

**Letter****Letter: The bill for two decades of doomed stimulus measures is due**

From Paul Hodges, Chairman, International eChem, London N7, UK



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One has to agree with your editorial that deflation is now probably inevitable (“Deflation is a bigger fear than hyperinflation”, [FT View, April 28](#)). But it is still disappointing to see that the role of central banks in turbocharging its development continues to be overlooked.

One appreciates they remain wedded to Milton Friedman’s unproven theory that “inflation is always and everywhere a monetary phenomenon”. But it would seem logical to at least note that two decades of stimulus policy have not only failed to create the promised inflation, but also left us with vast mountains of deflationary debt that can never be repaid.

Their argument that monetary policy, rather than demographics, has been responsible for the extraordinary period of postwar growth seems equally bizarre. Economic expansion was surely inevitable given that the global population has tripled from 2.5bn in 1950 to 7.8bn people today, according to UN data, while the western baby boomers were already the largest and wealthiest generation in history long before the policy was invented.

The problem is that the bill for this mistake has now come due. Increased life expectancy means the boomers are no longer dying around pension age as in 1950, and are instead creating an entirely new cohort of “Perennials”. Inevitably, though, their contribution to growth is much reduced, as they already own most of what they need, and their incomes reduce as they retire.

Central bank stimulus has therefore in effect been a doomed attempt to print babies, as you have kindly allowed me to argue here before. One accepts it may well now be too late to avert the economic catastrophe that awaits us as a result. But we will never know, if we allow the current captains of the Titanic to continue stubbornly on their current course without challenge.

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