

## Macro Roundup Article

**Headline:** [The Case For A Mistake](#)

**Article Link:** <https://moneyinsideout.exantedata.com/p/the-case-for-a-mistake>

Author(s)	Chris Marsh
Publication	Money: Inside and Out
Publication Date	January 02, 2024

**Tweet:** Given inflation has largely come down without unemployment rising but with a "collapse in global credit creation" @GeneralTheorist wonders if monetary policy overshoot and 2024 might see outright deflation.

**Summary:** Given the famous “long and variable” lags from policy to inflation outcomes, a substantial part of recent policy tightening has yet to have its full effect. The collapse in global credit creation implies the net flow of new credit is now much lower than the pre-pandemic period—suggestive of anaemic money growth ahead once the portfolio reshuffle comes to an end. The monetary overhang from the pandemic required a one-off adjustment of the price level. Since central banks target future inflation and not the price level, this ought to have been largely looked-through when setting policy in a forward-looking way. Instead, policy has been found reacting to incoming inflation and therefore over-tightening. Now that our more recent monetary overhang has now nearly worked its way through global prices, risks for monetary policymakers are now shifting from over- to under-shooting targets.

**Related Articles:** The Fed Prepares for Rate Cuts. But Why? and The Grind Ahead and Macro Outlook 2024: The Hard Part Is Over

**Primary Topic:** Business Cycle

**Topics:** Business Cycle, GDP, Inflation, Op-Ed/Blog Post

**Permalink:** <https://www.edwardconard.com/macro-roundup/given-inflation-has-largely-come-down-without-unemployment-rising-but-with-a-collapse-in-global-credit-creation-generaltheorist-wonders-if-monetary-policy-overshot-and-2024-might-see-outright-def?view=detail>

**Featured Image Link:** <https://www.edwardconard.com/wp-content/uploads/2024/01/Total-Global-Credit-Growth-Chris-Marsh-.png>