



Corretto oggi 3.8.20

The absolute need for a new balance

**between the real economy, finance and public institutions,
highlighted by the current crisis**

After decades of vain search for answers to recurrent "bubbles" and crises of various sizes, an unprecedented health and economic challenge arises in an absolutely unpredictable way¹. In economics as in medicine we grope in the dark and without seeing a credible future "normal" scenario, that is, a self-sustainable² one. In this way, old and unresolved emergencies and questions are added to even bigger and more dramatic new ones, confusing their outlines as if to coincide with the current issues with the effects of the pandemic. This is not the case and therefore the solution cannot fail to be the old and unresolved fundamental questions of the world economy³. Furthermore, the current statistics and estimates so readily disseminated by the international institutions in charge and by private organizations all over the world do not help in understanding or in analysing, nor the elaboration

¹ The phenomenology - never seen - of the oil price, which is in fact the thermometer of the world crisis, is very significant. Cyrus Bina represents the identity between the current economic model and globalization; globalization which thus thinks it is inescapable and an indispensable component of the capitalist economy almost as if capitalism can exist only if the companies are world-wide. A very significant reflection because it expresses very well a widespread misunderstanding of the economic phenomenon that underestimates the small business which is at the same time the present and future of the entire system.
<https://www.newcoldwar.org/oil-covid-19-and-the-global-economy/>

² John Ross on Global Time of April 23, 2020 which represents the difference between the various governments in facing the health situation <https://www.newcoldwar.org/most-countries-dismiss-us-blame-shifting-amid-pandemic>

³ With us George Soros. https://www.project-syndicate.org/onpoint/the-crisis-of-a-lifetime-by-george-soros-and-gregor-peter-schmitz-2020-05?utm_source=Project+Syndicate+Newsletter&utm_campaign=fffbdba8e5-op_newsletter_2020_05_11&utm_medium=email&utm_term=0_73bad5b7d8-fffbdba8e5-93606873&mc_cid=fffbdba8e5&mc_eid=404b3fce72 first part.

of proposals simply because they change quickly and therefore do not offer a degree reliable enough to use them⁴.

A research on the post-virus that interprets the economic phenomenon we are experiencing and that identifies the measures capable of overcoming its enormous and numerous criticalities, is on the one hand necessary but on the other extremely ambitious. It is necessary to do it for the obvious social and human problems of unprecedented dimensions that have arisen and from which it is necessary to get out of them in the shortest possible time and for the equally evident possibility that pandemic phenomena of this kind will repeat themselves. But it is also very ambitious because all sectors of the economy and finance have been heavily involved and therefore all have highlighted their insufficiency. The current crisis has amplified and deepened the already existing critical issues due to the widespread and repeated malfunction of economic systems. So today we find ourselves having to respond to recent but also to chronic problems⁵; it is unthinkable to face the current situation without interpreting the entire economic scenario and without giving in to the temptation to respond to each of the needs in a way uncoordinated by the rest of the system and other critical issues⁶.

For the sole purpose of better understanding the situation, it is advisable to approach the individual critical issues separately, sector by sector, in order to better understand them. But it is clear that the scenario towards which

⁴ In geopolitical futures, a fairly complete analysis of the macroeconomic data on the future trend of the various economies of the world, then modified by many institutions and analysts https://geopoliticalfutures.com/daily-memo-disastrous-growth-forecasts-and-unhealthy-banks/?utm_source=newsletter&utm_medium=email&utm_term=https%3A%2F%2Fgeopoliticalfutures.com%2Fdaily-memo-disastrous-growth-forecasts-and-unhealthy-banks%2F&utm_content&utm_campaign=PAID+-+Everything+as+it%27s+published. George Friedman still uncertain whether it is a recession or a depression [2Fpdfs%2Frecession-or-depression-geopoliticalfutures-com.pdf&utm_content&utm_campaign=PAID+-+Everything+as+it%27s+published](https://www.project-syndicate.org/commentary/three-trends-shaping-post-pandemic-global-economy-by-dani-rodrik-2020-05?utm_source=Project%20Syndicate+-+Newsletter&utm_campaign=49bb7478af-covid_newsletter_14_05_2020&utm_medium=email&utm_term=93606873%20_73bad5b7d8-49bb7478af-mc_cid=49bb7478af&mc_eid=404b3fce72)

⁵Minenna with particular regard to the level of public debt <https://www.ilsole24ore.com/art/lo-tsunami-debito-globale-e-iniziato-ADVHnnX>

⁶DaniRodrik with us in this "system" review https://www.project-syndicate.org/commentary/three-trends-shaping-post-pandemic-global-economy-by-dani-rodrik-2020-05?utm_source=Project%20Syndicate+-+Newsletter&utm_campaign=49bb7478af-covid_newsletter_14_05_2020&utm_medium=email&utm_term=93606873%20_73bad5b7d8-49bb7478af-mc_cid=49bb7478af&mc_eid=404b3fce72

we can go can only be inspired by a basic unitary criterion by choosing between the liberal system and the dirigist⁷.

It is also essential to ask whether governments and all governments do not want to overcome the crisis and how. In fact, some authors overshadow the possibility of interpreting certain political behaviours as part of a strategy aimed at strengthening state leadership using the opportunity offered by the pandemic to control citizens for higher collective interests associated with public health problems.⁸

We obviously rely on the genuine will of those who have the political power to overcome this moment by securing the economy already long exposed to many systemic risks; and we do it in the certainty of the common interest of large and small businesses, institutions and individuals, workers and capitalists, banks and savers to seek together a solution of mutual satisfaction.

For decades now there have been economies that benefit from consolidated structures and then are thrive and others that suffer from them. It is certain that the former look suspiciously at any modification of the current structure and therefore we can call them "conservative" while the others are looking for more or less vast changes.

There is also a widespread insufficiency of the doctrine engaged to elaborate them, different from those that inspired the economies that today we would call conservatives, that thus become the only ones that know

⁷Rohinton P. Medhora and Taylor Owen in this very significant article with which we hope for a new global governance considering that sooner or later the costs will have to be paid and a system to do so must be identified; the question of the "philosophy" which will inspire this macro international agreement which will govern the Planet as the Bretton Woods agreement of 1944 has opened up. A question of maximum danger because: A) it could favor the lobbies best equipped to carry out the right pressures; B) could fall victim to the limits of current doctrine. <https://www.project-syndicate.org/onpoint/digital-bretton-woods-new-global-governance-model-by-rohinton-p-medhora-and-taylor-owen-2020-04>

⁸Kees van der Pijl outlines a very disturbing hypothesis and documents it for a long time https://geopoliticalfutures.com/daily-memo-disastrous-growth-forecasts-and-unhealthy-banks/?utm_source=newsletter&utm_medium=email&utm_term=hps%3%2F&utm_content=daily-memo-disastrous-growth-forecasts-and-unhealthy-banks%2F&utm_campaign=PAID+-+Everything+as+it%27s+published

what to want. We are in fact still in the phase in which someone asks for help or others leave (like the United Kingdom) from European supranational organizations without however being clear about the future scenario to prepare. Economies lagging behind in development in this situation have no chance of getting out of it and the pandemic confirms its inevitable fate.

To find a "systemic" economic crisis that can vaguely be compared to the current phase, we must go back to the historical depression of the thirties of the past century⁹. The social and economic difficulties and the disaster that hit the middle class produced a strong demand for decision-making which led to the further mourning and destruction of the Second World War. But it was the insufficiency of the measures put in place to face the crisis that determined and widened its scope and damage; the inadequacy of the policies of the governments that suffered the tsunami in the twenties led to their collapse and the end of the economic ideas dominant till then. Without a different idea ready and more suited to the new challenges that were born. Today, it is a great mistake to ask to tackle the Covid 19 crisis because in reality the problem is much wider than the immense one attributable to the consequences of the pandemic; the economy that emerged from the Lehman crisis had not yet found a place to settle itself and therefore the virus only amplified and accelerated a very serious process of implosion of the global economic system focused on the finance and the economy detached from each other and often conflicting¹⁰. That is, we must respond to the overcoming of neo-monetarism (and all related phenomena) and its limits that have been evident for decades. So it is not a question of going back to the before of the virus but of avoiding a depression due to the scarcity of responses able to counter the collapse of

⁹Maurizio NovelliLemanik tries to predict the progress of the crisis

Not with us Cyrus Bina who identifies a great difference between this situation and that of the '29 in the causes that caused them. In fact, at the time there was a financial issue while now we have the collapse of production. Certainly we cannot fail to agree that the causes are different but the size of the crisis and, most importantly, the lack of immediately practicable and credible hypotheses to deal with it are common to the two historical cases. <https://www.newcoldwar.org/oil-covid-19-and-the-global-economy/>

¹⁰ In an interview with NourielRoubini, Cristiana Gagliarducci reports ten points that portend the coming crisis <https://www.money.it/grande-depressione-in- Arrival-10-campanelli-allarme>

the system; collapse that would have occurred due to the insufficiency of the current doctrine to produce a model of sustainable development, at least on its own legs. To put it bluntly without the interventions of the central banks we would still be in deep depression and without their careful presence we would immediately fall back; and a system that depends from those interventions is not an independent and self-sustainable system.¹¹

The Money

Since the great collapse of 1987, there has not been a single economic and financial problem of some significance that has not been addressed always with the same therapy: with a reduction in interest rates and an increase in the working capital. The result is a progressive increase in liquidity which moves massively, now in circulation, bringing with it an impressive destabilizing charge; at the same time, the profitability of the banking system has been for long very low and in contraction, exposing the banking system to extremely high risks. Furthermore, savings are not paid if not in a symbolic way and the real economy does not find sufficient funding. The level of share and bond prices in every part of the world is perceived as artificially high and therefore exposed to corrections also relevant as the erratic nature of the prices of these weeks and month shows. These all are circumstances actually detected by the economic and financial world (of professional and retail economics) and all to be corrected without further delays.

