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Responsibility for Life in the Economy of Sustainability

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Abstract

The responsibility for the survival of humankind is great. In concrete terms, this heavy burden lies above all in the behavior of the majorities in each community. So long as? Life must cross oceans of years and experiences. For this trip, we must believe that the majority of communities hold the responsibility on the issue of life in the future. Regarding the economy, the majority are the recipients of explicit or implicit messages concerning long-term sustainability. Messages that come from nature and are modulated by universal constants, no different from those affecting physics and matter. They are the same ones that allowed life on the planet. Sustainability for the economy in turn means having to follow the path traced for development, i.e., constant growth with the least damage to nature; a way that can accelerate the potentials and possibilities of knowledge. Leaving this classic line means falling into what we have called: the subworld. Because of this fall, the line of development rolls up on itself to become the cycle of the conjuncture; next to it often appear the two maidservants of the economic cycle, Inflation and Deflation. We have learned to get out of the long spirals of inflation in the 60s and 70s, now we face a new enemy, deflation. The struggle with deflation must follow the same line as that of getting rid of the game of inflation. Do not loosen monetary policy, but on the contrary keep it compatibly tight. On the side of the economy of sustainability, the survival of life is also achieved by winning the battle against monetary anomalies that nullify development potential. Not only. Because relations between communities and between different areas and continents worsened. On the other hand, in terms of good relations, we must look favorably on the leap forward in Southeast Asia and China, and on development prospects in Africa.

Keywords: sustainability in economics, conjuncture cycle, community as responsible, monetary messages

INTRODUCTION

Humanity has first-person responsibility for the survival of our kind but at the same time appears to have preordained capabilities precisely to the very long-term survival theme. On the other hand, this prerogative is not an autonomous responsibility that does not find correspondence in the surrounding environment. We must admit that we have beside us a guardian of our survival and a constant help that comes from nature. The nature around us remains and is inanimate and therefore unable to correspond to our five senses. And yet, the universe around us moves on universal orders and universal constants that over billions of years have built a universe and a planet that not only allows life but appears capable of still being the cradle of life for billions of years.

The anthropic principle explains why this universe has the age and fundamental physical constants necessary to accommodate conscious life, since if either (ages or constants) were different, we would not have been around to make observations. Anthropic reasoning is often used to address the idea that the universe appears to be finely tuned for the existence of life. If the majority of the community has the primary responsibility for the survival of life, however, the general conditions for the survival of life have been created, after billions of years of evolution, in the band of galaxy that welcomes our planet. Alongside the so-called weak anthropic principle, the strong anthropic principle (SAP) stands out, which considers the universe in a certain sense obliged to allow conscious and sentient life to emerge within it.

The theme that can create some ambiguity is the call into question of the majority of the community and not of the entire community. Now consider that having a supportive and responsible majority is a non-trivial goal. On the other hand, the theme of majorities and minorities is the rule of democracy, and it plays on the same the theme of the selection and choice of leaders in the economy and government. We could therefore say that stopping at the threshold of the majority, to decide on the good or bad of a choice, essentially means making the formula usable for the various tasks that are assigned to the community on the issue of survival and on that of the best government and so on. We can therefore also appeal on these issues to the principle of efficiency that governs things in the physical world and in that of the economy.

Remaining on the topic, we think that all the processes that concern the economy, and therefore essentially the theme of survival seen in terms of social well-being and expectations, are - even before they become measurable and felt at an institutional level - sensations felt by the majority of a community. In other words, if the majority of a group perceives that the development profile of the economy is changing; in community only then does the change take off. The same happens when things go well and the community feels that the good weather is back. So, even before things are changing, the feeling of most people becomes reality.

A majority that has the noble and arduous task of governing our destiny in economic matters. In fact, in their hands is the decision on the issue of democratic governance, the direction of our development in the event of a downturn in the economic cycle or worse, monetary anomalies. IN its same hands there are the decision on the theme of democratic govern, the direction for our development in case of fall in the conjunctural cycle or, worse, in monetary anomalies.

As if to say that if the engine revs up it means that we have touched the accelerator pedal. Well, in the case of the community, the opposite is true. First, the majority in the community must change its thinking on the prospects of the local economy, then there will be a change in the lines of development of the economic system and the indices will begin to bear witness to the change underway. This can only mean that the deus ex machina of the evolution of the economy is in the hands of the majority in the community, which autonomously and without hesitation changes its orientation regarding the prospects.

How does a majority form in a social group that agrees - without meetings or agreements - on the change underway for the economy? Well, we cannot define an institution or entity that can provide for this complex result. On the other hand, the very destiny of communities, regardless of geographical and quantitative location, is closely linked to the task of being the only compass

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on the path of development. In this regard, it should be considered that humanity on the path of survival instinctively tends towards balanced development (constant and with less damage to nature), which can gradually allow the desired stage of complete neutrality with the environment to be reached. A goal. still far but not much further, which means freeing humanity from the constraint of less damage to nature. A regulation that subordinates development to constant regular growth, difficult to achieve and maintain, which however alone opens the possibility of achieving the goal of full compatibility. A condition that would free humanity from the constraints of development and would open the era of an acceleration towards a world devoted to research and the study of nature, in a social condition of growing well-being.

Now, it appears evident that the objective of full neutrality is shared not only by humanity, which hopes for a different world free from the slavery of money. Well, also by the planet which welcomes us is on same road because, on the trajectory of our development, is yet subject to emissions of greenhouse gases and waste to be metabolized. In short, there seems no doubt that there is an innate alliance between intelligent life and the planet that welcomes us out of mutual interest. It therefore seems acceptable that, alongside the universal constants of matter physics and quantum physics, there are other pure universal and stable constants that help us manage our activity on and around the planet according to the logic of least damage to the earth.

The brief introduction helps us to approach the theme of the majority in the community which, as we have said, is the arbiter or intermediary of the change in the economic scenario. And he is always striving for the ideal development that follows the constant line and imposes the least harm on nature. As if to say that the development that takes place outside the classical model (constant and with less damage to nature) is a model gone mad that must be recovered while it must return the classical model. For this reason, it can be hypothesized that specific universal constants are the guardians of the development mechanism, which can therefore undergo alterations and imbalances but never undergo an irreversible fall.

The reasonableness of the above leads us to consider that humanity itself and nature both collaborate in an arcane way on the path of development of humanity towards the stage of full neutrality. Anyway, the survival always remains hard in the hands of the community, which conditions or rather prefigures the trend of the economic cycle. But overall we can imagine that the same intuition of the community, which senses the change in the situation prematurely, must in some way be influenced by the natural order, has which can give signals that the members of the community or rather its majority perceive and it will adapt to it.

