	$16.06	$16.84
1930	16.700	$19.28	$20.21
1940	14.008	$22.98	$24.09
1950	24.067	$13.38	$14.02
1960	29.575	$10.89	$11.41
1970	38.825	$8.29	$8.69
1980	82.408	$3.91	$4.10
1990	130.658	$2.46	$2.58
2000	172.200	$1.87	$1.96
2010	218.056	$1.48	$1.55
2020	258.811	$1.24	$1.30

Sources: CPI values from BLS via FRED and the October 2026 CPI release; conversions are my calculations.[424,425]

Notice that a 1930 or 1940 dollar was worth *more* in today's money than a 1920 dollar. That is because prices fell in the 1920s and early 1930s.[426]

Table 15-2. What Today's Dollar Would Have Bought in the Past

Turned around: how much of a past year's money equals $1.00 in October 2026?

Year	October 2026 $1.00 equals	Percent of buying power lost since that year
1913	2.9 cents	97.1%
1950	7.1 cents	92.9%

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[422] U.S. Bureau of Labor Statistics, Consumer Price Index for All Urban Consumers: All Items in U.S. City Average (CPIAUCNS), not seasonally adjusted, 1982-84=100, retrieved from Federal Reserve Bank of St. Louis, FRED, last updated November 10, 2026. https://fred.stlouisfed.org/series/CPIAUCNS (accessed November 12, 2026).

[423] U.S. Bureau of Labor Statistics, "Consumer Price Index - October 2026," news release USDL-26-1685, November 10, 2026. https://www.bls.gov/news.release/cpi.nro.htm (accessed November 12, 2026).

[424] U.S. Bureau of Labor Statistics, Consumer Price Index for All Urban Consumers: All Items in U.S. City Average (CPIAUCNS), not seasonally adjusted, 1982-84=100, retrieved from Federal Reserve Bank of St. Louis, FRED, last updated November 10, 2026. https://fred.stlouisfed.org/series/CPIAUCNS (accessed November 12, 2026).

[425] U.S. Bureau of Labor Statistics, "Consumer Price Index - October 2026," news release USDL-26-1685, November 10, 2026. https://www.bls.gov/news.release/cpi.nro.htm (accessed November 12, 2026).

[426] U.S. Bureau of Labor Statistics, Consumer Price Index for All Urban Consumers: All Items in U.S. City Average (CPIAUCNS), not seasonally adjusted, 1982-84=100, retrieved from Federal Reserve Bank of St. Louis, FRED, last updated November 10, 2026. https://fred.stlouisfed.org/series/CPIAUCNS (accessed November 12, 2026).

Year	October 2026 $1.00 equals	Percent of buying power lost since that year
1980	24.4 cents	75.6%
2000	51.0 cents	49.0%

Source: my calculations from the CPI-U values above.[427,428]

So the arithmetic behind the popular claim that "the dollar has lost 97 percent of its value since 1913" checks out, using the CPI-U and October 2026 prices. Chapter 16 explains why the arithmetic is only part of the story.

Picking the Right Comparison

You may see different "today's dollars" figures online for the same year. Here is why:

- Some use the most recent month (here, October 2026); others use the most recent full year (2025).
- Some use the CPI-U; others use the CPI-W, the PCE price index or a GDP measure.
- Some round the base year index; the BLS index for 1913 is 9.9 when rounded to one decimal.

All can be correct for their method. A good table always says which index, which months and which base it used. That is why every table in this book has those details in its title or notes.

What These Tables Do Not Tell You

These numbers are accurate for what they measure. Here is what they do not measure.

1. They are averages. They track the average basket. Some things rose much more than average and some much less. Televisions, phones and many manufactured goods are cheaper in real terms than decades ago, while many services, such as health care and college, rose much faster. You can see category detail in the BLS data.[429]

2. The basket changed. A 1950 household did not buy streaming services, smartphones or many medicines that exist today. Comparing across 75 years means comparing very different lives.

3. Incomes changed too. A dollar losing 93 percent of its buying power since 1950 does not mean people are 93 percent poorer. Wages and incomes also rose over that period. Whether they rose faster or slower than prices depends on the group and the years you choose. BLS's real earnings data and Census income data are the places to look.[430] The Census Bureau reported in

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[427] U.S. Bureau of Labor Statistics, Consumer Price Index for All Urban Consumers: All Items in U.S. City Average (CPIAUCNS), not seasonally adjusted, 1982-84=100, retrieved from Federal Reserve Bank of St. Louis, FRED, last updated November 10, 2026. https://fred.stlouisfed.org/series/CPIAUCNS (accessed November 12, 2026).

[428] U.S. Bureau of Labor Statistics, "Consumer Price Index - October 2026," news release USDL-26-1685, November 10, 2026. https://www.bls.gov/news.release/cpi.nr0.htm (accessed November 12, 2026).

[429] U.S. Bureau of Labor Statistics, "Consumer Price Index - October 2026," news release USDL-26-1685, November 10, 2026. https://www.bls.gov/news.release/cpi.nr0.htm (accessed November 12, 2026).

[430] U.S. Bureau of Labor Statistics, "Real Earnings - October 2026," news release, November 10, 2026. https://www.bls.gov/news.release/realer.nr0.htm (accessed November 12, 2026).

September 2026 that "U.S. real median household income was $87,460 in 2025, up 2.6% from the previous year and the highest on record since 1967."[431] "Real" there means already adjusted for inflation.

4. Savings could earn interest. Someone who kept $1 in a mattress since 1950 lost most of its value. Someone who saved it at interest, or invested it, may have more than kept up. The "lost value" figure assumes the dollar just sat there.

5. The index itself changed. BLS improved its methods over time, as Chapter 4 describes.[432] Critics argue those changes made recent inflation look lower than older inflation; BLS and many economists argue they made the index more accurate.[433,434] Either way, a long series is stitched together from different methods.

Table 15-3. Inflation Decade by Decade, 1914 to 2025

The tables above jump between a few chosen years. This one fills in the path between them. Each row shows the average yearly change in the CPI-U annual average across the decade, plus that decade's highest and lowest single year. The 2020s row runs only through 2025, and the 2025 figure is the 11-month average described in Chapter 2.[435]

Years	Average yearly change	Highest year	Lowest year
1914-1919	9.8%	1917: 17.8%	1915: 0.9%
1920-1929	-0.1%	1920: 15.6%	1921: -10.9%
1930-1939	-2.1%	1937: 3.7%	1932: -10.3%
1940-1949	5.5%	1947: 14.4%	1949: -1.0%
1950-1959	2.0%	1951: 7.9%	1955: -0.3%
1960-1969	2.3%	1969: 5.5%	1961: 1.1%
1970-1979	7.1%	1979: 11.3%	1972: 3.3%
1980-1989	5.5%	1980: 13.5%	1986: 1.9%
1990-1999	3.0%	1990: 5.4%	1998: 1.6%
2000-2009	2.6%	2008: 3.8%	2009: -0.4%
2010-2019	1.8%	2011: 3.2%	2015: 0.1%
2020-2025	3.9%	2022: 8.0%	2020: 1.2%

[431] Zach Scherer, "Median Household Income in 2025 Surpassed Previous Highs Before and After the COVID-19 Pandemic," U.S. Census Bureau, September 15, 2026. https://www.census.gov/library/stories/2026/09/median-household-income.html (accessed November 12, 2026).

[432] U.S. Bureau of Labor Statistics, "Handbook of Methods: Consumer Price Index, History". https://www.bls.gov/opub/hom/cpi/history.htm (accessed November 12, 2026).

[433] John S. Greenlees and Robert B. McClelland, "Addressing misconceptions about the Consumer Price Index," Monthly Labor Review, U.S. Bureau of Labor Statistics, August 2008. https://www.bls.gov/opub/mlr/2008/08/art1full.pdf (accessed November 12, 2026).

[434] Shadow Government Statistics (ShadowStats, John Williams), "Alternate Inflation Charts" (advocacy/alternative estimate; not official data). https://www.shadowstats.com/alternate_data/inflation-charts (accessed November 12, 2026).

[435] U.S. Bureau of Labor Statistics, Consumer Price Index for All Urban Consumers: All Items in U.S. City Average (CPIAUCNS), not seasonally adjusted, 1982-84=100, retrieved from Federal Reserve Bank of St. Louis, FRED, last updated November 10, 2026. https://fred.stlouisfed.org/series/CPIAUCNS (accessed November 12, 2026).

A few things stand out:

- **Prices fell in 13 separate years**, all but one of them before 1956: 1921, 1922, 1927, 1928, 1930 through 1933, 1938, 1939, 1949, 1955 and 2009.[436] Falling prices were normal in the gold-standard era and have been rare since.
- **Double-digit years cluster around wars and the 1970s.** Annual averages reached 10 percent or more in 1917 through 1920, 1942, 1947, 1974 and 1979 through 1981.[437] Chapters 11 and 12 explain those episodes.
- **The 2020s peak, 8.0 percent for the 2022 annual average, was high by modern standards but lower than the peaks of 1918, 1947 or 1980.**[438] The 9.1 percent figure you may remember from June 2022 is a 12-month change for a single month, which is a different measurement than a full-year average.[439]
- **The 1930s are the only full decade in which prices fell on average.** Chapter 8 tells that story.

You might ask, "Which decade was the worst?" It depends on what you mean. The 1970s had the longest stretch of high inflation. The 1930s had the worst deflation, and deflation brought its own harm to borrowers, farmers and workers.

Some Everyday Prices

You might ask, "Can you show me real prices for real things?" Gasoline prices are also published weekly by the EIA. For the week of November 9, 2026, regular gasoline averaged $3.995 a gallon, including taxes.[440]

How to Do This Yourself

1. Go to the BLS CPI Inflation Calculator.[441]
2. Enter the amount, the starting month and year, and the ending month and year.
3. Note which index the calculator uses (CPI-U).
4. If you need an annual average, use the historical CPI-U table BLS publishes.[442]

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[436] U.S. Bureau of Labor Statistics, Consumer Price Index for All Urban Consumers: All Items in U.S. City Average (CPIAUCNS), not seasonally adjusted, 1982-84=100, retrieved from Federal Reserve Bank of St. Louis, FRED, last updated November 10, 2026. https://fred.stlouisfed.org/series/CPIAUCNS (accessed November 12, 2026).

[437] U.S. Bureau of Labor Statistics, Consumer Price Index for All Urban Consumers: All Items in U.S. City Average (CPIAUCNS), not seasonally adjusted, 1982-84=100, retrieved from Federal Reserve Bank of St. Louis, FRED, last updated November 10, 2026. https://fred.stlouisfed.org/series/CPIAUCNS (accessed November 12, 2026).

[438] U.S. Bureau of Labor Statistics, Consumer Price Index for All Urban Consumers: All Items in U.S. City Average (CPIAUCNS), not seasonally adjusted, 1982-84=100, retrieved from Federal Reserve Bank of St. Louis, FRED, last updated November 10, 2026. https://fred.stlouisfed.org/series/CPIAUCNS (accessed November 12, 2026).

[439] U.S. Bureau of Labor Statistics, "Consumer prices up 9.1 percent over the year ended June 2022, largest increase in 40 years," The Economics Daily, July 2022. https://www.bls.gov/opub/ted/2022/consumer-prices-up-9-1-percent-over-the-year-ended-june-2022-largest-increase-in-40-years.htm (accessed November 12, 2026).

[440] U.S. Energy Information Administration, "Gasoline and Diesel Fuel Update," release date November 10, 2026. https://www.eia.gov/petroleum/gasdiesel/ (accessed November 12, 2026).

[441] U.S. Bureau of Labor Statistics, "CPI Inflation Calculator". https://www.bls.gov/data/inflation_calculator.htm (accessed November 12, 2026).

[442] U.S. Bureau of Labor Statistics, "Historical CPI-U, October 2026" (supplemental file), November 10, 2026. https://www.bls.gov/cpi/tables/supplemental-files/historical-cpi-u-202610.xlsx (accessed November 12, 2026).

Appendix A in this book lists the CPI-U annual average for every year from 1913 through 2025, so you can do the math by hand.

Key Points from This Chapter

- $1 in 1913 equals about $34.15 in October 2026 money; $1 in 1950 equals about $14.02; $1 in 1980 equals about $4.10; $1 in 2000 equals about $1.96.
- These conversions use the official CPI-U.
- The tables show the change in the average price level. They do not show how much better or worse off people are, because incomes and savings also changed.

Part Six: Claims and Theories

Chapter 16: Claims and Theories: Verdict Tables

The information in this chapter stops at November 12, 2026.

This chapter tests popular claims about inflation and the dollar. For each claim I do four things:

1. State it the way people actually say it.
2. Show where and when it spread, with a source.
3. Explain what the records show.
4. Give one of four verdicts: **True**, **Partly true**, **False (debunked)** or **Inconclusive**, as defined in Chapter 1.

The claims come from every side. Some are popular with people who distrust government. Some are popular with people who distrust business. Some come from elected officials of both parties. I used the same method on all of them, and I did not decide any verdict until I had checked the sources.

Summary Table

#	Claim	Verdict
1	"The government hides the real inflation rate."	False (debunked)
2	"Real inflation is double the official number."	False (debunked)
3	"The dollar has lost 97 percent of its value since 1913."	Partly true
4	"Going back to the gold standard would end inflation."	False (debunked)
5	"Government spending alone caused the inflation after the pandemic."	Partly true
6	"Corporate greed caused the inflation after the pandemic."	Partly true
7	"The dollar is about to lose its place as the world's reserve currency."	Inconclusive
8	"They changed how CPI is calculated in the 1980s and 1990s to make inflation look lower."	Partly true
9	"Food and gas aren't counted in inflation."	False (debunked)
10	"Shrinkflation isn't counted in the CPI."	False (debunked)
11	"Printing money always causes inflation."	Partly true
12	"Social Security COLAs don't keep up with what seniors really pay."	Partly true
13a	"Tariffs don't raise prices; foreign countries pay them."	False (debunked)
13b	"Tariffs caused the recent rise in prices."	Partly true
14	"Roosevelt confiscated Americans' gold in 1933."	Partly true

The rest of the chapter gives the evidence for each one.

Claim 1: "The government hides the real inflation rate."

How people say it. "The CPI is a fraud." "They cook the books." "Inflation is way higher than they tell you."

Where it spread. Versions of this claim have circulated for decades, often linked to alternative trackers such as ShadowStats, which says its alternate CPI "reflects the CPI as if it were calculated using the methodologies in place in 1980."[443] The claim got new life in August 2025, when President Trump removed the BLS commissioner after a weak jobs report, posting that the jobs numbers "were RIGGED"; the Associated Press reported he "provided no evidence for the charge."[444] That episode involved jobs data, not the CPI, but it raised public doubts about federal statistics in general.