In this context, one cannot fail to talk about the gold market which seems to be much more than a safe haven asset (as they say and as they would like to believe by doctrine and politics) but still an essential point of reference for the understanding and the very life of the world of money. The trend of its prices is a precise indicator of the performance of the other components of the money market and of the real economy and offers us an

¹¹Minenna on the immense effort of the fed. <https://www.ilsole24ore.com/art/l-immane-sforzo-federal-reserve-ADPhZFW>

interpretative element of the effectiveness of monetary policies and of the performance of the real economy that otherwise we would not have. Furthermore, the independence of those prices tells us that the potential number of operators operating there is much higher and much more independent of political influences than in other contexts. In the current contingency, the contraction in economic activity, the impetuous growth of unemployment, the forced closure of numerous companies could have led to the drastic reduction in prices; which we have seen for the market for other commodities effectively represented by the "negative" prices (20 April 2020) of the oil price recorded in a short period.¹²

In fact, all commodities are in their own way a kind of safe haven in periods of great inflation or in any case of excess liquidity and therefore they see their prices increase if the value of the currency decreases and the prices decrease in the event of a contraction in economic activity. The prices of food prices such as wheat recorded the influence of the news on the pandemic but they reacted well for the essentiality of their food use.¹³

But what should perhaps be more emphasized is that the trend of those prices tells us that the mass of operators in this market does not expect an economic recovery driven by the expansionary monetary policies of the Central Banks which would have strengthened the currencies; but fears that the liquidity flood decided in response to the Covid 19 crisis, remaining largely confined to the financial sphere, will induce more and more operators to take refuge in the purchase of gold even if for a short period; rational behaviour at least to avoid the negative rates that are paid to hold "safe" government bonds. This choice is all the more significant if you take into account the erratic nature and therefore the danger of the physical gold market.

In this sense, the trend in gold prices while being particularly erratic and therefore exposed to the most varied influences are an explicit rejection of the expansionary policies of the Central Banks and express growing

¹² For the oil price in 2020 <https://www.fxempire.it/markets/crude-oil/overview>

¹³ For grain prices in Chicago <https://www.money.it/Grano>

concern about the outlets of the crisis; even in the most exclusive circles of international finance. Concern that obviously also concerns, if not more, the trend of securities prices which obviously also in this environment are not considered reliable and realistic.

But the fears of an aggravation of the ongoing crises that oppose the various powers cannot also be ruled out; What happens if the Sino-American clutches sharpen? Maybe by tricking Americans into freezing Chinese and Russian securities? And what about Middle Eastern frictions? These are extra-economic topics that are difficult to evaluate but which can lead to massive transfers of financial wealth towards the safe haven par excellence¹⁴.

In hindsight, all fears are based on an extreme dynamic that has affected international life which after half a century of cold war between two specific powers has now gone to a greater protagonism of more subjects with much more varied and innovative logics; thus originating the greatest unpredictability that is possible. In such uncertain situations, entrusting the entire responsibility for managing the economy to a few decision-making centers such as central banks is of extremely high risk precisely due to the absence of a "B" plan that is less dependent on the choices of a few even if they are genuinely concerned about common well-being.

Central Banks

The temptation is, obviously very high, to proceed in this case as has been done in the past decades to sell new public and private securities to central banks. As said, this would accentuate the gap between actual values (much lower) and official values concretely practiced in the stock exchanges

¹⁴ With us Daniel Roubini https://www.project-syndicate.org/commentary/global-tail-risks-remain-a-threat-in-2020-by-nouriel-roubini-2020-07?utm_source=Project+Syndicate+Newsletter&utm_campaign=9e97c1898a-sunday_newsletter_02_08_2020&utm_medium=email&utm_term=93606873&0_73bad5b7d8-9e97c1898a-mc_cid=9e97c1898a&mc_eid=404b3fce72

(much higher) artificially supported by the interventions of central banks; which thus produce the notorious "bubbles". A divarication that moves private savings away from this location, value of savings, makes quotations particularly dependent on the interventions of the monetary authorities, links the same development to the interventionism of central banks and therefore accentuates the pyramidal nature of the system.¹⁵ However, despite all this, the development does not start again due to the insufficiency of the intervention of the central banks which in fact has so far focused on finance and not on the real economy. This is a method error.

Moreover, in this activity the central bank of any country in the world does not distinguish between advanced and less advanced areas: the interest rate and the exchange rate towards the outside is the same for rich and less rich areas within the same monetary area; thus aggravating disparities in development. In fact, an interest rate designed to raise prices is too low for the most advanced areas (and therefore with higher inflation rate and non-existent or physiological unemployment) and too high for those in full deflation (with falling prices and high unemployment)¹⁶. Phenomenon that has been happening for years and that is already lamented in the euro area, precisely by the most prosperous economies, which are pushing for greater rigor, rightly fearing a resurgence of inflation inside themselves; however at the same time, in the same monetary area and precisely in the

¹⁵ This work by Kees van der Pijl is very significant, which warns against temptations to use interest in the defense of public health to limit freedoms and aim for a new world order favorable to the ruling classes. Temptations according to him never dormant and always ready to re-emerge. Theses that could lead to the conclusion of the will not to seek a democratic solution to the crisis but to remain for a long time under the threat of the pandemic which legitimizes fears and consequently illiberality of all kinds; in this perspective, the central banks become guarantors of the sustainability of the new authoritarianism. Which thus becomes long-term. In fact, they become in this perspective the keystone capable of financing the survival of public and private systems (large companies linked to politics) as they can finance any need with fresh money. Furthermore, that fresh money as the retail savings force clears greatly reduces the strength of financial organizations; there is no one who does not see how unlimited the strength of politics would become increasingly free even from the blackmail of financial markets ... even with the consent of the latter !!! This thesis highlights the extreme concreteness of the non-authoritarian approach to overcoming the crisis and the not always positive role of the Central Banks. <https://www.newcoldwar.org/health-emergency-or-seizure-of-power-the-political-economy-of-covid-19/>

¹⁶ Dani Rodrik and Stefanie Stantcheva note the total obsolescence of the current job market and the need for its global rethinking [https://www.project-syndicate.org/commentary/new-social-contract-must-target-good-job-creation-by-dani-Rodrik-and-stefanie-Stantcheva-2020-06?utm_source=Project Syndicate ++ Newsletter &utm_campaign=3701897a95-covid_newsletter_18_06_2020 &utm_medium=email &utm_term=0_73bad5b7d8-3701897a95-93606873 &mc_cid=3701897a95 &mc_eid=404b3fce72](https://www.project-syndicate.org/commentary/new-social-contract-must-target-good-job-creation-by-dani-Rodrik-and-stefanie-Stantcheva-2020-06?utm_source=Project%20Syndicate%20Newsletter&utm_campaign=3701897a95-covid_newsletter_18_06_2020&utm_medium=email&utm_term=0_73bad5b7d8-3701897a95-93606873&mc_cid=3701897a95&mc_eid=404b3fce72)

areas with the highest unemployment, lower interest rates and greater liquidity in circulation are requested precisely because the existing one (low for the rich) is unsustainably high for them¹⁷. The same thing has to be said for the change towards the outside. Therefore, the system that sends the entire monetary policy to the decisions of a supranational authority as well as being prone to unnatural centralization of power does not produce and cannot produce the expected effectiveness; cannot produce it for lack of precision of policies so general and wide. All this means that in this situation produced by covid19 and characterized by deflationary pressures of unprecedented size, the entire action of central banks is destined to prove insufficient. This is a structural downside of every unitary xxxxxx monetary policy waged to several different economic realities.

Moreover, doubts about the action of the Central Banks and in particular of the European one are emerging with an unexpected force due to the uncertainty on the distribution of the burdens and the advantages so as to move the European and German Courts in direct antithesis with each other and without an apparent way out and much less an hypothesis of shared mediations.¹⁸

The German theses oppose the enlargement of QE outside a very rigid proportionality (typical of the Teutonic mentality) where the ECB statute attributes it a precise role, the anti-inflationary one and no other. This from Covid is a valuable experience that can lead us to look for new answers that we should have had found in the original setting up of the Central Banks. If in fact it is true that the identification of the unitary monetary policies that the central banks put in place is directly descended from the unitarity of the inflation / deflation data, it is also true that that unitary data

¹⁷ Jayati Ghosh on the huge differences of affection of the same phenomenon in the various economies of the world <https://www.newcoldwar.org/the-pandemic-and-the-global-economy/>

¹⁸ Katharina Pistor on the recent judgments relating to the action of the ECB https://www.project-syndicate.org/commentary/german-constitutional-court-ecb-ruling-may-threaten-euro-by-katharina-pistor-2020-05?utm_source=Project+Syndicate++Newsletter&utm_campaign=2ad6876daf-sunday_newsletter_10_05_2020&utm_medium=email&utm_term=93606873%2073bad5b7d8-2ad6876daf-mc_cid=2ad6876daf&mc_eid=404b3fce72

collected is nothing more than an average of the specific data of the various territories . Something that is self-evident: European inflation is nothing more than the average of local inflation and it is not doubtful that economic macro-areas such as the United States, China, Russia, .. contain huge differences within themselves; which is also true in national economies such as the British or Italian ones where rich areas exist that attract entrepreneurial initiatives, capital, labor force and public investments and less advanced areas that instead export production factors and raw materials to benefit of the richer areas; all in an environment that is monetary unitary. So we see an interest rate, a foreign exchange rate, a quantitative policy knowing that the positive effects will all be almost entirely to the advantage of the rich areas while the others will only benefit from "transfers" if and when the public budgets they will allow it and if and when political choices (dictated by electoral reasons) will determine it. This is a history of decades, never denied by anything. The weight of areas lagging behind in development is found in public budgets and, often, in the social stability of lagging economies. The solution to this perverse vicious circle and a new, more realistic, approach to central bank policies has always been awaited and Covid has greatly aggravated the drama of this serious shortcoming. The tsunami that started from the planetary lockdown affects the companies which in turn unload their problems on the stakeholders, expanding the critical issues; cash and budgetary problems are transformed into layoffs, partially and temporarily absorbed by national welfare, which in turn affect the business world by expanding the force of the malevolent wave by hitting the less wealthy areas within the unitary monetary areas; but they also affect those external to them but partner in international trade. Thus the crisis in the wealthy areas of Germany (just think of the automotive industry for example) is transferred to the component manufacturers of the economies immediately adjacent to the United Europe and linked to it by the supply contracts. Thus the difference in wealth and income between areas and subjects widens without a trend reversal.

