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2001 & 2007 Recessions prompted Remaking of The International Organizations

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2001 & 2007 Recessions prompted Remaking of The International Organizations

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Abstract:

Countercyclical Economics to enhance business cyclical economics, Global World Trade Organization (WTO), the International Monetary Fund (IMF), and the World Bank (WB) to change from Instrumental for International Lending and International Investment to 1) Managing their own Monetary Policies by expanding the issuance of SDR and fluctuating Interest Rate, 2) Promotional for Business Development through Low-Interest Finance and Subsidies and 3) Controlling for global Market Balance of demand-to-supply by using Monetary and other Policies.

Natural and/or artificial market agents to create the needed market (1/f noise) that will alleviate the shrinking market activities and the rising unemployment.

In addition

An undergoing change from pro-cyclical business economics to a countercyclical economics has been observed. Many papers in economics have followed up on such change fluently suggesting countercyclical approaches. Pressured by the 2001&2007 recessions governments have used extreme very countercyclical measures such as entering into business ventures (the case with the GM) and quantitative easing. Hence, the US contemporaneous policy has been much more straightforward in interfering with the negative market forces than the EU; however, in most recent times the rising national debt of Greece, Ireland, Portugal, and ext. has prompted EU to start acting more countercyclical than a priori. These approaches also adopted by the IFI have become instrumental for the EU to respond under these new conditions by providing marginal lending to Greece and others without losing face.

It becomes obvious that neither neo-liberal economics that greatly contributed to the 2001&07 Recessions nor Keynesian that contributed to the high national debt and the very modest recoveries can explain or somehow interfere with these new arousing conditions of long-term negative market swings and fiscal shortages that prompt consistently high unemployment finally bringing imbalance of market demand-to-supply. Thus, pressured by the market forces the US and the EU are adapting under these new global environment in constant denial of doing it, the terra incognita of a new world of economics seems more like countercyclical than the status-quo of a priori trickle-down capitalism have allowed. In addition, the long-term China's market growth scares all indeed, the puzzle is there. "Now, developing countries increasingly produce the kind of high-value-added components that 30 years ago were the exclusive purview of advanced economies. This climb is a permanent, irreversible

change. With China and India -- which together account for almost 40 percent of the world's population -- resolutely moving up this ladder, structural economic changes in emerging countries will only have more impact on the rest of the world in the future.” MICHAEL SPENCE (2011). This paper continues theoreticizing the ongoing changes even farther in to the overall market economics of using “as it comes as it goes” market agents to create market noise and diversify employment and into enhancing the accounting system of a debit/equity/credit marginal interest rate financing of a higher-security business environment marketplace.

The ongoing changes have been difficult for the International Finance Institutions (IFI)’s philosophical acceptance, which approaches have been quite chaotic and limited by not being able to evolve from a priory economics theory.

This paper will prove that the contemporaneous market conditions are well adoptable for such change of approaches by which the IFI should use monetary supplies through SDR, monetary policies and low-interest loans and subsidies to emerging market (EM) in need with a general accent on environmentally friendly industries and renewable energies projects. IFI priorities to evolve into preventing from market swings, for marginalizing inflation / deflation, to carryon global market balance of “demand-to-supply”. Hence, the global market possibilities for sustained market development could be succeeded.

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0.1 Introduction

This is an theoretical and empirical research to prove that the three main market facts: 1) the ongoing globalization; 2) the rising productivity; 3) the environmental pollution and exhausting Earth resources have major exogenous and endogenous casual effect on the real markets of the Advanced Market (AM) and Emerging Markets (EM) alike. (China is not included as an EM)

The market variations of how AM and EM are being affected empirically in a long-term trend are very much similar: rising unemployment, decreasing middle class, aggregating poverty, and expanding national debt has become contemporaneous correlated these changes. Hence this new trend is substantially affecting the global marketplace in negative ways with a very few exceptions of beneficiaries as China and Germany. By relocating some parts of international supply chains, globalization has been affecting the price of goods, job patterns, and wages almost everywhere. It is changing the structure of individual economies in ways that affect different groups within those countries differently. In the advanced economies, it is redistributing employment opportunities and incomes. MICHAEL SPENCE (2011). To interfere with this trend countercyclical economics is needed, in this paper the recommended approach is called Quantum Factor that closely follow the market fluctuations and uses countercyclical market tools “as it comes as it goes” to keep the market balance in setup parameters and thus maintain consistent market development: by accelerating the processes of contemporaneous correlation of market fluctuations not adjustable by self-cyclical dialectic approaches of sequential variables rather by model empirical analyzes statistically generated by life up-to-date contemporaneous correlation of market variances using artificial interventions of market agents and tools.

The deteriorating role of the growth cycles occurring under these very new by nature market conditions invokes an urgent change of priorities by the IFI: 1) from mostly lending functions to mostly global market development promoting and Inflation controlling functions; 2) from prompting cyclical growth to prompting and carryon of consistent global market development. This paper is to prove that the process of such change is already undergoing and it is about to accelerate.

Empirical and data sources show clear that IFI's is in a process of aggregating their activities toward setting up of [performance standards](#) (PS) of not only global order of market financial stability of international investment, but also enhancing social and environmental market sustainability of [environmental guidelines](#). However, currently, these standards do not create binding legal obligations on U.S. corporations and state law fiduciary duty standards do not compel corporate Boards of Directors to act in furtherance of international human rights. Law firm of Fried, Frank, Harris, Shriver & Jacobson LLP (2007), because it (the implementation of these changes) is done based on the principles of cyclical dialectic economics of short terms industrial growth and lending approach, which underperforms under the new emerging conditions, which show much more randomness and sometime violent market turns that must be dealt by using market tools in of a pro market “quantum factor” flexible pragmatic approach instead.

The modern science of economics, as indicated in most of the after 2007-2009 Recession papers, invokes the ideas of interference with the business cycles to either prevent down-swinging employment, capital, and general business reduction at market downhill or contain credit overheating of the markets in uphill business cycles. However these papers (see: Referrals) shy away from raising the general question of reliability of the business cycles for long-term market development nor the approaches suggested by the neo-liberals or their opposition objectively shies away from their political inclinations where I believe the answers could be in the middle, however many good ideas have been posted suggesting the prompt need from major changes and enhancement of the practiced economics. Hence, this paper generalize on many of the quoted and unquoted papers that conclude or imply of artificial countercyclical usage of market tools for balancing market demand-to-supply and thus avoiding or minimizing violent market shocks for long term market development.

The International Finance Institutions (IFI) in contemporaneous correlation with the new trends in economics should take the role of executors of approaches synchronized with these new trends globally, IFI should direct the new pressing pointed above issues and change their approaches to accommodate these issues for prompting global development and for avoiding violent market fluctuations.

The two categories of factors that interfere with a positive effect of a business cycle:

1) Endogenous for most AM in which high technologies under the high interest rate lending to particularly Small and Medium Enterprises and Investors gradually reduce blue color employment and thus wealth distribution and income become disconnected by not keeping with the inflation;

2) Exogenous when industrial production is moved and outsourced to China and ext. which effect of reduction of industrial production also gradually reduce such blue color employment;

The present developments are in the aggregate with:

- 1) The environmental concerns of global warming and the exhaustion of Earth resources;
- 2) The exogenous inflationary shocks of the rising commodity prices (oil, natural gas, water, and related commodities).
- 3) The decreasing demand side of the marketplace so capital outflow is high.

In this paper are pointed more issues such as shrinking industrial employment and reducing fiscal quantities consequential of these new market developments.

For addressing these issues is necessary to take all contemporaneous correlated market developments in consideration, and the ways these issues are explained by the market studies, to find solutions and possibilities by an enhanced system of economics. Market Economics using Quantum Factor deals with these issues on pragmatic level and should be accepted and developed to setup a countercyclical approach of endogenous market related economics based on exogenous effects of the globalizing marketplace.

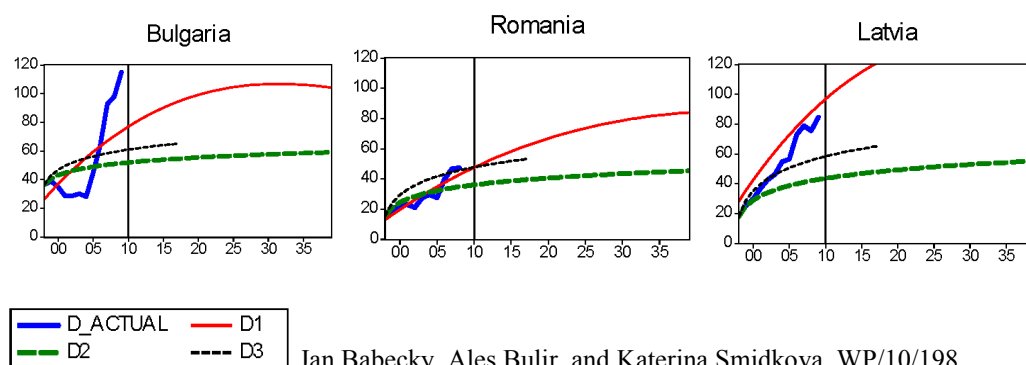
In this paper we will expose and prove the feasibility of natural and artificial usage of market agents and tools (parameters) that is triggered by statistical and theoretical economics which is called (in the paper) Market Economics using Quantum Factors. (The quantum factor reflected the uncertainty and chaotic global market variances that could be smoothed only by parameters for either dispersing energies market buildups or leveraging these energies in the rest of market sectors). The 2008 crisis underscored the importance and interconnectedness of the international business cycle. Shocks apparently emanating in the United States have led to the largest global slowdown since the 1930s., Tamim Bayoumi and Trung Bui, WP/10/239, Modern days global monetary and fiscal policies by the MDIE that have changes after 1979 from PMAF to AMPF policies, Nora Traum and Shu-Chun S. Yang, WP/10/243, The AM intervention in the global economy by interest rate easing and expanded monetary policies, and by bailing out banks, financial institutions and even businesses through stimulus packages and quantitative easing have succeeded in preventing the deleveraging of many banks globally, “the total simulated reduction in foreign claims of international banks reaches US\$ 3,076 billion, about 5 times the size of the initial shock. A large deleveraging of foreign assets by Belgium and Swiss banks (about 30 percent of foreign assets), followed by British and German banks (with deleveraging of respectively 24 percent and 21 percent), US and Dutch banks (13 percent), and French banks (10 percent, however the up to 40 deleveraging by all factors of banking can cause high losses and a collapse of international banking activities.” Thierry Tresselt, WP/10/236”, and many financial and business organizations, however most AM and IFI policies have prompted in general the aggregation by Emerging Market (EM) of debt Rogoff and Reinhart (2009)) found that government debt on average rose by 86 percent in the three years following a banking crisis in a sample of historical episodes and endogenous shortages of fiscal quantities in a globalizing marketplace in which contemporaneous prices correlations have greatly marginalized, even all economies in such marketplace should have similar variances the great inequalities of capital accumulation and market development are instead accelerated by these forces, the pressing volatilities of endogenous pressures have prompted the Advanced Market (AM) to act one sedately to these pressures by interest rate means hence, negatively affecting anyways underdeveloped and impoverished EM, the implosion in advanced markets financial centers, especially after the collapse of Lehman in September 2008, quickly spilled over to emerging market (EM). As a result, growth of the global markets fell by 6 percentage points from its pre-crisis peak to its trough in 2009, Ricardo Llaudes, Ferhan Salman, and Mali Chivakul WP/10/237.

Alone with the private capital flow through bonds and other securities the international finance institutions (IFI) the WTO, the WB and the IMF, which are suppose to prevent violent market fluctuation, are using debit/credit economics by lending on relatively high interest rate to EM, by underwriting of their (those countries) lend-ability and by monitoring these countries market activities. The capital for such lending was and it is still coming from the AM, now including China, and even individuals and financial institutions. The servicing of these loans is the IFI main priority. The developing countries have been disproportionately subject to the orthodox stabilization measures of the IMF, often with no beneficial results in export earnings but substantial increases in import bills and con-sequent increases in domestic prices. Moreover, the liberalization produced by the GATT has benefited relatively few among them.

Gradually, with the demise of the Communist Block and with China entering the WTO, and with the Internet and high tech revolutions the globalization accelerated, particularly it did in the 1990s that removed obstacles among countries and markets “followed the same process of liberalization, but with a lag. Many restrictions were removed in the early 1990s, under the auspice of the International Monetary Fund. Liberalization of capital movements started at a later stage in lower income countries”, Dennis Reinhardt, Luca Antonio Ricci and

Thierry Tresselt, WP/10/235", making IFI more powerful: the data collected, the rules of engagement, the interdependence in such globalizing world have enhanced and made IFI controlling functions more productive indeed, but, even when many of the rules of tight government budgets, freeing direct investment, and less governmental business involvement overall promote Transnational Corporations, which are considered by the modern economics as frontiers of high productivity and global growth, however these actions have had negative effect in many occasions on the market development of countries as Bulgaria, Romania, Latvia, etc., countries losing equity by letting existing infrastructure deteriorate, reducing their Social Policies and Medicare, and finally deepening into general disproportioned inequality and weak consumption (market demand) into national debt.

Net foreign debt: Actual and simulated trajectories, 1998–2039
(In percent of GDP)



Hence, these IFI rules instead of prompting market development invoked rising national debt and overall market setback to these emerging markets even when these countries followed the IFI policies of tight budgets and reduced deficit. "Owing to narrower and more volatile revenue bases, and are exposed to spillover from solvency risks in advanced sovereigns. Dennis Reinhardt, Luca Antonio Ricci and Thierry Tresselt, WP/10/235" Hence, the system used by IFI from one side making high-interest rate loans and from another tightly controlling these countries expenditures for infrastructure, education, medical services particularly in time of negative shocks are procyclical and deepen the market downturn. When some of these fiscal policies if used by the governments could be countercyclical: "IMF-supported market reforms, with their emphasis on fiscal reforms, have affected the procyclical behavior of government spending in developing countries." Bernardin Akitoby, Benedict Clements, Sanjeev Gupta, and Gabriela Inchauste, WP/04/20.,

However, under the existing at moment market conditions by keeping these countries in tight budgetary margins in times of long-term recessions makes their markets reduce business activities. A weak economy increases budget deficits, which in turn, drives higher government debt. This requires even greater cuts in government spending and higher taxes to reverse the deterioration in public finances, leading to further contraction in the economy. This drives a deteriorating credit rating outlook, reduced access to commercial financing and higher funding costs which contributes to a further declines. As some of these countries are also heavily dependent on external financing from banks and investors, around 60-70 percent for Greece, Ireland and Portugal, a financing crisis becomes almost inevitable. 'The IMF economists obviously did not understand the implications of asset bubbles that were building up in the United States, the United Kingdom, Spain and other wealthy countries. The financial and economic crisis caused by the collapse of these bubbles caught them by surprise....Is there any reason to believe that the same people who were so completely clueless in their understanding of the economy just four years ago are now qualified to be giving advice to governments around the world?', **Dean Baker (2011)**

Neo-liberal economic policies that are under shady market conditions with lower taxes and lower paid work force are considered prompting market development by attracting FDI and getting TC to move in, which consequently prompts countries/markets growth and employment (1/f noise), which is the economics of rising productivity generally supported by the philosophy of governmental hands-off business and the infrastructural, social and medical expenses are expenses and stoppers of market expansion.

Recent history shows that instead of prompting growth, the economics of rising productivity has mostly suppressed general business activity and market development, lowered demand and finally added to many countries national debt thus in majority of markets the expected by the "a priori" neo-liberal economics growth

has not come. Moreover, formal firm growth improves with better enforcement as measured by fair and impartial courts, while informal firm growth is constrained by organized crime, pointing to their inability to take full advantage of the legal and judicial systems Era Dabla-Norris and Gabriela Inchauste WP/07/112. There are number of reasons for the a priory theory failure: some are the global market situation of long-term downsizing business and financing to many markets or because of weak capital transmission, or just because capital shortage and high interest rate did not have the right market conditions for major market boost, however these policies consequently deepened many markets into shrinkage and poverty. “in 2000 there is no further decrease in the poverty gap, the data also indicate a worsening relative income outcome among the world's poorest particularly in the 1990s (with indications that this trend continues in the 2000s)” Lynge Nielsen, WP/09/93. Pressured by their financial obligations and slow business activities, many EM have gone into in a vicious downturn market circle.

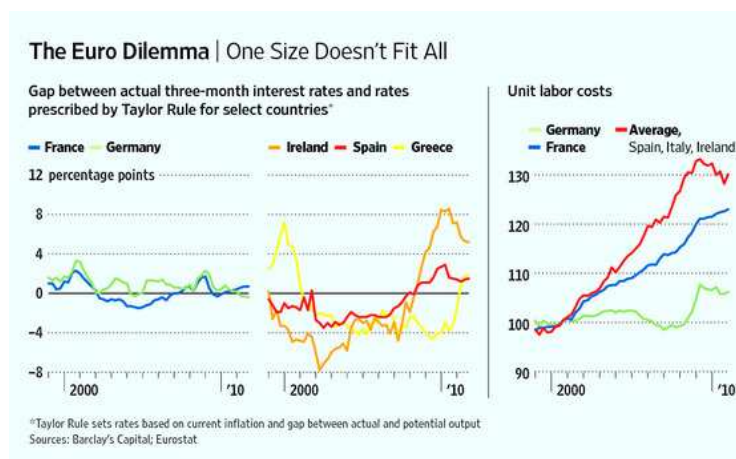
Gradually, the high interest rate by the IFI has pushed away borrowers too, the overall trend moved to grants, and subsidies as private flows have surpassed the public flows (grants and official loans) that were the main source of capital for low-income countries. While public flows plunged in all countries, there is an indication that grants were replacing loans in low-income countries, which is consistent with donor commitments, Jean-Louis Combes, Tidiane Kinda, and Patrick Plane, WP/1109. In addition, the financial abilities of the IFI have become in time less equitable to the rising needs for countercyclical measures by the emerging markets. In time of recessions, the IFI financial abilities deteriorated additionally depriving many underdeveloped EM from so much needed capital flow. Simultaneously, these IFI were implementing standards and rules that could unify markets into one global marketplace, but because of the pressing conditions of 2007-2009 Recession with lack of funds and the governments of AM taking huge stimulus packages to help their markets when the rest of the world deepened into market slam. “The outflow of foreign capital from emerging and developing countries, with its destabilizing effect on private and public finances in these markets. Ralph Chami, Dalia Hakura, and Peter Montiel, WP/09/91 Hence, instead the markets of the rest of the world closing on the frontrunners (1/f noise) by being assisted by the IFI many countries came down into substantial markets turmoil.

To change the current Catch 22 situation many enhancements of the Global financial system and the IFI approaches are becoming necessary to prompt and maintain consistent market development. If such market development is not succeeded by the conception of rising market demand and political stability, it might well not respond to the correlated needs of employment, reduction of the environmental pollution and of expanding alternative energies in response to the diminishing Earth recourses. However, such targets must be only directed promptly and unconditionally by a new system of economics to prompt cleaning the environment and moving into renewable energies that is possible only by eradicating poverty, underdevelopment and avoiding pointless and uncontrollable industrialization, though by the used at the moment ‘a priory’ system of economic such development is impossible.

1.0 What is pressing for the IFI to Change and what should the IFI Role be under these New Conditions

The last 2001&2007 Recessions had shown what the immersive power of over-capitalization in a few sectors of the market can invoke “After a record buying binge that lasted a dozen years, US consumers were stretched as never before. Consumption excesses were built on the precarious foundation of two bubbles property and credit both of which have now burst” followed by most of the rest of the world; Shocks apparently emanating in the United States have led to the largest global slowdown since the 1930s., Tamim Bayoumi and Trung Bui WP/10/239; there could be considered a number of reasons for these recessions and the ferocious consequences, but one of these reasons is the outsourcing and moving of industrial production to China: (in contemporaneous correlations with the globalization and rising productivity it has become easier many transnational corporations to move or outsource industrial production that added definitely to the pressures of one-sided over-capitalization in the US Real Estate industry which was not supported by expansion of other section of the US market, hence, the Recession hit hard and long the financial sector, manufacturing, insurance, and consequently most of the market on a global scale; the US and EU used sharp easing of their prime interest rates and poured Monetary Quantities into their markets, they used large stimulus packages to help financial institutions, brokerage powerhouses, insurance companies and even businesses clean their books from bad loans and replenish their diminishing market equity, tax breaks to prompt turn around the diminishing consumption, and large governmental investment programs in the infrastructure and development (the US) Nearly two thirds of the stimulus package is government spending and transfers. That spending includes \$44 billion for infrastructure expenditures on water quality, transportation, and housing, and another \$88 billion in federal spending on energy, innovative technology, and federal buildings (Congressional Budget Office (2009) These infrastructure

provisions, which are unusual for countercyclical fiscal packages in the past 30 years, have revived the role of government investment as a countercyclical tool.² fiscal stimulus packages in many countries have included a large share of public investment spending in the belief that such investment is productive and better for future growth.³ In the process, large national debt was accumulated by the US, other AM and EM alike that was unprecedented in history. Used New Keynesian models often omit government debt from model specifications and implicitly assume that lump-sum taxes adjust to clear the government budget (e.g., Christiano et al. (2005) but Higher public debt raises solvency risks, constrains the capacity to use fiscal policy as a countercyclical tool, and can increase borrowing costs for sovereigns (IMF, 2009d). This perspective, though, overlooks two issues that are critical to how government investment affects the economy: implementation delays and future fiscal financing adjustments. Eric M. Leeper, Todd B. Walker, and Shu-Chun S. Yang, WP/10/229, hence, the actions of AM were supported by contemporaries regulations in the Financial industry to prevent from repetition of the market downturn. However, there are some OECD as Greece, Portugal, Ireland, Spain, in EU that were gravely affected by the 2007-2009 Recession, and by the market interference consequential of the AM contemporaneous market policies too, “revenue-raising measures increased the likelihood of successful consolidation in countries that faced large adjustment needs after the crisis. This reflects the fall in effectiveness of spending cuts when deficit reduction needs are large independent of initial tax ratios.” Emanuele Baldacci, Sanjeev Gupta, and Carlos Mulas-Granados, WP//10/232; hence, unless the actions taken by the US, EU and Japan somehow helped them stabilize and come back on the growth path even by accumulating substantial national debt, the most vulnerable EM part of EU that were markets not having their monetary policies or stimulus packages the recession and post-recession have gotten them in market disaster of Fiscal slam and market activities slow down.



Hence, considered under currently used theory of economics these badly affected markets way out is procyclical 1) by drastic budgetary cuts; 2) establishing shady business and low taxes market conditions to attract foreign investment; 3) raise their productivity to become competitive and 4) carry on industrial production. However, such procyclical market agents' effect on prompting market growth in time of China's industrialization combined with industrial capability of AM has gradually become highly unlikely.

The austerity measures as requested by IFI and EU are pro-cyclical even when study by the World Bank (2007) concluded that there are positive growth effects of public spending in general, and that of infrastructure, education, and health spending in particular and the report from the Commission on Growth and Development (2008) came to an even stronger conclusion by noting that a common element in fast-growing countries is high public investment, defined as 7 percent of GDP or more; to Greece, Portugal, Ireland, Spain, and ext. had contracting to their markets effect.

(Currently used debit/credit “a priory” economics creates highly volatile market conditions of low market security and generally based on industrial production fiscal reserves; manufacturing and mining are largely traded industries, while construction and services are largely non-traded, Therefore, the IFI policies could be considered unnatural to the market related system of economics and off current possibilities, therefore such economics cannot succeed in establishing global market development and balance markets demand-to-supply.)

The austerity measures have had negative for these markets and for the global market effect, because of the shrinking business activities and slumming consumption that brought additional volatility to the capital and commodities market exchanges and inflationary pressures. Hence, such continues negative market pressures

worsened these countries markets instead of prompting the projected international investment and productivity growth public investment may fall in an economic downturn simply due to lack of resources, as it is often among the first expenditure items to be cut in a downturn. Serkan Arslanalp, Fabian Bornhorst, Sanjeev Gupta, and Elsa Sze¹ WP/10/175, the measures shrank their economies to very much continuous contraction; for these markets the effects from the recession did not come at the contemporaneous exact time as it happened in the US and other AM. Most studies reach the broad conclusion that fiscal policy is cyclical in developing markets and countercyclical or acyclical in industrialized ones.², Javier Arze del Granado, Sanjeev Gupta, and Alejandro Hajdenberg, WP/10/234, therefore the monetary, fiscal and stimulus actions taken by the US and other AM might have had some opposite effect on many OECD and EM countries taking them to market slowdown and shrinking while some market expansion have been succeeded in the US and some AM.

In other category are underdeveloped emerging markets as Bulgaria, Romania, and most of the rest of the world, which kept low elasticity deficit and national debt under the pressure by the AM and IFI. These EM's are experiencing deepening poverty and deteriorating infrastructure, education, medical services, low market consumption, seriously decreasing market activities ravage these markets making them totally lacking demand.

In both examples OECD and EM consumers have suffered shrinkage of income, very high unemployment, and actually have experienced market conditions being able for comparison only to the wartime; the global slowdown is affecting the demand for migrant labor in both the industrialized and the Persian Gulf countries, the main sources of remittance income. According to a recent World Bank report, remittance flows are estimated to fall by 5 to 8 percent in 2009 Ralph Chami, Dalia Hakura, and Peter Montiel, WP/09/91, contemporarily, the IFI did not possess neither financial strength nor acceptable lending matrix with acceptable interest rates to help anyhow these diminishing markets, and when EC Central bank is trying to save some of these markets by helping them pay their contemporary debt the indicators show very unsuccessful continuation of these markets rebound when debt bond rates skyrocket and these markets are downgraded because these markets could not offset the recession.

Under such desynchronized market environment in where the action of some may gravely affect others because of the inadequacy of currently used economics the role of the IFI is to smooth the markets disturbances and policy actions that were provoked by the US and EU and imposed to the rest on the marketplace.

1.1 Market Economics

Market Economics by the theory of economics is considered the supply to demand, buyers to sellers, and consumption to production trading and the monetary exchanges between them. The theory has changed from a linear to dynamic to quantum cooperative to quantum non-cooperative conceptions. Thus, it has evolved philosophically from simplicity to complexity.

In this paper, the complexity and uncertainty of market variances are bringing quantum market factor. Hence, under general uncertainty of market development the equitable market agents are generally included for balancing demand-to-supply marketplace and prompting building of equity on a local and global market level. Such balancing market tools (agents) added to currently accepted industrial production and international lending are:

- Enhanced Credibility
- SME & SMI higher market security and competitiveness
- Enhanced and enforced Performing Standards
- Comprehensive IFI's Monetary Policies
- Low Interest Rate Crediting
- Equitable Fiscal Policies (the equity side % of)
- Equitable Social Expenses (the equity side % of)
- Equitable Infrastructure (the equity side % of)
- Equitable Intellectual Property
- Low Interest Rate Project Financing
- Subsidies
- Others

Hence, these appointed market tools prompt the quantum factor equitable function to balance the market demand-to-supply (in the case the supply-to-demand of a pro-supply market is argued in this paper to have been evolving into a pro-market balance demand-to-supply market), which has been assessed causation of accelerated globalization of the marketplace and of the rising productivity, contemporaneously aggregated by the rising China's industrial productional capacity, the moving and outsourcing of industrial production by the TC to China, and the great advances in equipment technologies communicational technologies. Thus, this process is depriving many EM from possible industrialization and decreasing such industrial production in many AM markets. Hence, such developments have created global shortages of fiscal quantities bringing high deficit and national debt, which contemporaneously has been farther accelerated by the last 2007-2009 Recession. The used system of economics relies of business cycles and a debit-credit mostly economics to offset losses and dialectically prompt global market development. It relies of the TC to carryon growth and keep unemployment in acceptable limits. Under these conditions monetary policies are mainly used to keep inflation (however in this paper Inflation is greatly considered as transitionary rather consequential of the fuel inflation than the over all CPI).

This paper argues that the over all market security (individually and globally) could be enhanced at its best by using micro as well micro market approaches. "A system can be internally or externally controlled with the purpose of guide it to a state of maximum or minimum entropy depending of the ambitions of the members that compose it or the "people" who control it." Esteban Guevara Hidalgo(2007) Such "security" would enhance the fairness of market competition by giving SME ability to compete to the TC, the SMI to compete the BMI and the EM to compete the AM.

