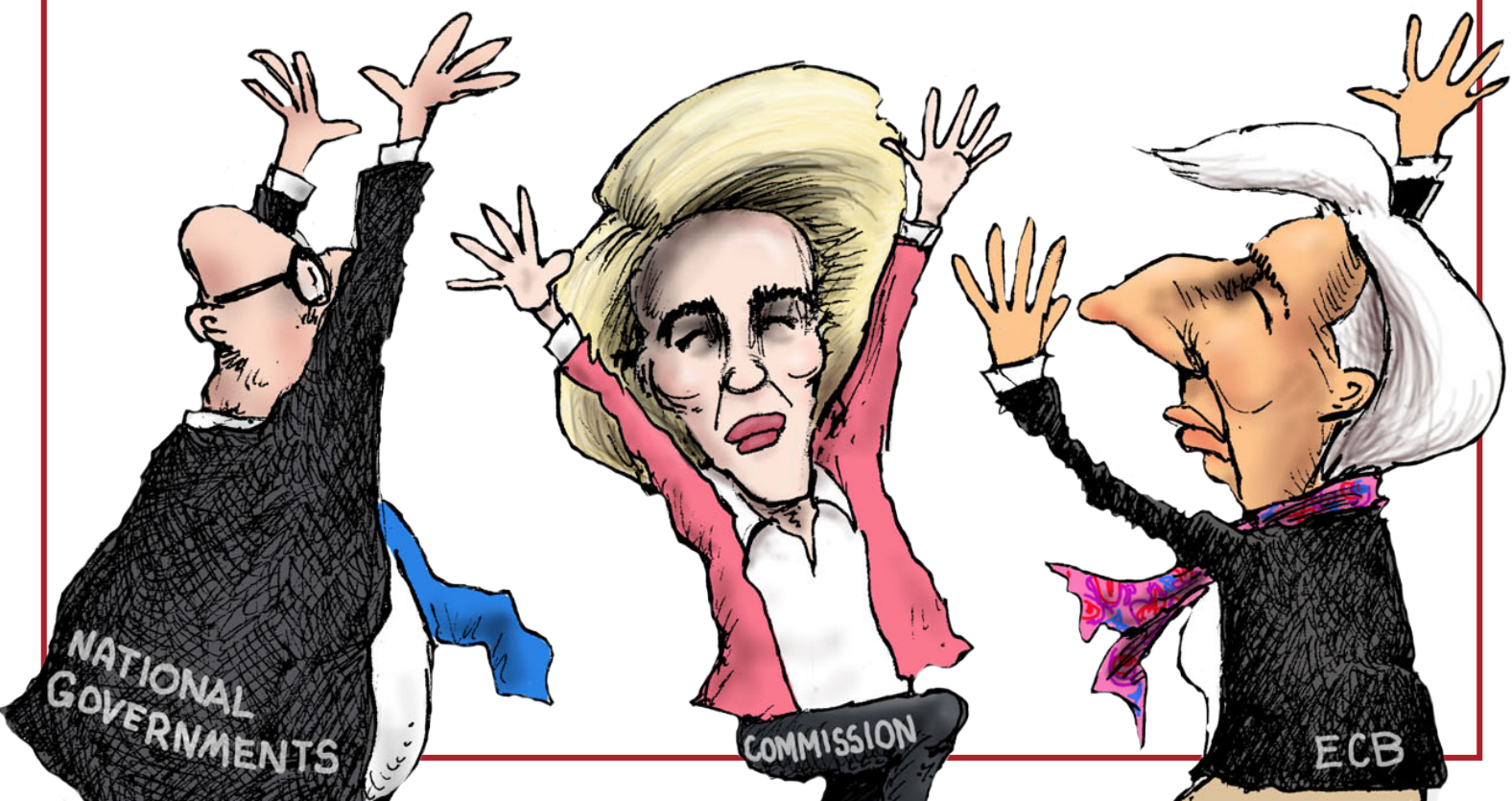




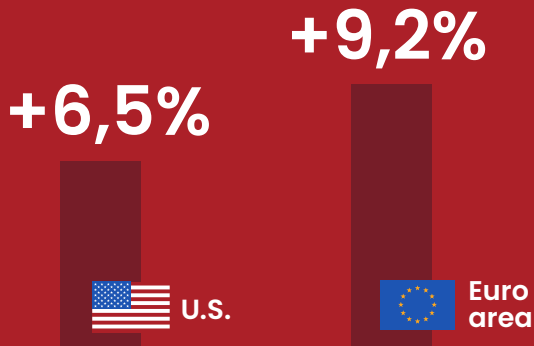
Inflation

Causes and solutions

Inflation is produced
by political overreach.
Market mechanisms
are the cure.