What the records show.

- **The methods are public.** BLS publishes its Handbook of Methods, its weights, its formulas, its method changes and even its collection problems.[445,446,447,448] When BLS cut price collection in 2025 and missed October 2025, it said so publicly, explained how it filled gaps, and admitted its method "may result in an underestimation."[449,450]
- **Independent checks broadly agree.** The PCE price index is built by a different agency, BEA, from different data and a different formula; over long periods it has usually shown similar or slightly *lower* inflation than the CPI, not higher.[451] Research on online prices by the MIT Billion Prices Project found U.S. online prices tracked official inflation fairly closely.[452]

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[443] Shadow Government Statistics (ShadowStats, John Williams), "Alternate Inflation Charts" (advocacy/alternative estimate; not official data). https://www.shadowstats.com/alternate_data/inflation-charts (accessed November 12, 2026).

[444] Christopher Rugaber and Josh Boak, "Trump removes official overseeing jobs data after dismal employment report," Associated Press, August 1, 2025 (syndicated copy, ABC7 News). https://abc7news.com/post/trump-demands-official-overseeing-jobs-data-fired-dismal-employment-report/17393568/ (accessed November 12, 2026).

[445] U.S. Bureau of Labor Statistics, "Handbook of Methods: Consumer Price Index, Overview," last modified January 30, 2025. https://www.bls.gov/opub/hom/cpi/home.htm (accessed November 12, 2026).

[446] U.S. Bureau of Labor Statistics, "Relative importance and weight information for the Consumer Price Indexes". https://www.bls.gov/cpi/tables/relative-importance/home.htm (accessed November 12, 2026).

[447] U.S. Bureau of Labor Statistics, "Recent and upcoming methodology changes: 2025," last modified December 18, 2025. https://www.bls.gov/cpi/notices/2025/methodology-changes-2025.htm (accessed November 12, 2026).

[448] U.S. Bureau of Labor Statistics, "Notice of CPI collection reductions," June 16, 2025. https://www.bls.gov/cpi/notices/2025/collection-reduction.htm (accessed November 12, 2026).

[449] U.S. Bureau of Labor Statistics, "More information on CPI collection reductions," July 29, 2025. https://www.bls.gov/cpi/notices/2025/more-information-collection-reduction.htm (accessed November 12, 2026).

[450] U.S. Bureau of Labor Statistics, "2025 Federal Government Shutdown Impact on the CPI: Frequently Asked Questions," last modified September 16, 2026. https://www.bls.gov/cpi/additional-resources/2025-federal-government-shutdown-impact-cpi-faq.htm (accessed November 12, 2026).

[451] U.S. Bureau of Economic Analysis, "What accounts for the differences in the PCE price index and the Consumer Price Index?" FAQ 555, November 3, 2010. https://www.bea.gov/help/faq/555 (accessed November 12, 2026).

[452] Alberto Cavallo and Roberto Rigobon, "The Billion Prices Project: Using Online Prices for Measurement and Research," Journal of Economic Perspectives 30, no. 2 (Spring 2016): 151-78; also NBER Working Paper 22111. https://www.nber.org/papers/w22111 (accessed November 12, 2026).

- **What hiding looks like.** The same Billion Prices research found that in Argentina, in years when its official statistics were widely doubted, online prices rose much faster than the official index.[453] No similar gap has been documented for the United States.
- **Real concerns.** The 2025 collection cuts increased the use of estimated prices, and BLS did not measure the effect on city and item indexes.[454] These are real data-quality problems, published by BLS itself. They are not evidence of concealment.

Verdict: False (debunked). The records contradict the claim that the government hides inflation. The methods and their weaknesses are published, and independent measures broadly agree. Fair criticism exists about specific methods (Claims 8 and 10) and about 2025 data quality, and people can reasonably argue the CPI misses costs they care about, such as buying a home (Chapter 5). That is different from hiding.

Main sources: BLS Handbook and notices;[455,456] BEA on CPI and PCE;[457] Cavallo and Rigobon.[458]

Claim 2: "Real inflation is double the official number."

How people say it. "If they measured it like they did in 1980, inflation would be 10 percent." "Real inflation is twice what they report."

Where it spread. The best-known source is ShadowStats, which publishes alternate CPI numbers based on what it says are 1980 and 1990 methods.[459] These figures are widely shared on financial websites and social media.

What the records show.

- In 2008, BLS economists John Greenlees and Robert McClelland examined this type of claim. They noted that "recent criticism has focused on supposed downward biases" and

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[453] Alberto Cavallo and Roberto Rigobon, "The Billion Prices Project: Using Online Prices for Measurement and Research," Journal of Economic Perspectives 30, no. 2 (Spring 2016): 151-78; also NBER Working Paper 22111. https://www.nber.org/papers/w22111 (accessed November 12, 2026).

[454] U.S. Bureau of Labor Statistics, "More information on CPI collection reductions," July 29, 2025. https://www.bls.gov/cpi/notices/2025/more-information-collection-reduction.htm (accessed November 12, 2026).

[455] U.S. Bureau of Labor Statistics, "Handbook of Methods: Consumer Price Index, Overview," last modified January 30, 2025. https://www.bls.gov/opub/hom/cpi/home.htm (accessed November 12, 2026).

[456] U.S. Bureau of Labor Statistics, "More information on CPI collection reductions," July 29, 2025. https://www.bls.gov/cpi/notices/2025/more-information-collection-reduction.htm (accessed November 12, 2026).

[457] U.S. Bureau of Economic Analysis, "What accounts for the differences in the PCE price index and the Consumer Price Index?" FAQ 555, November 3, 2010. https://www.bea.gov/help/faq/555 (accessed November 12, 2026).

[458] Alberto Cavallo and Roberto Rigobon, "The Billion Prices Project: Using Online Prices for Measurement and Research," Journal of Economic Perspectives 30, no. 2 (Spring 2016): 151-78; also NBER Working Paper 22111. https://www.nber.org/papers/w22111 (accessed November 12, 2026).

[459] Shadow Government Statistics (ShadowStats, John Williams), "Alternate Inflation Charts" (advocacy/alternative estimate; not official data). https://www.shadowstats.com/alternate_data/inflation-charts (accessed November 12, 2026).

argued that estimates claiming very large understatement were not supported by the evidence.[460]

- They addressed claims that "changes to the CPI since 1983 have lowered its growth rate by at least 7 percentage points per year" and concluded: "Each of these estimates of the impact of BLS changes is inconsistent with the empirical evidence."[461]
- ShadowStats describes its own method: it "adjusts on an additive basis for the cumulative impact on the annual inflation rate of various methodological changes." In other words, it adds a fixed amount, about 7 points by its own account, to the official rate rather than rebuilding the index from prices. About 2 of those points are its own estimates.[462]
- Ask yourself what 7 extra points a year would mean. Compounded over decades, it would imply that real incomes have collapsed, yet the Census Bureau reports real median household income at a record high in 2025.[463] That last step is my own reasoning, not a quote from either side.
- A narrower, more serious argument comes from economists Bolhuis, Cramer, Schulz and Summers. They argued in 2024 that including the cost of borrowing, as the CPI did before 1983, would show much higher measured inflation in 2022 and 2023 when interest rates rose fast.[464] Their point is about what the CPI should include, not that BLS misreports its own measure, and it applies to a particular period of rising rates.

Verdict: False (debunked). As a general claim, the evidence contradicts it. The one serious academic version (including borrowing costs) shows that a differently defined index could run much higher at certain times, which is worth knowing, but it does not show that the official number is "really" double.

Main sources: Greenlees and McClelland;[465] ShadowStats;[466] Bolhuis and others.[467]

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[460] John S. Greenlees and Robert B. McClelland, "Addressing misconceptions about the Consumer Price Index," Monthly Labor Review, U.S. Bureau of Labor Statistics, August 2008. https://www.bls.gov/opub/mlr/2008/08/art1full.pdf (accessed November 12, 2026).

[461] John S. Greenlees and Robert B. McClelland, "Addressing misconceptions about the Consumer Price Index," Monthly Labor Review, U.S. Bureau of Labor Statistics, August 2008. https://www.bls.gov/opub/mlr/2008/08/art1full.pdf (accessed November 12, 2026).

[462] John Williams, "No. 515: Public Comment on Inflation Measurement and the Chained-CPI (C-CPI)," Shadow Government Statistics, April 8, 2013 (advocacy/alternative estimate). https://www.shadowstats.com/article/no-438-public-comment-on-inflation-measurement (accessed November 12, 2026).

[463] Zach Scherer, "Median Household Income in 2025 Surpassed Previous Highs Before and After the COVID-19 Pandemic," U.S. Census Bureau, September 15, 2026. https://www.census.gov/library/stories/2026/09/median-household-income.html (accessed November 12, 2026).

[464] Marijn A. Bolhuis, Judd N. L. Cramer, Karl Oskar Schulz and Lawrence H. Summers, "The Cost of Money is Part of the Cost of Living: New Evidence on the Consumer Sentiment Anomaly," NBER Working Paper 32163, National Bureau of Economic Research, February 2024. https://www.nber.org/papers/w32163 (accessed November 12, 2026).

[465] John S. Greenlees and Robert B. McClelland, "Addressing misconceptions about the Consumer Price Index," Monthly Labor Review, U.S. Bureau of Labor Statistics, August 2008. https://www.bls.gov/opub/mlr/2008/08/art1full.pdf (accessed November 12, 2026).

[466] Shadow Government Statistics (ShadowStats, John Williams), "Alternate Inflation Charts" (advocacy/alternative estimate; not official data). https://www.shadowstats.com/alternate_data/inflation-charts (accessed November 12, 2026).

Claim 3: "The dollar has lost 97 percent of its value since 1913."

How people say it. Often paired with the Federal Reserve: "Since the Fed was created in 1913, the dollar has lost 97 percent of its value."

Where it spread. This claim has been common for years. PolitiFact checked a version from the Virginia Tea Party Patriots in 2010, which said "the U.S. Dollar has lost 98% of its purchasing power." PolitiFact rated it Half True, writing: "Those numbers do check out. But they are meaningless." By PolitiFact's CPI calculation at the time, the loss since 1913 was about 95 percent.[468] It appears widely on financial and cryptocurrency websites today.

What the records show.

- **The arithmetic is right.** The CPI-U annual average for 1913 was 9.883; the October 2026 index was 337.511. A 1913 dollar therefore buys about 2.9 percent of what it did, a loss of about 97.1 percent.[469,470] (PolitiFact's 2010 figure of about 95 percent was lower only because 16 more years of inflation have passed since then. Chapter 15 shows the full table.)
- **What it leaves out.** The figure assumes the dollar sat in a drawer for 113 years. People who saved at interest, invested or earned rising wages did not lose 97 percent. Incomes rose too: real median household income, already adjusted for inflation, reached a record $87,460 in 2025.[471]
- **The 1913 link.** Pairing the number with the Fed's founding implies the Fed caused the loss. Prices also rose sharply before the Fed existed, during the Civil War, and fell in some later periods after it.[472,473] Whether the Fed era has had more inflation than the gold era is a real question, which the Federal Reserve book in this series takes up.

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[467] Marijn A. Bolhuis, Judd N. L. Cramer, Karl Oskar Schulz and Lawrence H. Summers, "The Cost of Money is Part of the Cost of Living: New Evidence on the Consumer Sentiment Anomaly," NBER Working Paper 32163, National Bureau of Economic Research, February 2024. https://www.nber.org/papers/w32163 (accessed November 12, 2026).

[468] Wes Hester, "Virginia Tea Party says dollar has lost 98 percent of value under The Fed," PolitiFact, November 24, 2010. https://www.politifact.com/factchecks/2010/nov/24/virginia-tea-party-patriots/virginia-tea-party-says-dollar-has-lost-98-percent/ (accessed November 12, 2026).

[469] U.S. Bureau of Labor Statistics, Consumer Price Index for All Urban Consumers: All Items in U.S. City Average (CPIAUCNS), not seasonally adjusted, 1982-84=100, retrieved from Federal Reserve Bank of St. Louis, FRED, last updated November 10, 2026. https://fred.stlouisfed.org/series/CPIAUCNS (accessed November 12, 2026).

[470] U.S. Bureau of Labor Statistics, "Consumer Price Index - October 2026," news release USDL-26-1685, November 10, 2026. https://www.bls.gov/news.release/cpi.nr0.htm (accessed November 12, 2026).

[471] Zach Scherer, "Median Household Income in 2025 Surpassed Previous Highs Before and After the COVID-19 Pandemic," U.S. Census Bureau, September 15, 2026. https://www.census.gov/library/stories/2026/09/median-household-income.html (accessed November 12, 2026).

[472] Joint Economic Committee (Republican staff), U.S. Congress, "United States Monetary History in Brief Part 2," February 29, 2012. https://www.jec.senate.gov/public/index.cfm/republicans/2012/2/united-states-monetary-history-in-brief-part-2 (accessed November 12, 2026).

[473] U.S. Bureau of Labor Statistics, Consumer Price Index for All Urban Consumers: All Items in U.S. City Average (CPIAUCNS), not seasonally adjusted, 1982-84=100, retrieved from Federal Reserve Bank of St. Louis, FRED, last updated November 10, 2026. https://fred.stlouisfed.org/series/CPIAUCNS (accessed November 12, 2026).

- **Early data are estimates.** BLS estimated CPI values back to 1913 after it began publishing in 1919.[474]

Verdict: Partly true. The arithmetic is correct using official CPI-U data. The usual version leaves out that people don't hold cash for a century, that incomes rose, and it implies a cause that the number alone cannot prove.

Main sources: BLS CPI-U via FRED;[475] BLS October 2026 release;[476] PolitiFact.[477]

Claim 4: "Going back to the gold standard would end inflation."

How people say it. "Sound money." "End the Fed and go back to gold, and inflation disappears."

Where it spread. Gold-standard support has a long history in American politics, from the 1896 election (Chapter 7) to modern advocates.[478]

What the records show.

- **Inflation happened under gold.** The United States was on gold in law from 1900 and in practice for decades before. Even so, prices about doubled from 1913 to 1920.[479,480] In wars, governments suspended gold when they needed to, as in the Civil War.[481]
- **Deflation happened too.** Prices fell for long stretches in the late 1800s and by about a quarter from 1929 to 1933.[482,483]

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[474] U.S. Bureau of Labor Statistics, "Handbook of Methods: Consumer Price Index, History". https://www.bls.gov/opub/hom/cpi/history.htm (accessed November 12, 2026).

