Inflation: What it means and what to do about it.
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Economists and economics textbooks will tell you inflation is too much money chasing too few goods, the supply of money is too much for the demand, etc. However, it is not easy to see how such theoretical definitions translate to, say, 8.6% inflation. To better understand the inflation concept, it is useful to relate it to the consumer price index (CPI).

The CPI is a weighted average of the change in price of a group of everyday products bought by a typical urban consumer. And, if the average price of these products goes up, say, 8.6% from 2021 to 2022, we say we have 8.6% inflation. Remember, this is an average so eggs may have gone up 50% in price while some other products may have only gone up 1% or even gone down. Furthermore, these changes are weighted, I.e., among other tweaks to the data, the changes are to some degree smoothed. So, a change as large as 8.6% probably does reflect substantial increases in the prices of particular items. And, such a change will likely be felt by the consumer in everyday shopping.

A change this large is also relatively rare. For example, from 2000 through 2020, the percentage change ranged from -.4 to 3.8. The table below indicates the changes in the last 11 years, I.e., Obama's last term, Trump's term, and Biden's term so far.

2013	1.5
2014	1.6
2015	0.1
2016	1.3
2017	2.1
2018	2.4
2019	1.8
2020	1.2
2021	4.7
2022	8.6

Clearly, something has happened to create an upward trend in a relatively stable index. Two explanations follow from the textbook definitions of inflation mentioned above, I.e., too much money chasing too few products. We did both. We shut down the economy resulting in too few products. And, perhaps more importantly, printed money with abandon with stimulus after stimulus. Stimulus is actually a misnomer since few of these dollars found their way into investments that would in any way stimulate the economy.

If the cause is that simple, perhaps the cure may be equally simple. Reduce the money supply and increase the product supply. To the Federal Reserve's credit, they may be trying to reduce the money supply by increasing interest rates. However, for this policy to be effective, they must also turn off the money-printing machine. As for increasing the product supply, the damage done by the shutdown appears to be long lived and may not be so easily overcome in the short term. There is also the greed factor. With prices going up everywhere, corporations can't resist the temptation to increase their prices based on the CPI and not their own costs.

The last time we had inflation like this the solution was to turn to the supply siders solution of choice, namely, growth. If we can crank up the economy, these problems will take care of themselves.

Reagan entered the presidency with inflation in the 10 to 13% range. Following the advice of economists such are Arthur Laffer and Larry Kudlow, he reduced taxes, reduced government regulations, and got control of the money supply. A couple of short-lived recessions followed, as expected. But after that, there were 20 years of growth with negligible inflation. So, the answer may be to undo much of Biden's economic and monetary policies, especially energy policies, and return to the pro-growth Trump policies and unplug that money-printing machine.