At this point it must be said that the community is the great opponent of the flare-up of inflation or deflation, because it feels and knows that monetary disturbances change the availability of families above all to the detriment of the weakest. Not only. For everyone expects "a future not different from today". So, in our mind our world should follow a steady growth and with less damage to nature. Our belief, inscribed in our DNA, is nothing more than the imprint of the classic path that the global economy should follow to gain the condition of full neutrality with nature. If the direction of development be violated, as unfortunately often happens, there is still a reaction that starts before the damage occurs with daily shopping, precisely because the ideal model has been violated.

The positive fact is that, with the violation of the classic model of constant development, the majority of the community does not remain inert. On the contrary coordinates itself to ask for a change in the policy of the government in charge so that the monetary alarm can cease. If then the monetary malaise continues, the majority of the community can invoke the replacement of the leadership of the economy, that is, it makes use of its power to appoint those responsible for public management.

As I said, there is a relationship between the community and nature that is expressed in various ways. However, it remains crucial that the compass for the survival of mankind remains in the hands of humanity. Now, apart from the conditions for the formation of the majority, it must underline the great sensitivity the community shows on the direction of the economic situation, the intuition for the line in the development of the country; and. furthermore, intrinsic ability to grasp the ups and downs, positive or negative, of the economic condition long-term, and so on, make us think. On the intrinsic capabilities of collective groups or rather on the quality of the responses which certainly see the contribution of nature as a co-determining factor. Mind you. Who selects the appearance in the scenario of the economic cycle, how and why does inflation or otherwise deflation conform in this scenario? How and why inflation accelerates, or deflation becomes heavier, and so on. It is not nonsense to say that these developmental alterations appear without a master to be the source. Now, there seems no doubt that the lags on the path of development are the bitter fruit of errors in the management of the economy. But equally true that the appearance of these anomalies are an indication of alarm for the community and an invitation to intervene with consents or dissents.

But they are essentially mechanisms - which by creating alarm in the community - help it find a way out of the constraints of the economic situation and monetary anomalies. They are therefore treatments that we can generally leave to be act, that is, over time they can free us from these difficult mortgages. Humanity has the right and the possibility to make mistakes but also to correct its mistakes in economics, even just letting the corrections imposed by the system of universal constants do their job of restoration.

THE GLOBAL INFLATION TRAP

Well, the deviation from the classic path (constant growth and less impact on nature) leads to diverse options, all adverse to the quality of development and therefore adverse to the relationship with nature. The economic cycle, inflation, and deflation, which are the handmaids of the conjuncture cycle, whose difficulties they specify through the distinct monetary anomalies. We must then include another underestimated adversity that demotivates and defuses the functional relationship between the real economy and the performance of stock exchanges and capital assets. Where it is possible to classify the difficulties of the path in economics, the gap between economics and finance can be numbered among the most distant and painful conditions, to be placed at the bottom of the sub-world. The subworld is essentially the condition at different levels of economic adversity, which moves us away from the classic route that gives the greatest potential for development over time and maintains an acceptable relationship with the environment.

At this point we can ask ourselves for what reasons and based on what properties the exceptions to the classical path take the form of a business cycle. Why does even the economic cycle, if not corrected, introduce two handmaids on the field, deflation and inflation?

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Meanwhile, we must always look at the counterpart (majority of the community) who receives the messages. Why? Meanwhile, these messages on the altered trend of the economy are not aimed at disaster but, on the contrary, at recovery and a return to the classic cycle, which is always the inalienable objective on the path of development. In fact, their addressee is the majority of a community on which falls the obligation to push the change of economic policy and the return to the balanced condition. As? Well, the majority of a community appears capable of influencing the leadership in office, which it depends by the vote (in democratic regimes) but also with choral demonstrations of dissent.

It can be argued that in undemocratic regimes and in particular in China, the voice of the majority of the community is muffled and powerless. Absurd hypothesis. Because even in non-democratic regimes it is not possible to muffle the voice of the majority. First because it is an irreplaceable medium of nature and as such it is not possible to suppress or neglect it. In China, the regime's choice to continue the zero COVID policy gave rise to a quasi-insurrection in the big cities and convinced the management team to completely modify the directive. No more lockdowns and reduced checks on those infected with the virus. As if to say that the part entrusted to humanity itself for the survival of life cannot be bypassed whether or not it is an area where democracy is in force.

On the premise of the inviolability of the system of control of the economy and of the survival entrusted to humanity, we must find the same inviolability in the natural mechanisms of control of the trend of the economy and the same survival of life. One fact appears certain. The astray paths of development are always sanctioned with identical and repeated actions: The business cycle and its servants, inflation, and deflation.

Well, classical growth, constant and with less damage to nature, corresponds to the expectation of the masses that "tomorrow will be the same as today". Now why, when the outlook changes, does the economic scenario change with the business cycle? To answer this question, it is necessary to observe what are the real and concrete changes that the cycle introduces in the expectations of the majority of the community. Well, the real change lies in the recession that follows the recovery. Let us forget that there is any order in the succession in the rhythm of the cycles; that is, if we can predict both the recovery after the recession and the recession after the recovery. It must exclude to predict any timed trend of economic cycles, which are generally not connected to the changing state of the economy but receive the impetus at the moment of their formation, based on the initial condition of disequilibrium of the system.

In general, we should not expect disorderly movements, which however can occur during the development of the cyclical movement if actions are implemented that are in contrast with the natural trend of the economic conjuncture. All right. But why does constant development change in the intermittence of the business cycle? The most obvious reason is the emergence of a phase of development regression on the path of economic growth: the Recession. Recession is the only natural tool for correcting the tainted system. In general, it must be left to act, because it is a painful tool but it can heal the system that, in the case of limited impact, seems able to gradually bring the altered system back on the path of classical development (constant and less impact on nature).

The problem becomes more difficult to stem if, instead of laissez-faire, the trend towards recession is hindered. First, it goes against the willingness of the majority in the community which, in the wake of natural intervention, tends to accept development in cycles, without placing obstacles. Then, going against hand with respect to the natural direction means that the mechanism, instead of aiming to overcome the anomalies, undergoes an acceleration, with times longer than the recession. In essence, the cycle accentuates the recession while compressing the recovery phase, until it is eliminated. Therefore, a process of alteration in pejus of the cyclical model is set in motion and this negative behavior continues if the leadership insists on the path of contrast with the natural indication.

At this point, monetary anomalies, inflation, and deflation appear on the horizon of the scenario. Now, directly countering inflation (the acceleration of nominal prices) or deflation (the decline in nominal prices) does not make sense, because both monetary alterations are messages addressed to the community. That is, they are ectoplasms that are born due to the altered condition of the economy but evolve in a way unrelated to the trend of the activities.

