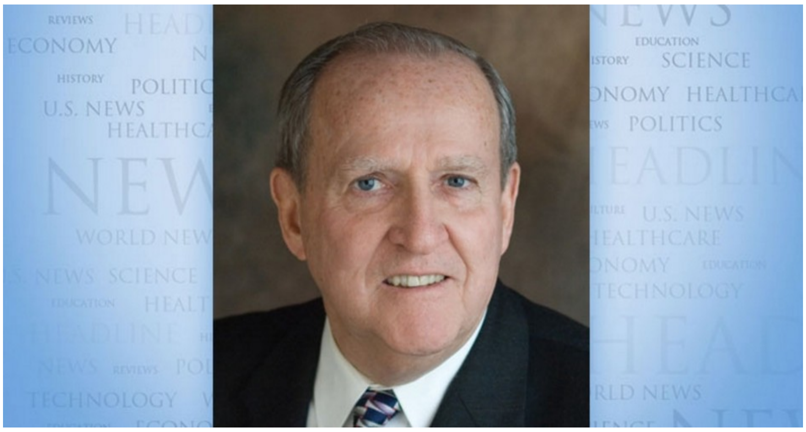
Inflation: Misunderstood? Or Deliberately Misidentified?



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Paul Krugman is the leading Professor of Econmics at City University in New York. He is also a regularly published columnist at the *New York Times*. In 2008, he received a $1.4 million award from the Nobel Prize Committee for his contributions in the field of economic sciences. But according to this writer, who has no formal schooling in economics, which is sometimes wrongly referred to as "the dismal science," Krugman should have been awarded a dubious prize for spreading confusion, misinformation, and downright error.

Today, ask anyone who goes to the supermarket for replenishment of needed staples of life should be asked the simple question: "What is most notable about your shopping excursion?" To which many will respond, "Everything costs more." If you ask someone who has a *correct* grasp of what has happened at the supermarket check-out counter, you might be told that "Dollars don't buy what they did only short time ago." That answer should win the Nobel Prize, not Krugman's consistent reliance on the colossal falsehood he has long drummed into the consciousness of his students and readers.

His falsehood consists in holding that inflation is the condition of rising prices, rather than rising prices being an effect of inflation. If you should bump into Krugman or one of his pupils at the supermarket, or anywhere else for that matter, expect to be kept in the dark instead of getting correct answers about what is happening. You and everyone else are supposed to blame the supermarket manager, or the gasoline pumper, or the landlord, or any other individual who has been forced to require payment of more dollars for goods and services. All this is happening because more dollars have been inserted into the system

Inflation is rising at a rather rapid pace. But it's incorrect to believe that inflation is rising prices. Rather, it's an increase in the quantity of money that lowers the purchasing power of the money already in circulation. The result of creating and distributing many more dollars causes all dollars to become worth less. The same could be stated of any commodity. If you flood the market with basketballs, tires, carrots, socks, or whatever, their value in dollars will shrink.

Money isn't magical. It's a commodity freely chosen to be useful for conducting business — such as the buying and selling of goods, the payments given to employees, the rainy-day savings put aside for a possible future need, etc. Sound money doesn't result from being designated as such by someone with credentials learned at the knee of a Krugman or some other like-minded economist teaching falsehoods. It's an agreed-upon substance that serves as a medium for exchange.

On June 1, 2021, Professor Krugman's column for the *New York Times* carried the title "The Radical Modesty of Biden's Budget." Modesty? His first sentence tells readers that the president "wants to spend Six Trillion Dollars next year," a substantial rise over past years. Later, he characterized the Biden plan for spending $6 trillion next year as "relative modesty." Throwing a bone to his readers, or possibly insulting them, he wrote, "It's difficult to get people to understand something when their salary depends on not understanding it." Could he mean federal employees? Or columnists who spread dangerous nonsense?

One feature of honest money is its inherent value. Mankind has always turned to some commodity to use as money. And issuing paper notes that are redeemable in the chosen commodity has long been a common and honest practice. But, during the 20th Century, U.S. leaders canceled gold backing for the paper notes. Then they did the same for silver backing. Since 1971, the paper notes issued by the U.S. Treasury have been backed by nothing. And the number of dollars created by Treasury has ballooned. A shopping cart full of groceries that cost 10 paper dollars six decades ago now costs at least 100.

In the face of the deteriorating value of U.S. money, President Biden has indicated a desire to spend trillions for a variety of projects during the next fiscal year. From where will he get that sizable increase in current spending? He says he'll push Congress to increase taxes on the wealthy. The truth is that, if he's not stopped, much of the increase will consist of more unbacked paper. In other words, the Biden plan calls for more inflation.

Noted economists and historians have warned about the predictable results of inflation. England's John Maynard Keynes said: "The process engages all the hidden forces of economic law on the side of destruction." America's Henry Hazlitt said of inflation: "It leads men to demand totalitarian controls." U.S. historian William Shirer pointed to Germany in the early 1920s where inflation had destroyed the German mark. Bundles of newly worthless German currency could no longer "buy a straggly bunch of carrots, a half peck of potatoes, a few ounces of sugar, or a pound of flour." Shirer note, "Such times were heaven sent for Hitler."

President Biden's plan calls for massive creation of totally unbacked dollars. If he gets his way, spurred on by what Professor Krugman calls "relative modesty," America will take a huge step on the path to self-destruction. The *New York Times* exposes its own complicity in giving space in its pages to Krugman's danger-filled nonsense. Doing so means its owners and editors agree. The simple truth is that inflation is criminal expansion of the currency, not the rising prices it causes.