In V.P. Maslov (2008) the theory of complexity in monetary policies, which could be achieved by diversity in currencies in this paper is extended to micro-macro market complexity of putting new weights on business from easy business of shady practices into more regulated business. The new complexity (entropy) on a global scale from micro-macro market level will bring similar effect to the real marketplace, thus the complexity needed to stop the coming debt disaster and reverts it under the new conditions into global development the "transition from the MMM pyramid ("bubbles") leads to entropy increase, therefore, to the Kolmogorov complexity. Hence "bubbling" leads to decrease of complexity." Hence, extend the 3M recommended complexity to a global complexity by micro and macro market approaches.

The conception of Market Economics using Quantum Factor "more adequate to a market economy than the conventional, classical arithmetics and permits one, using model examples, to explain stock price breakout, default, and a number of laws observed" in statistical data processing. V. P. Maslov (2005) is based on the recognition that the informational market data flow and the market processes are "uncertain", because of its variations, complexity and unpredictability. Hence, market tools must be used indiscriminately on a "as it comes, as it goes" principle (not as a priory motivated as practiced by currently used economics) to offset the buildups of negative energy in a grid of market equity, hence, the role of market equity as main balancing market agent for financing in an enhanced marketplace will increase progressively.

The environmental issues of global warming and the decreasing natural resources in this paper that are considered as a main economic "weight" under the currently used economics must be dealt indiscriminately rather as market agents by the Market Economics using Quantum Factor approaches. The Social and Infrastructural Expenses are also considered equitable in certain percentage.

The overall equitability would be enhanced by these new market conditions prompted by the micro and macro market enhancements as mentioned above that in addition will boost the credibility of IFI on the global scale.

1.2 From Debit-Credit to Debit-Equity-Credit & From Supply-Demand to Demand-Equity-Supply

The dynamic system of debit-credit finance comprehension (on the marketplace supply-to-demand) used as contemporaneous economics establishes trends for the global market policies and directly affects the entire apprehension of markets:

Deficit and the consequential national debt is a guiding agent for markets monetary and fiscal elasticity of countercyclical measures in time of market downturn. The deviation from strict debit-credit balance by accumulating national debt by using such countercyclical Keynesian methods (Keynes had argued for an international overdraft facility. This would have created some new liquidity, with the overall balance of credits and debits in the Fund being expressed in an international unit of account, which was to be monetized. The arrangement would have been self-clearing unless a country were out of balance with the system as a whole, in

which case corrective measures were called for on the part of creditors and debtors alike, Ruggie, John Gerard (1982) comes with the price of interest payment on the borrowed money (in the case all methods of borrowing are considered: bonds, loans, ext), with the Keynesian theory of monetary countercyclical market intervention and with the theory of the offsetting to the downturn market losses by upturn cycles of rapid growth. The principles of multilateralism and tariff reductions were affirmed, but so were safeguards, exemptions, exceptions, and restrictions—all designed to protect the balance of payments and a variety of domestic social policies.

However, the sharp very violent negative shock of the 2007 Recession and the relatively slow following recovery market growth brings the question if the relatively high interest rate and short terms by which EM borrow will not become infinitively causal to rising national debt for many countries. One of the reasons for the Recession (as argued in this paper) is the moving and outsourcing of industrial production to China and the rising manufacturing capability of China, which added to the constantly increasing technological and logistical enhancing flexibility succeeded by many TC causes prompt such accelerated globalization and rising productivity. John Gerald Ruggie (1982) expressed concerns with the gradually aggregating oversupply: **This is not to suggest that the trade regime has encountered no other difficulties. One of the more serious is surplus capacity, which shows that the apparent ease with which liberalization has been accommodated was also dependent upon unprecedented rates of economic growth.** However, never before but the last 20 years when this process have been that problematic because of the principle lack of wealth distribution by the used a priory economics.

Trade deficit experienced by the US and other AM and the shortage of Fiscal quantities by many EM brings national debt rather higher contemporaneous cause of economic instability.

In this paper, we argue that by using of current debit/credit financial system of relatively high interest rate under the conditions stated above will increase the inability of many markets to deal with the ever-rising national debt. Hence, will prompt global market violent shocks, which in a globalized marketplace will affect the global long-term development in negative ways;

This paper considers the debit-credit system as a by-product of the pro-business cyclical a priory economics of concentration of capital and trickle down growth. Hence, such system might be considered as smoothly through the 19-20th Centuries to promote long-term market growth, however such system is considered, in this paper, as not capable of prompting long-term market development (economic growth in this paper is considered to evolve into market development) in the 21st Century, because the business cyclicity is becoming immobile to deal with sharp, violent and long standing market downturns or to ensure consistent market development.

In the debit/credit global financial system the individual markets growth is directly related to debt, it is consequential to the principal of lending and the financial relations among investors/banks and countries/markets. Hence, the powers of this accepted approach business activity puts pressure on individual markets to keep tight monetary means on their policies and thus keeping these markets in budgetary and monetary limits to avoid market violent turns. Which debit/credit system had brought for many markets long-term market expansion, and many markets have closed to the frontrunners. These tight monetary and fiscal policies prevented from high inflations too. However, even this system worked relatively well in the past, it is becoming increasingly irrelevant under most recent global market developments: 1) ongoing globalization, 2) rising productivity, 3) global warming and 4) exhausting Earth resources are exogenous factors to be rendered with in an emerging manner. The business cyclicity is a self-adjusting dialectic economics that cannot deal with the appointed new developments (1, 2, 3, and 4). First, because it is based on turbulent and sharp up & down interest rate turns in many ways uncontrollable. Second, because such market swings may not render with the contemporaneous exodus of industrial production to China, Brazil, and India. Third, because by such needed adoption of alternative energies and reduction of pollution are quite expense in aggravation to already indebted markets. Fourth, because the transnational corporation on which this system is based have the flexibility to move and deal with corrupt or less demanding governments to avoid environmental regulations and strict financial regulation,... and etc. In recent decades, for example, environmental and social legislation have caused investors to use stabilization clauses to protect their investments from costs resulting from changes to such legislation. (See Walde, Thomas and George Ndi, "Stabilizing International Investment Commitments: International Law Versus Contract Interpretation," 31 Tex. Int'l L.J. 215, 230-1). Host states often see stabilization clauses as a way to encourage inward investment and provide a favorable investment climate, so they accept stabilization clauses as one way to provide assurances to investors. Investors and lawyers (including those representing states and investors) observe that states sometimes accept sweeping stabilization clauses, along with other terms that appear to tilt the project in favor of the investor, as a way of securing a large investment project and enticing further investment in the country. Andrea Shemberg (2008).

In this paper the debit-credit business cyclical long term market 1/f noise approach is evolving into countercyclical economics of debit-equity-credit market approach, in which market equity is enhanced by a combination of market agents and tools naturally and artificially balancing accounting debit-equity-credit or market demand-equity-supply. Martin Shubik (1996), “When the system is infinite, the system becomes completely symmetric and the amount of fiat money held jointly by the economic agents and the outside bank is conserved. This amount is the circulating capital of the economy.” By raising market security and by using market agents and tools in “as it comes, as it goes” approach, the lending system with main purpose of international long term growth to change into global market development in which lending is only a part of this development not the main agent. Martin Shubik (1996), “the special role for institutions and laws in serving not only as carriers of process, but in providing the appropriate bounds to guarantee the existence of equilibrium”, Hence, the fundamental reason for such change is the new arousing market globalization and rising productivity accelerating market processes into sometime long-term violent swings. The main purpose of IFI as an international carrier of such global market development is to prompt market expansion through using market agents and tools to fight endogenous and exogenous inflationary shocks. The concerns of such approach is to reduce poverty, underdevelopment, environmental pollution, and enhance renewable energy production in an less-volatile market environment in which GDP is not mainly correlated to industrial production. “This equilibrium is represented in the maximum system entropy in where the system "resources" are fairly distributed over its members.” Esteban Guevara Hidalgo (2007)

1.3 How Expenses change into Equity

In this paper, expenses such as: 1) Social and Medical 2) Infrastructural, 3) Educational, and even 4) low-interest financing and subsidizing are considered in certain percentage equitable.

The balance of market demand-to-supply puts equal weight onto both parts of the occasion, when demand is equally important to supply and vice versa. The appointed 1,2,3 and 4 expenses are partially equitable for this balance because these add to the one or the other side, their partiality of market equityability depend of the transmissionability of certain market to accommodate these expenses and turn part of them into market equity. Similar to “In our welfare analysis, we interpret government spending as provision of public goods and modify the utility function of each household type accordingly” Michat Brzoza-Brzezina, Pascal Jacquinot, Marcin Kolasa (WPS 1280) 2010, however the balancing market agents and tools applied by is through modeling taxes and reducing government expenses to balance market demand-to-supply whenever in this paper other market tools and approaches are modeled. The debit/credit and supply/demand until today is considered balanced by income/expenses and equity/liability supporting information, however the financial system (locally and globally) is cash based. Accrual accountings on paper is used by mostly advanced markets and large transnational corporations, the low-security of emerging markets from global prospective and the small and medium enterprises from local prospective could be considered the main reason for such difference in approaches. Current financial system is fundamentally based on industrial production as a main source of GDP, and in the past, the percentage profit was generally high to offset the high interest rate lending. Therefore, the negative and positive market shocks that in principles were offsetting one another in a long term, prompted by rising productivity, the 1/f noise went to a general market growth to many markets.

However, with the new trends (high-tech improvement of manufacturing equipment, the globalization and rising productivity, the China, now Brazil and India mass industrialization) the competitiveness of the US and many other markets to maintain needed industrial production to support rising fiscal reserves has become limited. The profit margins of the still retained on the US soil industrial production have shrunk too. Hence, under these new conditions the relatively high interest rate financing is becoming very negative for the market balance.

Under these conditions, particularly hurt are small to medium enterprises and investors that do not have access to low interest and public financing, and have limited access to the poorly regulated predatory to them global marketplace.

So instead gaining market equity the US market and many other markets are “gaining” national debt because of the appointed new developments and market imbalances. In simple words, the US and many other countries national debts are in contemporaneous correlation to their market and the global market imbalances that imbalances have brought the market necessities for governmental interference to offset negative market shocks,

the 2001&2007 Recessions' countercyclical actions taken by the US government could be considered a good example of this theory.

This paper theory in economics is about gaining market equity and expanding the value of such market equity on a global market scale. By using

1. Enhanced micro and macro market tools: 1) from limited liability to unlimited liability adjudication of the corporate structures, 2) from shady business and contracting laws and regulations to more definitive adjudication, 3) from shady global market exchanges' and financial institutions' practices to strictly adjudicated such.
2. Enhanced global market tools: 1) from partially accepted now Intellectual Property protections and Performing Standards including social and environmental responsible approaches to more adjudicated and enforced such by all market participant countries.
3. Enhanced access to low-interest and subsidized financing to SME, SMI and EM that will raise the market competition and establish more competitors.

The currently existing theory of easy business that was suppose to raise productivity and thus to prompt higher employment in a business cycles swinging environment instead lowers equitability of most small to medium markets, businesses, investors and promotes big markets, big businesses and big investors. The theory in this paper brings fair competition to the marketplace locally and globally and raises small to medium entities' security making them more financial-able, it complicates business activities, which by itself lowers the dependence of these markets from industrial production through diversification. The complication of business activities raises their equitability and overall market equitability.

In market environment of globalization and rising productivity requires less dependence on industrial production to balance markets demand-to-supply. Complicated and the same time with higher security SME and SMI on a local and EM on global marketplace will have positive effect in a long term for markets balance.

Hence, if market equitability and market expansion of emerging market rises under these new conditions their financing-ability will rise too. The transmission of IFI's low-interest financing and subsidizing through these EM will become better and natural for their markets so the effect of such will verses raise these markets equitability. More like "Catch 22" vice versa.

An enhanced **natural value** of market equity is achievable only by rising **market security**.

The 1, 2, 3 and 4 **expenses could become partially equity in natural, for the market, ways if the security of these markets is uplifted.** The percentage of their equitability will directly relate this market security. However, the interference with the market evolution is imminent for achieving such market equitability; however, such interference should be done in a very responsible natural for the markets ways.

The nature of national debt will change under these new conditions in a few directions: 1) rising market security will bring more bank financing, 2) more monetary quantities will become market absorbable, 3) international interest rate will be low that will allow countries expand independently from currently used financing system and more appropriate adding to it, 4) SDR will become global market exchange currency and 5) environmental protection and alternative energies will become a main source for market development and market expansion. Therefore, the debit/credit financing and national debt of the present will become less relevant in terms of numbers and ruling on the markets effect.

2. Change of IFI Current Market Approaches – From pro Supply to pro Market Balance surrogated by the Demand

The well-known business cycles' functionality to prompt and carryon relatively smooth global market development is limited. (See related chapter) Therefore, the IFI should use "as it comes, as it goes" market approach to maintain market development (there is difference between economic growth and market development). 1) By issuing of SDR in higher quantities, 2) by maintaining its own monetary policies, 3) by establishing fair competition on the global marketplace and 4) by serving as a business incubator for small and medium business in environmentally friendly and alternative energies, the International Financial Institutions

(IFI) are poised to become independent global institutions which role is to fight inflation and negative market shocks while promoting market development.

The market agents to be used in such random way need sufficient level of countercyclical quantum factor economics (number of empirical papers has well developed countercyclical practices and more should be done ahead, hence, I believe this paper will prompt intensive research). However, for market agents to be functional their impact on the global marketplace must be enhanced. On micro and macro market level the changes needed and suggested in this research are as important as the full enforcement of GATT and Performing Standards as paramount to accomplish it.

How these market agents approach should be changed from the ideological debit/credit philosophy to a proactive debit-equity-credit approach of random quantum factor philosophy? – And why such proactive global market development is paramount to save the environment and eradicate global poverty (which functions are interconnected)?

Hence, the pro supply economics should also change into a market driven pro-market balance demand-to-supply philosophy hence IFI by changing their approaches will use the market agents and tools pragmatically (not politically motivated).

The process of eradication of poverty and the establishing a fair market competition might have an expansion effect helping on the global market; it could spur more consistent market development than the trickle down a priory approach used.

By accelerating the usage of environmentally friendly technologies and renewable energy sources IFI could create natural and artificial market demand to balance the rising productivity on the global marketplace.

Currently used economics by the US, the other advanced markets and IFI rather expands the already large gap between 1) The rich and poor, 2) The AM and the EM, 3) The TC and the SME, and 4) The Big Market Investors (BMI) and SMI. The ongoing globalization has an effect of leveraging global marketplace in where goods and utility prices are leveled up prompting exogenous inflation that accelerates the diminishing access to goods and services by the middle class and the poor elsewhere.

Manufacturing as a main market agent for market growth and main additive to countries GDP is losing capacity for many markets because of the rising industrial capacity of China, which added to the rising productivities in the US, and other AM establishes lack of possibilities for many markets to industrialize. Hence, this process has limiting effect on many markets' possibilities for market development. The 1/f noise that was supposed to close many EM to the frontiers under these new emerging conditions is not working. Such process of reduction of access to manufacturing jobs and general change of contemporaneous market environment affects the US and most AM too by rather expanding poverty and shrinking middle class "The combination of stagnant employment and sluggish real wage growth has meant that poverty rose through 2003, albeit modestly. This pattern contrasts with the usual pattern of poverty falling as GDP grows. Moreover, several key labor market statistics correlated with poverty show no improvement at the time of our writing" Richard B. Freeman and William M. Rodgers III

Other market factors pressing for global change of market approaches are:

- The aging population in many AM and EM presses the issues with retirement age, and the US is a good example of it: During the last five years, the percentage of the population working [has fallen to 58 percent](#) from 63 percent, reducing the number of Americans with jobs by 10 million.

"The Board of Trustees of OASDI has expressed the need for long-term reform for several years, their 2009 report described how lower gross domestic product (GDP) and fewer covered workers affect the long-term outlook (see Board of Trustees, 2009). The Board moved forward its projections for the year in which outlays will exceed revenues (2016) and the year in which current trust funds will be exhausted (2037)"

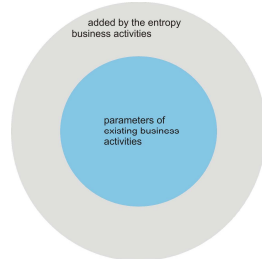
Seemingly the global productivity is rising and the industrial production is moving and outsourcing "Estimates from business groups of the magnitude of off-shoring suggest that upwards of 300,000 to 400,000 jobs are off-shored per year" Richard B. Freeman and William M. Rodgers III, contemporaneously to moving and outsourcing industrial production to China, and now India and Brazil.

It appeared a trend of reduced in frequency pro-supply market shocks rather increasing in frequency for the lack of balancing pro-demand market shocks. "the contribution of supply shocks to output growth and inflation is substantially lower for the 1980s and 1990s, which may be attributable partly to the reduced variance of supply

shocks (Favero and Rovelli, 2003; and Cecchetti and others, 2004)” The problems with inadequate wealth distribution and redistribution, of the a priory pro-supply trickle-down cyclical current economics, lacks endogenous and exogenous approaches for maintaining and enhancing the market expansion. The primary cause of the jobs crisis is a lack of demand, the same problem that bedeviled the economy in the 1930s. Consumers, long the primary engine of economic growth in the United States, are in the midst of an unprecedented retrenchment. “Today we go to Brazil, we go to China, we go to India, because that’s where the customers are,” said Mr. Immelt, who is also chairman of President Obama’s Council on Jobs and Competitiveness. The Heisenberg’s 4th Principle: The laws of demand and comparative advantage does not posses the market power to accelerate the market forces to the needed capacity, hence, to balance global market demand-to-supply. Because of the limited impact under these new conditions: (the shrinking middle class in time of rising productivity on the US market is the best example of these new processes).

The incredible market advantage transnational corporations acquire under this very open globalized marketplace with general lack of restraining regulations and the low wages paid to skilled labor, and stated by Andrea Shember (2008) use of stabilization clauses is widespread across industries and regions of the world.... These clauses also may be designed to insulate investors from environmental and social legislation, a matter of growing economic significance to investors, which market irregularities diminish the power of comparative 1/f noise supposedly poised to prompt economic growth. Hence, because of the contemporaneous reduction of industrial production as a main market agent for wealth distribution and redistribution and main source for GDP, the fiscal and monetary stability is in great jeopardy. Hence, the high interest rate lending and sharp interest rate policy swings are well founded on pro supply economics and pro wealth effect concentration of capital. However, the 2001&2007 Recessions showed relatively low inflation even with relatively high gas prices; the market shock pressures coming from the diminishing fiscal quantities brought rising national debt problem that is to stay in place and rise in importance continuously. “In the 2008 recession, rising energy and material costs induced positive pressure on inflation, while predominating downward inflationary pressures arose from negative demand shocks.” Woon Gyu Choi and Yi Wen, WP/10/20

This paper considers the implementation of Performance Standards on Social and Environmental Sustainability and Policy on Disclosure of Information (PS) by International Finance Corporation (IFC) as a priority for enhancing the power of the market agents and tools on the global marketplace to maintain market development and balance. In contrast to the theory of fast shady business and rising productivity as an agent for growth, this paper accepts the idea of more complex business approach under the new environment that supplemented by other financial means to maintain global market development. (The terminology is changed from growth to development as a fundamental philosophical difference of approaches). The International Finance Institutions are to be the generators of global market development by implementing the Performance Standards, when the Performance Standards create complex market conditions of “additional effort” of aggregated employment not related mostly high-productivity and industrial production of currently used economics of cyclical business. The entropy of complexity under realities of higher market security is a market agent for sidestepping violent market fluctuation by giving additional equity of absorption of the negative shocks. The governmental bureaucracy and military employment have played for years such roles in the real markets, however this paper considers private means for enhancing such entropy – complexity more preferred. Also in currently used debit/credit high-interest rate economics the entropy – complexity has relatively negative market effect by reducing business flexibility and business productivity and by interfering in the labor market. Under the projected market conditions of Market Economics using Quantum Factor the entropy – complexity will have much more positive role of shifting business activities from industrial production into other sectors of the market.



Current general market policies of International Finance Institutions are founded on a few very simple a priory ideas 1) open to outside FDI markets are in a better position to develop, 2) transnational corporations boost the life standards and productivity of chosen for business markets, 3) governmental

hands-off policies are the best way to succeed growth, 4) tight government budgetary policies and balanced budgets are the best for a market to succeed market development.

There is substantial discontinuation between the general market-policies parameters the IFI are imposing on the EM and such on the US and other AM. The countercyclical business practices of the US and AM are in conflict with these general policies and in fundamental disregard to their integrational function. Hence, big banks, large financial exchanges, insurance companies, and transnational corporations (TC) are subsidized by stimulus packages interfering with the market balances. By applying political pressure through lobbyists, populism and ideological propaganda that is based on a priory theory of industrial growth economics, the TC apply political pressure on governments to remove acting business and financial laws and regulations in conflict with the global markets need for unification of business laws and regulations. Transnational corporations have acquired significant rights under various types of bilateral investment treaties and host government agreements. The set international standards in several sectors and certain corporate acts are directly prohibited in a number of civil liberty conventions dealing with environmental pollution. Ruggie, John Gerald (Feb. 9, 2007). Based on the current non-binding state of international law and well-established fiduciary duty principles, it appears that a claim against directors for a breach of fiduciary duty based solely on a corporate violation of international human rights standards (without a violation of law) is unlikely to succeed. Law firm of Fried, Frank, Harris, Shriver & Jacobson LLP, 2007 **The US and other AM's governments themselves' use subsidies, stimulus packages and quantitative easing and all kind of technicalities in avoiding sometime GATT and the Performance Standards (PS). Most TC deviate from these PS by taking advantage and benefit from the weak IPR "TC with highest level of technology will invest in weak IPR environments", by moving and outsourcing to markets that the proper following PS and IPR control is reduced. By bribing authorities and by using their financial strength to avoid control and persecution for illegal business activities "earlier work by Lang, Poulsen, and Stulz (1995) shows that, absent financial distress, entrenched U.S. managers engage in suboptimal divestiture decisions when such practice allows them to pursue their personal goals. More recently, Faccio, Masulis, and McConnell (2006) show that politically connected (typically family) firms are especially likely to receive a bailout from their home government during a crisis.", or market related fair employment. "...they find that income inequality and country-level corruption appear to be important determinants of trade policy. For various measures of trade protection, it appears that corruption tends to hurt labor interests by increasing trade protection in labor-abundant countries and reducing trade protection in capital-abundant countries.", Subhayu Bandyopadhyay and Suryadipta Roy (WP/1121). **These double standard for AM compare to such for EM, and the actions of the Advanced Markets under the market forces and especially in the last recession are very good recognition that IFI policies inadequacy deal with 21st century market issues. However, the effect on these policies on many EM that were not able to avoid their implementation could be considered devastating (from Bulgaria and Romania to Greece and Portugal the results speak loud).****

This paper considers IFI and AM double standard policies supplemented by high interest international lending, which benefit mostly TC main reason for the dept 2007-09 Recession has stroke many EM and SME. That in general a priory economics policies have relatively negative affect on the market development, "In the 13 quarters since the beginning of 2008, the annual growth of real consumption, which still accounts for about 70 percent of gross domestic product in the United States, averaged just 0.5 percent. Not since the end of World War II has consumption been [this weak for this long](#)". Because these policies are accenting on the debit/credit financing market parameters, considered secondary to controlling global market demand-to-supply IFI function, which are considered first. "But the overwhelming evidence suggests the opposite: when the economy has excess capacity, high unemployment and weak private demand, [cuts in government spending reduce growth and eliminate jobs](#)." The issues with deficit and national debt are also considered secondary to the market demand-to-supply balance, in where under the conditions of more consistent market development the aggregated monetary supply would be much more able to pay down national debt than under the practices of currently used economics. "Findings suggest that budget deficit cuts are likely to be more painful if they occur simultaneously across many countries, and if monetary policy is not in a position to offset them"..... "Budget deficits and government debt soared during the Great Recession. In 2009, the budget deficit averaged about 9 percent of GDP in advanced economies, up from only 1 percent of GDP in 2007.1 By the end of 2010, government debt is expected to reach about 100 percent of GDP—its highest level in 50 years. Looking ahead, population aging could create even more serious problems for public finances."

This paper as fundamental for global market development considers the GATT accords and the Performance Standards implementation very highly recommendable to enhance IFI role in improving global market conditions and in succeeding market development.

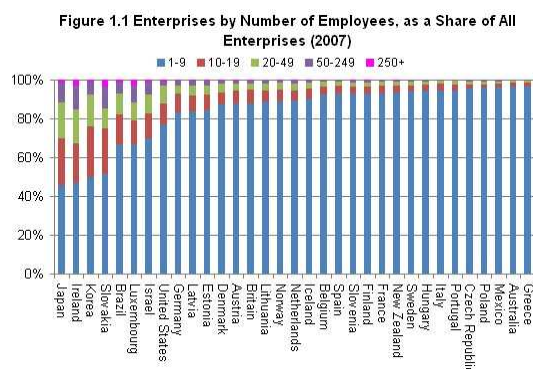
2.1 Small and Medium Enterprises and Investors Economic Structures, Shadow Business, Low Security

Under new developing global market conditions of high unemployment experienced by many markets advanced and emerging alike combined with the expanding globalization and rising productivity the importance of small and medium enterprises and investors is becoming extremely relevant for succeeding and maintaining market development.

In the US Small firms:

- Represent 99.7 percent of all employer firms.
- Employ half of all private sector employees.
- Pay 44 percent of total U.S. private payroll.
- Generated 65 percent of net new jobs over the past 17 years.
- Create more than half of the nonfarm private GDP.
- Hire 43 percent of high tech workers (scientists, engineers, computer programmers, and others).
- Are 52 percent home-based and 2 percent franchises.
- Made up 97.5 percent of all identified exporters and produced 31 percent of export value in FY 2008.
- Produce 13 times more patents per employee than large patenting firms.

*Source: U.S. Dept. of Commerce, Census Bureau and Intl. Trade Admin.; [Advocacy-funded research](#) by Kathryn Kobe, 2007 and [CHI Research, 2003](#); U.S. Dept. of Labor, Bureau of Labor Statistics.



However, currently used shady business economics is pro big business by nature. Tax evasion is not limited to small and medium sized firms, as is often believed. On average, informal firms are smaller, and more concentrated in the construction, retail, and hotel industries, there are large firms, which are in the manufacturing, or retail sector, which are also evading taxes. Similar is the disadvantageous financial market conditions for small and medium investors. Growth in formal firms is negatively affected by both high tax rates and weaknesses in tax administration. The formal firms are the most severely affected by financing obstacles. Era Dabla-Norris and Gabriela Inchauste (WP/07/112). Thus shady business practices prompted by unclear business laws and lack of personal liability “Corporations may have assets and liabilities, but they don’t commit crimes — their officers, executives and employees do. And the 23-page letter agreement between Tyson and the Department of Justice, the criminal information, and the S.E.C.’s public statement of facts all withheld names, identifying the participants only as “senior executive,” “VP International,” “VP Audit” and so on.” create a chaotic business environment that might have worked in the past when the productivity was lower and the globalization was not to the recent extend, but definitely is not working now for many markets by lowering their security. The continuing opaque nature of contracts, according to human rights advocates, can obstruct the prevention of corruption and can imply that certain legislative measures of the government are kept from public scrutiny. See Wells, Louis T. and Rafiq Ahmed, Making Foreign Investment Safe: Property Rights and National

Sovereignty (2007) generally and 151–153. On transparency, see discussion in Part 8 of this paper. Sales growth declines with weaker institutions, proxied by a composite index of political, financial and economic risk, Era Dabla-Norris and Gabriela Inchauste (WP/07/112). In relation to individuals outside of a state's jurisdiction, it is unclear whether states have any obligations to prevent abuse where it is committed by corporations within their jurisdiction. For instance, to date the Inter-American System has not referred to the use of extraterritorial regulation to prevent abuse by corporations. More guidance on this issue would be extremely helpful (Cecilia Anicam, Report on the American Convention on Human Right, 2008).

