

Forum: Economic and Social Council (ECOSOC)

Issue: Tackling the impact of unstable inflation prices on basic necessities

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INTRODUCTION

In the past few years, volatile inflation and costs surging for necessities including food, housing, health care and energy have greatly eroded the ability of people and families to make ends meet. Though moderate levels of inflation are generally viewed as a normal condition for good economies, and can even help spur investment and consumption when they are held in check, severe changes in prices and particularly the price of basic goods can lead to highly destabilizing results. The impact of economic shocks can be especially severe for vulnerable populations such as low-income families and marginalized communities, who typically experience a loss in purchasing power, lower quality of life, and higher financial vulnerability.

Unstable inflation can erode wages, devalue saving and further brand 19er social divide, as well as place additional stress on public institutions and social protection. These difficulties can be exacerbated by wider global crises, such as conflict, climate change, pandemics, and disruptions in global supply chains. The lingering aftermath of the COVID-19 pandemic, the war in Ukraine, and the climate crisis have underscored how interconnected and brittle our global economic system is. Inflating consequences of these crises have driven millions more into poverty and food insecurity, further debilitating the ability of governments and international agencies to mount sustained humanitarian assistance.

And inflation is not only an economic problem, it is also a geopolitical and social one. Pandemic-driven inflation can lead to social unrest, the breakdown of public faith in institutions and even political instability, especially in poorer and more indebted countries. It also presents challenges for those countries trying to work together on issues such as economic development, while maintaining export markets and keeping inflation in check, and while keeping citizens content.

DEFINITION OF KEY-TERMS

Inflation¹

The rate at which the general level of prices for goods and services rises, resulting in a decrease in purchasing power.

Basic Necessities

Essential goods and services required for human survival and well-being, such as food, water, housing, electricity, and healthcare.

Purchasing Power

The ability of an individual or household to buy goods and services, which decreases as prices rise without corresponding income increases.

Price Volatility

Frequent and significant fluctuations in the price of goods and services, often caused by supply and demand shocks or external crises.

Cost of Living

The amount of money needed to cover basic expenses such as housing, food, taxes, and healthcare. When inflation rises, the cost of living typically increases, making it more difficult for individuals and families to afford everyday essentials.

¹ Investopedia's "Purchasing Power and CPI", which explains how CPI measures purchasing power and reflects cost of living changes—great for understanding the concepts behind your terms
<https://www.investopedia.com/terms/p/purchasingpower.asp>

Hyperinflation

An extremely rapid and out-of-control rise in prices, often exceeding 50% per month, which severely erodes the value of money and can lead to economic collapse.

Subsidies

Financial assistance provided by the government to help reduce the cost of essential goods and services, often used to make basic necessities more affordable during periods of high inflation.

Consumer Price Index (CPI)

A measurement that examines the average change over time in the prices paid by consumers for a basket of goods and services. It is one of the primary indicators used to assess inflation levels

BACKGROUND INFORMATION

Historical Background

The question of price rendition affecting the most simple necessities of life shows how it is based upon historical growth of all modern economies. Inflation — the increases in prices and declines in the value of money — is part of the general loosening of the value of money common to all economies, but is dangerously destabilizing when it makes necessities unaffordable and unavailable. Food, water, shelter, medical care, and energy are basic needs because demand for these is inelastic and their absence undermines the preservation of life and dignity and the provision of at least minimally good living conditions. When inflation bites in these areas it takes its toll on the lower income families, undermines entire societies, and in many cases leads to political upheaval.

Historical Inflation and Basic Goods

In history, inflation was not as prevalent as in fiat currencies today due to the inherent benefits of owning gold and silver money, which served as the primary inflation check in market and non-market economies, where it was created via the more complex and previously imperfect perception of the mechanisms of inflation. In premodern times, societies faced with inflation—frequently driven by war or failed crops—would ration or directly control goods. The creation of fiat money, increasing global trade, and ultimately the rise of central banks during the industrial age changed how inflation was measured and controlled.

