

Inflation And The Moral Erosion of Society

"The inflation that impoverishes and demoralizes continues, not by economic necessity, but by political will and public acquiescence..."

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TODAY AT 14:04



By Michael Matulef, Mises Institute, nov 19, 2025

Every major economic illusion begins with the corruption of a word. Inflation once meant popularly what it still means in truth—the artificial expansion of money and credit. But, over time, it has been redefined to describe its consequence rather than its cause. This deliberate inversion of language serves a political purpose: it shifts blame from those who create money to those who merely spend it, transforming an act of monetary fraud into a mere statistical “phenomenon.” The result is profound. By redefining inflation, governments have obscured its nature, economists have lost its meaning, and citizens have come to accept their gradual impoverishment as an unavoidable fact of life. The Austrian tradition—more than any other—seeks to restore that lost clarity: to call things by their proper names, and to remind us that inflation is not a symptom of capitalism’s failure, but of the government’s assault on money itself.

The Nature of Inflation

Inflation, as understood by the Austrian School, is not a general rise in prices but an artificial expansion of the money supply. Everything else flows from that root cause. Prices do not rise uniformly, nor do they rise spontaneously. There are supply and demand reasons why prices can rise. However, prices largely rise at present because additional monetary units are injected into the economy, altering the structure of production and distorting economic calculation from the ground up. As Ludwig von Mises insisted in *Economic Freedom and Interventionism*,

There is nowadays a very reprehensible, even dangerous, semantic confusion that makes it extremely difficult for the non-expert to grasp the true state of affairs. Inflation, as this term was always used everywhere and especially in this country [the United States], means increasing the quantity of money and bank notes in circulation and the quantity of bank deposits subject to check. But people today use the term “inflation” to refer to the phenomenon that is an

inevitable consequence of inflation, that is the tendency of all prices and wage rates to rise. The result of this deplorable confusion is that there is no term left to signify the cause of this rise in prices and wages. There is no longer any word available to signify the phenomenon that has been, up to now, called inflation. It follows that nobody cares about inflation in the traditional sense of the term. As you cannot talk about something that has no name, you cannot fight it. Those who pretend to fight inflation are in fact only fighting what is the inevitable consequence of inflation, rising prices. Their ventures are doomed to failure because they do not attack the root of the evil.

Only later, as political expediency demanded it, was the definition corrupted to mean “a general rise in prices.” That semantic sleight of hand allowed governments to claim innocence while committing the very act they had redefined away.

Murray Rothbard brought Mises’s insight to its logical conclusion in *The Case Against the Fed*:

The culprit solely responsible for inflation, the Federal Reserve, is continually engaged in raising a hue-and-cry about “inflation,” for which virtually everyone else in society seems to be responsible. What we are seeing is the old ploy by the robber who starts shouting “Stop, thief!” and runs down the street pointing ahead at others. We begin to see why it has always been important for the Fed, and for other Central Banks, to invest themselves with an aura of solemnity and mystery. For, if the public knew what was going on, if it was able to rip open the curtain covering the inscrutable Wizard of Oz, it would soon discover that the Fed, far from being the indispensable solution to the problem of inflation, is itself the heart and cause of the problem.

Every expansion, Rothbard argued, constitutes a form of legalized counterfeiting that “robs all holders of money,” redistributing wealth from savers and producers to those nearest the new money’s points of entry. Prices adjust unevenly because new



money does not enter all pockets at once. It flows—first to borrowers, banks, and state contractors—before dispersing through the broader economy. This “Cantillon effect” is central to the Austrian understanding: new money changes prices, which beget other chances, from injection points; inflation benefits those who receive new money first and penalizes those who receive it last.

