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MONETARY AND FINANCIAL INSTABILITY – FALLOUTS IN THE NEW CENTURY

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Abstract
Since the WW1, after two gold debasements, twice the monetary authorities have faced a concurring national issue: the unstable foreign debt and the internal escalating deficit. Institutionally, these two faces of a single problem have been the central issue, until the establishment in Bretton Woods of the IMF, the World Bank and the GATT in July 1944 then WTO, without solving these two fundamental issues. The imbalances, mostly linked to the different economic growth and to local social peculiarity, like the COMECON agreement, a multilateral clearing solution, are recurring, according the clear Minsky scheme "… capitalist economies exhibit inflations and self-deflations, which seem to have the potential to spin out of control .." (Minsky, 1992: 1). The alternative Swiss market of the discounted COMECON clearing balances, pending open among member states in the planned economies area, split the World currencies into two classes, the heavy currencies area and the soft devalued multi clearing, weak currencies balances, lately traded in Zurich. Between the two World Wars, the 1933 gold confiscation, the emergency bond – rescue loans, could not resolve the stagnating economies, wide unemployment and general trade imbalances. During the conference of Genoa, in the year 1922, promoted by the League of Nations, a committee of Experts tried to design a set of guidelines to a new gold standard. Supporters G. R. Hawtrey and G. Cassel the formal drafter, who gave his contribution as recollected in the U.K. Parliament papers, inserted in the currency resolution number 5, signed by Gustav Cassel member of the currency commission. What came out was a Real and Pseudo Gold Standard. "My thesis is that current proposals to link national currencies rigidly to gold whether at present or higher prices arise out of a confusion of two very different grounds, the use of gold as money, which I shall call a "real" gold standard; governmental fixing of the price of gold, whether national or international, which I shall call a "pseudo" gold standard." (Friedman, 1961: 67). The Minsky explanations of the recurring markets' instability and investing cycles, linked to the speculation, arbitrage and financial Tom Ponzi's schemes, have satisfied the expectations theory, until the recent uncontrolled monetary policies. The deficit spending inconsistency is focused by Robert Shiller; growing financial bubbles, in open conflict with a sound efficient market, under artificial, out of control monetary basis supply and random prices' walk (Shiller, 2005: 177). Since the monetary order drafted in Bretton Woods by Harry Dexter White in July 1944, and the following developments proposed by A. Hansen and all the monetary policy supporters, in and after the sixties, the Bretton Woods final collapse in '71, failed to adjust the external and internal enduring instability. Recently, a new monetary and financials network is overlapping most of the World's single markets: "Money will decide the fate of mankind" (Rueff, 1964: IVX). Gurley & Shaw tested the monetary functions performed by financial intermediaries, just when the Triffin dilemma became real, worrying most of the authorities affecting prices and intermediaries, banks and Central Banks. The spread of the accelerator and multiplier Keynesian deficit spending followers, excluding the Fredrick Hajek, the Thomas Hoerber and the Hunter Lewiss, isolate scientific contributions, critics of the prevailing monetarism) entangle the banks as new tools facing the economy cyclical developments. In the global

market, as envisaged by Hume, Hicks and Adam Smith, a natural evolution and production pattern prevails. "The social utility of its activities, anchoring the price level, administering the payments mechanism, and tuning the financial intermediaries, is not paying off handsomely in earnings and performance. As a result its capital position tends to deteriorate, and deterioration is hastened by development of nonmonetary finance outside the orbit of control." (Gurley and Shaw, 1960: 299). In the late 1950s, Robert Triffin observed that there was a fundamental fragility posed by the US dollar's hegemon role in the global system. Triffin was right in 1971, when a run on the dollar and President Richard Nixon, terminated the gold exchange system. Triffin was wrong when he predicted the dollar to lose eminence. Instead, freed of its golden convertibility obligations, the currency quickly reestablished its dominance up to the huge public debt left by President Obama in the new volatility exchange rates.

Keywords: Central banks, monetary policy, financial instability, gold standard and exchange rates

JEL classification: G28

Monetary and financial instability fallouts

"*The financial instability has both empirical and theoretical aspects….*" (Minsky, 1992: 1) in the capitalistic evolution, fallout of the modern industrial revolution, the economic cycle has shown a regular characterizing history of upside down expansions and recessions phases, always followed each other, not considering the political and meteorological anomalies.