But if the parameter used for economic policy decisions is the inflation / deflation rate recorded in the various areas within the individual monetary spaces, the interest rate charged must and must be specific to each homogeneous economic area in the bigger unitary currency area; and the unitary one can be only an average of the rates really applied in the individual economic areas making up the bigger unitary macro area.

This hypothesis has always found an objection - partially founded - as it was argued that the interest rate is the result of the meeting between demand and supply of savings and therefore imposed by the market which thus favored the most dynamic areas. But today the interest rate has dropped entirely from above and imposed by the monetary authorities and therefore can only be changed if desired. Nor is the argument of the greater riskiness of the investments made in the poorest areas valid; circumstance (the riskiness) that is not only true but aggravated by the uniqueness of the interest rate and the uniqueness of the exchange rate towards the outside; then not only is it not a sufficient argument but it is a reason to contrast this adverse circumstance which is one of reasons of the differences in the rate of development. So this challenge is the foundation of the phase that will be opened after Covid.

Just as the inflation rate of a currency is the average of the inflation rates of the areas where this currency is used, so the unitary interest rate dropped from above is and can only be an average of the interest rates applied in the single individual areas. So, the Central Banks are called to provide liquidity to the national central banks and to the credit companies that request it at different rates according to the allocation in the space of the collateral provided by the requesting banks.¹⁹

It is also clear that two areas with different inflation / deflation rates (in different areas) with different unemployment rates cannot have the same interest rates; but this is a further improvement the realization of which is

¹⁹Kenneth Rogoff 2020 unknowingly gets very close to our theses in this short article [https://www.project-syndicate.org/commentary/advanced-economies-need-deeply-negative-interest-rates-by-kenneth-rogooff-2020-05?utm_source=Project Syndicate + + Newsletter &utm_campaign=2ad6876daf-sunday_newsletter_10_05_2020&utm_medium=email &utm_term=93606873 & 0_73bad5b7d8-2ad6876daf-mc_cid=2ad6876daf&mc_eid=404b3fce72](https://www.project-syndicate.org/commentary/advanced-economies-need-deeply-negative-interest-rates-by-kenneth-rogooff-2020-05?utm_source=Project%20Syndicate%20%20Newsletter&utm_campaign=2ad6876daf-sunday_newsletter_10_05_2020&utm_medium=email&utm_term=93606873%200_73bad5b7d8-2ad6876daf-mc_cid=2ad6876daf&mc_eid=404b3fce72)

still very far from being taken into consideration. Here we need to underline the fundamental importance of the interest rate lever in responding to the problems of previous and consequent development to the Covid 19 phenomenon and therefore real both inside and outside the monetary macro areas.²⁰

That lever is decisive to revive development by totally breaking with the current practice of new money provided for the exclusive benefit of financial institutions and public budgets without a connection with the real economy and therefore far from the places and people who can revive development; thus indirectly damaging both public budgets and the financial institutions themselves apparently benefited by the new waves of liquidity.

Is it an economic "aid"? that is, a disbursements of money in favour of companies allocated in the areas further back in development? Maybe to the detriment of the others? Is this a distortion of the spontaneous allocation of resources and therefore a serious damage to the freedom of enterprise and to the regular functioning of a free market? no, precisely because the unity of the interest rate - arbitrarily wanted as unique for different realities - is a serious distortion of the free allocation of resources that if the areas had different currencies they would have different exchange and interest rates which would be the result of the balances internal between the demand and supply of existing means. Moreover, if the current monetary and credit policy model were to persist, the difference between the growth rates would translate into a reduction in the remuneration of the factors of production; starting with wages, rents and profits; aggravating sine die the differences in an endless screwing; as indeed it is happening. So the unity of monetary and credit policy far from promoting the harmonious development of all areas that use the same currency favour the widening of differences and deepen their social issues. But the most relevant aspect is given precisely by the experience of Covid

²⁰<http://documenti.camera.it/leg17/resoconti/commissioni/stenografici/pdf/050614/audiz2/audizione/2015/03/26/leg.17.stencomm.dat a20150326.U1.com050614.audiz2.audizione.0001.pdf> Pisano on pages 12 and 13 and Sebastiano Barbanti on page 17 on the differentiation of interest rates in a single monetary area in the Chamber of Deputies hearing of Draghi 26.3.2015 and Barbanti on the uniqueness of foreign rating agencies compared to the EU.

19; in fact, the territorial articulation of the presence and action of the Central Banks in a large monetary area allows the monetary authorities to intervene differently in the individual areas affected by the pandemic; and this is always true in every part of the world and at any time whatever the reason for the aggravation of differences.²¹

Being unaware of this proposal, the re-exhumation of a form of Marshall Plan intended to replicate for some areas that experience which is attributed a significant role in post-war reconstruction is still widespread²².

In the first place, that Plan was not as generous as we want to remember today, much less decisive; even if it contributed a great deal to recovering self-confidence and in its future for entire populations, it could not be replicated today both for the size it should have and for the fact that the Central Banks already have sufficient means (even if their institutional task must often be better achieved) and finally for the bureaucratic cage that exists today and then not; the costs of the bureaucracy which in the so-called advanced countries are maximum, constitute a ballast which cannot be neutralized in any way by liquidity injections. Finally, this idea of the Marshall Plan would be a real transfusion of liquidity in favour of some areas, disadvantaging the others which would then be called upon to simultaneously pay and suffer competition from the companies benefited from the transfer of money.

To conclude and looking to the past, the transfers of resources have never decreed the economic take-off of an area but, at the most, the setting up of some companies that have thus guaranteed little or a lot of employment for

²¹With us Martin Wolf on the FT. Furthermore, the authoritative commentator, now almost historical, of the FT declares that Germany would have irreparable damage from leaving the Euro (which he should decide if the ECB decides to spend more money where it is needed and less in Germany where it is not needed) thus indirectly claiming that its prosperity depends directly on the sacrifice and contribution of the other European partners and on the lack of third parties of the rules of the Treaties evidently *Con noi Martin Wolf sul FT*. In addition, the historic chief economist of the FT declares that Germany would have irreparable damage from the exit from the Euro (so that he would have to decide if the ECB decided to spend more money where they are needed and less in Germany where they are not needed) thus sustaining indirectly that his credit for the capital of the European Union and as a contribution to the . Martin Wolf, The shape of the recovery is not a given but must be decided, Financial Times, July 2 2020. <https://www.italiaoggi.it/news/il-financial-times-boccia-mes-ed-eurobond-e-says-that-the-euro-will-save-only-if-the-ecb-will-supply-currency-created-2441674>

²²Jayati Ghosh focuses heavily on the role of the IMF and SDRs in its global business <https://www.newcoldwar.org/the-pandemic-and-the-global-economy/>

a limited period of time; we can say that this experience and this doctrine must be considered ended in failure in every part of the world.

Certainly it can be objected that the Central Banks do not have the task of restarting development which usually is instead the task of public national institutions. In fact, here we have not spoken of development but of contrasting inflation/deflation. However, it does not escape anyone that this contrast cannot be achieved without playing a leading role in promoting growth. Nor is it conceivable that Central Banks refrain aprioristically from any behavior that affects growth; nor can it be overlooked what has already happened in western economies in past decades when the approaching of the financial apocalypse before and after economic forced the central banks to intervene convinced in supporting the credit system and the credibility of sovereign debt issuing states. And this "expansive" and salvific role has been clamored by all social and political parties for lack of other possible options and we are still at the same point today. Finally, we cannot hide the economic repercussions of the monetary and credit policies of the monetary authorities, which cannot fail to exist and are strongly desired.

In this sense, sovereign debt management policies towards central banks must also be interpreted, which is another central topic. In fact, even worse is the question of the additional debts (in addition to those already existing) that could be contracted with Central Banks. Are they to be considered irredeemable?²³ If yes, it must be declared openly so as not to count them in the calculation of the internal debt; if not, it is better not to contract them for the future as - especially in areas lagging behind in development - they will never be honored. It must be said that in the first case (that of irredeemability of the securities held by Central Banks) in no rich economies xxxxxxxx it is possible that the existing public and private debt maintains a minimum of credibility in the financial

²³In "Qui Finanza" an editorial communicates that the hypothesis is now a topic of debate and work
<https://quifinanza.it/soldi/rivoluzione-bce-spunta-idea-bad-bank-e-cancellation-debit/> 373667

markets, while in the second it is absolutely excluded that public debt can be honoured. Nor does the matter change for the debts that should be contracted towards international or non-private organizations other than Central Banks: it is certainly better not to contract them²⁴ if they should provide for the return even at a remote moment in time or some condition in the management of internal economic policies. In fact, these debts are contracted to counter the growing current deflation but also to put in place the conditions - at least increase of level of liquidity - for a level playing field with other economies with the same currency; something that is thwarted only by the prospect of return or conditionality. It is a serious omission.

There are those who do not see how these reflections - substantially obvious and inherent in the nature and therefore due to the action of the monetary institutions - must be clarified immediately to return to the markets those certainties that they currently do not have and which serve to restart development.

Some argue, fundamentally, that the purchase by the monetary Authorities of slices of public or private debt which thus becomes irredeemable means that a transfer of money that creates an undue enrichment for those who receive them, an injustice for those who remain excluded and an extreme discretion - certainly unacceptable - for the Authority carrying out the operation.

