A Long-Term Look At Inflation

*eResearch Corporation* is pleased to provide an article by Doug Short of Advisor Perspectives.

Mr. Short looks at inflation trends going back to 1872.

The article is reproduced below, on the following page, but it also can be sourced at the following link: [http://www.advisorperspectives.com/dshort/updates/Inflation-Since-1872](http://www.advisorperspectives.com/dshort/updates/Inflation-Since-1872)

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A Long-Term Look At Inflation

July 18, 2016
By: Doug Short

The Consumer Price Index for Urban Consumers (CPI-U), released Friday, puts the year-over-year inflation rate at 1.01%. It is substantially below the 3.79% average since the end of the Second World War, and its 10-year moving average which is now at 1.83%.

For a comparison of headline inflation with core inflation, which is based on the CPI excluding food and energy, see this monthly feature.

For better understanding of how CPI is measured and how it impacts your household, see our Inside Look at CPI components.

For an even closer look at how the components are behaving, see this X-Ray View of the data for the past six months.

The Bureau of Labor Statistics (BLS) has compiled CPI data since 1913, and numbers are conveniently available from the FRED repository (here).

Our long-term inflation charts reach back to 1872 by adding Warren and Pearson's price index for the earlier years. The spliced series is available at Yale Professor (and Nobel laureate) Robert Shiller's website. This look further back into the past dramatically illustrates the extreme oscillation between inflation and deflation during the first 70 years of our timeline. See our charts on the next two pages.

Click here for additional perspectives on inflation and the shrinking value of the dollar.

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Monthly Inflation: 1872 to Present

Bureau of Labor Statistics Annualized Inflation Rate = 1.01%

WWII Inflation
WWII Inflation with price control Interlude
Stagflation of the '70s and early '80s

10-Year Moving Average = 1.83%

Post WWII Deflation
Deflation of the Great Depression

This chart shows the official Consumer Price Index for Urban Consumers (CPI-U) published by the Bureau of Labor Statistics (BLS), which began tracking inflation in 1913. The earlier metrics are from Warren and Pearson’s price index.

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For a long-term look at the impact of inflation on the purchasing power of the dollar, check out this log-scale snapshot of fourteen-plus decades.

**Fourteen Decades of Price Inflation**

The Decline in Purchasing Power of the Dollar

- Federal Reserve: 1914
- Roosevelt abandons the gold standard: 1933
- Nixon closes the gold window: 1971
- BLS began changing methods to calculate the CPI: 1982
- $1 = 5 cents

**BW: Information on the Author is provided on the following page.**
ABOUT THE AUTHOR AND DSHORT.COM

My original dshort.com website was launched in February 2005 using a domain name based on my real name, Doug Short. I'm a first wave boomer with a Ph.D. in English from Duke and a lifelong interest in economics and finance. In 2011 my website was acquired by Advisor Perspectives.

My first career was a faculty position at North Carolina State University, where I achieved the rank of Full Professor in 1983. During the early '80s I got hooked on academic uses of microcomputers for research and instruction. In 1983, I co-directed the Sixth International Conference on Computers and the Humanities. An IBM executive who attended the conference made me a job offer I couldn't refuse.

Thus began my new career as a Higher Education Consultant for IBM — an ambassador for Information Technology to major universities around the country. After 12 years with Big Blue, I grew tired of the constant travel and left for a series of IT management positions in the Research Triangle area of North Carolina. I concluded my IT career managing the group responsible for email and research databases at GlaxoSmithKline. In mid-2006 economic analysis became my full-time occupation.

My interest in economics and financial planning was triggered by the bear market of 1973-74. My wife and I bought our first home in August 1973, a month after our second child was born. Two months later, the Oil Embargo tripled gas prices, and I began commuting to work on a bicycle. During the decade of stagflation, I became fascinated with economics, finance, and market behavior (my wife claims it's an addiction).

Charting financial data is something I've been doing for over thirty years. I was an early user of first-generation spreadsheet software (VisiCalc, SuperCalc, and Lotus 1-2-3), and I participated in the beta program for the original release of both Excel and Quicken.

I use the word "chart" for my visualizations of data rather than "graph", which has always struck me as a bit pretentious. I suppose my language preference was conditioned decades ago by the terminology used in spreadsheet software.

Contrary to what many visitors assume based on my last name, I'm not a bearish short seller. It's true that some of my content has occasionally been a bit pessimistic in recent years. But I believe this is a result of economic realities and not a personal bias. For the record, my efforts to educate others about bear markets date from November 2007, as this Motley Fool article attests.

Unless I've been coerced into a vacation to a remote location without Internet access, I'm usually at home in North Carolina watching the economy and markets on my handy Ultrabook or iPad.

Doug Short, Ph.D.
Advisor Perspectives

BW: To learn more about dshort.com or Advisor Perspectives, click on either the Icon or the URL provided on the following page.
Actionable Advice for Financial Advisors: Economic and Market Updates for Investment Planning

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