They are in fact intended to warn the community that the economy is deteriorating and therefore a rapid change in government management is needed. If this message, spread to everyone through the change in the price system (through deflation or inflation), is not interpreted correctly and once again insists on going against the direction of care (indicated by the state of the business cycle), the economy deteriorates inexorably. Unfortunately, in this case the process intensifies with an acceleration of the inflation rate or with a further hollow of deflationary prices.

A recent case is the historic global inflation of the 1970s and 1980s. Indeed, we witnessed the start of inflation in 1960, after the long period of development in the West at the end of the Second World War. So, at the end of the 1960s, when the long run of the economy is now over, inflation appeared, which however remained under control and accelerated in the 70s under the blows of the first and second oil crises. Well, the attempts to keep the economic cycle sustained, even though the phase of accelerated development was now over, has re-launched the race of inflation, which will then accelerate to double digits due to the strong change in international oil prices. The reason for the surge in inflation was not so much the unexpected increase in the price of black gold, as the attempt to control the price of oil through recourse to public deficit spending. Hiding the dust under the carpet is not a good service, so that, far from controlling prices, it has instead imposed a general acceleration of the rate of inflation, which as always has affected above all the less gifted classes and the poorest.

The sudden and sharp increase in the cost of oil made it inevitable to assist households and businesses to stem the extraordinary increase in costs and temper the effects of this sudden change in the scenario at the time. The problem is the overall sense of the operation, which aimed to contain the rise in costs and inflation driven by international prices. In any case, the result was not achieved because the operation to put a lifeline on development hit by the soaring oil price unfortunately gave a double-digit boost to inflation, with all the negative effects that the increase in the rate of inflation produces in the community. Plus, producing a recession that had no merit in curbing the acceleration of nominal prices. The recession may bring benefits of the cure to the altered system, but it is necessary in advance to be able to bend

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the inflation race. Without this caution, we will continue to fight against inflation that is difficult to eradicate in the following years.

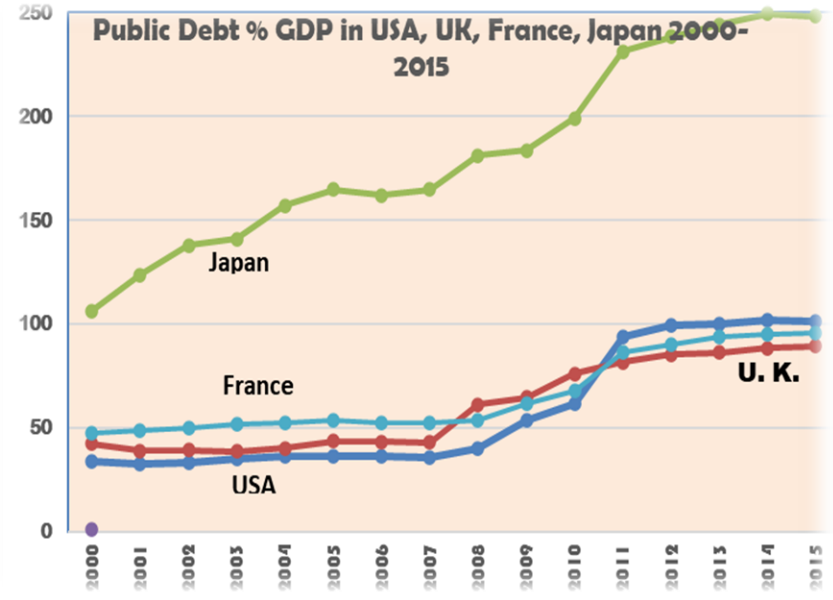


Figure 1 – Public Debt in USA, UK, France, Italy, and Japan 2000- 2017

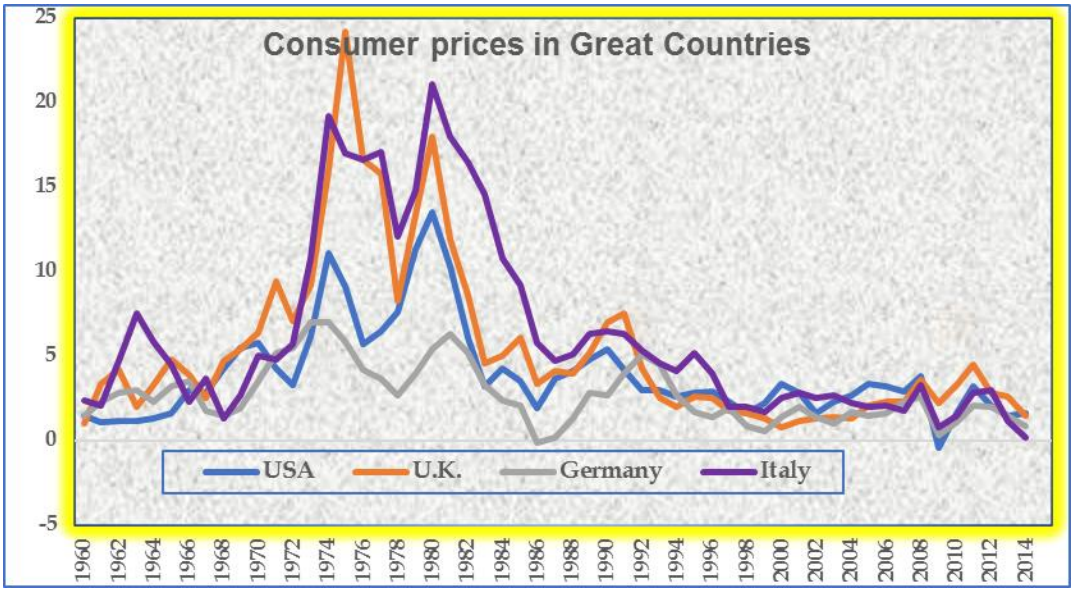


Figure 2 – Consumer Prices in Great Countries to 1960 to 2014

Source: Elaboration on FMI data

THE TRAP OF POST-KEYNESIAN LOGICS IN CONTROLLING THE PRICE SYSTEM

In other words, once the push to increase oil prices was over, it was necessary to put the fight against inflation to the bitter end, also benefiting from the counter-shock of the eighties. It is certainly nothing new, so much so that following this thread of ideas, the Fed during the presidency of Volcker decided to wage an all-out war on inflation in America. With the interest rate maneuver that suddenly it was augmented to a few points above the inflation rate, over 15% in America at the time. Certainly, a far from easy decision, which was supported by the

former US president, Ronald Regan, and cost two years of recession and social problems with the economic categories that opposed the sharp rise in the cost of money. But the FED managed to eradicate inflation from American soil, which was already reduced to 5% in 1982 and then dropped to 2% and remained at the optimal level until the beginning of the 2000s.

