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MONDAY, JUNE 6 2022
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# DEFINING INFLATION

*By Gareth Seward ([Facebook](), [Twitter]())*

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Here's a curious thought for you to ponder if you have any cash savings or a pension plan. At the current rate of CPI measured inflation in the United Kingdom as of May 2022, every pound you have will only be worth forty-two pence in ten years' time. That's fifty-eight per cent of its value that the government will have stolen from you via the inflationary stealth tax, and that's before all the other direct taxes the government hits you for on top of that (Income Tax, National Insurance, VAT, Council Tax, excise taxes and so on).

What makes this notion even more galling is firstly the present inflationary trajectory will almost certainly rise even higher than the current nine per cent, and secondly the Consumer Price Index (CPI) is a bogus metric used for gauging inflation to make the "official" figure sound a lot more politically friendly than what the real rate actually is. The majority of the money and credit that gets created via the various inflationary methods (open market operations – the selling of government gilts, fractional reserve banking and quantitative easing) enters the economy through government spending, financial markets and property markets, none of which is accounted for by the CPI. In fact, the core CPI doesn't even account for food or energy prices, and it is often this core indices that gets used in reports to make that rate appear a little more PR friendly.

Inflation is an insidious stealth tax used by the state to transfer wealth. It steals from the regular citizen and rewards the politically connected. It makes the rich get richer and the poor get poorer. It widens the wealth gap and increases inequality; the Cantillon Effect. It is no wonder then, in an attempt to muddy the waters and cause confusion to those who may have a slight arousal of curiosity as to why they seem to be getting poorer, that in recent years the "establishment" (state bureaucrats, economists, politicians, media) have tried to redefine the actual definition of inflation to deflect any attention away from the state's underhanded chicanery. It now seems the popular mainstream definition of inflation has changed to simply being "when prices rise". This is incorrect, in spite of what your modern dictionaries might say.

The definition of inflation is not when prices increase, and neither are price increases the cause of inflation. Simply, price increases are an effect of inflation, more a symptom if you will. Inflation is actually an increase to the economy's overall money supply, via bank credit expansion or direct money printing, without a corresponding increase in a demand for money.

What is meant by the demand for money? It basically means how much asset in the form of money people wish to hold, often referred to by economists as "liquidity preference". There are several factors that can influence this demand, including income and interest rates. Also, one half of almost every transaction involves an exchange for money, and the majority of the other half of such transactions are usually goods and resources. And there's the issue; increasing the money supply doesn't magically increase the amount of goods and resources available or in existence. So, what you then have is more money available chasing relatively fewer goods and resources.

Source: Andrew Milligan Sumo, Flickr (CC BY 2.0)

When Carl Menger published his seminal work *Principles of Economics* in 1871, he established a fundamental economic approach based on the subjective theory of value. He explained that the variance in the value of goods and services is determined by what we call marginal utility, basically meaning how much satisfaction or pleasure is gained from consumption compared to other alternative goods and services. An element of this theory is what we call diminishing marginal utility, which basically shows what you probably already know – the more that something is abundant and readily available, the less it is worth. Value is increased by scarcity not abundance.

This basic economic law also applies to money. An increased amount of something diminishes how much it is valued, and in the case of money such diminishing value means a reduction in its purchasing power. What is key to understand here that the only reason prices appear to be increasing (if we are to say the price increase is due to inflation, and not other factors such as supply shocks etc.) is literally because the value of the currency has been made weaker, so it takes more of it to achieve the purchasing power needed to buy things.

So that is the original and true definition of inflation. We can determine this definition to be true if we imagine a fixed money supply. If the money supply remained a fixed constant, then whenever the demand for certain goods and services increased, more money would be allocated towards these goods – resulting in their prices rising. This would obviously mean less money could be allocated towards other goods, meaning demand for them would drop and as such their prices would drop too. So, if some prices rise, others will have to fall if there was a fixed supply of money.

Source: Simple FX, Flickr (CC BY-SA 2.0)

If on the other hand the demand for money itself increases, effectively meaning people prefer to save money rather than spend on goods and services, then prices would generally fall – because clearly less money would be allocated on goods, lowering the demand for them. For prices to generally rise then, there would need to be an increase in the supply of money. So, if there was no change in the demand for money but there became more money available via an increased supply of it, a greater amount of money can be allocated towards all goods and services. From this we can obviously see that inflation is an increase in the money supply that in turn causes prices to rise, rather than the revised and incorrect definition that rising prices themselves are inflation.

# THE BUST TO COME

*By James Goad (Facebook, Twitter, Gettr, Rumble)*

What we have seen thus far is well within the parameters of modern history. This writer can look back on his days as a student in the early 1990s to remember high inflation. The main difference back then was that interest rates were also high. Now they are nailed to the floor by the Bank of England in Part 578 of the Keynesian Playbook for Self-Inflicted Economic Disasters.


*Source: flazingo.com, Flickr (CC BY-SA 2.0)*

One doesn't have to be any sort of economist to know that the vast majority of the population will see their earning power eroded or even destroyed by what's happening. The first line of casualties are the low-waged workers. They are the forlorn hope, in historical warfare terms. The current inflation rate, officially nine per cent but that's rigged, effectively wipes out any Brexit dividend enjoyed by working people. As an example, an HGV lorry-driver friend of mine saw his post-Brexit wage rise by around thirty per cent. Even coming from a low base, the extra money made a real difference to him. The current inflation rate will erode that gain in no time. Back to square one. Assuming the current inflation rate persists, the cost of living will more voraciously eat into middle-class professionals. It's this that will prompt a major backlash, which one hopes might become unmanageable for the political class.

