

Inflation is About More Than Money: Economics, Politics and the Social Fabric

By (Lord) Brian Griffiths

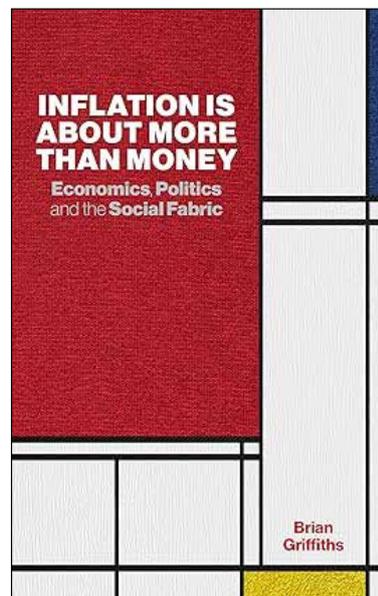
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At the outset, I must declare my involvement in this project: I was invited to comment on the draft chapters and rendered some technical assistance. I have known Brian Griffiths since he was Dean of City University Business School in the 1980s, where I was a member of faculty. Now, as then, his professional activities are permeated by his Christian faith.

His book charts the recent history of inflation and the various policies that have attempted to control it. He sees inflation as a moral problem, not merely an economic headache: a form of deceit and covert taxation that those in positions of authority should always seek to address. In the words of Robert Skidelsky in a commendation of the book, inflation “creates a culture of broken promises that dissolves the social ties necessary for society to cohere and for enterprise to flourish.”

Accessible and engaging, *Inflation Is About More Than Money* addresses questions of wealth and poverty, the role of central banks and politicians, responsibility in economic management, and the importance of moral values in economic and political life. The early chapters of the book that explain *Why inflation is a bad thing* offer important reminders of the economic, social and ethical ills that are associated with price inflation. “In a world of radical uncertainty, inflation imposes serious costs on everyone” (p17). Firstly, it diverts scarce resources from productive to unproductive use, as investors seek protection against inflation in assets such as gold, property and antiques. Secondly, inflation distorts

relative prices as some categories of goods and services are more prone to inflation than others. This sends false signals to producers and consumers alike. Thirdly, there is a tension between the policy objectives of low unemployment and low inflation. The pursuit of low unemployment can in



some circumstances stoke the fires of inflation. Conversely, painfully high rates of unemployment may be required to douse the flames of inflation.

The most prominent intersection of the economic discussion and the moral imperative occurs in chapter 4, which is headed *Inflation as deceit*. As long ago as the third millennium BC, countries in the ancient near East recorded episodes of inflation. Usually, this involved the debasement of the physical currency as rulers sought to fund their wars. This dishonest practice was proscribed in the book of Leviticus (19:35–36): “Do not use dishonest standards when measuring length, weight or quality. Use honest scales and honest weights.”

Tampering with weights and measures was not merely illegal but an offence against Almighty God: “The Lord abhors dishonest scales, but accurate weights are his delight” (Proverbs 11:1). Indeed, the British pound takes its name from the Latin *pondus*, meaning weight. Between the foundation of the Bank of England in 1694 and the devaluation of 1931, the promise found on an English bank note, “I promise to pay the bearer ...” could be made good by the Bank of England paying out gold in exchange for its notes. Since the UK left the gold standard in 1931, there has been no other asset into which holders have the right to convert Bank of England notes. The Bank’s website offers the faint consolation that “nowadays public faith in the pound is maintained in a different way – through the Bank’s operation of monetary policy, the object of which, by statute, is price stability.”¹

It will come as no surprise that the motivation for writing this book was the post-pandemic inflation. In consequence, the general price level in the UK has increased by more than 25% since June 2021, an average annual rate of 5.2%. This contrasts with a compound annual rate of 1.8% over the previous decade and a policy target of 2% per year. (For technical reasons central banks have usually defined price stability as an inflation rate of 2% rather than zero, and this is a position that Brian Griffiths also holds. However, even a 2% inflation rate implies an erosion of the value of money of one-third after 20 years.)

The term “cost of living crisis” came into widespread use in the UK in late 2021. It was used to describe the



sharp rise in inflation, particularly for food and energy costs, which began outpacing household incomes following the Covid-19 pandemic and subsequent supply chain issues. It remains in common use today, used interchangeably with “the affordability crisis”.

The UK inflationary lapse of 2021–23 was the worst in 40 years. It has provoked a deep and enduring sense of grievance, and it was a significant factor in the demise of the Conservative government, culminating in its emphatic defeat at the ballot box in 2024. The UK was not alone: the presidency of Joe Biden in the US was similarly blighted by electoral disgust over inflation.

Brian held the position of head of the Number 10 Policy Unit during the period of the previous inflationary episode at the start of the 1980s. The painful costs of bringing inflation under control at that time are seared into his memory, as they are for many of us. Famously, unemployment rose above 3 million in July 1982 and stayed around that level for five years.

The slaying of the inflationary dragon over the succeeding ten years is still considered a proud moment for economic policy. So powerful and established appeared the forces of disinflation that in 1996, Roger Bootle published a book entitled *The Death of Inflation*. However, he was careful not to rule out the possibility that inflationary forces might reappear, but envisaged that this would happen

only in the context of a war, nuclear accident or environmental disaster.

While some commentators have sought to blame the post-pandemic inflation on Russia’s war with Ukraine, the record clearly shows that the Anglo-Saxon inflation was well underway before the invasion took place. Brian devotes three chapters of the book to the question of “what went wrong?” in the conduct of UK monetary policy. He concludes that “both in the 1970s and between 2020 and 2022, the Bank of England failed to recognize that the dramatic increase in the broad measure of the money supply would lead to inflation” (p.67).

However, I think he could have taken a more scathing view of this breach of public trust. We have witnessed a historic lapse of monetary policy, involving a profound misunderstanding of the inflationary risks attached to the Bank’s policies during Covid. Despite a wealth of evidence across centuries and dozens of countries, and plenty of warnings from respected sources, the Bank rejected a deterministic explanation of inflation in favour of a postmodern one in which inflation was somehow shaped by the public’s expectations of inflation.

Considering a range of theoretical approaches to inflation, Brian advances a pragmatic monetarist approach and offers a series of concrete recommendations for both dealing with inflation and protecting against it in the future. In addition, he examines the cultural factors at play, such as

disillusionment with democracy and social fragmentation. Brian argues for the importance of a shared moral framework, or “sacred canopy”, to underpin our collective purpose and provide a foundation for economic, social and political stability.

In a chapter entitled *Cultural headwinds in fighting inflation*, Brian connects the loss of control over inflation to the cultural context, and specifically the abandonment of the predominantly Judeo-Christian worldview that had prevailed in the 19th century. The historian G H Trevelyan describes 19th century Britain as having a cultural worldview that created meaning for people’s daily lives, a feeling of mutual dependence within society and a sense of collective purpose. Brian asserts: “in the 19th century, the Christian religion was the foundation of Western culture. In the 20th century we lived off its capital. In the 21st century we are pulling up the anchor ...” (p.130).

Many will struggle with Brian’s thesis that there is a link between the practical failures of monetary policy that allowed inflation to take hold again and the descent into moral relativism and social fragmentation. But the arguments are well considered and presented. He laments that “the sacred canopy has been seriously torn, but it has not been completely destroyed.” The remedy cannot be merely a matter of policy or politics: “Ultimately, there is no substitute for faith, the path to which is the Church’s unique contribution” (p.139). 

1. <https://www.bankofengland.co.uk/freedom-of-information/2015/9-april-2015>.



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