

## **Economic Sustainability is the Road to Follow Towards the Future that is Changing**

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### **ABSTRACT**

It is certainly singular that a large part of Western and Eastern society has experienced in the last two years a sudden rise in inflation and there has been great concern about the development and control of the rise in prices. A sudden but not unexpected increase in fossil fuels, in the face of a delay in renewable energy. Apart from the incidence of delays that favored the phenomenon, it must be said that there is a relationship between humanity's strategic objective for full neutrality with the environment and the quality of the development of economies - that is, we will be able to achieve the strategic objective of neutrality if the development of the global economy is also sustainable and supported. Well, the global picture does not seem to correspond to this evidence. Because many countries in Africa, Latin America and others have been grappling with high inflation for a long time. Furthermore, after the ruffle of inflation driven by international costs, we can see that half the globe is grappling with long-term deflation, certainly not affected by the short-term inflation caused by the costs of fossil fuels. Starting from China, which has been sending waves of deflation for some time, and from Europe itself, which welcomes them through the drop in prices of exported products and at the same time the drop in export prices in Europe for reasons of competitiveness. We ask ourselves how it is possible that international cost inflation is compatible with long-term deflation in Europe. Well, international cost inflation increases but tends to decrease when a new price equilibrium is reached. Unlike classical long-term inflation and deflation, which arise due to problems in the unbalanced economy that last over time and are subject to constant acceleration that depends on the state of the economy at the time of its occurrence. It is not easy to bend the sprint of prices, except with the recessive strategy that rebalances the economy and cuts the monetary anomaly at the root. The co-presence of inflation and deflation is not surprising. But only when the growth of inflation depends on the increase in international prices and therefore almost seems to add algebraically to the coexisting classical monetary anomalies (deflation and inflation). Beyond this hypothesis, inflation and deflation cannot coexist. Beyond this hypothesis, inflation and deflation cannot coexist.

**Keywords:** Deflation, Coordination of continents, natural Development, Economic anomalies, international Organizations, full neutrality.

### **INTRODUCTION**

After the COVID-19 epidemic, the economy in Europe travels from one announced recession to another, announced because the downward step in development did not occur. Betting on

economic forecasts is like playing the lottery and losing. In any case, seeing the future in the mirror, even in the short term, is an impossible option. Better to let it go. Yet, an idea of the future is what all citizens, businesses and governments have in their heads. Not only. But in the short term the future rests on the heads of the community who decide by majority whether the prospects are favorable or not. As we know well, if the majority of a community believes that development will be sustained, investments, consumption and initiatives will follow an ascending line. On the contrary, if the majority is pessimistic, the values of the economy will contract. How this happens and how a uniformity of expectations about the near future is formed in a brief time is not easy. We can only say that it happens and that the forces, which in the universe are allied for life on our land and on the universe, act like the force of gravity on the mood of citizens and on their widespread sensations. Predictions are born from the idea that the future is born from the past. Unavoidable. But with what intensity and force the present and the differences of the past impact on the development of the future is at least as unpredictable. Which is to say that short-term forecasting is more complex than long-range forecasting. For the alterations of the social and economic fabric that require time to make the expected reactions felt. All this to say that it is worth listening to the mood of the community on the medium-term developments of the economy and its initiatives, as a barometer of the different components that together give the direction of the economy. It certainly seems strange that this prerogative of the community is neglected and not used for a comparison at least between theoretical predictions and those that emerge from community sentiment. This is certainly nothing new. But it is the basis of the democratic principle that entrusts citizens with the task of selecting party programs. In other words, prefigure the path of the economy in the coming years and with the vote entrust the task to the government that proposes the proposal for the economy closest to the citizens' sentiment.

It is certainly not trivial to listen in periods to the thoughts and votes of the citizens, that is, of the majority, why not to be overlooked the periodic listening of the people and the opinion of the majorities on the most substantial issues of economic development. Of course, we cannot deny the essential principle on which democracy is based, that is, leadership of the people and the prevalence of the principle of the majority.

But let us take it easy. We aim to verify whether the conditions to move towards participatory democracy exist or are occurring. The assumption on which to base we is the widespread tendency of the electorate to reduce their participation to the voting procedure. In the assumption felt by many citizens that the expression of the vote means nothing and changes nothing. Abstention as a protest and not as a rejection of the democratic method. Indeed, a signal that spreads in countries with representative democracy, also due to the singular apathy of governments towards the directions expressed by community, evaluated on a final basis as interest groups and not according to the correct criterion of the community. In essence, once the idea that governments follow electoral programs and therefore the basic choices of voters has been attenuated, how and to what extent is the will of the majority of voters respected? Even the broad lines of division of political representation within the parliamentary arc are gradually blurred and elusive.

The lower participation in the citizens' vote must be interpreted as an indicator of the citizens' embarrassment in taking sides according to pre-established majorities, where the choice is made by acronyms and (historical) meanings and not always according to the economic and

social status quo. Let us say straight away that the majority in the community tends to confirm or refuse to support the government in office according to the experiences of the past and the prospects that can be glimpsed. That is, in coherence with the endemic commitment of the community, interested as a group in the maintenance of life and the survival of generations. IN other words, the condition of the economy and its prospects are the focus for life to assert itself and develop. Which is to say that when choosing a vote, a community majority focuses on economic events and tends to give its consent to rulers who have a good recent past and a legacy of good governance for the next legislature.

According to the ideal framework, the community interprets the economy according to a line of development that does not change, and which postulates according to the principle "tomorrow is the same as today". As if to say that for humanity - as for each community - the line of economic development follows an ascending trend that does not change, so we could not expect tomorrow to be worse than today. That is, we outline the pattern of the evolution of the universe and of our planet, which moves in the direction of welcoming and maintaining life. In other words, the ascending line of the development of the human economy seems regulated by the same physical laws of nature that allow life to survive. And the development of the economy is a leading factor in supporting the spread of life. Furthermore, there is a widespread belief that, in the shadow of the forces of nature, economic growth follows an ascending line. Hence the rejection of governments and political leaderships who have a catalog of declining economies and without good prospects. We can then reflect on the long term when humanity - which has accumulated damage to nature - will have achieved full neutrality with the planet and the universe around us. At that mythical era, only one law will be valid for the development of the human economy: the line of continuous and constantly ascending development.