Apart from episodic social or political relevant turmoil, like the South Sea Bubble, the John Law financial French distress, the 1907-1908 USA great financial instability, the twentieth Century recurring bubbles, up to the first 21st Century economic Western downturn, after the roaring years 20's. The industrial production, employment and financial markets have shown a complex and sophisticated financial systems unpredictable events' trend.

The prerequisite of a consistent economic growth has been especially a complex financial system, a set of orderly financial balancing institutions, a liquid and self-sustaining market and a fair and neutral political environment, not altered or manipulated by private or political conflicting interests.

The necessary capitals essential to the replacement, improving and innovating of tangible producing assets phases is assured by financial intermediaries, able to supply continuous capital and financial instruments through the transfer of necessary savings from clients sensible to the recycling of the physical capital stock.

"*The first thing that happened in the financial sphere upon the outbreak of the World War was that the existing gold standard was abandoned – not only in the belligerent countries, but also in the majority of neutral states. Upon the entrance of the United States in the War, corresponding stops were taken in that country*" (Cassel, 1922: 1).

Only a general accepted economic theory, which from the beginning of the WW1, foresaw free currencies issuing under legal tender imposition, linked generally the war expenses coverage to the public debt, can offer a true and intuitive picture of the reasons, in the development which followed, translating the same pattern in the settlement of all private general economic transactions.

"*Moreover, even after the crash, in January 2009, the unemployment rate, then at 7.8 percent, was forecast by the chairman design the President's Council of Economic Advisers to fall to 7.0 percent by the end of 2010 and to 6.5 percent by the end of 2011. In December 2011 the rate was 8.5 percent*." (Greenspan, 2014: 8).

In other epochs, the monetary excessive expansion, and the irrational exuberance of investors eager to take part to a going on stock exchange bubble, have produced derailed stock exchange values, not reflecting wise capital - income ratios: the South Sea bubble, the tulips frenzy Dutch market, the monetary expansions linked to war episodes, especially in the Columbian era.

Monetary crisis due to wars like the Kipper and Wipper, at the start of the Thirty Years War, the Dutch Tulip Mania, the South Sea Bubble, the John Law Mississippi Company misadventure, the Overvaluation of the East India Company, represent likely financial fiascos based on artificial monetary grounds. Other minor recessions linked to local political and State misadventure, up to some American minor Panics and the great first 1907 monetary panic in the interbank clearing, which suggested the Banking Commission in the Jekyll Island, the first blow to the Fed System actually operating at the end of 1914. "*Failure to respond promptly to a crisis spells disaster: A financial panic spreads like an epidemic. On July 31, 1914, McAdoo shut the New York Stock Exchange for an unprecedented four months to hamper British sales of American securities*." (Silber, 2007: 4).

After the gold debasement, the national deficits, swollen by the WW1 legal tender expenses, started a roaring monetary euphoric mood that promoted many new starts up, leading to a huge financial turmoil and insane growth. It was mainly *debt-structured enterprise*, which success lies through innovation and short term temporary monetary and not financial balances. Some brands discovered in this period are still present on the market and like: Du Pont, discovering the nylon fiber, Procter & Gamble introducing the soap powders, GM (General Motors), Ford, expanding general automotive facilities to all Americans, IBM introducing the first digital accounting systems, in the roaring years preceding the great 1929 modern times' financial disaster.

At the end of the twenties, the system collapsed: "*What made convertibility workable before 1914, and what made in unworkable in all of the following forty five years, except for the brief bonfire of the late 1920'? Theoretical and textbook discussions tend to stress primarily in their answer to these two questions the corrective mechanism of balance of payments adjustment."* (Triffin, 1961: 25).

Market and social structures turbulences fallouts

Apart from these peculiar recurring stop and go in the economy and related markets, the technological innovation and the frequent conflicts, especially in the Post Napoleonic depressions, show a final specific pattern encouraging free market forces ready to take advantage of the declining concurrent competition.