It is interesting to add that the very tough monetary policy implemented by Volcker was somewhat calmed by the contemporary supportive economic policy, desired by President Reagan to cushion the weight of the inflexible monetary policy. It now appears clear that the disparity between tough monetary policy and supportive economic policy could play a part in holding back the hoped-for benefits of the credit crunch. But it was not so. We have already mentioned the reasons before. It has prevailed and continues to prevail the merciless fight against inflation, which is not demotivated by a contiguous supportive monetary policy.

Quite different and penalizing was the hesitation of countries - such as Italy - in deciding to tighten the brakes on monetary policy, while avoiding repeating the Volcker model for fear of blocking the country's development. Thus, with a contained increase in interest rates, the result beyond expectations was dramatic for Italy. Far from removing inflation, which remained on a gradual decline for over a decade, the development of the Bel Paese was thus prevented for at least twenty years. Inflation therefore remained for a long time in the folds of the system in Italy and its presence represents a sort of ban on the development of the country. A prolonged ban that continues to inform citizens that the course of economic and social policy must be corrected, even abruptly where necessary. (See Figure 3 - *Unemployment and GDP in USA, Europe 28, Germany, and Italy to 2000 to 2017)*

A story that tells how important it is to fight against inflation and as a well-conducted battle can free the economic system from the prolonged coils in inflation prices, but also lead back to the classic model of development. A fight that is the only one that can offer economic growth - constant and as high as possible - with the protection - as far as allowed - of the environment that welcomes us.

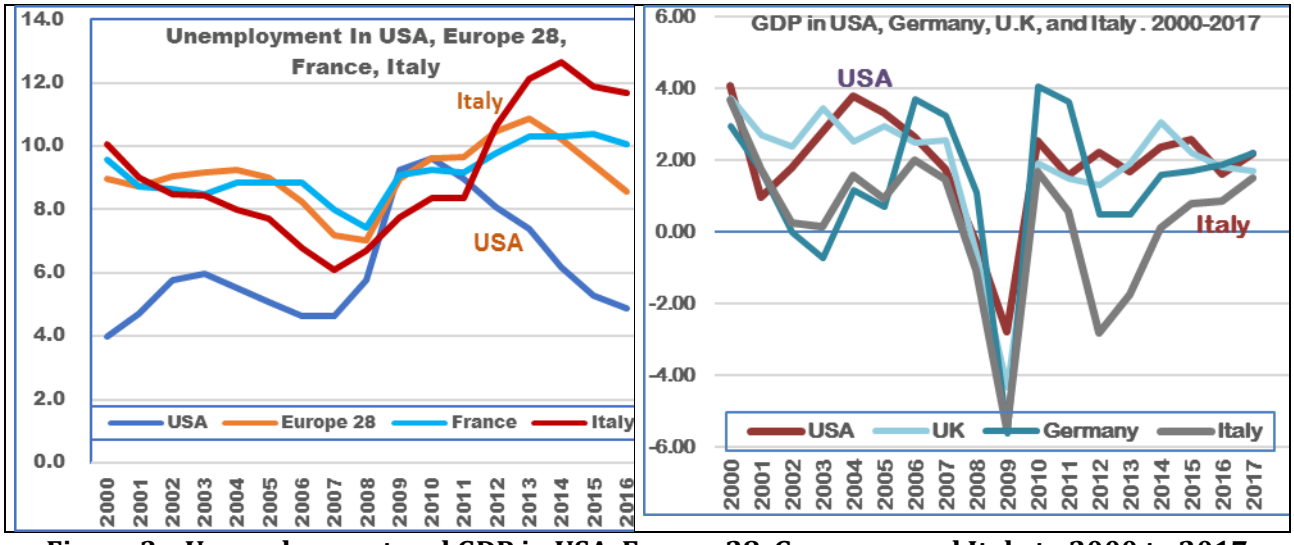


Figure 3 – Unemployment and GDP in USA, Europe 28, Germany, and Italy to 2000 to 2017
Source: Elaboration on OECD Data

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At this point, the question arises about the (natural?) reasons that suggest selecting one of its handmaids to appear in a world grappling with the conjunctural cycle: inflation or deflation. Our world has experienced the dreaded hydra of long-term inflation for over twenty years but has come out of it. Instead, it now finds itself close to another monetary anomaly: deflation. But why have we lived since the year 2000 the change of the world from inflation to the world of deflation? We could argue that the two handmaids od altered world each have a task to perform. In any case, it is the altered condition of the economy, which subjects the economic system to the subworld and ultimately decides which of the two handmaidens should assist our gravely imbalanced world. As if to say that there is a degree of fall - greater or less - in the subworld of the economy, which in the end "selects" the choice on the path deemed suitable to stimulate the exhausted economy. In this regard, it could be argued that the deflation, which today besets a large part of the global system, could be linked to the relative victory won over inflation, so that this remedy would have become less efficient. Inflation has been beaten and the way out of it is known, certainly very painful.

In any case, it does not seem deniable that deflation could be the cure that the natural system sends us for a deeper morbidity of the economic system than experienced in the past. A sort of cure for the serious disease we have harbored. Let us not forget that deflation could appear less serious in the eyes of the majority in the community, because prices are at a standstill or are falling. In fact, a world that is almost at a standstill for everyday prices but above all at a standstill on the path of development. Ankylosed. It is not enough. Because the response of monetary policy to the truce in prices tends to help a real economy that is exhausted and without momentum. So, a condition that could lead the majority in the community to be in a period of possible truce. But that is not enough.

The vision of a pause in the real economy is often coupled with a singular vitality of finance and of stock exchanges and equity assets. A decoupling that mortifies the real economy and instead ignites shares on the stock exchange and the value of real estate for no plausible reason. A kind of improbable confidence is therefore created that the anomalous push that animates the stock exchanges can also be reflected in the real economy but, together, can generate a kind of narcosis among those who bet on an endless rise in values. Really narcotic hypothesis.



Figure 4 - Dow Jones Industrial Average from December 2019 to November 2020
Source: Financial information on MarketWatch website

A typical condition of the deflationary subworld, which can find improper support in monetary policy, which usually reacts, in a deflationary world, by reducing interest rates in parallel with the decline in market prices. A protective scheme that relies on the relationship between the real economy and finance and on the presumed traction that finance exerts towards the real economy. But deflation, especially if long-term, stimulates the upward attraction of stock market and equity values, while the signs of a profound dissociation between the weak real economy and finance in progress are accentuated. Therefore, values are created in the financial sphere that are not sustainable by the market, while the real economy remains extraneous to the speculative movement and stays crystallized. With the often-underestimated feature of waves of growth in financial values followed by more or less sudden declines, which weigh on the real economy due to the burdens that bettors are unable to absorb.