Humanity has in its DNA the image of this awaited and still desired future, which projects the picture of the world in constant and continuous development onto the present. An image that will at that time be free from the varied instruments of cure in the economy in our present and past: the economic cycles and the monetary anomalies (deflation and inflation), as well as all the negative facts related to the presence and development of these factors only apparently harmful. It is in fact absolute to consider that these factors that target the economy are not strictly ailments of the economic systems, but we can equate them to the fevers and illnesses that affect us in life to communicate that we have a health problem and that we need to listen to nature to recover the wellbeing. At that time, they will no longer be needed. (Cossiga, 2018b)

### **Upon Closer Inspection, The Root of All Problems Is Always the Same, The Quality of Development!**

Now it is clear that, if we accept these settings, the idea of forgetting them, hiding them, opaque them makes no sense. The economic anomalies remain and assert themselves, even if we ignore them. Why? For some good reasons. First, there is no entity or organism capable of taking on the responsibility for the birth of the dynamics and alterations in the economy. Everything happens in terms of economic disturbances (economic conjunctures and monetary alterations) according to repetitive and anything but alien models. Second, we are therefore able to predict their evolution, even if we lack the arbiter who manages everything. All monetary dystonia, whether cyclical or inflationary, have only one model for exiting imbalances; it is the path indicated by "let natural forces do their thing". In fact, thirdly, the engine that can loosen the factors of imbalance, with the return to natural development without slowing down, is

recession. A unique tool, a sign of the rationality of the forces of nature that allow the life of humanity and sentient beings through some economically and socially costly tools (the decline in potential, unemployment, social tension, the underlying selfishness of men); But they are unique and surprisingly successful (return to gradual and constant development).

It follows that. in both democratic and autocratic contexts, it tends to underestimate the signs of imbalance in the incessant attempt to maintain voters' trust in democratic realities. A phenomenon that becomes even more macroscopic in the case of autarky, with attempts to hide accounts, marginalize or, worse, opponents, etc. Which is to say that, despite the relative simplicity of the way out of the economic and social malaises that structure the forces of nature, economic systems often get stuck in these alterations, which, if left to act and no corrected, become cruel. Since the defense against economic imbalances is entrusted to the community itself, which ab initio has the ability to forge within itself a majority (which is the constitutive node of democracy) with a common sentiment on social and economic issues. To what end?

The protection of the economic system and its necessary development for the spread of life on the planet has a dual referent. On the one hand, the universal rules that apply to the economy and establish a sort of track in which the growth of humanity must flow. On the other, a living referent, the community which, through its majority, is on the front line to hear and make the announcement that things are going badly, and the current trend of the rulers must be rectified, for a return to balance of the natural path.

We thus arrive at the simple solution that autarchy is a method of government that is head-on opposed to the natural path of the economy or, better yet, to the evolution of life on the planet. Protection of life which is closely linked to the supervision and judgment of majorities, who are like the managers who - with their judgment - disagree with or confirm the country's economic governance model. According to this perspective, no government can go against the will of its majority without falling into the vortex of imbalance and dystonia in the economy. Ergo, on general economic and social issues, on the direction to be taken to return to the natural balance of the systems, it is therefore appropriate to listen to the opinions and above all the criticisms that emerge from the majorities. These are the precursors and indicators of the path towards the natural balance of systems. (Cossiga, 2024)

At this point one could ask why autarchic systems have and continue to record excellent economic results, even in comparison with democratic regimes. Meanwhile, it must be stated that the path to democracy has not completed its journey and that the direction is right but not yet at finish line. In other words, representative democracy is only a step, and we must tend towards direct or participatory democracy. It is not a question of the Athenian agora but rather of selecting the tasks that are specific to the community and cannot be delegated. Consider that many tasks that are to be entrusted to political personnel or personalities from the world of science and culture to whom highly professional tasks, such as the recovery of full neutrality with nature. It certainly does not mean repudiating the values of politics and the historical importance that representative democracy has assumed. (Soroka, & Wlezien, 2010) Rather, we must acknowledge that the tiredness that is emerging among the electorate; it is not distrust but rather the desire to count with the vote while the appearance on the contrary seems to demonstrate that the voter's vote does not guarantee the citizen to make a concrete contribution. (Soroka, Wlezien, 2010),

How do we get out of it? Certainly not by continuing to report the absences of voters from the voting rounds, as happens after every electoral event. Instead, it seems necessary to take steps towards direct democracy extended to fundamental topics on the direction of the economy and above all on the issue of life and survival of future generations (the issue of war). In short, the majority of the community is responsible for life for the present and new generations. It is therefore up to the majority of citizens to say the last word on the topic of war, which should from now on be researched in history books. (Diamandis & Kotler. 2014)

With this introduction we try to give an outline of the delicate problems that pertain to the global panorama, not only punctuated by serious and painful war episodes, but also by a fragmentation of the efficiency of the quality of development between the various countries in each continent and between the different continents. For example, the Black Continent lags grossly behind the average of other continents. Certainly, a delay that certainly cannot be attributed to the Africans themselves, just as we cannot attribute the apparent subaltern condition to the Amazonian or Australian Aboriginal people. In essence we do not have the keys to understanding the reasons that have prevented some from following the path of economic development. However, it remains important to state that the development of the economy is closely linked to the spread of humanity and to the objectives of its presence on the planet. Therefore, the progressive approximation of the economic, social, and scientific conditions of the different continents, alongside the pacesetters, in the West and the East, must be considered a fundamental objective - to be pursued with determination. (Dozon, 2008)

Obviously, it is not just a question of common sense, but of the feeling that external disturbances have caused the decline of empires which in ancient times represented the defense of a common evolution and which, when they fell, wrote different histories in the various territories. It is time to pick up the threads of a common construction and a progressive bringing together of the various levels of development. To this end, not only the necessary solidarity of those who have more towards those who have less (which is also completely indispensable) is valid. But we will have to grasp the reasons why China has run on the path of development at breakneck speed and the United States still remains the leading country. Meanwhile, Europe is held back and suffers the damage of an unexpected war in Ukraine and a battle in the Middle East. Both driven by historical reasons in the territories, as well as by autarchies that look with concern at the expected decline of oil and gas, which will have financial effects on both producers and consumers. (Gordon, 2016)

Left the topic of war for now, the subject of a previous article (Cossiga 2024), the attention is turned to the dissimilar world of development between countries and continents, on the assumption that the possibility of a rapprochement of development paths is an absolute necessity. In view of humanity's fundamental objective of overcoming the difficult obstacle of global warming and of bringing development paths between countries and continents closer together. Why?