The reconsideration of the ‘900 century monetary policies, formulated by Mundell in his Nobel Prize ceremony message, in Stockholm in the year 1999 (Mundell, 2000) and the Triffin dollar dilemma (Triffin, 1961), are segments of the same monetary dispute: initiated originally in Genoa, in April-May 1922.

After the 1971 dollar debasement, and the immediate prearrangements taken during the ‘70s to face the ’73 OPEC surge oil price shock, the new stagflation era, the new supply side economy, the WIN (win inflation now) attitude, close the decades with the wish to change the monetary policy. Public confidence was shaken, corporate investments reduced and a general negative attitude induced the new Reagan Policy to promote a monetary restriction that the FED, led by the new President Paul Volker, conducted through an interest rates restriction at the beginning of the eighties.” *Never the less, there is a very real convenience in using a metallic standard and metallic reserves. Other assets take the form of debt too and every debt depends for its value on the person and local situation of the debtor. Gold is an anonymous asset, and is capable of transportation from one place to another without retaining any link with the place of its origin*.” (Hawtrey, 1939: 256) and: *“It is sometimes maintained that no paper money can have any value except in virtue of some expectation of its ultimate convertibility into coin. Indeed inconvertible paper is often a relic of a pre-existing convertible issue, the issuing Government having failed to maintain the convertibility of the notes*. ” (Hawtrey, 1919: 32).

In the year 1987, a new black Monday dramatically reflected the new low interest rates policy and the first huge bubble crippled the D.J. index reducing it to almost a half. Greenspan Alan, the new Mr. “*put”* as he was called after his deliberate loose monetary policy, started the long period, ended in the year 2008, with a large boom and a set of bubbles. From the Dot-Com one, (2000-2002) to the subprime, derivative, mortgage crisis (2007-2010) till the new approach in the (2011-2012) promoted a new decade of loose monetary policy, after the Keynesian TARP (Troubled Asset Recovery Program) as quantitative easing policies: large amount of credit supply attitude, that finally reduced the interest rates almost to definitive negative values.

The fundamental neoclassical perspective is stated by Milton Friedman: “*Despite the importance of enterprises and money in our actual economy, and despite the numerous and complex problems they raise, the central characteristic of the market technique of achieving coordination is fully displayed in the simple exchange economy that contains neither enterprises nor money*“ (Minsky, 2008: 129).

The following monetary fallout is linked to the second dollar debasement and relative consequences, since the year 1971:

Nixon directive to “*temporarily suspend the dollar conversion into gold, Camp David 15 August 1971”*;

Foreign exchange instability and OPEC reaction, wars in the Gulf and inflation surge, financial perturbance linked to the dollar instability, with a shift to a *quasi oil standard* for the huge amount of money deposited in the euro-money supporting the London market Big Bang;

Financial intermediaries instability, starting with Latin America debt crisis, bank crisis in the UK 1973-1975;

Spread banking crisis through all the seventies with the Vatican finance crisis, Italian banking crisis and appearance of the first derivatives instruments and development of the trash bonds market.

The following events develop simultaneously and are strictly interlinked since the year 1979:
In January of that year the Shah of Iran left his Country and never returned, after thirty seven years on the throne;
Khomeini, Ruhollah (Ayatollah) toppled the Shah leading a wave of rebellion, called Islamic revolution, the largest "*revolution*" ever in human history, likely engineered by some real other interest;
The Iranian upheaval ignites the rest of the Islamic World, most apparently in Afghanistan, were the jihad showed a rebellion to the previously Moscow's controlled leadership of the Muslims' World.

On the Christian Day 1979, Leonid Brezhnev and his Politburo sent their troops across the border invading Afghanistan where the KGB had assaulted the Government building killing their new rival Hafizullah Amin, second president of the Afghanistan Democratic Republic since 14 September 1979, up to his death. Babrak Karmal, Soviet forces backed, took his assignment as third President.