Deflation has been hanging over the global economy since the turn of the century. Now, the twenty years or more of living with the monetary phenomenon can teach us the risks of recurring and dizzying stock market peaks, followed by sharp and unexpected falls in values. A repetitive cycle, not interrupted in the last decade, of ascents to peaks and equally rapid descents that began with the severe financial crisis of 2008-2010. An anomalous cycle of asset values, which therefore continues, with sudden rises and falls. Last, close to us, the rise to historic highs of the stock exchanges and of the largest world stock exchange, in the spring of 2020. The global economy was grappling with the rapid spread of the infections of the COVID 19 epidemic and with the lockdown of the population, to contain the explosion of infections. Well at that juncture, while waiting for vaccine protection to become available, the New York Stock Exchange hit a new high. Fortunately, the seriousness of the economic situation and the increase in risks advised bettors to abandon the field, so that the bubble in formation deflated with a sudden drop in quotations on the major stock exchanges.

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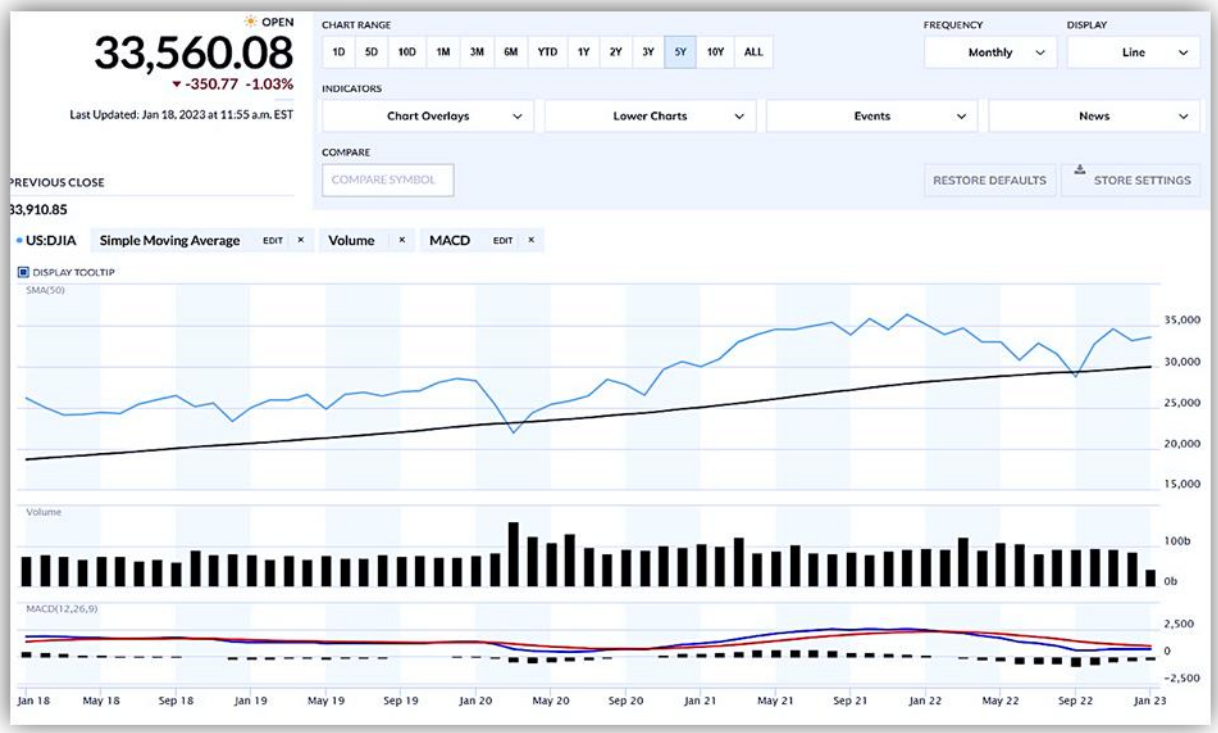


Figure 5 - Dow Jones Industrial Average from January 2016 to January 2023
Source: Financial information on MarketWatch website

As can see in **figure 4**, in February March 2020 there was a sharp fall in values, only to then resume the upward trend until January 2022 when the entry of inflation due to the ultra-speculative change in the prices of energy and other matters, has imposed a new drop in values. As can also see from **Figure 5**, the movement of the Stock Exchanges, that of New York, is characterized by continuous upward pressure, interspersed with sudden and profound drops in prices due to the accumulation of negative news for the fate of economic situation: Such as, the lockdown due to the epidemic; the war in Europe; the new inflation due to the speculative prices of energy and certain materials. It should be added that sad news on the economic and war fronts are the cause of the retracing of quotations. Not only. Because they interrupt the continuous nominal rise in values, not justified by the market, which if not held back by unhappy news from the economy, can lead to a soporific ultra-speculative narcosis. A race in the dark, which ends with the bursting of the bubble and the crisis like that of 2008-2010 that hit the most fragile economies hard.

It is therefore important not to get bogged down in the vicious circle of deflation, which leads to the stark contrast between the real economy in pause and a virtual take-off of assets. Unfortunately, experience shows that once you get into the deflationary loop it is not easy to get out of it, just as it was not easy to find a viable solution to inflation. Inertia or interventions "in the wrong direction" only sink the economy further into the quicksand of deflation. By way of example, we recall the prolonged battle of Japan that, after the fearsome speculation of the 1980s, and the slow recovery, suffered the inevitable block in development together with the enormous expansion of fiscal debt. But this is not an endless condemnation. Indeed, it is necessary to look for the right tools to bring the trend of declining prices under control. It must

be ruled out that the effective cure for getting out of the maelstrom is public deficit spending and economic policy in support of the economy. The result would be to remain in the mess of declining prices with no way out. (See **Figure** 6 - *GDP and Inflation trend in Japan, Italy, and USA to 1980 to 2020)*

