

Macro Roundup Article

Headline: [Inflation and the Value of Money](#)

Article Link: <https://www.grumpy-economist.com/p/inflation-and-the-value-of-money>

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Tweet: [. @JohnHCochrane comments on @LHSummers' new working paper on inflation which accounts for interest costs. "\[Their\] new way is closer to right, if the question is to measure changes in the cost of living right now for the average person."](#)

Summary: If we measured inflation as we did in the 1970s, the recent bout of inflation would have been even higher than the worst of the 1970s! No wonder the deplorables are ungrateful for Bidenomics, is essentially the author's point, though quantified and much more politely stated. The main difference is that the old measure counts the price and interest rate you have to pay to buy a new house as the cost of the house, while the new measure is based on what it costs to rent a house. You can see that the new and old methods are the same in the initial run up of inflation starting in 2021, but then the new measure shoots up when the Fed raised interest rates. But the change in measurement makes it hard to compare over time. It would be nice to recompute the old data with new measurement. But when you can't do that, computing new data with the old measurement is a nice way to compare over time on an even basis.

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Primary Topic: Inflation

Topics: Academic paper, GDP, Inflation, Politics

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