It is certainly not arduous to reflect on the motives for containing the differences in development and bringing together the existing state of the differences that history has established. Primus, because it is unthinkable that the state of neutrality can be achieved in waves, first the West and part of Asia and then the others. Inadmissible hypothesis. It is not possible that part of humanity reaches the finish line and others do not. The issue of heating is

a problem of humanity and not of individual pieces; You cannot be neutral piecemeal. It is certainly possible to bring some territories or countries closer to our common goal, but we must wait for the laggards. The sum must always be the same. That is, all together.

This is to say that it is not just a question of solidarity but of an urgent need for the development conditions, currently disparate, to finally be equalized as much as possible. So, we are at the point. How to accelerate the development of lagging countries and continents and how to bring the economy back into balance even in advanced countries. In other words, we have an appointment with destiny, which consists in achieving the full neutrality of life in general with respect to the planet and its evolution. Development machines globally must move in sync; currently they have an alternating speed, often slowing down or, worse, in regression, while it is necessary to seek balance in the more advanced countries and the acceleration of development for the more backward countries. It even seems superfluous that in this state of affairs and in the face of these objectives the very idea of war becomes repugnant, as in the case of electromagnetism.

All this on the assumption that, according to the natural order, the lines of development not only tend to balance and maximize the growth values of the economy but also to move along parallel lines. Now unfortunately this did not happen for historical reasons, but the natural tendency towards balance and mutual coordination still remains underlying. I repeat, a stratification of such articulated and dissimilar lines of development is an obstacle to the goal of complete neutrality of life on the planet. Aside from the historical and other reasons that have shaped the conditions of each territory in different and articulated forms, we have before us the task of reconnecting the different threads. To this end, it must be added that the diversity between territories has developed over time according to the tendencies towards separation and the characteristics of each area. On the contrary, the concept of unitary continents and endless territories prevails in the majority of communities. Therefore, it can be argued that the popular sentiment of territories without limits is a declination of the future that awaits humanity, which today finds itself faced with the need to move in a coordinated way because this is the only path that leads us to the era of complete neutrality with nature.

We have already said that the political problems to be addressed consist of giving back to communities and their majorities the essential tasks of controlling life and finding a way out of the distressing issue of global warming. On the topic of differences on the path to coordinated development, we can underline that:

- advanced economies must promote a path of natural development (i.e., in harmony with nature), which allows the efficiency of economic systems to be maximized and the process coordinated.
- The backward continents and countries must coordinate their forces and energies in international organisms and pursue, in agreement with the most advanced countries, the UN and the main world organizations, an accelerated line of development, which will attenuate today's differences between areas and continents. (Collins, Margo, 2004),

Well, on a theoretical level these measures may be sufficient to create a homogenous development path for advanced countries and, at the same time, to accelerate the economic systems of countries that are lagging behind on the road to the future. On a practical level, it

appears difficult to set in motion this dual speed of development in the continents, according to the conditions of the individual areas. Having made this division between advanced countries and accelerating countries, the first question that arises is the following: why after centuries of experience and research are we still faced with the problem of problems: the different development capacity that distinguishes the different advanced countries or less? Well, it would seem clear that at the current and rapidly evolving technological level, the reasons that accredit the different natural riches of the territories can go into the shadows. Also due to the clear prevalence that scientific and technological primacy has long assumed. So, what is responsible for the differences in economic performance between individual countries? Why does Europe tend to slow down while other states, led by the USA, demonstrate a more regular quality of development over time?

Now there is no doubt that technological advancement and the quality of research are representing an important bonus. Not only among advanced countries but even more so among lagging countries. But it is certainly not enough to confirm it. In concrete terms, the quality and quantity of research require funding, which can be abundant due to the efficiency of the economic system. In other words, the root of all problems is always the same, the quality of development. A link between the quality of development and the quality of research and modern technology increasingly marks the theme of coordinated development of the continents, which is the intermediate objective in view of the goal of full neutrality with the planet.

### **The Disease of Long-Term Inflation is Not a Local Problem but Affects the Global Economy**

It seems like an impossible step, but with a little common sense the difficulties may appear surmountable, although not tomorrow. But let us get back to the topic. Let us start from the observation that even the most advanced countries are moving towards an alternating and variable future. Yet, the line of development is written for everyone in natural laws and dystrophies in development are to be attributed to the responsibility of the leadership in government. The line of natural development may increase, but without jumps, to mitigate the damage of human intervention on economic move. Anomalies compared to the natural trend are therefore marked by sensations of economic malaise, felt by the majority in communities in the form of economic and monetary alterations. Therefore, sensations that are felt by the communities. On the base of this widespread sentiment, majorities take the task of expressing its disappointment for the mismanagement of the economy. As if to say that the decline in consensus towards the leadership serves as a spur to the government in office to adjust the direction of travel. Towards which direction?

Well, the direction to take for a government in office is indicated by the economic situation. In other words, if the economic situation turns downward, the natural trend must not be hindered with the usual initiatives to support the cycle. The natural trend is to be interpreted as the cure to get back on the saddle for the recovery of the economy. Obstructing with attempts at support leads to a minimal temporary improvement and, subsequently, to the freezing and worsening of the economic wave. Not only. The economic system will not tend to emerge from the weakness of the growth path if the request for a recessive amnesty is not accepted. Following the recession message is currently detrimental to growth but remains available to settle accounts with the past.

Most European Union countries are at Lilliputian levels of development, with a few exceptions. For everyone, the decline is accompanied by cycles that tend towards recession and are held "with the usual support intervention". In reality, it may be enough to accept the recession for the necessary time and, in response, the economic system will accelerate its pace.