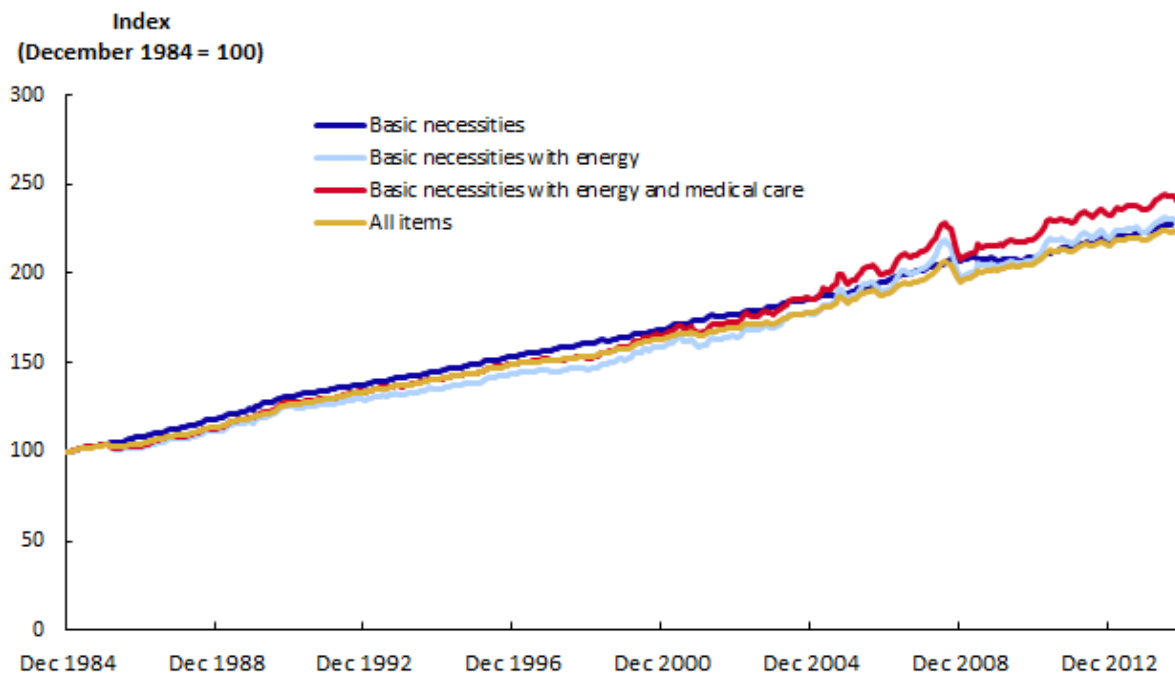
There were certain important cases in the 20th century of inflation exceeding access to basic commodities. Perhaps the best known was the hyperinflation in the Weimar Republic (Germany) in 1921-23 when money was printed in increasing amounts to pay war reparations after the First World War and prices doubled every few hours. A loaf of bread cost millions of marks, and what the human masses could no longer afford a single individual could readily buy. This historic breakdown resulted in mass impoverishment and social unrest, which eventually helped fuel political extremism.

Then, in the 1970s, the world faced a new type of inflation, this time driven by energy prices, and especially the 1973 OPEC oil embargo. Soaring oil prices pushed production and transportation costs through the roof, pricing simple foods and heat out of the reach of many, particularly in the developing world. The resulting phenomenon of stagflation (stagnant growth along with inflation) sent shockwaves through many Western economies and transformed economic policy for decades to come.

One of the worst inflation crises in recent history came to Zimbabwe in the 2000s due to land reform policy, political instability, and mismanagement of the economy, which caused the inflation in the country to spiral out of control, with a hyperinflation peak of 79 trillion percent y-o-y in November 2008. Prices doubled nearly every day, the national currency was worthless, and citizens resorted to bartering. Shelves were stripped bare, and food, medicine, fuel, and clean water became a privilege, not a right.

Another significant case is that of the 2007–2008 Global Food Price Crisis. A confluence of factors ranging from high oil prices, more demand for biofuels, speculative activity in the commodity markets, and lousy harvests because of drought sent global food prices skyward. Riots broke out in more than 30 countries, among them Egypt, Haiti, and Cameroon, where the price of rice and wheat soared beyond the reach of the poor overnight. This episode attracted international interest to the vulnerabilities of global food systems and revealed the extreme susceptibility of low-income countries to external economic perturbations.

Chart 2. Experimental "basic necessities" indexes based on the Consumer Price Index for urban wage earners and clerical workers (CPI-W), December 1984–December 2014



Source: U.S. Bureau of Labor Statistics.

