Report of higher than expected price rises in January points to continued rate hikes

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The month-to-month inflation rate increased in January to 0.5 percent, compared with 0.1 percent in December, even as year-on-year inflation ticked down slightly to 6.4 percent. Despite the fact that the annualized inflation rate was the lowest since October 2021, it was higher than anticipated and further increased the likelihood that the program of rate increases by the US Federal Reserve will continue.

The stock market dropped sharply following the release of the report but recovered somewhat later in the day. The US central bank has already raised interest rates 4.5 percent in the last year. Prior to the release of the January inflation data, rates had been expected to rise to 5.1 percent this year. However, Fed Chairman Jerome Powell said last week that rates could go even higher if inflation persisted.

Housing costs were the largest contributor to the inflation surge in January. Rent was up 0.7 percent from December and up 8.6 percent from one year ago. The price of piped natural gas was up a whopping 6.7 percent month on month in January, while gasoline rose 2.4 percent. Motor vehicle maintenance and repairs rose 1.3 percent, as did basic food items, which were up 0.5 percent overall. Cereal and bakery products were up 1.0 percent and eggs were up 8.5 percent.

Overall food prices have risen 10.1 percent year over year, and electricity is up 11.9 percent. Home natural gas is up 26.7 percent, and fuel oil is up 27.7 percent, making it increasingly impossible for workers to adequately heat their homes.

The Core Consumer Price Index rose 0.4 percent in January on a monthly basis. The Core CPI is a measure that excludes “volatile” food and energy prices. It currently stands at 5.6 percent.

While the official inflation rate is down from its peak of about 9 percent last summer, it is still running at the fastest pace since 1981. Articles in the financial press warned that the inflation rate was likely to remain elevated for some time. The *New York Times* quoted Jason Furman, an economist at Harvard University and a former economic adviser in the Obama administration, who said, “The whole perspective we have on inflation is much worse than it was a month ago.”

An economist quoted by the *Washington Post* said, “The moral of the story is that inflation is not cooling as rapidly as the Fed would like, especially core inflation. And that is something that is just going to affirm their commitment to continue raising rates at least two times.”

The impact of inflation on workers has been devastating, with real wages declining over the past year, as meager wage gains are outstripped by price increases across the board. Meanwhile, major corporations have inflated their already bloated profits through price-gouging. Leading the pack have been the energy companies, led by ExxonMobil, Shell and Chevron, which have all posted record profit numbers.

This has not stopped the Federal Reserve, and with it, the Biden administration, from declaring war not on excess profits, but on jobs and wages. Driving the policy of interest rate increases, the goal of which is to provoke a recession to increase unemployment, is the utterly false claim that wage rises, due to a supposedly tight labor market, are behind the surge in prices.

This was spelled out explicitly in remarks Tuesday by Lorie Logan, head of the Dallas Federal Reserve. Responding to the January inflation report, she said in remarks at Prairie View A&M University: “Broad-based and persistent services inflation is not the result of special circumstances like supply-chain disruptions that will eventually go away. Rather, I see it as a symptom of an overheated economy, particularly a tight labor market, which will have to be brought into better balance for the overall inflation rate to return sustainably to 2 percent."

The *Wall Street Journal* noted that prices often run higher in January. One economic analyst it quoted said the price rises might be in anticipation of recession ahead. "If you think the economy is going into a recession in the summer, this is probably your last chance to take a bite of the apple before the economy slows," he said. "It's sort of the last hurrah for price setters."

The *Journal* reported that the January inflation figures included various adjustments that showed inflation eased less than initially thought in the last few months of 2022.

In remarks Tuesday at a gathering of county officials, President Joe Biden hailed the continued fall in the year-over-year inflation rate, while warning of "bumps in the road" and "setbacks" ahead.

House Republicans blamed continuing inflation on excess government spending under the Biden administration, using the report to push for massive cuts in social spending in negotiations with the White House over the debt ceiling. House Budget Committee Chairman Jody Arrington blamed Biden for refusing to "change his spending habits and negotiate a responsible debt ceiling deal with Republicans."

It is not government spending on social programs or "excess" wage demands that are driving inflation, but the pumping of trillions of dollars into the financial markets, resulting in a massive asset bubble. The bailout of the corporations and banks under the CARES Act during the pandemic accelerated this process. At the same time, the refusal of governments to contain and eliminate the COVID-19 virus led to supply chain breakdowns and further exacerbated inflation. The US/NATO-provoked proxy war with Russia in Ukraine and massive increases in military spending have further fueled inflationary tendencies.

Now the ruling class is attempting to make the working class pay for this crisis created by the capitalist system. Governments all over the world view with fear and alarm the rising tide of class struggle in country after country. That is behind the push to tip the economy into recession and drive up the unemployment to weaken the working class.