

# MONETARY INFLATION VS. FISCAL DEFLATION

## WEB BUZZ 2010.11.15

The outcry against Quantitative Easing II - \$600 billion of liquidity pumped into an economy that already has more liquidity than it needs by way of buying government securities - is deafening. It is the work of a long deceased economist (Keynes) and it is heart-breaking to see what it is doing to a once proud American economy.

Just think of what the results will be: (1) Interest income to those who rely on such for their livelihood is destroyed. (2) At the same time, the price of commodities such as food and gasoline is going through the roof, acting as a huge tax increase. No income, no jobs, and maybe no hope! Well, enough of that. Our last week's buzz covered this in more detail, but we just couldn't allow it to go by without further comment. We feel the Fed must modify this program in some way before it's too late.

Despite the myopic fear of inflation, the headwinds of deflation are everywhere. Please note the following trends reported by various bloggers, most notably [Mish's Global Economic Trend Analysis](#). Consumers are doing the following:

1. Goodwill stores are the rage in many upscale communities.
2. Grocery shoppers are buying more and more store-labeled products.
3. Layaway, a 1930s credit program, is once again popular.
4. People like to brag that they buy only when "it's cheap."
5. Other Mish pieces that one can read on the internet are:
  - a. Changing social attitudes about debt
  - b. Moral obligations of walking away
  - c. Attitudes lead, the CPI lags
  - d. A new phenomenon: haggling over price
  - e. Cool to be frugal

f. The future of frugality

g. The age of frugality

Those betting on inflation are in for a shock! Only necessities such as food and gas will see price increases of substance.