As an example, we can recall the fight against inflation implemented by the President of the Federal Reserve at the end of the seventies of the last century. (Brendan Brown, 2022) The American economy had been grappling with double-digit inflation for some time, like most economies in the West. Supported by President Reagan, Paul Volcker <sup>1</sup>, decides to raise interest rates to a few points above the inflation rate. He resisted the pressure, despite the strong reaction on the political and economic front due to the recession that plagued the US economy for over two years. At the beginning of the 1980s, inflation fell to 5% while the following year it settled at 2% and remained there throughout the 1990s, with an acceleration of development compared to previous decades. Well, the sequence is repeated every time that a country caught in the grip of inflation can count on politicians who do not fear dissent and have the perseverance to wait. The fact that citizens would make the leadership pay for the harsh recession that grips the inflated country during the correction is also up for debate. The reason depends on the characteristic of the community and its majority as a sensitive spokesperson for the natural forces. So, the natural cure should not encounter widespread dissent from citizens, because, due to the sentiment that is widespread among the majority, the goodness of the cure for getting out of the inflation trap is perceived by the masses. In other words, *ob torto collo*, the majority should appreciate the choice of natural cure to reduce system imbalances (monetary anomalies), even if it is painful especially for the less fortunate fringes of society. The majority's choice in favor of the natural trend, therefore, would not increase community dissent towards the government in office. However, on the contrary, it is believed that the choice of rebalancing policies, due to the presumable damage on an economic-social level, could produce an increase in dissent and a potential political crisis. In reality, it is an incorrect hypothesis, both because the natural path of rebalancing will bring great benefits over time in terms of development and social tranquility, and because the loss of consensus for the choice consistent with social objectives will be limited.

We certainly cannot forget that the weak reaction to inflation in the 1960s brought with it long-lasting financial and economic troubles. I remember that after the Second World War the European nations, with Italy in the lead, marked a phase of acceleration of economic development, not disturbed by monetary anomalies (Inflation). Finally, during the 1960s, governments' attempts to sustain growth levels - which had dried up - gave rise to a modest increase in inflation. Which did not worry but, in response, the incentives for development did not disappear. The inexorable result was the progressive increase in inflation, which then showed an acceleration, now independent of the fate of the economy but subject to an automatic rise. Then, in the mid-1970s, the acceleration of inflation was driven by the vortex of rising oil prices. A sum of constantly accelerating natural inflation and soaring prices at an

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<sup>1</sup> Chairman of the Federal Reserve under US Presidents Jimmy Carter and Ronald Reagan (from August 1979 to August 1987), he is best known for having put an end with his aggressive monetary policy to the high levels of inflation recorded in the United States in the 1970s and in the early eighties. He was also president of the North American group of the Trilateral Commission from 1991 to 2001 and president of the Advisory Committee on Economic Recovery under President Barack Obama from February 2009 until January 2011

international level. It then took twenty years of out-of-control inflation for the phenomenon to be stemmed with the progressive implementation of the strategy developed by Paul Volcker. At present, the lesson does not seem to have been assimilated, because there are still episodes of both growing inflation and long-term deflation. In the following figures 1 we can observe the rapid development of inflation in Turkey, the slow and non-aggressive increase in the interest rate, always on the assumption of not affecting the growth of the Turkish economy, and finally the trend over the last five years of economic development, again in Turkey. As I was saying, the weak reaction of monetary policy (Figure 1 B) does not seem to have much impact on growth (Figure 1 D), but inflation is not decreasing. Fall of the run that could occur with a decisive tightening of the Turkish Central Bank. (Figure 1 A).

