Morocco: Inflation is not the same as Inflation.

Lahjouji Driss *Doctorant at sidi Mohammed ben Abdellah University (Morocco)*
Lahjoujidriss0@gmail.com

ORCID 0000-0002-9278-4954

-DOI : https://doi.org/10.63939/JAAS.2025-Vol8.N24.145-173

Abstract

Inflation is and has been a highly debated phenomenon in economics. Even the use of the word "inflation" has different meanings in different contexts. Many economists, businesspeople, and politicians maintain that moderate inflation levels are needed to drive consumption.

Inflation related to prices occurs when we notice a steady rise in the prices of goods and services without this rise being accompanied by a rise in incomes in parallel or more. Therefore, prices must rise year after year, but not with the acceleration that we see today. Thus the purchasing power of the economic actor remains stable or rises from time to time, so it can be said that inflation is nothing more than the inability of the economic actor to acquire or consume what he acquired before the rise in prices, and therefore this correlation between these two economic complexes is what we must be careful of so that the problem of inflation does not occur.

Rising prices make it harder to save money, driving individuals to engage in riskier investment strategies to increase or even maintain their wealth. Some claim that inflation benefits some businesses or individuals at the expense of others.

Keywords: inflation through money, demand-pull, Cost-push - the increase in prices.

1. **Introduction:**

Over the past few decades, a significant number of debates, both in the academic and political spheres, have taken place to examine the nature of inflation and verify its stability over time. This question has led to a theoretical debate illustrated by empirical results, which has been the subject of numerous controversies. Indeed, the effect of inflation has been addressed by different schools of economic thought, which have drawn two essential conclusions. For some, it would be an essential factor, while others think it is harmful.

The definition of inflation taught in universities may not cure the problem in our case, even if it constitutes a useful theoretical definition. Below is a collection of interactions that have accompanied recent developments in the business field, the economy, and, of course, the financial situation. Production is increasing. Despite the export, the supply almost exceeds the demand in the domestic market, but despite this, the price also increases, contrary to the laws of commercial nature.

How do you explain both the high offer and the sale price?

How do you explain the high price despite the low demand due to the wage freeze and the low standard of living?

The primary impact of inflation is decreasing purchasing power. Although the denomination of currency doesn't change, the impact of inflation is that the same amount of currency can buy less across inflationary periods. Though individuals may receive cost-of-living adjustments to wages they take home, they more commonly see repercussions in the groceries they buy, the rent they pay, and transactions they incur.

As a result of higher inflation, the central bank often enacts monetary policy, leading to higher fund rates. Higher fund rates have a domino effect on many other forms of lending and cause the cost of debt to be higher. Higher fund rates and credit card rates.

Because of higher debt rates, a downstream effect of higher inflation is a slower economy. During inflationary periods, prices are higher, and it is more expensive to incur debt. For these two reasons, companies often sell fewer products, and the economy slows. This may lead to diminished corporate profits, layoffs, and pressures on households.

The result of this cycle of events is a potential recession. The central bank tries to balance stemming inflation and maintaining acceptable levels of unemployment. However, each of the two items often moves in opposite directions. Their policies often increase one and decrease the other. Though there are no guarantees on the downstream effects of monetary policy, the central bank often risks causing a recession when combating inflation.

“Reminder: the demand for fruits, vegetables, and meats, which are perishable products, has decreased, as purchasing power has decreased to around 50%. Supply is still high and production plentiful, but prices have not decreased and are still heading upward. This is a problem that requires a global, complete, logical, and scientific explanation.

To answer our research problem, we will first present the conceptual framework of inflation by presenting its definition and measurement and these types, as well as the different theories around this macroeconomic phenomenon. Secondly, we will present the reasons for the increase in prices in Morocco, and a third point will be devoted to the debate on the causes of inflation in the Moroccan economy. Finally, the econometric method used as well as the results of our study will be presented in the last part of this paper.

LITERATURE REVIEW

2. Inflation: The Conceptual Framework

2.1. Definition, measurement, and types of inflation

Several definitions of inflation have been developed considering the nature of this phenomenon, which is not recent and from which no country is immune.

According to Joel JALLADEAU, inflation is "a global imbalance that results in a general increase in prices.

According to Bernard Bernier and Yves Simon, "Inflation is the generalized and continuous rise in the general level of goods prices.

Inflation also refers to a sustained, general, and self-perpetuating increase in the prices of goods and services, accompanied by the loss of the purchasing power of money.