As Jörg Guido Hülsmann demonstrates in *How Inflation Destroys Civilization*, inflation springs “from a violation of the fundamental rules of society,” transforming what should be honest economic exchange into systematic deception. Inflation is not merely a monetary distortion but a moral hazard that corrupts the language of economic communication itself. When fiat inflation “turns moral hazard and irresponsibility into an institution,” it destroys the pricing system’s ability to convey truth. In such an environment, where “everything is what it is called, then it is difficult to explain the difference between truth and lie,” prices cease to function as reliable signals coordinating economic decisions. Inflation “tempts people to lie about their products, and perennial inflation encourages the habit of routine lies,” spreading this corruption “like a cancer over the rest of the economy.” The result is a society where the very medium of economic coordination has been falsified at its source, leaving entrepreneurs to navigate by systematically-distorted signals that make sustainable economic calculation impossible.

But the damage extends far beyond falsified price signals into the moral fabric of civilization itself. Inflation “constantly reduces the purchasing power of money,” and “the consequence is despair and the eradication of moral and social standards.” Through debt-based policies, “Western governments have pushed their citizens into a state of financial dependency unknown to any previous generation.” This dependency corrodes character:

Towering debts are incompatible with financial self-reliance and thus they tend to weaken self-reliance also in all other spheres. The debt-ridden individual eventually adopts the habit of turning to others for help, rather than maturing into an economic and moral anchor of his family, and of his wider community. Wishful thinking and submissiveness replace soberness and independent judgment.

Worse still, “Inflation makes society materialistic. More and more people strive for money income at the expense of personal happiness.” What emerges is a culture where “fiat inflation leaves a characteristic cultural and spiritual stain on human society”—a stain that transforms independent citizens into dependent subjects, erodes the standards that sustain civilization, and ultimately reveals inflation as “a powerhouse of social, economic, cultural, and spiritual destruction.”

Inflation as Lived Experience

Inflation’s true theater is not the spreadsheet but the home. The harm is intimate—felt not in economic aggregates but in the quiet recalibrations of daily life. Inflation acts as the cruelest and most imprudent tax, for it strikes invisibly, eroding the purchasing power of the very people least equipped to hedge against it. It destroys the link between effort and reward, between prudence and security. Inflation punishes thrift and rewards debt. Those who save in money lose; those who borrow in money gain, at least temporarily. The saver’s virtue becomes folly, and the speculator’s recklessness becomes advantageous. Over time, entire societies shift their time preferences—impatience replaces diligence, consumption replaces production and saving. Once the money signal is corrupted, society loses its sense of future orientation. Inflation de-civilizes by teaching people to live for the present. This is civilizational decay.

In daily life, this manifests gradually. The middle-class family that once dined out weekly now eats at home. The young worker saving for a house discovers the dream receding each year. The retiree, promised security through “stable” investments, realizes that the stability was priced in nominal, not real, terms. Everyone adjusts—economically, psychologically, morally. The harm is slow, individualized, and cumulative.

The Austrian economist sees inflation not as a statistic but as a story of distortion—a story of moral inversion, misallocation, and progressive social demoralization. The calamity is not merely higher prices but confused values and distorted choices. Inflation is, in essence, a lie against time and value, and, like all lies, it eventually collapses under its own contradictions.

Conclusion: Sound Money as Civilization’s Foundation

The path forward is not mysterious; it is a choice. Societies that wish to recover from inflation’s moral and economic wreckage must begin where the corruption began: with money itself. The Austrian remedy demands the restoration of honest

money—money that cannot be inflated at will, that holds its value across time, and that reconnects effort with reward.

To call for sound money is to demand the reestablishment of truth as the foundation of economic life. Inflation is first and foremost a lie—a lie embedded in the very medium we use to communicate value. When that medium is corrupted, the moral architecture of society collapses with it. Restoring sound money means restoring the conditions under which civilization can flourish: where savings accumulate rather than decay, where long-term planning replaces short-term desperation, and where currency becomes an ally of virtue rather than an engine of vice.

The inflation that impoverishes and demoralizes continues, not by economic necessity, but by political will and public acquiescence. History offers no comfort to those who ignore economic law indefinitely. To choose sound money is to choose civilization over decay. The Austrian School offers no utopian promises, only stark clarity: sound money is the precondition for a free and civilized society, and its absence is the precondition for barbarism.