In other times, securities were transferable and therefore constituted a form of liquidity that was "created" when they were used. The transfer of a check, a security, a commercial paper was and is or would be a form of payment if both contractors accepted it and therefore a form of money creation when, how and how much a component of the system wants it. The abolition of this transferability has, in fact, centralized the creation of money and its use in the hands of the monetary Authorities (which is a form if not of authoritarianism, at least of leadership). These can neither

²⁴With us Martin Wolf <https://www.italiaoggi.it/news/il-financial-times-boccia-mes-ed-eurobond-e-dice-che-l-euro-si-salva-solo-se-la-bce-will-supply-currency-created-2441674>

through the credit system nor, directly, offer credit to retail customers in an equally timely and satisfactory way as the economy would spontaneously do, thus creating micro credit crunches and macro credit crunches that escape statistical surveys and are basically forgotten. Periodically we become aware of shortages of liquidity, often very great and we try to remedy with new forms of auctions or offers of liquidity. In fact they are partial and imperfect replacements of those liquidity that the system would have created spontaneously based on the trust given to the individual bargaining and at the specific moment.

But all the analysis incontrovertibly say that those forms of providing additional liquidity are necessary. A less elitist and fairer concept of the creation of liquidity by the Central Banks would lead to the distribution of real helicopter money which would allow, "from below" (ie assigning the new currency directly to the individual citizen), the creation of additional demand, new liquidity, new additional profits for small, medium and large enterprises, and new revenue for state bureaucracies. The greater effectiveness of this process is evident for all components of the economy and finance, instead of the one that transfers money directly to the big banks and to the state behind the fiction of the purchase of securities on the market, against this universally shared thesis it must be said that it is also evident that distributing money to the population is not the most educational thing to do.

Having violated that part of the natural law which provides for the owner's intangible right to transfer and/or possess a title without having to explain or inform anyone, has produced this very serious problem of functioning of the distribution of the new liquidity that is not known now how to solve.

In summary: from a legal point of view, the securities held by the monetary Authorities must be considered irredeemable and unsaleable for the obvious reasons mentioned and therefore should not be included in the list of existing debt. Central Banks for their part must provide new liquidity by leveraging the differentiation of the rates and the mass of liquidity to be entered, preferring to do it at lower rates where deflation is

higher and at higher rates where inflation is higher. The use of this second lever allows the first to be used in exceptional cases and in modest quantities and in any case much more modest than it does today.

The excessive modesty of interest rates in the areas most lagging behind in development can lead to mortifying savings beyond all decency. In this, the legislation must provide for the retail saver to approach to buy securities even at higher risk in order to pulverize the risk and ensure good profitability.

The bonds

In addition to the modest interest rates, as said, savers have had their portability and physicality abolished, thus greatly reducing their palatability. The clear separation between abstract ownership of securities and their material possession is a very serious vulnerability to property rights as such and therefore potentially capable of producing ever increasing disaffection between savers and the world of banks and finance; as it actually happens.(see the last paragraph) In the current phase, it is in everyone's interest that savings in current accounts and those xxxxxx that invested in transferable securities regain mobility to tone demand without going through massive sales on the securities markets; the recovery of physicality and transferability cannot be postponed any longer since this natural right has been compressed for decades, with the consequences seen of a striking departure of the financial sphere from the real one. However, that mobility allows greater liquidity of the system where, how, when and how much is needed without waiting for injections of liquidity (artificial and therefore dangerous because a herald of "bubbles") from above that not only do not arrive but, when they are decided, they turn to the financial universe and only indirectly and imperfectly to the real economy. Nor is the argument of traceability and therefore of anti-money laundering that is in no way limited by transferability and in any case cannot be an argument to limit a founding right of modern civilizations.

All this means that internal savings can be used to restore sustainability to the entire economy and to the financial system itself. These are large sums rendered useless by illiberal laws and underpaid by the flood of liquidity that has flooded the market several times, making it so unusual today. However, it is quite clear that it is enough for that savings to move very little to raise both the price level and the tone of the economy. The advantage for small businesses, for large companies, the level of tax revenue and the sustainability of share and bond prices is not only large but “systemic” and that is structural in time and space.

The credit

So we go on to note that the banking system has been proceeding for decades towards a continuous corporate concentration of banks with mergers and acquisitions to save costs (starting with personnel costs). Services decrease in quality, entire categories of businesses and families are excluded from the use of banking services, competitiveness between banks decreases by increasing the costs of their services. Small businesses and the level of unemployment suffer most, especially in the economically weaker areas and states. Not only is this suffering not fair but it gradually empties the outlet market of large companies, mortgaging the future development of the entire economy.

The modesty of credit sector profitability pushes banks to make profits with commissions and with investments in public securities; the former increase the costs for the real economy while the latter make banks increasingly dependent on the level of public debt whose level and reliability depends on tax revenues... generating in this way an insane alliance between public institutions and the credit system; alliance that makes the state less and less free to defend citizens' interests and more and more similar to an authoritarian system. It is absolutely evident that the persistence of these difficulties favours this alliance which certainly does not resolve anything and without indicating any way out able to remove the causes of this problem.

The context

It is absolutely clear, not only at the level of a single economy, that it is necessary to rethink the relationship between banks on the one hand and small businesses and citizens in general on the other - today too unbalanced in favour of the banks - which produces suspicion and, in many cases, removal of important market shares from banks. This is a condition that produces a heavy burden on the functioning of the economy in that portion of the market which, due to its size and capillarity, can produce the recovery that is to be promoted and which the covid crisis¹⁹ does not allow to delay. Moreover, this condition is macroscopic precisely in the areas most lagging behind in development where it becomes an essential component of both underdevelopment and latent authoritarianism in a widespread manner in those economies. The presence of a large network of flourishing small and medium-sized enterprises is an indispensable condition for giving the democracy of the institutions and regulations an effective substantiality.... The pursuit of greater respect for the smallest customers cannot fail to be the task of the government authorities and cannot fail to be an indispensable minimum condition for any non-authoritarian economic development. It should be pursued with the introduction of new bank contracts in which the interests of customers should be better protected automatically and simply.

At the same time, it is better to prepare ourselves for worse scenarios than those hypothesized today²⁵. Indeed, it is probable or at least possible that the arrest of the economic activity imposed by the pandemic will produce an anomalous growth in outstanding and bad debts; at the same time, the need for liquidity and more generally for financing for the restarting of economic activity will be increasing. Phenomena that must be

²⁵ Robert J. Shiller represents two contemporary pandemics very well and therefore two contemporary anxieties: that of the virus and that of the economy that feed on three levels of gravity to which we would add a more likely quarter still common to all three of those represented by him. namely that of a chronicization of the phenomenon and therefore of a new "normality" that imposes our ability to live with the probability of unpredictable shocks of this or other type; "Chronicity" that could be desired by those parts of institutions that believe they have utility and interest in limiting individual freedoms and increasing the level of social control at least to limit increasingly frequent protests and dissent. <https://www.project-syndicate.org/commentary/how-covid19-pandemic-affects-financial-market-narratives-by-robert-j-shiller-2020-03>

hypothesized as repeatable even several times in a year and therefore it would be necessary to legislate continuously to introduce the necessary measures to contain critical issues.

The concomitant effect of these three probable phenomena (we repeat in summary: growth of not honoured loans, demand for new liquidity and new loans) can be satisfied (in theory) by Central Banks but will produce a new need for additional banks' own equity, especially the larger ones.²⁶

These are needs that are difficult to quantify but certainly of enormous importance. However, this need will be present in every part of the planet even if in a different way from area to area. However, here we cannot speak only of the smaller companies but also of many of the larger ones. To date, the airlines, passenger maritime, all automotive, energy, tourism, .. are in desperate conditions and it is not clear how it can recover and what will happen to return to the already difficult conditions in which people were struggling in the past years; especially in light of a demand that no one has thought of toning²⁷.

The possible answers

Strong could be the temptation to proceed with authoritarian interventions to induce or force savers to participate in the capital increases that will be offered; the proponents of the bail in will rise again convinced of the inevitability of their hypothesis; needless to say, it would be a further step backwards in the effective democracy of the next economic system and a total failure of the sustainability of the credit system; with a blow to savings from which we should never get out again.

If there is not freedom to choose the western capitalist economy will not exist.

²⁶ just for an example the trend of unpaid payments in Italy already in the first trimester 2020 in: <https://www.startmag.it/economia/come-andrà-intesa-sanpaolo-unicredit-mps-e-non-solo-con-the-npl-post-covid-report>

²⁷JayatiGhosh represents the situation in many countries <https://www.newcoldwar.org/the-pandemic-and-the-global-economy>

Even worse is to be said for the hypotheses of funds (or "aids" or interventions) created from nothing with public money from one or more states destined for "system" banks; funds that, although veiled in demand by many large banks, they would only reiterate and formalize the dependence of the economy on the policy from which one would like to exit by publicizing the costs of unnaturally large companies without having also foreseen the publication of their profits; all without even having addressed the question of the goodness of future management and the reduction of their size, which is the true origin of their fragility and ungovernability.

Another possibility is to involve Central Banks in the refinancing operation of large and small commercial banks, but the contraindications are no different.

Many - especially in the USA - are the operators and scholars who take refuge in this hypothesis as a unique and saving open and cheap way. Others warn against the contraindications produced by insisting on this practice which was born as "unconventional" to become, with the passage of time, the only existing possibility; that is, from treatment to be administered in exceptional cases, it has now become a drug to which we are totally addicted unable to find viable alternatives. Beyond the numerous more or less qualified opinions on the individual sectors involved, the need remains not to add emergency therapies to emergency therapies but to bring the system back to a normality; normality done with a system of laws able of automatically responding even to difficult challenges while remaining in a long period regulatory framework reliable and sure; that is, a shared and known right in each economy and in all major economies; right not imposed but shared because it actually responds to the real needs of each and every one. In fact, depending on the discretionary intervention of even authoritative entities (such as Central Banks) means entering in a system irrevocably dependent on those authoritative entities and therefore potentially undemocratic.

Finally, further the possibilities already mentioned, one could think on a purely voluntary basis to propose savers to profitably participate in the revitalization of the economic and credit system; proposal that can materialize in a hybrid security between action and bond that is closer to the interests of savers, especially retail, and that finally pays private and professional savings, both retail and professional; the size of the necessary means is impressive but not only do the sufficient financial means exist but it would be a path capable of restoring credibility and therefore sustainability to the entire sector. This is a matter of strategic importance that deserves a specific study and an ad hoc study for the particularity of the sector and for its importance in the economy.²⁸

The bond we are talking about is highly waited by the world of savings which today rewards the rulers of large funds and strongly penalizes small savers.