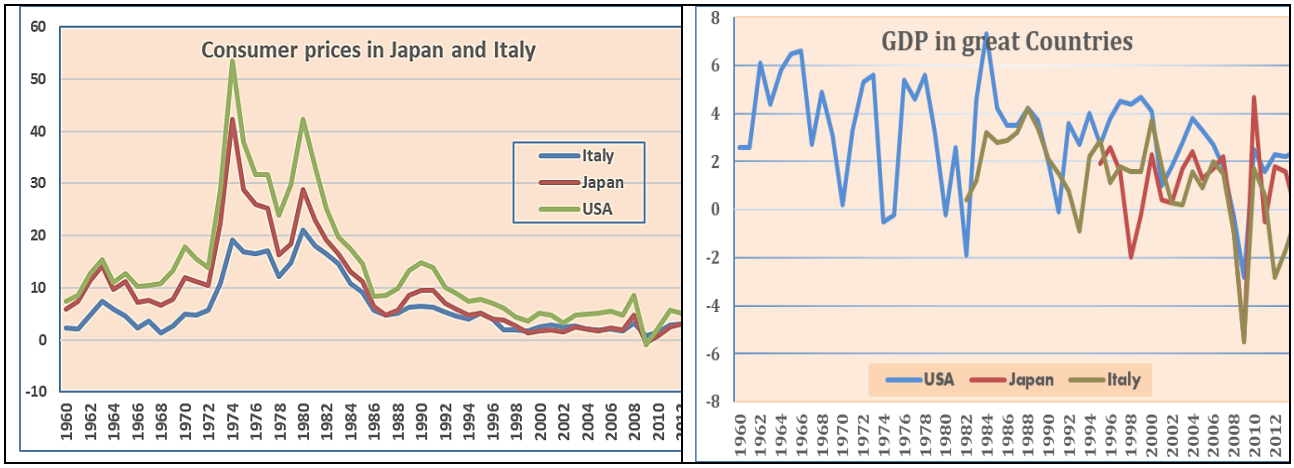


Figure 6 - GDP and Inflation trend in Japan, Italy, and USA to 1980 to 2020
Source: Elaboration on OECD data

NOT ALL SAD THINGS COME TO HURT

To try to find the way that leads out of the tunnel, the recession is always and, in any case, necessary; the winning weapon with which the historic inflation of the sixties and seventies of the last century was brought under control. To act on the contrary - with the techniques of support of the economic cycle - means nothing beyond an increase in public debt. But let us go back to the present day, in which deflation has taken on a global move, while we have been witnessing a renewed development momentum in the entire Western area since 2021, in the post COVID 19 period. The change underway is announced precisely by the new inflation that appeared immediately after the strong unexpected recovery of the economy in the US and the EU. The strong demand was matched by an inadequate offer. Hence the price tension, above all in energy and industrial by-products, which has set speculation in motion, benefiting on an extremely accommodating monetary policy, with a cost of money close to zero at least until 2022. That is, an ideal condition for speculation which, however, has found a new and unexpected antagonist along the way. The unexpected inflation had returned to the horizon of the economy in the West, giving a signal - not fully understood.

The rise in international energy prices and the rise due to insufficient supply of manufactured consumer goods was not due to a revival of the historical inflation of the previous century. In fact, it does not have the historical characteristics of the time (nominal prices in constant acceleration), but it is almost exclusively the reflection on consumption of the increase in energy and other things, without the price system being subject to the potential acceleration that characterizes inflation in the 1960s and 70s. So, what is it that is worrying families and businesses? Certainly not a good thing the rising inflation but - I would say above all - we see the result of a renewed rekindling of speculation, without measures being taken on the fiscal level that put the reins on the perverse mechanism that ignites cost-based inflation.

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Not all sad things come to hurt. This motto fits today's situation. Because the inflation alarm has set in motion the usual policy of contrasting inflation with the increase in interest rates from lows close to zero to 4-1/2 to 4-3/4 percent in the US and from 2.75 to 3.25% in the EU.[1] An active monetary policy that controls the phenomenon of speculation and not just inflation - is currently the most effective measure. Meanwhile, waiting for the launch, through agreements at the G20 level, of fiscal policies that put the income from speculation under control. For now, the fear expressed about the boomerang effect of the increase in the cost of money on the ongoing recovery does not seem so disturbing. Indeed, it is not a question of halting inflation by the usual means of raising money costs. Rather cost of money is important about containing and controlling the speculation that is the arbiter of cost-of-living increases. In any case, we can depict the phenomenon of inflation as a great aspirator of money from the community in favor of the privileged classes. An aspirator that must be controlled and demotivated to thus control and safeguard household and business spending.

In other words, if it were possible to demotivate speculation and therefore the repercussions on rising prices with fiscal instruments, we would at the same time have blocked most of the incentives to bet on energy prices and other fundamental matter. The campaign on inflation in 2023 rings false, when it contests the interest rates set by the US and EU central banks, fearing a recession in the coming months. The opposite is true. The recovery will certainly not stop due to interest rates at medium and more than sustainable levels. No. As so it seem strange, the recovery will be able to continue as inflation itself gives the news. It is not the world of economics turned upside down, but a sign perhaps singular of the passage out sight of deflation. Why? If the recovery continues, it means that deflation is biting the brakes and decelerating its grip. A beautiful mirage that is exactly the opposite of those who advocate a forthcoming recession. Deflation is a wall that blocks growth potentials often for a long time and crystallizes or depresses potentials over time. Therefore, a combination that combines deflation with a crystallized economy. In addition to the increase in public debt. On the contrary, the removal of

[1] The Committee seeks to achieve maximum employment and inflation at the rate of 2 percent over the longer run. In support of these goals, the Committee decided to raise the target range for the federal funds rate to 4-1/2 to 4-3/4 percent. The Committee anticipates that ongoing increases in the target range will be appropriate to attain a stance of monetary policy that is sufficiently restrictive to return inflation to 2 percent over time. In determining the extent of future increases in the target range, the Committee will consider the cumulative tightening of monetary policy, the lags with which monetary policy affects economic activity and inflation, and economic and financial developments. In addition, the Committee will continue reducing its holdings of Treasury securities and agency debt and agency mortgage-backed securities, as described in its previously announced plans. The Committee is strongly committed to returning inflation to its 2 percent objective. - Federal Reserve issues FOMC statement - February 01, 2023

The Governing Council will stay the course in raising interest rates significantly at a steady pace and in keeping them at levels that are sufficiently restrictive to ensure a timely return of inflation to its 2% medium-term target. Accordingly, the Governing Council today decided to raise the three key ECB interest rates by 50 basis points, and it expects to raise them further. In view of the underlying inflation pressures, the Governing Council intends to raise interest rates by another 50 basis points at its next monetary policy meeting in March and it will then evaluate the subsequent path of its monetary policy. Keeping interest rates at restrictive levels will over time reduce inflation by dampening demand and will also guard against the risk of a persistent upward shift in inflation expectations. In any event, the Governing Council's future policy rate decisions will continue to be data-dependent and follow a meeting-by-meeting approach. The Governing Council decided to raise the three key ECB interest rates by 50 basis points. Accordingly, the interest rate on the main refinancing operations and the interest rates on the marginal lending facility and the deposit facility will be increased to 3.00%, 3.25% and 2.50% respectively, with effect from 8 February 2023. – ECB Monetary policy decisions 2 February 2023

the deflation wall leads to the combination: recovery of the economy and prices under control and tending towards a value close to 2%. A signal of a new course.