[475] U.S. Bureau of Labor Statistics, Consumer Price Index for All Urban Consumers: All Items in U.S. City Average (CPIAUCNS), not seasonally adjusted, 1982-84=100, retrieved from Federal Reserve Bank of St. Louis, FRED, last updated November 10, 2026. https://fred.stlouisfed.org/series/CPIAUCNS (accessed November 12, 2026).

[476] U.S. Bureau of Labor Statistics, "Consumer Price Index - October 2026," news release USDL-26-1685, November 10, 2026. https://www.bls.gov/news.release/cpi.nro.htm (accessed November 12, 2026).

[477] Wes Hester, "Virginia Tea Party says dollar has lost 98 percent of value under The Fed," PolitiFact, November 24, 2010. https://www.politifact.com/factchecks/2010/nov/24/virginia-tea-party-patriots/virginia-tea-party-says-dollar-has-lost-98-percent/ (accessed November 12, 2026).

[478] Lawrence H. White, "Recent Arguments against the Gold Standard," Policy Analysis No. 728, Cato Institute, June 20, 2013 (advocacy, libertarian think tank). https://www.cato.org/policy-analysis/recent-arguments-against-gold-standard (accessed November 12, 2026).

[479] Michael D. Bordo, "Gold Standard," The Concise Encyclopedia of Economics, Econlib, Liberty Fund. https://www.econlib.org/library/Enc/GoldStandard.html (accessed November 12, 2026).

[480] U.S. Bureau of Labor Statistics, Consumer Price Index for All Urban Consumers: All Items in U.S. City Average (CPIAUCNS), not seasonally adjusted, 1982-84=100, retrieved from Federal Reserve Bank of St. Louis, FRED, last updated November 10, 2026. https://fred.stlouisfed.org/series/CPIAUCNS (accessed November 12, 2026).

[481] Joint Economic Committee (Republican staff), U.S. Congress, "United States Monetary History in Brief Part 2," February 29, 2012. https://www.jec.senate.gov/public/index.cfm/republicans/2012/2/united-states-monetary-history-in-brief-part-2 (accessed November 12, 2026).

[482] Michael D. Bordo, "Gold Standard," The Concise Encyclopedia of Economics, Econlib, Liberty Fund. https://www.econlib.org/library/Enc/GoldStandard.html (accessed November 12, 2026).

- **Long-run stability is real.** Michael Bordo writes that "the great virtue of the gold standard was that it assured long-term price stability," and also that "prices were highly unstable in the short run."[484]
- **Economists' views.** In a 2012 survey of leading economists by the University of Chicago's Clark Center (then IGM Forum), none agreed that replacing the current system with a gold standard would make price stability and employment outcomes better for the average American; most disagreed or strongly disagreed.[485]
- **The other side.** Gold-standard supporters argue that critics overstate gold's problems. Economist Lawrence H. White, writing for the libertarian Cato Institute in 2013, argued that a "gold standard with free banking can be expected to outperform a gold standard with central banking."[486]

Verdict: False (debunked). The records contradict the claim as stated: the United States had significant inflation, and deflation, while on gold. What is true is that the gold era showed lower average inflation over very long periods. Whether that trade-off (more short-run swings, less long-run drift) is better is a matter of values and judgment, not a verdict.

Main sources: Bordo;[487] BLS CPI via FRED;[488] Clark Center survey.[489]

Claim 5: "Government spending alone caused the inflation after the pandemic."

How people say it. "Biden's spending caused inflation." "The stimulus did it."

Where it spread. This was a central political argument in 2021 to 2024. The Heritage Foundation, a conservative think tank, published a 2023 report arguing that federal spending drove the inflation.[490]

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[483] U.S. Bureau of Labor Statistics, Consumer Price Index for All Urban Consumers: All Items in U.S. City Average (CPIAUCNS), not seasonally adjusted, 1982-84=100, retrieved from Federal Reserve Bank of St. Louis, FRED, last updated November 10, 2026. https://fred.stlouisfed.org/series/CPIAUCNS (accessed November 12, 2026).

[484] Michael D. Bordo, "Gold Standard," The Concise Encyclopedia of Economics, Econlib, Liberty Fund. https://www.econlib.org/library/Enc/GoldStandard.html (accessed November 12, 2026).

[485] Clark Center Forum (formerly IGM Forum), University of Chicago Booth School of Business, "Gold Standard," economic experts panel survey, January 12, 2012. https://www.kentclarkcenter.org/surveys/gold-standard/ (accessed November 12, 2026).

[486] Lawrence H. White, "Recent Arguments against the Gold Standard," Policy Analysis No. 728, Cato Institute, June 20, 2013 (advocacy, libertarian think tank). https://www.cato.org/policy-analysis/recent-arguments-against-gold-standard (accessed November 12, 2026).

[487] Michael D. Bordo, "Gold Standard," The Concise Encyclopedia of Economics, Econlib, Liberty Fund. https://www.econlib.org/library/Enc/GoldStandard.html (accessed November 12, 2026).

[488] U.S. Bureau of Labor Statistics, Consumer Price Index for All Urban Consumers: All Items in U.S. City Average (CPIAUCNS), not seasonally adjusted, 1982-84=100, retrieved from Federal Reserve Bank of St. Louis, FRED, last updated November 10, 2026. https://fred.stlouisfed.org/series/CPIAUCNS (accessed November 12, 2026).

[489] Clark Center Forum (formerly IGM Forum), University of Chicago Booth School of Business, "Gold Standard," economic experts panel survey, January 12, 2012. https://www.kentclarkcenter.org/surveys/gold-standard/ (accessed November 12, 2026).

What the records show.

- **Spending did contribute.** Economists at the San Francisco Fed estimated U.S. fiscal support raised inflation about 3 percentage points by the end of 2021, with "considerable uncertainty."[491] Lawrence Summers warned in February 2021 that the American Rescue Plan's size risked inflation.[492] Bernanke and Blanchard found fiscal policy contributed through consumer demand.[493]
- **But not alone.** Bernanke and Blanchard found most of the 2021-2022 rise came from "developments that directly raised prices," such as energy, food and shortages.[494] Inflation rose in many countries with different spending policies.[495] Spending began under both President Trump (2020 relief) and President Biden (2021 relief).[496,497]
- **FactCheck.org** concluded in June 2022 that, according to "many economists," the American Rescue Plan "did contribute to higher inflation," but that it "certainly has not been the whole story."[498]

Verdict: Partly true. Government spending was a real cause, likely a large one. The word "alone" is contradicted by the evidence on supply shocks, energy and global inflation.

Main sources: FRBSF;[499] Bernanke and Blanchard;[500] FactCheck.org.[501]

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[490] The Heritage Foundation, "The Road to Inflation: How an Unprecedented Federal Spending Spree Created Economic Turmoil," Special Report No. 276, 2023 (advocacy, conservative think tank). https://report.heritage.org/sr276 (accessed November 12, 2026).

[491] Oscar Jorda, Celeste Liu, Fernanda Nechio and Fabian Rivera-Reyes, "Why Is U.S. Inflation Higher than in Other Countries?" FRBSF Economic Letter 2022-07, Federal Reserve Bank of San Francisco, March 28, 2022. https://www.frbsf.org/research-and-insights/publications/economic-letter/2022/03/why-is-us-inflation-higher-than-in-other-countries/ (accessed November 12, 2026).

[492] Lawrence H. Summers, "The Biden stimulus is admirably ambitious. But it brings some big risks, too," The Washington Post, February 4, 2021 (as reposted on the author's website). https://larrysummers.com/news-item/the-biden-stimulus-is-admirably-ambitious-but-it-brings-some-big-risks-too/ (accessed November 12, 2026).

[493] Ben S. Bernanke and Olivier Blanchard, "What caused the U.S. pandemic-era inflation?" Hutchins Center Working Paper, Brookings Institution, June 13, 2023. https://www.brookings.edu/articles/what-caused-the-u-s-pandemic-era-inflation/ (accessed November 12, 2026).

[494] Ben S. Bernanke and Olivier Blanchard, "What caused the U.S. pandemic-era inflation?" Hutchins Center Working Paper, Brookings Institution, June 13, 2023. https://www.brookings.edu/articles/what-caused-the-u-s-pandemic-era-inflation/ (accessed November 12, 2026).

[495] Oscar Jorda, Celeste Liu, Fernanda Nechio and Fabian Rivera-Reyes, "Why Is U.S. Inflation Higher than in Other Countries?" FRBSF Economic Letter 2022-07, Federal Reserve Bank of San Francisco, March 28, 2022. https://www.frbsf.org/research-and-insights/publications/economic-letter/2022/03/why-is-us-inflation-higher-than-in-other-countries/ (accessed November 12, 2026).

[496] USAFacts, "How does the original $1.9 trillion American Rescue Plan Act compare to the $2.2 trillion CARES Act?" 2021. https://usafacts.org/articles/2021-american-rescue-plan-act-spending-breakdown-cares-act/ (accessed November 12, 2026).

[497] Congress.gov, H.R. 1319, American Rescue Plan Act of 2021, Public Law 117-2, signed March 11, 2021. https://www.congress.gov/bill/117th-congress/house-bill/1319 (accessed November 12, 2026).

[498] Lori Robertson, "Stimulus Spending a Factor, But Far From Whole Story on Inflation," FactCheck.org, June 30, 2022. https://www.factcheck.org/2022/06/stimulus-spending-a-factor-but-far-from-whole-story-on-inflation/ (accessed November 12, 2026).

[499] Oscar Jorda, Celeste Liu, Fernanda Nechio and Fabian Rivera-Reyes, "Why Is U.S. Inflation Higher than in Other Countries?" FRBSF Economic Letter 2022-07, Federal Reserve Bank of San Francisco, March 28, 2022.

Claim 6: "Corporate greed caused the inflation after the pandemic."

How people say it. "Greedflation." "Companies used inflation as cover to jack up prices."

Where it spread. Popular with labor groups and some Democratic officials in 2022 to 2024. In August 2024, Senator Bob Casey said, "Prices are up because these corporations are scheming to drive them up." PolitiFact rated it Mostly False, writing that "this exaggerates what economists say is happening."[502]

What the records show.

- **Margins did widen in 2021.** EPI estimated fatter profit margins accounted for over half of price growth in the nonfinancial corporate sector from mid-2020 through 2021.[503] Weber and Wasner argued the inflation was "predominantly a sellers' inflation."[504]
- **But the effect faded, and the pattern is normal.** Kansas City Fed economists found profits "contributed a lot to inflation in 2021 but little in 2022," and that profits typically account for a large share of price growth early in recoveries.[505]
- **Greed is constant.** Businesses always try to earn as much as they can. To explain why inflation rose in 2021 and not 2019, you need to explain what changed. Most economists point to the demand surge and supply shortages that let firms raise prices without losing customers.[506]

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https://www.frbsf.org/research-and-insights/publications/economic-letter/2022/03/why-is-us-inflation-higher-than-in-other-countries/ (accessed November 12, 2026).

[500] Ben S. Bernanke and Olivier Blanchard, "What caused the U.S. pandemic-era inflation?" Hutchins Center Working Paper, Brookings Institution, June 13, 2023. https://www.brookings.edu/articles/what-caused-the-u-s-pandemic-era-inflation/ (accessed November 12, 2026).

[501] Lori Robertson, "Stimulus Spending a Factor, But Far From Whole Story on Inflation," FactCheck.org, June 30, 2022. https://www.factcheck.org/2022/06/stimulus-spending-a-factor-but-far-from-whole-story-on-inflation/ (accessed November 12, 2026).

[502] Madison Czopek, "Sen. Bob Casey said 'prices are up' because of 'scheming' corporations, but many economists disagree," PolitiFact, August 28, 2024. https://www.politifact.com/factchecks/2024/aug/28/bob-casey/sen-bob-casey-said-prices-are-up-because-of-schemi/ (accessed November 12, 2026).

[503] Economic Policy Institute, "Corporate profits have contributed disproportionately to inflation. How should policymakers respond?" Working Economics Blog, 2022 (advocacy; labor-aligned think tank) [author and exact date not shown on the page as read; Not verified]. https://www.epi.org/blog/corporate-profits-have-contributed-disproportionately-to-inflation-how-should-policymakers-respond/ (accessed November 12, 2026).

[504] Isabella M. Weber and Evan Wasner, "Sellers' inflation, profits and conflict: why can large firms hike prices in an emergency?" Review of Keynesian Economics, vol. 11, no. 2 (Summer 2023), pp. 183-213. https://s3.documentcloud.org/documents/25050964/weber-wasner.pdf (accessed November 12, 2026).

[505] Andrew Glover, Jose Mustre-del-Rio and Jalen Nichols, "Corporate Profits Contributed a Lot to Inflation in 2021 but Little in 2022 - A Pattern Seen in Past Economic Recoveries," Economic Bulletin, Federal Reserve Bank of Kansas City, May 12, 2023. https://kansascityfed.org/research/economic-bulletin/corporate-profits-contributed-a-lot-to-inflation-in-2021-but-little-in-2022 (accessed November 12, 2026).

[506] Ben S. Bernanke and Olivier Blanchard, "What caused the U.S. pandemic-era inflation?" Hutchins Center Working Paper, Brookings Institution, June 13, 2023. https://www.brookings.edu/articles/what-caused-the-u-s-pandemic-era-inflation/ (accessed November 12, 2026).

- **The Cato Institute**, a libertarian think tank, argued in September 2024 that "the main driver of rising prices since 2020, however, has been the huge growth in total spending."[507]

Verdict: Partly true. Profit margins did widen and contributed to 2021 inflation. The usual version makes greed the cause, which leaves out the demand and supply conditions that made those price increases possible, and that the effect shrank in 2022.

Main sources: Kansas City Fed;[508] EPI;[509] Bernanke and Blanchard.[510]

Claim 7: "The dollar is about to lose its place as the world's reserve currency."

How people say it. "De-dollarization is coming." "BRICS will replace the dollar." "The dollar's days are numbered."

Where it spread. Common on financial websites, in gold and cryptocurrency marketing, and in statements by some foreign leaders. It grew after the 2022 freezing of Russia's central bank reserves.[511]

What the records show.

- In 2024 the dollar was 58 percent of disclosed world reserves, against 20 percent for the euro and 2 percent for the renminbi.[512]
- It was on one side of about 88 percent of currency trades in 2022 and made up around 60 percent of foreign-currency debt issued since 2010.[513]

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[507] Ryan Bourne, "Last Word: Busting the 'Greedflation' Myth," Free Society, Cato Institute, September 20, 2024 (advocacy, libertarian think tank). https://www.cato.org/free-society/last-word-busting-greedflation-myth (accessed November 12, 2026).