In reality the latter are actually (and always) the cornerstone of the market.

In fact, in order to be truly independent from the interests of a few players, the "market price" needs many and often very many operators who share a specific valuation which is precisely condensed into a price. If the mass of small savers withdraws, the price (and the market) becomes increasingly "thin" and exposed to uncontrollable variations and in any case dependent on a few operators. Everyone knows that the world of shares is characterized by a marked difference in power between small shareholders and large players. Formally the saver is recognized the right to vote - which he hardly ever exercises - and therefore has no value for it if not negative since the possible bad management is also attributable to himself. Then, a hybrid security is required which provides for the abolition of the right to vote in exchange for a guaranteed (from an independent fund set up ad hoc) minimum return; title obviously convertible into precise time windows into normal actions; this would be a way to at least partially protect the small saver from adverse changes in prices (greatly reducing

²⁸With us Minenna <https://www.ilsole24ore.com/art/industria-e-infrastrutture-ripartire-risparmio-privato-ADr4DCR>

the risk) and, more importantly, rebalance the enormous difference in power between the retail saver and the large investor who controls the company of which the little one is a shareholder. It goes without saying that this formula is able to return to the savings market an essential vitality for its survival and therefore allow even large companies where the saver is crushed by the strength of management to obtain fresh savings to continue the business in the ways imposed by contingency.

Certainly these are not measures that can easily be introduced spontaneously by companies even if it is clearly evident that it is also in their interest that they should be introduced. Public institutions are more likely to take on the task of launching a standard formula around which to create concrete operational realities. The role of these new formulas are not only essential to meet the needs that emerged following the pandemic but are also suitable for areas lagging behind in development, especially in the banking sector which shuns operating in the less wealthy areas and concentrates on the more prosperous ones aggravating so dramatically the situation of social difficulty of the most disadvantaged areas and also the peripheral ones of the big cities. In any case, the asymmetry of strength and information that separates the world of retail savings from finance has produced disaffection if not suspicion and hatred between the two parties and therefore it is necessary to rebuild the relationship of trust as soon as possible.

The asset management industry has believed and still believes that it can do (replace itself in) this work and become a monopolist in the management of retail savings. This interpretation has also led to the concentration in ever fewer hands of growing masses of money whose management has less and less profitability and greater risk without prospects precisely for the Central Banks policy of reducing interest rates. What is true for both bond and equity funds; the traditional distinction between high and low risk is also much less clear than it was in the recent past. The dramatic nature of this situation allows us to say that the “industrial” or “massive” management of savings, far from being decisive,

is itself in need of finding a solution strategy. The creation of a security that is different from stocks and bonds and that is also “simple” and that is without unintelligible codicils for non-professionals is a way that allowing the convergence between retail investors and savings users is destined to respond to growing critical issues.

The new and intermediate hybrid security model between share and bond has the following characteristics: A) it is perpetual, B) it can be converted into ordinary shares in pre-established periods, C) it has a guaranteed minimum fixed dividend to which is added - when distributed - a dividend integration, D) the option takes place at the discretion of the saver, E) does not have the right to vote at ordinary and extraordinary shareholders' meetings. There is the question of the guarantee arises that puts the saver away from bad management or bad economic trends: who offers it and with what costs and who's burden. A derivative at the expense of the issuer would be enough, but it is much better to provide an investment fund accessed by savers of all kinds whose yield can be used in cases provided to cover the unpaid yield. The fund is a financial "infrastructure" for the sector and for the areas that will introduce it.

The debt of businesses and families

A distinct problem from that of banks 'assets is that of the banks' customers. Covid has shown that unpredictable adversities are always lurking and must be faced. In addition, the economy can no longer take on long-term commitments as the unpredictabilities adversity xxxxxx are increasing. Neither the banking system nor the public system can afford to expose the economy or even just part of it to incalculable risks. All this requires a profound rethinking of contracts between banks and customers. The insurmountable stakes are: maintenance or reduction of the level of risks borne by the banking system, toning of the level of operating margins for banks, increase in disbursement and lengthening of maturities, reduction of costs for businesses and households as an expansion of the economy .

These are, as we can see, conflicting points between them and therefore a composition between diverging interests is needed. Moreover, capital is no longer a limited resource as the economics texts have taught us. The expansionary activity of the Central Banks wanted and has in fact produced the reduction of interest rates by widening the offer of liquidity for purchases of securities. The result was both the thinning of margins for credit operators, and the reduction of refreshment for savers, both the artificial growth of prices, and the need to find solvent capital users; the latter point becomes vital for the survival of the banking system and for all finance. It is clear that this is an internal contradiction: if the profitability of the money has fallen, it will not be possible to find a profitable position. Often some strong powers pushes governments to increase their debt position precisely to place the pharaonic liquidity made available after the repeated liquidity inflows of the Central Banks and it is done using any type of medium. But the problem is far greater than the possibilities of the same states which, on the contrary, are grappling with the free fall of tax revenues (in relation to GDP) both following Covid 19 and due to a phenomenon that has already existed for decades and further worsened with the crisis of 2008/2009 and for this have no availability in the balance sheet to pay further debt service charges.

Apparently an irresolvable problem.

The first thing to do is to promote a small cultural revolution in credit management by detecting the centrality of the payment of the interest with respect to the return of the capital. In fact, by separating the two components of the loans, it is understood that while the credit system has an interest in maintaining and not reducing the perception of interest, it has no reason to have the return of capital. So the key is postponing the extension of the deadlines both in an anti-unexpected and therefore anti-risk key, but also in a defensive key of the level of interest income for the banking system. Therefore, especially in the light of the experiences we have had following the pandemic, the concept that provides for the

absolute rigidity of the return dates of the amounts lent must be reviewed. The debtor must be granted the right to extend the terms and therefore omit the return of the capital while keeping the payment of interest fixed²⁹.

In this way a greater automaticity is introduced in the management of the credit relationship to the full advantage of the customer, but also in advantage of the bank and the public institutions which are not called upon to help myriads of companies struggling with specific and varied problems; creating further problems for the public budget.

There is a different question of the guarantee that must assist existing and / or contracted retail and corporate debt. In extreme cases such as those that may be recurrent in epidemics (but also other events) it is advisable to create a pulverized capital fund that has this function and that can intervene if and when it is needed certainly not by distributing resources but allocating them profitably where it is needed. But this deserves a separate study.

The post Covid 19 will certainly not resemble the previous period and these innovations are suggested precisely by the phenomena we detect.

Finance

The supranational integration of financial markets has meant that every financial phenomenon spreads across the planet in virtually real time. The concentration of companies in large agglomerations - financial, banking and industrial - exposes the entire economy to the erratic trend of the shares prices; prices in turn heavily dependent on the ratings of rating companies which end up possessing immense power. Public debt securities are entirely dependent on the level of tax revenue of the citizens of the issuing state which guarantees the payment of interest and the return of

²⁹In Italy, also upon our pressure, a rule was introduced in Law 190/14 art.1 paragraph 246 which provides precisely this and which was subsequently used in the agreements between Banks and Companies to face the liquidity crisis. Today this principle applies to all businesses of all sizes and to all banks. It is very important in this regard to note that the banks in Italy have wanted to maintain discretion in granting this method (also with the support of the Supervisory Authority) and therefore have frustrated part of the positive effects of this new concept

capital on expiry. And when the level of revenue does not appear sufficient as it happens when an entire economy stops, it is necessary to resort to the actions of the central banks to support their prices and reduce the spreads thus feeding the problems already highlighted in the first point. But without proposing anything to remove the causes and without answering the question of the extreme freedom of movement of capital. Recent developments in econometric studies have developed portfolio management techniques that allow at the financial corporations to make often large profits without ever entering the real economy. It is what is often called turbofinance. Obviously it is pure speculation that periodically produces periods of corrections of even abrupt prices which are so dangerous and ample to induce the monetary authorities to intervene to save companies too large to fail; so the monetary authorities intervene both to correct the economic imbalances produced by Covid, and to correct the "irrational exuberances" of the speculators of international finance ... who thus end up being rewarded or at least to believe and make believe they can get away with it always and in any case. This rigidity is too great for the survival of any system and must be overcome by proposing alternative models.

The globalist model

Moreover, the covid 19 crisis has cast an immense shadow on the globalist model and the associated extreme freedom of movement of capital.³⁰

Physical production carried out in several places and then assembled in one place and sold even in another one has shown all its fragility and danger in addition to the difficulty of management in times of pandemic

³⁰This study by Minenna is very interesting <https://www.ilsole24ore.com/art/crolla-commercio-globale-e-solo-l-incia-ADvsKYU>

crisis; crisis that no longer seems to be a remote hypothesis, or limited and circumscribable, nor difficult to replicate.³¹

So the immediate future will see specially larger enterprises review this planetary work organization with repatriations of entire businesses or sectors of them. The countries that have benefited from the globalization and the organizations, especially the financial ones that have expanded all over the world, will have every interest in cutting their business by macro areas or, even better, specific homogeneous areas within it.³²

Here too, finance will suffer a tsunami of large proportions deriving from the loans disbursed and not honoured - very similar to that already experienced ten years ago - but much more insidious. The instrumentation developed by the economic, financial and monetary Authorities of the whole world is certainly more refined than that of ten years ago but, as mentioned, it is substantially always the same thing referring to the intervention of the Central Banks with all that this will entail . A sort of liaison has formed between large companies, large banks (specially investment banks), politics and Central Banks that allows these large organizations to survive adversity and their own inability to adapt to changing economic conditions by exploiting the weaknesses of politics and own persuasion force. It is clear that all this happens at the expense of the rest of the economy and private savings.³³

To summarize: larger economic organizations (too big to fail) can pass on their problems and costs to others.