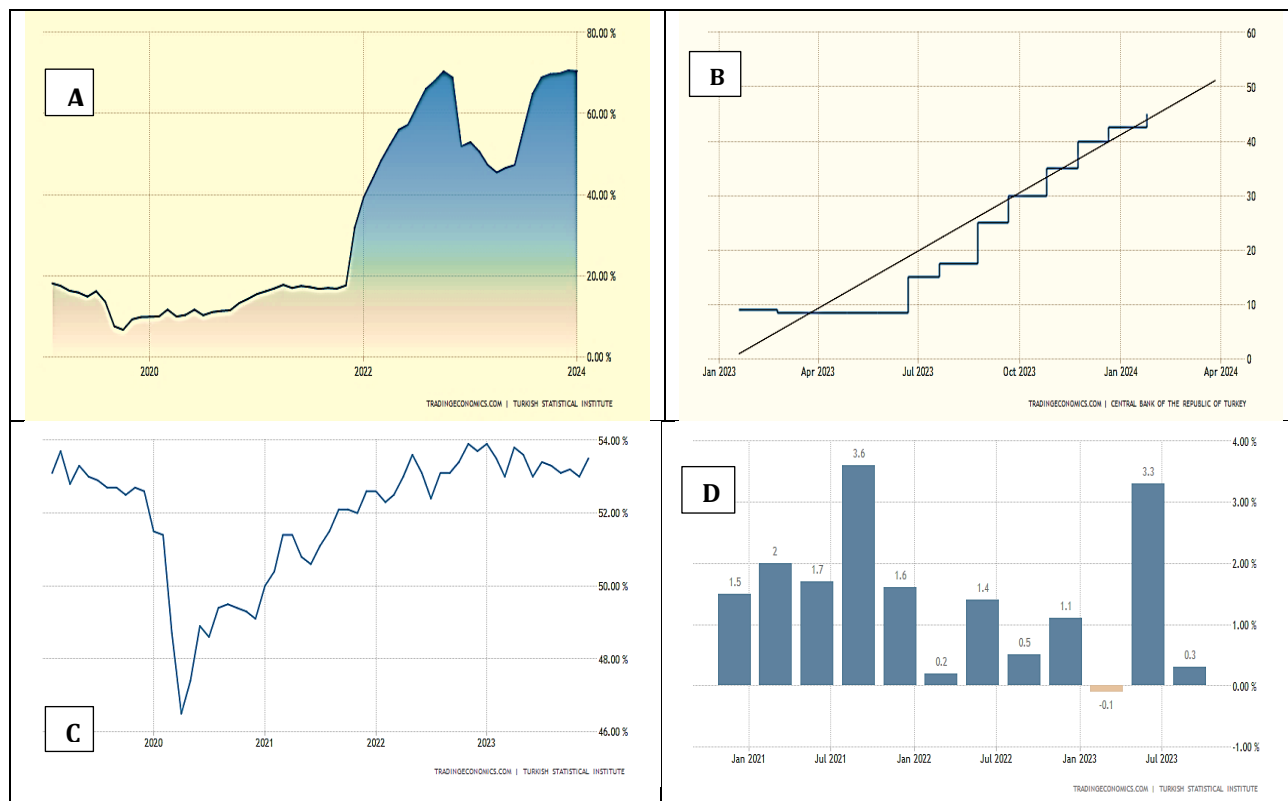


**Figure 1: Turkey – A. Core Inflation - B. Interest rates - C. Workforce participation rates - D. GDP growth rate**

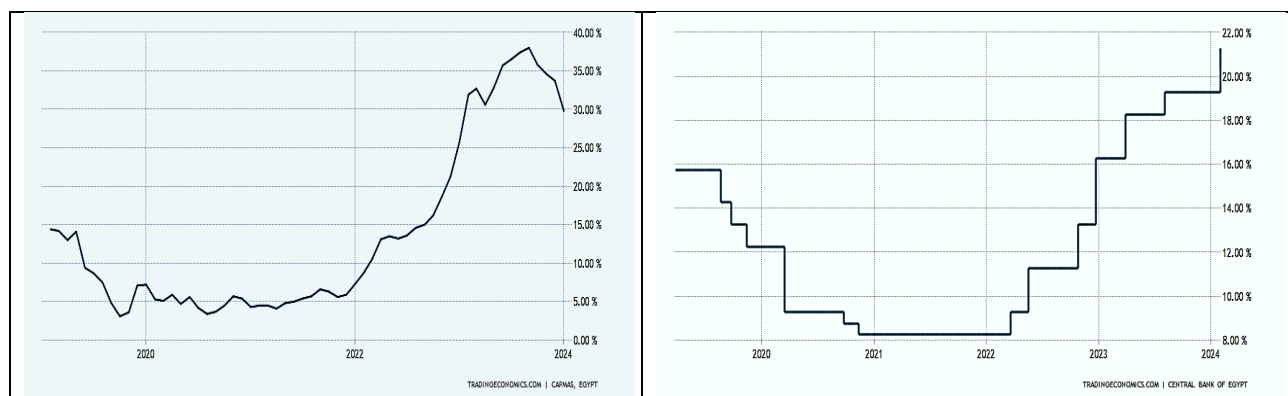


**Figure 2: Egypt- A. Inflation rates 2020-2024, B. GDP growth rate 2020-2024**



**Argentina: A. Inflation rates 2016-2024, B. GDP growth for the full year**

Source: Training Economics

Well, natural inflation has no attributable parentage and is a means of alarm and care that arises with an automatic acceleration (thus it recovers what is absorbed by a weak monetary policy). An analogous situation on the price side can be observed in Egypt. Even in the African country, monetary policy has tightened interest rates with caution, with the result that the price pressure is struggling to decrease while the GDP profile tends to weaken. The way out in this case too is always the same. Follow the example of the US FED in the 1980s.

A separate discussion for Argentina, which has been suffering from chronic inflation for years with alternating periods of price acceleration, as happened in 2023-2024. Historical inflation, like that suffered by many Western countries in the 1960s and 1970s, is characterized by an acceleration that acts automatically, and thus tends to rise and push prices, despite the (inadequate) interventions of the Central Bank. Therefore, if not addressed with the necessary energy, we cannot expect a decline in price trends, accompanied in any case by a consequent slowdown in the annual profile of GDP.

I note that the accelerating rate of inflated prices, after an initial phase of relative calm of the phenomenon and independent of the economic condition, is likely to increase the pace also due to the continuous devaluation of the currency, for example on the dollar in case of Argentina. In the case of the Latin country, the obstacle is precisely the continuous acceleration of prices, also fueled by the devaluation of the peso. The path of currency replacement was followed by Germany in the 1920s and was successful due to the citizens' total loss of confidence in the old currency and the resulting collapse of the economy. In any case, the success of the substitution, i.e., the stopping of the price run, postulates the availability of large credit at an international level (from the US Federal Reserve), and the availability of the new currency in circulation (in this case the dollar). The drawbacks are known; the Central Bank loses the power to issue money and manage M1. On the other hand, the recovered stability is not a gift from the currency exchange but remains linked (as always) to the recessionary wave of development in Argentina.

The exit from long-term inflation requires an economic and social price that can be borne by the countries - in transit towards a promised acceleration of development - with the solidarity of the G20 countries and the availability of credit from the main central banks, the IMF, BIS, World Bank, OECD, etc. The transition to sound money is a goal that can be achieved with the solidarity and participation of international organizations as well as central banks. It is a necessity because it is in the common interest that global economies converge towards a model

of natural development which, as we have said, allows the global economy to rebalance the march towards the coordinated development of the continents.

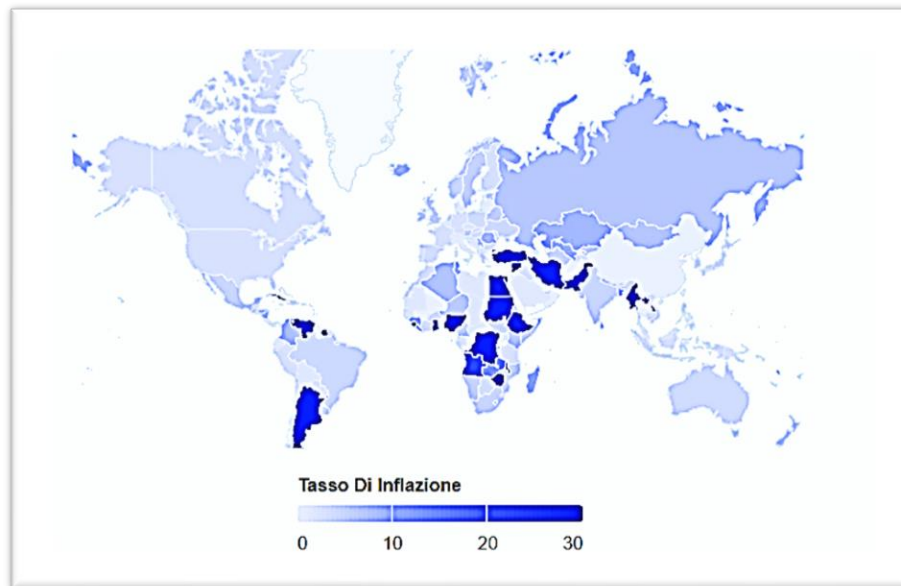


**Figure 3: World Inflation Rate – Europe, America, Asia, Africa, Australia**

Source: Training Economics

The issue of monetary alterations at a global level does not stop in the face of inflation, which is also widespread, but involves the other half of the world, which until the previous year was involved in widespread inflation due to the rise in energy prices fossil. Well, the other half of the world has overcome inflation anxiety, with the active intervention of Central Banks in Europe and North America. As can be seen on the following page, the major economies examined have overcome the inflation threat, and show an inflation rate even below zero during the first months of 2024, particularly in China. Now this sudden change of gear may be due to the increase in interest rates, but in minimal part because the violent price fluctuation recorded in 2021-22 was driven by rising fossil energy prices. (Kose, Whiteman, 2019)