[508] Andrew Glover, Jose Mustre-del-Rio and Jalen Nichols, "Corporate Profits Contributed a Lot to Inflation in 2021 but Little in 2022 - A Pattern Seen in Past Economic Recoveries," Economic Bulletin, Federal Reserve Bank of Kansas City, May 12, 2023. https://kansascityfed.org/research/economic-bulletin/corporate-profits-contributed-a-lot-to-inflation-in-2021-but-little-in-2022 (accessed November 12, 2026).

[509] Economic Policy Institute, "Corporate profits have contributed disproportionately to inflation. How should policymakers respond?" Working Economics Blog, 2022 (advocacy; labor-aligned think tank) [author and exact date not shown on the page as read; Not verified]. https://www.epi.org/blog/corporate-profits-have-contributed-disproportionately-to-inflation-how-should-policymakers-respond/ (accessed November 12, 2026).

[510] Ben S. Bernanke and Olivier Blanchard, "What caused the U.S. pandemic-era inflation?" Hutchins Center Working Paper, Brookings Institution, June 13, 2023. https://www.brookings.edu/articles/what-caused-the-u-s-pandemic-era-inflation/ (accessed November 12, 2026).

[511] U.S. Department of the Treasury, "Treasury Prohibits Transactions with Central Bank of Russia and Imposes Sanctions on Key Sources of Russia's Wealth," press release, February 28, 2022. https://home.treasury.gov/news/press-releases/jy0612 (accessed November 12, 2026).

[512] Carol Bertaut, Bastian von Beschwitz and Stephanie Curcuru, "The International Role of the U.S. Dollar - 2025 Edition," FEDS Notes, Board of Governors of the Federal Reserve System, July 18, 2025. https://www.federalreserve.gov/econres/notes/feds-notes/the-international-role-of-the-u-s-dollar-2025-edition-20250718.html (accessed November 12, 2026).

[513] Carol Bertaut, Bastian von Beschwitz and Stephanie Curcuru, "The International Role of the U.S. Dollar - 2025 Edition," FEDS Notes, Board of Governors of the Federal Reserve System, July 18, 2025. https://www.federalreserve.gov/econres/notes/feds-notes/the-international-role-of-the-u-s-dollar-2025-edition-20250718.html (accessed November 12, 2026).

- The Federal Reserve's 2025 note found that, after the sanctions on Russia, "we have not seen a notable decline in the dollar share of foreign reserves."[514]
- News reports describe a long, slow drift down in the dollar's reserve share. I could not confirm the exact size of that drift against IMF data before the cutoff.

Verdict: Inconclusive. This is a prediction, and "about to" has no date. Current data show the dollar still far ahead of every other currency, with no sign of an imminent loss. What would settle it: a sustained fall in the dollar's reserve share to near that of another currency, or a large shift of trade and debt into another currency, visible in IMF COFER and Bank for International Settlements data.

Main sources: IMF COFER;[515] Federal Reserve.[516]

Claim 8: "They changed how CPI is calculated in the 1980s and 1990s to make inflation look lower."

How people say it. "They keep changing the formula so inflation looks lower and they can cut Social Security."

Where it spread. Linked to ShadowStats and to criticism of the Boskin Commission.[517,518]

What the records show.

- **Changes were made, and some lowered measured inflation.** BLS switched to rental equivalence for housing in 1983 (CPI-U) and to geometric means in 1999.[519] The Boskin Commission estimated the old CPI overstated inflation by 1.1 points a year.[520] The changes after it were intended to reduce that overstatement, so by design they lowered measured inflation compared with the old method.

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[514] Carol Bertaut, Bastian von Beschwitz and Stephanie Curcuru, "The International Role of the U.S. Dollar - 2025 Edition," FEDS Notes, Board of Governors of the Federal Reserve System, July 18, 2025. https://www.federalreserve.gov/econres/notes/feds-notes/the-international-role-of-the-u-s-dollar-2025-edition-20250718.html (accessed November 12, 2026).

[515] International Monetary Fund, "Currency Composition of Official Foreign Exchange Reserves (COFER)," dataset page and data briefs. https://data.imf.org/en/datasets/IMF.STA:COFER (accessed November 12, 2026).

[516] Carol Bertaut, Bastian von Beschwitz and Stephanie Curcuru, "The International Role of the U.S. Dollar - 2025 Edition," FEDS Notes, Board of Governors of the Federal Reserve System, July 18, 2025. https://www.federalreserve.gov/econres/notes/feds-notes/the-international-role-of-the-u-s-dollar-2025-edition-20250718.html (accessed November 12, 2026).

[517] Shadow Government Statistics (ShadowStats, John Williams), "Alternate Inflation Charts" (advocacy/alternative estimate; not official data). https://www.shadowstats.com/alternate_data/inflation-charts (accessed November 12, 2026).

[518] Advisory Commission to Study the Consumer Price Index (Boskin Commission), "Toward a More Accurate Measure of the Cost of Living," Final Report to the Senate Finance Committee, December 4, 1996 (Social Security Administration history archive). https://www.ssa.gov/history/reports/boskinrpt.html (accessed November 12, 2026).

[519] U.S. Bureau of Labor Statistics, "Handbook of Methods: Consumer Price Index, History". https://www.bls.gov/opub/hom/cpi/history.htm (accessed November 12, 2026).

[520] Advisory Commission to Study the Consumer Price Index (Boskin Commission), "Toward a More Accurate Measure of the Cost of Living," Final Report to the Senate Finance Committee, December 4, 1996 (Social Security Administration history archive). https://www.ssa.gov/history/reports/boskinrpt.html (accessed November 12, 2026).

- **The motive is what is disputed.** BLS researchers argue the changes made the CPI more accurate.[521] Critics say the budget savings were the point.[522]
- **Some changes raise measured inflation.** Quality adjustment can raise measured prices when quality falls, and shrinking packages count as price increases.[523]

Verdict: Partly true. The changes are real and some lowered measured inflation. The claim that their purpose was to make inflation "look lower," rather than to fix documented biases, is not supported by primary sources, though the budget effect was openly discussed.

Main sources: BLS history;[524] Boskin report;[525] Greenlees and McClelland.[526]

Claim 9: "Food and gas aren't counted in inflation."

How people say it. "Inflation numbers leave out food and energy, the stuff we actually buy."

What the records show. The headline CPI-U "all items" index includes food and energy.[527] As of December 2025, food and beverages were 14.539 percent of the CPI-U.[528] BLS publishes a separate "all items less food and energy," or core, index for trend analysis.[529] The October 2026 release reported a 37.4 percent 12-month rise in the gasoline index.[530] The confusion comes from news stories and Fed officials who often discuss core inflation.

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[521] John S. Greenlees and Robert B. McClelland, "Addressing misconceptions about the Consumer Price Index," Monthly Labor Review, U.S. Bureau of Labor Statistics, August 2008. https://www.bls.gov/opub/mlr/2008/08/art1full.pdf (accessed November 12, 2026).

[522] Shadow Government Statistics (ShadowStats, John Williams), "Alternate Inflation Charts" (advocacy/alternative estimate; not official data). https://www.shadowstats.com/alternate_data/inflation-charts (accessed November 12, 2026).

[523] U.S. Bureau of Labor Statistics, "Consumer Price Index Frequently Asked Questions," last modified September 25, 2025. https://www.bls.gov/cpi/questions-and-answers.htm (accessed November 12, 2026).

[524] U.S. Bureau of Labor Statistics, "Handbook of Methods: Consumer Price Index, History". https://www.bls.gov/opub/hom/cpi/history.htm (accessed November 12, 2026).

[525] Advisory Commission to Study the Consumer Price Index (Boskin Commission), "Toward a More Accurate Measure of the Cost of Living," Final Report to the Senate Finance Committee, December 4, 1996 (Social Security Administration history archive). https://www.ssa.gov/history/reports/boskinrpt.html (accessed November 12, 2026).

[526] John S. Greenlees and Robert B. McClelland, "Addressing misconceptions about the Consumer Price Index," Monthly Labor Review, U.S. Bureau of Labor Statistics, August 2008. https://www.bls.gov/opub/mlr/2008/08/art1full.pdf (accessed November 12, 2026).

[527] U.S. Bureau of Labor Statistics, "Consumer Price Index Frequently Asked Questions," last modified September 25, 2025. https://www.bls.gov/cpi/questions-and-answers.htm (accessed November 12, 2026).

[528] U.S. Bureau of Labor Statistics, "Relative importance of components in the Consumer Price Indexes: U.S. city average, December 2025" (Table 1, 2024 weights). https://www.bls.gov/cpi/tables/relative-importance/2025.htm (accessed November 12, 2026).

[529] U.S. Bureau of Labor Statistics, "Consumer Price Index Frequently Asked Questions," last modified September 25, 2025. https://www.bls.gov/cpi/questions-and-answers.htm (accessed November 12, 2026).

[530] U.S. Bureau of Labor Statistics, "Consumer Price Index - October 2026," news release USDL-26-1685, November 10, 2026. https://www.bls.gov/news.release/cpi.nr0.htm (accessed November 12, 2026).

Verdict: False (debunked). Food and energy are in the headline numbers. They are left out only of the core measures.

Claim 10: "Shrinkflation isn't counted in the CPI."

How people say it. "They shrink the bag and the CPI doesn't notice."

What the records show. BLS adjusts for package size. Its example: when "a 64-ounce container of orange juice has been replaced by a 59-ounce container," the per-ounce price change is counted.[531] BLS economists have written that the CPI prices candy and most other foods "on a per-ounce basis."[532]

Verdict: False (debunked). Size reductions at the same price are counted as price increases, as long as data collectors catch the change, which is the purpose of their item checks.

Claim 11: "Printing money always causes inflation."

How people say it. "The Fed printed trillions; of course prices went up."

What the records show.

- Over long periods and in extreme cases, rapid money creation and high inflation go together, as Friedman argued.[533]
- But not always, at least not quickly. After 2008, the Federal Reserve greatly expanded its balance sheet (its holdings of securities and other assets, shown in its own charts), and inflation stayed low for years: the CPI annual average rose 0.1 percent in 2015, for example.[534,535] The exact dollar figures are covered in the Federal Reserve book in this series.
- After 2020, money growth and spending surged together, and inflation followed.[536,537]

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[531] U.S. Bureau of Labor Statistics, "Consumer Price Index Frequently Asked Questions," last modified September 25, 2025. https://www.bls.gov/cpi/questions-and-answers.htm (accessed November 12, 2026).

[532] John S. Greenlees and Robert B. McClelland, "Addressing misconceptions about the Consumer Price Index," Monthly Labor Review, U.S. Bureau of Labor Statistics, August 2008. https://www.bls.gov/opub/mlr/2008/08/art1full.pdf (accessed November 12, 2026).

[533] Milton Friedman, The Counter-Revolution in Monetary Theory, Institute of Economic Affairs Occasional Paper 33, London, 1970 (library catalog record; quotation as widely reproduced, page text not checked). https://libcat.library.tamu.edu/Record/in00000229507 (accessed November 12, 2026).

[534] Board of Governors of the Federal Reserve System, "Recent balance sheet trends" (interactive charts of Federal Reserve assets). https://www.federalreserve.gov/monetarypolicy/bst_recenttrends.htm (accessed November 12, 2026).

[535] U.S. Bureau of Labor Statistics, Consumer Price Index for All Urban Consumers: All Items in U.S. City Average (CPIAUCNS), not seasonally adjusted, 1982-84=100, retrieved from Federal Reserve Bank of St. Louis, FRED, last updated November 10, 2026. https://fred.stlouisfed.org/series/CPIAUCNS (accessed November 12, 2026).

[536] Ben S. Bernanke and Olivier Blanchard, "What caused the U.S. pandemic-era inflation?" Hutchins Center Working Paper, Brookings Institution, June 13, 2023. https://www.brookings.edu/articles/what-caused-the-u-s-pandemic-era-inflation/ (accessed November 12, 2026).

Verdict: Partly true. Money creation is a powerful cause of inflation over the long run and when it fuels spending. "Always" is contradicted by the 2008 to 2019 record. The Federal Reserve book in this series covers the Fed's balance sheet in detail.

Claim 12: "Social Security COLAs don't keep up with what seniors really pay."

How people say it. "The COLA is based on workers, not retirees." "Seniors' costs go up faster."

What the records show.

- The COLA uses the CPI-W, which covers wage-earner households, not retirees.[538]
- BLS's research index for Americans 62 and older, the R-CPI-E, reweights prices to reflect older Americans' spending, which includes more health care and housing.[539] Advocates for seniors often say the R-CPI-E has risen faster than the CPI-W over time. I could not confirm the size of that gap from BLS before the cutoff, so it is [Not verified] here.
- The COLA comes once a year, based on the third quarter, so in a fast surge, benefits lag prices for months.[540]
- BLS cautions that the R-CPI-E is a research index with limitations.[541]

Verdict: Partly true. COLAs do not use a retiree-specific index, and older Americans spend differently from the workers the CPI-W covers. How much faster seniors' prices rise is not settled: the research index has known limits that BLS itself spells out, so "don't keep up" overstates it for many retirees, while understating the lag during a surge.

Claim 13a: "Tariffs don't raise prices; foreign countries pay them."

How people say it. "China is paying the tariffs." "Foreign countries pay, not Americans."

Where it spread. President Trump made versions of this claim many times, starting in his first term; PolitiFact and FactCheck.org checked it in 2019. FactCheck.org found that "those

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[537] Oscar Jorda, Celeste Liu, Fernanda Nechio and Fabian Rivera-Reyes, "Why Is U.S. Inflation Higher than in Other Countries?" FRBSF Economic Letter 2022-07, Federal Reserve Bank of San Francisco, March 28, 2022. https://www.frbsf.org/research-and-insights/publications/economic-letter/2022/03/why-is-us-inflation-higher-than-in-other-countries/ (accessed November 12, 2026).

[538] Social Security Administration, Office of the Chief Actuary, "Latest Cost-of-Living Adjustment". https://www.ssa.gov/oact/cola/latestCOLA.html (accessed November 12, 2026).

[539] U.S. Bureau of Labor Statistics, "R-CPI-E Homepage" (research index for Americans 62 and older), last modified November 10, 2026. https://www.bls.gov/cpi/research-series/r-cpi-e-home.htm (accessed November 12, 2026).

[540] Social Security Administration, Office of the Chief Actuary, "Latest Cost-of-Living Adjustment". https://www.ssa.gov/oact/cola/latestCOLA.html (accessed November 12, 2026).