It is often measured by the gross domestic product (GDP) deflator and the consumer price index (CPI). As for the first economic indicator, it is calculated based on changes in nominal GDP, which is expressed in current prices (GDP in value), and real GDP, which is expressed in constant prices (GDP in volume). The formula is as follows:

GDP deflator = nominal GDP / real GDP ∗ 100

The second tool for measuring inflation is the Consumer Price Index (CPI), which estimates changes in the average prices of products

consumed by households from one period to another. The calculation formula is as follows:

CPI = cost of the CPI basket at current default prices / real GDPC on basket cost at core prices * 100. The inflation rate is also used to measure inflation by calculating it using the following formula: Inflation rate = CPI for the year − CPI for the previous year / CPI for the previous year * 100.

To assess the evolution of the inflation rate, it is important to look at the overall trend and not just the figures published each month. This helps determine whether there is acceleration or a slowdown in the level of inflation.

The annualized inflation rate is often used to smooth out seasonal variations, for example, when prices rise sharply following an economic shock, as was the case with the rise in fossil fuels in 2022 following the invasion of Ukraine. This rate corresponds to the average inflation rate over the last 12 months, and each month a rolling average is made. For example, March inflation calculates the average inflation since March of the previous year, etc.

After presenting the measure of inflation, it seems interesting to us to clarify the different types of inflation. We can distinguish:

Hyperinflation is the excessive and dizzying increase in prices; it is linked to an excessive injection of the money supply into the economy to meet its real needs. According to Phillip Cagan, hyperinflation begins when prices rise at a rate of more than 50% per month. This macroeconomic imbalance may be due to a budget deficit and therefore to the inability of the state to pay its expenses since it does not have enough revenue except by creating money. This is the case in Venezuela, which recorded a cumulative inflation rate of 686.4% in

2021. In Titto, Lebanon, which has been affected by an economic crisis since 2019, the inflation rate reached 283% in 2021, according to the report published by the Central Statistics Office.

Creeping inflation: in contrast to hyperinflation, creeping inflation is low inflation, with a reduced rate that does not exceed 5%. When controlled with anti-inflationary measures, it risks generating low growth, but in principle, it does not have harmful consequences for the economy.

Imported inflation is inflation related to foreign trade that can be due to import surpluses. In other words, if there is an increase in the prices of imported products, it can cause inflationary slippages in the importing country. Or export surpluses, which lead to an increase in remittances from abroad, which may coincide with the production of goods at a different rate in the country.

Open inflation is a rapid, broad-based, permanent, cumulative, and expected increase in prices. The expectation of price increases contributes to an increase in household demand and a reluctance to supply on the part of companies. (Demand-driven inflation). This form of inflation can be due to a shortage of certain goods. It is characterized by an inflation rate of between 5 and 10% per year.

Runaway inflation: The abundance of money circulating in an economy relative to its needs causes runaway inflation that is characterized by a general rise in prices, which can reach up to 30% in industrialized countries and up to 100% in some Third World countries. Other macroeconomic imbalances include deflation, which is the opposite of inflation, which corresponds to a fall in prices for a prolonged period.

It should not be confused with disinflation, which is a slowdown or reduction in inflation, or stagflation, which is high inflation with low or

no economic growth (this is often accompanied by too high unemployment).

2.2 Inflation: Causes and Consequences

Inflation can be caused by several economic, structural, or social factors. Some of the reasons that may explain, at least in part, the increase in prices include:

Increased demand: If demand for goods and services increases faster than supply, prices will rise accordingly. This can happen when consumer and business confidence is high, when government spending increases, or when interest rates are low, which encourages borrowing and spending.

Increased production costs: If production costs increase for companies, they may have to increase their prices to maintain their profit margins. Production costs may increase due to increased costs of labour, raw materials, energy, or taxes.

Currency depreciation: If the value of a country's currency decreases relative to that of other currencies, imports will become more expensive, which can lead to higher prices.

Increasing the money supply in circulation: If the amount of money in circulation increases faster than economic growth, it can lead to an increase in prices.

This can happen when central banks print money to finance budget deficits, stimulus programs, or wars.

External factors: International events such as wars, economic sanctions, natural disasters, or fluctuations in commodity prices can also lead to price increases. For example, a drought that reduces agricultural production can lead to higher food prices.

Inflation can have many economic and social consequences, including.

Reduced purchasing power: When prices rise, consumers must spend more for the same goods and services. This reduces their purchasing power and their ability to buy additional goods and services.

It is important to note that these factors are not mutually exclusive and can often interact with each other to influence inflation. For example, an increase in production costs may be caused by an increase in the price of raw materials due to a shortage caused by a natural disaster, resulting in higher prices for consumers.

Reduced savings: When inflation is high, interest rates tend to rise to compensate for savers' loss of purchasing power. This can reduce the incentive for households to save and invest.

Redistribution of wealth: Inflation can affect different social groups in different ways. People with assets such as property, shares, or bonds may benefit from an increase in the nominal value of these assets. On the other hand, people on fixed incomes, such as pensioners and employees, may be adversely affected as their purchasing power declines.

