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Inflation is not bad: it happens to be discredited...

Thus, we run from one disaster to another, while the powerful continue to accumulate wealth and privilege. In case of trouble, those who dis govern us have several resources: monetary issuance without support, inflation, wars, and even pandemics that become a source of profit.



"The first panacea for an ill-governed nation is monetary inflation, the second is war. Both bring temporary prosperity and indelible destruction. Both are the refuge of economic and political opportunists."

Ernest Hemingway – 1899-1961

"Inflation is a complex phenomenon, a dynamic process, there is no thermostat that central banks can raise or lower. It is above all a struggle for the distribution of income

between capital and labour, and capital has won the battle over the last forty years."
Stephanie Kelton. Alternatives Economiques, n°412, Mai 2021.

It does not take a genius to understand that if you do not know the causes of an evil, it becomes difficult to fight it. Better yet, it is convenient to distinguish between symptoms and causes. The question is not to know if you have a fever that is a symptom, but to know what is the cause that causes it.

In Economics the causes depend mostly on who evokes them, that is to the taste of the client. A sitting government usually blames the previous government, which doesn't get you far ahead of you. Today the US and the European Union – which together with Canada, Australia and Japan constitute exclusively the so-called "*West*" – adopted a universal cause for every disaster: Vladimir Putin.



Right now we are debating – some more others less – in a food crisis that affects the entire planet. The famine did not begin yesterday nor did it come with the heat of the northern summer. However, the easiest thing is to blame Russia. The enlightened Westerners decided – by cojones – that they should shoehorn Ukraine into NATO, even though the Russians warned for years that this amounted to a declaration of war.



Infographic – EU sanctions in response to Russia's invasion of Ukraine: [View full infographic](#)

Once the war began, the enlightened Westerners decided to fight to the last Ukrainian, reserving the heroic function of imposing economic sanctions on Russia. Forgetting, the very forgetful, that Ukraine and Russia sell every year 20% of the corn and 30% of the planetary wheat, as well as 80% of the sunflowers for the production of oil and 80% of the solid by-products obtained after the extraction of the oil from the grains of the oilseeds consumed in Europe. Not to mention the nitrogen fertilizers, necessary in world agriculture, 80% of whose price depends on the gas it supplies... Russia!

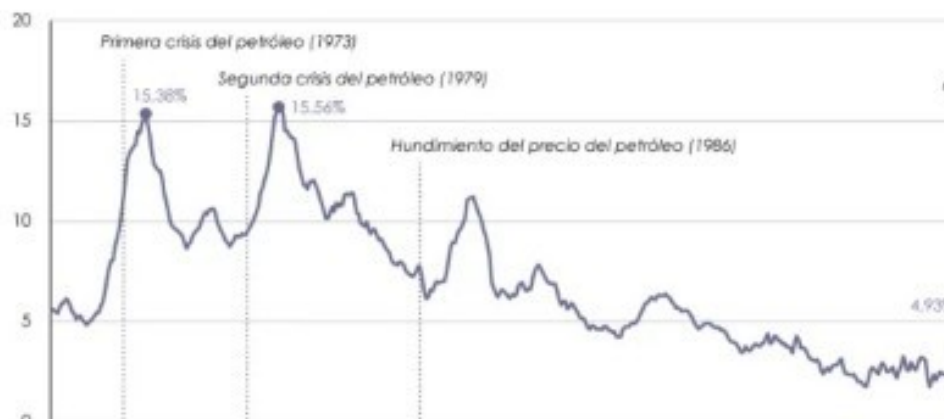
So economic sanctions dance conga: a pasito p'alante, a pasito p'atrás. The case of air transport is paradigmatic: the European Union prohibited the sale of spare parts for aircraft to Russian airlines. However, these aircraft (more than 700) are owned by European companies that rent them in Russia. Such companies lost even their shirts thanks to the EU. Then [the EU discovered that its aviation industry \(military and civilian\) has only one titanium supplier: Russia](#). So Airbus and other very profitable industries are in danger of dying. The EU quickly and heroically backed down: the first victims of its sanctions are the EU countries that apply them. In the past, that was called *"backfiring."*

The disasters caused in the EU by sanctions aimed at bringing Russia to its knees are growing every day, and the European population wonders whether it is worth dying for the Nazis in Kiev, proclaiming loud and loud that with them we share *the "sacrosanct values of democracy"*.

