

# Engineering Inflation, A Good Idea?

Since the great transfers following the great crisis of 2008 and the realization that debt levels had surged out of control, inflation has seemed like a tantalizingly viable and easy solution to the debasement of debt.

It is clear that central banks and governments would be encouraged to create as much inflation as possible as long as this inflation is not picked up in official data. So far their efforts have led to an asset bubble in bonds and emerging market assets and currencies. It seems as though the results of quantitative easing are invariant to the perpetrators of QE, that is, you can print but you cannot direct. The liquidity will flow to where the liquidity will flow. For emerging markets this has been a painful side effect of Western government's efforts to save their own skin. For Western governments this has been frustratingly like blowing up a punctured balloon.

Those who support these inflation policies should understand that economics is not physics or chemistry and that inflation targeting and debt erosion tactics are a bit like running a nuclear reactor. A controlled chain reaction in a nuclear reactor provides heat energy which is harvested. The key word here is "controlled".

Given their explanatory and forecasting track record of economists and central bankers, would anyone like to entrust an economic nuclear reactor to them?