Rising production costs: Companies may face higher production costs due to increases in the prices of raw materials and wages. This can lead them to increase the prices of their products, which contributes to inflation.

Reduced competitiveness: If prices rise faster in one country than in neighbouring countries, companies in that country may become less competitive in international markets. This can reduce exports and increase imports, which can hurt the balance of trade.

Economic instability: High and unstable levels of inflation can lead to economic uncertainty, which can affect economic growth and investment.

In addition, inflation can also have an impact on monetary policy, including central bank interest rate decisions. Central banks can raise interest rates to combat inflation, but this can also slow economic growth and increase borrowing costs for businesses and households.

2.3 Theories of Inflation.

The first research into the causes of inflation in the 16th century dates to the work of Malestream and Jean Bodin.

According to Jean Bodin and in his reply to Malestream (who, according to him, the rise in prices was fictitious due to the multiplication of means of payment, each representing a reduced weight of gold and silver), the cause of "the dearness of all things" is the abundance of the money supply due to the influx of precious metals (gold and silver) from America, then the monopoly, famine, and snobbery of the lords at the time are the main causes of inflation.

Other authors have examined the causes of price rises, notably William Petty, John Locke, David Hume, and David Ricardo, who all agreed that variations in nominal price levels were due to a variation in the money supply. According to Hume, "If the quantity of money miraculously doubles overnight, all prices will be doubled the next day." According to David Ricardo, the overall value of goods to be

exchanged is determined by the stock of metal available; the rise in prices can only come from an increase in this stock, which reduces the purchasing power of overabundant money.

These analyses give rise to several interpretations of inflation (inflation by money) by presenting one of the pillars of the theories of inflation, namely the quantitative theory of money, as well as the Keynesian view of inflation (inflation by demand), followed by inflation by costs and by structures.

2.3.1. Inflation through money

2.3.1.1 The Analysis of the Pre-Classical and Classical Schools of Thought

For the mercantilists, a country was rich if it had a large stock of precious metals (gold and silver). During this period and following the recommendations to accumulate more metals (hoarding, application of the sumptuary law, a ban on imports of manufactured goods, etc.), the quantity of these metals continued to increase, leading to a devaluation of the currency and an increase in prices. As a result, the rate of depreciation of the currency could reach 50%, or the price could rise by 100%.

According to classical theory, money does not affect real activity, so an increase in money simply increases prices of the same magnitude.

Jean-Baptiste Say (a member of the classical school) believed in the dichotomy between the real sphere (production Y) and the monetary sphere (demand for money M), and therefore in the neutrality of money. In his view, money was merely a means of transaction that served only to develop inflation. This proposition was challenged by the Cambridge School and then by Keynes.

- The quantitative theory of money:

For years, one of the most hotly debated questions among economists of different schools of thought has been whether an increase in the money supply's monetary sphere has a real effect on the economy (production, for example) or whether it merely serves to create inflation. We begin our analysis with a presentation of classical thought, developing the quantitative theory of money, and the Cambridge School The quantitative theory of money, in its most primitive version, dates to the 16th century with the work of Jean Bodin. The idea of the quantitative theory of money is that any variation in the quantity of money leads to a variation in the general price level in the same direction. In other words, the quantity of money directly determines the price level. This idea was first put forward by.

Irvinf Fischer gave a formula for this theory: M*V = P*T, where

M: represents the money supply in circulation.

V: represents the velocity of circulation of money (which measures how many times a unit of money passes from hand to hand over a given period).

P: represents the general price level.

T: represents the quantity or volume of transactions to be carried out.

- The Cambridge School "The Cambridge equation

A new version of the quantitative relationship, known as the "Cambridge equation," linked to the work of Alfred Marshall, treats money creation as the demand for money, dependent on real national income (Y), the general price level (P), and a coefficient (k), which,

according to the authors, represents the relationship between the money supply and income, or the agent's behavioral variable, rather than a simple technical coefficient. The formula: M=KPY no longer simply means that the money supply determines the value of the transaction; it also means that the quantity of money needed affects the money supply in circulation.

Money is seen as a reserve of purchasing power. The amount of nominal cash an agent wants is proportional to income.

The cash equation is as follows:

KY = M/P where M is the notional amount of cash desired.

When agents have more money than expected, they get rid of it by increasing fees. When the economy is at full employment, this increase in demand will cause prices to rise, returning cash flows to their original levels. As a result, it automatically returns to equilibrium.

2.3.2. Demand-pull inflation:

Demand-pull inflation is caused by a flaw in the supply and demand mechanism. The normal functioning of the mechanism implies that when there is an increase in demand, those responsible for supply increase their production to balance supply and demand. However, if this mechanism is blocked, i.e., if demand increases and greatly exceeds supply, the excess demand leads to upward pressure on prices. This is what is known as demand-pull inflation, which may be due either to the inability of producers to meet demand or to a refusal to do so. This phenomenon may concern a specific market (sectoral demand inflation) or the economy (global demand inflation).