The prices of gasoline, electricity, gas and other fuels went through the roof. The European Union, whose leaders would get fewer than 69 in a Raven progressive matrix test, decided to "reduce their energy consumption by 15%" (sic). The Russians – in the spirit of helping – announced that they would reduce the amount of gas they send to the European Union. Horrified, the enlightened who govern us accused Russia of applying us... "economic sanctions". Where has it been seen?! Economic sanctions are supposed to be the exclusivity of *the "West"*...

La inflación, a rebufo de las crisis energéticas

Evolución mensual de la tasa de inflación interanual en la OCDE



Another cool measure to save energy, suggested by [the French government](#), recommends [disconnecting the Wi-Fi](#), no, I'm not kidding. What in the EU should be called boludeces is a topic in the European press. The British newspaper *The Guardian* publishes the following:

"Energy prices are going to heaven, inflation is exorbitant and millions (of human beings) are hungry. Did [Boris Johnson](#) surely know this would happen? Western sanctions against Russia are the worst conceived and most counterproductive policy in recent international history."

[Simon Jenkins](#), author of the article, is far from pro-Russian, but prides himself on using his brain and wonders: *"I am intrigued to know if any analysis was ever handed over to Boris Johnson's cabinet anticipating the consequences for Britain of sanctions against Russia"* (sic).

And much to his regret he gives an account of the freedom of conscience as we live it in Europe:

"Criticizing sanctions is almost anathema. Military analysts are idiots on this issue. The centers of strategic reflection are mute. The putative British leaders, [Liz Truss](#) and [Rishi Sunak](#), compete in belligerent rhetoric and promise more sanctions without a word about their purpose. But if you show skepticism about it, you will be condemned as a 'pro-Putin' and an 'anti-Ukraine'."



As I said, you don't have to be a genius to understand that if you don't know the causes of an evil, it becomes difficult to fight it. In this case, the evil comes from *"the West"*: blocking the mass of Russian monetary resources in the US and the EU has been of no use, and today even economists – that is, – recognize that the economic sanctions applied to Moscow have weakened the European Union.

So to the long list of disasters – crisis of 2001, subprime crisis in 2008, Covid pandemic, climate change ... – is now added this food crisis, aggravated by the inflation that is felt throughout the world, particularly in the EU and the US.

The question is what triggered inflation. Asking the question is already Troy.

[Milton Friedman](#), a monetarist, argued that inflation occurs when there is too much currency available (ergo demand) for a limited amount of goods on supply. Friedman's good work reflected on the time and other dimensions that economists pass through the tonsils of the south, but it is not the case to enter those depths.

If Friedman was right, the main cause of the inflationary phenomenon relates to the tens of trillions of euros and dollars created out of thin air to save the generators of crises: the financial industry, banks, speculators and other thugs. The figures are dizzying, and the most indebted countries know that they will never, I repeat, EVER be able to pay the debts incurred.

Among the most indebted countries in the world are Japan with a debt equal to 250% of its GDP, Greece whose debt rises to 206.7% of its GDP and Italy with 154.8% of its own. Then come the USA, Portugal, Spain, France, Belgium, Singapore, Canada... with a debt that revolves around 120% of their respective GDP.

Of course there are also pringaos countries, but taking into account their tiny GDP, their debt, in volume, is ridiculous.

For its part, Russia has a debt that does not reach 18% of its GDP, one wonders who knows more about the economy...