Peculiar debasements and relative fallouts of the year 1979 happen together:
Mrs. Margaret Thatcher, election in May 1979 as British prime minister, marked another radical new trend in the UK, first woman to become Prime Minister and most influential premier of the twentieth Century, since Winston Churchill. At the very beginning, she did not even dare to pronounce the word *privatization*, a new economic profile that became prominently in the global market that she helped to rekindle. "*We used to think, "James Callaghan told the Labour party conference since 1976," you could spend your way out of a recession and increase employment by cutting taxes and boosting spending. I tell you in all candour that this option no longer exists*;" (Callaghan, 1976). The Thatcher succeeded in focusing in London the main World financial Center, taking advantage of the preexisting Eurodollar center and the Arab and Russian's concentration of liquid assets otherwise sizable in consequence of the still pending Czars' debt.
The Pope Karol Josef Wojtyła (junior), born on 18 May 1920 in Wadowice Archbishop of Krakow in southern Poland, was chosen from behind the iron curtain. The College of Cardinals in Rome, in October 1978, elect Josef Wojtyla Pope under the name of John Paul II, the first non-Italian to become Pope since the Dutchman Adrian VI, 457 years earlier, who has spent his entire life confronting the political and spiritual challenge of Communism. In June 1979, he proceeded on a pastoral visit to his Polish homeland that shook Communist East Central Europe;
In the last months of the year 1979, the septuagenarian Deng Xiaoping Chinese Communist Party leader, changed his Country beyond all recognition perspective. Emulating local previous political structures, he started to duplicate the Singapore, Hong Kong and Taiwan Special Economic Zones, all over the Southern seaside Chinese Shore, inviting foreign capital and technology under the new private property principle, with disregard of cooperatives' previous economic prevalence;
US President Ronald Reagan on 31st May, 1988 at Moscow State University addresses under the glowering visage of Lenin statue, during his three days in Moscow;
James Callaghan assessments under premier Harold Wilson, then minority premier himself and then the following government Edward Heath;
Mohammad Reza Pahlavi in 1953 ousted Mohammad Muscadet the left the Marxist took over and launched the white revolution;
Ruhollah Khomeini, at the end of the white revolution, becomes the leader of Iran definitely.

Actually, as clearly expressed by Gustav Cassel, after the first historical debasement of the monetary unit, *the free artificial currency* requiring simple paper and ink (later toner, then digital memory) and fantasy, starting from the last day of July 1914 put in the political competition a powerful gun, in satisfying the electoral expectations.

The value of fiat money, according to the exchange equation of Irving Fisher, since the 1971 severance of the dollar from its gold base and the succession of events, again reflect the European scenery as depicted by Gustav Cassel in his Money and foreign exchange after 1914, date of the real gold debasement.

On May 30, 1908, the Congress passed the Emergency Currency Act, modeled on these principles, which become law. The act, commonly defined as the Aldrich-Vreeland Act, after its sponsors allows the issuance of artificial money (fiat money) to overcome insolvency banking and Treasury conditions.

The Aldrich-Vreeland Act provided a mechanism that would permit banks to use securities, other than U. S. government bonds, to obtain short-term increases in their monetary circuits. Two types of entities could apply for the additional currency: (1) groups of at least 10 banks formed into national currency clearing associations and (2) individual banks.

The total amount of emergency currency that could be issued under this act was set at $ 500,000,000. This amount was subsequently raised to over $1 billion by a hastily passed amendment dated August 4, 1914, immediately following the outbreak of World War I in Europe. When, contrary to everybody prevision, the Wall Street Stock Exchange was compelled to shut down its activities to avoid a massive sale of shares to procure proceeds to convert in metal gold.

The Aldrich Vreeland Act was inserted in the Fed Act and became the third paragraph of the art. 13, which allows the FED Board to supply artificial money to overcome market crisis that lately allowed the TARP (Troubled Assets Recovery Programs). One of these artificial monetary issues, of the obscure but explosive section 13 (3) of the Federal Reserve Act, was lastly invoked in a first time in decades. Broadly interpreted, section 13 (3) has originally empowered the Federal Reserve to lend nearly unlimited cash to virtually anybody. On March 16 1908, it empowered the Federal Reserve Bank of New York to lend $29 billion to facilitate the acquisition of Bear Stearns by J. P. Morgan. (Greenspan, 2014: 1).