Keynes broke with Jean Baptiste Say's law of outlets, which stipulates that supply creates its demand and denies the possibility of overproduction, given that production gives rise to a distribution of income that will be entirely consumed, He analyzed the wartime economy of the United Kingdom, showing that the increase in arms production gave rise to a distribution of income without there being any additional consumer goods to meet the demand generated by the additional income, which contributed to an imbalance between supply and demand, causing prices to rise.

2.3.3. Cost-push inflation:

Cost-push inflation is inflation due to an increase in production costs, often linked to an increase in labor costs (wages) or an increase in raw material costs, which is reflected in the prices of goods and services.

2.4. Inflation: control and regulation

There are several methods of combating inflation, using monetary policy, fiscal policy, or regulating certain price levels.

Restrictive monetary policy: the central bank can raise interest rates to make credit more expensive and thus reduce demand for loans and consumption. This strategy can slow economic activity in the short term, but it can also help stabilize prices.

Fiscal policy: the government can cut spending or raise taxes to reduce aggregate demand in the economy. This approach is also known as 'austerity' and can lead to a reduction in economic activity, but it can also reduce inflation.

Price regulation: governments can set maximum prices for goods and services to limit price rises. However, this approach can lead to product shortages and encourage the creation of a black market.

Income policy: governments can limit wage increases and company profits to limit production costs and stabilize prices. However, this strategy can lead to social tensions and strikes.

Currency devaluation: governments can devalue their currencies to make their exports more competitive and stimulate exports. This can also increase the cost of imports, which can reduce aggregate demand.

It is important to note that each of these strategies has advantages and disadvantages. In addition, the choice of strategy will depend on the specific economic and political circumstances of each country.

3. **The main reasons for the increase in prices in Morocco since 2021**

Inflation is attributed to external factors. Due to multiple factors, in the case of Morocco, increases While inflationary pressures are generally attributed to the sharp rise in prices recorded recently, this is mainly due to external factors (imported inflation). It appears that internal factors that put pressure on demand for prices in Morocco have a lesser impact compared to external factors. This is evident from the continued unemployment rate at higher levels than before the crisis and the capacity utilization rate. (72.3%), a little less than a year ago, the productivity of the industrial sector reached an average level.2019 Despite this, this situation does not prevent us from highlighting certain favorable factors at the internal level. In this regard, among the internal factors that can have an impact on prices, in particular the component Concerning Food Products (+ 11,0%), it should be noted the problem of the weak regulation of the markets for these products and the

multiplicity of the intermediaries between the farmer and the final consumer.

In this regard, there is a large multiplicity of intermediaries, given the absence of regulation n (legal void) 58, which significantly exacerbates speculation and rent-seeking behavior at the top of the production chain. And appropriate framing of the agricultural sector, which reflects on both the producer and the consumer. In the same context, and about fuel prices (+ 42,3%), it is true that the government has taken many long-term measures. short term to preserve the purchasing power of the consumer and the competitiveness of Moroccan companies, but the current situation requires the adoption of measures with stronger effects. It is also important to accelerate the pace of action. This research remains Research to investigate the presence or absence of anti-competitive behavior in this sector, noting Depending on access to appropriate
information.

Alongside internal factors, most of which have so far had a relatively limited impact, the rise in prices recorded In Morocco, this is mainly due to multiple external factors, including the significant impact of the rise in prices of energy raw materials on the international market, particularly oil and gas. Natural, which quickly had an impact on prices on the national market, in addition to the limited capacity of our country to store energy materials to enable them to mitigate the effects of external shocks in the energy sector on prices. On a national level, for its part, OPEC+ has not significantly increased the volume of its production, which remains insufficient to meet additional global demand, leading to continued price increases on the international market.

Rising fuel prices have affected the cost of transporting goods locally as well as the prices of various products. Its production depends largely on energy inputs. The repercussions of the increase in prices of other raw materials at the international level, in particular cereals and oils, at the international level internally, without neglecting the impact of the poor agricultural seasons experienced by many producing countries, as well as the result of the war in Ukraine and the rapid development of Chinese demand, the transmission of inflation from the eurozone to Morocco is due to the predominance of the European continent's share in the country's total imports. The cost of maritime freight continues to increase due to the container crisis and its strong impact on import prices, then on internal prices. In addition to the problem of container availability, the increase in the profit margin of transport companies since the beginning of 2021, as well as the profit margin of large international trading companies, is due to the increase in prices of imported products. Since the outbreak of the crisis caused by COVID-19, as well as after the outbreak of the war in Ukraine, many countries have adopted restrictive measures of a sovereign nature aimed at reducing exports of certain basic products such as cereals and oils, which contributed to the rise in prices of this product category.

