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INFLATION - IS THIS CORRECT?

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In my view, inflation originates whenever a government indulges in deficit budgeting, making payment for goods or services that it appropriates either with a bundle of notes drawn directly from its printery or by a cheque that when finally presented will require the similar issuing of "legal tender" currency.

The effect of governmental expenditure in excess of tax revenue is invariably to increase the volume of the circulating media of exchange so that, with an unchanged volume of goods and services, prices must rise - all prices.

There can be no subsequent fall in the general level of prices unless the government later budgets for a surplus and destroys the amount of currency which that surplus represents.

Thus the immediate cause of inflation lies in deficit budgeting. The dual government error of failing to use the socially created site rent as public revenue and of then inflicting taxes in various directions is, of course, the underlying and predisposing cause - but as causation this is, in logic, the remote rather than the proximate.

In support of this, I point out that each European inflation has occurred in association with deficit budgeting.