Contemporaneously consequential to the inadequateness of the shady business markets to setup fair market competition is the 2007-09 Recession and afterwards which shows consistently high unemployment (particularly industrial related), low percentage market growth, rising national debt and expanding poverty. Tax and regulatory burdens, judicial inefficiency, and limited access to financing are commonly cited as constraints to firm performance and market development. The low market security prompted by shady business makes business startups easier; however, it also limits SME and SMI access to lower interest financing. Thus, under current turbulent cyclical markets, the SME and SMI ability to perform is substantially undercut, and when SME and SMI are the fundamental employing agents, the whole market is affected greatly.

This paper employs the theory of using micro and macro market enhancements to establish fair market conditions of positive entropy – complexity which would diversify the industrial production, services and farming' economics by adding additional agents and complexity for maintaining demand-to-supply market balance. The SME and SMI are some of these market agents, because of their flexibility, competitiveness and easier to reflect to governmental fiscal initiatives. To empower SME and SMI however the marked security should be enhanced. Such could be done by enhancing business and contracting laws, changing limited liability corporate laws into unlimited liability corporate laws, by adjudicating global market exchanges (GME), and by enhancing and adjudicating the levels of required insurance and bonding to cover contracts and projects. It is believed that over all market security will be lifted and SME and SMI will become finance-able under such terms, their access to bank loans will become better too.

TC use IIAs and Stabilization Clauses to avoid Human Rights Covenants and Environmental Protection Laws: "a large fraction of disputes related to foreign investments nowadays is settled by private arbitration and not by national courts. So corporate law firms and accounting firms add yet additional layers to routine transnational rule-making." Howard Man, Senior International Law Advisor International Institute for Sustainable Development, 2008

Now, the transnational corporations (TC) and global market exchanges (GME) are entities mostly representing big market investors (BMI) and their interests. TC have gained substantial advantages under these new market conditions "The rights of transnational firms – their ability to operate and expand globally—have increased greatly over the past generation as a result of trade agreements, bilateral investment treaties and domestic liberalization." (SMSG 2006). The Bagehot Hypothesis: If limited liability was that unlimited liability would attract investors of little wealth, which would make litigation impossible and liability de facto limited" The later argument has become known as TC are considered the main motor for market growth and therefore are promoted and benefited by the advanced market (AM) finance policies and by the global finance and policymaking system of IFI. "Entry of multinational producers is now common throughout the world, partially thanks to the implementation of a wave of regional integration agreements, the consolidation of the European single market, and the General Agreement on Trade in Services of 1994" (Silvio Contessi, 2010);

In a common (still deregulated) global marketplace, the US and the other AM market policies are quite hostile to the small and medium enterprises (SME) and small and medium investors (SMI), under an established market with unfair global market competition too. These policies are founded of a priory neo-liberal philosophy of widely believed that larger firms have better global approaches to prompt productivity and growth in the recipient countries "credit markets even when they are constrained" (Beck, Demirguc-Kunt, and Maksimovic, 2008) with access to public financing and strength to up stand market downturns. Also in the last recession, common policies were to inject liquidity and stimulate big banks, market brokers, insurance providers through tax breaks, and stimulus packages.

However, the TC and Global Market Exchanges (GME) have not been capable to invoke and maintain consistent market development on the global marketplace. "Thus, increased multinational entry does not necessarily translate into a larger benefit for the host country because of the decreasing rate of productivity contributions and because entry boosts labor demand, which in turn penalizes existing domestic firms, crowding out some of the domestic producers. Despite the microeconomic evidence supporting the superior idiosyncratic productivity of

multinational firms (MNF) and their affiliates, cross-country studies fail to find robust evidence of a positive relationship between Foreign Direct Investment and growth”, Silvio Contessi, 2010,

Shadow business practices, as considered in this paper, “the shadow banking system was at least 50 percent bigger than documented so far that is widespread”, Manmohan Singh and James Aitken, WP/10/172, are main contributor for TC and GME superiority in being financed on relatively lower interest rates and preferred status-quo in public financing. In conflict with the common theory that easy business startups prompt fast market growth of the past, such economics rather have negative impact under the congested business environment of the present. In a global marketplace the security and liability of the business goes in contemporaneous correlations hence, security means lower interest rate lending; however, businesses security comes with adjudication of personal liability of the corporate management, the insurance and bonding that could add to such security for conducting business.

Hence, no one-to-one mapping can be assumed between standards for natural and legal person, not US courts interpreting corporate liability for acts that amount to international crimes under US Alien Tort Claims Statue (ATCA) have drawn on accepted international principles of individual responsibility in doing so. Given this expanding jurisdictional web, simple laws of probability alone suggest that corporations will be subject to increased liability depending whether international standards are incorporated into a state’s criminal code or as a civil cause of action. However, no two jurisdictions have identical evidentiary and other procedural rules. As this scenario of expanding corporate liability unfolds, the uncertainty created by national variations in how international standards are applied in practice may become increasingly problematic for all parties and generate demand for greater harmonization. Ruggie, John Gerald (2007)

The British Pro-Keynesian School of Economics very precisely accounts for the general economic harms and disadvantages corporate limited liability (CLL) and so-called managerial capitalism brings to the globalizing markets, by allowing mostly transnational corporations (TS) relative uncontrolled actions by exposing in details the philosophy of neo-liberalism in Economics. However, historically the shadow business have produced economic growth and prosperity in the US and other AM for the last Two Centuries by allowing concentration of capital and expansion of R&D thus rising productivity, lower market prices, creation of large size products like airplanes, auto vehicles and ext: Chandler’s (1977), Johnson’s (2010), the 1/f noise to close on the frontiers by capitalization and rising productivity has worked most of time, and only most recent developments in Globalization I consider to bringing the necessities for change of approaches. In addition, the conception of total governmental interference with the market economics I consider as not the best option for maintaining market development either.

This paper considers change of CLL to Unlimited Liability relating the corporate decision-makers: Credit & Risk Management and Board of Directors, but not to the Shareholders as long as they are not involved in wrong doings. To mix the limited liability of shareholders with the management of joint-stock companies is incomprehensible and elusive, so is the theory of “thus limited liability is a necessary precondition for liquid and organized securities market” Hickson, Turner, and McCann, 2001 or 2005 and many others. Personal Liability means criminalizing decisions bringing criminal actions, or in complicity with such, which consequence is a legal harm. Thus, what kind of legal harm might have multi number of corporate shareholders? However, financially corporation shareholders would lose equity in case of legal action remedies; thus far, it goes the shareholders liability.

Hence, their (pro-Keynesian ante CLL school of economics) methods and conclusions by relying too much on monetary policies and governmental market involvement in promoting long-term market development differs from this paper. The CLL change should not affect the importance of private business in market development but in the opposite it should empower small and medium enterprises and investors participation in the global fair market competition, thus long-term market development should be mostly surrogated by SME&I business practice, even when in this paper the role of the Social, Educational, Infrastructural and ext. equity part enhancement. The shift of power goes from the only TC and BMI to fair market competition but not to the governments.

In this paper, adjudicated liability laws are considered market agents from micro and macro market prospective, which includes environmental, social, cultural covenant enforcement and human rights protection on more general ground to enhancing market security.

Professors Henry Hansmann and Reinier Kraakman, 1991: “given advances in both industrial and legal technology and the inefficiency of the current liability rule for corporate torts, efficiency and fairness would be better served under a new, unlimited liability regime.”

The high interest rate business lending of the past was contributive to long term market development because of the still separated pro-supply markets and short-term much more localized recessions. In the new globalized marketplace with sharp economic turns and broken business cycles of the pro-demand markets shifts the importance in economics from the larger transnational corporation and global market exchanges as main market agents for growth to small and medium enterprises as main market agents for market balance and development. Therefore, it considers paramount for SME to have access to lower interest rate financing. However, such could be long-term market successful only by using natural market means and only if the SME security is higher.

“...corporate management getting away with fraud and not paying on contracts; whole schemas of how to trick the system and avoid legal actions are developed in details: the limited liability of corporate, trust and other organizations are craftily exploited and are examples of this philosophy. Countless fake offers on the Internet, through junk mail or even on TV are coming from happy “honest” executives and advertisers with offers for easy money and immanent success if we buy their product, follow their advice or give them some money in advance. There are some laws that try to curb on such activities of fake advertising and canning promotions but these laws are so difficult to win in court unless multiple fraud is not resulted in serious financial harm, thus preventive actions against possible fraud are very rarely taken. However, the biggest harm for the economy does not come from pyramids and financial fraud but from general “insecurity” coming out of such lawlessness. Transnational corporate networks post a regulatory challenge to the international legal system. Due to the doctrine of limited liability, a parent company generally is not legally liable for wrongs committed by a subsidiary even where it is the sole shareholder, unless the subsidiary is under such close operational control by the parent it can be seen as a mere agent. Each legally distinct entity is subject of the laws of the countries in which it operates, but the transnational corporate group or network as a whole is not governed directly by international law. It is this foundational fact that the move to establish global legal standards for transnational corporations seeks to alter. Moreover, it has begun to change. Ruggie, John Gerard (2007). When in the past “easy business” could have been positive to boost pro-supply markets but these have already changed into pro-demand markets of a global marketplace. So have changed financing: the narrowing profit margins of the US businesses have large capital well gone overseas particularly to China and now India even in case SME have rarely been financed by large investors anyway, the ones left were the small and medium investors who were the heaviest hit by the last recession.

In a pro-supply markets experiencing growth and in a limited marketplace (before the globalization took over) the system of deregulation and clueless business laws might have worked well. However, the situation in the world has changed greatly and the relative insecurity of SME because of lacking clarity of business laws started having a negative effect: insecure contracting, bonding and limited personal liability of corporate structures consequences of underwriting financing difficulties.

Usual for SME is limited access to public financing and lower interest financing. Therefore, the necessity of stable borrow-ability in volatile market environment or in direct competition to foreign companies (that have access to cheaper labor force and are subsidized by their governments) is paramount to change the appointed disadvantages. For SME to be competitive would be only when better access to financing is available which only might happen without disturbing market balance if their security is enhanced.

If the Market Economics is used by its best, SME borrow-ability should be based on enhanced natural market “security” on the market, not on artificially general subsidizing by governments as what could be seen on the US Market the practicing of artificial (not natural for the markets) low-interest financing example: “Mr. Posey has therefore introduced a bill that would direct examiners to regard all loans as “accrual,” as long as payments are still being made – and a hearing was held on July 8 to discuss the merits of the matter”. In a lack of business laws marketplace, as it is practiced until now, the disadvantage of SME to the TC is natural. However, if the liability and business laws are enhanced SME could become rather competitive by using genuine market forces that would lower market volatility and redundancy, and consequently prevent from market negative shocks. “Ponzi schemes and bubbles result in a crisis in real economics. V. P. Maslov (2008)”

Under enhanced and adjudicated corporate liability laws (CLL) SME and SMI will be much more empowered in competing to TC and IFC nationally and internationally, as well insurance bonding will be issued easier to these corporate structures cutting on corporate fraud and thus maintaining sustainable market development.

Enhanced and adjudicated business contract laws are going to empower SME and SMI strength when in business disputes and stand up against “multi-lawyers” approach in court used by the TC and IFC.

Other ways for enhancing SMI natural market wealth distribution is by getting the right adjudications on the GME so the ever been outsiders SMI start benefiting from the ongoing Globalization by able to get ROI from the some faster developing global markets. The adjudicated personal liability corporate laws should make positive effect on preventing fraud and ensuring the GME' compliance with laws and finance regulations.

Under the markets' growing role of intellectualization and intellectual property (in general not in only legal sense), the human capital becomes more relevant therefore enhanced corporate liability brought by this paper approach will prompt positive markets environment for maintaining corporate long-term growth "because wealth is now created by knowledge and other intangible assets such as skills and human capital that are more affected by Environmental Social and Corporate Governance concerns, rather than by land, factories, physical labor, or even finance capital"; Harvard Business School professor Michael Porter and a colleague concluded in a 2006 article that better integration of social considerations into core business operations could yield significant competitive advantage, but that companies must tailor their efforts to exploit "a small number of initiatives whose social and business benefits are large and distinctive."; "that responsible and sustainable practices enable companies to effectively manage risks and create new business opportunities."

In global prospective, the IFI policies should change the shadow business approach and double standard practices affecting in negative way a fair market competition. IFI should prompt such fair global market competition by enforcing PS, by becoming SME and SMI promoter and finance powerhouse.

2.2 Monetary Policies: Easing or Raising Prime interest Rate

The main countercyclical market tool used by the US and other AE is their Interest Rate Adjustment which I consider part of Monetary Policies (obviously differing from some conceptions that separate Interest Rate Adjustments from Monetary Policies), optimal monetary policy should react directly to the causes of the fluctuations (that is, the shocks) rather than indirectly to the consequences of the fluctuations (that is, the movements in output and inflation).² Woon Gyu Choi and Yi Wen ¹, WP/10/20, easing interest rates to prevent from shrinking of the market in case of market slow down or raising prime interest rates to prevent from overheating of the market. As noted in practice these expansionary and contractionary actions follow very sharp turns in relatively short times. Two fundamental problems that come out from such actions: first, because the different sections of the market are experiencing uneven percentage of downhill or growth such actions may well affect market areas in opposite than the expected ways, rather pro-cyclically in wrong times. Because in case the US Dollar and the Euro are global or cover large areas currencies, such actions may have positive countercyclical affect on certain markets but very procyclical on other markets that could still have been in recovery cycle, and also, the rapid adjusting interest rate shock therapy could have countercyclical affect on the one or two overheating and over-capitalizing sections of the market that must not be a reason to slow the rest of the market which could have been working smooth and may not have needed such shock therapy. Simultaneous negative affect on different market sections are sharp and general (not properly targeting) tax breaks or tax rising. (DSGE model with fixed policy rules that deliver an AMPF or PMAF solution, depending upon the monetary and fiscal policy parameters. The specificity of the policy rules imposes identification restrictions that allow us to identify the AMPF and PMAF regimes. Nora Traum and Shu-Chun S. Yang, WP/10/243). Budgetary cuts and austerity measures have very similar issues by either procyclical affecting sections of the market not being exacerbated by having over employment or overcapitalization, or irregular in some ways or being in short of employment under the second scenario.

When shock therapy monetary actions may countercyclically fix particular overcapitalized section or sections of the market the affect to the rest of the market may be exactly the opposite procyclical. (so for example: when more demand is needed and the unemployment shouts up by shrinking governmental budget and reducing employment the demand goes even lower, thus the market imbalance of demand-to-supply go rather beyond). According to the [latest estimates](#) from the [Congressional Budget Office](#), if current fiscal policies are maintained, federal debt held by the public could rise to an unprecedented 187 percent of [gross domestic product](#) in 2035 from 62 percent of gross domestic product at the end of 2010. Hence, when such counterproductive and unevenly affecting the market actions are taken the contemporaneous correlations are very harmful and the up Market development is slowed or pushed lower than possible. The market imbalance consequential of procyclical general monetary policies always brings high market volatility. Actions as sharp budgetary reductions could be considered socially irresponsible too, creating chaos of high unemployment and total mismatch fiscal authority should "do no harm." Policies should not amplify macroeconomic volatility. For example, commodity exporters should link their public expenditures to long-run (steady-state) rather than current revenues (as intended under Chile's fiscal rule). It is widely agreed that a fiscal rule should boost discipline and credibility, reduce macroeconomic volatility, and be easily understood. Carlos Garcia, Jorge E. Restrepo, and Evan Tanner¹

The IFI currently used policies in recessionary times are of constant pressure over the EM 1) to implement monetary, tax and austerity measures, 2) cut social programs, 3) downsize government expenses, 4) balance national debt and simultaneously cut taxes to attract FDI and prompt productivity. "We find that the welfare results of STB "starving the beast"—cutting taxes to force government spending cuts are uncertain for the United States, and clearly negative for the rest of the world." Michael Kumhof, Douglas Laxton, and Daniel Leigh, WP/10/199 even when these IFI policies are not certain in the final effect: Bulgaria and Romania shrinking markets are good example of their failure through and after 2007-2009 Recession.

Inadequate is the countercyclical lending matrix in giving financial means to many markets to go through recession and prompt market development.

The IFI bigger role should be of avoiding market recessions by using IFI's own monetary policies and by prompting business development to avoid significant global markets imbalances IMS to assess how it can be strengthened and made more resilient. At issue is the confluence of, on one side, an unprecedented buildup in global current account imbalances and volatile cross border capital flows, accompanied by a sharp build-up of international reserves, and on the other side, the concentration of those reserves in a few reserve currencies facing new challenges in maintaining fiscal and financial stability. INTERNATIONAL MONETARY FUND Reserve Accumulation and International Monetary Stability Prepared by the Strategy, Policy and Review Department April 13, 2010

National financial structures and IFI, the whole system of financing, lending and even rising public capital is by maintaining relatively high interest rates. The contemporaneous banks interrelations contribute the negative global effect spill over progressively Cascade effects can be triggered by bank losses or contractions of interbank lending activities. Thierry Tresselt, WP/10/236. While in market downturns governments of Advance Market (AM) are easing their prime interest rates to very low, down to zero however such prime interest rate applies integrated Tier 1 financing of large financial institutions and inter-banks landing the final products coming especially for lending to SME, to SMI and international lending such interest rates are kept relatively high on a short term lending reflecting their low market security. Such policies rely on the transnational corporations (TC) and global market exchanges (GME) to prompt and carry on global market growth while the market growth in EM is expected to be consequential of the growth of the AM, which eventually would accelerate overall business activities.

The US and other AM carry on monetary and fiscal policies of different grants, tax breaks or low interest rate lending programs to small and medium businesses are considered in this paper as unnatural for the market landing only partially effective or at least not enough effective to build consistent market development. The market security is the issue to be dealt with that would establish natural market environment for low interest landing.

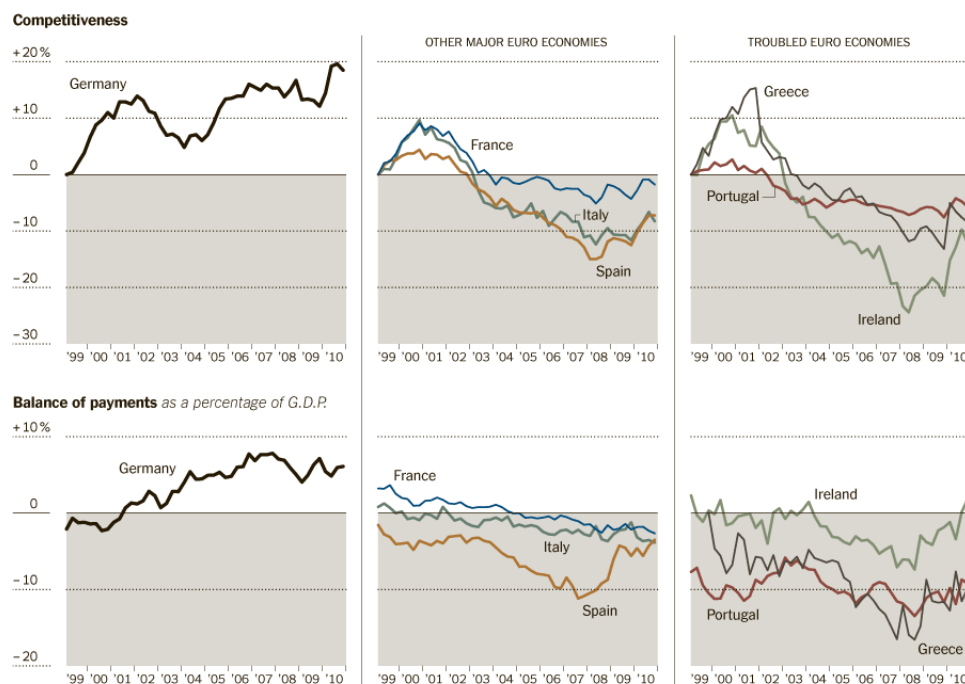
AM's expansionary or contractionary monetary policies, protectionism and restrictions, relatively high-interest rate international lending policies to EM of ignoring EM market imbalances might have worked well in a close not such globalized marketplace without environmental problems. However, the times have changed to common dependence of market demand-to-supply balance. In times when there are merging inter-banking, very much developed international trade the global commodity and utility market rising prices that are very similar on a common goods marketplace the relatively high interest rate short term for international lending invoke an marginal inadequate market development of these EM and the environmental codependency aggregate things even beyond.

The theory of "financial openness is destabilizing emphasize two characteristics of capital flows that tend to be destabilizing: they tend to be procyclical (Stiglitz 2000)", seems founded, these policies followed by lack of fiscal reserves and sharply lowered market demand that widens the gap between AM and EM, finally have adverse effect on the global marketplace consumption, market development and eradication of poverty; There are important implications for the global market. "A protracted shortfall of the world's biggest consumer, as well as weakness in Japan and debt-ravaged Europe, spells lasting pressure on external demand for export-led economies. Barring a quick rebalancing towards internal demand, so-called growth miracles in the developing world could be in for a rude awakening. Stephen S. Roach, June 16, 2011"

Te globalaizing marketplace brings out predatory market conditions of generally unfair competition for EM from ones sides and the very few China, Germany and some large transnational corporations from another side. Majority of the global markets run high unemployment, decreasing industrial production, and high national debt. Since the introduction of the euro at the beginning of 1999, the European Central Bank calculates that Germany has gained competitiveness, not only against other major industrial nations but against all other members of the euro zone. countries like that deepened in poverty or/and national debt, bringing disseminations of environmental recourses by woodcutting for farming land or heating, polluting by driving old vehicles and using old technologies. [FLOYD NORRIS](#), NYT, April 22, 2011

Germany Wins, Others Don't

Since the euro was created in 1999, German competitiveness in international trade has risen relative to all other countries in the zone, and its balance of payments position has improved. Other European countries have not done as well.



Note: Competitiveness calculations are based on indexes showing changes in unit labor costs for major developed economies, as calculated by the European Central Bank. For Portugal, such figures are not available. Instead, an index based on relative inflation, as shown by G.D.P. deflators, is used. The balance of payments figures are based on seasonally adjusted quarterly data. Balance of payment data for Greece is not available before 2000.

Sources: European Central Bank and national governments, via Haver Analytics

The imminent necessity of active IFI monetary policies and international markets boosting creates urgent need for IFI action in establishing SDR as international exchange and reserves currency (Keynes favored the monetization of an international unit of account, and he assumed a multiple-currency reserve system.) that can use independent smooth monetary policies on the global marketplace, and finance policies when comes to low interest financing and subsidizing of projects that actions would prevent from accelerated of global pollution, generating alternative energies and reducing consumption of fossil fuels. The IFI Interest rate could play major role to fight inflation shocks, however in this paper is recommended sectional markets interference instead of general interest rate fluctuation.

Individual markets should be independent in using interest rate elasticity, even farther it is argued that interest rate anti shock approach should target different market segments and should be combined with usage of number of market tools, and adjudications. (Prudential regulations can support monetary policy in reducing output fluctuations while maintaining financial stability” Papa N'Diaye, WP/09/257) to offset market fluctuations.

By using number of market tools the following objectives are targeted: 1) to reduce credit elasticity in particular section of the market instead of attacking the entire market; 2) to fight inflation by affecting particular (with high inflation) sections of the marketplace, but rebalancing the inflationary pressures with the other sections of the market (this theory will be explained in other sections of this paper); “countercyclical regulatory rules—such as countercyclical capital adequacy ratios—central banks can achieve the same objectives in terms of output and inflation but with less adjustment in policy interest rates.” Papa N’Diaye, WP/09/257

(Example of such attack of particular market section is the Chinese approach of limiting second house lending an LTV percentage as a countercyclical to overheating real estate, another example is the current US policies on limiting Federal guarantees on certain size house loans).

2.3 Fiscal Policies -

There is direct contemporaneous correlation between decreasing of the US and many other markets' Fiscal reserves and the accelerated globalization and rising productivity, casual of reducing industrial employment through high-tech manufacturing equipment and by outsourcing and moving of industrial production. The highest percentage GDP that is suppose to be generated by industrial production related taxes under the business cycle of a priory economics is not performing a fact empirically undisputable.

The effect of these appointed developments on many Emerging Market (EM)'s Fiscal reserves is rather worst than this on AM, because unless AM have already developed industrial production infrastructure many EM lack such and were unable to attract industrial production on their markets. Even many EM keep their tax rates very low they cannot compete to the China, South Korea, Taiwan, ext. already built industrial infrastructure and capitalization. The exogenous inflationary shocks coming mostly from fuel prices have brought casual necessity for expanding Fiscal stimulus policies under these new emerging conditions of shrinking taxation and diminishing fiscal reserves must be derivatives of industrial production markets.

The effect in recessionary times of decreasing fiscal stimulus policies casualty of budgetary cuts is particularly procyclical in markets with low quality institutions when fiscal stimulus policies remains main instrument for helping the economy revival "when the economy has excess capacity, high unemployment and weak private demand, [cuts in government spending reduce growth and eliminate jobs](#)." As Simon Johnson [noted](#) in his recent Economix post, fiscal contractions are expansionary only under special conditions. None of these apply to the United States today."

"Fiscal policy is "acyclical" during economic bad times", Paolo Manasse, WP/06/27.

Historically, negative recessionary market turns were offset by market growth cycles prompted by the US and AM thus farther prompting global market growth, however, the weak US and most AM recoveries after the 2007-2009 Recession changed the trend. "What's slowing the pace of recovery is not too much government borrowing but too little private spending" [Laura D'Andrea Tyson](#) is a professor at the Haas School of Business at the [University of California, Berkeley](#), and served as chairwoman of the [Council of Economic Advisers](#) under President Clinton. 2011. The recovery cycles were not capable to prompt global market growth with the magnitude near enough to offset the market damages inflicted by these recessions or to keep in balance the global market demand-to-supply. Since early 2008, inflation-adjusted US consumption growth has averaged just 0.5%.

The theory that through austerity measures **(the Fund developed its program of "stabilization" measures: exchange depreciation, domestic austerity measures, reduced public spending, rigid conditionality, John Gerard Ruggie (1982)** such balance is achievable in this paper is considered shorthanded. "There are important implications for the global economy. A protracted shortfall of the world's biggest consumer, as well as weakness in Japan and debt-ravaged Europe, spells lasting pressure on external demand for export-led economies. Barring a quick rebalancing towards internal demand, so-called growth miracles in the developing world could be in for a rude awakening." Stephen S. Roach, June 16, 2011

The rising fuel inflation and related prices, the interconnection of the global marketplace and the environmental problems and exhaustion of Earth resources show a contemporaneous correlation between global market consumption – demand and global market development. The shrinkage of consumption in many markets prompted by austerity measures would not be positive to the global market development. To consider somehow the global demand expansion the reason for the last recession is not supported by this paper: it was the artificial for the markets real estate over-capitalization and credit aggregation that could not be supplemented by other market agents that prompted the 2007 recession.

The US market structures are particularly volatile in such conditions because of the very limited usage of market tools out of industrial production for wealth distribution and related employment, which structural incoherence reasoned the decreasing US fiscal reserves under the conditions of severe market shocks of the last 2007-2009 Recession and the consequential accumulation of large national debt. "...there is no quick end in sight to the chronic weakness of American consumers. I suspect it will take a minimum of another 3 to 5 years before debt loads and saving rates have been restored to more sustainable levels. With consumption still about 70 per cent of gross domestic product, that points to sharply reduced growth in the US economy—unless America is quick to uncover a new and vibrant source of growth. Policy paralysis in Washington is hardly encouraging in that regard." Stephen S. Roach, June 16, 2011

In this paper, entropy – complexities of additional business activities expands the overall business pool of market activities. The enhanced entropy uses many complex approaches and the usage of social policies and infrastructure as partial equity is not ruled out. In certain percentage, closely related the development of fair competition market structures, social policies and infrastructure are considered market equities.

Expenses of the past as Social Policies and Infrastructure are becoming major market agents for wealth distribution of the presence. However, the usage of other more free entrepreneurship business related market agents is highly recommended: the empowerment of Small and Medium Enterprises by using micro and macro market agents and the empowerment of Small and Medium Investors by using financial markets adjudications to let them access global financial markets with less speculations and volatility. However, social policies and infrastructure are market agents to be used in a moderate version. Rising equitability of social and infrastructural expenses, under the enhanced market security of these market tools, is considered critical for balancing global market demand-to-supply for consistent market development to be achieved.

Under such enhancement of the market security, the market agents allowing the usage of more proficient markets tools for wealth distribution will prompt expanding market entropy that will slowdown the fiscal imbalances contemporaneously correlated the globalization and rising productivity effect of decreasing industrial production on fiscal reserves.