### **Are We on The Threshold of Global Deflation, in Prospect of a Japanese Syndrome?**

A quick digression on inflation models: They are not unique. If the rise is linked to mounting international prices, we will not have the terrible tail end of automatic acceleration, nor the fearful price-wage run-up, while the phenomenon will tend to die out. Differently in the case of "natural" inflation, i.e., caused by an unbalanced economy, the phenomenon tends to persist, is fueled by a basic acceleration, and consequently gives rise to a price-wage spiral. Therefore, to simplify, the countries we have indicated previously, starting with Argentina and Egypt, are subject to inflation of natural origin, usually slow at the beginning and accelerating rapidly, while the other half of the countries, which have experienced inflation from international prices, are now on the threshold of deflation.

The fall in inflation, driven by the cost of energy, was expected. But it is only minimally related to the increase in interest rates decided by the FED and ECB. In this case, inflation behaves like a body that has undergone a push. It is then induced to decline at a speed that depends on the

time it takes for prices to re-balance to the new level set by international prices. The concern is not about the fall in prices but rather the speed of the fall, which seems to go beyond expectations and consequently may lead to deflation. Let us not forget that, throughout the previous decade, many European countries suffered from a fundamental deflation of economic systems. A status quo that has not been and could not corrected by international price inflation. Inflation and deflation can only compete on an arithmetic level in forming prices. They are different phenomena and not compatible with each other. In the sense that they are healing tools for unbalanced economic systems. They have different tasks and cannot appear together. Except for the case of international price inflation, which is a problem of price equilibrium and not a classic inflation that tends to remedy the underlying imbalance of the economy. Only if we experienced cost inflation can classic monetary anomalies (inflation or deflation) coexist. (Cossiga, 2018a)

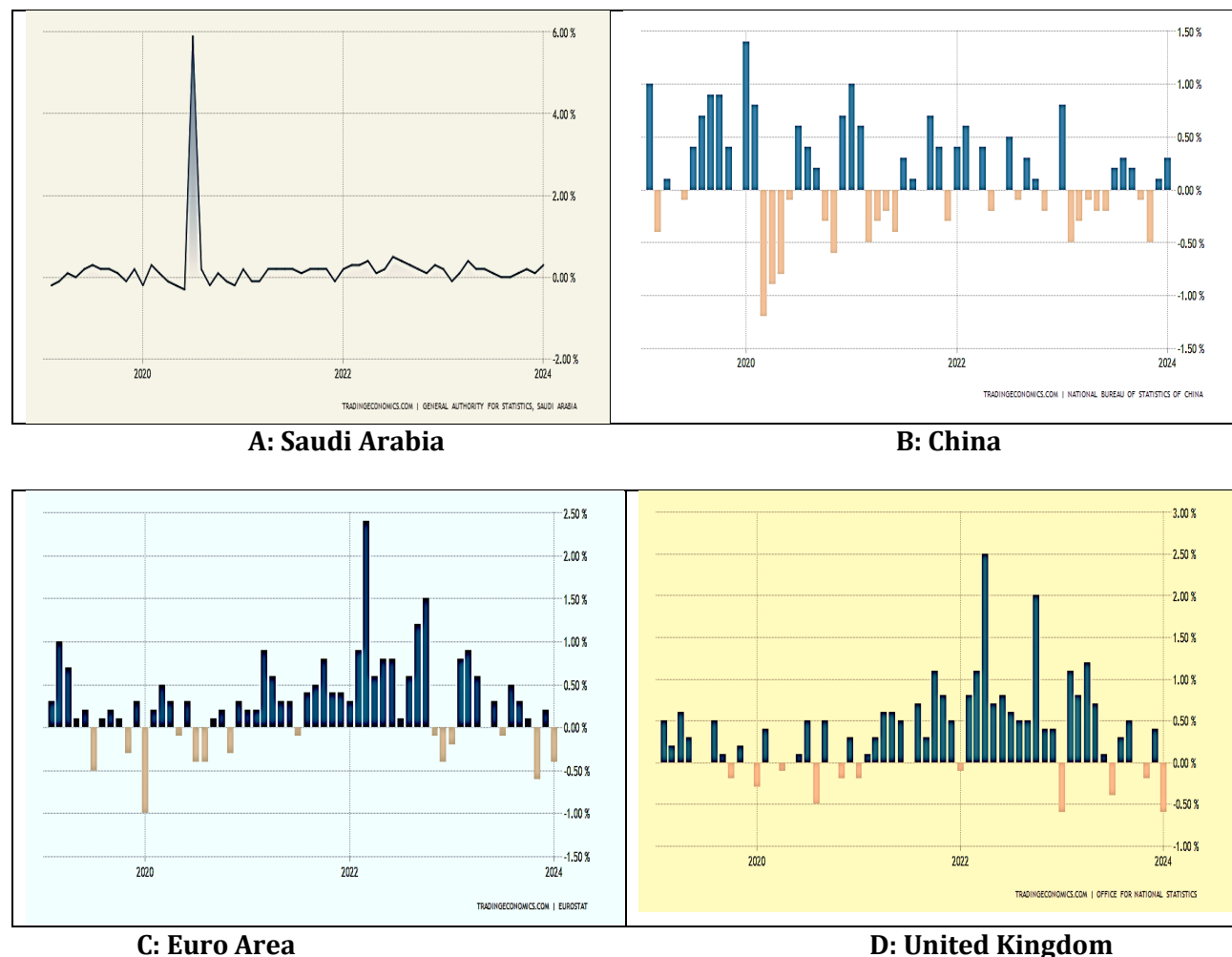


**Figure 4: Inflation rates (Monthly) last five years.**  
Source: Training Economics

With this clarification, let us return to the question we asked ourselves, that is, is part of the economy at a global level in deflation? And was price deflation responsible - in part - for the collapse in cost inflation values? One fact appears certain. The quasi-sudden fall in prices in the great chessboard of the world identified above. It is certainly not insignificant that it was the

tendency towards deflation that caused prices to converge downwards, or we are at a new rebalancing of prices following the rise in energy prices. In fact, in the first case, i.e., the most probable hypothesis, deflation means that we have not overcome the weakness of prices in a large part of the globe, which means stalled development and an anomalous tendency for stock exchanges to reach new highs. Although there are no economic conditions that can somehow justify the climbing of the prices of financial values.

