

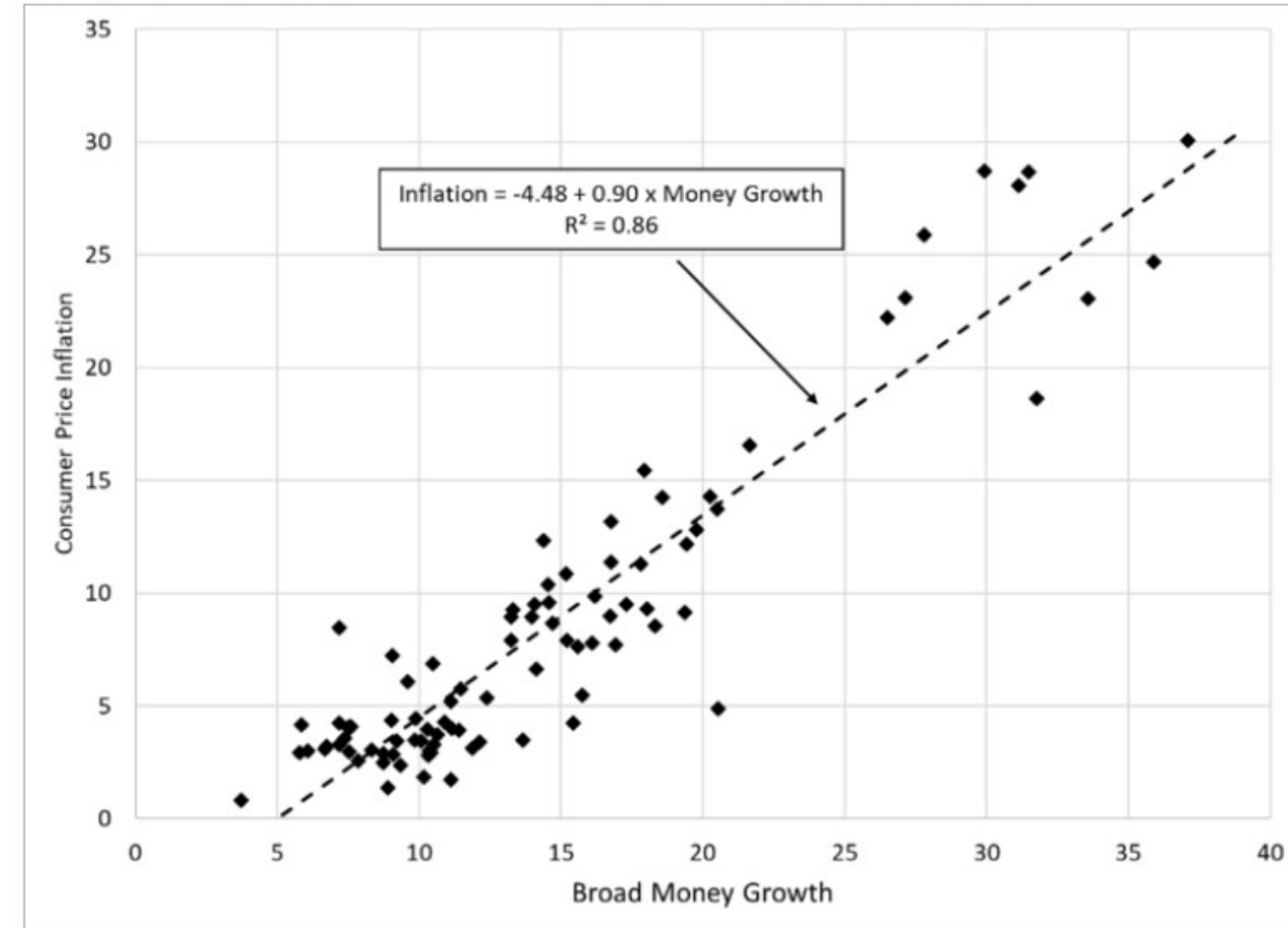


Money growth and Inflation

From ['Is Inflation Coming?'](#), Feb. 15, 2021

Sample of 90 countries

Average Annual Consumer Price Inflation and Broad Money Growth, 1980 to 2017



Broad Money growth = Percent change in M2

- The simplest version of monetarism states that controlling money growth is both necessary and sufficient to control inflation.
- So, if we see money growth rise, then inflation must be on the horizon. The chart above is a case in point. Using data for 90 countries on average annual inflation and money growth over nearly four decades, we can see that there are no examples of countries with either sustained rapid money growth and low average inflation or the converse..
 - This means countries with high money growth tend to have higher inflation.
- Notice R^2 of 86% and the money growth coefficient of 0.9.