G. Edward Griffin Explains Inflation

G. Edward Griffin explains how inflation results from the Federal Reserve's money printing scheme and that inflation is a hidden tax.

Here is an explanation of the two phase of inflation:

1. New money is created out of nothing by the Federal Reserve and is then loaned out to the federal government. The new money inflates the money supply. The government uses that money to pay employees, to finance wars, to fund welfare, to pay off cronies, and more. The favored political class gets the money first, when it has full purchasing power.

2. The second phase of inflation takes place when the politically favored groups spend the money with individuals who then take their money to their commercial banks and deposit it. This is where the real action happens.

The banks themselves create money, usually at a rate of at least 9 to 1 – for every one dollar deposited, the banks can create an additional $9. There is a massive expansion of the money supply.

The banks loan that money into existence and people borrow the money and spend it. Over time, the money trickles down to the common man.

More money equates to demand- with more money, more people are able to demand things. While demand increases, the supply of the goods and services does not increase. The expansion of demand, with only a limited supply of goods, results in higher prices.

When the money supply is expanded faster than the expansion of goods and services, it results in higher prices. Prices appear to go up, but the reality is that the value of the dollar is going down.