Ressort: Finanzen

Inflation and Fear: history repeats itself.

Fear of inflation

Bologna Motorvalley Italy, 10.06.2024, 18:07 Uhr

GDN - We at ReD Magazine asked the finance guru Ferdinando Lettieri what he thought about the fear of inflation.
Here's what he replied...

It repeats itself especially if the dynamics that led to certain behaviors are not understood.

As often happens now, this time too, I have to deviate from the common thought.

A phenomenon we experienced twenty years ago is repeating itself.

What memories and feelings does the date "September 11, 2001" evoke in us?

That day in 2001 shocked us! The attack on power caused a very strong shock to all of us.

We looked at others with strong suspicion, especially if they had slightly different skin color than ours...

We stopped traveling, taking planes, and many companies went bankrupt.

But, even though we recovered from this strong shock, we remained trapped in a strong anxiety about the future.

This anxiety led us to consume and spend as if there were no tomorrow.

The real estate market, but also simply the shopping cart, more than doubled.

Coincidentally, at that time, a certain Euro was introduced, and after we ate everything, we were quick to blame him... And today we still believe it!

Here we are today with history repeating itself...

Fear (a lot), shock (a lot), pandemic, war almost at our doorstep, energy crisis. In short, we have not lacked anything.

The anxiety of twenty years ago has returned. The same anxiety that prevented us from seeing our future.

Again, for a while, we stopped traveling but... ready to consume at any cost. We started treating money as if it were Monopoly money: little real value.

This has led to a sudden increase in prices.

The prices of everything have risen, because demand has remained the same, almost ignoring the increases. In reality, there was a product that saw its price drop because no one was buying it anymore: the memory supplement. Actually, we could have used it to remember how much things cost the day before...

Yes, we were willing to buy a good at any price without seeing a future to save for and without paying attention to how much we were spending... almost resigned to the end of the world.

The consumer, even without inhibitions on purchasing, in these circumstances, considers himself a victim. In reality, he is the cause of his own suffering.

He also blames the European Central Bank. We hear "The ECB must not raise rates... It must not!"

Even on this point, I express an opinion that is not quite the most common one.

The most important task of the ECB concerns precisely that price stability which is governed by raising and lowering rates.

If prices rise too much, rates must be raised. This way there is less money in circulation and prices stabilize.

In reality, as true masochists, we ask the ECB not to raise rates (really!).

Using a football metaphor, it's like asking our defender (the ECB) to give much more space to the opposing striker (inflation) and maybe even pass him the ball.

We just can't help it...

I am really curious to know who we will blame this time.

Who will be the one to pass by and be labeled as the "spreader"?

War, pandemic, wheat, gas... I stop here. However...

History, like school, is a teacher of life and we all have a duty to draw from it the appropriate lessons.

To future generations... alas... the "wrong" verdict!

Ferdinando Lettieri

Bericht online:
https://www.germandailynews.com/bericht-124914/inflation-and-fear-history-repeats-itself.html

Redaktion und Veranwortlichkeit:
V.i.S.d.P. und gem. § 6 MDStV: Roberto Magni Daniela Comi By Foto ReD Agency

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Official Federal Reg. No. 7442619