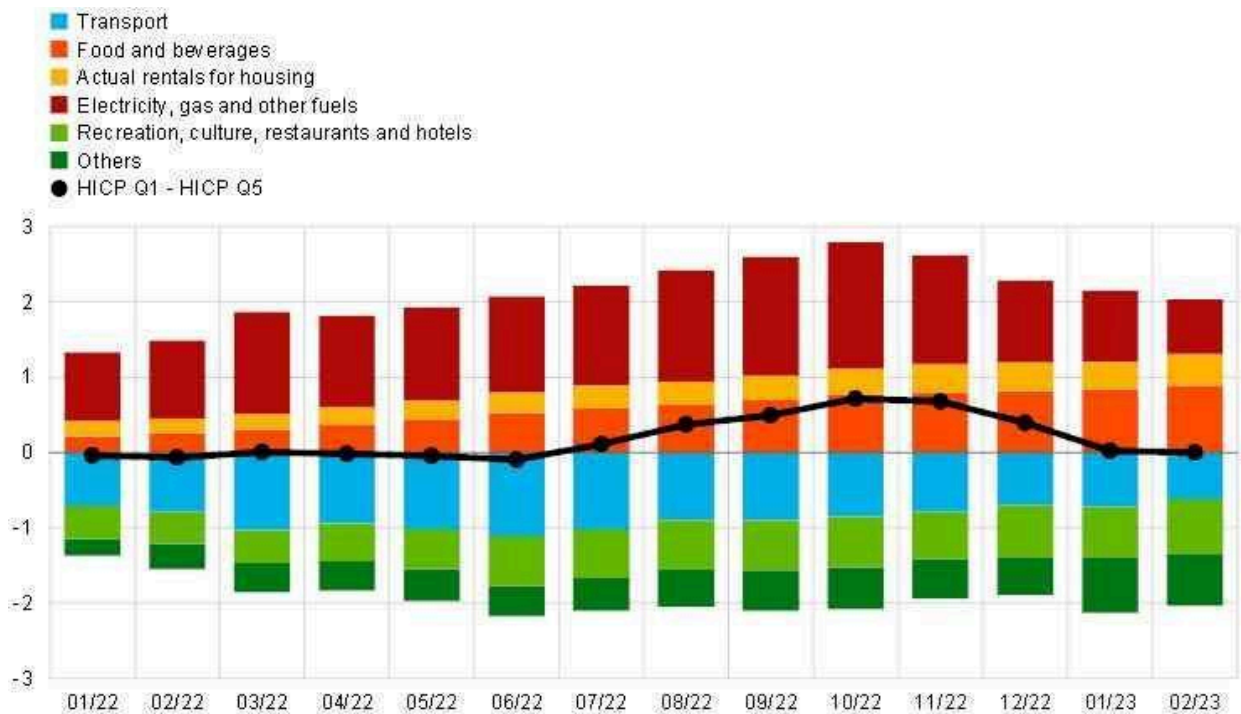
Source: U.S. Bureau of Labor Statistics, Consumer Price Index data, 1984–2014.

Recent Developments and Global Challenges

The world economy has seen a fresh episode of inflation since 2020, mainly due to the outbreak of the COVID-19 pandemic that broke supply chains, brought industries to a halt, and led to labor shortages. There was a sudden drop in production and logistics, which pushed up shipping costs and raw material prices and in turn raised the cost of basic goods around the world. Governments threw the kitchen sink at supporting their populations in the form of vast stimulus programs, but also inflated the money supply in many countries, adding to inflationary pressures.

The Russian invasion of Ukraine in 2022 contributed to the problem. Ukraine, frequently described as “Europe’s breadbasket,” is one of the world’s largest exporters of wheat, sunflower oil, and fertilizers. The conflict blocked exports, devastated farmland, and sent global food and energy prices soaring—penalizing areas in the Middle East, North Africa, and Sub-Saharan Africa, which are heavily reliant on imports from Ukraine and Russia. Long-term concerns about agricultural productivity in developing countries were also raised because of fertilizer shortages.