On March 27, 2023, the High Commissioner for Planning affirmed that “the increase in interest rates by the Bank of Morocco will not solve the problem of inflation... questioning the feasibility of this measure, whose consequences, observers say, could slow the wheel of economic development and disrupt the government's vision for improving the business climate and attracting investments." Not to mention the expected impact on the real estate sector, on which economic recovery relies.” (Akhbar Al Dar Journal)

On March 22, 2023, the governor of the Bank of Morocco. declared that the increase in cash transactions leads us to think about imposing a

tax on them, which several studies conclude is comparative." (Hespress newspaper).

Okay, but do these comparative studies consider the specificity of the Moroccan economy? This is a broad issue, and the view is that we should not rush to implement the idea of taxing cash transactions prematurely, as this would disrupt our exceptional internal economic system at a time when "inflation" has intensified. Without us having a precise and convincing explanation of its reasons or causes, we can therefore take the initiative to treat it without risk.

RESULTS AND DISCUSSION

4. Causes of inflation in the Moroccan economy

The current debate on the causes of inflation in Morocco leads us to rule out that this rise is due to demand, i.e., that price have risen because there is an increase in demand for goods and services:

Firstly, all indicators point to deterioration in the demand of all economic actors, especially consumers, and therefore the demand that should remain high because it is in favor of economic growth has become low in Morocco.

Secondly, it can be observed that the rise is mainly affecting basic materials, and here we stop at analyzing the economic mechanics of the relationship between demand and prices, which is what is termed the law of supply and demand. This law states that the higher the prices, the lower the demand, and vice versa, since the rise in prices is mainly related to basic materials.

It is worth noting that the law of supply and demand does not take effect in three cases known as exceptions to the law of supply and

demand, namely: rational anticipation, which means that when an economic actor senses that prices are rising and expects that this rise will continue, instead of reducing the size of his demand, he increases it despite the rising prices.

The second exception is related to welfare goods, i.e., non-essential goods, in which the rich rely on the price itself and do not make the decision to demand or not. In this case, the higher the price, the greater the demand for these types of goods, because they are classified as demonstrative expenditures.

The third exception, which is of interest to us here, is related to basic commodities, for no matter how high their price rises, the economic actor cannot abandon them, and it is the case that consumer items are the ones whose price rises, so any policy outside the reduction of these prices will not be effective, which makes us rule out this hypothesis to say that this inflation does not come from the rise in demand.

4.1 What about the imported inflation that has been much talked about recently?

As for imported inflation, although it is a type and not a source of inflation, it is considered an opinion that does not find a solid basis, because inflation is imported if it comes from abroad and Morocco has nothing to do with it, meaning that we buy the commodity from abroad at a high price and are forced to sell it in Morocco as it is for more than that, and here the element of necessity appears first since the acquisition of goods from other countries is conditional on their unavailability in Morocco or the unavailability of a substitute for them in Morocco. Or the inability to apply the principle of substitution, and this principle implies that any government can trade indirectly, meaning that I sell

you a product at a price whose volume is in line with the prices at which you sell me your commodity, and here also requires your commodities to be highly competitive, so if we are forced to import and we have no substitutes for the goods we import and cannot even trade with our goods, the matter will become a complete dependence on other economies.

Assuming that if we go along the lines of imported inflation and say that our inflation is imported, it means that we do not produce anything inside Morocco and everything we sell inside it comes from abroad, which is not true, and if we consider that part of the inflation rate comes from abroad, it means that the prices that will rise are the prices of imported goods and not all goods, which is contrary to the definition agreed upon by all economists in the world, which is that inflation is defined as a steady and general rise (i.e. all prices). Therefore, saying that inflation is imported implies a lack of production at the domestic level, and I recall here those who say: The reason for the rise in prices is the rise in the price of imported fuels, and therefore: Here we say that fuels and energy mainly fall under the category of raw materials because they are used in the production or transportation of products from one actor to another, and therefore if their price is high, this inflation is termed as inflation resulting from the cost of production and not imported. Therefore, the inflation we are experiencing is mainly related to the high cost of production and, thus, the cost of goods and services associated with them.

4. 2 So what do we call this situation?

We are facing a supply crisis, whatever its source, i.e., local production has declined due to several factors, which has resulted in a rise in the prices of these products, which have naturally become scarce on the market, and therefore solutions must be found, mainly related to

strengthening the competitive supply, i.e., available production accompanied by a high, strong, and permanent purchasing power.
Economic analysis requires us to pay attention to some things that may not appear to anyone and may be interpreted according to what appears to him, for example, when we say: Implicitly, the demand has become high compared to the new supply, but this demand is not the one that has increased, but the supply is the one that has decreased, and it seems to us that the demand is the one that has increased and thus we build our policy on a basis that is originally incorrect and a representation of that if we consider that the supply reaches 1000, the balance of demand should be 1000 as well, and in case this balance is disturbed, for example, the supply falls from 1000 to 700, so the disturbed balance becomes 700 against 1000 and once we look at this last equation, confusion and difference may occur and say demand has increased, but the original issue is that the supply is the one that has decreased.

