

Inflation today and in the 1970s: History doesn't repeat itself, but it often rhymes

By Jesper Rangvid

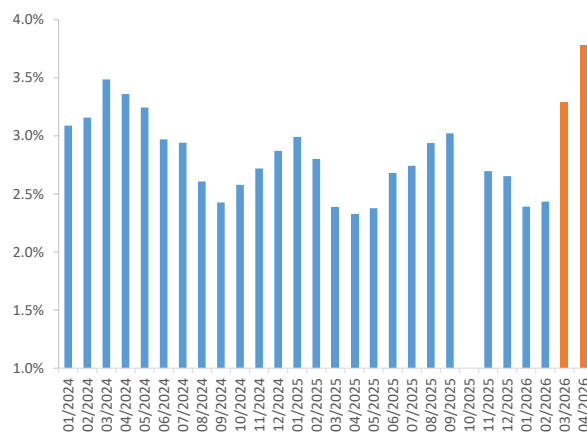
This blog is not usually about the latest news release. I generally prefer to let some time pass and allow events to settle before writing, so I can analyse things more clearly and with a bit of perspective. But today, I simply couldn't resist. It was too tempting, so here is a short post. Yesterday, we got the latest US inflation data, and the numbers now show clear signs that inflation is rising again — very much like it did in the 1970s. This is something I warned about several years ago. And now, here we are. It is not exactly a Christmas present, but more a case of: "I told you so — and I hope you listened."

Yesterday, we got the latest inflation data from the US. Inflation has risen sharply because of the Iran war and the resulting increases in oil and gas prices, which are now hitting American consumers directly.

Figure 1 shows that consumer price inflation was 2.4% in February, before the war. By April, prices were 3.8% higher than at the same time last year. That is a remarkable jump in inflation, and April marked the highest inflation rate since early 2024, as Figure 1 also shows.

Figure 1. US inflation (annual percentage change in the CPI) from Jan. 2024 to April 2026. March and April 2026, i.e., post Iran-War inflation, highlighted

Source: FRED of St. Louis Fed and J.Rangvid.



Now, while this is certainly interesting in itself — not least because it feeds directly into political discussions in the US and presents serious dilemmas for the Fed and its new Chairman — that is not really the point of this post.

The point is that I wrote a post back in early 2023 warning that inflation could start rising again in 2026. I wrote ([link](#)):

“If the mistakes of the 1970s are repeated this time around, and inflation follows the same path as in the 1970s, the second round of inflation would be in 2026–2030.”

And here it is: As far as I can tell, we are now in 2026 — and inflation is beginning to follow that second round of inflation almost remarkably closely.

In the January 2023 post, I included the graph below, which compared inflation in the 1970s with the inflation path up to the time I wrote the post in January 2023.

Figure 2. US inflation (annual percentage change in the CPI) from Jan. 2015 to Dec. 2022 and (overlaid) from June 1967 to April 1977. Source: FRED of St. Louis Fed and J.Rangvid.

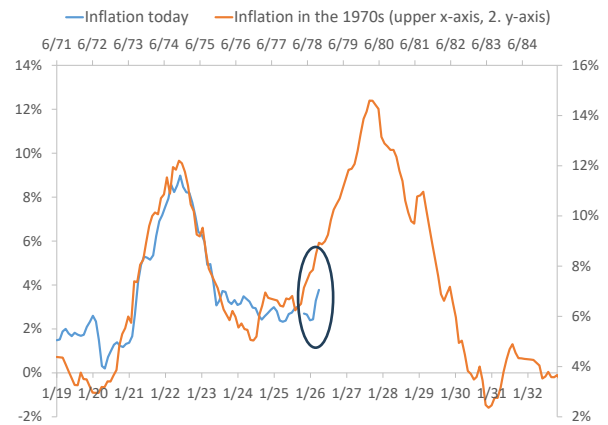


At that point, I did not know whether inflation would follow the same path down as it did in the 1970s. I also did not expect that we would spend a couple of years with inflation moving sideways at levels that were still too high. And, in particular, I did not know that we would now be seeing inflation rise again.

But here we are.

Figure 3 shows the updated version of the graph, now including yesterday's inflation data. You see how inflation now has started following the upward movement it did in the 1970s.

Figure 3. US inflation (annual percentage change in CPI) from Jan. 2019 to April 2026 (lower x-axis and left-hand y-axis) and from June 1971 to Dec. 1984 (upper x-axis and right-hand y-axis). Source: FRED of St. Louis Fed and J.Rangvid.



Are we witnessing the beginning of a remarkable pattern that mirrors the 1970s surprisingly closely?

As far as I can tell, oil prices are still elevated, which means we could very well see even higher inflation next month. If that happens, there is a strong possibility that inflation today will continue — at least for a while — to follow the same path as inflation did in the late 1970s. Isn't that crazy?

Now, you can bring up all the usual objections: “correlation is not causality”, “nobody could have foreseen the Iran war”, and so on. And all of that is true. But I will let Figure 3 speak for itself. It is striking how history does not repeat itself, but often rhymes.