Large deficit and rising oil prices have contributed to the debt accumulated by the US and many other countries limiting them from natural usage of Fiscal policies in prompting economic growth. “We find limited empirical evidence in support of the view that Fiscal Responsibility Laws have had a distinguishable effect on fiscal performance.” Carlos Caceres, Ana Corbacho, and Leandro Medina, WP/10/248. The slow rebounding business circle after the end of the recession could not fix, as expected, the market fluctuations endogenously from the reasons mentioned and exogenously because of the financial crisis and rising debt by many emerging markets in the EU and around the world with contracting market demand and endured fiscal restrains of budget cuts.

The 2007-2009 Recession ended in the US, but in many other countries is still violently ravaging their market structures. The required fiscal restrains on many EM by the IFI and AM in times of recessions always come to budgetary cuts rather pro-business (big business) such fiscal policies are pro-cyclical and completely disregard of their counter wealth effect over these countries. Even standard neoclassical and Keynesian approaches suggest that fiscal policy should ideally be countercyclical. The theory followed says that declining fiscal deficit during economic downturns will prompt market turn around. Hence, many EM experienced great difficulties of shrinking market consumption and income reduction.

The importance of fluent market transmission of fiscal policies correlates the level of countercyclicality of the fiscal policies. The budgetary improvement programs are necessity for fluent transmission. Some programs are used by IFI to utilize markets and establish fair market competition; however, these are inadequately executed in many occasions. “the model used by IFI’s and donors in providing support for budgetary improvement programs through loans, grants, and technical assistance in many cases may be inappropriate and have limited effectiveness.” Richard Allen, WP/09/96. Inefficiencies of IFI are aggregated in times of economic downturns by the lack of funds

Hence, many a priori economics approaches disregard the globalized marketplace’ demand-to-supply balance that backfire on the rest of the markets. The debit/credit global financial system refers to markets by their deficit and debt as major agents for market policies. Such a priori policies have been questioned actively in last couple of after recession years: not the real effect of budgetary cuts, but rather the government fiscal expenses are considered countercyclical. In time of negative economic shocks austerity measures are having mostly negative consequences on many EM prompting rising debt and poverty. The objective answer of “how to correct a fiscal imbalance or a problem of arrears” have been practically put on aside when it comes to underdeveloped EM. “fumbling around in the dark.” Richard Allen, WP/09/96

In this paper, the unification of budgetary policies on global market scale is considered paramount. The fiscal policies are considered countercyclical market agent to a certain percentage. The fiscal balances are recommended but not considered paramount as it is used by the “a priori” current economics, but as secondary to the balance of market demand-to-supply. Therefore, the usage of fiscal policies as countercyclical to market downturns should be empowered and supported by the IFI not appropriated by a market deficit and debt ratios theories.

2.4 Inflation

Many market disturbances may cause demand-to-supply imbalance of high inflation. The simplest accepted are endogenous easy monetary and credit policies of exceeding the market supply demand causing shortages of market goods and services (the Phillips curve is a version of it), and exogenous the gas and other utility prices and rising Chinese consumption of raw materials prompting shock rising CPI.

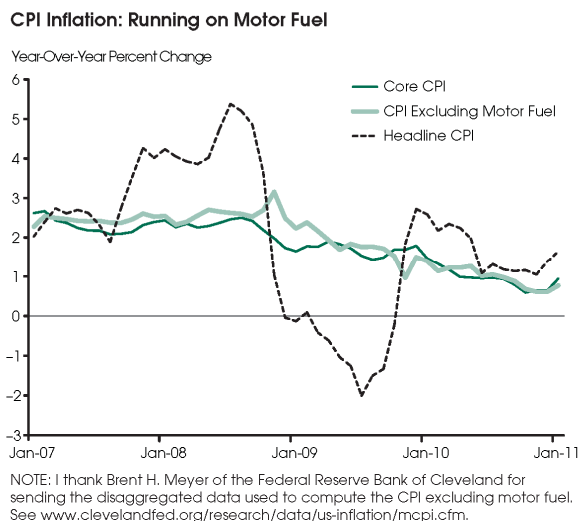
However, the most complicated market disturbances are the inability of currently used economics to act countercyclically at the last recession resulting to volatile monetary policies and procyclical budgetary cuts and austerity measures, which are downsizing market elasticity. Reduced overall business activities prompt the worst of all inflation of shrinking both sides of the market demand and supply. One that is not able to absorb exogenous fuel shocks, which aggregate into sluggish market activities.

The “1/f noise” theory of only rising productivity to prompting rising salaries and overall growth, which finally closes markets to the frontiers is considered as pro-cyclical by this paper, where the complexity-entropy is the possible noise instead that might create market conditions of market development, and finally closes markets to the frontiers.

Hence, in this paper some micro and macro market practices, such as limited liability laws, weak business contract laws, lack of bonding, are considered procyclical prompting violent market volatilities that bring negative endogenous and exogenous market imbalances.

The most affected by the market practices are small and medium enterprises and investors the lower market security of such practices keeps these as high interest rate borrowers. The general speculative market exchanges contribute to such market insecurity too. High market volatility reduces the middle class income. Pro big shady business’ monetary and fiscal policies reduce local production, investment and prompt unemployment and poverty. (“unfavorable supply shocks pose a difficult problem: an appropriate response involves an interest rate increase, some loss of output, and a period of increased inflation” Ali Alich, Huigang Chen, Kevin Clinton, Charles Freedman, Marianne Johnson, Ondra Kamenik, Turgut Ki^inbay, and Douglas Laxton, WP/09/94)

Hence, high inflation under this conditions comes from exogenous shocks of the ever-rising oil and other utility prices is aggregated by a reduced demand or at least not keeping with the inflation income by the many and the decrease of market activities that invokes slowdown in local production, services and farming. Hence, the circle brings down those already coming down economically, and accelerates inflation. Hence, to the first two examples for causes of inflation it is considered in this research transitory thus if oil and other utility have not gone up the forces of deflation would be ravaging most of the US and other Advanced Markets. (Fluctuations in the price of motor fuel (mainly gasoline) have caused most of the monthly noise and year-over-year fluctuations of headline CPI inflation over the past four years. CPI Inflation: Running on Motor Fuel, May 2011)



This paper considers the limited inflation as positive market tool for prompting market development. However, this paper does not consider market growth that is a byproduct of volatile monetary policies, to be the way to succeed rather relatively easier is market development (MD) which MD could be achieved by more sufficient market approaches:

- By increasing IFI credibility;
- By increasing market security;
- By using market equity as a balance between debit/credit accounting;

- By creating complexity on the marketplace to raise market activity (Economic Law of Increase of Kolmogorov Complexity) in which law mathematically is affirmed the positive role of complexity in case Kolmogorov discusses mostly monetary policies, when in this paper it extends to the macro-micro economics. – The liability laws, the business and contracting laws, the regulated market exchanges, will invoke such market complexity.
- Simultaneously keeping up the majority's income to the inflation. ("derive a smooth (but not linear) path for inflation reduction given the starting position, We investigate the implications of various initial conditions and shocks, and alternative policy options, the advantage of announcing a long-run inflation target and presenting the intermediate path as a conditional forecast rather than as a series of interim targets." Ali Alich, Huigang Chen, Kevin Clinton, Charles Freedman, Marianne Johnson, Ondra Kamenik, Turgut Ki'inbay, and Douglas Laxton, WP/09/94)

If hypothetically, it is considered, that the consumption in China, India, Brazil etc., prompts accelerated exogenous inflation, the counter inflationary new micro-macro market approaches are to accelerate the abilities of SME and SMI supported by some strong Fiscal policies to alleviate the endogenous reduction of middle and lower classes income and equalize the market imbalances.

Such countercyclical and counter-inflationary policies when implemented and used by the US and other AM, are to be taken by the IFI, which is to aggregate these policies on a global level marketplace. The lending functions IFI have had used should be replaced by these new functions:

- the IFI monetary policies, by issuing SDR using marginal interest rate variations elasticity;
- the project by project financing and subsidizing of EM, in the ways explained in this research;
- the targeting of consistent less volatile global market development with marginal inflation.

The IFI credibility directly relates the adaptation by the markets of enhanced business laws and liability laws, thus hypothetically the proper implementation would help balance inflation to appropriate limits and to keep income with inflation on the global marketplace. ("an endogenous credibility process—starting from a situation in which people expect inflation to remain high, policymakers may build credibility over time, such that public expectations of inflation converge to the target rate, or lose credibility as the public begins to doubt their commitment to achieving low inflation; The low credibility version of our Inflation Targeting (IT) model incorporates key elements of the difficulties that the authorities undertaking a disinflationary monetary policy have to confront in many emerging-market economies." Ali Alich, Huigang Chen, Kevin Clinton, Charles Freedman, Marianne Johnson, Ondra Kamenik, Turgut Ki'inbay, and Douglas Laxton, WP/09/94)

To keep inflation in acceptable limits, in which the inflation impact the real market development in a positive way of pushing productivity up under exogenous and endogenous unfavorable supply shocks on a global scale, the credibility of IFI should be high enough to establish moderate market elasticity of such inflation. The smooth (not shock raising interest rate) monetary policies by IFI should enact similar to these used by the US and other AM policies on a global market scale. However, what is added to the currently used inflation targeting economics is the non-debt related counter-inflation in a market related economics to use considered now by the practical market unconventional approaches of low interest financing and subsidizing to keep the global market balance of demand-to-supply, and keep up with natural inflation on a global scale.

Market Equity (Demand ~ Supply)

Generally, used accounting methods localize income-expenses and assets-liabilities when the difference between the last two is the equity. However, the low market security combined with the credit-debit practiced international lending (on high interest rates) undervalue the market equity that has been built in time, also it greatly ignores social structures (% of education, social security, medicate), intellectual property's and infrastructural equity as market equity and market agents of the market economics. The production-based economics accept income-expenses approach as only valid a natural result of the debit-credit high interest rate financing. However, in Market Economics the equitability needed for balancing market demand-to-supply, for consistent market development, takes the already built equity as additive to the income-expenses. Such practice is becoming necessary with the rising productivity and ongoing globalization that prompt contemporaneous shortening industrial production employment. Therefore, to balance the market imbalance these new approach is becoming paramount. The inflation in such new environment is becoming the issue to be dealt; hence, the science of economics has to make the most of it to solve the ways to prevent from volatile violent inflation, which under these new parameters and tools of economics should become easier.

D

Approximate

S

Quantum Factors: a Global Equitable Accrual Approach Economics

Demand/Expenses	Equity/Entropy	Supply/Income
Consumption <ul style="list-style-type: none"> • Business Income • Salaries (%) • ROI • Fiscal Policies Tax Breaks (the expense side % of) • Social Expenses (the expense side % of) • Infrastructure (the expense side % of) • Others 	Balancing Market Agents <ul style="list-style-type: none"> • Credibility • SME & SMI & TC • Performing Standards • Monetary Policies • Micro & Macro Market Agents • Fiscal Policies (the equity side % of) • Social Expenses (the equity side % of) • Infrastructure (the equity side % of) • Intellectual Property • Low Project Financing • Subsidies • Others 	Goods, Services <ul style="list-style-type: none"> • Production • Services • Real Estate • Utilities • Taxes, Licenses, ext • Others

2.5 Social Policies and Infrastructure (SP&I)

Conventional economics consider SP&I as expenses which as a fiscal policies byproduct should bring volatility to the GDP, lower productivity and such interfere with the 1/f noise linear or dynamic closing to the frontier (in case the US). However, a silent process of interference with the a priori economics has been in a making for some time "The emergence in the Western world reflects the victory of the interventionist, or welfare, economy over the market economy, John Gerard Ruggie, 1982". However, this paper, does not comprehend "market economy" as a basic one sided approach of buyers a pro-supply prospective but a pro-balance demand-to-supply approach, and even it considers private entrepreneurship as the preferable ways of balance of market demand-to-supply, does not exclude the role of SP&I, as market agents for maintaining positive market elasticity of contemporaneous fiscal and over all market balance in the new globalizing marketplace of rising productivity, of improving technologies and of moving and outsourcing of industrial production.

The "a priori" economics considers SP&I as expenses when the market economics considers SP&I as part expenses and part equity as a part equitable between demand-to-supply market balance (see 2.4 Inflation).

Market economics considers that with the rising market security and natural entropy (see through paper) the individual markets' equity may well be enhanced. Hence, the market equity in SP&I will rise by natural means not only as a market tool for wealth distribution and re-distribution but also as lending equity that will provide additional market security (plus the used until now security) for low interest rate financing. Markets, improving SP&I will gain market equitability to lower interest financing. The percentage of market equity verses expenses is not going to be worked out in this paper but in a separate one, also I would like to leave it open for discussion and research by others. The percentage equitability of SP&I will reflect the institutions ability of transmission of fiscal expenses. Administrative proficiency is to be crucial. Another important market agent could be considered

the targeted market sectors and participants by the fiscal policies, by this paper the SME and SMI are considered best-targeted agents under the new market conditions. The entropy needed to establish complex conditions to add to industrial production as prime market agent of business activities. Such market approach is considered also better in quality if it is succeeded by natural for the market means. The SP&I are artificial (not natural) market means, therefore these are considered secondary. **However, entropy – complexity is purely market achievable condition more important than the means used for such achievement.**

Individual countries differ in best-used methods for achieving entropy – complexity, some are pro social therefore SP&I as main market agent in these markets would be more successful, whereas others are with pro capitalistic traditions, which will be more successful by using approaches that are more businesslike.

2.6 Employment, Real Wages, Catching Up or Falling Behind

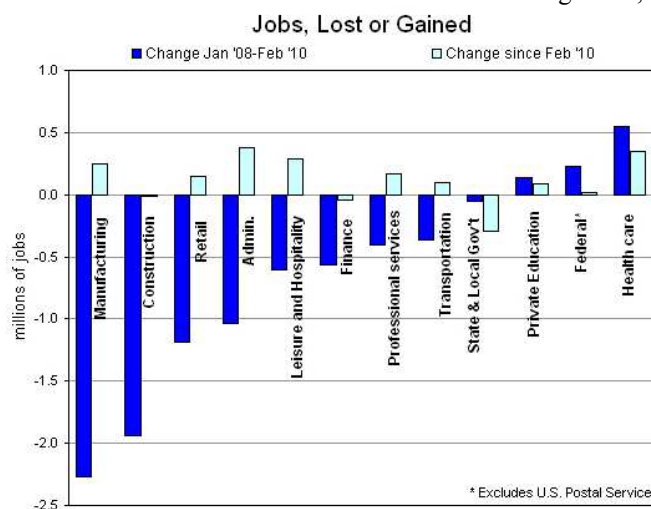
Employment and real wages in a close country system or under the conditions of “fair” global competition should track labor productivity in the end, when the technological innovations that boost such productivity accelerate this prompt and boost employment. Thus in theory, under the global competition private business should create conditions for higher employment and rising salaries, because the fierce competition on a global scale would necessary pressure more firms to improve their productivity by investing in R&D in a constant race. However, many contemporaneous factors, result of the ongoing globalization and rising productivity, directly interfere with the accepted theories such is the market accent change from the pro-supply side to the pro-demand side of the markets: the improving technologies have allowed fast industrialization of China prompted and accelerated by the moving and outsourcing of industrial production and capital flow. Such market development has added substantially to the industrial production of the US, Japan, Germany and the other AM to tip-off the already closing balance of the market supply-to-demand being accelerated by the improving high technologies. Not the least is the role of the transnational corporations (TC) and GME, which have been the carriers and executors of this process. The labor market mismatch as one of the reasons for persistently high unemployment. Job growth polarization, industrial reallocation and organizational restructuring create a severe mismatch between available workers and appropriate job opportunities. Unemployed workers are forced to look for jobs in different occupations, industries and locations. *Natalia Kolesnikova and Yang Liu (2011)*

In the tradable category are manufactured goods, farm products, raw materials and financial, consulting, educational, computing and other technical services. Prominent in the nontradable sector are government, health care, retailing, construction, restaurants and, for the most part, legal services. Of the 27.3 million jobs created in the American economy from 1990 to 2008, only 662,000 new jobs were added by the tradable sector. That is only 2.3 percent of total job creation in the economy. *Uwe E. Reinhardt (2011)*

However, instead of prompting fair market competition under this new development some kind of global monopolization has begun to emerge resulted of the great financial power accommodated by some TC and the Chinese government by these practically market dominants, which hold of the global market cash flow and literary could acquire technologies, innovations, and large market share unperturbed. High technologies have allowed relatively easy setup of manufacturing mills and labor training, which also gives TC huge advantage. By accessing low-interest rates and public financing under these new developments TC practically could easy monopolize markets. “The numbers are startling: Top CEO salaries were up 23 percent last year, according to the New York Times; the average worker's pay was up only .5 percent. Meanwhile, the top 0.1 percent of American earners now take in more than 10 percent of the nation's collective income. That puts the U.S. in the same inequality ballpark as developing countries like Cameroon and Ivory Coast.” The Chinese government accumulating large pool of cash has also unperturbed purchasing powers to develop markets in Africa targeting resources. “It's unreasonable that we become the largest capital provider and supplier. In the past six years, China has been the No.1.” However, the overall global employment has been diminishing in numbers on majority of markets showing limitation of industrial employment. The TC’ employment have gradually reduced by the improving technologies and by their moving and outsourcing mostly to China. The shrinking global market employment consequential of the concentration of industrial production into the few and of improving high technologies has distorted the job market. The accumulated, because of this development, national debt has closed the negative market circle by limiting the usage of fiscal policies for countercyclical measures.

The Great Recession of 2007-2009 was characterized by a massive decline in private sector wage and salary jobs, rapidly rising unemployment and underemployment, and steep increases in the median and mean durations of unemployment. The Great Recession accelerated this trend: Employment in middle-skill and middle-wage occupations declined 7-17 percent during the recession. Employment in the construction industry dropped 20

percent, and job opportunities in the financial industry declined 6 percent. Examples as the following shows progressive loss of blue color jobs and not any trend of gaining these back in positive cycles. Demand in these industries may never return to prerecession levels; a portion of their job losses are likely to be permanent. “Our first and most important finding is that the current recovery has been the worst in recent U.S. economic history in terms of job creation. Employment growth has been much slower than it has been in all post-World War II recoveries” Richard B. Freeman and William M. Rodgers III,

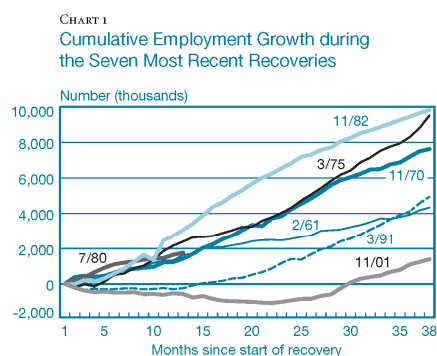


NPR's Planet Money

Source: BLS

Moreover, the accepted theoretical models rely upon intertemporal equilibrium, perfectly rational behavior and rational (technological) expectations that do not seem convincing in the context of such complex and uncertain phenomena as technological change in this new market environment, which market developments bring relative huge disadvantage to the SME and even emerging markets. The technological improvements have not being realized in anyway by SME on a scale large enough to create considerable market competition and noise of employment (majority of markets are running high unemployment).

TC have the flexibility to move their production or outsource “The companies cut their work forces in the U.S. by 2.9 million during the 2000s while increasing employment overseas by 2.4 million, new data from the U.S. Commerce Department show” DAVID WESSEL. WSJ, APRIL 19, 2011 , TC have the monopoly on high-tech innovations particularly in large scale manufacturing machinery;



Source: U.S. Department of Labor, Bureau of Labor Statistics, nonfarm payroll establishment data (<<http://www.bls.gov>>).
Note: Each series is benchmarked to the start of its recovery as defined by the National Bureau of Economic Research's Business Cycle Dating Committee.

Thus the system is not anymore close and the effect on 1/f noise is not anyhow similar as shown in the classical economics, neither the employment prompted by innovation in anyhow affects particular markets or countries that the innovation was succeeded, Tellingly, “the employment-to-population rate has hardly budged since reaching a low of 58.2 percent in December 2009. Last month it stood at just 58.4 percent. Even in the [expansion](#) from 2002 to 2007 the share of the population employed never reached the peak of 64.7 percent it attained before the March- November 2001 recession. What this indicator tells me is that we weren’t creating enough jobs long before the recession that began in December 2007. If this pattern holds, even in recovery, it points to a much deeper and disturbing problem for the [U.S. economy](#). (Alan Krueger, professor of economics at [Princeton University](#), was assistant secretary of the [U.S. Treasury](#) for economic policy. The opinions expressed are his own.)”, hence the long wave of catching up or falling behind under these new conditions

could be greatly interrupted or at least becomes ineffective, the environmental issues that are more uniting for the global market alone with the extinguishing oil and other resources, are additional destructions for the theory. Prompting rising productivity, of globalization and of China becoming a real addition if not a leader of industrial production creates some new market conditions not experienced until, that distort the long wave of catching up or falling behind making it inadequate. The level of employment and real wages under these new conditions do not reflect productivity, neither innovation, nor even capital as it was accepted in a progression downward showing countries catching up with the frontiers. The 4.2% decline in real GDP during the 18 months of the Great Recession was produced by steep declines in national employment and by declining weekly hours of work. Nonfarm payroll employment fell by 7 million or 5% from 2007 IV to 2009 II (See Chart 2). Total civilian employment (persons 16+), including the self-employed, fell by just under 6 million or slightly more than 4% over the same time period. Even the model as the 'Model T' of a range of evolutionary models dealing with market growth and endogenous technological change in an international context, I believe, does not accumulate the variances affecting under these new conditions pointed above, the role of "productivity" prompted by "technological innovation" does not responds. As will be noted below, these substantial improvements in labor productivity over the past few years have not yielded any increase in the real hourly or weekly earnings of the average U.S. worker. Andrew Sum Ishwar Khatiwada Joseph McLaughlin, Sheila Palma, May 2011

Hence, with the decreasing of industrial production comes the shortening fiscal quantities and lack of finances, the expanding deficit and national debt, hence, the environmental and diminishing resources problem that cannot be solved by "rising productivity" and contemporarily "innovations" in any ways, and the employment closely reflect all these issues. All of growth in real GDP since the second quarter of 2009 has been generated by either rising labor productivity or a small increase in mean weekly hours of work.

Aggregate payroll employment continued to fall steeply during the first three quarters of recovery declining by 1.6 million through the first quarter of 2010 the role of these classical factors will remain to be powerful on a macro and micro market level, but it is not going to be the most important factors for global employment or overall market development. Between the second quarter of 2009 and the fourth quarter of 2010, real national income in the U.S. increased by \$528 billion. Pre-tax corporate profits by themselves had increased by \$464 billion while aggregate real wages and salaries rose by only \$7 billion or only .1%. Over this six-quarter period, corporate profits captured 88% of the growth in real national income while aggregate wages and salaries accounted for only slightly more than 1% of the growth in real national income. Andrew Sum Ishwar Khatiwada Joseph McLaughlin, Sheila Palma, May 2011

Table 3:
Growth in Real Annualized National Income, Corporate Profits, and Wage and Salary Accruals in the First Six Quarters Following the End of Five Post-World War II Recessions from 1973-75 to 2007 – 09
 (Numbers in Billions of Dollars in Constant 2010 CPI-U Dollars)

	(A)	(B)	(C)	(D)	(E)
Recession's Ending Quarter to Six to Seven Quarters Later	National Income Growth	Corporate Profits Growth	Accrued Wage and Salary Growth	Corporate Profits Share of Growth in National Income (in %)	Aggregate Wage and Salary Share Of Growth in National Income (in %)
Six Quarters					
1975 I – 1976 III	\$462	\$148	\$174	32	38
1982 IV – 1984 II	\$817	\$227	\$205	28	25
1991 I – 1992 III	\$237	-\$4	\$119	-1	50
2001 IV – 2003 II	\$333	\$178	\$50	53	15
2009 II – 2010 IV	\$528	\$464	\$7	88	1
Seven Quarters					
2009 II – 2011 I	\$505	\$465	-\$22	92	0

Hence, of the "1/f noise" THE "NOISE" is disrupted, not being complex enough to allow the downward progression, in this paper we consider using other than high productivity and small budgets entropy to invoke "noise" that will bring the classical to markets to close-up on the frontiers. The entropy-complexity under these

new economic conditions as mentioned in many occasions is achievable by micro and macro economic means by enhancing corporate structures liability, business laws, financial regulations, by enhancing market security and thus establishing market conditions of more fair competition, and by using Social and Infrastructural Expenses invoking additional market entropy-complexity.

This paper differ from classical economics in defining market agents to be used for enhancing the “noise” in 1/f noise, and generally disagree with “a priory” conception of trickle-down economics of capitalization and economic development.

The IFI should endeavor into continuous and consistent setting up unified global market conditions that would empower SME to compete to the TC on a fair ground, hence the employment mostly carried on by SME supported by SMI will be kept in some steady margins. The large volatile variances of interest rate under the current system should be marginalized by the new enhanced complex market economics. Sharp turns of growth or down-slop of some sectors of markets invoked by over capitalization should not necessary enact sharp interest rate shock fluctuations, nor massive austerity measures and budgetary restrains as it is practiced by current rather procyclical approaches. The currently used approaches prompt higher unemployment when the employment is a main market tool for keeping balanced demand-to-supply in markets, hence sharp shocks’ volatilities and emergency policies as used until now are not productive under these new conditions. This paper is to localize and show the direct consequential relation between rising unemployment and the ongoing Globalization and rising Productivity.

The 2007-09 Recession has prompted the US and other AM governments to become market proactive for creating new jobs. Currently mostly used Keynesian countercyclical market instruments are the private employment prompted mostly by stimulus packages, tax breaks and subsidies (not by the market forces) and the public employment prompted by projects and programs.

However, in the first place, tax breaks and subsidies work until certain time when these directly could be overwhelmed by the resistance of the market forces such as shortening demand for thus manufactured goods or provided services in the second place, under the current financial system the piling deficit and national debt limits the abilities of any administration to keep long term projects and programs well such becoming political issue being most likely interrupted.

Both approaches cannot properly function in a system of high interest commercial lending because these are not directly connected to genuine market fluctuations but are indirectly prompted by artificial methods for creating employment.

To establish more adequate market conditions in which market forces are used in their best under such new developing conditions the free entrepreneurship must be used to create and maintain relative employment and the role of the government must be minimized for such, these new conditions should be precisely evaluated and the necessary changes and approaches should be implemented.

□□□□□□□□ New global market has shorten return on investment and profitability for small and medium investors and for small to medium businesses because of the much cheaper industrial production in China, India and elsewhere, however the SME are the main employers.

□□□□□□□□ New global market has given all the powers to the Transnational Corporation and the Big Investors, whose access to public funds through market exchanges and lower interest rate financing has given them market advantage. However, the trickle-down economics, which were expecting the TC and BMI reinvesting back did not work: capital investment and industrial production was moved or outsourced to China not on the US market. Despite of the surge of profits by the TC and BI the industrial employment has been decreasing in the US.

□□□□□□□□ The relatively easy ways to open and establish new small and medium businesses, the lack of business laws and regulations in contracting allowing “shady” business practices, the lack of personal liability of LLC and corporate structures all of these trickle-down approaches are in conflict with establishment of fair competition market condition that could benefit the SME. The long 2007-09 Recession showed that SME encountered major lack of funds problem because of SME’s lower security. Either being financed on high interest rates or not being financed at all, in times of long downturns under currently shady business markets SME are uncompetitive to the TC.

□□□□□□□□ The relaxing financial policies and regulations allowing large financial institutions to speculate brings similar effect to the Small and Medium Investors with expensive money and financial difficulties because of SMI lack of market security and high market risk.

□□□□□□□□ The governmental regulations are used instead of criminalizing business violations and of enhancing personal liability of corporate structures and business transactions. Such regulations affect negatively market forces because most of the time such regulations are quite partial and politically influenced when the marketplace needs balance. Hence, by criminalizing business violations and by enhancing personal liability of corporate structures raises the level of market fair competition; it also will jack up the security and minimize risk to lenders of Small and Medium Businesses and Investors.