[541] U.S. Bureau of Labor Statistics, "R-CPI-E Homepage" (research index for Americans 62 and older), last modified November 10, 2026. https://www.bls.gov/cpi/research-series/r-cpi-e-home.htm (accessed November 12, 2026).

increased tariff duties aren't paid by China."[542] PolitiFact rated the claim False, noting that "U.S. importers" pay the initial tariffs.[543]

What the records show. Tariffs are paid to U.S. Customs by the importer, usually an American business.[544] Federal Reserve Board economists estimated the 2025 tariffs raised core goods PCE prices 3.1 percent through February 2026 and that pass-through to consumer prices was "effectively complete."[545] Foreign sellers can absorb part of a tariff by cutting their prices, so the burden can be shared, but the Fed note found that, for the 2025 tariffs, the cost had passed through to U.S. consumer prices.

Verdict: False (debunked).

Claim 13b: "Tariffs caused the recent rise in prices."

How people say it. "Prices are up because of tariffs."

What the records show. The Fed note estimated tariffs added about 0.8 percent to core PCE prices.[546] That is real, but the 2026 rise in headline inflation also reflects the oil shock from the Iran war; gasoline alone was up 37.4 percent over 12 months in the October 2026 report.[547,548] The White House argued U.S. goods inflation was lower than abroad.[549]

Verdict: Partly true. Tariffs raised prices, according to the best available estimate. They are one cause among several, not the whole story, particularly in 2026.

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[542] Brooks Jackson, "Does China Pay Tariffs?" FactCheck.org, February 28, 2019. https://www.factcheck.org/2019/02/does-china-pay-tariffs/ (accessed November 12, 2026).

[543] Louis Jacobson, "Who pays for US tariffs on Chinese goods? You do," PolitiFact, May 14, 2019. https://www.politifact.com/factchecks/2019/may/14/donald-trump/does-china-mostly-pay-us-tariffs-rather-us-consume/ (accessed November 12, 2026).

[544] Brooks Jackson, "Does China Pay Tariffs?" FactCheck.org, February 28, 2019. https://www.factcheck.org/2019/02/does-china-pay-tariffs/ (accessed November 12, 2026).

[545] Robert Minton, Madeleine Ray and Mariano Somale, "Detecting Tariff Effects on Consumer Prices in Real Time - Part II," FEDS Notes, Board of Governors of the Federal Reserve System, April 8, 2026. https://www.federalreserve.gov/econres/notes/feds-notes/detecting-tariff-effects-on-consumer-prices-in-real-time-part-II-20260408.html (accessed November 12, 2026).

[546] Robert Minton, Madeleine Ray and Mariano Somale, "Detecting Tariff Effects on Consumer Prices in Real Time - Part II," FEDS Notes, Board of Governors of the Federal Reserve System, April 8, 2026. https://www.federalreserve.gov/econres/notes/feds-notes/detecting-tariff-effects-on-consumer-prices-in-real-time-part-II-20260408.html (accessed November 12, 2026).

[547] U.S. Bureau of Labor Statistics, "Consumer Price Index - October 2026," news release USDL-26-1685, November 10, 2026. https://www.bls.gov/news.release/cpi.nro.htm (accessed November 12, 2026).

[548] Lutz Kilian, Michael Plante, Alexander W. Richter and Xiaoqing Zhou, "Implications of the Iran war for U.S. inflation," Dallas Fed Economics, Federal Reserve Bank of Dallas, April 17, 2026 (views of the authors). https://www.dallasfed.org/research/economics/2026/0417 (accessed November 12, 2026).

[549] The White House, "U.S. Goods Inflation Lower than Other Countries," September 3, 2025. https://www.whitehouse.gov/releases/2025/09/u-s-goods-inflation-lower-than-other-countries/ (accessed November 12, 2026).

Claim 14: "Roosevelt confiscated Americans' gold in 1933."

How people say it. "FDR confiscated everyone's gold, and it could happen again."

Where it spread. Common in gold-dealer marketing and libertarian writing. One gold dealer's web page, for example, heads its section on the order "The Gold Confiscation Of April 5, 1933."[550]

What the records show. Executive Order 6102 required people to deliver gold coin, bullion and certificates to banks by May 1, 1933, with an exemption of up to $100 per person and exemptions for industry, art and rare coins.[551] People were paid in paper currency at the old price of $20.67 an ounce.[552,553] In January 1934, the price was raised to $35, so those who complied were paid well below the new value.[554] Violators faced fines up to $10,000 and up to ten years in prison.[555]

Verdict: Partly true. Turning in gold was compulsory, with criminal penalties, and owners were paid less than the value the government soon set. "Confiscated" leaves out that owners were paid and that small amounts and some uses were exempt. Americans regained the right to own gold at the end of 1974.[556]

How to Test a New Claim Yourself

1. Find the original source. Who said it, when, and what exactly did they say?
2. Find the official data. For prices, that is BLS (CPI) or BEA (PCE).
3. Check whether the claim uses a specific measure (headline, core, CPI-W) and time period.

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[550] Money Metals Exchange, "How Likely is a New Ban on Gold Ownership in America?" (section headed "The Gold Confiscation Of April 5, 1933"), undated web page (gold dealer). https://www.moneymetals.com/resources/executive-order-6102 (accessed November 12, 2026).

[551] Franklin D. Roosevelt, Executive Order 6102, "Forbidding the Hoarding of Gold Coin, Gold Bullion and Gold Certificates," April 5, 1933, The American Presidency Project, University of California, Santa Barbara. https://www.presidency.ucsb.edu/documents/executive-order-6102-forbidding-the-hoarding-gold-coin-gold-bullion-and-gold-certificates (accessed November 12, 2026).

[552] Franklin D. Roosevelt, Executive Order 6102, "Forbidding the Hoarding of Gold Coin, Gold Bullion and Gold Certificates," April 5, 1933, The American Presidency Project, University of California, Santa Barbara. https://www.presidency.ucsb.edu/documents/executive-order-6102-forbidding-the-hoarding-gold-coin-gold-bullion-and-gold-certificates (accessed November 12, 2026).

[553] Gary Richardson, Alejandro Komai and Michael Gou, "Roosevelt's Gold Program," Federal Reserve History, Federal Reserve System. https://www.federalreservehistory.org/essays/roosevelts-gold-program (accessed November 12, 2026).

[554] Federal Reserve History, "Gold Reserve Act of 1934," Federal Reserve System. https://www.federalreservehistory.org/essays/gold-reserve-act (accessed November 12, 2026).

[555] Franklin D. Roosevelt, Executive Order 6102, "Forbidding the Hoarding of Gold Coin, Gold Bullion and Gold Certificates," April 5, 1933, The American Presidency Project, University of California, Santa Barbara. https://www.presidency.ucsb.edu/documents/executive-order-6102-forbidding-the-hoarding-gold-coin-gold-bullion-and-gold-certificates (accessed November 12, 2026).

[556] Public Law 93-373, 88 Stat. 445 (August 14, 1974), section 2, repealing restrictions on private gold ownership effective December 31, 1974. https://www.govinfo.gov/content/pkg/STATUTE-88/pdf/STATUTE-88-Pg445.pdf (accessed November 12, 2026).

4. Ask what is left out: incomes, interest, other causes.
5. Look for at least two independent sources, ideally from different sides.

Part Seven: Where It Stands, What People Think, and the Options

Chapter 17: Where Prices Stand Today and How People Feel

The information in this chapter stops at November 12, 2026.

This chapter pulls together the newest official numbers available on November 12, 2026, and then looks at a puzzle that runs through this whole book: why so many people feel worse about prices than the official numbers seem to justify.

The Newest Official Numbers

Table 17-1. Inflation dashboard (information as of November 12, 2026)

Measure	Latest reading	Period	Released	Source
CPI-U, all items, 1-month change, seasonally adjusted	+0.4%	October 2026	Nov. 10, 2026	[557]
CPI-U, all items, 1-month change, seasonally adjusted	+0.6%	September 2026	Oct. 2026	[558]
CPI-U, all items, 12-month change	Not published for October 2026 (no October 2025 data)	October 2026	Nov. 10, 2026	[559]
CPI-U, all items, 12-month change	About 3.7% (my calculation from index levels)	September 2026	Oct. 2026	[560]
CPI-U index level, not seasonally adjusted	337.511	October 2026	Nov. 10, 2026	[561]
Gasoline index, 12-month change	+37.4%	October 2026	Nov. 10, 2026	[562]

[557] U.S. Bureau of Labor Statistics, "Consumer Price Index - October 2026," news release USDL-26-1685, November 10, 2026. https://www.bls.gov/news.release/cpi.nr0.htm (accessed November 12, 2026).

[558] U.S. Bureau of Labor Statistics, "Consumer Price Index - October 2026," news release USDL-26-1685, November 10, 2026. https://www.bls.gov/news.release/cpi.nr0.htm (accessed November 12, 2026).

[559] U.S. Bureau of Labor Statistics, "Consumer Price Index - October 2026," news release USDL-26-1685, November 10, 2026. https://www.bls.gov/news.release/cpi.nr0.htm (accessed November 12, 2026).

[560] U.S. Bureau of Labor Statistics, Consumer Price Index for All Urban Consumers: All Items in U.S. City Average (CPIAUCNS), not seasonally adjusted, 1982-84=100, retrieved from Federal Reserve Bank of St. Louis, FRED, last updated November 10, 2026. https://fred.stlouisfed.org/series/CPIAUCNS (accessed November 12, 2026).

[561] U.S. Bureau of Labor Statistics, "Consumer Price Index - October 2026," news release USDL-26-1685, November 10, 2026. https://www.bls.gov/news.release/cpi.nr0.htm (accessed November 12, 2026).

[562] U.S. Bureau of Labor Statistics, "Consumer Price Index - October 2026," news release USDL-26-1685, November 10, 2026. https://www.bls.gov/news.release/cpi.nr0.htm (accessed November 12, 2026).

Measure	Latest reading	Period	Released	Source
PCE price index, 12-month change	3.6%	September 2026	Oct. 29, 2026	[563]
Core PCE, 12-month change	3.1%	September 2026	Oct. 29, 2026	[564]
Fed inflation goal	2% on the PCE index	Reaffirmed Jan. 27, 2026		[565]
Federal funds target range	3-3/4 to 4%	Oct. 28, 2026 meeting	Oct. 28, 2026	[566]
Regular gasoline, U.S. average	$3.995 per gallon	Week of Nov. 9, 2026	Nov. 10, 2026	[567]
Social Security COLA	3.6%	Benefits payable from Jan. 2027	Oct. 2026	[568]
Expected inflation, 1 year ahead (median)	3.9%	October 2026 survey	Nov. 9, 2026	[569]
Expected inflation, 3 years ahead (median)	3.3%	October 2026 survey	Nov. 9, 2026	[570]
Expected inflation, 5 years ahead (median)	3.0%	October 2026 survey	Nov. 9, 2026	[571]

The next CPI report, for November 2026, was scheduled for December 10, 2026.[572] The next PCE report, for October 2026, was scheduled for November 25, 2026.[573]

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[563] U.S. Bureau of Economic Analysis, "Personal Income and Outlays, September 2026," news release, October 29, 2026. https://www.bea.gov/news/2026/personal-income-and-outlays-september-2026 (accessed November 12, 2026).

[564] U.S. Bureau of Economic Analysis, "Personal Income and Outlays, September 2026," news release, October 29, 2026. https://www.bea.gov/news/2026/personal-income-and-outlays-september-2026 (accessed November 12, 2026).

[565] Federal Open Market Committee, "Statement on Longer-Run Goals and Monetary Policy Strategy," adopted effective January 24, 2012, as reaffirmed effective January 27, 2026. https://www.federalreserve.gov/monetarypolicy/files/FOMC_LongerRunGoals.pdf (accessed November 12, 2026).

[566] Board of Governors of the Federal Reserve System, "Federal Reserve issues FOMC statement," press release, October 28, 2026. https://www.federalreserve.gov/newsevents/pressreleases/monetary20261028a.htm (accessed November 12, 2026).

[567] U.S. Energy Information Administration, "Gasoline and Diesel Fuel Update," release date November 10, 2026. https://www.eia.gov/petroleum/gasdiesel/ (accessed November 12, 2026).

[568] Social Security Administration, "Cost-of-Living Adjustment (COLA) Information," 2027 COLA announcement. https://www.ssa.gov/cola/ (accessed November 12, 2026).

[569] Federal Reserve Bank of New York, Center for Microeconomic Data, "Survey of Consumer Expectations," October 2026 survey, released November 9, 2026. https://www.newyorkfed.org/microeconomics/sce (accessed November 12, 2026).

[570] Federal Reserve Bank of New York, Center for Microeconomic Data, "Survey of Consumer Expectations," October 2026 survey, released November 9, 2026. https://www.newyorkfed.org/microeconomics/sce (accessed November 12, 2026).

[571] Federal Reserve Bank of New York, Center for Microeconomic Data, "Survey of Consumer Expectations," October 2026 survey, released November 9, 2026. https://www.newyorkfed.org/microeconomics/sce (accessed November 12, 2026).

[572] U.S. Bureau of Labor Statistics, "Consumer Price Index - October 2026," news release USDL-26-1685, November 10, 2026. https://www.bls.gov/news.release/cpi.nr0.htm (accessed November 12, 2026).

What the Numbers Say, Plainly

- Inflation was running well above the Fed's 2 percent goal, by every main measure, as of fall 2026.[574,575]
- Energy, especially gasoline, was a big driver in 2026, following the war involving Iran.[576,577]
- Core inflation, without food and energy, was also above 2 percent: core PCE was 3.1 percent.[578] The Fed's own estimate puts part of that on the 2025 tariffs.[579]
- People expect inflation to stay above 2 percent for at least the next several years, according to the New York Fed survey.[580]
- The Federal Reserve held its rate steady in October 2026, with two members wanting to raise it.[581]

Data-Quality Notes for 2026

I want you to know the limits of these numbers:

- The 12-month CPI comparisons for October 2026 are missing because of the 2025 shutdown.[582]
- BLS cut price collection in 2025 and was rebuilding its field staff in 2026.[583,584]

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[573] U.S. Bureau of Economic Analysis, "Personal Consumption Expenditures Price Index". https://www.bea.gov/data/personal-consumption-expenditures-price-index (accessed November 12, 2026).

[574] U.S. Bureau of Economic Analysis, "Personal Income and Outlays, September 2026," news release, October 29, 2026. https://www.bea.gov/news/2026/personal-income-and-outlays-september-2026 (accessed November 12, 2026).