At the same time, the world is being accelerated and exacerbated by climate change, making droughts, floods, and other extremes more intense. In 2022, for example, Pakistan endured devastating floods that washed out more than 40% of its crop production. In India, wheat yields fell dramatically following heatwaves, leading the government to ban exports, affecting global supplies. In Europe, droughts and wildfires affected crops and pushed harvests out of whack.



Economic Tools and Political Measures

Central banks, including the US Federal Reserve and the European Central Bank, have raised interest rates, a longstanding countermeasure to inflation that restrains borrowing and spending in response to rising prices. But those fiscal policies could also harm producers by increasing their debt and consequently disturbing the supply. Heightening the situation, a number of governments have implemented subsidies, price caps, and emergency food support packages to safeguard the most vulnerable citizens.

But short-term measures aren't always viable. Price controls can drive producers away and create shortages, and subsidies can be a burden on the public purse. In many developing

countries, IMF-backed structural adjustment programs in the 1980s and 1990s promoted lifting subsidies in favor of open-market reforms—but these frequently provoked a popular backlash when food prices soared with no safety net.

MAJOR COUNTRIES AND ORGANISATIONS INVOLVED

Argentina

Argentina has endured repeated runaway rates of inflation in recent decades, at times topping 100%. Its travails point to how volatile inflation can quickly erode purchasing power and access to basic goods. Argentina works closely with the International Monetary Fund (IMF) on financing and economic stabilization programs.

Zimbabwe

Zimbabwe has seen some of the most severe episodes of hyperinflation in the world, with prices surging by more than 79 billion percent in 2008. The government has been forced to take dramatic steps like using foreign currencies in an attempt to bring runaway prices under control. Zimbabwe is a case in inflation-induced economic collapse.

Lebanon

Inflation has skyrocketed in Lebanon, amid protracted political instability, economic mismanagement, food and fuel price hikes. The Lebanese crisis demonstrates all too clearly the connection between inflation on one hand and social unrest and poverty on the other.

Turkey

Turkey has been troubled by stubbornly high inflation, the result of unorthodox monetary policies, a weakened currency, and external shocks. What is happening in Turkey shows how monetary policy and political influence can undermine efforts to manage inflation.

International Monetary Fund (IMF)

Fiscally it is honored in that it is the institution that primarily supports countries in crisis as a result of inflation through financial assistance, surveillance, and advice. It usually gives you stabilization programs, which have in them inflation-targeting regimes and structural reforms.

World Food Programme (WFP)

The WFP tracks global food price trends and responds with emergency aid in nations where inflation puts food security at risk. The facility also backs durable food resilience programs in fragile areas (exposed to high price volatility).

TIMELINE OF EVENTS

| DATE | DESCRIPTION OF EVENT |
|-------------------|--|
| 18. December 1962 | Inflation is recognized as a barrier to global economic stability and development by the UN General Assembly. The resolution calls on member states to adopt economic policies that lower inflation and provide for the most vulnerable elements of their societies. |
| 2007–2008 | A dramatic spike in global food prices sparks riots in over 30 countries. The crisis puts the world on notice that inflation and |

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| | market volatility can put supplies of the basics in jeopardy. |
| 2010 | The HLPE(High Level Panel of Experts) is headquartered to provide high quality scientific knowledge on topics in the area of world food security and nutrition. It subsequently issues reports about the effects of inflation and market fluctuations on food systems. |
| 2015 | In September 2015, the United Nations adopted the 2030 Agenda for Sustainable Development, including SDG 2 (Zero Hunger) and SDG 1 (No Poverty), both of which aim to address the impacts of inflation on basic necessities like food, housing, and healthcare. |
| 2020–2021 | Global supply chains were disrupted, and inflationary pressures increased due to labor shortages, reduced production, and increased demand. |
| 2022–Present: | Disrupted grain, fertilizer, and energy exports, leading to global price spikes and worsening food insecurity in dependent countries. |
| 2023 | In 2023, countries around the world continued to face high inflation driven by lingering supply chain disruptions from COVID-19 and |

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|--|---|
| | <p>the global energy crisis worsened by the Russia-Ukraine war. Central banks responded with aggressive interest rate hikes, affecting global access to basic goods and services.</p> |
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RELEVANT UN RESOLUTIONS, TREATIES AND EVENTS

A/RES/76/264 – “State of Global Food Insecurity”, May 2022

This resolution was passed in response to the growing food security crisis, which was exacerbated by inflation, supply chain disruptions, and geopolitical tensions. It stresses the importance of keeping global food, fuel, and fertilizer markets open and accessible to avoid worsening hunger and poverty. The resolution calls on countries to prevent export restrictions, increase humanitarian aid, and support vulnerable populations affected by soaring prices. It is directly related to the issue of inflation, as it addresses how price instability in essential commodities impacts basic human needs.

