

## INFLATION/DEFLATION

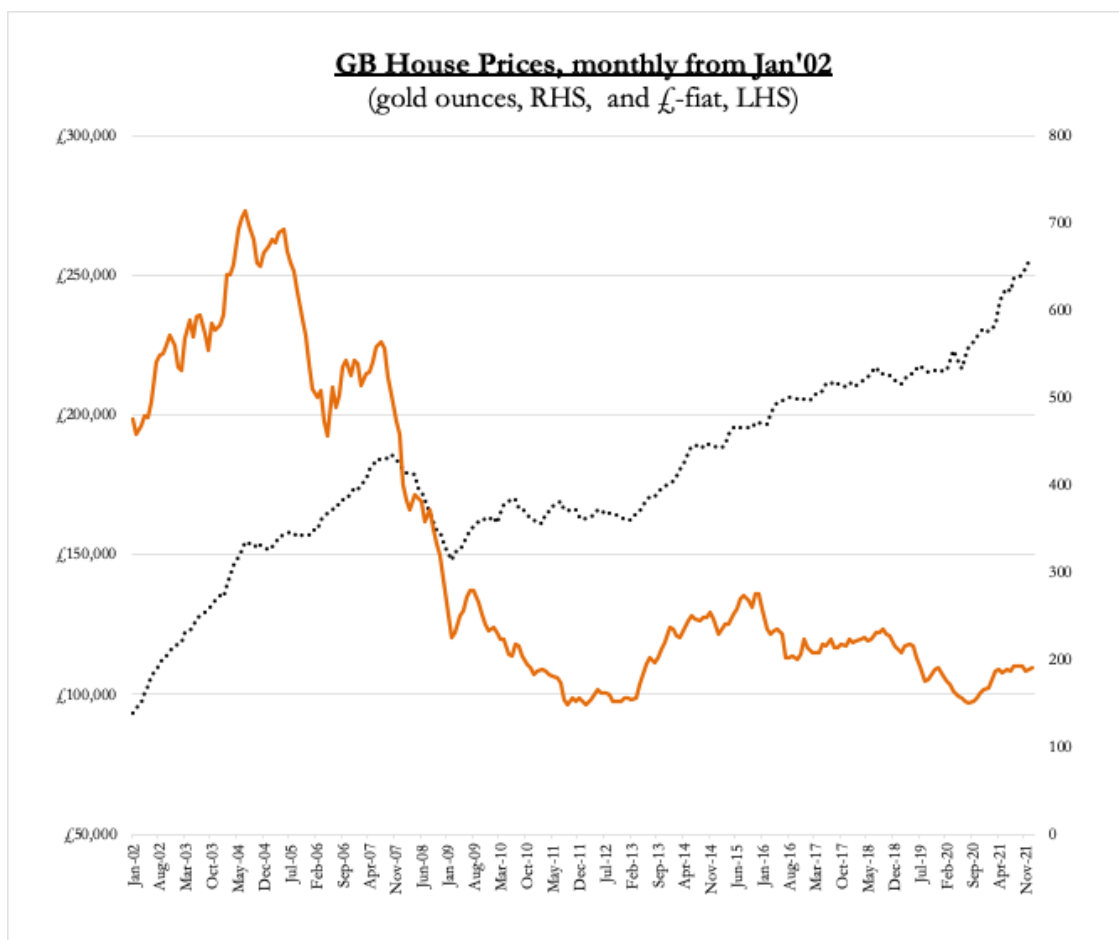
Sandeep Jaitly, 28<sup>th</sup> February 2022

Inflation/deflation? Many narratives† are being given around ‘inflation’ – pointing to ‘money printing’ since 2008 and more recently since the pandemic began. Of course, these narratives are only ‘meaningful in fiat’s hegemon’ and fiat will be recognized to be ‘meaningless.’

As a reminder, inflation/deflation rate is *the rate of change in price (v. fiat) of a basket of goods*. Inflation/deflation does not refer to *price levels* of themselves – but to their *rates of change*. This ‘basket of goods’ is very narrow: in Britain‡, it includes things like couscous and hybrid vehicles – *branded* items not commonly purchased and often the result of ‘long production chains’ involving uncountable ‘middlemen.’

‘Money printing’ is a nebulous term used by those without any in-depth want of understanding regarding monetary affairs – the typical ‘high salaried journalist.’ Such vacuous talk often starts with ‘the Great Financial Crisis’ starting in 2008; when ‘quantitative easing’ was announced. What these ‘money printing narrative’ people fail to appreciate is that ‘the money printing’ has been going on for c.2,000 years: ‘issues of state’ did not begin in 2008.

In that context, how does the broader picture look? Below is a chart of the British residential property market since 2002 in £-fiat and gold-ounce terms.



Whilst broadly escalating in £-fiat terms since 2002, in gold-ounce terms, the average house price has *collapsed* – from a peak of 698oz in August 2004 to its recent trough of 149oz in August 2020 – a collapse of over 78%. **Taking fiat into account; deflation is the order, not inflation.**

†<https://www.dailymail.co.uk/news/article-10551663/Key-inflation-measure-jumps-6-1-40-years.html>

‡<https://www.ons.gov.uk/economy/inflationandpriceindices/articles/ukconsumerpriceinflationbasketofgoodsandservices/2021>