

# Inflation

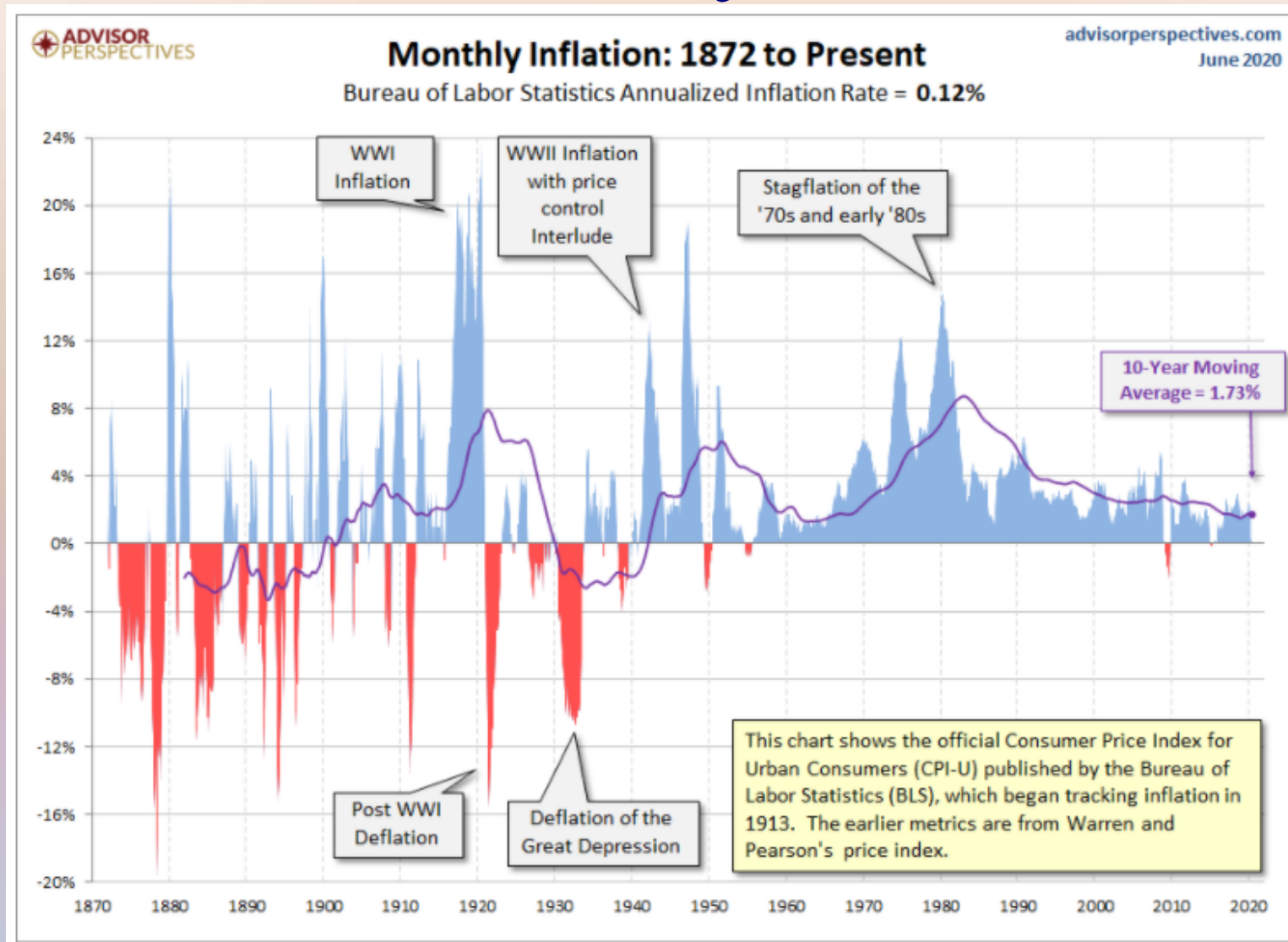
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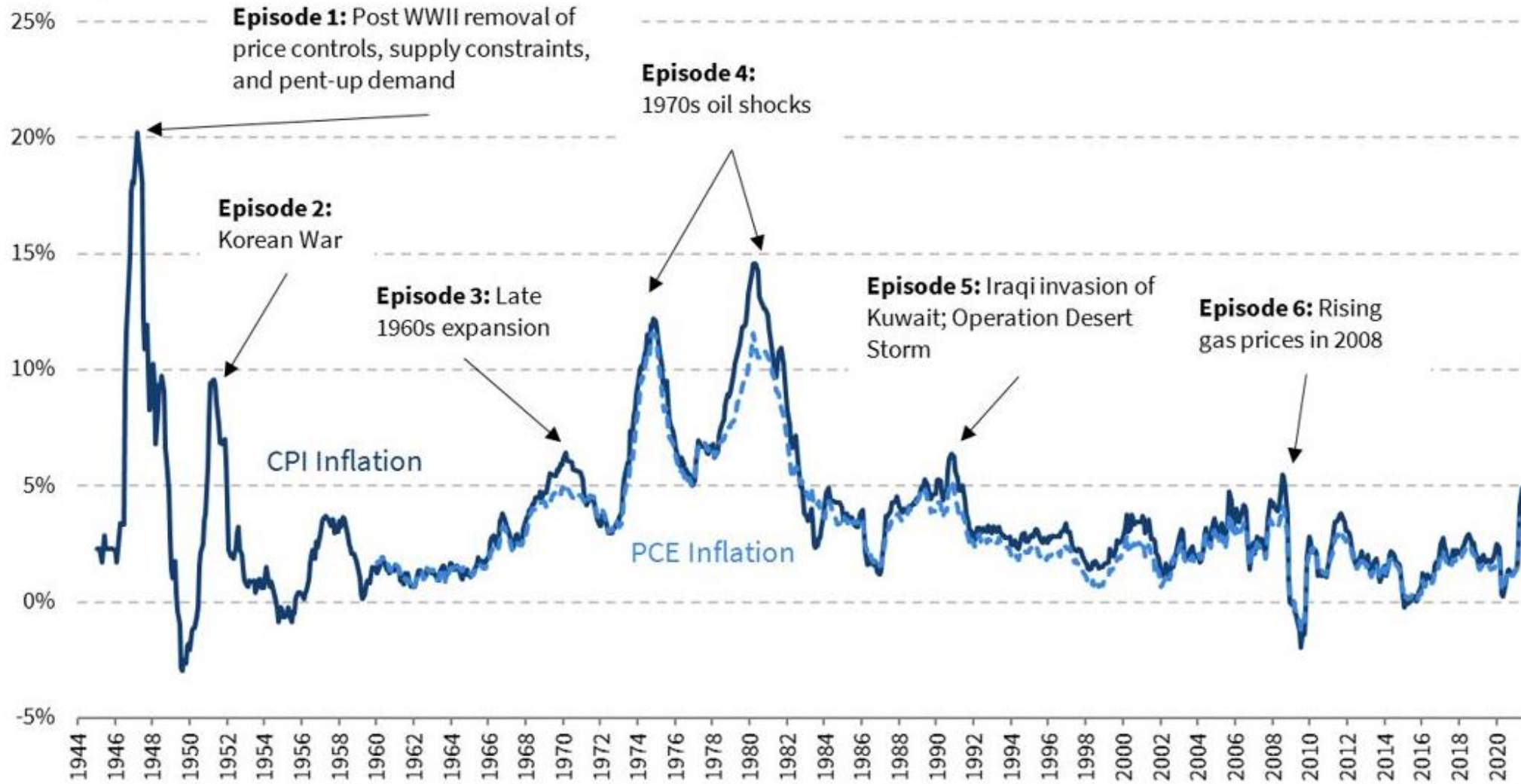
# Introduction

