New York (CNN Business)

Confused about inflation? You're not alone.

Inflation is, paradoxically, both incredibly simple to understand and absurdly complicated.

Let's start with the simplest version: Inflation happens when prices broadly go up.

That "broadly" is important: At any given time, the price of goods will fluctuate based on shifting tastes. Someone makes a viral TikTok about brussels sprouts and suddenly everyone's gotta have them; sprouts prices go up. Meanwhile sellers of cauliflower, last season's trendy veg, are practically giving their goods away. Those fluctuations are constant.

America's prices are surging more than they have in 30 years

Inflation is when the average price of virtually *everything* consumers buy goes up. Food, houses, cars, clothes, toys, etc. To afford those necessities, wages have to rise too.

It's not a bad thing. In the United States, for the past 40 years or so (and particularly this century), we've been living in an ideal low-and-slow level of inflation that comes with a well-oiled consumer-driven economy, with prices going up around 2% a year, if that. Sure, prices on some things, like housing and health care, are much higher than they used to be, but other things, like computers and TVs, have become much cheaper — the average of all the things combined has been relatively stable.

Still with me?

All right, let's cut to today, and why inflation is all over the news.

When 'inflation' is a bad word

Inflation becomes problematic when that low-and-slow simmer gets fired up to a boil. That's when you hear economists talk about the economy "overheating." For a variety of reasons, largely stemming from the pandemic, the global economy finds itself at a rigorous boil right now.

In the United States, prices have climbed 6.2% — the biggest increase since November 1990, and well above the Federal Reserve's long-term inflation goal of around 2%.

Americans haven't felt this bad about the economy in a decade

And here's where Econ 101 merges a bit with Psych 101. There's a behavioral economics aspect to inflation where it can become a self-fulfilling prophecy. When prices go up for a long enough period of time, consumers start to anticipate the price increases. You'll buy more goods today if you think they'll cost appreciably more tomorrow. That has the effect of increasing demand, which causes prices to rise even more. And so on. And so on.

That's where it can get especially tricky for the Federal Reserve, whose main job is to control money supply and keep inflation in check.

How'd we get here?

Blame the pandemic.

In the spring of 2020, as Covid-19 spread, it was like pulling the plug on the global economy. Factories around the world shut down; people stopped going out to restaurants; airlines grounded flights. Millions of people were laid off as business disappeared practically overnight. The unemployment rate in America shot up to nearly 15% from about 3.5% in February 2020.

It was the sharpest economic contraction on record.

By early summer, however, demand for consumer goods started to pick back up. Rapidly. Congress and President Joe Biden passed a historic $1.9 trillion stimulus bill in March that made Americans suddenly flush with cash and unemployment assistance. People started shopping again. Demand went from zero to 100, but supply couldn't bounce back so easily.

When you pull the plug on the global economy, you can't just plug it back in and expect it start humming at the same pace as before.

Take cars, for example. Automakers saw the Covid crisis beginning and did what any smart business would do — shut down temporarily and try to mitigate losses. But not long after the pandemic shut factories down, it also drove up demand for cars as people worried about exposure on public transit and avoided flying. Automakers had whiplash.

Automakers' problems are much worse than we thought

Cars require an immense number of parts, from an immense number of different factories around the world, to be built by highly skilled laborers in other parts of the world. Getting all of those discreet operations back online takes time, and doing so while keeping workers from getting sick takes even more time.

Economists often describe inflation as too much money chasing too few goods. That's exactly what happened with cars. And houses. And Peloton bikes. And any number of other items that became hot ticket items.

How's the supply chain involved in all this?

"Supply chain bottlenecks" — that's another one you see all over, right?

Let's go back to the car example.

We know that high demand + limited supply = prices go up.

But high demand + limited supply + production delays = prices go up even more.

All modern cars rely on a variety of computer chips to function. But those chips are also used in cellphones, appliances, TVs, laptops and dozens of other items that, as bad luck would have it, were all in high demand at the same time.

This will be an incredibly expensive Christmas. Shoppers don't care

That's just one example of the disconnect in the global supply chain. Because new cars have been slow to roll in, used car demand shot through the roof, which drove overall inflation higher. In some cases, car owners were able to sell their used cars for more than what they paid for them a year or two prior.

What happens next?

Prices and wages are likely to keep going up well into 2022, officials and economists say. But for how long and how much depends on countless variables across the globe.

Here's what Joe Biden can -- and can't -- do to fight inflation

Policymakers' top priority is to unclog the supply chain bottlenecks to get goods moving at their pre-pandemic pace. That's a lot easier said than done. And there's no telling what kind of shocks — a resurgent Covid variant, a massive shipping container getting stuck in a key waterway, a natural disaster — could set back progress.

Economists and investors in the United States expect that the Fed will tighten monetary policy by raising interest rates and dialing back emergency stimulus, thereby slow the pace of inflation. When money becomes more expensive to borrow, that can take the heat off price increases and bring the economy back down to that nice, gentle simmer.