□□□□□□□□ The role of public equity should be also fundamental in balancing the ongoing effect from the Globalization and rising Productivity: so, what “public equity” could be considered for: Infrastructure, Medicare, Social Security, Education because of the countercyclical effect on the marketplace in time of shrinking industrial production (here it should be mentioned the gaining “equity” approach is in some extend used by China for balancing their marketplace) but here also could be stated that such policies of gaining and growing “equity” may work much better on the US market that eventually may prompt more employment. The accent however should well be done on the principles of balancing Demand-to-Supply based on percentage of the GDP; to explain clearly instead of the debt as a main market issue in this new market the balance of the Demand-to-Supply should be the main issue thus avoiding inflation and deflation. To succeed in these new market approaches the Monetary Policies should be well adapted too by monetary quantities reaching SME and SMI in natural and artificial ways.

□□□□□□□□ Subsidies to targeted industries of renewable energies, organic farming, environmental tourism etc. are to be market tools to prompt some employment when simultaneously save Earth. Under the current economic approaches Industrial Production is just moved from one place to another considering highest Profitability, so goes the Investment considering ROI (return on invested capital), hence, the relatively expensive renewable energies technologies decrease companies competitiveness and the consequential ROI. Only targeted subsidies, tax breaks, could make these industries market competitive.

This paper argues that the 1/f noise for Closing-Up could be achieved by adding entropy-complexity to the markets that is to keep unemployment in functional working limits. Under the new economic conditions, small and medium enterprises and investors should be finance-able on a low interest rate, which must be achieved by natural and artificial for the markets means. Monetary Quantities should be enhanced by the IFI to expand global business activities by SDR becoming global exchange currency, and low interest lending and subsidizing should become a used market tool to promote renewable energies, organic farming and alternative tourism

2.7 Financial Institutions (FI) & Global Market Exchanges (GME)

The contemporaneous to recently accelerated process of market globalization and rising productivity has aggregated the consequences of a deregulated and speculative practice of FI and GME on the real markets. The credit aggregation on the US market that contributed substantially to the 1999 and 2007-2009 Global Recessions boom-and-bust cycles was endogenously consequential of the overall loosen financial and market regulations, however the reasons for such are much deeper into the foundation of a priory economics and politics of pro Big Investors and trickle-down approaches and practices, "predominance of social relationships organized along personal lines, including privileges, social hierarchies, laws that are enforced unequally, insecure property rights, and a pervasive sense that not all individuals are equal." North, Wallis, and Weingast 2006 and 2009. Hence, in a working trickle-down approach the concentration of excessive capital was prompting reinvestment and endogenous market growth, the shady FI and GME practices contributed to such process to accelerate business activities. Hence, a high capitalization under the condition of a pro-supply marketplace and limited globalization and limited productivity had a positive prompting to market growth and development effect when the business cycles were endogenously and exogenously dialectically spiraled up. However, these business cycles as proved in other places of this research have become much more irrelevant and unpredictable for maintaining such

market development and market balance because of the accelerated globalization and rising productivity, and not the least because of the arising ecological issues.

Unstoppable is the process of outsourcing and moving of industrial production from AM to China and now India, Brazil, Vietnam, etc. which countries are vastly populated and under the new high tech manufacturing conditions becoming easy destinations for such. Hence, the endogenous capital flow for AME has been moving exogenously and not prompting market development back home. Rather the excessive concentration of capital by individuals has become counterproductive to the AM market development and to the global market development overall. Which market development relies on the AM prompting market powers and on the industrial production as a fundamental market tool for fiscal aggregation; the AM and the trickle-down economics under these new conditions cannot carry on consistent market demand in the AM or globally that will properly respond fiscally and monetarily to the rising oil and other utility prices. Hence, poor wealth distribution and redistribution most definitely establishes conditions for chronically accelerated national debt, also for overcapitalization of individual economic sectors (the 2007 Real Estate overcapitalization is a good example).

The must change to FI and GME goes from market tools that use shady business practices and serve Big Market Investors (BMI) in concentration of excessive capital to such market tools to serve Small and Medium Investors (SMI) on a global marketplace for Return On their Investment (ROI) Strongin and Petsch (1997) "noted that international diversification on a currency unhedged basis is likely to hedge local inflation risk in an equity dominated diversified portfolio." which will become major market tools for wealth distribution and redistribution by using market ways and free entrepreneurial approach; hence, The rule of law for elites requires the "establishment of a judicial system in which individuals with the appropriate standing have access to rules and procedures [...] whose decisions are binding and unbiased, at least with respect to elites" (North, Wallis, and Weingast (2006 and 2009), p. 151) Perpetually lived organizations are defined as "perpetually lived forms of public and private elite organizations, including the state itself (NWW, 2009, p.26), FI and ME must evolve from shady practices to clearly regulated market structures to carry on such important endogenous wealth distribution of predominantly exogenous ROI. Governed by rule of law, secure property rights, fairness, and equality - all aspects of treating everyone the same, (North, Wallis, and Weingast (2006 and 2009). The IFI have to assist US and other AM governments and China in the implementation of these new alternatives by establishing fair competition on the global marketplace, under which SMI should have equal to the BMI and the Government financing and ROI access. Political responsiveness in open access orders reflects shifts in economic interests. This in turn, leads political officials to provide a range of public goods and services that respond to economic opportunities" NWW, 2009, p. 145)

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- Wall-street has perfected a system to promote individual segments of the market such as the Internet Bubble of 1999 and the Real Estate Bubble of 2007 to dilute Small Investors in runoffs in which the final loser always are the Small Investors. Overall greed as a weapon of choice: the most powerful one, the lack of ROI, the lack of business opportunities, the lack of regulations that could protect them from financial fraud are among some of the disadvantages Small Investors encounter on the Marketplace while CPI raises constantly hence the cost of high education and taxes. The easiness with which Wall Street provokes Small Investors in "opportunities" irrational exuberance or animal spirit (sunspots) based on multiple equilibrium is much related to the rising expenses too.

2.8 Intellectual Property Rights (IPR)' Equity Role in Market Economics

Twenty years ago, financial statements reflected 75 percent to 80 percent of a company's risk profile and value potential, according to New York University business professor Baruch Lev. But today, they may capture only 20 percent, he asserts, because wealth is now created by knowledge and other intangible assets such as skills and human capital rather than by land, factories, physical labor, or even finance capital.

The Intellectual Property Rights (IPR) with expanding equity value could be achieved in the global marketplace only by increasing the security of the marketplace. In this paper, the IFI's effort following the TRIPs agreement (the agreement on trade related aspects of intellectual property rights), negotiated during the Uruguay Round and in effect since 1995 to have all countries particularly EM enhance the protection of IPR are highly valued. However, there are many glitches in the system of the IFI procedures to enforce IPR, and overall the unified IPR are not supported by the nature of the currently used form of cyclical high interest rate trickle down economics of violent shocks in which the shady business is considered productive. "multinationals are most likely to move to weak intellectual property rights environments", Stanley Watt, WP/07/161 "weak IPR protection is therefore not a result of lobbying pressures or other political concerns, but a consequence of a government's inability to commit to policies that ex post it would not find optimal to pursue. At this point, the government has an incentive to weaken protection to maximize profits in those product lines where local innovation has been unsuccessful. Stefania Scandizzo, WP/01/81" The "a priori" current economics maintains the ideas of compromising IPR to attract FDI and TC to their markets. ("Developing countries argue that IPR protection creates monopoly power, keeping them from becoming competitive... Developing countries are often wary of enforcing laws against domestic imitation that not only would transfer profits abroad but would also raise domestic prices of consumption and intermediate goods.), Stefania Scandizzo, WP/01/81). Appears general inadequacy between the IFI effort to enforce IPR and the widespread practice, that inadequacy is supported by shady business practices: the lack of liability and consistent business laws for fraud prevention. Hence, the whole theory of cyclical high interest rate economics provoke the limited security of intellectual property rights on the global marketplace, "developing countries argue that IPR protection creates monopoly power, keeping them from becoming competitive in the more technological, and often more profitable, sec"

The limited market security value especially deteriorates in time of negative market shocks as the last 2007-2009 Recession was, because of the many countries accumulated debt and overall decreasing fiscal quantities. The pressure of market instability provides conditions of negative consequence to the effort of IFI to unify IPR laws and their market implementations, when many governments of EM are ready to compromise such under these pressures of fiscal shortages and rising national debt. The over all decreasing credibility of IFI correlates contemporaneous market deterioration and it has negative impact on IPR global unification. The inability of IFI to prevent negative economic shocks and to help these markets in such disparity market times is not consequential of only lack of funds, rather of the wrong conception of the IFI's role on the marketplace. The increasing resistance by many EM to implement IPR laws and regulations is in principal because enhancing IPR is considered reducing these markets competitiveness. However, the lack of IPR on the global marketplace causes additional financial instability and raises the lending interest rate with relation to IPR. The importance of innovation and the importance of IPR to protect innovation are very positive "Innovation, wherever it occurs, is desirable because it increases consumer surplus, either through the introduction of new and better products or by lowering consumer prices. Stefania Scandizzo, WP/01/81"

Thus, the global market development straightly relates the IPR laws and regulations being accepted and practically implemented by the participating countries. Thus if these IPR laws and regulations are dysfunctional the imitation may offset the positive an innovation may have on particular market, economy. "Weak protection is a disincentive to local innovation, but permits the country, through imitation, to capture at least in part the benefits of foreign innovation." Stefania Scandizzo, WP/01/81

Under the new arising conditions of globalization and rising productivity the Market Economics should rely on IPR (a part of) equity, a positive counter inflationary shock and market tool, therefore, the market security should be greatly enhanced and the IPR should be greatly implemented by all participants on the global marketplace: when in this paper the IFI credibility and the over all market security correlates substantial enhancement of business liability laws, contract law, market exchanges laws and regulations, implementation of performing standards with environmental and social causes, and last the usage of market tools for countercyclical balance of market demand-to-supply.

IFI's most important role for implementation of IPR to all market participant countries is prominent, it directly correlate contemporaneous change of approach first by accepting countercyclical market economic instead of the cyclical trickle-down currently by new role of enhancer of the global marketplace IPR compliance through the new principles of "fair" competition of the Quantum Factor of Market Economics.

2.9 Corporate Liability Laws, Business Laws, Contract Laws

This paper accepts enhancement of corporate liability laws (from limited liability laws to unlimited), the business laws and the contract laws as a countercyclical market tools enhanced from used corporate limited liability to unlimited liability laws, the shady business laws to close to the common and civil laws' business laws ('corporate entity may be disregarded in the interests of public convenience, fairness and equity - Capital

Telephone, General Tel. Co. of the SW. v. United State) because: (Traditional corporate law emphasizes the legally separate identity of each constituent corporation, grants the shareholders of each limited liability for the obligations of the corporation, and breaches this limited liability only in rare and exceptional circumstances), the contract regulations to fully liable and executable stationary laws, as preconditions for improved market stability, consistent economic development and marginalizing the gap between from one side SME and SMI and from another side TC and BMI thus enhancing the endogenous for the AM that would be followed by exogenous market security;

The enhancement of the Corporate Limited Liability Laws to Unlimited Liability Laws is a step-up that corresponds in general as per (William R. Emmons and Frank A. Schmid) to the constant that the rule of law appears to be consistently strong among the rich countries and somewhat lower among poorer countries. The amount of debt financing by firms is similar among all high-income countries. At the same time, higher levels of economic development correlate with a better climate for the rule of law". Better accounting standards, larger capital 30 markets, stronger legal protections of investors, and a stronger rule of law are all good predictors of growth by firms that need external finance. Stronger legal protections of creditors and shareholders and a strong commitment to the rule of law appear to be no-lose propositions that every country can and should embrace.

The countercyclical role macroeconomic jurisprudence in market exchanges and finance organization should have an effect, ("These countercyclical regulations provide a countervailing force to the financial accelerator mechanism" Papa N'Diaye, WP/09/257), very similar to the role Corporate Liability Laws, Business Laws, Contract Laws are to play on micro and macro market level to be countercyclical market agents for market balance to prevent negative inflationary or other economic shocks "As a result, the magnitude of the required increase in interest rates to achieve a particular level of variance in output and inflation is reduced by the rise in spreads." Papa N'Diaye, WP/09/257;

The question of how much better the economy could do in the absence of a moral hazard problem, specifically under unlimited liability, where capital adequacy regulations could be eliminated altogether? The answer is that policymaker is able to eliminate all capital adequacy regulations on banks after imposing unlimited liability in the banking sector; as per Jaromir Benes, Michael Kumhof WP/11/130. Thus what is considered regulatory simplification and over all functionality that would have affect banking sector with the change of CLL to unlimited liability would also affect the entire market, by reducing laws and regulations, and by boosting corporate ratings overall.

Liability Law suggested adjudication follow and enhance different international treaties and recommendations to utilize and equitably globalize them. Such as: the OECD's recommended principles (1) the rights of shareholders, (2) the equitable treatment of shareholders, (3) the role of stakeholders in corporate governance, (4) disclosure and transparency, and (5) the responsibilities of the board.

Business Law, which is more general and includes other section than Contract Law such as Employment and Intellectual Property Laws, is also more affected by this paper conception because of the change in liability from limited to unlimited that brings Corporate Risk Management (in some cases including the Board of Directors (BOD) in consequence to the BOD involvement and control over a corporation) under common and civil laws direct jurisprudence.

Limited Liability Contract law is clear that, in every contract, each party has a duty of good faith and fair dealing in the performance and enforcement of contracts. However, in multiple ways the proper execution of contracts are fraudulently deceived, such example is by manipulating assets to move them from the contracting subsidiary to the parent or other subsidiaries can take many forms beyond outright transfers, including loans, pledges to secure third party loans, repayment of debts of the parent, as well as unfair intra-enterprise transactions or excessive dividends. The piercing of the veil obligation is founded on corporate limited liability, not personally holding liable risk managers and directors, unless a tort is proved in details, which is very difficult and quite rarely taken into claim. The Unlimited Liability Laws would criminalize intentional fraudulent provision of improper pre-contract information, misrepresentation, or intentionally fraudulently formulated contract. In principle, this paper consists in enhancing personal liability in contract negotiation, presentation, signing and execution by the corporate authorities, who are authorized legally to do it. When remedies are awarded by courts, under this paper, enhanced insurance and bonding is necessary, thus contract law's enhancement goes well in hand with required insurance and bonding for legality of contracts. In other words, the validity of a contract from both sides relies upon financial backup by proper insurance and bonding (the insurance is asset based while the bonding is performance based).

For the positive effect of enhancement of corporate liability laws (from limited liability laws), the business laws and the contract laws on the global marketplace, the IFI role as of global enforcer of unified business practices and laws is paramount. Hence, the IFI's role of business promoter and powerhouse is also relying on the global implementation of unified related corporate unlimited liability laws (from limited liability laws), the business laws, the contract laws, bonding laws and IPR. This paper is to prove the elevated role of the IFI under these new market conditions of globalization and market productivity. When "tighter regulatory requirements could lessen inflationary pressures in both goods and asset markets. Such regulation would, in turn, lower output fluctuations." Papa N'Diaye, WP/09/257 the implementation of enhancement of corporate liability laws (from limited liability laws), the business laws and the contract laws on the global marketplace may well bring such counter-inflationary economic tools to much higher levels of capability for individual markets and finally for the global marketplace in which IFI are to be the controller.

3. Cyclical Development: the Business Cycles becoming Less Functional:

There are number of market developments empirically confirming irregular business cycles; from the wide fluctuations in the past although there is no clear cycle of any fixed length, Gerald Silverberg and Bart Verspagen, 1995 to a standard Real Business Cycle model driven by productivity shocks can successfully account for the 50% decline in cyclical volatility of output of the presence a large and statistically significant permanent decline in US GDP volatility. All of these variances are about 30–50% smaller in the post-1983 period to the 1955–1983 period; Andres Arias · Gary D. Hansen Lee E. Ohania (2007), to the sharp and violent compared 2007-2009 recessionary fluctuations that almost broke the markets in many countries to the slow aftermath rebound that maintains high unemployment and lower than market growth for the US and most other markets.

The processes of cyclicity under the conditions of decreasing industrial employment for many markets that consequently limit fiscal reserves and invoke deficit and national debt are not reliable to prompt and maintain cyclical economic growth to the level needed for maintaining consistent market development (en example is the aftermath of the last 2001&07 Recessions and the ongoing weak rebounds).

The self-adjusting dialectic power of the business cycles is less regarded by the new economics as able to actually workout in offsetting recessions; economists recommend rather countercyclical market methods and the countercyclicality is becoming more regarded as effective. Philippon (2003) argues that increases in competition can jointly account for higher microeconomic volatility and lower macroeconomic volatility. That actually is close to the thesis that productivity which is in the foundation of the rising competition is pro-cyclical under the new conditions, thus instead of prompting 1/f noise its (productivity) lower it? Hence theory is partially supported by this paper, in where the productivity in a classical meaning still can prompt 1/f noise to certain extend in a combination with other market parameters if the security of the markets is enhanced and small and medium enterprises and investors enter in relatively fair market competition, thus the 1/f noise will be activated to become countercyclical in a negative shock cycles. To rely mostly on productivity to prompt market development and higher employment under the current market conditions is considered partial and dysfunctional.

Borio and Lowe (2002, 2004) show that widespread financial distress typically arises from the unwinding of financial imbalances that build up disguised by benign market conditions, such as periods of stable and low inflation, thus to maintain such market balance countercyclical economics is becoming rather functional to manage marginal elasticity of the market volatilities. In modern economics, progressively the countercyclical approaches are becoming more functional. "The countercyclical rules can help stem swings in asset prices, lean against a financial accelerator process, and thereby help to lower risks of macroeconomic and financial instability", Papa N'Diaye, WP/09/257. a nonparametric, nonstructural, connectionist model (artificial neural network, or ANN) to examine the "inflation pass-through problem, that is, how large (if any) is the subsequent change in the headline or core (excluding food and energy) inflation rate following an abrupt increase or decrease in the rate of change of the price of a specific commodity or group of commodities,...". Data mining is a broad term describing the use of statistical methods to locate interesting and (usually) less-than-obvious relationships among variables.", Richard G. Anderson ^a Jane M. Binner ^b Vincent A. Schmidt, WP 2011 "Then, considering that our measures of global and national business cycles should help us analyze the evolution of business cycle synchronization, we also review the literature on linkages between globalization and synchronization. The main message is that, although various approaches have been employed, it has been a challenge to construct practical and satisfactory tools for monitoring global business cycles. S. Boragan Aruoba, Francis X. Diebold, M. Ayhan Kose, and Marco E. Terrones, WP/11/25 The model is evolutionary in the sense that the economies are disaggregated by behaviorally heterogeneous firms, market selection occurs, and the innovation process is uncertain and stochastic." Gerald Silverberg and Bart Verspagen, MERIT,

University of Limburg, P.O. Box 616, 6200 Maastricht, The Netherlands.” The economy cycles around a long-run balanced growth path and the average boom-bust cycle is at least 7 years long; (ii) during a boom-bust cycle, the volatility of consumption and output are similar but that of investment is excessive (more than 5 times larger than output)”. Latest economic variations are in sharp contrast to regular business cycles analyzed by the traditional real business cycle (RBC) literature, described by which where fluctuations are more random with a shorter average duration, and consumption is significantly smoother than output whereas investment is only 2-3 times more volatile than output. However, under the arising conditions of Similar long-swing investment booms, such as the rise and burst of the dot-com bubble, are also stressed by Caballero, Farhi, and Hammour (2006) as speculative growth episodes accompanied by extreme stock market valuations and large credit expansions with low interest rates.”, Patrick A. Pintus, Aix-Marseille University & GREQAM-IDEP pintus@univmed.fr, YiW en Federal Reserve Bank of St. Louis yi.wen@stls.frb.org

The last 2007-2009 Recession was unique in nature. By the very deep and sharp turn into financial disarray in which the largest financial institutions could not self sustain the negative impact of defaults and loss of equity value, the over-capitalization of one of the economic sectors has provoked that consequently from a national for the US market brought a global sharp negative shock. The financial system irregularities result of shady a priory trickle-down cyclical economics could under such conditions performed rather inadequate; hence, governmental countercyclical interference was the only approach to stop from total collapse of the US financial system and the market overall possibly followed by many other markets.

From the perspective of a wide range of labor market outcomes, the 2007 recession represents the deepest downturn in the labor market in the postwar era. Until recently, the nature of labor market adjustment in the current recession has displayed a notable resemblance to that observed in past severe downturns. During the latter half of 2009, however, the path of adjustment has exhibited important departures from that seen in prior deep recessions”... This recent divergence between output and the labor market can be traced to the high level of average labor productivity growth during that period, resulting in an increase in the unemployment rate in 2009 that surprised policymakers and forecasters alike. Our detailed analysis of the adjustment of the labor market in the current downturn reveals it to be the deepest deterioration in labor market outcomes on record in the postwar era. Every indicator of labor market activity suggests that the recession has been unique both in its depth and in duration. Rates of joblessness among all groups in the labor market have reached historic postwar highs. There is little doubt that it is a Great Recession.” MICHAEL ELSBY, University of Michigan and NBER, BART HOBIJN Federal Reserve Bank of San Francisco and Free University Amsterdam, AY\$EGTJL \$AHIN 1 Federal Reserve Bank of New York, Prepared for Brookings Panel on Economic Activity, March 18-19, 2010. This version: March 8th 2010.”

However, the market interference with the free flowing business cycles by the governments of the most developed countries and China was not sufficient enough to reflect the capital and fiscal needs of the global marketplace (of many EM) and help their markets get on the growth track where in the global marketplace contemporaneous correlation such ineffectiveness was exogenously counterproductive and finally reflects back on the AE growth. “Some risks can be mitigated by domestic policies; however, the importance of global factors as sources of systemic risk suggests that international cooperation and coordinated policy action are crucial to preserve global financial stability.” Marco Lo Duca ⁷ and Tuomas A. Peltonen, WP311 / MARCH 2011;

Hence, under such developed inadequacy of response to the sharp global market downturns, IFI is bounded to become the main countercyclical global financial organization of promoter of consistent market development on such global scale, but at time of recession, these organizations lack recourses and right conception to perform such actions properly.

When the interest rate goes up in US and EU to prevent the most developed economics from overheating some of the rest markets are still getting even deeper into lack of monetary supply to start getting out of the recession in contemporaneous inadequacy; “International U.S. business cycle dynamics are not necessarily harmonious: A growing literature has documented regional asymmetries in business cycles, the incidence of regional shocks, and the differential responses to aggregate shocks.¹ The policies of sharp fluctuation of the AM interest rate is by itself affecting markets adversely “As opposed to the existing literature that stresses the role of financial frictions

¹The views expressed in this paper solely reflect those of the authors and not necessarily those of the Federal Reserve Bank of New York, Federal Reserve Bank of San Francisco, nor those of the Federal Reserve System as a whole. We are especially grateful to Bruce Fallick, Larry Katz, Ryan Michaels, David Romer, Gary Solon, and Justin Wolfers for particularly detailed comments and suggestions. Thanks also to Mary Daly, Steve Davis, Hank Farber, Bob Hall, John Haltiwanger, Marianna Kudlyak, Simon Potter, and Jon Willis for constructive comments. We would like to thank Regis Barnichon for providing us with the Composite Help-Wanted Index, and Joyce Kwok, Joseph Song, and Theodore Wiles for their outstanding research assistance. This version is based on data through February 15th 2010.

and borrowing constraints to explain co-movement, we find that the effect of labor market rigidities has important implications for the persistent response of variables to shocks, and to explain the co-movement between consumption and residential investment, Financial frictions amplify the monetary and preference shocks, but their quantitative effects are rather small when compared with a model with homogeneous agents and no credit constraints (but with labor market frictions).

The usage of the US Dollar and the EURO as international currencies is inadequate and procyclical under the conditions of sharp interest rate fluctuations used by the US government to offset inflation or economic downturns in the US market, even farther such approaches of one sided fluctuation of their prime interest rates has adverse effect on different sections of the US and EU markets themselves (this conclusion will be discussed in other parts of this paper). Oriol Aspachs-Bracons and Pau Rabanal, WP/11/6, "Theoretically, an international reserve currency should first be anchored to a stable benchmark and issued according to a clear set of rules, therefore to ensure orderly supply; second, its supply should be flexible enough to allow timely adjustment according to the changing demand; third, such adjustments should be disconnected from economic conditions and sovereign interests of any single country. The acceptance of credit-based national currencies as major international reserve currencies, as is the case in the current system, is a rare special case in history"; "The crisis again calls for creative reform of the existing international monetary system towards an international reserve currency with a stable value, rule-based issuance and manageable supply, so as to achieve the objective of safeguarding global economic and financial stability.", Dr Zhou Xiaochuan, Governor of the People's Bank of China, 23 March 2009, A recent contribution to this literature, Mishra et al. (2010), finds strong evidence of a weak monetary policy transmission in emerging economies. "Although some monetary instruments might prevent the undesired real economic effects of a nominal appreciation of the exchange rate with a managed floating exchange rate system, it is difficult to go against market forces for long." Jean-Louis Combes, Tidiane Kinda, and Patrick Plane, WP/1109.

The necessity of enhancing the SDR and other monetary policies by the IFI to reduce the transitional inadequacies by the usage of the USD and some other currencies as global and thus the negative consequences of the used by their governments fluctuation of their interest rate to the rest of the world is paramount to prevent from spreading of negative monetary shocks to the global marketplace.