³¹With us Mohamed A. El-Erian https://www.project-syndicate.org/commentary/covid19-deglobalization-two-priorities-by-mohamed-a-el-erian-2020-05?utm_source=Project+Syndicate+Newsletter&utm_campaign=49bb7478af-covid_newsletter_14_05_2020&utm_medium=email&utm_term=0_73bad5b7d8-49bb7478af-93606873&mc_cid=49bb7478af&mc_eid=404b3fce72

³²Richard N. Haas on discontented with globalism https://www.project-syndicate.org/commentary/deglobalizaton-discontents-by-richard-n-haas-2020-05?utm_source=Project+Syndicate+Newsletter&utm_campaign=3ce69c95d3-sunday_newsletter_17_05_email&utm_term=0_73bad5b7d8-3ce69c95d3-93606873&mc_cid=3ce69c95d3&mc_eid=404b3fce72

³³Fabio Basagni exposes a very negative view of the current phase <https://www.affarinternazionali.it/2020/05/la-madre-di-tutte-le-recessioni>

Securities values

Moreover, those massive and repeated interventions generated an artificial overvaluation of the securities, both equity and bonds. Nor is it known the level that these courses would have spontaneously, that is without the support of central bank intervention. The actions of the Central Banks directly impacted public debt securities and, in cascade, the rest of the securities market as well. Here we have to deal with public debt securities whose performance indirectly influences all finance.³⁴

At several levels, the rapid exit from this condition of dependence of the securities markets on the interventions of the central banks is hoped, but the attempts made in the recent past before the advent of the pandemic have not produced the desired result not only in the markets but also in the real economy. So the challenge, already difficult before the pandemic, has become almost impossible, aggravating and accelerating the phenomenon of dependence on public intervention.

Following the pandemic, significant parts of the academies and operators consider the expansionary interventions of the Central Banks a normal component of economic policy in every part of the world and an instrumentation now necessary and therefore desired and sought. Insisting on distorting the markets of their role and living with quotations explicitly influenced by institutional interventions, even desired by primary market operators, has led to a structural dependence of finance and the economy on monetary institutions from which it is not known how and when to get out of it. So the attempt to provide the markets with their original role is a vital challenge for the entire West that Covid 19 has made not-postponable. However, it is clear that this challenge can only be overcome with techniques that return the saver who buys public securities

³⁴Editorial of The Economist on the situation of stock and bond prices before and after the covid

<https://www.economist.com/leaders/2020/05/07/the-market-v-the-real-economy?cid1=cust/ednew/n/bl/n/2020/05/7n/owned/n/n/NWL/n/n/EU/468836/n>

profitability and security lost over the years. A low but positive interest rate paid to the retail saver who invests in public debt securities is an essential minimum condition which must be accompanied by an additional guarantee compared to the current public guarantee at least on the minimum expected return; useful for this purpose would be to introduce a public bond freely transferable with a particularly advantageous tax system; the security that would be created, having all these characteristics, would be a legally new security and closer to the needs of the saver even if it had very remote or unexpired maturities.³⁵

The times are very short and an *ad hoc* study is required, starting from small financial or banking realities that act as forerunners for the major realities that will have the greatest needs³⁶.

The Basel agreements

Finally, one cannot fail to consider the possibility of a more frequent return to emergency conditions both for the return of infections and for the advent of others also in the remote future. All the stress tests put in place in the recent and less recent past by the monetary authorities have proved insufficient, not to say naive, in front of the reality of the planetary blockade of the economy today. Therefore, the bank's reliability should no longer be based essentially on the size of its assets (patrimonial guarantee which, however, is never actually activated in cases of need) but also on the size and quality of the loan portfolio. This means immediately reviewing the Basel agreements which, as can be seen, have very little

³⁵Savona Consob is with us on perpetual securities <https://www.lastampa.it/economia/2020/06/16/news/consob-mattarella-il-ruolo-del-mercato-e-centrale-per-la-ripresa -of-country-1.38973450>

³⁶George Soros with us on the unredeemable titles https://www.project-syndicate.org/onpoint/the-crisis-of-a-lifetime-by-george-soros-and-gregor-peter-schmitz-2020-05?utm_source = Project + Syndicate + Newsletter &utm_campaign = fffbdba8e5-op_newsletter_2020_05_11&utm_medium = email &utm_term = 0_73bad5b7d8-ffbdba8e5-93606873 &mc_cid = fffbdba8e5&mc_eid = 404b.

contributed to giving the system the guarantees they expected, nor, and that is what experience proves to be vital, the necessary flexibility

Public finance

In the economies of continental dimensions, the uniqueness of the currency and therefore of its interest rate and its foreign exchange, strongly favors the richest areas and businesses at the expense of the less fortunate ones, widening the differences and excluding entire registry and social classes from production processes. A phenomenon that replicates itself on a planetary scale throwing entire states and sub continents into poverty. To date, this malfunction visible in every advanced state (from Great Britain, to France to the duality of the Italian economy), in every economy lagging behind in development and severely aggravated by the pandemic³⁷.

At the same time, crises like that of Covid 19 lead populations to instinctively ask the ruling classes for greater decision-making, leading to sympathy for authoritarianism. Authoritarianism that becomes the only hope - if there are no other reliable solutions - even for the middle classes when they are pushed into poverty or out of the economy. These are macro phenomena that involve millions of people and immense interests and therefore determined by complex and profound forces that have impacted the foundations of the economy the therefore the economic and social human rights in force in the individual economic systems. The simultaneous removal of decision-making centers (increasingly "technical" and less engaging than public opinion) from the electorate produces a lively perception of antidemocraticity of technostructures and therefore the contraindications of authoritarianism become more mild and acceptable in the collective imagination

³⁷Martin Wolf clearly expresses how the uniqueness of European rules benefit Germany (i.e. the stronger economy) to the detriment of the other <https://www.italiaoggi.it/news/il-financial-times-boccia-mes-ed-eurobond-and-says-that-the-euro-will-save-only-if-the-ECB-will-supply-currency-created-2441674>

Technostructures

The unpopularity of today's form of management of what are known as technostructures or burotechnostructures that dominate entire continents without answering anyone, has rewarded a widespread rejection for anything that comes from them in an increasingly large and impotent population; and this also happens in spite of the pounding work of persuading the media all over the world in favour of these technostructures. The risk of falling into an equal and opposite dirigisme, to that of technostructures - that called populism - is very high, not to say close to certainty.

Public finance is a huge cost for communities and a ball at the foot for the economy and public budgets. The covid 19 crisis further aggravated this situation as the public liquidity and investment needs - which grew exponentially in a few days and, probably in the process of further growth - puts the finances of advanced countries in a path that leads directly to default. To avoid this, authoritarian choices will have to be made if you do not access highly innovative concepts that burotechnostructures do not understand and do not want to understand.

The authoritarian economic choices are: withdrawal from current accounts and deposits, reduction of public wages and pensions, forced credit, actions on existing bonds ... additional or property-related taxes. All -like many other possible ones of the same type- severely restrict the size of the economy and its ability to restart; in addition to shifting economic policies towards authoritarianism.

The situation of public budgets

Furthermore, it should not be overlooked that the tax revenue collection is destined to drastically decrease in the short and medium term, always without considering further negative effects of events that today are not

foreseeable or considered improbable. Furthermore, the reduction in revenue occurs due to the collapse of the private portion of the economy and in particular of the smaller companies. At the same time, public expenditure (which for a significant part is destined for current expenditure, ie to pay wages) remains intact; in addition to this part is added all that expenditure due to the assistance that has become necessary for the pandemic. This immense additional shortfall to the pre-existing deficit cannot be financed in debt either because of the high level of debt already existing in many economies or because of the poor credibility of the future sustainability of public finances, given the unlikely recovery in the short or medium term. Here too, the financing of the old maturing and new incoming debt will be very unlikely to be financed with inflows of external "aid", that is, credits from other and more prosperous economies both because no economy will be exempt from these problems and due to the planetary dimension of the problem itself. Nor is the price known in terms of interest or other political conditions imposed for the provision of these "aids".³⁸

So we go back to looking at the intervention of Central Banks with the relative constraints; a central question arises: are the credits raised in favour of Central Banks with their disbursement of newly minted money to be considered irredeemable or not?

The point is not abstract in that, if so, the debt should not be counted among the existing debt and therefore the new debt could expand much more than the reverse hypothesis. But even from a strictly economic point of view the mission of the central banks at this stage is aimed at stopping the heavy recession and the vertical collapse of prices connected to the fall in economic activity and therefore should not be expected a return (the

³⁸Very significant the position of Martin Wolf on the Financial Times represented by TnoOldani on "Italia Oggi" which is in favor of the interventions of the Central Banks directly specifying not only the erroneousness of the various negotiations on Mes and others but also of the position of the German Constitutional Court and Germany's exit from the Euro which would be a catastrophe for them <https://www.italiaoggi.it/news/il-financial-times-boccia-mes-ed-eurobond-e-dice-che-l-euro-si-Save-only-if-the-ECB-will-supply-currency-created-2441674>

payment of the bond at the expiring date) that would produce a gain of the Central Bank, a sort of profit coherent with its mission.³⁹

In fact, having purchased securities with new money and then having collected them on maturity produces an asset that was not there before and which is either cancelled from the accounts to offset it with the existing credit or is a profit. In both cases, a supplementary tax burden by the issuing state of those securities is not justified in order to repay a created and not "sweaty" money supply. The same goes for interests. A declaration by the European Central Bank (like any other) confirming the irredeemability of the securities in its possession (which, it must be remembered, are of all the states of the euro area) would be a huge step forward in recovering the sustainability of public budgets; with beneficial indirect effects on the entire European and global economy and finance. It is important remember that the Central Banks at the expiring dates buy other bond of the same amount of the expired ones; in this way they are in according with our opinion.