The first ten years of inflationary trends, were showing ever-growing interest rates when central bank discount rate reached values over 20% and the acronym WIN (Win Inflation Now), was the slogan of almost all American citizen. In Italy we used to say, "*call the Government defend your bill*". The Euro market and the relatively stable oil price surrogated the gold standard and we faced a new epoch of oil standard. The gulf wars, the OPEC dissolution lead to a quiet inflation regression which stated that "*Gold is the only common standard which all European countries could at present agree to adopt*" (Papers Relating to International Economic Conference, Genoa, April-May 1922. Printed and Published by His Majesty & Stationery Office, London 1922).

Most of the theory expressed by Ralph Hawtrey in his taking part to the Bruxelles Conference and to the two commissions appointed by the League of Nations, at the end of the WW1, lead to the resolution 5, based on the dollar *rebasement* through a general return to that standard. The (PSFM) *price specie flow mechanism* seemed the only solution to a general international debt imbalances' system. The Hyman Minsky Financial Hypothesis theory, explains why the Hawtrey – Cassel explanation of the financial turbolences were linked to a common solution that made R. Batchelder and D. Glasner formulate the secular question "*What Ever Happened to Hawtrey and Cassel*" just at the end of the fifth huge financial and monetary turbulence after the 1971 decision to abandon the gold standard (Batchelder and Glasner, 2013).

"*But there is another narrative. And that is that the fundamental growth capacity in industrial countries has been shifting down for decades now, masked for a while by debt-fuelled demand. More such demand, or asking for reckless spending from emerging markets, will not put us back on a sustainable path to growth. Instead, industrial democracies need to improve the environment for growth*." (Rajan, 2013: 3).

The artificial money is such also in all the internal transactions, but at least there is the legal settlement balanced by the State or Banks' liabilities which lead to the over indebted world's sceneries we are living in. The inconsistency of this scenery is understood if we think that the most compromise function is the saving capacity essential in a currency existence, apart from that of a temporarily mean of Exchange.

Unanswered questions

The time lag running from 2001 and the present time are marked by the 2001 – 2006 -2008 bubbles and the final 2012 peak in the financial market historical premises about saving and investment, as classically accepted and proposed. The financial and monetary instability has suggested an empowerment of the aggregate demand through a Keynesian monetary policy which, on the contrary, has caused an unbalanced set of interstate relations due to the deep differences in the cost of labor and interest rates sinking to negative values, without any incentive to saving propensity. After almost ten years of strict monetary expansion rules, the capital structures of most previously highly industrialized Countries are facing serious external and internal debt volumes without any sign of investment on productive expansion. From a financial markets point of view: "*The booming economy and expansion of credit were abetted innovations in capital markets and securities. Many of these innovations amplified the complexity - and therefore the opacity-of the financial system. This made it hard for decision makers of all kinds, from CEOs to individual investors, to know what was going on and make intelligent choices. Growing complexity bred information asymmetries at levels of the financial system: Individual securities ……. trading positions ……… Institutions …….* " (Bruner and Carr, 2007: 179).

The consolidation of such a pattern of recurring bubble and expanding internal and external deficits, badly arranged by the IMF are sign of a deficitary monetary and financial policies, incapable to reset the mechanism that worked smoothly during the first term of the gold-exchange standard. The solution elaborated of a debt tolerance, when an austerity program permits the reimbursement of special IMF loans, on a long term basis. Is actually restricting the chances of a smooth recovery and the convulsions of most national electorates end up to choose an adversary attitude towards the political or monetary union imposing a severe restrictions of maladjusted economic policies and perspectives. In a faster growing world, were the paradox of a high birth rate in low income countries, the high population growth rate ends up to intricate the problem and likely inhibit an effective recovery.

Perhaps, the solution would be to overcome the blowing bubbles, artificial monetary illusion and to find a balance between the internal deficits and the external uncontrolled debts over a fixed percentage of the national GDP. On the middle term: "*What did not fit neatly within that model was an explicit role of the central bank in the pursuit of financial stability. Although it was the need to ensure financial stability that led to the establishment of some central banks/ such as the Fed, this objective is treated in the statutes of various central banks more or less as an afterthought. In the Maastricht Treaty, and in the Statute of the ECB, financial stability is only briefly mentioned and only as it relates to banking supervision. The most explicit formulation is found in Article 127.5 of the Treaty on the Functioning of the European Union (TFEU) (which is repeated in Article 3.3 of the statute of the ECB):*" (Papadia and Valimaki, 2018: 65).