4. 3 Will inflation become a structural factor in Morocco, and we must get used to living with it?

Whether or not structuralism is linked to the methodology used now, if it continues, it will lead not only to the structurization of inflation but also to the risks of the economy entering what economists call the vicious circle that must be broken as soon as possible, by stopping the creep of inflation and turning it into a transient problem to reach acceptable rates by first moving away from policies that deepen the problem and do not leave it at least as it is, and since we are living a crisis of appropriate supply, I mean by appropriate supply is to provide products first and then subjugate them. The ability to acquire comes from two things: either reducing prices or raising the ability of the actor to acquire these goods and services, or both.

If it comes to the rise in prices, the issue, if it continues like this, will not stop at the structure of inflation but will lead to the complete collapse of demand. Therefore, we will fall into the following vicious circle: raising prices leads to a reduction in demand, which leads to a reduction in production, which leads to layoffs, which leads to a decrease in demand again, which leads to a reduction in production, and so on...

Therefore, this cycle should be broken quickly by accelerating the search for ways to reduce production costs while increasing production quantities that inevitably reduce prices, without forgetting the main role of public spending, which directly contributes to supporting the purchasing power of all economic actors.

5. The negative impact of inflation on the economic cycle

The presence of inflation not only brings troubles but may bring some benefits that can benefit the economic actor. For example, there is an inverse relationship between the inflation rate and the public debt ratio because it is known that the higher the inflation rate, the lower the public debt, and it is also known that the higher the inflation rate, the higher the tax income because it is calculated based on the income of enterprises. Thus, the rise in prices increases the income of companies, and therefore the tax rate rises, and it is known that the high rate of inflation leads to an improvement in the financial profitability of companies and other positive effects that should benefit all Moroccans, which did not happen for two reasons:

First, the rise in inflation has not produced these good results.

Secondly, even if it is produced, its effect is not generalized to everyone, that is, those who bear the burden of high inflation, and therefore, if the benefits that we mentioned were achieved on the

ground, we would not have reached this percentage of inflation because these benefits play the role of an immediate remedy for the effects of inflation. That is, the economic cycle imposes this automatic treatment. I will present some figures that should evolve with the evolution of the inflation rate, but we will notice that, on the contrary, it is going to decline. I will limit myself to this example to explain the issue associated with benefiting from the advantages of inflation. This table reflects the evolution of both the inflation rate and national income, as well as the public debt, and our economic assumptions are:

The higher the inflation, the lower the income, and the higher the inflation, the higher the national income

Year	**National income**	publ**ic debt**	Inflation rate
2018	1008,686	901,25208	1,80392%
2019	1130,2755	925,5789	0,30339%
2020	1073,3972	1007,2139	0,7059%
2021	1284,2	1380,6	1,8%
2022	1330,2	1423,6	6,675%
2023	1374,09	1481,6	7,95%

Source: HCP and BCM

Therefore, it can be said that our hypotheses have not been realized, so it is noticeable that despite the high inflation rate, the national income is rising slowly, and therefore growth is declining, despite the rise in inflation, the public debt is increasing, so there is bearing the burden of inflation without benefiting from the positives that accompany it.

5.1 Is the solution linked to monetary policy to rein in inflation, or do we need structural reforms of production policy?

The role played by the monetary and financial authorities is to maintain macroeconomic balances, and in the event of an imbalance, these

authorities intervene to restore things to normal. As it is known, these authorities can intervene through two mechanisms: It is related to the monetary mechanism and the balance mechanism, and in this case, the monetary authorities have chosen the mechanism related to the money market by raising its price to 3 percent. As we have already said, this increase was aimed at discouraging banks from attracting loans, thus dissuading actors from borrowing, and thus reducing the amount of money in circulation, which will lead to a reduction in demand, and therefore prices will fall, which instead of leading to reducing prices may contribute to doubling them because the interest rate is considered first and foremost the cost of money; If we take the opinion of the economic school that says the commodity of money – Therefore, despite raising this cost to discourage banks from borrowing, the latter will not retreat from their transaction figures, and therefore will bear this cost and will transfer it to the consumer borrower or the investor borrower who will transfer it or double it to the consumer, and thus prices will rise again, which has risks that fuel inflation again.

At the immediate level, as agreed by all economists, the relationship between interest rate and investment is inverse, and therefore any interest rate hike inevitably leads to lower investment. Thus, all the benefits associated with it, such as employment, are reduced.

Therefore, raising the interest rate automatically undermines investment because raising the interest rate will motivate economic actors to leave their money frozen in banks instead of investing it because they will receive high interest and thus become the preference for saving and not for investment.