[575] Board of Governors of the Federal Reserve System, "Federal Reserve issues FOMC statement," press release, October 28, 2026. https://www.federalreserve.gov/newsevents/pressreleases/monetary20261028a.htm (accessed November 12, 2026).

[576] U.S. Bureau of Labor Statistics, "Consumer Price Index - October 2026," news release USDL-26-1685, November 10, 2026. https://www.bls.gov/news.release/cpi.nr0.htm (accessed November 12, 2026).

[577] Lutz Kilian, Michael Plante, Alexander W. Richter and Xiaoqing Zhou, "Implications of the Iran war for U.S. inflation," Dallas Fed Economics, Federal Reserve Bank of Dallas, April 17, 2026 (views of the authors). https://www.dallasfed.org/research/economics/2026/0417 (accessed November 12, 2026).

[578] U.S. Bureau of Economic Analysis, "Personal Income and Outlays, September 2026," news release, October 29, 2026. https://www.bea.gov/news/2026/personal-income-and-outlays-september-2026 (accessed November 12, 2026).

[579] Robert Minton, Madeleine Ray and Mariano Somale, "Detecting Tariff Effects on Consumer Prices in Real Time - Part II," FEDS Notes, Board of Governors of the Federal Reserve System, April 8, 2026. https://www.federalreserve.gov/econres/notes/feds-notes/detecting-tariff-effects-on-consumer-prices-in-real-time-part-II-20260408.html (accessed November 12, 2026).

[580] Federal Reserve Bank of New York, Center for Microeconomic Data, "Survey of Consumer Expectations," October 2026 survey, released November 9, 2026. https://www.newyorkfed.org/microeconomics/sce (accessed November 12, 2026).

[581] Board of Governors of the Federal Reserve System, "Federal Reserve issues FOMC statement," press release, October 28, 2026. https://www.federalreserve.gov/newsevents/pressreleases/monetary20261028a.htm (accessed November 12, 2026).

[582] U.S. Bureau of Labor Statistics, "Consumer Price Index - October 2026," news release USDL-26-1685, November 10, 2026. https://www.bls.gov/news.release/cpi.nr0.htm (accessed November 12, 2026).

[583] U.S. Bureau of Labor Statistics, "More information on CPI collection reductions," July 29, 2025. https://www.bls.gov/cpi/notices/2025/more-information-collection-reduction.htm (accessed November 12, 2026).

[584] U.S. Bureau of Labor Statistics, "Update regarding data collection for the Consumer Price Index," October 22, 2026. https://www.bls.gov/cpi/notices/2026/data-collection-update.htm (accessed November 12, 2026).

- BLS began publishing monthly collection and response rates in June 2026 so the public can watch data quality.[585]

The Feelings Gap

You might ask, "Why does the store feel more expensive than the official number?" Here is how the number is built, and why it can feel different.

Reason 1: Level versus rate

The official number is a *rate*: how fast prices are rising. What people feel is the *level*: how much higher prices are than they remember. From 2020 to 2025, the CPI annual average rose about 24 percent.[586] Even when the rate slowed, prices stayed up. Stantcheva's research found that many people think about inflation in terms of price levels and fairness.[587]

Reason 2: What you buy often

People notice prices they see every week, such as groceries and gasoline, far more than prices they pay rarely, such as a television or a car. When frequently bought items rise fastest, as gasoline did in 2026, inflation feels worse than the average.[588,589]

Reason 3: Wages feel earned; price increases feel imposed

In Stantcheva's surveys, people said they believe "wages grow much more slowly than prices."[590] Many people credit a raise to their own effort and see price increases as something done to them. So even when wages keep up, inflation can feel like a loss.

Reason 4: Costs the CPI does not count

The CPI does not include house prices or mortgage interest (Chapter 5), and it does not include interest on car loans or credit cards.[591] When interest rates jump, people's monthly costs can rise

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[585] U.S. Bureau of Labor Statistics, "Update regarding data collection for the Consumer Price Index," October 22, 2026. https://www.bls.gov/cpi/notices/2026/data-collection-update.htm (accessed November 12, 2026).

[586] U.S. Bureau of Labor Statistics, Consumer Price Index for All Urban Consumers: All Items in U.S. City Average (CPIAUCNS), not seasonally adjusted, 1982-84=100, retrieved from Federal Reserve Bank of St. Louis, FRED, last updated November 10, 2026. https://fred.stlouisfed.org/series/CPIAUCNS (accessed November 12, 2026).

[587] Stefanie Stantcheva, "Why Do We Dislike Inflation?" Brookings Papers on Economic Activity, Spring 2024, Brookings Institution, March 27, 2024. https://www.brookings.edu/articles/why-do-we-dislike-inflation/ (accessed November 12, 2026).

[588] Stefanie Stantcheva, "Why Do We Dislike Inflation?" Brookings Papers on Economic Activity, Spring 2024, Brookings Institution, March 27, 2024. https://www.brookings.edu/articles/why-do-we-dislike-inflation/ (accessed November 12, 2026).

[589] U.S. Bureau of Labor Statistics, "Consumer Price Index - October 2026," news release USDL-26-1685, November 10, 2026. https://www.bls.gov/news.release/cpi.nr0.htm (accessed November 12, 2026).

[590] Stefanie Stantcheva, "Why Do We Dislike Inflation?" Brookings Papers on Economic Activity, Spring 2024, Brookings Institution, March 27, 2024. https://www.brookings.edu/articles/why-do-we-dislike-inflation/ (accessed November 12, 2026).

[591] U.S. Bureau of Labor Statistics, "Handbook of Methods: Consumer Price Index, Concepts". https://www.bls.gov/opub/hom/cpi/concepts.htm (accessed November 12, 2026).

sharply in ways the CPI does not show. Bolhuis, Cramer, Schulz and Summers argued that this helps explain why consumer sentiment was so poor in 2023 even as measured inflation fell.[592]

Reason 5: Your basket is not the average basket

The CPI tracks an average urban household.[593] A renter in a fast-growing city or a long-distance commuter can face much higher inflation than average, while a homeowner with a paid-off house who drives little may face less.

Questions Readers Ask

"Will prices come back down?" The general price level rarely falls, and when it does, as in the early 1930s, it usually comes with a severe downturn (Chapter 8).[594] What usually happens is that inflation slows and wages catch up over time. Some individual prices, like gasoline, can and do fall.[595]

"Is 3.9 percent expected inflation high?" It is above the Fed's 2 percent goal.[596,597] Survey answers about expected inflation tend to run higher than inflation outcomes in calm times, so economists watch the trend in these surveys more than the level.

So Who Is Right, the Numbers or the Feelings?

Both, in different ways. The official numbers are an honest, documented measure of average price change for a defined basket. People's feelings reflect real things the numbers are not designed to capture: the level of prices, borrowing costs, the items they buy most, and whether their own pay kept up. A good test of any claim about "real inflation" is to ask which of these it is talking about.

Key Points from This Chapter

- As of November 12, 2026, inflation was above the Fed's 2 percent goal, with PCE at 3.6 percent and core PCE at 3.1 percent for September 2026.
- Gasoline was up 37.4 percent over 12 months in the October 2026 CPI report.
- The Fed held rates at 3-3/4 to 4 percent on October 28, 2026.

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[592] Marijn A. Bolhuis, Judd N. L. Cramer, Karl Oskar Schulz and Lawrence H. Summers, "The Cost of Money is Part of the Cost of Living: New Evidence on the Consumer Sentiment Anomaly," NBER Working Paper 32163, National Bureau of Economic Research, February 2024. https://www.nber.org/papers/w32163 (accessed November 12, 2026).

[593] U.S. Bureau of Labor Statistics, "Handbook of Methods: Consumer Price Index, Design". https://www.bls.gov/opub/hom/cpi/design.htm (accessed November 12, 2026).

[594] U.S. Bureau of Labor Statistics, Consumer Price Index for All Urban Consumers: All Items in U.S. City Average (CPIAUCNS), not seasonally adjusted, 1982-84=100, retrieved from Federal Reserve Bank of St. Louis, FRED, last updated November 10, 2026. https://fred.stlouisfed.org/series/CPIAUCNS (accessed November 12, 2026).

[595] U.S. Energy Information Administration, "Gasoline and Diesel Fuel Update," release date November 10, 2026. https://www.eia.gov/petroleum/gasdiesel/ (accessed November 12, 2026).

[596] Federal Reserve Bank of New York, Center for Microeconomic Data, "Survey of Consumer Expectations," October 2026 survey, released November 9, 2026. https://www.newyorkfed.org/microeconomics/sce (accessed November 12, 2026).

[597] Federal Open Market Committee, "Statement on Longer-Run Goals and Monetary Policy Strategy," adopted effective January 24, 2012, as reaffirmed effective January 27, 2026. https://www.federalreserve.gov/monetarypolicy/files/FOMC_LongerRunGoals.pdf (accessed November 12, 2026).

- People expected inflation of 3.9 percent over the next year.
- The gap between feelings and numbers comes from levels versus rates, frequent purchases, wages, borrowing costs and individual baskets.

Chapter 18: The Options for Keeping Prices Stable

This last chapter lays out the main approaches people have proposed for keeping prices stable. For each one I describe how it works, who backs it, and the evidence for and against it. I do not recommend one. Reasonable people weigh the trade-offs differently, and the choice involves values as well as facts.

Option 1: Inflation Targeting by an Independent Central Bank (The Current System)

How it works. The central bank publicly commits to a numerical inflation goal and adjusts interest rates to hit it over time. The Federal Reserve's goal is 2 percent on the PCE price index.[598]

Who backs it. The Federal Reserve and many other central banks, and most mainstream economists.[599]

Evidence for. From the mid-1990s to 2020, U.S. inflation stayed mostly near 2 percent.[600] Expectations stayed steady even through the 2008 financial crisis.

Evidence against. The Fed missed badly in 2021 and 2022, and inflation was above target again in 2026.[601] Critics on the right argue the Fed has too much discretion; critics on the left argue it puts too much weight on inflation compared with jobs.

Variants. In August 2020 the Fed said it "seeks to achieve inflation that averages 2 percent over time," and that after periods of low inflation it would "likely aim to achieve inflation moderately above 2 percent for some time."[602] After a 2025 review, the Fed amended its statement effective August 22, 2025. The new version keeps the 2 percent goal and the focus on well-anchored expectations, and the averaging language no longer appears in it.[603] The Federal Reserve book covers these changes.

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[598] Federal Open Market Committee, "Statement on Longer-Run Goals and Monetary Policy Strategy," adopted effective January 24, 2012, as reaffirmed effective January 27, 2026. https://www.federalreserve.gov/monetarypolicy/files/FOMC_LongerRunGoals.pdf (accessed November 12, 2026).

[599] Federal Open Market Committee, "Statement on Longer-Run Goals and Monetary Policy Strategy," adopted effective January 24, 2012, as reaffirmed effective January 27, 2026. https://www.federalreserve.gov/monetarypolicy/files/FOMC_LongerRunGoals.pdf (accessed November 12, 2026).

[600] U.S. Bureau of Labor Statistics, Consumer Price Index for All Urban Consumers: All Items in U.S. City Average (CPIAUCNS), not seasonally adjusted, 1982-84=100, retrieved from Federal Reserve Bank of St. Louis, FRED, last updated November 10, 2026. https://fred.stlouisfed.org/series/CPIAUCNS (accessed November 12, 2026).

[601] U.S. Bureau of Economic Analysis, "Personal Income and Outlays, September 2026," news release, October 29, 2026. https://www.bea.gov/news/2026/personal-income-and-outlays-september-2026 (accessed November 12, 2026).

[602] Board of Governors of the Federal Reserve System, "Federal Open Market Committee announces approval of updates to its Statement on Longer-Run Goals and Monetary Policy Strategy," press release, August 27, 2020. https://www.federalreserve.gov/newsevents/pressreleases/monetary20200827a.htm (accessed November 12, 2026).

[603] Federal Open Market Committee, "2025 Statement on Longer-Run Goals and Monetary Policy Strategy," adopted effective January 24, 2012, as amended effective August 22, 2025.

Option 2: Price-Level Targeting

How it works. Instead of targeting the inflation *rate*, the central bank targets a path for the price *level*. If prices overshoot one year, the bank aims for below-normal inflation later to bring the level back to the path.

Who backs it. Some academic economists. I could not confirm a current, citable list of backers before the cutoff [Not verified]. The Fed's 2020 averaging approach, described above, borrowed part of the idea, and the Fed dropped that language in 2025.[604,605]

Evidence for. It would undo surges rather than just stop them, which addresses the "level, not rate" complaint in Chapter 17.

Evidence against. Bringing prices back down means a period of very low or negative inflation, which can require a recession. No major central bank has used it for long.

Option 3: Nominal GDP Targeting

How it works. The central bank targets steady growth in total spending in the economy (nominal Gross Domestic Product), such as 4 or 5 percent a year, rather than inflation alone.

Who backs it. It has support among some market-oriented economists, including writers for the Mercatus Center at George Mason University. A 2024 Mercatus brief by economist Peter Ireland notes that "NGDP targeting, also known as nominal income targeting, is often proposed as an alternative to flexible inflation targeting."[606]

Evidence for. It responds automatically to supply shocks by tolerating some extra inflation when output falls, and vice versa.

Evidence against. GDP data come out late and get revised. No major central bank uses it.

Option 4: A Fixed Rule for Money or Interest Rates

How it works. Take discretion away from the central bank and follow a rule. Milton Friedman is known for proposing that the money supply grow at a fixed rate each year [Not verified: I did not confirm a primary source before the cutoff]. Economist John Taylor proposed a rule for setting interest rates based on inflation and output, now called the Taylor rule.[607]

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https://www.federalreserve.gov/monetarypolicy/monetary-policy-strategy-tools-and-communications-statement-on-longer-run-goals-monetary-policy-strategy-2025.htm (accessed November 12, 2026).

[604] Board of Governors of the Federal Reserve System, "Federal Open Market Committee announces approval of updates to its Statement on Longer-Run Goals and Monetary Policy Strategy," press release, August 27, 2020. https://www.federalreserve.gov/newsevents/pressreleases/monetary20200827a.htm (accessed November 12, 2026).

[605] Federal Open Market Committee, "2025 Statement on Longer-Run Goals and Monetary Policy Strategy," adopted effective January 24, 2012, as amended effective August 22, 2025. https://www.federalreserve.gov/monetarypolicy/monetary-policy-strategy-tools-and-communications-statement-on-longer-run-goals-monetary-policy-strategy-2025.htm (accessed November 12, 2026).