Demography evolution, cronyism growth and silent majorities, have become the common feature of emerging democratic political structures, in a too crowded community. The global problem has become the financial instability and the obsolescence of the Bretton Woods remedies, based on the oil-dollar standard. The real economic model nowadays has become the severance of the economic activities and the political profession, running a successful business and promoting a political opinion require different qualities, experiences and relations, clean of business interferences and intermixed interests. A democracy cannot exist as a permanent form of government. It can only exist until the voters discover that they can vote themselves facilities from the public treasury. From that moment on, the majority always votes for the candidates promising the most benefits from the public treasury with the result that a democracy always collapses over loose fiscal policy, always followed by a public default. Originally phrased as: "*It is not, perhaps, unreasonable to conclude, that a pure and perfect democracy is a thing not attainable by man, constituted as he is of contending elements of vice and virtue, and ever mainly influenced by the predominant principle of self-interest. It may, indeed, be confidently asserted, that there never was that government called a republic, which was not ultimately ruled by a single will, and, therefore, (however bold may seem the paradox) virtually and substantially a monarchy.*" (Fraser, 1854: 216).

Really, the incompatibility between the public function and the private interests let the coexistence of both roles become impossible and conflicting permanently. The appointment to public activities and the pursuance of private goals are always hardly pursued together being always of different nature and scope.

"*Of course, the reader now understands that this literal analogy between country and corporate debt is highly misleading. A bankrupt corporation may simply not be able to service its debts in full as a going concern. A country defaulter, on the other hand, has typically made a strategic decision that (fall) repayment is not worth the necessary sacrifice.*" (Reinhart and Rogoff, 2009: 59).

The 20th Century perspective is a complex one, from a monetary and financial point of view. There is a common initial gold debasement ignited by a general misunderstanding, which would have been the background of a European catastrophic consequent war.

The initial misunderstanding of the Bankers committee, lead by J. P. Morgan on the eve of the WW1 on the 30th July 1914, fighting on the field after the expiration of the Austrian ultimatum, leads to the contradictory two issues on the NYT reporting the first day the decision to keep the NY Stock Exchange open. The successive day, instead, to close it, under the general night pressure Worldwide directed towards the gold conversion, allowed then during the gold standard regime, to ratify the general agreement of both choices: the Stock Exchanges closure and the abandon of the gold conversion.

After the euphoric roaring twenties, the artificial currency issuance with monetary of unsustainable debt promises, the Roosevelt gold confiscation and the huge social intervention, lead to a 25% unemployment and production collapse without precedent in the American history. It will take over twenty years and a second WW to overcome the huge depression and reach the 1929 DJ indexes.

The remaking of a pseudo gold standard, or quasi gold standard, allowed the trade agreements, based on the dollar, to utilize it, all over the planet, as the single international payments unit. The mechanism worked to a saturation level in the 1971 panicking week-end in Camp David, when President Nixon suspended definitely (he actually used the expression *temporarily*) the gold conversion, letting the precious metal fly well over the 1.000 dollars level, from 35 dollars an oz.

The inflationary decade of the 70's took off the artificial monetary issuances the prodigal Taylor-Phillips capacity to expand positively the Keynesian axiomatic leverage effect, on the investment multipliers combined with the monetary Hansen's accelerators.

Fallouts: demography evolution, cronyism growth.

The recent globalization has been developing a new financial context with a never before confronted problem. During the first globalization, under the British gold standard predominance, the (PSMS) *price-specie-flow-mechanism*, Humes' account of international adjustments to an exogenous monetary shock, was easily faced through a deflationary-inflationary self and autonomous mechanism. After the WW1 notwithstanding the Genoa's prescription, the return to gold standard was not possible and all efforts culminated in more or less general bilateral or multilateral clearing agreements, that after WW2 evolved in monetary unions, under the local single predominant fiat money currency.

