

How much for that can of Campbell's Condensed Tomato Soup?

Inflation is commonly defined as a measure of the rate of change in the price of goods and services in an economy. This definition, however, is looking at the effect and not necessarily the origins of inflation. Economist Milton Friedman famously, and I believe more accurately, gave the following definition ...

"Inflation is always and everywhere a monetary phenomenon, in the sense that it is and can be produced only by a more rapid increase in the quantity of money than in output."

This defines inflation as a type of exchange rate between the change in quantity of money on the one side and the change of volume in stuff (output or goods) on the other side.

Where technology and innovation advance at a more rapid rate (i.e. producing more stuff) than the quantity of money, for example, the production of TV sets, then prices of these goods fall. A good thing ... right?

In the current world scenario, where there are constraints in producing and shipping stuff, prices will naturally rise at a far higher rate, especially given the "more rapid increase in the quantity of money" over the last 10 years.

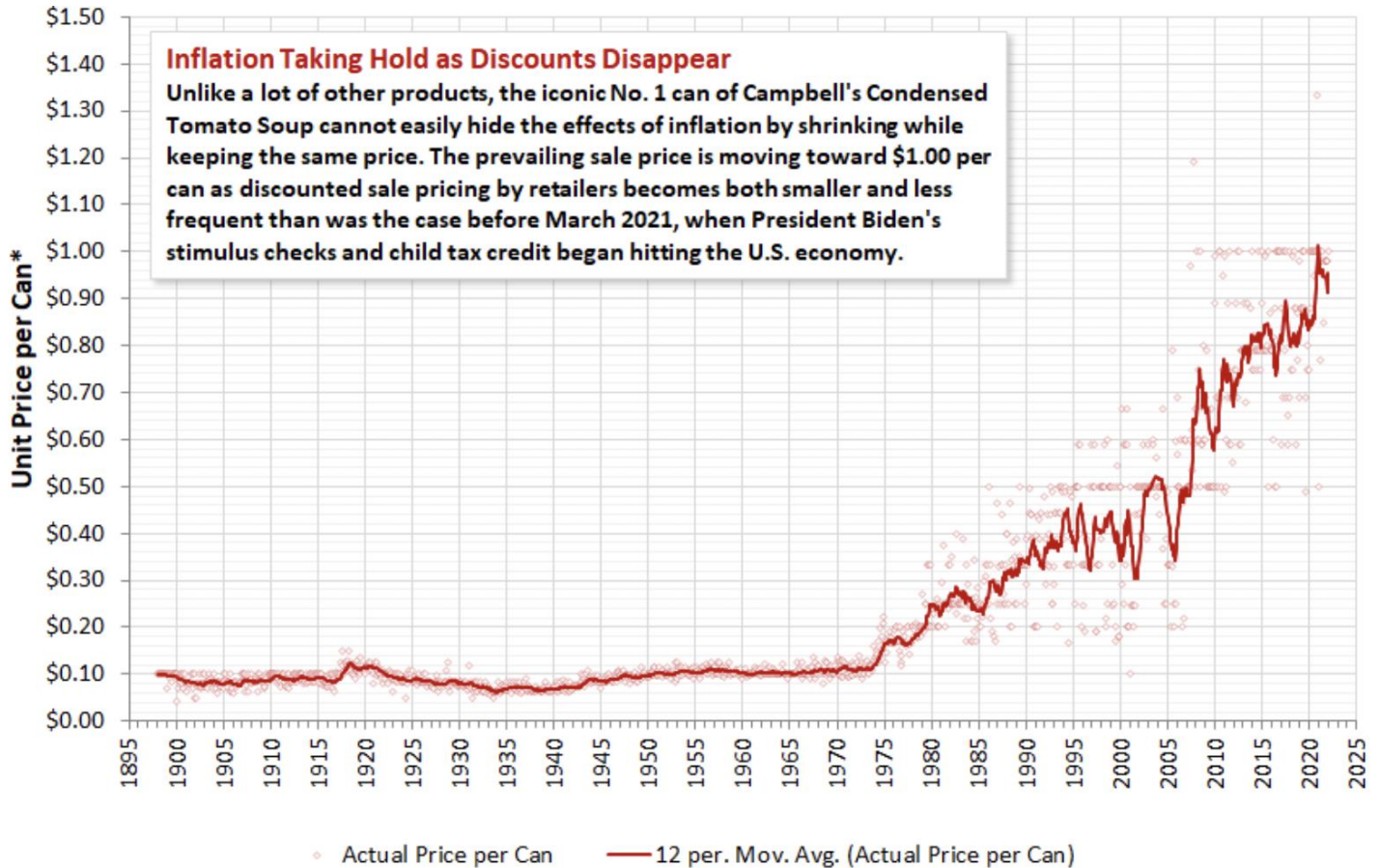
In a global interconnected financial world, money is created by the banking system through advancing debt, facilitated by central banks. Because it's not easy to accurately measure the change in money supply, it is far easier to measure the result (i.e. the general rise in prices of goods and services).

Perhaps we can more accurately define inflation as a reduction in purchasing power. This becomes very obvious when we measure the price of a standard item over a long period of time.

Campbell's condensed tomato soup has been such a standard product for over 100 years. First sold to the American consumer in 1898, the Campbell Soup company has sold billions of these cans, filled with condensed tomato soup, in the same iconic can of 10.75 ounces (318 ml).

How much for that can of Campbell's Condensed Tomato Soup?

Campbell's Condensed Tomato Soup Unit Price per can (January 1898 – January 2022)



Sources: Political Calculations 2022 ©, Selected Advertisements in US Newspapers, 1897-2021 (*Discounted sale price of an iconic 10.75 oz. "picnic" can of Campbell's Condensed Tomato Soup).

For all of its life until the mid-1970's, the price per can averaged at \$0.10. However, as is evident from the chart above, the price started climbing rapidly and is now up 10-fold, with Walmart advertising a discounted price of \$1. This represents some 5% per annum purchasing power leakage since the mid-1970's.

Seed Weekly



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With today's earnings leaking purchasing power over time, we are all "coerced" to allocate a portion of today's savings into assets and investments that have a high probability of more than compensating for the reduction in purchasing power.

Sincerely,



Ian De Lange CA(SA)
Director & CIO

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