

Solution For Current Economic Crisis and Inflation

by Mads Palsvig, sep 2022

The current economic crisis with an inflation we have not seen since the second oil crisis in 1979 has emerged due to a huge expansion of the money supply during the last two years corona pandemic. This money were used to finance the lock down of large parts of the public sector and, to a lesser extent pay some compensation to smaller companies, many of which were indirectly forced to close up shop, while the largest companies were allowed to remain open. In addition, these funds were used for a huge purchase of vaccines, masks, tests, and hiring people in the public sector to conduct tests, provide vaccines, and general surveillance and "infection detection" of the population. These many billions initially caused an increase in the house prices, but not in energy and food prices to the same extent, since there was a good balance between supply and demand. However with the war in Ukraine and the subsequent sanctions on cheap energy from Russia, energy prices have risen, simply by politically removing the supply of energy by banning the import of energy from Russia. At the same time, the destruction of many food-producing factories, as well as the lack of the possibility of importing fertilizers from Russia, have caused an expected shortage of food and, accordingly, an increase in prices.

When the money supply increases, it can only lead to two things; increase in growth and/or inflation. Now I have mentioned inflation above, but there have also been growth and earnings opportunities in several parts of the economy, thus the largest companies have announced record profits during the pandemic. The biggest winners have been the manufacturers of vaccines, tests and masks but also oil companies, banks, other large multinationals and the big investment companies such as Black Rock and Vanguard.

A feature and advantage of the multinational corporations is the so called "transfer pricing", which means that they simply do not pay taxes, or practically do not. They can use this loophole to place their profits in tax havens. Part of these savings is then used for lobbying, it is possible this is why no politician has so far proposed measures that would effectively tax the multinational corporations.

There has also been no or surprisingly little popular support for taxing multinationals, and this may be due to the extremely successful meme that so many people automatically respond to if you suggest that multinationals should also pay taxes or simply mention that they do not pay taxes. The meme is: "well, they create many jobs" ... try to do the experiment yourself and ask some people if they do not think it is unjust that people and smaller companies have to pay taxes while the multinational companies do not pay anything.

The fact is that small companies also "create jobs", and they do so despite the fact that they alone among companies bear the tax burden. There is no natural law or written anywhere in the Constitution that multinational companies should be allowed to operate with better conditions than local companies.

We are now in a situation where property prices have risen, rents on apartments have risen, oil, electricity, energy and food prices have risen significantly, and what is worse, much faster than wages, so this winter will be very harsh for many



people and smaller businesses.

Here are some good news.

A solution that will ensure that all people and small as well as large companies can afford to pay for energy and food this winter:

- Introduce a 0.1% tax on all digital transfers of money. Use the proceeds to reduce taxes on energy prices, including electricity, gasoline and heating oil.

In order to operate all companies simply have to charge the amount on every single transfer and deposit the amount into the account of the Ministry of Finance in each country.

I would suggest that you contact your local politician and the party you may be a member of and suggest that they take up this idea.

What's not to like?

Ordinary people and small businesses can easily afford to pay 0.1% each time they transfer money. So can the multinational corporations however the largest companies have to transfer huge amounts of money in order to operate their economic activities.

This will ensure that, for the first time in world history, multinational companies pay taxes. This is only fair that the companies that have benefitted from the pandemic as well as the financial crisis with huge profits give some of it back to the societies they benefit from operating in.

UK inflation rate



PA graphic. Source: ONS Consumer Prices Index. Figures for 1982-88 are estimates



Mads Palsvig is a Danish former trader (of government bonds) who has worked for some 30 years for several of the world's largest banks, including Morgan Stanley, Credit Suisse and Barclays, for Denmark's two largest banks UniBank and Danske Bank, and has also been an informal advisor to the Federal Reserve, Ben Bernanke and Janet Yellen. In the latter part of the 2010s, he has left the financial industry and has instead come out as a banking critic and whistleblower. He has also launched a new political party 'Folkepartiet - Jorden Frihed Kundskab' (Peoples Party - Earth Freedom Knowledge), which includes banking reform on its agenda.

Listen to the live recording from aug 2022 at Budapest International Covid Conference, **How to solve the current economic crisis, LINK**