After the pseudo or quasi gold standard, called Gold Exchange standard, since the 15th August 1917, we entered a dollar international currency era, with the international currency based *de facto* on the oil standard first and on an unsettled international progressing debt system and recurring adjustment after, with assumed monetary Keynesian solutions. Generally, they were the major causes of the financial unbalances, erupting in the bubble bursting rows, States' defaults and finally in the Chinese syndrome, after the Deng reform inducing an economic huge success in a free market economy, based on the supply side competition, free of trade unions excessive negotiating force and obstacle.

In the Western world, the competition stemming from the new emerging Marxist systems induce a quasi-economic collapse badly exorcised through the Keynesian unadapt remedies.

At the base, the big success of the industrial revolution had meanwhile induced a demographic explosion of the World population, bringing the total population from less the one billion people at its beginning, since the man arrival on the planet Earth, approximately 5 million years ago, to almost 8 billions, in just two centuries.

The paradox of the demographic revolution is that less developed and less welfare countries are the most prolific and growth stimulating ones. The over population has been recently migrating towards the welfare rich advanced areas, posing a new huge interracial and religion potential conflict.

Conclusion

The present paper, considering some problems affecting most of the financial systems and modern monetary theories' evolution, seems not to reach a common base to extrapolate from the economic calculus the monetary conflicts in a progressive globalization of both markets and production (Pines, 2002). All the efforts to find a common currency working mechanism and avoid exchange rate risks, have been fruitless since the gold debasement. The drastic alternatives, introduced since the first day of the financial market closure, on the 3oth July 1914, when the gold standard was abandoned, at the very beginning of the WW1, up to the Roosevelt gold complete confiscation in 1933, have left open the issue of a global legal, or intrinsic value based, alternative currency. After the pseudo or quasi gold standard, from 1944 to 1971, the World transactions have been influenced mostly by a single universal legal tender currency unit, the US dollar, established by a special central banks' reserve privileged function, supporting local currencies circulation, on a free basis. The introduction of the euro has only seemed to remove the reserve isolate function of the dollar (Pines, 1998). On the contrary, the dissolution of the planned economies and the capitalistic affirmation of a huge economic industrial empire in Asia, have removed all the competition hindrances, especially the inefficiencies and the low quantity of the Western countries industrial mass output. The Chinese competition, the low labor costs and its technology, have permitted to overcome the Western productions with cheaper industrial advanced output prices, up to the financial collapse of firms not any more competitive on the global market, under consolidated high labor costs' rigid restraints.

The first role of central banks, to support the interbank clearing function and prevent the illiquidity balances of the interbank daily settlements, were recently expanded by the monetary policies pursuing a coverage of banks losses or (NPL) not performing loans. Finally a smooth clearing of banks too big to fail or banks to be bailed by the taxpayers, to support great general recessions due to the before considered concurrent causes. From a private to a public function profile, from private legal contracts, to statutory functions, in an ever closer relationship with the Treasury and Public finances, to the coverage of bank deposit risk, the bailing out of NPL loans and the (TARP) *trouble assets recovery programs.* Central Banks may become lender of last resort to intermediaries in a financial general instability perspective. Slowly banks stuck to a social accounting function in a non-planned economy, using the banking standards of planned economies of the past, without a likely and satisfactory exit.

The speed of the economics changes, the huge volumes of the financial economic transactions on the global market, are actually destroying both the historical monetary function of the banks and the public accounting centers of artificial money, function not likely possible and sustainable on the long run as happened unreservedly in the COMECON multilateral clearing monetary area. The prevailing substance of artificial money, not representing any real economic intrinsic value, has *de facto*, reduced the banking functions to institutions operating in the monetary transaction function, in an uncertain short term nominal expression of uncertain values and uncertain financial indicators with a collapse of the financial stability worldwide in an unpredictable economic chaos. The bubble epoch has overcome the human saving attitude and the risk has become unconvertable and completely spread over the global economic scenario.

The fallout of such a global instability, primarily financial and then social, stems from a monetary illusion to overcome the historical vision and perception of *fiscal money* as intrinsic value money, inconsistent and not reliable, with which most of the economic transactions are uncertain and restricted to the short term horizons.

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