



The Damage from Stable Inflation (9/19/22)

The President went on 60 Minutes this week and made a point that inflation this past month hardly changed. It rose from 8.2% to 8.3%. He said this like it was progress. It is important to understand that inflation measures the price changes from one period to the next.

High inflation in the base period (second half 2021 vs. second half 2022/2-23) will tend to flatten out or might even decline. What matters is the **level of prices**, not just the percent changes. I hope you recall **shrinkflation**. A decline in price changes from 4-7 % over the next 6-12 months will play havoc with the economy, forcing the Federal Reserve to be very aggressive. This level of price changes will destroy purchasing power of our households and likely pull us into a recession.

Look out Mister President, stable but high prices will be dangerous to everyone's economic health.