In these days when inflation in the US and the EU is approaching 10% in annual pace, something not seen for about 40 years, central banks raise interest rates, which is equivalent to increasing the price of renting money. In this way they restrict the demand for credits (that is what central banks think) that is, the mass of money that circulates in the economy, and consequently reduce demand, which according to the fantastic Law that you already know should liquidate inflation. Seriously?

The Fed, the US central bank, *"confirmed its restrictive turn: the US BC raised its rates again by three quarters of a point on Wednesday. Other rate hikes should come. The Fed gives priority to the fight against inflation,"* says the European press (Les Echos, Paris).



The US Federal Reserve (Fed, central bank), announced on Wednesday the fourth consecutive increase in its interest rates, by 0.75 percentage points, to take them to 2.25-2.50%, and plans to continue this movement in the face of "too high" inflation.

[The European Central Bank \(ECB\)](#) followed suit, raising the refinancing rate *"by 50 basis points"*. Don't miss: these gifted are specialists in homeopathy and microdosing. One

percentage point is divided into "100 basis points": by increasing the refinancing rate in a brutal manner, the ECB only increased it by 0.50%.



European Central Bank raises benchmark deposit rate by 50 basis points to control inflation

[The BNP](#), the euro zone's largest bank, once again declared record profits. Everything is going well.

The European press points out that the rise in interest rates can trigger an economic recession – yet another – but that is paid by the pringaos: it is enough to keep the police who deal with the repression alert.

However, inflation has extremely positive effects that few economists dare to comment on. Among them the virtue of making disappear the debt of the States, and of the private ones (companies and families). Debt – estimated in euros, dollars or pesos – that an annual inflation of 10% would disappear completely in a few years. Because debt indexation only exists in Chile: it does not increase with inflation, but decreases, which is a pleasure. Praise!

There are countries, such as Belgium, in which only wages are indexed, or in other words only wages are expressed in UF. For those who ignore it, the UF, or unit of promotion (promotion of what?), is an ominous chilensis invention, a unit of account whose value evolves with prices and eternalizes debts and increases them for the joy and delight of the powerful.

The French Socialists – with Mitterrand – eliminated wage indexation: every time inflation rose one point, your salary rose the same. Wage indexation disappeared to give the French economy more international competitiveness. But the only real consequence

was the decline in the purchasing power of salaried workers: the French trade balance has been worsening over decades and the trade deficit is now in mind-boggling figures.

Curiously, it has not occurred to anyone to return to wage indexation: neoliberalism determined, against all evidence, that the "*second round effects*" had to be avoided. Of course: when prices rise, wages should not be raised so as not to fuel inflation. It matters little that the causes of inflation have nothing to do with wages. This concentrates wealth in a few hands, and *ensures the attractiveness* of countries such as France and Chile. In France, large companies – such as Total or CMA-CGM – have not paid a euro of taxes for years: that is the *attraction*.

As you can see, among the positive effects of inflation is the concentration of profit in the hands of large entrepreneurs. It is enough not to compensate the wage bill. In this way the costs of production decrease and at the equal sale price, profit increases. If by chance there is a devaluation of your currency, -let's say the peso-, going from \$ 485 for a dollar to \$ 1,050, a salaried person who cost a thousand dollars a month, happens to cost only US \$ 461.90. Isn't the Economy cute?

So inflation is also a business. A business of capitalism. If you didn't know, few things are as abhorred by investors as falling prices. Under conditions of deflation, investment tends to disappear.

So the cackling about inflation is just that: cackling. For years hyper-inflation was THE business in Brazil. It is enough to look at the mass of profits of the gigantic multinational companies to realize that, without wage indexation, those who pay the wedding duck are the pringaos.

Central banks make the paripé, chamullan, announce, declare and gesticulate for the simple reason that their *independence* is the perfect tool to fulfill the only task they have: to control inflation.

And when inflation gets out of hand... what do we do dad?

There is a remedy, but capitalists don't like it: end capitalism.

Luis Casado for La Pluma

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