

12. Conclusion

Current monetary policies and continuously rising debt levels are not sustainable and not beneficial for people in society.

The focus of current economic policies is on increasing gross domestic product (GDP) and by increasing the consumer price index (CPI) by 2% a year. We are living in a world that is based on this growth model. When the GDP goes down, economists are warning for a recession.

However, growth can also occur when the GDP-statistic goes down. For instance if a GDP-number is going down when a population goes down in numbers as well, why would this be a bad thing? It is not strange that you cannot produce as much with less people and quite logical that a society may not need as much stuff if there are fewer people.

Growth can also occur when prices are going down, if this is due to efficient investments. Prices going down due to proper investing may well occur if the total money supply stays the same. In that case people's purchasing power will go up and people will have more money to spend in real terms.

With prices going down, people may find it less pressing to keep on working 5 days or 4 days a week. They may value their spare time and may prefer to enjoy leisure. If the purchasing power of people stays the same, but people only need to work 4 days a week instead of 5 days week, this still implies an improvement of the situation of people in society.

Economics is not about GDP and CPI. It is about human beings interacting with each other and human actions aiming to promote our lives and well-being. This well-being cannot be measured and cannot be valued. Value is subjective, meaning it is different for each individual. Value can only be ranked by individuals, based on their preferences. Similarly, maintaining stability in the value of money, the main objective of central banks, is a mission impossible because there is no norm to compare this objective against.

Without monetary policies and with no growth in the money supply, prices and interest rates will develop in line with preferences of people in society. Prices and interest rates together determine the shape of the production structure, tuned to the preferences and needs of all the people in society. People's actions will be focused on meeting the preferences and requirements of other people in society. Being selfish does not pay any bills. There is a form discipline in society as any deficit or shortcoming cannot be mended by artificially creating money out of this air.

A policy aimed at improving purchasing power and accepting falling prices would be better than a policy aimed at making products and services each year more expensive. An improving purchasing power policy would support a society generating a profit for all. The benefits of a society, of living and working together because together you can achieve more than on your own, are not considered in our current economic model though.

If monetary policies erode societal gains, central banks run the risk of losing credibility. In the end, this is what will happen. We are more and more living in an unbalanced world, governed by an superficial model and sustained by artificial money, an ever increasing money supply and a constant increase in debt levels.

We should use our human intelligence to critically evaluate our current economic model. We should consider a cooling down of monetary policies and consider abandoning any inflation targeting. This would improve the welfare of our society, as the market mechanisms of prices and interest rates would better reflect the preferences of people in society. Companies can only survive if they are making a sustainable profit. Societies can only survive if they are making a sustainable profit for their people.

In my view it is important to further build on the Austrian School theories. In a series of articles I attempted to do so by first summarising main findings of the Austrian School, by then connecting the Austrian School to CAPM, by taking into account the population growth or decline in analysing economic outcomes and by introducing the concept of society's profit. Above all it is my aim to make people better aware of the theories of the great Austrian School of Economics to the benefit of society at large.