Through the 2007-2009 Recession the US and other governments of the AM could not rely on the regular business cycles to fix the huge over-capitalization and consequential out of balance financial, insurance and business organizations' balance sheets, therefore these governments intervened with large stimulus packages thus accumulating tons of National Debt, their actions however pass-through some obvious improprieties by the lack of these financial injections' actual reach to different segments of the markets, the large majority of small- and medium-sized DIs did not participate in the CPP program either because they did not apply or did not meet the requirements in terms of sufficient financial soundness." "real estate loans, C&I loans, and loans extended to individuals (non-real estate consumer loans). In relative terms, the largest contraction was recorded in C&I loans, which are more pro-cyclical than other types of loans.²⁰ The drop in the stock of these loans is quite dramatic, and the growth rates do not differ much between CPP and non-CPP institutions. Loans extended to individuals also follow a similar pattern for the two groups of DIs, with mildly negative growth rates, particularly at the beginning of 2009." Silvio Contessi and Johanna L. Francis (2010), thus for the SME that drive the majority of employment and business elsewhere the interest rate and even access to financing did not come any better, nor the majority of the middle class as the driving market demand benefited from these funds appropriately indeed; the weak consumption and relatively high unemployment, the high rate of foreclosures and bank defaults, the relative low income growth far beyond to match inflation, prompted mostly by the rising energy prices could not be fixed by neither the Keynesian Governmental stimulus actions nor by the natural cyclical dialectic economics because the fundamental ideological a priori handling the economy, in which there is more accent to the debt and quick growth than to more durable overall market development and marginal market demand. A stylized fact of cross-country growth performance is that growth rates are not very persistent (Easterly, Kremer, and Summers 1993). This volatility in growth rates is important not only for its direct welfare effects, but also because it may affect the average growth rates itself, as documented by Ramey and Ramey (1995)

Irregular Business Cycles, which based on Natural Economic Process cannot Rebound after Recessions:

It is still believed and traditionally accepted that when proper economic actions are taken on time of recessions, such as cutting prime interest rates to expand monetary supply and make lending more accessible, to make

budget reductions of governmental expenses and tax breaks so better conditions are created for investment and business, followed by higher productivity prompting higher employment and higher salaries: the power of the trickle-down investment would prompt economic growth which growth will offset the negative impact accumulated in time of recessions and also gradually grade up on a higher level of economic development: such development is considered not only cyclical but also dialectic and spiral, however the needed 7 years for a cycle may not apply anymore to the huge drop of business activities everywhere in the World with just a few exceptions like China and Germany, and this down-sloping economic activities was very irregular to different economies too. As it will be shown, countries entered and exited the crisis at very different points in time. Ricardo Llaudes, Ferhan Salman, and Mali Chivakul, WP/10/237. The last economic upheaval of 1999 followed by the 2007-2009 Recession clearly states new trend pointing to insufficient and incomplete rebound that should have set the step up on the spiral, in particularly in prompting and maintaining consistent demand (in case the Real Estate over-capitalization is not considered legit way for income, as it happen through the 2001-2007 period, which income was not supplemented by industrial production or anyway by ROI that could make such income legit, but instead was purely speculative by nature. Therefore, it could be stated with certainty that when non-legit growth of capital and/or business is not offset by parallel business activities with supportive ROI and/or business development would always bring boom-and-bust turbulences as it happened in the 1999 and 2007 recessions). “Negative money, i.e., debts, do not occur in the definition of velocity of money and in the calculation of the GDP, so the definition of the velocity of debt does not involve positive money (earned money, etc.).” V.P. Maslov, 2008

4.0 Budgetary Cuts and Austerity measures to be connected to Inflation/Deflation:

Hence, the imposed by the IFI requirements to many governments for deep budget cuts and austerity measures should be used more as direct prevention against inflation/deflation swings, than based on lending parameters and National Debt numbers because the reducing of public investment in time of downhill have negative effect to the expected turn around to market growth and development. In their paper Antonio Acconcia, Giancarlo Corsetti and Saverio Simonelli (WP/281) “...have come to the conclusions that government spending multiplier using cross-sectional variations in spending in infrastructure is 1.4 on impact and 2 overall”, and “the impact of public investment on growth is relevant, Underlying this premise is the belief that public investment is productive. Serkan Arslanalp, Fabian Bornhorst, Sanjeev Gupta, and Elsa Sze¹, WP/10/175; **The “flexible” pragmatic usage of market instruments is not anymore political issue;** (“The current financial turmoil has demonstrated the importance of understanding and measuring systemic risks and predicting systemic events, i.e. events when financial instability becomes so widespread that it impairs the functioning of the financial system to the extent that economic growth and welfare suffer materially”^b Borio and Lowe (2002, 2004) show that widespread financial distress typically arises from the unwinding of financial imbalances that build up disguised by benign economic conditions, such as periods of stable and low inflation”) **rather a statistically triggered action, and this is not difficult to comprehend if the dialectic cyclical business adjustments** during a boom-bust cycle, the volatility of consumption and output are similar but that of investment is excessive (more than 5 times larger than output). Patrick A. Pintus and Yi Wen, Working Paper 2010-027A **are not considered anymore as paramount to maintain consistent market development change well proved the ways cyclical growth has performed for the last 20 years, even it is well established theory that accumulated debt reduce consequential market growth** “a 10 percentage point increase in the initial debt-to-GDP ratio is associated with a slowdown in annual real per capita GDP growth of around 0.2 percentage points per year”. Manmohan S. Kumar and Jaejoon Woo, WP/10/174, **the debt should not be considered the most important constant for market policies, when issues as poverty, environmental pollution, lack of industrial production to many countries for replenishing fiscal reserves, and constantly rising utility prices have to be well taken in account for prompting market development instead the short minded economics of debt theory, hence the science of economics will go more or less to use randomly “as it comes as it goes” approach market instruments to prevent sharp market swings; The budgetary spending could be social, infrastructural or government employment I consider as a market tool equal in importance and politically deactivated to offset market downturns, however such market tool should be used in context with to the contemporaneous necessities arising from market imbalances. The policies most recently practiced by the EU to ideologically impose certain deficit limits to less developed EU markets I consider based on a priory approach not in context with the reality of a downsizing marketplace.** Fiscal policy has a countercyclical role to play in supporting market growth and recovery, constraints on external borrowing have prevented governments with large “infrastructure gaps” from undertaking productive investments, the contribution of debt-financed public investment to growth and exports also plays a role in external borrowing limits. Serkan Arslanalp, Fabian Bornhorst, Sanjeev Gupta, and Elsa Sze¹, WP/10/175.

The debt related economic policies are not responding the contemporaneous causality but such policies are balancing their approaches based on lending and interest rate, deficit and debt which approaches are not productive and pragmatic enough to exploit most recent market possibilities to prompt and maintain market development. Finally, the payoff of national debt comes only by market positive development and such to be achieved all means considered must be used. Rather random usage of market tools to offset the debt negative impact on the market are public investment, a common element in fast-growing countries is high public investment, defined as 7 percent of GDP or more. Other studies have argued that fiscal multipliers for investment spending are higher than those for other types of public spending or tax cuts (Perotti, 2005; Zandi, 2008). Fuel subsidies The Unequal Benefits of Fuel Subsidies: A Review of Evidence for Developing Countries, Javier Arze del Granado, David Coady, and Robert Gillingham, WP/10/202 environmental friendly projects subsidies and low interest rate financing, finally, when the cycles of business of sharp downturns followed by sharp market growth are not considered guiding global market development instead market tools are used for maintaining market development (in case growth is replaced by development), even the micro and macro competition is still considered as a driving force for market improvement the overall policies of IFI should consider avoiding sharp economic swings and establishing fair market competition to SME, SMI and EME on a global marketplace, instead of serving the a priori taken cycles of business developments, hence, to attack particular countercyclical market fluctuation and variations by all means considered at the time, by offsetting negatives (in the case the negative national debt to the market growth) through using other contemporaneous correlated at the time market tools.

5.0 Most of the Needed Change of Approaches by WB and IMF already in Process, but the Conception of Cyclicity must to be ousted rather the Conception of Countercyclical usage of Economic Tools should be implemented

Hence, the main needed global approaches implemented by the IFI are already in place and on going such as the Performance Standards: (Policy on Social and Environmental Sustainability, and [Environmental Guidelines](#)) and SDR. However, the whole conception of self-adjusting by business cycles global economy is insufficient and incoherent under the new condition of rapid technical advances and environmental demands for targeted development. The issues with SDR reflect the demand for reserves and monetary quantities, which under the current conditions cannot support a moderate global market development using the current practices; Absent changes in reserve policies, extrapolations suggest demand for reserves would reach levels insupportable by reserve issuers in the medium-to-long term (Box II.1, Figure 2). While some changes in policies can be foreseen (e.g. increasing use of sovereign wealth funds less invested in traditional reserve assets), and this extrapolation does not attempt to account for valuation or exchange rate policy changes that will occur in some form, only over a longer-term horizon would this picture be expected to change, as emerging markets continue establishing strong policy track records and develop deeper and more stable sources of financing.”), INTERNATIONAL MONETARY FUND [Reserve Accumulation and International Monetary Stability Prepared by the Strategy, Policy and Review Department](#): “

B. SDR to become Global Exchange Currency:

Hence, under the new proposed system of market development, the shortages of monetary supplies and reserves will become more aggregated. The importance of the SDR role as a global currency grows with the globalization so the need for properly quantitative expending SDR to fill the gap of thus growing demand will become unavoidable.

However, to rely only or mostly on monetary policies by using current structures to carry on consistent Global market development is considered short of possible effect: A recent contribution to this literature, Mishra et al. (2010), finds strong evidence of a weak monetary policy transmission in emerging economies. Hence, IFI to outperform in time of rising utility prices and widespread poverty, wars and terrorism, should use more economic instruments. ”There is no single answer to the question of how necessary or advantageous a coordination of policy areas would be. 8) Recent research has provided some initial clues and corroborates the view that the inflation rate can be stabilised quite well if macroprudential policy has its own tools and works alongside monetary policy. 9) However, harmful effects with respect to inflation rate volatility can arise if monetary policymakers ignore the impact of macroprudential tools on the financial markets. 10) If central banks take decisions regarding macroprudential and monetary policy tools, additional fluctuations in the inflation rate compared with the monetary policy status quo can be virtually ruled out, and such fluctuations could even be reduced overall. 11) Professor Axel A Weber, President of the Deutsche Bundesbank, (13 April 2011).

The ongoing “a priori” economic theory of easy business under shady laws and regulations promotes the large transnationals and big market investors and is deeply engraved into the system. The small and medium enterprises and investors under the arising new market conditions are becoming the carriers of employment and diverse business activities; market security becomes paramount for succeeding such entropy-complex new business environment. However, to raise market security, the business cycles’ conception cannot be relied upon the system to work under these new conditions: the countercyclical economics is to be used with many more market tools in a depoliticized environment.

In this paper, market security could be enhanced by changing some micro and macro market liability and business laws and some finance regulations “prudential regulations provide a useful mechanism for limiting run ups in asset prices and promoting output stability” Papa N'Diaye, WP/09/257.

The finance and other market institutions and exchanges shady business market approaches should evolve into more secure carriers of global investment.

The market economics theory of quantum factor that uses market tools “as it comes, as it goes” approach based on parameters to lower market volatility and to maintain more consistent global market development and contain inflation in acceptable limits by using both the demand and the supply sides of the marketplace in indiscriminate manner (not politically and a priori manner).

This new pragmatic approach in economics should be well comprehended and apprehended in the IFI policies and practices thus the methods on a country microeconomic, macroeconomic levels should be implemented in contemporaneous correlated matrix of IFI on a global level, the role of business powerhouse, and market controller is very much, what IFI should take over.

IFI imposing PS and issuing SDR by exercising prudent monetary policies raises market security. Fair global market competition is an answer to the decreasing industrial production related employment. Clear finance market exchanges are natural market carriers of wealth distribution fundamentally improving market security. Low interest and subsidizing of environmentally friendly projects, organic farming and alternative tourism are economic tools for global market development.

6.0 The Economy of Markets using Quantum Approaches:

The new market economics’ quantum approaches are called such because of their “as it comes, as it goes” depoliticized pragmatic market related usage of market tools. The quantum approaches create market entropy-complexity to prompt market employment and over all economic development not related industrial production in the percentage as it is currently used. To manage global stability and long-term development the IFI should use natural and artificial market quantum approaches attacking sectors in the global marketplace to prevent such chaotic economic environment that in many cases could turn markets violent. “Procedure based on a weighted average of the Cholesky decompositions to provide a more nuanced view of the true value of the uncertainty of the impulse responses.” Tamim Bayoumi and Trung Bui WP/10/239, October 2010. Stimulus approaches supported by enhanced requirements for unified business laws and regulations, intellectual property protection enhancement, and supported by independent monetary policies by issuing SDR in larger quantities when needed and some other approaches should be pragmatically used on a global scale. “Knowing the sources of systemic risk can guide the policy maker in choosing policy responses. Some risks can be mitigated by domestic policies, however, the importance of global factors as sources of systemic risk suggests that international cooperation and coordinated policy action are crucial to preserve global financial stability.”, by Marco Lo Duca ⁷ and Tuomas A. Peltonen (IMF, 2010b) ³ The policies of SDR being expended to become the main international currency for landing, trade and exchange are well adopted by IMF in their strategies: “with the objectives of promoting better surveillance of international liquidity and making the special drawing right (SDR) the principal reserve asset in the IMS “(Articles VIII, section 7, and XXII).² (SEE Figure 1) INTERNATIONAL MONETARY FUND Reserve Accumulation and International Monetary Stability Prepared by the Strategy, Policy and Review Department:

² As noted in previous Board papers on the Fund's mandate (see IMF, 2010b), a number of important questions would need to be resolved before this provision could be used to promote collaboration among Fund members in this area, and not all the ideas floated in this paper could be implemented on its basis. It is beyond the scope of this paper to determine to what extent the ideas mooted in this paper could be implemented under the present international legal framework either within or outside the Fund.

6.1 Quantum Factor

The Quantum Factor is the factor arising from inadequate debit/credit a priory economics that is not able to keep balanced market demand-to-supply, and therefore must be enhanced by using methods that could be considered too radically different. However, the after recession papers and other researches are closely scrutinizing procyclical economics. It is been an obvious trend toward countercyclical economics. The Quantum Factor is a continuation of these ideas, just it goes a step farther to call for change from the “a priory” system of linear dialectic cyclical trickle-down of big business economics to a fluctuating adjusted “as it comes as it goes” using all considered means market agents and tools economics. Example for accomplished by after the recession papers’ economics is the approach of **countercyclical prudential financial regulation** “countercyclical macro prudential rules, such as countercyclical capital adequacy rules, could support monetary policy in reducing output fluctuations while maintaining financial stability.” Papa N'Diaye, WP/09/257, however, there are many more market tools suggested in this paper that will contribute to maintaining such financial stability.

Empirical down-slope shortening waves of business cyclical variations could have been observed since 1980. The wave flow of growth (business) cyclicity was violently interrupted by sharp down shocks of the 2001&2009 Recessions (called in this paper “Big Wave”) that was caused in a way by accumulated energies of ‘unadjusted and rigid’ waves of an out of balance marketplace. Such processes were also prompted by shady business and financial structures, weakening employment, and high national debt by the US and the most AM. The diminishing middle class weakened the demand marked side consequential to establishing market conditions of imbalance to market demand-to-supply.

In the last 20 years the shortening diapason down-slope variations of business cyclicity have been a result of many market pressures, such us the powers of globalization, the advanced technologies allowing unification of business practices in different countries and regions prompted by the International Financial Organizations (the WTO, WB, and IMF – that have been implementing and enhancing unifying requirements for fair competition), the Direct and Indirect International Investment and the moving and outsourcing of mostly Industrial Production by the Transnational Corporations. The overall pattern of business activities has been becoming progressively similar to the most markets the reduction of governments business involvement and move into private competition and private investment has been empirically observed (this statement does not include anti-recession measures taken by governments). The global market effect from the globalization under the conditions of exceptional wealth concentration and decreasing industrial employment has limited US and many other markets’ middle class access to income. Hence, the unification of market approaches toward “a priory” used trickle-down economics of wealth concentration and cyclical economics have prepared the conditions for the last 2001&2007 Recession by diminishing as stated above of the middle class, reducing SME competitiveness (compare the TC), and disabling SMI from access to the global FDI and ROI, and many other negative factors had accelerated the concentration of negative marked energies and thus prompting 2007-09 violent market self-adjustment. The Big Wave of the over-capitalization causing this recession was well experienced in the past in the 1999 Tech Stock Bubble under the same principle: large part of industrial production was

highly modernized hence reducing better paid employment, or moved and outsourced overseas, hence reducing consumption and overall demand in the US and other AMEmarkets when the CPI has been gradually coming up even on a slow pace, the energies of lack of ROI and business opportunity supported by easy crediting caused the 2001-2007 Recessions.

However, China did not accept these procyclical trickle-down linear economics' approaches as the only market approach of its economics as it happen in the US and many other markets The Chinese economics was by balancing private employment with governmental employment, by expanding social and infrastructural built up, and by targeting individual market sections using other than prime interest rate market tools. This was one of many reasons China did not suffer such economic setback as it happen in the US and many AM and EM. This paper will prove the here stated by showing the inconsistency currently used economics brings to the marketplace. The paper will prove that these "a priory" market policies are colliding with the arising environmental issues of global warming and the exhausting Earth resources.

Thus the rigid environmental problems cannot be solved by [the present economics] system, since high interest lending and industrial production oriented market growth puts ever-increasing demands on the environment by extracting natural resources and generating pollution. Thus, achieving environmental sustainability requires radical restructuring of the political economics and a move away from industrial growth dependence.

The quantum factor of Kondratenko, 2005 takes market buyers and sellers and the fluctuating relations among them "quantum method of description of movement or behavior of market agents, sellers and buyers based on the use of probabilistic approach to describe movements of market agents" calling them agents, in this paper the pro-supply sellers to buyers conception is changed to a pro-demand sellers to buyers conception as the supply-to-demand market ratio to a demand-to-supply market priority, because it is considered the demand under contemporaneous evolvement of a leading market factor consequential of changing sequential variables more toward demand as economic development determinant. The rising under this paper economics market security is going to accelerate greatly the processes of change of market determinants from supply to demand as the leading quantum factor (it is quantum by nature) being not compatible to linear a priory economics nor to dynamic theory of economics which theories simplify the market variances correlations by establishing trends of relatively simplified patterns such as the cyclical dialectic economic development, that theories under the last 2007-2009 Recession and afterwards were underperforming with considerable inadequacy, from one side it becomes obvious that the industrial production exodus from the US and other AM to China has created growing deficit and high unemployment, thus the US government has abruptly been interfering with the market forces by using gross countercyclical measures (and thus accumulating huge national debt) and from another side the theory of economics (linear and dynamic) in its majority consists of debit/credit short term lending approaches of monetary policies that are becoming more dysfunctional.

(Most recent example of a priory incomprehensive economics is the approach followed by Germany and France in their politics toward debt loaded Greece, Portugal, Ireland, and ext. and toward impoverished Bulgaria,

Romania, ext., politics of a priory I may call ideological ignorance, the demand side in EU is greatly underperforming or not in direct correlation with the possible market balance but is debit/credit related; the IFI follows and even aggregate this a priory conception of exogenous negative monetary shocks combined by endogenous austerity measures to these countries, which theory bring no solutions to them or to the EU as a whole.)

The quantum factor in this paper considers an indiscriminant usage of market tools ‘as it comes, as it goes” with two basic points balancing the global market demand to supply and second establishing market conditions for consistent market development. The need for strict environmental protection additionally and not the least enforces the importance of the implementation of quantum factor in economics.

However, Kondratenko (2005) empirically establish contemporaneous correlation of probabilistic approach to describe movements of market agents by means of wave functions and related to them distributions of probabilities of sale transactions, that approach of probabilities constitute of patterns of trajectories “economic agents adjust their trajectories to each other based on their principal concerns”, though these patterns of trajectories may not be necessary apprehendable in their variables under different endogenous and exogenous inflationary shocks, however the market tools if used in contemporaneous manner could limit the negative effect of these variances (here I leave for additional research in the area).

In the practical Market Economics the countercyclical approaches main determents are flexible enhanced on-time responses to arising market instability, aggregations and the consequential shocks. In addition, a difference to current economics is the marginal monetary and fiscal approaches of the market economics, prompting credibility and stability, and attacking individual market sectors by using additional market tools (see monetary policies).

The market equity becomes prompted by the quantum factor that is to balance market demand-to-supply by being appreciated under higher market security. (See other sections of this paper).

This enhanced quantum factor economics has already been prompted by the globalization and rising productivity as one of the examples is the marginal inflation since 1980 that invokes the conclusion of the rising part of the demand side of the economy prompted by these new emerging market conditions.

If some level of excessive landing shown before the last 2007-2009 Recession did not prompt inflation (see Figure 1) the hypothetical conclusion could be that the economic structures of built market equity could carry on much higher demand, so the questions are how far such balanced marketplace may carry on and in which direction such “market equity” tolerance should be directed to?, “deviation between credit and equity prices during periods of financial market stress, Manmohan Singh and Karim Youssef¹, WP/ 10/190”, on the first question, it should be well estimated the carryon of the marketplace “point of turning” and to which sectors of the real market these leverage should be directed to. The balanced market development of a marketplace is most definitely related consumption therefore such general “possible” economic development should be taken into building additional market equity that could prompt even higher development and keeping the lower and middle class up with the moderate inflation. Hence, if market equity brings possible market growth with moderate inflation building more market equity takes such

market development on higher possible level without sharp market swings, by creating moderate market conditions for development; the conception of equilibration of market equity and market development leveraging then possible supply or

$$Dp \sim Sp (Sc - Sl)$$

When

$$Dp [Eq (Peq + Oeq) + Gp (Gp + Gr)]$$

Eq – Equity

Peq – physical equity,

Oeq – organizational equity

Dp – possible demand

Sp – possible supply

Sc – supply capacity

Sl – supply limitations

Gp – projected growth

Gr – real growth

Gp – possible growth (it is possible expansion in percentage)

Eq is Real Eq + Projected Added Eq

And

$$Sp \sim (ROI + IP + FA + SE + TA) \text{ domestic} + PI$$

ROI - return on the invested capital

IP – industrial production

FA – farming

SE – services

TA - technological advance

PI – possible import

Balance of a market “market equity”

“Market Equity” as recently understood is: “Equity or Net Worth is the value difference between what you owe on something, and what that something is worth. A home, or a car, or a business.” The 2001 IMF GFS Manual emphasizes that the public sector net worth should be the “preferred measure” for fiscal sustainability analysis. The 2001 GFS Manual, which is consistent with the United Nations' National System of Accounts, defines net worth as the difference between assets and liabilities at market prices and includes both financial and nonfinancial assets and liabilities. Changes in net worth occur as a result of (i) budgetary transactions, such as the collection of taxes, social contributions, grants, and other revenues, or the payment of salaries, goods, subsidies, grants, social benefits, interest, depreciation, and other expenses; The public sector intertemporal budget constraint then requires that the present value of the operating balance, which is government expenditures minus revenues but excluding interest revenues and expenses, be less or equal to the government's net worth. Jorge A. Chan-Lau and Andre O. Santos, WP/10/2

Actually, what is an Economy/Market (Eq) “Market Equity” defined by this research? Change from Cash Accounting to Accrual Public Accounting possible under the new conditions of globalization, when the value of assets to liabilities is based on the market balance demand-to-supply which include projected ROI and accumulated equity based on social and economic long term market structures under enhanced security“ to estimate the market value of the government's total assets and its volatility, and to simulate the market value of taxpayers' equity, the term structure of risk-neutral and real-world probabilities of default, and the one-year forward probabilities of default.” Jorge A. Chan-Lau and Andre O. Santos, WP/10/2, not on the Cash based short term expenses in a shady business practices marketplace.

1. Physical Market Equity (Peq) – is infrastructure, housing, capital, savings and accumulation of wealth, general income: to either use or borrow against such equity to prompt economic development
2. Organizational (social) Market Equity (Oeq) – is education, social security, medicare, education – (equity maybe partial in some cases in some % to Se expenses): much more complicated to use, however based on it the Oeq as market tools as parameters certain expenditures could add to the Physical Equity to meet the Possible Supply, what really Organizational Equity (Oeq) does/ - it shows the parameters succeeded by a market and motivate such a build-up, thus when the Central Bank, the WB or IMF decide to prompt certain markets or underdeveloped parts of markets these financial organization have the measuring market instruments of these markets development, and also the SDR issued to prompt development of different markets is suppose to be issued against market equity, also the Consumption Demand is supported by market equities, even the Organizational Equity. Modern markets do not take in consideration the value of already succeeded Oeq because of the lack of consistent development and security of Oeq, if economic industrial market growth is not maintained and only short term self-adjustments are project-able. Such positions of market equity directly relate the financial system of individual markets and the global financial system which lends on relatively high interest rates and short term, and in which corporate structures are run on short term profitability.

Indeed market equity related intellectual property and market equity related market security are long term corporate equity, however the prices of overall market equity value often fluctuate and reflects corporate equity values violent volatility. In the past when supply was leading and most developed countries were firmly holding onto the global industrial production such fluctuations of individual and corporate equity values were productive because of prompting concentration of capital then prompting consecutive market growth, than also less developed markets were more like satellites to the most developed ones being able to maintain fiscal reserves for social and infrastructural expenses. Even some parts of such industrial production was developed here and there in different markets the majority was still kept by the most industrialized markets. The market equity values in most industrialized markets were therefore higher than these of in less developed markets and these still are, except that under the new arousing conditions of globalization and rising productivity industrial production has been gradually moved and outsourced to China, and now India, Brazil and Vietnam which are vastly populated markets with inexpensive labor force and some good industrial structures, therefore in terms of value of market equity related industrial production the most definitive becomes the issue of lack of such industrial production to many markets and if such is reduced or lost what consequently would be their value of market equity. Intellectual property and market security values are much more flexible and adaptive than the real estate equity value because intellectual property and market security equity reflects a marketplace achievements in education, social and infrastructural development that requires long term development thus markets as US that very well represent such succeeded development will be hard to be shut away as holders of such market equities. However such superiority is a short term prospective even to the mighty US because of the Internet and the constant exchange of information and technologies, because of the outsourcing and moving industrial production the new emerging markets would popup by building infrastructure, social structures, and education to respond to the changing realities. In case of China when in the past its communist social policies were contra productive to its industrial growth and development under the most recent globalization and rising productivity China's Social and Infrastructural expenses proved to be very productive in balancing its market "demand-to-supply" and thus succeeding consistent market growth even when the rest of the world went through the Great Recession, thus China's market equity has risen much because of its market growth.

Market Equity values are very sensitive market indicators more like currencies; the difference between them is that currencies' values contemporaneously correlate to short-term global adjustments and fluctuations when market equity works in longer terms. Market Equity values are harder to build: real estate, infrastructure, intellectual property, market security equity values, etc. are to be used in the future as market indicators for a country, economy, market evaluation and underwriting. To use market equity values, economics must change the ways these values are preserved and enhanced even when industrial production is not going to be the only market indicator as it has been for some time. Market "tools" are to be used to sustain market equity values in a "as it comes: as it goes" basis and approach, that approach differs from country, economy, market to country, economy, market because of their level of development, mentality and tradition. In some Social and Infrastructural, expanses should be reduced in short term to prompt market development in some the Social and Infrastructural expenses should be well enhanced to prompt such market development. "More open economies can therefore achieve enhanced income stability by increasing the share of government consumption in GDP; a larger share of government consumption in GDP should be associated with reduced volatility. Ralph Chami, Dalia Hakura, and Peter Montiel, WP/09/91. However, this research accent on the private entrepreneurship led by SME and SMI through Income and ROI to maintain market development the role of the social and infrastructural expenses as market tools for market balance is not understated in anyway, there are some market

“tools” that are artificial by nature and these are the expenses for preventing pollution and implementing renewable energies, these are market “tools” for balancing “demand-to-supply” on a global scale and are to be financed by the international financial institutions of the World Bank, IMF and WTO through Commercial Banks on a marginal interest rate or subsidies. For such lending paramount should be the enhancement of businesses security: of business and contracting laws, of personal liability to corporate structures, of corporate bonding which actions are to reduce market volatility and make the global marketplace kept in long-term market development. Mobarak (2005), who finds that democracy, high levels of income per capita, trade openness, and various measures of market diversification, are all associated with reduced macro market volatility. The global financial structures should be given the controlling functions over global balance of “demand-to-supply” to prevent from inflation, the issuing powers of monetary quantities (SDR), power to keep interest rates low, the targeting power of countries, economies, markets weak points for building market equity, the controlling over countries, economies, markets compliance with the guidelines and underwriting, the controlling over commercial banks’ execution of these guidelines and underwriting matrix. Rodrik (1998) for example, points to the quality of domestic institutions of internal conflict management. These affect macro market volatility through the country’s response to external shocks”,

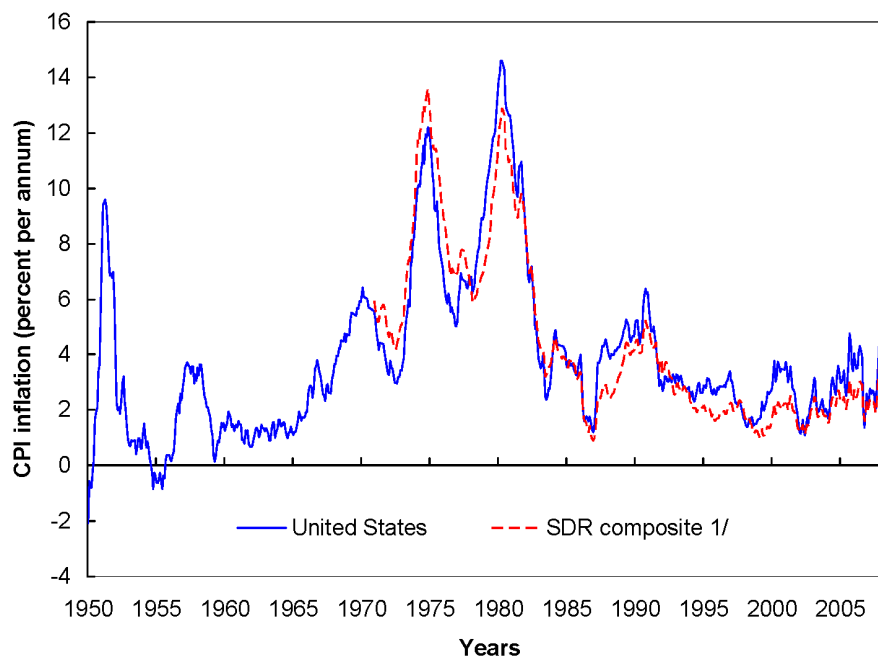
The existing market equity of countries, economies, markets should be the foundations for low interest lending therefore overall security should be enhanced thus countries, economies, markets could become eligible for financing. Higher levels of income are also associated with reduced levels of country-specific risk, holding constant the structure of production.

In the new century of market economics, industrial production should not be the only way for replenishing fiscal reserves but ones market equity that could be built by properly balancing its “possible demand-to-supply” and properly and pragmatically using all market tools to raise its “security” should be a parallel way for market activity and fiscal reserves.