Taking a globalist conspiracy angle on the whole thing as I increasingly do, the inflationary period following the Convid currency-printing fiasco would appear to be either by design or a by-product of the process. Most of the population has been cowed into obedience over the last two years by powerful nation-state propaganda. The question remains whether the psychological warfare has been effective enough to inhibit any upswell of protest, in political terms at least, over the current situation. One asks oneself what the tolerance limits are for each distinct socio-economic group.

Inflation might not be the straw that breaks the camel's back. It could rather depend on whether it spirals and over what period it persists. If it's not enough to provoke a massive public response, the forthcoming food shortages will be. A speaker I saw in Blackpool recently made the claim that the government had our ration cards printed in March 2020. Leaving that aside, the recent Economist cover spelled out a generally accepted reality. It is the sabotaging of the food supply chains (evidenced from state incentives to destroy healthy crops to the destruction of food processing and storage plants to the simple consequences of lockdowns) that can convince that the current cost-of-living crisis is just one stage of an orchestrated plan. In this context, one can also question the strange timing of the UK government's policy to encourage older farmers to retire with taxpayer-funded grants.

*Source: Ged Carroll, Flickr (CC BY 2.0)*

A change of government in these circumstances will be meaningless. The British one-party state would continue with one head of the toxic hydra replacing another. One thing is beyond doubt: the utter worthlessness of our state parliamentary representatives in resolving the situation. Like bad actors, their utterances are scripted and staged with the aim of political point scoring. They simply aren't able to home in on making and implementing difficult decisions. Hardly surprising really, given they are owned by rapacious oligarchs. There isn't a collective political will, just posturing and kicking the can down the road. Recent years have been spent building extra stretches of road on which to kick the can down.

We are building up to an immense bust, and our long bought-off British political class will be hapless passengers in the car crash. One can take a positive view of the destruction. We may hope that the one-party state monopoly is a casualty of it. Hopefully "liberal democracy" more generally will follow, together with its "liberal interventionism" (the neo-colonialist seizure of the global commons). It is at this point we will need to guard against the introduction of central bank digital currencies. The predator class operating out of the central banking monopoly will also need to be a casualty of the bust, otherwise the consequences are horrendous. It's incumbent upon us to wake up others in any way available. I've joined the Freedom Alliance, which uses the existing electoral system as a platform to alert others to what is really happening and what is coming. The Alliance was talking about inflation last year during the Batley and Spen by-election. There are no ambitions to achieve power; it's about waking up the "normies".

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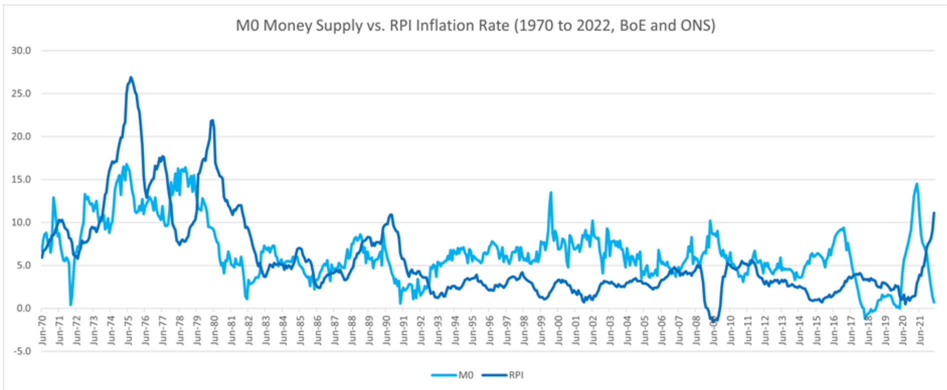
# TIME TO HIT A PANIC BUTTON?

*By Christopher J. Wilkinson (Website, LinkedIn, Facebook, Twitter, Telegram, MeWe)*




*Source: Christopher J. Wilkinson (used with permission)*

This graph depicting the M0 money supply, called "narrow money" since it only includes currency notes and coins in circulation plus deposits with the Bank of England, and the retail price index demonstrates a clear relationship. Since the early 1990s, M0 has typically trended above RPI inflation. The real rate of inflation is of course higher than any of the official measures in part because the "representative basket of goods" used varies in its contents and may not reflect an individual's own frequent purchases, nor is it in any way comprehensive of all the goods or services an individual buys. In addition, an aggregate figure also disguises more severe price changes; if housing costs fall by ten per cent but food prices rise by thirty per cent, the methodologically faulty inflation rate would clock in at ten per cent ceteris paribus.

Yes, the recent bout of price increases has made things very difficult in the short term and people are experiencing financial difficulties. In these times, it's important to keep financially liquid and avoid debt with previous contributors to Free Speech outlining how. Fortunately, there is a degree of hope. From the graph, provided the state holds M0 down, the price increases should not continue for much longer and the current "inflation" should be temporary. Considering roughly half of Britain's oil is imported from Norway with natural gas coming from the North Sea and fuel from Qatar, Saudi Arabia and the Netherlands, the state blaming their own routine and excessive debasement of the currency on Russia's intervention in Ukraine simply doesn't wash with the more astute observer. As ever, the media seeks to defend the state that regulates it by confecting a narrative that the nominal intervention is having global economic repercussions – in one author's opinion, second to COVID as the biggest lie of the century so far. No doubt the next recession will be blamed on Russia.

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