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In/deflation



Barack Obama acknowledged in a recent interview that printing money to pay for a trillion-dollar U.S. government rescue package might lead to inflation. There was a time, many years ago, when just such an increase in the money supply was, by very definition, "inflation." New dictionaries and textbooks, though, define "inflation" as being a general rise in prices. It's this language trickery that allows us to have both inflation (more banknotes in circulation) and deflation (falling prices) at the same time. Those who want to make sense of this should probably look at the current decline in consumer prices not as deflation, but simply as supply and demand at work. Czech consumers are buying less, so prices are falling (or rising more slowly). Obama-style inflation (many more bills in circulation) would only become an issue if the Topolánek government decided to ratchet up its spending and borrowing.



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