Don't you see that the government's launch of support for some youth projects contradicts raising the main interest rate and constitutes a lack of harmony in these decisions?

Of course, no one denies that supporting development projects is a commendable matter, especially among young people, because it reflects positively on their lives and their country, but this support will soon be taken away by the other hand because of the increase in the interest rate, not only because these young entrepreneurs will pay high interest, but they will also be forced to acquire materials that... It will help them to produce their products at high prices, and therefore they will be forced to raise their prices because the cost of production is high, and since they are novice contractors and with the fierce competition of major companies that have been present for several years, these young people will be forced to leave the market and declare their bankruptcy, or more precisely, they will be expelled from the market.

In such a complex context, the authorities may consider complementing anti-inflationary measures by introducing structural policies to ease supply constraints. These measures could include initiatives or actions to address existing bottlenecks in food markets, where the large gap between producer and retail prices is not always justified by the value added created in the supply chain.

6. **What is the solution to this problem?**

The matter is essentially linked to strengthening internal demand and consumption, which is an important part of demand, and analyzing the role of consumption in economic policy, whether monetary or budgetary. We confirm that any policy that has been taken will not have any effectiveness unless the consumption rate is high, that is, if the tendency to Actors' desire to consume is stronger than their tendency to save. Investment, for example, is useless if consumption is weak because everything we produce will be locked up in stores. This is based on a theoretical basis called the creator or multiplier, which states

that changing any economic parameter in light of weak consumption will not yield its desired results.

We give an example of two cases to demonstrate the critical importance of consumption for the effectiveness of public policy.

In the year 2022, Morocco invested a value of 245000000000, and in the year 2023, it invested a value of 300000000000, meaning that there is a significant increase in the volume of investment, and therefore the benefit that Moroccans should derive from this is increased growth through an increase in national income. and let us highlight the importance of consumption in this investment policy. Following the multiplier principle, we will assume two assumptions:

Moroccans consume at a rate of 80%, and therefore the impact resulting from increased investment on national income will be:

300000000000 – 245000000000 = 55000000000

Thus, we record an increase in the volume of investment, but its impact on national income will be as follows:

55000000000 * 1/(1-0.8) = 275000000000

Therefore, increasing investment by size will increase the value of growth by the amount we calculated.

But if Moroccan consumption is low, for example, if the ratio is 0.3, the effect will be as follows:

55000000000 * 1/(1-0.3) = 78571428571

Thus, it appears that despite pumping huge sums into investment, the result is considered weak if the tendency to consume is weak.

Therefore, to get out of these problems smoothly, whether they are imported or local, attention must be paid to strengthening Moroccans' tendency to consume by strengthening their purchasing power by exploiting all opportunities that allow them to obtain permanent and stable incomes.

So, we have shown that the root of the problem is not monetary, and therefore we do not need a monetary policy now. We have also shown that the root of the problem is not demand, and therefore we do not need a budget policy as much as it is a supply problem, and therefore we now need an income policy.

The monetary and financial authorities must regulate the level of aggregate internal demand in general and consumption in particular by paying attention to internal demand and strengthening it as a basic principle to ensure the effectiveness of all policies and procedures undertaken by the accompanying financial and economic authorities. Care must also be taken to improve and diversify the goods and services produced by the national economy, which demonstrates the breadth and depth of the productive capacity of our economy. We must also work on the need to reduce the dependency of the Moroccan economy on other economies.

7. Conclusion:

The opinion is to increase the key interest rate by 1%. A rate of 3%, without compelling and clear reason, would lead to reducing production and resorting to hoarding with banks, and it would therefore have been much preferable to reduce it to 1%. To increase production, encourage investment, boost morale, confirm confidence in the financial system, and double employment opportunities.

There is no "The economic situation in our case, and God knows best, lies in printing more banknotes at a rate sufficient to increase wages. This is the only solution that will allow It "will not impoverish the rich but will temporarily take people out of the difficulties of life to avoid the troubles we do not need while waiting for the vision to become clear. Amidst the political and economic developments of the new world we live in, it is not necessary to deduce an outdated economic philosophy to confront this proposition, because today there is no global science in economics and all theories have become obsolete. Today, stability consists of providing enough money to everyone if consumer goods are available, and demand is limited. This is a solution that carries some risk, of course, but it is enough to guarantee general stability until the summer clouds pass peacefully and in complete calm, providing an opportunity for contemplation..."

And finally, each country has its own inflation, which must be faced according to its economic, social, and political specificity.