- Inflation: things get expensive (costs of goods and services increase)
- Deflation: things get cheaper (costs of goods and services decrease)
- Inflation due to money being created
- Common during war, economic embargo, ...
- Conventional part of modern economies
- Federal Reserve adjusts money supply

# Inflation History From 1872



# Inflation History Since 1944



# Trends

- Historical average of inflation/deflation is about 0
- Wide swings of inflation/deflation before 1940 have been eliminated
- High deflation periods are also gone
- 2% annual inflation seems to be the goal of monetary policy since 1980

# Inflation Encourages Investment

- When money falls in value, saved cash loses value, investment is thereby encouraged
- Hurts poor people who don't invest and helps rich people who do

# Unexpected Changes In \$

- Surprise inflation helps borrowers as the value of money and debt go down
- Surprise deflation hurts borrowers because wages fall, makes debt more expensive

# Inflation Moves Money

- Inflation helps business owners at the expense of wage earners because prices rise faster than wages
- If you lose 1% of your purchasing power every year for 40 years, you lose one third ( $0.99^{40} = 0.67$ );
- 40 years of 2% loss is 55% overall ( $.98^{40} = .45$ )
- Helps rich, hurts poor
- Hurts people on fixed income and pensions
- Good for aristocracy, bad for democracy



# High Deflation

- Costs of goods and services fall sharply
- Bad for borrowers because debt becomes more expensive
- Money hoarded because it becomes more valuable
- Economy stalls, unemployment goes up
- Hasn't happened in USA since 1935

# Skepticism Warranted

- Be wary about mainstream economics because news media promoted trickle down economics for decades
- No evidence cutting taxes for rich helps middle class or poor
- “Trickle-down tax cuts make the rich richer but are of no value to overall economy, study finds”  
<https://www.washingtonpost.com/business/2020/12/23/tax-cuts-rich-trickle-down/>
- Trickle down economics shows who is in control and what they want – the .1% want everything

# Summary, Recommendations

- Leaders should understand wage earner problems
- Money supply should be stable, no inflation or deflation
- Popular theory states low inflation (2%) needed to prevent high deflation – not true
- Fear of deflation-induced recession does not justify inflation that benefits big money
- Reduce transfer of wealth from poor to rich
- Even better – create decades of 1% deflation to return stolen wealth and reduce inequality

# Enjoy Nature And Family