The role of public market equity should be also fundamental in balancing the ongoing effect from the Globalization and rising Productivity: so, what “public market equity” could be considered for: Infrastructure, Medicare, Social Security, Education are considered public market equity because of the effect these impose over the marketplace in time of shrinking industrial production (here it should be mentioned the gaining “market equity” approach is some used by China for balancing their marketplace) but here also could be stated that such policies of gaining and growing “market equity” may work much better on the US market that eventually may prompt more employment because of the much better succeeded market equity level. However, instead of artificial market programs and stimulus packages by the government it could well be done on the principles of natural for the market usage of market tools.

- **“Historically, however, weaknesses in public investment management have resulted in inadequate returns to public and private investment in many low-income countries. At the same time, a substantial scaling-up of public investment in a weak institutional environment runs the risk of potentially undermining its growth benefits as well as prospects for fiscal and debt sustainability. There is a broad consensus that a scaling-up of investment in low-income countries, particularly in infrastructure, is critical to achieve sustained growth.³ In many low-income countries, deficiencies in infrastructure, especially in energy, roads, and communication, reduce productivity at least as much as structural factors, such as bureaucracy, corruption and lack of financing Calderon and Servén (2008).⁴ Improvements in infrastructure not only directly raise the productivity of human and physical capital (for example, roads provide access to remote areas making private investment possible), but also indirectly, through lower transportation costs which increase economies of scale, productivity, and thus growth (Straub, 2008). Era Dabla-Norris, Jim Brumby, Annette Kyobe, Zac Mills, and Chris Papageorgiou;**

Figure 1. Long-term Consumer Price Inflation, 1950–2008 (annual percent)



Sources: IMF International Financial Statistics, authors' estimates.

6.2 Economic Model Quantum Economics

The philosophical comparison of social developments such as markets to the particle related quantum mechanics may look incidental “a socio-economical system modeled through evolutionary game theory and a physical system modeled through quantum mechanics we show how although both systems are described through two theories apparently different both are analogous and thus exactly equivalents.” Esteban Guevara Hidalgo (2007), “economic systems resemble physical systems”, ANATOLY V. KONDRATENKO, 2005 (however he divides “same equation describes different systems and different physical models” A. KONDRATENKO, 2005 where in this paper Quantum Economics is considered the only coherent system to explain most recent economic developments, in which cyclical development of the past is not just rejected and dismantled but the theory of the present is enhanced by the newest developments of globalizing marketplace in which uncertain informational and uncertain real economics dependent variables growth determinant establish uncertain market condition of quantum physical model) **or incoherent but conceptionally said the human perception has changed from certainty and simplicity to uncertainty and complexity too**, The Heisenberg principle implies that scientific conclusions must be probabilistic, not deterministic. The exact trajectory of a particular electron is inherently unpredictable, and any statement about its future position must be framed in statistical terms **therefore the perception of principle understanding processes in markets philosophically must change too, the way it has changed in Physics and Mathematics, because the "uncertainty" of the information** “summarize information in neural network models has a long history. ... on a decompositional approach to rule extraction, described in Schmidt (2002) and Schmidt and Chen (2002). Rule extraction discussions have their own hierarchy. The upper-most categories are "symbolic" and "connectionist." **for particles in their "position" and "momentum" goes much farther in social sciences where the "uncertainty" of the social-economic developments and processes as reported by Governments or private groups are even more unclear and subjective.** “macroeconomic data are in most cases not verifiable... the use of nonstandard statistical methodologies, classifications, and even fraudulent reporting practices, Mico Mrkaic, WP/10/204. “The same mapping from inputs to outputs as is provided by the connectionist model (ANN) itself. Connectionist models and the extracted rules are members of the family of statistical tools referred to as "hybrid systems," including fuzzy-logic-based systems. The essential "fuzziness" of fuzzy logic systems is an emphasis on inference while acknowledging that "structural" information is incomplete or imprecise. Robustness is

critical. Constraints (usually exogenously imposed) prevent the system's extracted rules from suggesting unreasonable choices. The term "fuzzy" does not imply "uncertain", "inaccurate" or "confused" systems, but rather describes systems that rely on a mathematical foundation that seeks to capture concepts such as of "mostly", "rarely", "often", "white but not quite white", "white or black", and "black but not quite black" Richard G. Anderson^a b Jane M. Binner^b Vincent A. Schmidt, Fuzzy inference is closely connected to the literature on model robustness in which rules extracted from models, including those extracted from macroeconomic models, usually are best interpreted as highly uncertain, with a premium on robustness (e.g, Orphanides and Williams, 2003, 2007).

The similarity of the old "certain" and "simplified" approaches in Physics where particles were taken as measurable and static was well used in Philosophy and Economics: “modern finance...has not yet provided us with either the appropriate concepts or measures for the bounds on the minimal overall uncertainty that have to be present in an economy.” Martin Shubik, “Quantum Economics”; **where the processes were simplified and taken as measurable or at least easily put in systems of evaluation and predictability the “applications of quantum mechanical principles in psychology and other disciplines”** (Khrennikov 1999, 2002, 2004, 2007); **thus there is not difference between the approaches in Physics and Economics** “double slit experiment in quantum mechanics behaves like a decision-maker” (La Mura (2006). **in terms of thought and conventionalizing of simplifying processes and what in science seems irreversible is the constant conventionalizing complex reality. More "uncertainty" must go in the same way and apply to Philosophy and Economics as well.** “The model with soft tunes can produce more realistic measures of uncertainty than the model with hard tunes in real time. In this representative example, assume that the forecaster is in the beginning of January 2009 and aims to make forecasts after the release of each piece of data in the calendar (table 2). Following each release, we can compute the model-implied standard deviations around the nowcasts and forecasts. These standard deviations represent the uncertainty around the estimates and can be used to produce fan charts in real time. For our purposes, however, we use these standard deviations as measures of uncertainty.” Prepared by Jaromir Benes, Kevin Clinton, Marianne Johnson, Douglas Laxton, and Troy Matheson, March 2010. “suggesting that standard VAR analysis ignores a significant source of underlying uncertainty in responses. Second, overall volatility of the impulse responses is larger than would be implied if the two sources (the A-matrix and coefficients on lagged variables in the VAR) were independent. This is because uncertainty about (say) VAR coefficients introduces additional variance in estimates of the A-matrix, and vice versa—uncertainty in one area of the VAR leads to greater uncertainty in the other.” Tamim Bayoumi and Trung Bui WP/10/239, October 2010

The similarities between science in Physics and Economics goes even beyond the evolving perception from simplicity to complexity into the reality of realization of "unpredictability" and "uncertainty" a theoretical measure of uncertainty borrowed from the precautionary savings literature (Kimball, 1990). I also use simple atheoretical measures of uncertainty as a robustness exercise. Fabian Valencia¹, WP/10/208, More significantly, the results suggest that insights based on individual behavior do not necessarily carry over to a macroeconomic (multi-agent) environment. Christopher Crowe¹ WP/10/178, when the same way when in Physics was realized that a "particle" is in constant change that there is not way it could be measured without an error. complicated dynamics, such as bifurcations, discontinuous jumps, and complex eigenvalues, may emerge (Benhabib and Farmer, 1994, Hence, it isn't just because of the insufficiency of the human technology rather because of multiple and mutually changing realities and even farther because the reality is extremely unpredictable and unknown. “In addition, the pattern of price increases across goods and services changes through time. The pattern of external shocks (such as weather patterns and energy prices) affecting the economy varies, as do the levels of economic activity in trading partner countries. Further, the (endogenous) reaction of firms and households may differ among goods, with some price changes eliciting strong reactions and others little if any reaction. Such variation will affect the strength and pattern of pass through from changes in individual prices to the overall headline inflation rate.” Prepared by Jaromir Benes, Kevin Clinton, Marianne Johnson, Douglas Laxton, and Troy Matheson, March 2010.007A. The same way in Philosophy and Economics could be easily realized that social economic processes are not static but "unpredictability" and "uncertainty" of ever changing social economic realities are not measurable in complete by any means therefore to think that by using a few statistical measurements might give us a absolute contemptuous matrix of the economic situations “In addition, one of the most important aspects of stochastic dynamic models—risk—cannot be captured by linear solution methods,..... linear solution methods may yield inaccurate descriptions of the model's dynamics. Yi Wen and Huabin Wu, Federal Reserve Bank of St. Louis Review, May/June 2011, 93(3), pp. 187-205 “ is unrealistic and uncertain but even beyond the processes in social and economic structures are so diverse and changing that they are more like the particles in quantum mechanics then to any theoretical explanations of the statistical linear economics or principle of evaluations of Philosophical conceptions such as Marx's or John Lodge's or **new growth theories that try to combine growth and cycles, as for example in the 'neo-Schumpeterian' growth**

literature a la Aghion and Howitt (1992) and Cheng and Dinopoulos (1992, 1994). The models in these papers generate cyclical growth paths usually of a random walk nature. Moreover, these models rely upon intertemporal equilibrium, perfectly rational behaviour and rational (technological) expectations that do not seem convincing in the context of such complex and uncertain phenomena as technological change.³

The ever changing reality Feng et al. (2009) and Peralta-Alva and Santos (2010), among others, discuss problems related to the existence and computation of Markovian equilibria in economies with heterogeneous agents and market distortions, as well as convergence and accuracy properties of numerical solutions.⁷ “(iv) the sharp decrease in the sensitivity of economic activity and inflation to oil prices after 1985 almost surely reflected both a more sophisticated public understanding of the volatility of oil prices and a Federal Reserve that, by committing itself to low, stable inflation, felt itself less compelled to respond to adverse supply shocks. Moving beyond oil, this study more broadly explores housing, food, and transportation prices, as well as a broader energy price index” Richard G. Anderson^{a b} Jane M. Binner^b Vincent A. Schmidt, Working Paper 2011-007A **it neglects the role of 'social capabilities' in catching up.⁴ It assumes that technology spillovers and behavioral imitation are the only forms of interaction between markets, at the expense of such market factors as international trade, capital and labor mobility and exchange rate movements.** Hence, the uncertainty coming out of it may only be theoretically explained by some theories and philosophical conceptions but these could not provide an adequate picture of the ever changing and uncertain social-economic reality in which especially economic processes are at the most unpredictable and uncertain. The rigidity of some economic structures based on a priory philosophical conceptions are rather remote from explaining the imminent social-economic processes but more likely they are providing some "relative security" in a very diverse and insecure realities; “Recent practice has been to calibrate the parameters, using a broad range of relevant evidence, rather than to rely on classical estimation techniques. This is very convenient in the context of emerging-market economies, where time-series data are not abundant.”⁴ “Ali Alich, Huigang Chen, Kevin Clinton, Charles Freedman, Marianne Johnson, Ondra Kamenik, Turgut Ki^inbay, and Douglas Laxton, , WP/09/94, these a priory economic conceptions did work somehow under contemporaries of less globalized and interconnected markets, however these market realities have evolved into contemporaneous determinants of highly interconnected global marketplace in which spillovers are fluently floating.

To measure statistically or anyhow a realistic picture of the socio-market processes in the interrelated and interconnected global marketplace variances is relative, partial and uncertain, hence are the developed market tools and indicators for such measuring; similar in approach is Fabian Valencia¹ in This simple model serves the purpose of motivating the analysis and deriving a theoretical measure of uncertainty., WP/10/208 hence, inadequate and limited but even they were developed to perfection they still would not be able to measure these processes because the processes by themselves are uncertain and could not be measured. However, the contemporaneous information being processed by the existing theories could well be considered guidance to applying parameters to direct accumulated energies to some known to economics sectors of the real economy. Calibration of countercyclical regulation would need to factor in this behavior. Fabian Valencia¹, WP/10/208

The processes in social-economics could be only given "parameters of expansion or contraction" so they can develop in "certain areas" to "certain extend" and then changed or adjusted, counter-factual experiments to quantify the dynamic effect of endogenous monetary policy on inflation and output and the contribution of such a policy to stabilizing the economy, Hence this approach provides limited insight as to whether monetary policy is effective in reducing economic volatility.⁷ Woon Gyu Choi and Yi Wen, WP/10/20 **it may be done in a way to disperse accumulating energy so instead of big wave: the ways energies are accumulated and create big waves is the example of Real Estate market appreciation: which is positive for the market to the extend of providing additional capital and equity thus expanding individual capitalization and investing but as we saw in the current crisis when this process of appreciation expanded over its positive for the market effect such over appreciation had devastating consequences to literally crashing the existed market structures; the negative accumulation of energies because of the over appreciation wasn't dispersed to the rest of the market so the ripple effect was unavoidable; in case a possible way to minimize such over-appreciation is not by not allowing or even limiting appreciation as all but by establishing "parameters" which will ring the bell for over-appreciations or even better they will automatically trigger "prevention valves" to limit the over-appreciation or under-appreciation as well. “Reduced-form studies of the type in this analysis are of value when there is no agreed upon general equilibrium model for policymaking and evaluation, and when the dates of putative changes in inflation**

³ This critique, which is shared by most scholars in the evolutionary tradition (e.g., Dosi, 1988), has been discussed in more detail in earlier papers, such as Silverberg and Verspagen (1994a,b).

⁴ See Abramovitz (1979,1994) for a historical and institutional analysis of this phenomenon, and Verspagen (1991) for a more model-oriented approach.

regimes and/or policymakers distaste for inflation are highly uncertain”, Richard G. Anderson ^{a b} Jane M. Binner ^b Vincent A. Schmidt, Working Paper 2011-007A

The "I-quanta" is a quanta but is not anymore a part of a particle or an energy, or any thing in physical aspect but a philosophical measured quantity of "energy" or just a "word" which could be considered as an abstraction or an "imaginary particle" as well, it will depend from the point of view: when some could believe that social-economic processes have their own energies or some not; "To avoid misunderstandings we remind that though we use the word 'energy' for market systems, this notion is not related anyhow to physical systems and has a different dimension as compared to the real one. The notion is only used to make a parallel between studied markets and physical prototype more convenient" Kondratenko (2009). for me such believes do not have any meaning because the most important thing is going to be to establish the parameters of it; The same principles would apply to "I-glued plasma" and some others terminology taken from the Quantum Mechanics which will be used in this research.

This research is attempting to challenge the status quo of the a priory motivated mostly linear or partially dynamic Philosophy and Economics with the principle of uncertainty of the processes of market development; to show the similarities existing between the Quantum Mechanics of Physics and the Quantum Economics of Social-Economics Philosophy; to set some "parameters" of socio-markets processes which eventually could be used in practical Economics to limit "big waves" of markets recessions or at least explain these "parameters."

To show that even unpredictable by nature and impossible to be put into one philosophical structure which could explain all of these socio-markets processes, though there are still some parameters which could limit the occurrence of big wave and not the least to show that market downturns and recessions even uncontrollable are not a part or a tool of somehow "free market development", but the violent adjustments are a result of occasional build up of energies to a big wave and in the same time some of these energies could be put in parameters /diversified thus it may prevent these big waves from being so frequent or so violent.

What is an i-quanta? - it is not a part of any particle it might be part of energies or part of conceptional particles for explaining certain philosophical conceptions which particles move, contract and expand in limited predictability. It is influenced by socio-markets processes and developments. It accumulates energies mostly based on socio-markets occurrences and fluctuations.

What is i-gloued plasma? - the powers which connect the i-quantas and other parts of a constantly changing and moving occurrences and processes in social-economic processes into "grid" of "market equity"; we can imagine these terminology as a mirror of these socio-market processes so thus they could be located in their changes and explained in their changes, vibrations, accumulation of energies and creating violent socio-market adjustments. The physical quantities are built up by i-quantas and other parts rapidly changing and moving, where the i-gloued plasma (market equity) connects these parts and gives them the meaning of occurrence; the "energies" build up (grid of market equity) by the acceleration of the i-quantas and other parts and the fluent market developments become violent big waves: similar to the monster waves in the ocean. Well, common qualities of such build up are concentration of energies between the neighboring waves but this observation is not a principle. In real development of the markets, some factors have positive effect over expansion and progress in certain time and the same factors might have negative effect in different time or mostly when passing the level of a positive build up (grid, market equity): To date, all algorithms for ANN rule extraction require that data be discretized prior to network training. (¹² A little-known exception is Setiono et al (2002) who extracts rules by approximating hidden node activation functions by piecewise linear functions. Exploration of their methods is left as a topic for future research.), one common technique is two-step "thermometer encoding." First, the continuous data are recoded as if they were values falling in a set of discrete intervals. Second, these discrete values are encoded into a thermometer-like array of (typically) Boolean values. ¹³ (this discretization is less restrictive in the connectionist model than is occasionally argued. Rules obtained from the ANN's output typically are of the if-then-else form plus constraints and often have ranges wherein the optimal action is to take no action whatsoever. This suggests that a market model of costs and benefits should underlie the discretization process, a topic beyond the scope of this paper but essential if ANN-based rules eventually are to be embedded in DSGE macro models.). (For example, the real estate appreciation has a positive effect on the market development to the extent when the market prices are not supported by income to expanse ratios, "Bishop (1995), who described the artificial neural network (ANN) as a "general parameterized nonlinear mapping between a set of input variables and a set of output variables." Given a sufficient number of terms, the ANN can approximate any reasonable function to arbitrary accuracy." or

until the withdrawn and reinvested capital do not bring the supporting profit flow; or until becomes exuberant compared to the other business activities or if etc.), many variances of conditions hence if particular waves in the physical quantities relate the real estate built energies which might push up the big wave and this wave might well shake a lot of other sections of the real economy. "This is consistent with the economics literature: energy fluctuates so wildly that it is difficult to infer much from the fluctuations." Richard G. Anderson ^{a b} Jane M. Binner ^b Vincent A. Schmidt, Working Paper 2011

So comes the difference between quantum mechanics and quantum economics: the uncertainty of observation of the i-physical quantities (market equity) do not relate only ever changing realities but also the ways of observations when in the quantum mechanics the main issue is measuring and observing in the quantum economics is putting parameters after analyzing of the information (more in proximity of dynamic stochastic general equilibrium (DSGE) models of increasing returns to scale (due to production externalities) may induce asymmetric business cycles and nonlinear income effects that are not fully captured by linear approximation methods, Yi Wen and Huabin Wu, Federal Reserve Bank of St. Louis Review, May/June 2011, 93(3), pp. 187-205 .but countercyclical by nature instead of the business cycle properties of a DSGE model, when the difference between i-physical quantities (market equity, grid) and final observations are even greater hence the vectors may start from the same or even totally opposite points so the relevance between and among these vectors is based on their directions, length and the angles of their projections. "Finally, comparative analyses using discrete multivariate statistics or, alternatively, embedding such rules into a DSGE macro model likely would yield new insights." Richard G. Anderson ^{a b} Jane M. Binner ^b Vincent A. Schmidt, Working Paper 2011

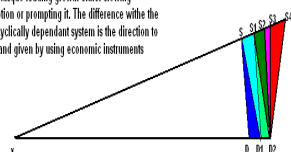
The founding formula in explaining the existed uncertainties in the socio-market development and processes is

(Examples 1) the market fluctuations may go both ways up or down in different percentages buildups;

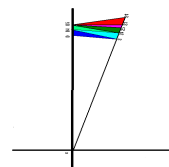
Example 1 Quantum Factor Development: It is: where the Projected Development could be in the negative D1D51 or S2 or positive ~ D1D2 S1 (S3 or S2 or S4) but because more than Buyers /Sellers quantum factors (Kondratenko calls agents) the determents taken in account for the function is very much variable not only by different market performance but also by nature of uncertainty of too many agents.

Quantum Economic Development - Demand-to-Supply and Equity Growth

The possible demand always prompts the supply, however to avoid excessive inflation/deflation the supply is the statusquo leading growth either slowing consumption or prompting it. The difference with the current cyclically dependant system is the direction to the demand given by using economic instruments

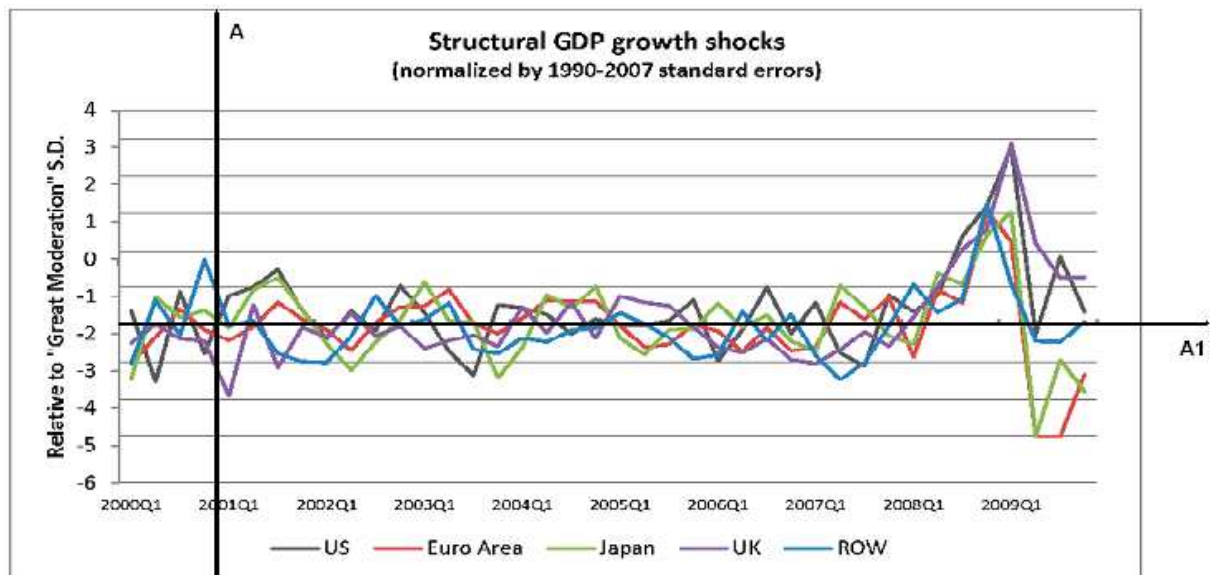


S1 - recent supply	S3,S2,S4 - excessive growth pushing inflation
S5 - supply in reduction/recession	S2,D2,S3 - possible growth
S2 - supply next quarter under growth	S1,D2,S3 - natural growth (marginal)
S3 - projected supply of excess of current development	D1,S1,D2 - equity growth previous quarter
S4 - excessive supply triggering inflation	S,D1,S1 - decrease of supply in recession
D1 - recent demand	D,S,D1 - decrease of equity in recession
D2 - demand in reduction/recession	
D3 - demand next quarter under growth	



(Examples 2,3) The parameters of such fluctuations trigger quantum factor approach of using economic tools for either dispersing energy buildups or shifting these energies in different parametrical sections; the "grey" grid/equity is already settled equity with higher percentage equitable power, the

6.3 Life Monitoring of Most Recent Indicators



Life monitoring of most recent indicators that is becoming possible because of the Internet and Globalization of markets' utilization of market indicators:"Informed monitoring, using judgment, can outperform short-term forecasts of structural models.¹ to incorporate arriving data directly into the model, the structure of which embodies the staff's view of the relevant characteristics of the markets. Such a process would oblige forecasters to provide a systematic rationale for their adjustments; and monitoring would be more systematically replicable, and less dependent on particular experts. Structural macro market models make use of theoretical and empirical relationships between market and financial variables. As simplifications of reality, they do not attempt to predict well over very short horizons."

Prepared by Jaromir Benes, Kevin Clinton, Marianne Johnson, Douglas Laxton, and Troy Matheson, (March 2010). The accelerating process of shortening of the business cycles and randomness prompts the importance of life flow of statistic market information implemented into monitoring indicators. However to be considered that only monetary policies could affect the processes on the Global marketplace is partial: "Some emerging markets have a relatively ineffective monetary policy transmission owing to weaknesses in the domestic financial system and the presence of a large and segmented informal sector."

Prepared by Rudrani Bhattacharya, Ila Patnaik and Ajay Shah⁵, January 2011,

6.4 Bonding as Tool for Sustained Economic Development

Other possible positive outcome because of the enhanced liability and business laws is the possibilities of bonding and extended insurance on individual organizations, projects and even contracts and actions, that by itself will reduce the financial liability of the Risk Management who even being personally liable for their actions when decision mistakes and financial losses occur may well offset these losses by the bonding and external insurance. The internally accepted relatively high interest lending well practiced by the WB and IMF could not support long term market sustainability when market downhill occurs that creates chaos on the financial markets, however easy lending can bring over-capitalization and recessions like the last 2007-2009 one, thus the changes needed on the business structures, laws, regulations, financial and capital market exchanges and etc. are the one that could prevent from wild specula, empower the SME, and small investors, and establish conditions for consistent market development, here I do not use "growth" because in the ways we persist "growth" is more like cyclical chaotic self-adjusting market development. The private sectors can carry on consistent market development, but it must be done under certain rules supporting such, and the SME and Investors should be entitled to access the global developing markets and benefit from it by either participating by doing business or by ROI.

In the modern financial system, **bonding** is requested on large and governmentally subsidized construction projects. To be sure that a project will be executed with needed quality General Contractors and even the Subcontractors are required to be **bonded** as a precondition for even bidding on these projects. To acquire **bonding** a company is underwritten by the **issuer** or the bond holding company.

Bonding is a **market tool** that enhances the security to investors, developers and owners on projects.

Breaching contracts by not executing payments by Big Businesses to the SME is a very painful to the whole US economy with consequences taking many SME to bankrupts, and putting on the streets many SME employees: it is well known that more than 80% of all employment comes from SME.

Especially when market crisis occurs Big Businesses tend to stop payments or negotiate Contracts price reduction in accelerating rate, thus, market crisis deepens and effects US market most painfully. Unless Big Businesses that are Global

⁵This work was done under the NIPFP-DEA Research Program. We are grateful to Vasco Gabriel, Giovanni Veronese, Abhijit Sen Gupta, Masahiko Takeda, Laura Papi, Rahul Anand, Ding Ding, James P. Walsh and Roberto Fernandes Guimaraes-Filho for valuable discussions, Vimal Balasubramaniam for able research assistance and CMIE for database support.

and could switch operations or even file multiple bankruptcies and then rise as winners, for SME such bankruptcy filings are very often deadly and many are being sold looking for equity or even close operations.

One of the things needed for such Globalizing economy is the **Bonding, ability to hold Lien** and correlated **Business Contracting** business laws and regulations that can help SME to become more lend-able.

6.5 Monetary Policies of Market Economics Using Quantum Factor

{It (Marketism) Includes Some Expenses (for production economics) as **Equitable**; it also uses **Social Policies** (expenses), **Infrastructural Expenses**, **Low Interest Loans** and **Subsidies** as partially equitable **Market Tools**}

To make possible **quantum leaps** Marketism must employ **market tools** such as **social** (includes medical and educational expenses) and **infrastructural expenses, environmental protection expenses, low interest rate financing and subsidies**; Principles of such **quantum leaps** require these **market tools** which are **expense related** in current **production (based) economics** to become equitable thus **markets** should not go throughout industrialization and industrial revolutions to jack-up their **life standard** and become **feasible in demand** for the **globalizing and high productivity markets**. Until now such market equity of expenses could have brought inflation and farther crashing markets, so only ongoing globalization and rising productivity by countries like the US, China, EU, India and Japan can fill gaps and prevent from global inflation: monetary quantities for such quantum leaps should be adjusted precisely to prevent inflation (big waves over quantum grid) however **quantum formulas** could be used to estimate real **monetary quantities** to be in the **quantum grid, market equity**.

Not all of **social, infrastructural and environmental expenses** are equitable: their equity is closely related to most current **market leverage** (quantum grid, market equity) so over all their equity could not exceed current market ability for market expansion: markets are still to develop by free market competition therefore even some sections of the markets are prompted to grow by low interest rate financing and subsidies over all demand-to-supply ratios should be in balance by market equalizing production;

To **avoid bureaucratization and governmental take over** throughout **practical implementation** of **market economics** approaches of **free market competition** should apply: **low interest rate financing and subsidizing** of certain equitable parts of markets, these should not interfere with market competition, these (**low interest rate financing and subsidizing**) are to help less developed and developing countries and markets to make **quantum leaps** by developing by not industrialization only thus their life standard will be enhanced enough so **environmental technologies and environmental protection** will become implement-able. In addition, some renewable energies production, organic foods, environmental tourism etc could be promoted to these less developed countries and markets to become main sources and ways of their development;

Even **industrial production** will **never cease to exist** by opposite it will expand rapidly: many countries and markets in the world might develop in different than industrialization areas;

For **most developed countries** and markets **low interest rates financing and subsidies** should **enhance** their **industrial production and technological development** by implementing **environmental technologies** throughout **quantum leaps** thus **businesses competitiveness** is **not limited**, therefore such environmentally friendly technologies should be implemented indiscriminately (not politically but scientifically motivated) and become rule of law;

For **many underdeveloped areas** in **most developed countries** and markets **low interest rates financing and subsidies** are to be used in ways directed to less developed and developing countries and markets.