Références :

- *ARROUS, JEAN, (1999) « Les théories de la croissance, Points économie » n° 43.*
- *Bourbonnais R. (2021), —Econométrie—, Dunod, 11éme Edition, Paris, 432p*
- *Bourbonnais R., Terraza M. (2016), Analyse des séries temporelles : applications à l'économie et à la gestion, Paris: Dunod, 354 p.*
- *Fischer, S. (1979). « Capital accumulation on the transition path in a monetary optimizing model. » Econometrica, 47(6): 1433-1439.*
- *Fischer, S. (1981). « Relative Shocks, Relative Price Variability, and Inflation ». Brookings papers on Economic Activity 2: 381 -431. Loubna OUMARI & Mohamed Adamou Illou. Modélisation de l'impact de l'inflation sur la croissance économique : Cas du Maroc 314 www.ijafame.org*

- *Fischer, S. (1996). « Why are central banks pursuing long-run price stability? Achieving price stability, » Federal Reserve Bank of Kansas City, 7-34.*
- *Freeman, S. and Huffman, G. H. (1991). « Inside, money, output, and causality. » International Economic Review, 32(3): 645-667.*
- *Friedman, M. (1953). « Discussion of the inflationary gap. » "In Essays in positive Economics, Chicago: Univ Chicago Press, 1970.*
- *Friedman, M. (1971). « Government revenue from inflation. » The journal of Political Economy, 79(4): 846-856.*
- *Keynes, J.M., (1920). « The economic consequences of the peace. Harcourt, Brace and Howe. » Keynes, J.M., (1936). « The General Theory of Employment, Interest, and Money. » MacMillan, London.*
- *Al- Mashat, Rania. (November 2007). Monetary Policy in Egypt : A retrospective and preparedness for Inflation Targeting. Working Paper N° 134 was presented in the ECES (The Egyptian center for economic studies) conference on "What Drives Prices in Egyp, p p 1-34.*
- *Kennethm N. Kuttner. (2004). A Snapshot of Inflation Targeting in its Adolescence. Available online at: available online at:http://www.rba.gov.au/PublicationsAndResearch/Conferences/2004/Kuttner.pdf.*
- *https: //www. central bank of Morocco.*
- *https: //www.worldbank.org.*
- *I. L. Awad, "Is Egypt Ready to Apply Inflation Targeting Regime?" Review of Economic and Business Studies, No. 2, 2008.*
- *E. Tutar, "Inflation Targeting in Developing Countries and Its Applicability to the Turkish Economy," An Unpublished M. A. Economics Thesis Submitted to the Faculty of the Virginia Polytechnic Institute and State University Blacksburg, Virginia, 2002.*
- *G. Bakradze and A. Billmeier, "Inflation Targeting in Georgia: Are We There Yet?" IMF Working Paper WP /07/193, International Monetary Fund, Washington D.C., 2007.*
- *G. Jonsson, "The Relative Merits and Implications of Inflation Targeting for South Africa," IMF Working Paper WP/99/116, Washington D.C., August 1999.*
- *C. E. Walsh, "Inflation Targeting: What Have We Learned?" International Finance, Vol. 12, No. 2, 2009.*
- *G. Debelle and S. Fischer, "How Independent Should a Central Bank be?" In: J. C. Fuhrer Ed., Goals, Guidelines and Constraints Facing Monetary Policymakers, Federal Reserve Bank, Boston, Conference Series No. 38, 1994.*
- *A. Chandavarkar, "Central Banking in Developing Countries," Macmillan Press LTD, New York, 1996.*

- *S. Cevik, "When a Prime Minister Makes Monetary Policy," Morgan Stanley Report about Egypt, 2007. www. morganstanley.com/views/gef/archive/2007/20070328-W ed.html*

- *Abay K.A., Breisinger C., Glauber J., Kurdi S., Laborde D. & Siddig K. (2023), « The RussiaUkraine war: Implications for global and regional food security and potential policy responses », Global Food Security, 36.*

- *Armington P.S. (1969), « A Theory of Demand for Products Distinguished by Place of Production », International Monetary Fund Staff Papers, 16(1).*

- *Barsky RB. & Kilian L. (2004), « Oil and the Macroeconomy since the 1970s », The Journal of Economic Perspectives, 18(4).*

- *Brown S.P.A. & Yücel M.K. (2002), «Energy prices and aggregate economic activity: An interpretative survey », Quarterly Review of Economics and Finance, 42(2).*

- *Chafiq A. (2018), « Impacts macroéconomiques d'une hausse du prix du pétrole en 2019 », DEPF Policy Brief, n° 5.*

- *World Bank. (2022), World Bank Commodities Price Forecast.*

- *Zouiri S., Laamire J. & El Faiz Z. (2019), « Ouverture et vulnérabilité de l'économie marocaine face aux chocs extérieurs, le cas des chocs des prix des produits pétroliers » in A. Chatri (éd.), Ouverture, productivité et croissance économique au Maroc. Laboratoire d'économie appliquée (Université Mohammed V) et Policy Center for the New South.*