How and why? Well, in the meantime, a deflation that loses momentum and therefore lets international prices affect the prices of consumer goods is solid and concrete proof that the economy's prospects are improving. So that where the inflation set in motion by international (speculative) prices shows greater energy, there is the prospect of a change for the better in the prospects for the economy in the coming years.

But how can the improvement be justified in a range of countries, among which we consider Italy. The Bel Paese has suffered for no less than twenty years from a substantial pause in development. We have just described the reasons with a reference to errors in the management of high inflation. Mistakes that caused a prolongation of the battle against inflation until the year 2000, when instead the Italian economy fell into the inhospitable arms of the deflation trend, which then became more serious after the heavy global financial crisis of 2008-2010. The long stay in inflation and then the fall into deflation in Italy have been the cause of crystallization of the growth of the economy. Well, what has been lost with blocked development is irretrievably lost? In terms of economy and sustainability, we must state that the answer is no. At least, in a country, like Italy, that has suffered a long stagnation of development, after a prolonged and very sustained recovery next the Second World War. The potential of the economy is not lost but remains, in the long period of abstinence of development, waiting and ready to reappear when conditions allow it.

There is no shortage of precedents. The most striking is China, which after a secular stagnation from the beginning of the 19th century, with the decision to open the Social Republic to the market, has experienced over forty years an accelerated development without precedents of such importance. Even if it seems is running out now. In other words, the acceleration would be linked to extended periods of stagnation in economic growth, which however remain in reserve. In terms of sustainability, it means that the potentials of a classic development (constant and with the least damage to nature) are available and are not lost. Therefore, they come back into play when the conditions of the country and the context allow it.

Well, let us go back to the case of Italy. Again, in peninsula we had a prolonged period of crystallization of development. Then the prolonged lockdown due to the epidemic, which led to a further slowdown. The scenario now seems to have changed. The reliable results obtained by the country in 2021 and 2022 are the probable beginning of this new renaissance, which could allow acceptable if not excellent results for few years. It should therefore come as no surprise if for the next few years Italy will be able to move faster than, for example, Germany and France. It should not come as a surprise the new scenario of good prospects, which cannot be attributed to the governments that have followed one another in recent years or even to the community. Even if the latter government will benefit from greater group solidarity and greater mutual understanding for positive trends, which promise an increase in employment and a more equitable distribution of incomes.

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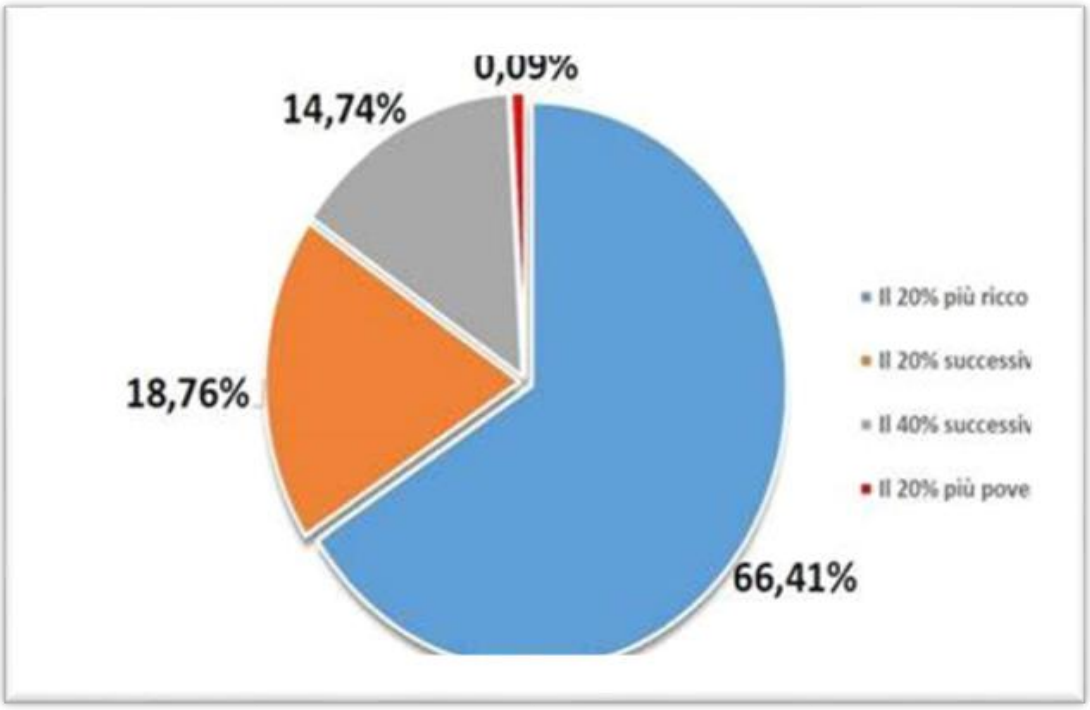


Figure 7 - Distribution of wealth in the ITALY - 2017
Source : https://www.lenius.it/disuguaglianza-nel-mondo/2/

The latter need is particularly felt since the long history between inflation and deflation has created in Italy the conditions of strong disfavor for the less well-off classes and the accumulation of great wealth at the top of the social ladder. (See **Figure** 7 – (*Distribution of wealth in the ITALY – 2017)*

THE FIGHT AGAINST DEFLATION IS NO LESS TOUGH AND ARDUOUS THAN THAT AGAINST INFLATION

The thesis that the increase in interest rates decided by central banks in the West could cause a recession in the first half of 2023 is questionable, from the point of view of the real economy. Given that the rise in interest rates is to a significant extent the reason for the expected drop in stock exchanges and financial values, the same cannot be said about the ongoing recovery of the economy. Meanwhile, the central banks themselves have clarified that the hypotheses of a future recession of the global system are risky. Furthermore, in a deflationary scenario, as already mentioned, there is a singular decoupling between rising or falling stock exchanges and financial markets and the real economy. So, the market economy remains crystallized, while the financial market rises or falls with no little interference on real economic activity. This means that this relative indifference between the two markets behaves that the unstoppable rise of stock exchanges and finance may have scarce effect on the real economy. Diversely, the phase of falling asset values can instead have serious repercussions on the economy.

On the other hand, the retracing of assets and their return to correct market prices means that the conditions that had allowed the active participation of speculation in the virtual rebound of assets are changing. A sign therefore of a potential improvement in the real economic context (and not vice versa), which then benefits from a renewed functional relationship between the

economy and finance, with active effects on economic activities. It is inevitable, also from this point of view, that we are facing a change in melius of the economic scenario. That is, when the economy remains crystallized, the financial markets are pushed upwards (speculative), while financial values retrace - in the case under the active thrust of monetary policy tightening - there is the possibility that the upward thrust concerns the real economy. How come?