[606] Peter N. Ireland, "Targeting Nominal GDP Through Monetary Control," policy brief, Mercatus Center at George Mason University, December 10, 2024. https://www.mercatus.org/research/policy-briefs/targeting-nominal-gdp-through-monetary-control (accessed November 12, 2026).

[607] John B. Taylor, "Discretion versus Policy Rules in Practice," Carnegie-Rochester Conference Series on Public Policy 39 (1993): 195-214; summarized in Federal Reserve Bank of San Francisco, "What is Taylor's rule?" Dr. Econ, March 1998.

Who backs it. Rules-based economists, many conservatives and libertarians.

Evidence for. Rules are predictable and harder to bend for political reasons.

Evidence against. The money-growth rule fell out of favor in the 1980s when the link between money measures and spending broke down. Rules can be wrong-footed by new kinds of shocks.

Option 5: Return to a Gold or Commodity Standard

How it works. Tie the dollar to a fixed amount of gold, or to a basket of commodities.

Who backs it. Gold-standard advocates, some libertarian groups and politicians.[608]

Evidence for. Long-run price stability under the classical gold standard.[609] It limits how much money governments can create.

Evidence against. Large short-run price swings, banking panics and deflation under gold; Chapter 16 rated "gold would end inflation" False (debunked).[610,611] Gold's own value moves with mining and demand. Few economists support a return, according to the 2012 Clark Center survey.[612]

Option 6: Budget Rules and Fiscal Restraint

How it works. Limit deficits, through a balanced-budget rule, spending caps or a credible long-term debt plan, so government borrowing does not feed inflation.

Who backs it. Fiscal conservatives; supporters of the fiscal theory of the price level argue credible budgets anchor inflation.[613,614]

Evidence for. Studies tie U.S. fiscal support to part of the 2021 inflation.[615]

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https://www.frbsf.org/research-and-insights/publications/doctor-econ/1998/03/taylor-rule-monetary-policy/ (accessed November 12, 2026).

[608] Lawrence H. White, "Recent Arguments against the Gold Standard," Policy Analysis No. 728, Cato Institute, June 20, 2013 (advocacy, libertarian think tank). https://www.cato.org/policy-analysis/recent-arguments-against-gold-standard (accessed November 12, 2026).

[609] Michael D. Bordo, "Gold Standard," The Concise Encyclopedia of Economics, Econlib, Liberty Fund. https://www.econlib.org/library/Enc/GoldStandard.html (accessed November 12, 2026).

[610] Michael D. Bordo, "Gold Standard," The Concise Encyclopedia of Economics, Econlib, Liberty Fund. https://www.econlib.org/library/Enc/GoldStandard.html (accessed November 12, 2026).

[611] U.S. Bureau of Labor Statistics, Consumer Price Index for All Urban Consumers: All Items in U.S. City Average (CPIAUCNS), not seasonally adjusted, 1982-84=100, retrieved from Federal Reserve Bank of St. Louis, FRED, last updated November 10, 2026. https://fred.stlouisfed.org/series/CPIAUCNS (accessed November 12, 2026).

[612] Clark Center Forum (formerly IGM Forum), University of Chicago Booth School of Business, "Gold Standard," economic experts panel survey, January 12, 2012. https://www.kentclarkcenter.org/surveys/gold-standard/ (accessed November 12, 2026).

[613] John H. Cochrane, The Fiscal Theory of the Price Level, Princeton University Press, 2023 (ISBN 9780691242248). https://www.exploring-economics.org/en/study/books/the-fiscal-theory-of-the-price-level/ (accessed November 12, 2026).

[614] The Heritage Foundation, "The Road to Inflation: How an Unprecedented Federal Spending Spree Created Economic Turmoil," Special Report No. 276, 2023 (advocacy, conservative think tank). https://report.heritage.org/sr276 (accessed November 12, 2026).

Evidence against. Strict rules can make recessions worse by forcing cuts when the economy is weak. The National Debt book in this series covers this.

Option 7: Price and Wage Controls

How it works. The government sets maximum prices or wage increases directly.

Who backs it. Mostly used in emergencies. Some economists, such as Isabella Weber of the University of Massachusetts Amherst, have argued for targeted price controls on key goods in a crisis. Her widely debated commentary "Could Strategic Price Controls Help Fight Inflation?" first ran in The Guardian and discusses using price controls "similar to what was done after World War II."[616]

Evidence for. Controls held measured prices down during World War II and the 1971 freeze.[617,618]

Evidence against. Prices jumped when controls ended in both 1946 to 1948 and 1973 to 1974.[619] Controls can cause shortages, black markets and lower quality.

Option 8: Competition Policy and Anti-Gouging Laws

How it works. Use antitrust enforcement to keep markets competitive, and state anti-price-gouging laws to limit sharp price increases during emergencies.

Who backs it. Many progressive economists and groups, and some populist conservatives.[620]

Evidence for. Profit margins widened in 2021.[621,622]

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[615] Oscar Jorda, Celeste Liu, Fernanda Nechio and Fabian Rivera-Reyes, "Why Is U.S. Inflation Higher than in Other Countries?" FRBSF Economic Letter 2022-07, Federal Reserve Bank of San Francisco, March 28, 2022. https://www.frbsf.org/research-and-insights/publications/economic-letter/2022/03/why-is-us-inflation-higher-than-in-other-countries/ (accessed November 12, 2026).

[616] Isabella Weber, "Could Strategic Price Controls Help Fight Inflation?" commentary (originally in The Guardian), Political Economy Research Institute, University of Massachusetts Amherst, January 2022. https://peri.umass.edu/publication/could-strategic-price-controls-help-fight-inflation/ (accessed November 12, 2026).

[617] U.S. Bureau of Labor Statistics, Consumer Price Index for All Urban Consumers: All Items in U.S. City Average (CPIAUCNS), not seasonally adjusted, 1982-84=100, retrieved from Federal Reserve Bank of St. Louis, FRED, last updated November 10, 2026. https://fred.stlouisfed.org/series/CPIAUCNS (accessed November 12, 2026).

[618] Sandra Kollen Ghizoni, "Nixon Ends Convertibility of U.S. Dollars to Gold and Announces Wage/Price Controls," Federal Reserve History, Federal Reserve System. https://www.federalreservehistory.org/essays/gold-convertibility-ends (accessed November 12, 2026).

[619] U.S. Bureau of Labor Statistics, Consumer Price Index for All Urban Consumers: All Items in U.S. City Average (CPIAUCNS), not seasonally adjusted, 1982-84=100, retrieved from Federal Reserve Bank of St. Louis, FRED, last updated November 10, 2026. https://fred.stlouisfed.org/series/CPIAUCNS (accessed November 12, 2026).

[620] Economic Policy Institute, "Corporate profits have contributed disproportionately to inflation. How should policymakers respond?" Working Economics Blog, 2022 (advocacy; labor-aligned think tank) [author and exact date not shown on the page as read; Not verified]. https://www.epi.org/blog/corporate-profits-have-contributed-disproportionately-to-inflation-how-should-policymakers-respond/ (accessed November 12, 2026).

[621] Andrew Glover, Jose Mustre-del-Rio and Jalen Nichols, "Corporate Profits Contributed a Lot to Inflation in 2021 but Little in 2022 - A Pattern Seen in Past Economic Recoveries," Economic Bulletin, Federal Reserve Bank of Kansas City, May 12, 2023. https://kansascityfed.org/research/economic-bulletin/corporate-profits-contributed-a-lot-to-inflation-in-2021-but-little-in-2022 (accessed November 12, 2026).

Evidence against. Kansas City Fed economists found the profit contribution faded in 2022.[623] Antitrust takes years. Critics argue anti-gouging rules can cause shortages by blocking price signals.[624]

Option 9: Expanding Supply

How it works. Reduce costs by expanding production: energy output, housing construction, permitting reform, trade, immigration for labor shortages and supply-chain investment.

Who backs it. People across the spectrum, though they favor different parts (for example, energy production versus clean energy, or zoning reform versus tariffs).

Evidence for. Supply shocks drove much of the 2021-2022 surge and the 2026 oil spike.[625,626]

Evidence against. Supply takes years to build, and it cannot by itself stop inflation driven by too much demand.

Option 10: Lower Tariffs, or Higher Ones

Trade policy cuts both ways. The Fed's 2026 estimate suggests the 2025 tariffs raised consumer prices.[627] Tariff supporters argue they protect domestic industry and jobs and can be paired with other policies to limit price effects.[628] After the Supreme Court's February 2026 ruling on IEEPA, the legal basis for some tariffs changed.[629]

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[622] Economic Policy Institute, "Corporate profits have contributed disproportionately to inflation. How should policymakers respond?" Working Economics Blog, 2022 (advocacy; labor-aligned think tank) [author and exact date not shown on the page as read; Not verified]. https://www.epi.org/blog/corporate-profits-have-contributed-disproportionately-to-inflation-how-should-policymakers-respond/ (accessed November 12, 2026).

[623] Andrew Glover, Jose Mustre-del-Rio and Jalen Nichols, "Corporate Profits Contributed a Lot to Inflation in 2021 but Little in 2022 - A Pattern Seen in Past Economic Recoveries," Economic Bulletin, Federal Reserve Bank of Kansas City, May 12, 2023. https://kansascityfed.org/research/economic-bulletin/corporate-profits-contributed-a-lot-to-inflation-in-2021-but-little-in-2022 (accessed November 12, 2026).

[624] Ryan Bourne, "Last Word: Busting the 'Greedflation' Myth," Free Society, Cato Institute, September 20, 2024 (advocacy, libertarian think tank). https://www.cato.org/free-society/last-word-busting-greedflation-myth (accessed November 12, 2026).

[625] Ben S. Bernanke and Olivier Blanchard, "What caused the U.S. pandemic-era inflation?" Hutchins Center Working Paper, Brookings Institution, June 13, 2023. https://www.brookings.edu/articles/what-caused-the-u-s-pandemic-era-inflation/ (accessed November 12, 2026).

[626] Lutz Kilian, Michael Plante, Alexander W. Richter and Xiaoqing Zhou, "Implications of the Iran war for U.S. inflation," Dallas Fed Economics, Federal Reserve Bank of Dallas, April 17, 2026 (views of the authors). https://www.dallasfed.org/research/economics/2026/0417 (accessed November 12, 2026).

[627] Robert Minton, Madeleine Ray and Mariano Somale, "Detecting Tariff Effects on Consumer Prices in Real Time - Part II," FEDS Notes, Board of Governors of the Federal Reserve System, April 8, 2026. https://www.federalreserve.gov/econres/notes/feds-notes/detecting-tariff-effects-on-consumer-prices-in-real-time-part-II-20260408.html (accessed November 12, 2026).

[628] The White House, "U.S. Goods Inflation Lower than Other Countries," September 3, 2025. https://www.whitehouse.gov/releases/2025/09/u-s-goods-inflation-lower-than-other-countries/ (accessed November 12, 2026).

[629] Supreme Court of the United States, Learning Resources, Inc. v. Trump, No. 24-1287, 607 U.S. 229, decided February 20, 2026 (slip opinion). https://www.supremecourt.gov/opinions/25pdf/607us2r12_8nj9.pdf (accessed November 12, 2026).

Option 11: Protecting People Rather Than Prices

Some proposals focus less on stopping inflation and more on protecting people from it: indexing benefits, offering more inflation-protected savings (I bonds, TIPS), indexing more of the tax code, or switching Social Security to a different index such as the CPI-E or the chained CPI.[630,631,632]

Who Decides?

- **Congress** sets the Fed's mandate, tax policy, spending and trade law.
- **The Federal Reserve** sets interest rates and its strategy within that mandate.
- **The President** appoints Fed leaders with Senate approval, proposes budgets and, within the law, sets some trade policy.
- **Courts** decide the limits of each, as the Supreme Court did on IEEPA tariffs in 2026.[633]

The Federal Reserve book in this series covers debates over the Fed's independence and how much control elected officials should have over interest rates.

Comparison Table

Option	Main supporters	Main strength	Main weakness
Inflation targeting	Most central banks	Steady expectations	Missed in 2021-22 and 2026
Price-level targeting	Some academics	Undoes surges	May need deflation
Nominal GDP targeting	Market monetarists	Handles supply shocks	Data lags
Fixed rules	Rules-based economists	Predictable	Fragile to new shocks
Gold standard	Gold advocates	Long-run stability	Short-run swings, deflation
Budget rules	Fiscal conservatives	Limits deficit-driven demand	Can deepen recessions
Price controls	Emergency use; some heterodox economists	Fast	Shortages; surge after
Competition policy	Progressives, some populists	Targets pricing power	Slow; limited effect
Expanding supply	Broad	Attacks root costs	Slow

[630] U.S. Bureau of Labor Statistics, "R-CPI-E Homepage" (research index for Americans 62 and older), last modified November 10, 2026. https://www.bls.gov/cpi/research-series/r-cpi-e-home.htm (accessed November 12, 2026).

[631] U.S. Bureau of Labor Statistics, "Chained Consumer Price Index for All Urban Consumers (C-CPI-U) Questions and Answers," last modified July 30, 2026. https://www.bls.gov/cpi/additional-resources/chained-cpi-questions-and-answers.htm (accessed November 12, 2026).

[632] Social Security Administration, Office of the Chief Actuary, "Latest Cost-of-Living Adjustment". https://www.ssa.gov/oact/cola/latestCOLA.html (accessed November 12, 2026).

[633] Supreme Court of the United States, Learning Resources, Inc. v. Trump, No. 24-1287, 607 U.S. 229, decided February 20, 2026 (slip opinion). https://www.supremecourt.gov/opinions/25pdf/607us2r12_8nj9.pdf (accessed November 12, 2026).

Option	Main supporters	Main strength	Main weakness
Protecting people	Varies	Reduces harm	Does not stop inflation

Final Word

Inflation is not a mystery and it is not a conspiracy. It is a measurable rise in the general level of prices, with causes that economists can study and argue about. The official numbers are imperfect and published openly. The history of the dollar shows that no system, gold or paper, has delivered perfectly stable prices. What any country chooses depends on what it values most: stable prices, full employment, limited government, protection for the vulnerable, or freedom from the risk of political meddling with money.

My hope is that this book gives you what you need to check the numbers yourself, recognize which measure someone is quoting, and judge claims on the evidence.

