

When does deflation occur?

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Abstract

In this paper, I describe when does deflation occur. The paper ends with "The End"

Introduction

In a previous paper, I've described inflation when the inflation risk premium is zero at all points in time.

In a previous paper, I've described the correct definition of deflation.

A natural question that arises now is "When does deflation occur?"

In this paper, I describe when does deflation occur.

When does deflation occur?

We use the same functional form of inflation and deflation as used in the previous papers where I've described inflation when the inflation risk premium is zero at all points in time and the correct definition of deflation, i.e.,

$$i(t) = \begin{cases} \lambda e^{-\lambda t} & t \geq 0 \\ 0 & t < 0 \end{cases}$$

$$d(t) = \begin{cases} 0 & i(t) \geq 0 \\ -i(t) & i(t) < 0 \end{cases}$$

Then

$$d(t) = D \wedge D > 0$$

$$\Longleftrightarrow$$

$$t \geq 0 \wedge \lambda < 0 \wedge D = -\lambda e^{-\lambda t}$$

The End