The answer to the question is already inherent in the reasoning mentioned above. In fact, the predicted relationship between the real economy and financial movements (rising economy and falling excessive financial values) occurs if deflation begins to leave the field and the price system again tends towards the universal value close to 2%. As if to say that deflation, like inflation, must be fought, certainly not with the decline in interest rates in line with and in advance of the nominal drop in prices. But on the contrary, without hesitation, with a decisive and concerted increase in interest rates which can lead, even in the short term, to a decline in prospects. But that will introduce soon a recovery phase of the economy, which always follows when decline in nominal prices is finally overcome.

The fight against deflation is no less tough and arduous than that against inflation. Despite the substantial diversity of the two handmaids of the economic cycle, in reality the fight against both monetary anomalies follow the same contours. Because in both cases it is a question of a deviation of the economy into the subworld and the common objective is the return to the classic path of development (constant and with less impact on the environment). If we try to prevent prices from falling into deflation by an even faster fall in interest rates, we are off track. Because doing so does not fight against deflation. A fight that could require the reduction of interest rates but to a lesser extent and never below the limit indicated by the universal value close to 2%. Reducing interest rates even beyond the value close to 2% means giving strength to speculation, always lurking in the event of deflation, and also starting the decoupling between the real economy and the aggressive upward thrust of financial values. Not only. Because the hope that the fall in interest rates will positively influence the real economy is groundless and is not confirmed by experience. Hopes therefore unfounded in terms of the economy because the tension of deflation is the factor that crystallizes growth, which we must remove from the scenario.

An aid to the interpretation of deflation, as an agent of healing, comforts us if we move in consonance with the natural orientation. The risk of falling into the Japanese syndrome must be avoided. The land of the Rising Sun, after the super-speculation of the seventies, suffered and still is today in the throes of a long-term deflation that penalizes development. To have an experience of struggle that appears successful, or almost on the deflation front, we must turn our gaze to Europe and in particular to Italy. Well, since the 2000s the world of economics has suffered the severe depression of the years 2008-2010, after the hyper-speculation on a global level, the so-called "Subprime crisis". The result was a widespread trend towards deflation. I recall this story to observe that deflation has bitten into the most financially fragile countries, such as Italy. Still, the deflationary squeeze has eased since 2021, singularly starting with the countries that most had experienced a Japanese-model price decline. How come?

Well, the long and prolonged lockdown to contain the infections of COVIV-19 marked a sharp drop in GDP in 2020. However, the recovery in Italy was already strong in the following years 2021 and 2022, with the possibility to continue. Equally singularly, in Italy the inflation

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phenomenon (due to rising international prices for speculation) has shown itself to be stronger and more sustained than elsewhere. Now consider that it is to be excluded that the two handmaids of the conjunctural cycle, Inflation and Deflation, can coexist, one being the mirror of the other but reversed. If they traveled together, they would cancel each other out. Which is unacceptable and absurd. They are both messages to communities that things are going badly economically and are not playing at eclipsing each other. Therefore, the strong start of inflation due to rising international prices in Italy must mean that deflation is receding. Why? Because deflation is sensitive to declining growth and absorbed as robust growth progresses.

In other words, the therapy employed by US FED President Volcker essentially returns, who with an increase in interest rates far beyond the level of US inflation in the 1970s, dealt a mortal blow to the fearsome acceleration in prices. Well, in the case of Italy today, the great penalization (recession) of the economy suffered by the epidemic has had a positive impact on prices. Deflation is giving way to a new normality of prices, which will gradually tend to the universal number close to 2%, that is a well signal of the possible balance for environmental health, at least in the current state of science.

According to this point of view, the fight against deflation must be conducted by monetary policy not by aligning interest rates to the level of consumer prices, but by keeping them at medium-high levels, even at the cost of a recession, because this is the only remedy to ward off a long stay of deflation, which is a deleterious monetary anomaly.

CONCLUSIONS

Taking up the considerations made in the introduction, the economics of sustainability can be considered a branch of science essential for the survival and well-being of humanity. From various points of view, on a global level, it must be said that the eccentricity of development between continents does not benefit the survival of humanity, but is often the cause of divergences, of colonial tensions that have resulted in wars and violence. Even at the level of the most developed areas, however, the different levels of civilization and development have often been reasons and causes of tensions and wars, not least the war in Europe. There is therefore no doubt that the differences in culture and development have been and still are a cause of tension between peoples. We need to think of a condition of more balance between continents and within continents that would also be a potential remedy to mitigate if not contain the altered evolution of relations between the different areas of the planet. On the other hand, we must believe that the potential evolution inspired by nature could avoid the strong asymmetry of the development we are witnessing. There is no doubt, in fact, that the natural path goes in the direction of a greater homogeneity of the development cycles between the areas and that this trend remains far from exhausted. In this sense, i.e., of the progressive uniformity of development between the different areas, we can observe the most recent examples starting from Southeast Asia and ending with China. In the last century, the trend towards accelerated growth of these areas has exploded. An unexpected evolutionary design that could confirm the presence of favorable conditions for greater uniformity in global development. Continental areas, even very backward, can promote an accelerated development path and an acceptable alignment of economic growth and knowledge over the course of a next decades.

Therefore, a greater uniformity of the lines of development in the world is an opportunity but above all it will be a necessary tribute on the way of survival of mankind, in accordance with nature which needs men, as men need their cradle. Why do we say that more uniformity of lines of development occurs in accordance with the problem of survival of the next generations? Well, the development potential in the economy is essential not only to reduce the problem of hunger in the world but also to increase the knowledge potential of the new generations. Furthermore, we cannot underestimate the importance of knowledge and research to reduce the damage that humanity causes to the environment that welcomes us, c'est a dire, a major question on the topic of survival in the future.

In the previous pages we have examined the major penalties for development, strongly felt in countries that need to run on the path of economic growth to reduce the gap with the developed areas. Now the most favorable path to succeed in this arduous goal, but not impossible, is to remove the dangers of the economic conjuncture and the monetary anomalies that undermine the potentials. On this road it is possible to follow the line of constant development and with less damage to nature, which is the basis for growing according to the natural way. Not only. But with the unexpected and unpredictable advantage that the developing areas can start an accelerated grow, which is the only way that can shorten the times for a greater uniformity of the areas still lagging on the path of natural growth and the great diffusion of research and of knowledge,

Of course, there are no clarions announcing the privileged path with acceleration of development. Because natural interventions do not have the times of human life. Furthermore, the possibility of the event happening is linked to the balanced management of the economy and the long period during which the growth of the economy has crystallized. According to this point of view, it is reasonable to think that the black continent, Africa, has always been sacrificed and exploited in the past, is finally showing unanimous signs of a strong recovery. Species in the Mediterranean, Sahel, and South of the Sahel.

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