Key facts



Year-to-year price changes
in December 2022

→ 35

The stock of Eurosystem APP bonds in 2022 reached

3.4 trillion €

→ more at page 7

The spread between Italian and German 10-year bond yields
on June 14, 2022

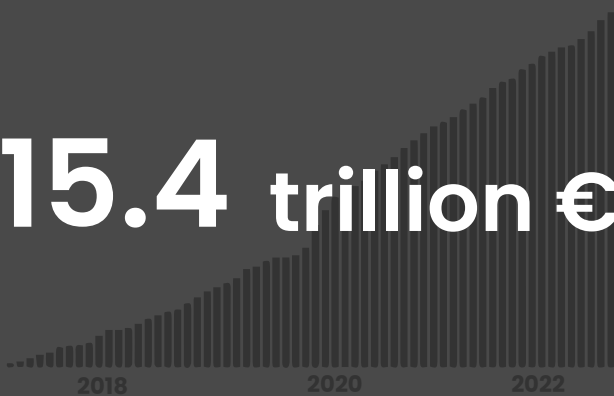
252

 basis points

→ 32

Money supply M2
in the euro area, Sept. 2022

15.4 trillion €



→ 9

94.2%

The government-debt-to-GDP ratio in the euro area, Q1 2022

→ 11

3.88%

The yield of U.S. 10-year bond
on December 30, 2022

→ 13

3.3%



0.5%

1.4%

2022

2023

2024

Euro area GDP growth rates
projected by the OECD

→ 30



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 - Wrong assumptions
 - Public debt and inflation
 - Economic distortions
 - The free ride ends

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 - What to do now?
 - The ECB's crisis mode
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 - Central banks' murky future

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 - Demography as the culprit

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 - Denying they can be wrong

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 - False signaling
 - The Fed's worst fear

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 - Higher taxes
 - Social and political costs

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 - The challenge of our time

Experts



Prince Michael of Liechtenstein

Prince Michael of Liechtenstein graduated from the Vienna University of Economics and Business with a master's degree in business administration. During his studies, he worked with banks and manufacturing companies in Canada, the United States and Belgium.



Enrico Colomatto

Enrico Colomatto is a professor of economics at the University of Turin, Italy. He is also director of research at the Institut de Recherches Economiques et Fiscales (IREF) in Paris.



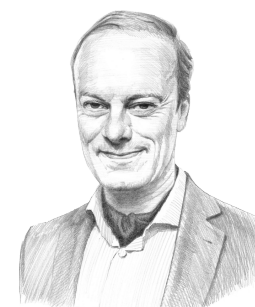
Elisabeth Krecké

Professor Krecké is a Luxembourg-based independent economist, working on various research projects at the intersection between regulatory economics, international macroeconomics and finance, with special emphasis on financial and economic crises.



Emmanuel Martin

Dr. Martin is a senior lecturer in economics at the Aix-Marseille University and Catholic Institute of Vendée in France. He served as the director of the Paris-based Institute for Economic Studies-Europe and editor of the francophone reformist projects UnMondelibre.org and LibreAfrique.org.



Michael Wohlgemuth

Dr. Wohlgemuth is a research director at the Foundation for Economic Governance and Public in Liechtenstein. His major fields of research are in new institutional economics, economic theories of politics (Public Choice Theory), theories of economic systems.

Foreword

Inflation is an onerous hidden tax, brought on the economy and society by political overreach. To restore price stability and growth, market mechanisms must be allowed to operate.

High levels of inflation are putting a drag on economies all around the world. For years, central banks and political leaders in the West helped along asset-price inflation while downplaying the dangers. In 2022, consumer price inflation hit heights not seen since the final part of the 1965–1982 Great Inflation – “the greatest failure of American macroeconomic policy in the postwar period,” as Jeremy Siegel, a prominent economist of the time, famously put it.

In recent years, Geopolitical Intelligence Services has sounded the alarm about the impending peril in scores of reports and commentaries. Policymakers, however, preferred to treat inflation as a solution to overindebtedness. “[These leaders] are finally getting their wish” wrote¹ GIS founder and chairman Prince Michael of Liechtenstein in the summer of 2021, “but for the rest of us, this is terrible news.” He quoted the writer Ernest Hemingway making this striking observation in his “Notes on the Next War,” first published in 1935:

“The first panacea for a mismanaged nation is inflation of the currency; the second is war. Both bring a temporary prosperity; both bring a permanent ruin. But both are the refuge of political and economic opportunists.”

This Dossier brings together several years’ worth of reports by GIS experts and its founder on the quandary of inflation. It includes updates and short interviews with the authors on how they see the situation evolving and what needs to be done to finally get prices under control. The Dossier closes with an outlook for 2023.