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https://www.wsj.com/articles/excess-money-growth-and-spending-drive-inflation-1520631507

OPINION | LETTERS

# Excess Money Growth and Spending Drive Inflation

The thing to fear is rapid nominal spending following excess money growth.

Federal Reserve Chairman Jerome Powell said Tuesday that 'some of the headwinds the U.S. economy faced in previous years have turned into tailwinds,' Feb. 27. PHOTO: ANDREW HARRER/BLOOMBERG NEWS

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Regarding "Capital Account: Forces That Could Revive Inflation Are Lurking" (U.S. News, March 1): One may want to consider that the M2 money supply was growing at an 8% year-over-year rate by the beginning of 1966 and that aggregate spending (nominal GDP) had been growing at an average 8.6% over the preceding three years. With spending growth that fast over a sustained period, there should be no wonder that inflation accelerated back then. In contrast, M2 is up only 4.2% over the past year and nominal spending has grown at an average rate of only 3.6% over the past three years. As we saw in the 1980s and onward, we shall likely again see that putting people to work through supply-side policies doesn't cause inflation. The thing to fear is rapid nominal spending following excess money growth.

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