

What does Osborne intend to do about deflation?

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George Osborne's response to the news that the UK has officially moved into a period of deflation [has been reported to be:](#)

Today we see good news for family budgets with prices lower than they were a year ago. As the governor of the Bank of England said only last week, we should not mistake this for damaging deflation.

Instead we should welcome the positive effects that lower food and energy prices bring for households at a time when wages are rising strongly, unemployment is falling and the economy is growing. Of course, we have to remain vigilant to deflationary risks and our system is well equipped to deal with them should they arise.

First, I think the Governor's confidence is misplaced. I know all the stories about all prices decreases creating this scenario and soon they will be put out of the data and normality will be restored. My comment is simply that this may or may not be true: we don't know.

That then makes contingency planning important and I note Osborne's comment that the system is well equipped to deal with deflation. I wonder what he means?

First we have no real experience of it.

Second, tackling it must require the creation of more money. Is QE on the way?

Or better still Green QE?

Shouldn't he be saying because right now these comments are meaningless?

Forward guidance does, surely, mean some indication should be given. If so, where is it?