Appendices

Appendix A: Price Tables by Year

Table A-1. CPI-U annual average, U.S. city average, all items, not seasonally adjusted (1982-84=100), 1913-2025, with the change from the year before and the value of $1.00 from that year in October 2026 dollars (information as of November 12, 2026)

How to read this table: the "Index" column is the official annual average. "Change" is the percent change from the year before, my calculation. "$1.00 then = October 2026" multiplies $1.00 by 337.511 (the October 2026 CPI-U) divided by that year's index, my calculation. The 2025 annual average was computed by BLS from 11 months because October 2025 data were not collected.[634,635,636]

Year	Index	Change	$1.00 then = October 2026
1913	9.883		$34.15
1914	10.017	1.4%	$33.69
1915	10.108	0.9%	$33.39
1916	10.883	7.7%	$31.01
1917	12.825	17.8%	$26.32
1918	15.042	17.3%	$22.44
1919	17.333	15.2%	$19.47
1920	20.042	15.6%	$16.84
1921	17.850	-10.9%	$18.91
1922	16.750	-6.2%	$20.15
1923	17.050	1.8%	$19.80
1924	17.125	0.4%	$19.71
1925	17.542	2.4%	$19.24
1926	17.700	0.9%	$19.07
1927	17.358	-1.9%	$19.44
1928	17.158	-1.2%	$19.67
1929	17.158	0.0%	$19.67
1930	16.700	-2.7%	$20.21
1931	15.208	-8.9%	$22.19

634 U.S. Bureau of Labor Statistics, Consumer Price Index for All Urban Consumers: All Items in U.S. City Average (CPIAUCNS), not seasonally adjusted, 1982-84=100, retrieved from Federal Reserve Bank of St. Louis, FRED, last updated November 10, 2026. https://fred.stlouisfed.org/series/CPIAUCNS (accessed November 12, 2026).

635 U.S. Bureau of Labor Statistics, "Consumer Price Index - October 2026," news release USDL-26-1685, November 10, 2026. https://www.bls.gov/news.release/cpi.nr0.htm (accessed November 12, 2026).

636 U.S. Bureau of Labor Statistics, "2025 Federal Government Shutdown Impact on the CPI: Frequently Asked Questions," last modified September 16, 2026. https://www.bls.gov/cpi/additional-resources/2025-federal-government-shutdown-impact-cpi-faq.htm (accessed November 12, 2026).

Year	Index	Change	$1.00 then = October 2026
1932	13.642	-10.3%	$24.74
1933	12.933	-5.2%	$26.10
1934	13.383	3.5%	$25.22
1935	13.725	2.6%	$24.59
1936	13.867	1.0%	$24.34
1937	14.383	3.7%	$23.47
1938	14.092	-2.0%	$23.95
1939	13.908	-1.3%	$24.27
1940	14.008	0.7%	$24.09
1941	14.725	5.1%	$22.92
1942	16.333	10.9%	$20.66
1943	17.308	6.0%	$19.50
1944	17.592	1.6%	$19.19
1945	17.992	2.3%	$18.76
1946	19.517	8.5%	$17.29
1947	22.325	14.4%	$15.12
1948	24.042	7.7%	$14.04
1949	23.808	-1.0%	$14.18
1950	24.067	1.1%	$14.02
1951	25.958	7.9%	$13.00
1952	26.550	2.3%	$12.71
1953	26.767	0.8%	$12.61
1954	26.850	0.3%	$12.57
1955	26.775	-0.3%	$12.61
1956	27.183	1.5%	$12.42
1957	28.092	3.3%	$12.01
1958	28.858	2.7%	$11.70
1959	29.150	1.0%	$11.58
1960	29.575	1.5%	$11.41
1961	29.892	1.1%	$11.29
1962	30.250	1.2%	$11.16
1963	30.625	1.2%	$11.02
1964	31.017	1.3%	$10.88
1965	31.508	1.6%	$10.71
1966	32.458	3.0%	$10.40
1967	33.358	2.8%	$10.12
1968	34.783	4.3%	$9.70
1969	36.683	5.5%	$9.20
1970	38.825	5.8%	$8.69

Year	Index	Change	$1.00 then = October 2026
1971	40.492	4.3%	$8.34
1972	41.817	3.3%	$8.07
1973	44.400	6.2%	$7.60
1974	49.308	11.1%	$6.84
1975	53.817	9.1%	$6.27
1976	56.908	5.7%	$5.93
1977	60.608	6.5%	$5.57
1978	65.233	7.6%	$5.17
1979	72.575	11.3%	$4.65
1980	82.408	13.5%	$4.10
1981	90.925	10.3%	$3.71
1982	96.500	6.1%	$3.50
1983	99.600	3.2%	$3.39
1984	103.883	4.3%	$3.25
1985	107.567	3.5%	$3.14
1986	109.608	1.9%	$3.08
1987	113.625	3.7%	$2.97
1988	118.258	4.1%	$2.85
1989	123.967	4.8%	$2.72
1990	130.658	5.4%	$2.58
1991	136.192	4.2%	$2.48
1992	140.317	3.0%	$2.41
1993	144.458	3.0%	$2.34
1994	148.225	2.6%	$2.28
1995	152.383	2.8%	$2.21
1996	156.850	2.9%	$2.15
1997	160.517	2.3%	$2.10
1998	163.008	1.6%	$2.07
1999	166.575	2.2%	$2.03
2000	172.200	3.4%	$1.96
2001	177.067	2.8%	$1.91
2002	179.875	1.6%	$1.88
2003	183.958	2.3%	$1.83
2004	188.883	2.7%	$1.79
2005	195.292	3.4%	$1.73
2006	201.592	3.2%	$1.67
2007	207.342	2.9%	$1.63
2008	215.303	3.8%	$1.57
2009	214.537	-0.4%	$1.57

Year	Index	Change	$1.00 then = October 2026
2010	218.056	1.6%	$1.55
2011	224.939	3.2%	$1.50
2012	229.594	2.1%	$1.47
2013	232.957	1.5%	$1.45
2014	236.736	1.6%	$1.43
2015	237.017	0.1%	$1.42
2016	240.007	1.3%	$1.41
2017	245.120	2.1%	$1.38
2018	251.107	2.4%	$1.34
2019	255.657	1.8%	$1.32
2020	258.811	1.2%	$1.30
2021	270.970	4.7%	$1.25
2022	292.655	8.0%	$1.15
2023	304.702	4.1%	$1.11
2024	313.689	2.9%	$1.08
2025	321.943	2.6%	$1.05

Source: U.S. Bureau of Labor Statistics, CPI-U annual averages, as published through the Federal Reserve Bank of St. Louis FRED database; October 2026 index from the BLS October 2026 CPI release.[637,638] You can download the same figures from the BLS historical CPI-U file.[639]

[637] U.S. Bureau of Labor Statistics, Consumer Price Index for All Urban Consumers: All Items in U.S. City Average (CPIAUCNS), not seasonally adjusted, 1982-84=100, retrieved from Federal Reserve Bank of St. Louis, FRED, last updated November 10, 2026. https://fred.stlouisfed.org/series/CPIAUCNS (accessed November 12, 2026).

[638] U.S. Bureau of Labor Statistics, "Consumer Price Index - October 2026," news release USDL-26-1685, November 10, 2026. https://www.bls.gov/news.release/cpi.nr0.htm (accessed November 12, 2026).

[639] U.S. Bureau of Labor Statistics, "Historical CPI-U, October 2026" (supplemental file), November 10, 2026. https://www.bls.gov/cpi/tables/supplemental-files/historical-cpi-u-202610.xlsx (accessed November 12, 2026).

Appendix B: Glossary

All items index. The broadest CPI measure, covering everything in the basket, including food and energy.

Base period. The period an index is set to equal 100. For the CPI-U, the base is the average of 1982 to 1984.

Basket. The set of goods and services a price index tracks, weighted by how much households spend on each.

Bimetallism. A money system in which both gold and silver are legal money at a fixed ratio, as in the Coinage Act of 1792.

Bretton Woods system. The international money system set up in 1944 that tied the dollar to gold at $35 an ounce and other currencies to the dollar. It ended in 1971 to 1973.

Chained CPI (C-CPI-U). A BLS index that accounts for consumers switching between categories of goods when relative prices change.

Core inflation. Inflation excluding food and energy, used to see underlying trends.

Cost-of-living adjustment (COLA). An automatic increase in a payment, such as Social Security, tied to a price index.

CPI-U. The Consumer Price Index for All Urban Consumers, the headline CPI.

CPI-W. The Consumer Price Index for Urban Wage Earners and Clerical Workers, used for Social Security COLAs.

Deflation. A fall in the general price level.

Demand-pull inflation. Inflation caused by total spending growing faster than the economy can produce.

Disinflation. A slowdown in the rate of inflation, while prices are still rising.

Cost-push inflation. Inflation caused by rising costs of production, such as energy or materials.

Federal funds rate. The interest rate banks charge each other for overnight loans; the Federal Reserve sets a target range for it.

Fiat money. Money that is valuable because the law makes it legal tender, not because it can be exchanged for a fixed amount of gold or silver.

Fisher-Ideal formula. The formula BEA uses for the PCE price index; it updates for changes in what people buy.

Gold standard. A system in which the currency is defined as, and can be exchanged for, a fixed amount of gold.

Hedonic quality adjustment. A statistical method BLS uses to separate a price change from a change in a product's features.

Hyperinflation. Extremely rapid inflation in which money loses value so fast that people stop trusting it.

Imputation. Filling in a missing price with an estimate based on similar items.

Index area. One of the 32 geographic areas BLS uses to build the CPI.

Laspeyres formula (modified). A fixed-weight formula; BLS uses a modified version to combine CPI categories.

Nominal dollars. Dollar amounts as they were at the time, not adjusted for inflation.

Owners' equivalent rent (OER). The CPI's measure of homeowners' shelter cost, based on what similar homes rent for.

PCE price index. The Personal Consumption Expenditures price index from BEA; the measure for the Fed's 2 percent goal.

Price level. The weighted average of prices across the economy.

Real (inflation-adjusted) dollars. Dollar amounts converted to the buying power of a chosen year using a price index.

Real interest rate. The interest rate minus the inflation rate.

Relative importance. The share of the CPI basket that each item represents.

Reserve currency. A currency that many central banks hold in their foreign exchange reserves.

Seasonal adjustment. A statistical method that removes normal seasonal patterns from data.

Shrinkflation. Reducing the size of a product while keeping the price the same, which the CPI counts as a price increase.

Substitution bias. The tendency of a fixed-basket index to overstate cost increases because it ignores people switching to cheaper goods.

Tariff. A tax on imported goods, paid to the government by the importer.

TIPS. Treasury Inflation-Protected Securities, U.S. government bonds whose principal adjusts with the CPI-U.

Appendix C: How to Read a CPI Release

BLS publishes the CPI each month in a news release. Once you know where to look, you can update any number in this book yourself in about ten minutes.

Step 1: Find the release

Go to the BLS CPI news release page.[640] The title tells you the reference month, for example "Consumer Price Index - October 2026." The release date is near the top. The release schedule for future months is on the BLS website.[641]

Step 2: Read the first paragraph

The first paragraph gives the headline: the seasonally adjusted change in the all-items CPI-U from the month before. For example, the October 2026 release said the CPI-U increased 0.4 percent on a seasonally adjusted basis.[642]

Step 3: Find the 12-month change

The 12-month change, before seasonal adjustment, is usually in the first or second paragraph and in Table A. Note: the October 2026 release could not publish most 12-month changes because October 2025 data were not collected.[643] The same issue will not apply to November 2026 and later months, because November 2025 data exist.[644]

Step 4: Look at the categories

Table A shows the changes for food, energy, and "all items less food and energy" (core), plus major items such as shelter, gasoline, new and used vehicles, medical care and transportation services.[645] This is where you see what drove the month's change.

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[640] U.S. Bureau of Labor Statistics, "Consumer Price Index - October 2026," news release USDL-26-1685, November 10, 2026. https://www.bls.gov/news.release/cpi.nr0.htm (accessed November 12, 2026).

[641] U.S. Bureau of Labor Statistics, "Consumer Price Index - October 2026," news release USDL-26-1685, November 10, 2026. https://www.bls.gov/news.release/cpi.nr0.htm (accessed November 12, 2026).

[642] U.S. Bureau of Labor Statistics, "Consumer Price Index - October 2026," news release USDL-26-1685, November 10, 2026. https://www.bls.gov/news.release/cpi.nr0.htm (accessed November 12, 2026).

[643] U.S. Bureau of Labor Statistics, "Consumer Price Index - October 2026," news release USDL-26-1685, November 10, 2026. https://www.bls.gov/news.release/cpi.nr0.htm (accessed November 12, 2026).

[644] U.S. Bureau of Labor Statistics, Consumer Price Index for All Urban Consumers: All Items in U.S. City Average (CPIAUCNS), not seasonally adjusted, 1982-84=100, retrieved from Federal Reserve Bank of St. Louis, FRED, last updated November 10, 2026. https://fred.stlouisfed.org/series/CPIAUCNS (accessed November 12, 2026).

[645] U.S. Bureau of Labor Statistics, "Consumer Price Index - October 2026," news release USDL-26-1685, November 10, 2026. https://www.bls.gov/news.release/cpi.nr0.htm (accessed November 12, 2026).

Step 5: Check the index level

The unadjusted index level (1982-84=100) is what you use for dollar conversions like those in Chapter 15. For October 2026 it was 337.511.[646]

Step 6: Read the notes

Look at the notes and technical notes at the end of the release. They explain seasonal adjustment, data problems and method changes. For example, the October 2026 release explained the missing October 2025 data and noted coming changes to some index titles in early 2027.[647]

Step 7: Compare with PCE

To see the Federal Reserve's preferred measure, check BEA's Personal Income and Outlays release, which usually comes out near the end of the month.[648]

Common Mistakes to Avoid

- Mixing seasonally adjusted monthly changes with unadjusted 12-month changes.
- Comparing CPI to PCE as if they were the same measure.
- Quoting core inflation as if it were all inflation.
- Forgetting that a lower inflation rate does not mean lower prices.
- Comparing a single month in one year with an annual average in another without saying so.

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[646] U.S. Bureau of Labor Statistics, "Consumer Price Index - October 2026," news release USDL-26-1685, November 10, 2026. https://www.bls.gov/news.release/cpi.nr0.htm (accessed November 12, 2026).

[647] U.S. Bureau of Labor Statistics, "Consumer Price Index - October 2026," news release USDL-26-1685, November 10, 2026. https://www.bls.gov/news.release/cpi.nr0.htm (accessed November 12, 2026).

[648] U.S. Bureau of Economic Analysis, "Personal Consumption Expenditures Price Index". https://www.bea.gov/data/personal-consumption-expenditures-price-index (accessed November 12, 2026).

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