However, even the intervention of the central banks remains dropped from above and is certainly not a "system" but is purely discretionary and therefore not only not "automatic", but also late, partial or excessive, and, as regards the legal status of his action and of the titles in his possession, not respectful of an existing right but creative of a right that, to be such, should be written before and outside the contingencies.⁴⁰ Public finance must try to free itself from the generosity of the single protection of the central bank and deserve a wider and more spontaneous credit from the impersonal domestic and international savings market. For a more sustainable public finance.⁴¹

³⁹ 20 rigorous policies to be reviewed in covid times <http://temi.repubblica.it/micromega-online/ue-e-bce-non-e-cosi-che-si-supera-la-crisi-appello-di-67-economisti/>

⁴⁰ "The Economist" of 7 May on the thesis differences on the legitimacy of the interventions of the ECB <https://www.economist.com/europe/2020/05/07/germanys-highest-court-takes-issue-with-the-european-central-bank?CID1=cust/ednew/n/bl/n/2020/05/7n/owned/n/n/NWL/n/n/EU/468836>

⁴¹ Savona is with us on perpetual bonds <https://www.lastampa.it/economia/2020/06/16/news/consob-mattarella-il-ruolo-del-mercato-e-centrale-per-la-ripresa-del-country-1.38973450>

From all that we have said, we infer that the credibility and sustainability of future public budgets will have to acquire certain certainties: the irredeemability of the securities held by Central Banks, the voluntary conversion of public debt securities into others with a more remote maturity and higher yield, the guarantee of these securities must not be exclusively delegated to tax revenue but also to other forms of collateral, the bond market will have to go back to being "true", that is, to quote the value of the securities based on their supply and demand and therefore be liquid for each amount of securities traded.

The real economy

The globalization of the real economy has massively moved important slices of production to distant places making each market dependent on distant factories and on the quality of finished products in continuous decline. The contagion of Covid 19 produced a significant shock in the productions that were arrested *ex lege*, but also in the demand for the sudden increase in unemployment in every part of the world.⁴²

At the same time tax revenue, also collapses in every state, eliminating or reducing any public national instrument to counter the highly recessive consequences of contagion as enlargement of the public investments, and as development (or not reduction) of the level of the consumption⁴³ We are therefore experiencing three very strong shocks, all of which are highly recessive: supply, demand and tax revenue, together they are an immense danger which must be answered immediately.⁴⁴

The three shocks

⁴² Minenna on the double shock <https://www.ilsole24ore.com/art/deflazione-globale-ecco-l-eredita-pandemia-covid-ADPH3fZ>

⁴³ Plamen Tonkev represents very well the consequences of this situation in the greatest context of planetary expansion of the Chinese economy and of what happens in the economies crossed by the silk road. This results in a very strong slowdown of that program of further supranational integration of the economies and of a strong increase in the economic weakness of the less strong countries <https://thediplomat.com/2020/04/the-belt-and-road-after-COVID-19/>

⁴⁴ 23 Nouriel Roubini with us on the size and exceptionality of the crisis https://www.project-syndicate.org/commentary/greater-depression-covid19-headwinds-by-nouriel-roubini-2020-04?utm_source=Project+Syndicate+Newsletter&utm_campaign=64d8372856-sunday_newsletter_03_05_2020&utm_medium=email&utm_term=0_73bad5b7d8-64d8372856-93606873&mc_cid=64d8372856&mc_eid=404b3fce72

The answer to the three said shocks is not easy to identify.⁴⁵

The dominant doctrine today has no exhaustive answers. Instinctively, liquidity is expanded in favour of businesses, but no consideration is given to ways of returning. In fact, it is not known what could make it easy (for families or companies) the return in five or six years, given the existence of a demand shock. Even the distribution of non-refundable allowances not only does move the problem from the recipient of this aid to the disbursing state (accentuating the coverage problems already amplified by the drop in revenue), but it is never "right" (perfect in quantity, time and beneficiary) and that is commensurate with the actual damage and loss of profit suffered due to the virus. This creates injustices and frequent cases of excessive and undue benefit. So these are empirical measures dictated by instinctive need to "hurry up" which is never the best way.

But it is clear evidence that in doing so, in addition to the just mentioned the limits, is omitted the consumption without which the productions will remain unsold. Consumption needs a very bigger relaunch.

In fact is not known how to relaunch consumption which has always been an independent variable that has never been considered limited; which today is to be considered very low and much lower than the already insufficient one we recorded before the pandemic. Reduction of consumption also favoured by the growth of unemployment and in any case of the uncertainty that will be impressive. Consumption that even in the hypothesis of enlargement induced by generous public interventions (with all their limits) it could be oriented towards import given the comatose state of local businesses and the structural problems that have stratified in decades in favour of foreign production.

⁴⁵ Michael Spence and Chen Long on the insurmountable difficulties of using statistics effectively and immediately
[https://www.project-syndicate.org/onpoint/pandemic-economy-data-visualizations-by-michael-spence-and-chen-long-2020-06?utm_source=Project Syndicate + + Newsletter & utm_campaign = c2e06cf2f5 op_newsletter_2020_06_01 & utm_medium = email & utm_term = 0_73ba5b7d8-c2e06cf2f5-93606873 & mc_cid = c2e06cf2f5 & mc_eid = 404b3fce72](https://www.project-syndicate.org/onpoint/pandemic-economy-data-visualizations-by-michael-spence-and-chen-long-2020-06?utm_source=Project%20Syndicate%20%20Newsletter&utm_campaign=c2e06cf2f5_op_newsletter_2020_06_01&utm_medium=email&utm_term=0_73ba5b7d8-c2e06cf2f5-93606873)

The idea of helicopter money for the benefit of businesses but, also and more directly, for the direct use of consumers, that resurfaces in conjunction with the crises, is not shelved and is also actually implemented in some cases in the world. Can be the right proposal for the dimension can have. Certainly we will proceed to distribute "new" money, that is not from real work according to techniques that will improve in a different way from state to state; here too these are policies that make the trend of consumption highly dependent on paternalist policies dropped from above; a circumstance which therefore accentuates the leading or paternalistic characteristic of the system that will emerge from the current crisis. Unfortunately, there is no different idea in current economic doctrine and therefore the three phenomena mentioned will certainly be addressed in this not scientific way. However, the effectiveness of these policies is not certain, nor does it drop in a suitably widespread manner among the population; moreover, less virtuous behaviors are rewarded.

A drastic paradigm shift is needed.

Furthermore, like a mountain, there remains the "injustice" of continuing to pay public salaries, leaving the cost of the pandemic to be suffered only and exclusively by the entrepreneurial categories almost as if the virus has selected its victims among the entrepreneurs, saving the employees .. which are also forced to stay at home. This is a very serious thing in the collective imagination and is the source of possible social conflicts. Nor can a reduction in public wages be imagined, which would have a strongly recessive connotation. This is an open question and it is the only one that would legitimize an intervention in favour of all the social categories by the Central Banks; intervention that would take the form of a share of the income directly from the Central Banks in favor of individual citizens; intervention that would not be a force on the markets and would alleviate the unsustainable burden on public budgets of costs not corresponding to relative advantages. As already mentioned above, this would be the only form of helicopter money not only "right" but also consistent with the doctrine that would see such a thing as the "right" monetary inflation

grafted into the productive categories: public and private employees and workers autonomous. Conception as opposed to the current inflation practice introduced only in finance which only tones the prices of securities (thus further separated from the price level in the real economy) the course of which thus emerges, in fact, inflated without the productive categories being able to benefit. However, this way would certainly bring an indirect advantage to stock prices (corporate first and then public), due to the obvious advantage that the real economy would have and which would immediately apply to the financial one. The savings offer would also be toned accordingly with clear advantages for the relative market and for the world of credit.

But there is another less innovative path that looks with particular interest on the "supply side" which is an integral part of the economy and which leverages credit.

The hypothesis of a "large credit agreement" that introduces for the debtor retail the right to the suspension of the payment of the capital, in the economies where the French amortization is used, (about who we have already spoken) is a system that allows to A) safeguard the level of the profits of the banks, B) to avoid periods of extremely dangerous growth of watchlist loans and C) to maintain liquidity in circulation much better than the helicopter money would do. Not only that, but it would create that greater balance of forces between customer and banks that today alienates citizens from banks by introducing a new collaborative idea without which the two contractors remain opposed and therefore potentially conflicting. Both businesses and consumers could thus respond to inexperienced and unexpected needs... safeguarding banks accounts, national product, jobs, and normal life at the economy.

GLOBALISM AND AUTORITARISM

-The removal of borders for both goods and people has made it easier to spread the infection and therefore serious doubts arise about the continuation of this freedom of movement.

-The excessive size of the company becomes a real danger of the independence of the individual states whose financial statements are very often a fraction of those of the large corporate concentrations.

-Migration compresses the level of wages and creates profound social problems without thinking about the intelligent expansion of development in the states and continents where it is missing.

These are three phenomena that still await answers without which the way is opened to very dangerous forms of authoritarianism.

In this context, the evolution of the USA / CHINA relationship is not irrelevant. It is worth mentioning that China's accession to the WTO marked the predictable success of the Chinese economy. It was expected and widely known that allowing large international players to buy Chinese products at very low prices would allow them to make pharaonic profits ... even at the price of sacrificing important slices of the western economy. Many believe that this cynical decision was taken precisely in the determination to favor that portion of western companies (often crucial in the elections) interested in accessing the Chinese market; often tolerating export aid policies that in other cases would not have been allowed. In that operation, Chinese politics has retained the most widespread control over businesses and the internal economy; perhaps Western politicians believed that the growth of well-being would overwhelm any residual undemocracy of the Chinese system. This has not been the case and today the Chinese government, in addition to taking over the power deriving from governing so many people, can have stellar economic and financial powers; at the same time, the level and mass of technology available to the Chinese system can become a problem for the entire West; the phenomena of popular intemperance recorded in Hong Kong and the

very origin of the pandemic have forced a reflection on the goodness of this openness to China at all costs. An opening that was the most significant point of the phenomenon and of the globalist faith so popular in the West even among the leftists who in the last century instead did their utmost to prevent the access of new labor forces in the West. So the globalization itself could lose most of its polish precisely as a result of the end of the idyll between the West and China.⁴⁶

It is clear that there is a great lack of homogeneity between the efficiency and suddenness of Chinese political decisions when compared to the rituals of Western democracies that are eternally dependent on the mood of public opinion and therefore on the progress of the upcoming elections. Democracy that exposes Western political leadership to foreign infiltrations of fundamental importance. That lack of homogeneity pushes more and more slices of western electorates to ask for greater decision-making and greater defence of national interests in a context so full of shadows and dangers. Dangers very well represented by the Covid phenomenon 19 which thus becomes a geostrategic fact of primary importance. As can also be seen from these facts, there is a greater push towards more authoritarianism which, notoriously, is wanted by the masses to respond to widely perceived economic or physical dangers. Decision-making that wins everywhere in elections across the West despite the almost unanimous hostility of the media. This so general and evident contrast deserves an analysis of the period that we are experiencing far more in-depth than any other because it could reveal mechanisms and interests still unknown. Even more significant would be an analysis of the processes through which the widespread beliefs are formed that are often conflicting with each other and between the base and those who believe they are *maitres à penser*.