It is clear that the breakdown in the relationship between the rapid development of financial activities and the calm of the real economy is a calamity due to both the decline in development and the concomitant boom in financial prices, which in turn will cause further damage to the real economy. It is not easy to indicate why this alarming gap in behavior occurs between the economy and financial activities. In any case, it is an alarm that sounds due to the weakness of development and behavioral anomalies that triggers the concern of the majority of the community. The "tomorrow as today in the economy" rule - which the majorities look to - remains inverted to the detriment of the real economy and to the precarious advantage of financial values.

It is a little-known phenomenon for distinct reasons. It can in fact mislead the community with the sight of stable or almost stable prices. On the other hand, the monetary authorities themselves can be deceived by the anomaly of the increase in financial values, which is seen as a complement to the reliable performance of the economy. But not always. Because they may be instead a sign of a serious distortion to the detriment of the real economy and a transference towards speculation in the financial market when the context is in deflation.

Therefore, a double optical illusion for consumers who can interpret the apparent stability of prices as a surrogate for the ideal "Tomorrow like today in the economy". Then the development of the financial market as a prologue of the future revival of the real economy, while it is an alien mechanism that will lead to the financial boom and crisis (2008 model). This is why we must react to the potential deception that coexists with the sudden drop in daily prices. As?

First, governments must intervene to protect the less fortunate families who would be the most harassed by the uncontrolled progress of the phenomenon up to the boom in financial values and the crisis of the economy. To stem the rise of speculative prices on the financial market, the imposition of a tax levy on the extra capital gains realized on the financial market can help. A correction measure which, however, would not be enough to stem the speculative fire. At this point, the intervention of monetary policy is essential to limit credit which encourages speculation. The measure raises concerns in the world of companies that rely on credit for the ordinary management and maintenance of investments. But in economics nothing is free. (Milanovich, 1998)

At present, with the position of the main Central Banks in agreement not to ease credit conditions, one can only suggest a lower sensitivity to market demands, fueled by the growing role of speculation. We must resist the sirens that suggest a drop in interest rates in the coming months of the year but often speak the language of speculation even if they hypothesize a development of the real economy.

In the current condition of deflation, the real economy remains weak and does not appear to be able to use the availability of credit. While a drop in rates would cause new fuel to flow to speculation, the stock and financial markets, to the detriment of the quality of development.

During the deflationary crisis, market tension shifts towards decreasing interest rates to somehow reduce the brake imposed on prices by the plague of deflation. It is an absolute illusion to think of reviving the market in this way, which unfortunately endures the decline imposed by the deflationary condition. It is worth adding that the hypothesis of deflation extending to half of the global countries is also supported by certain findings:

- Western and part Asian markets (in particular, China and south-east Asia) have been experiencing a rapid rise in stock markets and financial values for a few months.
- China has been grappling with uncontrolled deflation for years and the solution adopted by the Chinese central bank (reduction of interest rates) has given the push, as was predictable, to an immediate rise in stock markets. It is an error - unfortunately repeated, which gives strength to speculation but does not help the real economy.

Another element supporting the spread - not unexpected - of the new deflation underway in the main countries can be found in China, not only due to the recent decisions of the Central Bank of the Asian country, but also due to the trend in export prices, which have been decreasing towards Western countries for some time (see Figures 5 A and 5 B). The drop in export prices not only demonstrates the ongoing deflation in China, but I would say that it transmits to the countries importing Chinese products a downward trend in prices on the European continent, with competitive effects through the transmission of monetary trends. The future is not in our hands. But we can hypothesize that the downward pressure coming from China on industrial products, in turn, induces European industry to reduce costs to stem competition. In short, further downward pressure on already weak prices for monetary reasons.

The characteristic co-presence of deflation and rise in stock markets and financial securities is an anomaly of the market which, held back by the poor prospects of the economy, aims at easy profit through the availability of credit and speculation. A striking example is the experience of Japan in the 1980s and 1990s. After a searing acceleration of development and the creation of a giant speculative bubble, the Land of the Rising Sun fell into a syndrome that suspended economic development for twenty years and stabilized the deflationary state. As we can see in figure 6 A, the Nikkei stock index compares the reckless rise in prices up to the beginning of the 1990s and the subsequent fall and from 2010 a new surge in stock prices, which reaches the maximum level experienced at the boom of the century last. The twenty-year deflation in Japan is creating a powerful push on the financial side, with a clear attempt to repeat the syndrome already experienced in the past. (Piketty, 2013)

Worrying fact. Also, because we are experiencing the same syndrome at the main stock exchanges in America (see figure 6 B relating to the Dow Jones trend in the last year) and in Europe. A trend of financial values, which is common in large countries in the West and East. (China included) The Shanghai Stock Exchange reached a new high following the decision of the Chinese Central Bank (see note)