Partial equity of (now considered expenses) **social and infrastructural expenses, environmental expenses** is possible under new **market economics** of Marketism only because enhanced **regulatory, business laws, and corporate personal liability** system of economics: which system will establish better **security** that could allow practically such expenses to partially be equitable, that consequently will allow expanding **monetary quantities and fiscal quantities**: (just think growing consumption); these equity is new way of **wealth distribution and redistribution** by **free market competition** means which (wealth distribution and redistribution) issue is becoming biggest obstacle for **Capitalism and production related economics** to continue **trickle-down development**: as we saw in the **last economic recession governments** could not allow self-adjusting economics to fix markets they (governments) **interfered** elsewhere by pouring substantial amount

of capital in markets, even taking on business entities and consequently regulating business activities to prevent form new recessions: governments actions are direct interruption of **trickle down economics** and were **consequential** of **poor wealth distribution and redistribution**, and good example what might come in the future when governments will literally take over many more businesses and financial institutions thus **general bureaucratization will be unavoidable**: however by **changing security** in markets and market **equitability** of some expenses such wealth distribution and redistribution can **avoid** such general markets **bureaucratization** by governments, and even avoid many **future recessions**.

Market Probabilities- "Parameters" As Tools of Economics

The role of "Parameters" is to prevent the "Negative" "Build up" of "Energies" in markets and in these way oversee and avoid catastrophic market recessions.

The main difference of such parameters to the already used market tools is more practical and purely technical approach promoted by this research and the political and ideological approach used until now by the real Economics.

Example #One: The Real Estate bust provoking the Last Recession could be prevented if proper regulations were implemented.

Example #Two: The Real Estate Capitalization before the Last Recession had a positive effect on the markets to certain point by pouring capital in the Capital Markets and investing in business development which consequence huge market growth before it turned into negative effect, hence, if then an overregulated markets could be a stopper and a negative.

Hence, same regulations could have a positive effect or a negative effect on market development under different circumstances.

Second set of examples:

Example #One: the Governmental takeover financial institutions and even large corporations could be having a very negative effect on the real markets by interfering with the market forces.

Example #Two: the Governmental takeover of financial institutions and even large corporations could prevent the markets from collapsing in a point when the market is at stake.

Hence, under different circumstances different the market tools play in different ways.

Third set of examples:

Example #One: The Chinese Government socialization of the Medical services and redistribution of Wealth had a very negative effect in the 50s and 60s which lowered Chinese productivity and market development.

Example #Two: Current Chinese Government socialization of the Medical services and redistribution of Wealth has a positive effect for overall Chinese development by expending the overall market.

Hence, social services and redistribution of wealth by the Governments could have different effect on the overall market development under different circumstances.

Fourth set of examples:

Example #One: The subsidies of the Auto Industry by the US Government in the past has given the Big Three a false sense of security and added in consequence to their demise.

Example #Two: The subsidies of the Auto industry by the US Government most recently is turning them around.

Hence, subsidizing industries as a market tool of Economics could affect markets in different ways under different circumstances.

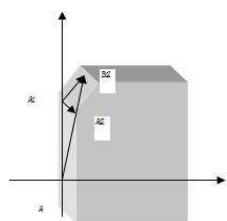
Many more examples could be given to prove that same market tools of economics could have different affect on the processes in the real markets under different circumstances; therefore, to govern and regulate the markets in static ways could prevent market development and market balance under some conditions and provoke recessions instead under different conditions. Thus, the market parameters of economics should be flexible to reflect the changes in the real markets: from one side not to limit market development under proper conditions and from another side to raise flags and prevent overextension and the following recessions under different conditions.

The market tools of Economics in a ever-changing Global Market could be used as parameters only when a appropriate conceptional statistical system of evaluation of the market processes is used in which these parameters are taken in a practical matrix.

When for example:

when social wealth distribution is appropriate for balancing Supply to Demand and other Market forces (it should be non political issue such to be implemented) in the opposite when social redistribution of wealth turns the point from a positive to a negative effect on the Economy such redistribution must be limited appropriately.

Any time effect of different "Tools of Economics" on the real markets could be appropriated by using statistical means and then the following changes of the "Parameters" should be implemented to minimize the negative effect of build-ups.



Inflationary and Deflationary Forces “Naturally and Artificially” adjustable in Market Economics ©

Inflationary or deflationary forces are to be curtailed by using **market tools** (in quantum economics ‘parameters’) **indiscriminately** (non-politically motivated but based on statistical indicators and formulas) to **limit real markets** (in quantum economics “grid, market equity”) from **violent fluctuations and vibrations** that could **provoke market recessions** (in quantum economics’ big waves’). General **balancing** of markets **demand-to-supply ratios** is needed **to avoid** market recessions; “Technical developments in model building have made this task considerably easier. Whereas classical econometric estimation requires large data sets and long time series, more recent approaches involve calibrating parameters based on a broad range of relevant evidence or using Bayesian estimation techniques. A traditional econometric approach is unlikely to yield reliable parameters values, because data series, especially in developing and emerging economies, are generally short and affected by structural change.”⁹“Ali Alich, Huigang Chen, Kevin Clinton, Charles Freedman, Marianne Johnson, Ondra Kamenik, Turgut Ki’inbay, and Douglas Laxton, WP/09/94,

Quantum economics is founded on **uncertainty** therefore avoiding big waves is **probability** not certainty: in such system of probabilities **parameters** and **probable expended grid, market equity** (quantum quantities) should be used by first, **parameters to disperse** and **limit over-capitalization or other imbalances**, and second, **probable expended grid to absorb** such market **over-capitalization or other imbalances**.

There are close **similarities** between currently used system of **production (based) economics and management of monetary quantities and fiscal policies** in ways **inflation or deflation is curtailed**

Main **difference** between **production (based) economics** monetary quantities and fiscal policies, and **market economics** using quantum factor’s **monetary quantities and fiscal policies** is additional **expansion** of **monetary quantities and fiscal quantities** because of added **expendability** of **market entropy-complexity** by **ongoing globalization** and **rising productivity**, and because of **extra security** added to markets by **enhanced regulatory system** (business structures personal liability, business contracting equalization and personal liability, financial and commodity exchanges’ laws and liability, etc); thus from one side **accelerating business activities-entropy** in **global marketplace** and **low interest rates and subsidiaries financing of social and infrastructural** projects, and **environmental projects can provoke** ongoing **market equitability of demand added security** on marketplace **may provoke** market development; Extra **business regulations and laws effect** on **business activity** is overall **balanced** weights on business activity **makes it more complex and difficult** from other side

such (effect from enhanced business contracting and business laws) **adds security to business**: **making businesses** more **lend-able**, and also **equalizing SME to big businesses competitiveness** on marketplace: by clear **business and intellectual property laws and regulations, and codes in long term** will establish a stable **equalized competitiveness** to all **participants** and will **prompt market upward development**, therefore problems will relate balancing such upward development to the demand instead supply side inflation: **deflationary forces** (fluctuations) may become **bigger issue** then **inflationary forces** (fluctuations): however **market tools** of **social policies, building infrastructure and environmental protection**’ equitability are **to be used** as an addition to the contemporaneously used monetary and fiscal policies as balance **against** deflation.

6.6 Performance Standards

The very important issue that must be dealt in the conditions of ongoing globalization is the establishing of unified market conditions for fair competition and such is being addressed by the International Financial Institutions’ policies of requiring Performance Standards (PS), which action has being going on for some time. The general underwriting rules required by IFI farther have begun being supplemented of rules such as social responsibility, human rights and environmental protection: 68 financial institutions have adopted the Equator Principles. Public development financial institutions such as the OECD Export Credit Agencies and European Development Finance Institutions have also publicly referenced the use of the Performance Standards. In terms of the impacts on market practices, the Performance Standards have made a positive contribution to the global convergence of E&S risk management practices. ...

- Key features of the Sustainability Framework:
 - Policy on Social and Environmental Sustainability
 - [Performance Standards \(PS\)](#)
 - [Environmental Guidelines](#)

New standards are, such as integrated Social and Environmental Assessment and Management System; community-engagement and grievance mechanisms; labor and working conditions; greenhouse gases; and community health, safety, and security. Expanded standards in areas are, such as pollution prevention and abatement; land acquisition and involuntary resettlement; protection and conservation of biodiversity; indigenous peoples; and cultural heritage; Articulation of International Finance Corporation’s roles and responsibilities as a publicly owned development institution.

In this paper, the role of IFI as an enforcer of the Performance Standards is particularly accounted for prompting entropy-complexity on the markets with a positive social and environmental effect. The market security is considered the most important economic agent for natural achievement of lower interest rate landing to underdeveloped markets, but also to small and medium enterprises that are the carriers of employment and over all market development. Unless in currently used economics where industrial production, rising productivity and R&D are considered the noise that allow markets to close-on the frontiers, in this research diversified employment from industrial production into other parts of the market and diversified business activities are considered the noise that will account for more consistent market development. The unification of the global market is not just for attracting transnationals and FDI by keeping lower taxes and cheap employment, but it is by creating entropy-complexity by using natural and artificial market agents in a market that cannot rely on industrial production only to prompt the high productivity, high employment to close l/f noise for global development. Some of the natural market agents are SME and SMI that under the enhanced market security will create entropy-complexity in a fair competition marketplace prompting employment in diverse market spheres. Some artificial market agents are the low interest financing and subsidizing projects of environmental protection; renewable energies, organic farming and alternative tourism from another side will create (additional to the natural agents) market entropy-complexity.

The PS are in the foundations of the global marketplace security therefore IFI’s role under these new market conditions is enhances and crucial. The credibility, flexibility and adaptability of IFI are fundamental for long-term global development.

6.7 Low Interest Equity Financing and Subsidizing in a Global Open Marketplace

International low-interest financing and subsidizing to projects in EM and less developed markets elsewhere are set to promote social, infrastructural sustainability through environmentally friendly projects through commercial banks on low margins and through regulated financing of SME's projects in renewable energies, environmental tourism and organic production.

IFI to prompt long-term market development in EM through establishing unified fair FDI laws and regulations enhancing the SMI ability to access the global marketplace and succeed appropriate ROI. These policies are considered, in this paper, as economics of the future. Hence, the equity already built and endogenously expanded is such lending market equity for capitalization.

In addition to, with the enhancement of 1) Limited Liability to Full Liability Laws, 2) the Business and Contract Laws, and 3) Bonding and Insurance the SME will become rather more secure for lower interest landing.

There are some studies that locate the benefits some subsidies may bring to the underdeveloped EM and the poor elsewhere "a \$0.25 decrease in the per liter subsidy results in a 6 percent decrease in income" Javier Arze del Granado, David Coady, and Robert Gillingham¹ WP/10/202,

Low-interest financing and subsidizing is a market tool from the demand side of the market. The market equitability of this tool diverge from the level of transmission in different markets (the market laws and regulation that comply with Performing Standards and the new (explained by this paper) corporate liability and business laws and regulations.

7. The Environmental Protection & Market Conditions in the new Market Economics

The environmentally friendly global market development needed to prevent from global warming and exhaustion of Earth recourses could be only successful by creating market demand for high tech industries by heavily subsidizing fundamental environmentally friendly projects on the market equity demand side. He change of limited liability corporate laws will allow IFI more manageable market conditions relating human rights and environmental corporate compliance. Most of the IFI global approaches should concentrate on renewable energies and alternative (different from industrial) market development, which will allow consistent markets development not necessary related industrial production and expand markets in the limits of balanced demand-to-supply.

However, market conditions to support these environmental and human rights protection policies should be supplemented by many other factors that must be implemented to support such market equity appreciation without prompting market imbalance?

- The pro and only growth driven cyclical economics of trickle-down Capitalism may have to change to a market related economics of variances (I called) quantum economics which promotes the ideas of prompt, practical, flexible market actions to prevent violent market fluctuations such as the last Recessions of 2001 and 2007, or inflation/deflation shocks;
- With the self-adjusting Economics gone, market tools may be used "as it comes as it goes" approach of pure statistical principles;
- The ideological approaches of Republicans against Democrats of how to run the market may still be in place but will be much less contemporaneously intrusive to how the market's matrix and the macro-management, because it maybe much clearer the principle system of the Science of Economics as a system of adjusting market fluctuations by using parameters of old and some new Instruments of Economics;

- Social, medicare, and infrastructural expenses along with subsidies for alternative energies projects (in certain percentage) may have to be considered more on the market equity side of the accounting books not on the expenses side as it has been practiced until now (or in case on the third equitable role of balancing debit/credit), which also may have to be considered instruments of economics.

Considered by this paper market equity:

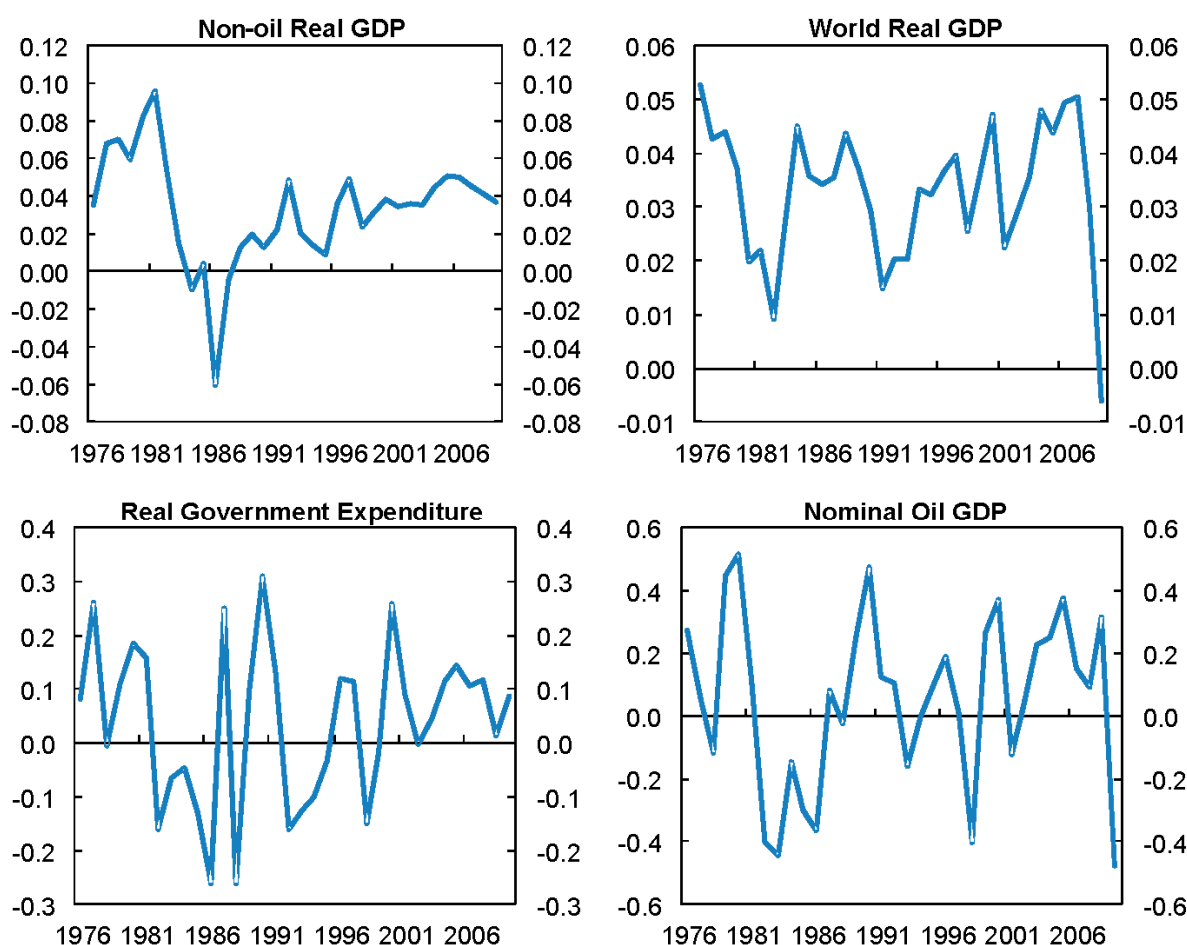
{1) Over all standard of life, 2) Social and Medical Structures; 3) Infrastructures; 4) Educational System; 5) relatively high valued Real Estate and 6) the accumulated Capital} to play important role under these new conditions of higher security marketplace.

The “deficit” provoked by outsourcing and moving of industrial production should be offset by the building market equity by individual markets and remaining competitive.

Education is a main factor for remaining competitive globally, the market driven education is very important to prevent exasperation and over supply by the system of education. However, the development of the general education gives to a market competitive edge to the rest of the world therefore higher levels should be pursued relentlessly, the relevance of the educational system to the general market development actualize the “market equity” part of this system.

8. Example of Artificial Fiscal Market Interference in Time of Recession

Even this study does not incorporate expansion of governmental fiscal policies to act as main business promoters or take over market activities at least in the ways which are practiced until today the policies practiced by the GCC governments public sector that “amounts to between 36 percent and 76 percent of non-oil GDP whereas non-oil fiscal revenue—that during the current recession, fiscal policy has been largely countercyclical” Raphael Espinoza and Abdelhak Senhadji¹, 2011 are to prove that interference with business cycles not necessary brings inflation so when the only difference between GCC countries and most other countries is in the sources of GDP, where oil driven income supplementing GCC’s GDP is coming from international markets, but the business cycles as these are suppose to be by the accepted theory should be all the same or similar to these inside GCC, hence the consequences of artificial breaking of the business cycles in time of recession by fiscal large scale interference could have the same or similar effect elsewhere, or it obviously is positive by reducing the impact of the negative market forces rather shifting up to economic growth in time of slam of oil prices globally and great reduction of business activities SEE TABLE Saudi Arabia: Non-oil GDP and Government Expenditure, 1976-2009



Sources: Country authorities; and IMF staff estimates.

“In the short run, a 15 percent increase in current spending improves non-oil real GDP by 1 percent, which implies a multiplier of 0.1.¹³ The long-run effect is almost unchanged.”, “Capital spending has a stronger effect on growth: On impact, a 10 percent increase in spending boosts non-oil GDP by 1 percent, which implies a multiplier of 0.5.¹⁴ Raphael Espinoza and Abdelhak Senhadji¹, 2011 Historical data shows that indecisive and irresponsible fiscal policy by the Saudis prompted the recession in 1986 and even caused the economic down-sloping in the mid-1990s. This is consistent with the recent experience of Saudi Arabia, which managed to shore up economic activity in the non-oil sector during the crisis owing to a large and timely fiscal stimulus targeted at infrastructure and social spending.” Raphael Espinoza and Abdelhak Senhadji¹, 2011

The point to prove in taking the results of Raphael Espinoza and Abdelhak Senhadji¹, 2011 study is that not only business cycles could be broken without reduction of these activities but also such interference could help real markets avoid recessions in South Arabia and other GCC, hence, it is a matter of Monetary Quantities, Market Equity, and the usage of these to be executed on a Global scale.

9. Market Results: Quantum Leap in Markets

In market economics market tools (quantum economics: parameters) are used indiscriminately (not politically motivated but statistically formulated) to maintain balance (quantum economics: grid or quantum quantities) demand-to-supply ratios. Entropy-complexity on the markets could establish market conditions for possible quantum leaps. There are two kinds of entropy-complexity 1) natural to the market and 2) artificial to the market. The first one uses natural micro and macro market tools to enhance the competitiveness of market agents such as

SME and SMI, while the second uses artificial market tools such as low interest financing, subsidizing, social and infrastructural expenses, and education to enhance the demand side of the market. There are limitations of the first and second entropy and such relates the transmissivity of particular market: the governmental, level of corruption, infrastructural, IPR, socially developed and ext. and the achieved equity and equitability between debit/credit demand/supply market structures.

Because, market tools (parameters) are “naturally” and "artificially" for the market applied to limit over-capitalization or under-capitalization effect on real markets, these (market tools, parameters) may well be used to increase or decrease different parts of markets by artificially accelerating or slowing business activities.

In modern times ecological issues are becoming extremely relevant to Earth survival: developing and less developed markets' industrialization (considered by the standards of production economics main market approach for development) will destroy Earth either by polluting the environment to point of no return or by exhausting Earth resources to point of no return: both scenarios Earth will not survive such mass industrialization or the alternative for many EM is to deepen in even farther poverty and underdevelopment.

Quantum Economics Leap or Quantum Leap is 'controlled' market jump executed by pointed use of financial means (low rate business loans and subsidies directed toward environmentally friendly technologies: renewable energy sources, organic farming, environmental tourism etc.) attacking different areas of real markets particularly less developed countries, markets or parts of markets (in this category: parts of most developed countries and markets' underdeveloped areas could be considered).

In economics of Marketism, countries and markets should not necessary become industrialized to raise their life standards and development is not (only) related to industrial production.

Globalization of industrial production and rapidly rising productivity could provide needed industrial and high tech "supply" to growing by quantum leaps consumers "demand"; to prevent from imbalances of demand-to-supply ratios central banking system should be established that uses formulas for monetary quantities and fiscal quantities and precisely applies market tools (parameters) to limit market recessions (quantum economics: energy buildups and consequential big waves).

10. International Finance Institutions acting as Business Incubators, the Rule of Law in Business:

International Finance Institutions (IFI) to really affect global market development must act as business incubators. Hence, they should not rely just on the monetary policies and imposing fiscal restraints to prompt consistent market development, but they should take more proactive role of business promoters of mostly environmentally friendly enterprises thus working on project by project direct investment. The power of free entrepreneurial spirit should be used to create competition on micro and macro market levels, thus SME as the biggest employers and the most flexible business organizations must be given the equal power access to legal services and financing, and such to be implemented without very heavy regulations and governmental involvement but through enhancing the market security.

The micro-macro market changes considered by this research are to enact the Corporate Liability Laws, which should replace the Corporate Limited Liability laws. As jurisdictions provide market participants with flexibility in terms of business behavior, the analysis of the impact of legislation on credit risk ultimately becomes an empirical matter. Theory suggests that market participants (i.e., banks as creditors) adjust their lending behavior (namely in terms of credit prices and demand for collateral) to the applicable legislation to maximize efficiency and minimize costs (Coase Theorem). Likewise, according to theories of debt based on the control rights upon default, creditors in creditor-friendly legal environments are assumed to grant credit based on more advantageous terms, evident in lower interest rates and longer maturities (Agion and Bolton 1992, Hart and Moore 1994, 1998). Presumably, borrowers and other creditors adjust their behavior as well, which adjustment would affect demand for bank loans and manager decisions once a loan is received.” , Christian Schmieder and Philipp Schmieder, WP/11/55

Full corporate liability supported by project bonding will improve contract execution, and it will enhance overall market security. By becoming more competitive and by general reduction fraud in the marketplace under new full liability laws the power of SME, which is in their flexibility and adaptability, will increase SME's market share.

From generations the rule of common law does not apply to business in its force and clarity because it is considered contra productive for providing most adequate conditions for business to grow up. Business environment should be foggy and deregulated for economy to prosper was considered. Unless in the Common Law where clarity was main priority in Business Law the opportunism was its main priority.

The ideas about the role of “the rule of law” differ: Not surprising, people disagree a great deal about how many laws (and what sort of laws) are just right. For example, liberals tend to think we need many laws to control corporations, to protect minorities, to protect the environment and to provide social goods. As another example, while American conservatives claim they are for “small government”, they tend to want more laws limiting things such as sex, drugs and various personal liberties they disagree with. This nicely matches the fact that the guiding “principle” of most people is “people should do what I want and not do what I do not want them to do.” So, people tend to favor many laws against what they dislike and many laws for what they like. They tend to be against laws that are for what they are against and against what they are for.

Multiple court cases data shows countless stories of corporate management getting away with fraud and not paying on contracts.

There are some laws that try to curb on fake advertising and conning promotions but these laws are so difficult to win in court unless multiple fraud is not resulted in serious financial harm unless preventive actions against possible fraud are very rarely taken.

However, the biggest harm for the markets does not come from pyramids and financial fraud but from general “insecurity” coming out of such lawlessness. When in the past “easy business” could have been positive to boost market growth in a pro-supply markets, in the presence the rising of a pro-demand markets have changed the market environment: the narrowing profit margins of the US SME and the effect of the globalization have brought the necessities for establishing of fair market competition, The employment directly traces SME market competitiveness because the SME create the market entropy-complexity very much diversifying markets in time of shrinking industrial production on these markets.

The enhanced business laws would benefit SME and SMI on a local scale and EME on a global scale by raising overall market security.

The overall condition of SME and their profitability directly reflects the overall conditions of the US and other markets because SME provide the highest percentage employment of all, thus if SME struggle to survive as it happened through the 2007 Great Recession so do the Middle Class, the Poor and the US market overall.

The clarity of business laws bringing out higher security to SME and SMI is from great importance to revive the US market and to funnel so needed natural wealth distribution and redistribution for balancing demand-to-supply ratios. Thus the approaches to help SME should shift away from relying on guarantees and artificial low interest lending secured by the governments to addressing the root cause of SME' limited access to credit. Improvements in the financial infrastructure can improve credit availability, including by expanding credit information sharing, allowing the securitization of movable assets, and developing venture capital markets for SMEs (Beck and Demirgiic-Kunt, 2006) Small and Medium Businesses are much more flexible then Large Global Corporations, SMB could develop in very diverse areas of business and reflect Governmental environmental policies much faster. By using genuine market forces lower market volatility and redundancy, and consequently prevent from economic turmoil.

11.0 Conclusion

In presence, a diminishing middle class in most of the AM and constant fiscal shortages show inept by the Economics approaches toward the new market environment of globalization and rising productivity, outsourcing and moving of industrial production. Majority of markets (as Greece, Portugal, Spain, Ireland) are deepening in debt resulting in diminishing middle class while some other category of less indebted markets (as Bulgaria and Romania) are experiencing rising poverty and considerable market reduction.

Environmental concerns about pollution and Global warming, and constantly rising prices of Oil prompt actions to clean Earth and reduce usage of Natural Resources and to expand renewable energies, organic farming and alternative more environmentally friendly market development.

Hence, having in mind all of the above new Economics must emerge in countercyclical, which from one side will prompt and maintain relatively smooth market development and from another side will preserve free entrepreneurial approaches in Business. The fair market competition in a more secure market environment and the limited interference governments should have on business, individual liberties, and national wealth.

The Countercyclical Market Economics using Quantum Factor is an enhancement of currently used Cyclical Dialectic Economics that is quickly becoming inadequate because not only it is a violently fluctuating growth oriented and industrial production related but because it becomes a helpful tool just for a few large transnational corporations and big market investors, which are not able to maintain global market development and relative normal level of employment. While the small and medium enterprises and small and medium investors as main employers are in disadvantageous market situation under the conditions of low market security. By being financed on high interest rates, SME&I cannot capitalize on their equity.

To raise market security main micro and macro market changes are required; changes of some corporate liability laws, business laws and contracting laws are as well as some regulations in the financial sector that changes should trigger establishing of new more fair market environment and provide fair access of SME and SME to these markets.

The International Finance Institutions (WTO, WB and IMF) should well adapt to the emerging market conditions of change from growth related short cycled economics of industrial production to a global market development related economics of Market Quantum Factor. Under the new emerging conditions of higher market security and expanded market entropy-complexity the market should adapt to the decreasing industrial employment by expanding employment into different than industrial production market areas. The IFI role should expand from a lender to business promoters with their own monetary policies. IFI should accelerate their using of SDR as a global markets exchange currency and should press on implementing Performance Standards. IFI actions should prompt establishing conditions of fair market competition and should promote environmentally friendly production, renewable energies, organic farming and alternative tourism on a global market scale.

The high market security and regulated financial market exchanges will raise the values of the market equity already succeeded by markets to be capitalized. The SMI would be able to access global markets thus ROI would become natural way of wealth distribution.

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