A/RES/1830 (XVII) – “Inflation and Economic Development”, 18 December 1962

This historic resolution highlights the dangers of inflation for global economic development. It urges member states to pursue sound fiscal and monetary policies, strengthen institutional frameworks, and protect vulnerable populations through social programs. Although dated, the resolution lays a foundation for the UN’s approach to inflation as an obstacle to economic growth and social welfare. It remains relevant today, especially when inflation disproportionately affects access to basic necessities in developing countries.

PREVIOUS ATTEMPTS TO SOLVE THE ISSUE

IMF Plan Stand-By con la Argentina (2018)

The IMF greenlighted a \$57 billion loan package for Argentina amid skyrocketing inflation and a currency crisis. It was a deal designed to rebuild market confidence and rein in inflation through cuts in public spending and the reform of monetary policy.

Zimbabwe Multi-Currency System Introduction (2009)

Zimbabwe abandoned its national currency in 2009 to address hyperinflation by using the US dollar and South African rand. The measure helped to shore up prices for a while, and to revive some economic activity. While Zimbabwe has implemented a new currency since the abandonment, US dollar and South African rand are still usable currencies and are mostly preferred than the new one.

World Bank Food Price Crisis Response Trust Fund (2008)

Launched at the time of the world food price crisis, this fund delivered swift funding to affected countries to mitigate the impact of higher food prices on the poor. It provided for food imports, subsidies, and agricultural development programs. This measure helped most countries come to a transition phase into a price sustainable economy on food and basic needs.

United Nations Group of Friends on Global Food Crisis Response (2022)

Formulated to tackle the inflationary shocks connected to the war in Ukraine, this group at the UN called for joint global action to stabilize food and energy markets, address debt risks and shield vulnerable people from inflation-driven poverty.

POSSIBLE SOLUTIONS

Expanding Social Protection Programs

Boosting social safety nets, in the form of selective subsidies, food vouchers and direct cash transfer are ways to protect the most vulnerable citizens from the short-term effects of inflation on basic goods and services. Such programmes need to be "quick and go" programmes and to be financially sustainable.

Rebuilding Global and Local Supply Chains

Resiliency in supply chains — particularly for food, energy and medicine — can help mitigate inflationary pressures. This means reducing trade barriers, promoting sustainable agriculture, and investing in local production to reduce reliance on the unpredictable international markets.

Better enforcement of free trade agreements is something we should work on, and doing so will mean that other countries won't be able to manipulate their currencies to stave off the short-term effects of their own poor economic policy.

Helping countries set up independent, transparent monetary authorities can help keep inflation at bay over time. Technical support from international organizations can be provided to facilitate the adoption of appropriate monetary and fiscal frameworks suitable to their economic circumstances by governments.

Improving Access to Affordable Credit

Ensuring that low-income households and small businesses have access to affordable credit can serve as a financial buffer during inflationary periods. Microfinance institutions and public lending schemes can offer low-interest loans, allowing vulnerable groups to maintain

purchasing power and avoid falling into deeper poverty when prices rise. At the same time, regulatory oversight must be ensured to prevent exploitative lending practices.

Strengthening Wage Adjustment Mechanisms

Implementing wage indexation policies — where wages are periodically adjusted to reflect inflation — can help workers maintain their real income. Such mechanisms ensure that people can continue to afford basic goods despite price hikes. Governments and employers must collaborate to establish fair, timely, and sustainable adjustment systems that do not themselves exacerbate inflationary pressures.

Enhancing Food Storage and Distribution Infrastructure

Investing in modern food storage and distribution systems can significantly reduce post-harvest losses and help stabilize food prices. Improved infrastructure — including cold chains, transportation networks, and storage facilities — ensures a more reliable flow of basic necessities to the market. This not only supports food security during inflation but also strengthens the resilience of domestic supply chains in the long term.

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