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THE WALL STREET JOURNAL.

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Friday, March 24, 2011

OPINION

LETTERS TO THE EDITOR

It May Make the World Go Round, but What's Money?

"Inflation Premises May Be, Ahem, Inflated" (Markets, March 7) misses the most critical issue regarding the determination of prices. Monetary measurements are wrong, not the theory. Milton Friedman argued that money supply is the sum of currency and bank deposits—not simply how much money a central bank prints. Since Friedman's day, the construct of money has changed as distant substitutes for money have evolved.

Today, Prof. William A. Barnett advocates an even more expansive definition of money as well as quantitatively differentiating among various contributors to money in the economy. When evaluated through the proper lens, the absence of inflation coincident with QE is readily explained. Money growth was either negative or well below rates associated with inflation. Similarly, today with money growth over 5%, global reflation should be no surprise.

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