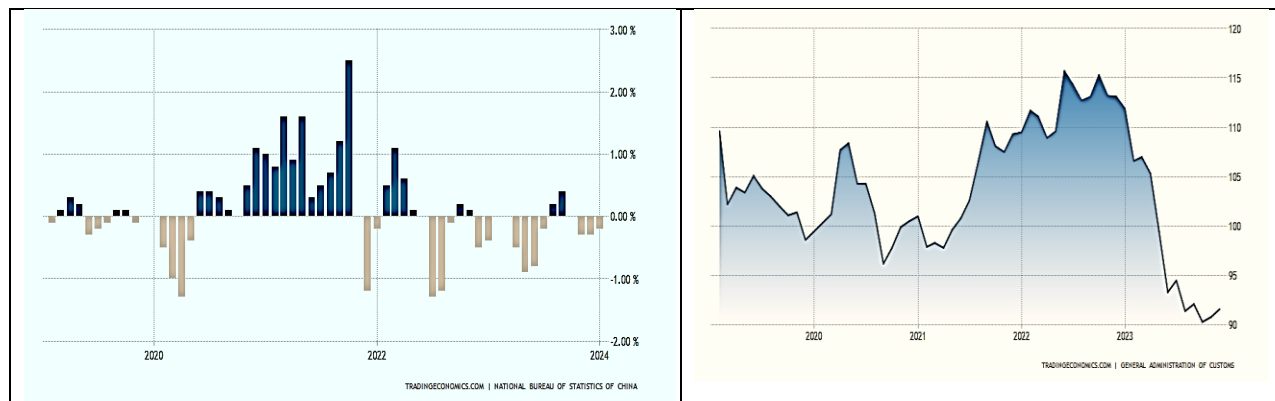


**Figure 5: A. China. - Producer price inflation (monthly), B. China - Export prices**

Source: Training Economics

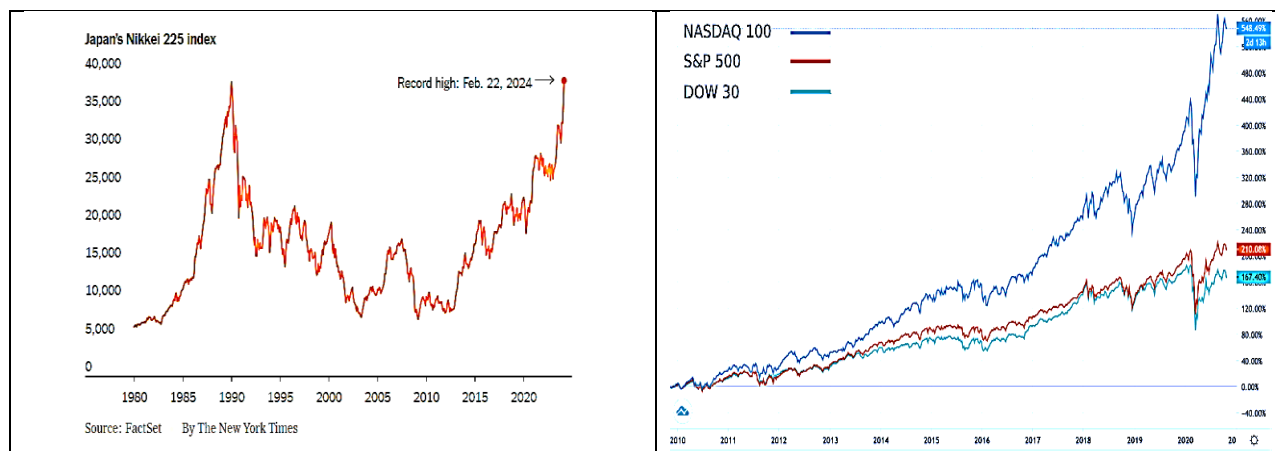


**Figure 6: A. Japan's Nikkei 225 index- Surpassing 1989, Peak B - Dow Jones Industrial Average Index-2010-2024**

A: Source: FactSet By The New York Times, B: Source: TradingView

The fear is inevitable that, like the crisis of the 2000s, a new serious speculative crisis is forming, widespread in all countries that are cultivating long-term deflation. It is not strange that the surge in inflation for international prices in the two-year period 2021-2022 overlapped with persistent deflation, because they are two different phenomena, one temporary and short, correlated to the rise in international prices. The other, long-term deflation - untreated or neglected - which merges only on an arithmetic level with the inflation of energy prices but has no effect on the deflationary state of economic systems.

Since the 2000s, the world has been moving on a deflation plane and consequently suffers periodic and repetitive speculative bubbles, which could explode, like in Japan in the 1990s and in the West in the first decade. It will not happen. Provided that the central banks, at a global level, do not repeat the mistake that favored the speculative development of values in the first decade of the 2000s. We certainly cannot deny that the strength of the financial sector offers a stimulus to the real economy. However, the opposite may be true, when the economy languishes due to deflation and stock market and financial values are pushed towards an unjustified rise. Do not believe the sirens that promise new development potential, while financial values and stock markets continue to rise for no reason. (Kissinger, 2022)

As we have said, the therapy is in the hands of the central banks who should not lower their guard and keep monetary policy rigid, even at the cost of hurting the economy. Nothing is free in economics.

## CONCLUSION

The condition of a theoretical future of constant and stable prices over time refers to the equally constant and indefinite condition that humanity will be able to access with the goal of full compatibility with the nature that welcomes us. But the stability and constancy of prices implies a stable balance of the economy. In fact, the presence at the turning point of times of economic and monetary anomalies that today dot the journey between the continents would not be compatible with the degree of stable balance of human activity on the planet. Nor, on the other hand, can the stage of absolute compatibility with the world around us coexist in a panorama, like today's, of serious discontinuities in the levels of development and knowledge between the continents. Two necessary options that today are part of the mosaic of diversity that afflicts us-

The future prospect of a change in the register of humanity's development is therefore linked to the fight against the pollutions of human activity and at the same time to the resolution of the too many discrepancies that most human societies show on the path of development. To move in the direction indicated by the goal of full compatibility. It is essential to march on the path of development, that is, the development of societies is the antidote to counteract the disease of the planet. Why? Constant and continuous development ensures that we are able to provide everyone with their daily bread, and at the same time free up the most energy to dedicate to research and science. Therefore, development at a global level has the potential to fight pollution and the challenge to reduce global warming and its unfortunate consequences.

Well, the objective of compatible development is possible provided that the battle against the inflation that affects some countries in Africa, Latin America and others is carried forward with determination. Deflation, which is all the more dangerous the greater the smoke screen of falling prices, and the disturbing isolation of finance from the real economy, must be tackled with energy, which has so far been little expressed.

In other words, preparatory to the planned goal of full compatibility, first of all, it is necessary to correct the financial anomalies which are a taboo for balanced development. On this reclaimed land, it would therefore be possible to resume the march to give strength to global development and converge the greatest resources available to coordinate the potential of the continents.

Which is to say that development is not contrary to the evolution of the planet that protects life. On the contrary, the line of coherent development precedes the evolution of life and opens up to the goal that awaits humanity in the future.

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