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## Inflation blinds us to deflation



There's no easy way to deal with inflation, so the debate mostly centers around which policy is less bad. It's now a question between a hard landing and a harder landing because of all the money printing by central banks and the bloating budget deficits of short-sighted governments. Everyone recognizes that we're in a high-inflation environment, caused in part by quantitative easing, which in the Czech case took the form of the devaluation of 2013. Less common is the realization that we're in the early stages of deflation, if the term is defined as a contraction of the money supply. Not only are interest rates rising rapidly, but the Fed is conducting quantitative tightening (QT) by unloading bonds. In the CNB's case, QT is taking the form of selling off foreign reserves as a way for Gov. Jiří Rusnok, who leaves today, to keep the crown [artificially strong](#). When inflation flips suddenly to deflation, fortunes will be made or lost, and lives will be enriched or ruined, as in the Great Depression.

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