⁴⁶ Nouriel Roubini very well represents the risks present in the not always "polite" comparison between the Powers.
https://www.project-syndicate.org/commentary/global-tail-risks-remain-a-threat-in-2020-by-nouriel-roubini-2020-07?utm_source=Project+Syndicate+Newsletter&utm_campaign=9e97c1898a-sunday_newsletter_02_08_2020&utm_medium=email&utm_term=0_73bad5b7d8-9e97c1898a-mc_cid=93606873&9e97c1898a&mc_cid=404b3fce72

So the conditions are all there for an authoritarian turn that certainly would not solve the economic problems but would postpone the harmful results ...

Another geopolitical problem that deserves a mention is that of international differences in the distribution of income and therefore of the immense question of economic migration. This too is a pre-existing problem at Covid but certainly aggravated by the economic crisis further worsened by the effects of the pandemic, which should have found an answer (at least in theory) and instead got absolutely nothing. As already said, between the lines it is necessary to rethink the legal status of many debts but more and before this it is necessary to imagine a model of development of countries with serious surpluses of labor supply that is based on local needs and does not aim to transfer elsewhere the production already made there. In the first case there is a development that can be self-sustaining by having on-site labour supply and demand for finished products while in the second it is, as already happened, exploitation by the companies equipped to distribute their productions of the cost reductions in the Planet of labor allowed by local poverty. Here we just want to mention this profound paradigm shift that deserves further study but we cannot continue to keep silent on this problem that has been tackled in a cynical and stupid way where a development model can start that greatly reduces the phenomenon of migration and that can replicate in many parts of the world.

The concentration of economic power

One cannot fail to notice that businesses (all types of firms) are very different one another. Some are able to pass on their costs and taxes to others. In fact, companies operating in a monopolistic regime are known to pass 100% of their taxes - and generally their costs - onto the stackolders; foreigners too; those that operate under an oligopolistic regime are able, often thanks to the action of well-organized lobbies, to transfer much of

their costs, taxes and inefficiencies to others. Again: foreigners too. Typical is the case of companies "too big to fail", that is predestined to be able to pass on the effects of their corporate policies to taxpayers when their stakeholders are unable to support them. And their management knows in advance that they are acquitted of many of their responsibilities !! An incredible doctrine this "too big to fail", that incredibly does not ask for the nationalization of these companies. The systemic danger of this doctrine explain other any doubt the limits of the dominant existing theories. In addition to such macroscopic cases, common behaviours that normally transfer their inefficiencies and their tax burden to corporate financial statements and therefore to savers-shareholders and customers are widespread - beyond any imagination. Without wishing to dwell on their ability to download significant portions of their costs to public budgets and therefore to taxpayers, as for companies that intercept public contracts. Moreover, the polarization of economic power and the relative progressive centralization of wealth that is complained in every part of the world, what else are they if not this global phenomenon? This means that smaller companies that act in open competition and than cannot transfer their costs on others not only pay their taxes but also those of their suppliers bigger if not global players, for example energy or credit or raw materials, ... as well as consumers are the ultimate payers of everything that comes entered by companies in their financial and fiscal statements and what they transfer on public financial statements. Circumstance that is known and evident but that entails an inescapable truth to be underlined in red: this category of consumers and small businesses actually keeps the entire mass of the largest companies alive and very important slices of tax revenue so decreeing their survival !!. So it is of vital interest to any economic system that this portion of the economy, precisely consumers and smaller businesses, is solvent and, if possible, thriving. To further clarify: **only the prosperity of small and medium-sized enterprises and consumers guarantees the solidity of the public system and that of the larger enterprises.**

Both of these categories today are politically and culturally underrepresented by small, poorly led organizations, often exposed to the blackmail of established power ... while in some parts of the globe they have no representation at all. Where not only the existence but also the quality of this representation is crucial for the very survival of the economic system that need to be saved.

Pending a relaunch of the sector, the political authorities must become aware of the fundamental nature of this axiom: only the prosperity of small and medium-sized enterprises and consumers guarantees the solidity of the public system and that of the larger enterprises.

How can we come to protect these companies without falling into the temptation to provide antihistoric "aid"? In fact it is not a question of helping a category simply because that is the plinth on which it rests - we can say it without fear of denials - the entire western system; but it is necessary to make their work much more productive and fruitful than what has happened to date. Moreover, it is quite clear that the smaller companies in their number are able to absorb important slices of the unemployed while the larger ones, if they increase their production scale, invest in new technologies precisely in order not to suffer other personnel costs. Investments favoured by the trend in the cost of money which, due to the dynamics seen, favours this expulsion behaviour of employees; circumstance before our eyes for decades all over the world. Obviously it is not a question here of denying development based on investments in technologies but denying their uniqueness: development based only on larger companies and on the growing intensity of financial, technical and human capital is not conceivable. Development without small and medium-sized enterprises is nothing more than a forward flight that cannot stand exclusively on itself. This means that the development built on the largest companies must remain in the capital-intensive sectors and related to massive productions (chemical, steel, petrochemical, ...) but must be integrated by an immense plethora of smaller companies (which in many states already exist) that cannot and therefore must not be forced to suffer

weights not strictly connected to production. It is not about aid or privileges but about bringing costs back to their physiological level. In fact, the smaller companies are harassed by bureaucratic tasks and unnecessary acquittals that cost effort and money that ballast the sector, creating serious problems for the system of major companies, banks and public finances where they could strongly push development with internal benefits to individual states and partner economies.

We can say that this is an operation intended to free minor companies from weights and costs not directly related to physical production.

This is a problem known to all and spread all over the world, so much so that some economies attract businesses with the greatest simplification compared to the countries of origin. Moreover, the multitude of unemployed that covid 19 is producing must have the immediate possibility of engaging in a form of self-employment and therefore this opportunity must be taken to drastically reduce the power of the public administration both in the sense of retarding the private economic activity of small size and in the sense of its cost. Therefore, unnecessary bureaucracy must be eliminated, not simplified or made efficient, but must be traced back to its natural riverbed and to its function of regulating the economic life without having the right to enter the daily work of the company; taxation must also be rethought at the roots. In fact, the evidence illustrated here of the massive translation of taxes for minor companies instinctively requires the drastic reduction of taxes for the latter companies. It is also clear that this minimum equity operation must not produce tax revenue problems and therefore must be tempered with equal measures on the larger companies in the awareness that they will pass on the taxes and therefore will not suffer the full damage that could be imagined.

The convergent effect of minimum bureaucracy and taxation transferred from smaller companies to larger ones (a substitute tax on energy could be the solution) would have an explosive effect for GDP, employment, the level of wages, tax revenue, demand, consensus for a development model

that is more in keeping with the actual economic reality and the actual needs of the majority of the population. But it would mark a very clear improvement in the accounts of major companies and therefore in the trend of securities prices.

Circumstances that would allow us to remember the economic phenomenon resulting from the "Covid" as a negative event very far in time and difficult to remember and an opportunity to put things right.

Synthesis

Covid experience teaches that the whole planet has found itself unprepared for the challenge that has been faced with different clinical measures and economic measures prepared hastily with extreme damage to public finances and the economy in general. We are experiencing two different stresses: that of public health and that of the economy.

For the future, we need to know that it will be very likely that these events will repeat with varying degrees of severity and therefore these events should be considered a "normal" part of the system. So we will have to live with a chronicity of the two stresses said.

They will therefore have to be tackled with "system" measures, that is, with new standards that automatically respond to critical issues.

Automaticity is essential, i.e. not the discretion of the monetary, credit and, more generally, economic Authorities which, in addition to not guaranteeing the immediacy, efficacy and neutrality necessary, give the Authorities a power that is certainly not compatible with democracy, progressively peripheralising the person.

Therefore the economic and juridical doctrine must identify the new standards that must regulate the future economic life by recognizing to the individual an autonomous and incompressible sphere of action and freedom that allows the whole system (and therefore "from below") to react promptly where and when and how much it is needed.

We have identified some of these standards that are largely capable of restoring automaticity and democracy to the functioning of the economy by subtracting it from the uncertain effectiveness of the measures taken from above.

Covid's experience has been invaluable and has taught us how modest our (and our institutions) knowledge and power in the face of unpredictable phenomena having gained awareness that many others may be there.

The progressive extension of the intrusion of politics into the economy and the equally progressive growth of the size of companies has made the system more exposed to adverse events and too large to be effectively governed. The centrality of the human person has been overcome by the power of technology and has originated a potential contrast between person and technology that is not good for anyone.

In fact, a question is taking root in the back thoughts of people all over the world: is it regular that the economy is at the service of finance, the citizen of institutions, the worker of technology? Is the technology as good as we are convinced it is? Is it inevitable that progress will reduce and not expand freedoms? How can the future be better than the present? We expect answers from good politics, from the maitre à penser, from the religions themselves .. all things that also exist for this.

Covid has shown and underlined in a plastic way this subordination of the individual to the decisions of the techno-bureaucratic apparatus, however, various and contradictory who or what will initiate a correction process or, at least, of clarity of these dysfunctions?

Bari 20.08.2020

CanioTrione