

# Zombie Economics Explains Inflation/Deflation Split

A deflationist zombie (Bernanke or Krugman for example) never notices price rises because their cost of borrowing easy credit is near-zero. When prices go up -- they just borrow more at virtually no cost. Non-zombies experience these price rises because their cost of borrowing starts at 3 1/2 percent and goes right up to over 30 percent and in the case of payday loans annualizes at over 400 percent so they really feel these price rises. (Everybody's in debt, but if your interest cost is zero you don't notice it).

The entire political class and ruling Wall Street class are zero percent interest zombies who talk about 'deflation' in the value of their second, third and fourth homes. This is paper-deflation, zombie-deflation, and has nothing to do with the real economy. Recently, house prices in some spots in the U.S. and elsewhere have risen -- due to all the money created to satisfy the zombies -- causing a new bubble in real estate in Florida, Arizona and elsewhere. When this new real estate bubble pops, the zombies will whine that about 'deflation' again and the Central Banks will print again and these zombies will not 'feel' the price inflation of food, energy, education, transportation, insurance, etc. They've been inoculated against the effects of price inflation with endless free injections of free credit. Meanwhile, the arc of prices for non-zombies has continued to go straight up since the Lehman collapse. Killing the zombies means raising interest rates but no zombie is going vote to kill itself (the Fed will never raise rates, there is no 'exit strategy').

## Can this go on?

No. The 300-year-high bond market bubble in the UK -- and 240-year-high bond bubble in the U.S. (whose value increases as rates drop) are set to *burst* driving rates to their pre-zombie normal range of 5 percent on the 10-year bond meaning prices for bonds will drop between 25 to 50 percent in value. House prices will hit new post-Lehman lows. The \$15 trillion in global unencumbered cash (not tied up in derivatives) will skip stocks and go directly into gold and silver. The total stock of gold in the world is about nine trillion. The total stock of silver in the world is about 30 billion. What happens to the price of gold and silver when more than one quadrillion in rapidly depreciating derivative paper is attempted to be jammed into a market less than 1 percent in size? #ExplosivePriceRise

ref: [http://www.huffingtonpost.com/max-keiser/zombie-economics-explains-split\\_b\\_2420756.html?utm\\_hp\\_ref=tw](http://www.huffingtonpost.com/max-keiser/zombie-economics-explains-split_b_2420756.html?utm_hp_ref=tw)

Look at Keiser report episode 391 interview with Satyajit Das, author of Extreme Money

note: Japan is case which spawned term "Zombie Economics"