

[The Burst of High Inflation in 2021–22: How and Why Did We Get Here?](#)

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The current institutional arrangements for monetary policy delivered more than two decades of low and stable inflation. Yet, central banks failed to prevent a burst of high inflation in 2021-22. This paper inspects four tentative hypotheses for why this happened. The first is a misdiagnosis of the nature of shocks during a time of great uncertainty leading to an overly long period of expansionary policy. The second is a neglect of expectations data driven by a strong belief that inflation expectations were firmly anchored and so inflation increases would be temporary. The third is an over-reliance on the credibility earned in the past, creating an illusion of too much room to focus on the recovery of real activity and underpredicting the resulting inflation. The fourth is a revision of strategy that made central banks tolerant of higher inflation because of the trend fall in the return on government bonds, even though the return on private capital stayed high.