Cam Harvey & Rob Arnott: Today’s Inflation Is Unprecedented

Johnny Hopkins / August 22, 2022 / Cam Harvey / Leave a Comment
In his recent interview with Meb Faber and Rob Arnott, Cam Harvey explains why today’s inflation is unprecedented. Here’s an excerpt from the interview:

Harvey: So if you look at the Fed funds rate and then subtract the year-over-year inflation you’ll see that we’re in a spot today that we’ve never been historically.

And a lot of people look back 40 years ago because we’re talking about inflation today that is in the range that we were at 40 years ago, and what they don’t realize is that it’s worse than you think.

So the inflation the way it was calculated 40 years ago was based upon housing prices, and housing is about a third of CPI today. Today we’ve got this smoothed version of owner equivalent rent and if you did the apples to apples comparison, where you calculated inflation like you did in 1981 the rate would be 12 or 13 percent, and we’re looking at the 8.5 percent.
Now the reason I’m mentioning this is your particular example. So what was the Fed funds rate in 1981?

Arnott: Twenty an a half.

Harvey: Meb, any guess?

Faber: Rob just gave away the answer plus I was only five so I would have to go to the...

Harvey: 19%.

You can watch the entire discussion here:

Cam Harvey & Rob Arnott on Why Today’s Inflation is Unprecedented & ...

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