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MACRO AND MICRO - ECONOMICS DIVERGING IN THE GLOBAL MARKET – IDEAS VERSUS VESTED INTERESTS

ABSTRACT

The Asian surfacing economies, after the monetary disorder following the Camp David panicking weekend dollar's debasement, 15th August 1971 (FERGUSON, 2008), may be considered as one of the fallout effects among which:

- *the oil embargo and the surge of its price within the OPEC alliance;*
- *the Islamic demise of the socialist ideology during the '70s, leading to the Jihad, and related Afghanistan and Islamic wars;*
- *within the Commonwealth of Independent States (CIS), and globally accepted general shift towards a single market economy, have upturned the World basic order which has emerged since the Yalta Pact 1945, when the Western American revolution seemed to be definitely prevailing;*
- *the huge financial slumps and markets' disorder and corruption on a global basis, which are the final unavoidable consequence.*

At the end of the cold war, the supremacy of the USA was undisputable. The stagflation, during the '70s, started to contradict the Keynesian models and promoted thereafter a new restrictive monetary policy during the '80s, in order to fight the inflation, which became the primary economic policy target.

The consequent first 1987 equities market bubble and the Greenspan looser monetary policies choice in the following years ignited the roaring nineties. The financial deregulation, which promoted the rise and fall of World Com, Enron, Drexel Burnham Lambert Baring, Long Term Capital Management Hedge Fund and most of the investment banks as well as most of all other remaining hedge funds are also direct fallouts.

Emerging vested interests, and prevailing monetary easing policies, assumed an everlasting Keynesian pattern, until the Japanese case firstly and the unusual Paulson TARP (Troubled assets recovery plan) banks' funding programs later, temporarily altered the banking activity towards a social accounting clearing system, under the protection of the FED chairmen, with final tax-payers fiscal support. No new macro-economic ideas seem to satisfy present vested researchers, pressed by short-term horizons in a tough political contest.

At same time, the weak control over an ever-complex worldwide-interlinked financial intermediaries network was not successful in controlling the pursue of profit, or capital efficiency, as reworded by Keynes, exploiting special free zones all over Asia, replicating the British Hong Kong model in: China, Taiwan, Korea, the Philippines and so forth. The new financial deregulation permitted new toxic instruments, in such projects, more realistic and profitable profit goals, most of the Western industrial and financial entities have been seduced

The declining economic activities in the welfare Western States, relocated by taxation, under stringent formalities towards the East, have outlined the evidence that the real Wealth of Nations' source is now labor, creativity and synergy, in spite of natural resource or other natural or artificial privileges. The political establishment with Central Banks have ruled the fiscal and monetary policies, stemming from econometric models, in a global market, where not all the variable were considered, especially the provenience of merchandise and the actual goals of the producing units. "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.......". History gave its advice and some kind of compromise must be found between macroeconomic policies, stemming from exclusive political goals - vested interests - and "most urgent microeconomic entrepreneurs' considerations.

Key words: monetary, fiscal policy, efficacy, recession, crisis.

JEL classification Code G210

1. INTRODUCTION

The recurring financial and generally economic crisis: a slow-down activity or a negative GDP growth, lasting two or more quarters, called *recession*, an especially prolonged or severe recession called *depression*, finally a long period of slow but not necessarily negative growth called economic stagnation, have always attracted most of economic research and became the focus of most economic literature.

While most of the prevailing historic models have evolved towards some final scientific definition, most of discussions and articles are actually very long time dated. Bernardino Davanzati, John Law, even Isaac Newton has explained the "Irrational Exuberance" as outlined by (SHILLER) and recalled by Alan Greenspan. The left paths remain the neutrality of money supply as depicted by Friedman and Anna Schwartz at the beginning of the sixties in the twentieth Century and the Keynesian fiscal and monetary policies ideology, surviving both its creators and history obsolescence as successful promoter of deficit spending, keep standing firm at the base of a new vested interests coalition.

When at Stanford University in 1992 Francis Fukujama, predicted *the end of history and the last man*, after the demise of the cold war, the world was at the dawn of a new great depression recollecting the first *Depression Economics* (KRUGMAN) in the most uncertain and confused conflicting old economic policies in the new global worldwide single market. After the October 1987 first Exchange bubble bursting in the dot.com collapse in 2001, the subprime 2007 crash and the 2008 derivatives melt down, led the world community and Economy Clubs to test the new inefficiency of old models, economic welfare mechanisms. New world trade patterns, modern financial markets regulations and instruments ideas should be found to extrapolate a way out towards a new economic world order.

2. 1979, THE ORIGIN OF THE 21ST CENTURY'S NEW ERA.

The shah of Iran Reza Pahlavi, after 37 years of ruling, left Teheran on 16 January 1979 for never return because of millions of protesters everywhere in the Iranian cities, forming one of the biggest humankind crowd. Never appeared before, in a State, usually addressed as a miracle of modernization and economic reforms, controlling one of the biggest army as well as an effective secret police such a revolution. The crowd was ready to die for a scholar living in exile in Paris, Ruhollah Mustafa Khomeini an elder Shiite scholar, a revolution leader who was not aiming to a secular modernization. His only desire was an Islamic revolution, which actually succeeded in disrupting the Communist rule in Central Europe and spread to the rest of the Arab world, a holy war called jihad, displacing most of the socialist principles.

On 3 May 1979, the Conservative Party, led by Margaret Thatcher ousted the incumbent labor government of James Callaghan with a parliamentary majority of 44 seats. The election was the first of four consecutive election victories for the Conservative Party, and Thatcher became the United Kingdom's - and Europe's - first female iron lady head of government.

John Paul II, born Karol Josef Wojtyła, also known as Saint John Paul the Great, became pope of the Catholic Church on the 16th October 1978 and, a few months later, in June 1979, it is to his Poland that he makes his first of so many trips during his pontificate. A huge crowd came to listen to him in Warsaw's Freedom square and it is precisely at that moment that the Polish people realized how considerable his power was. Worker's strikes multiplied, leading to a destabilization of the Polish communist regime. At the end of 1981, when the government, running out of arguments, adopted the martial law, Solidarnost had 10 million members and was carried on by a deep social wave. For the first time since 1968 in Czechoslovakia, a communist regime was seriously shaken.

Christmas 1979 was the Russian first day of invasion of Afghanistan, the first Nation to recognize the October revolution in 1917. The Soviet war in Afghanistan lasted nine years since December 1979 to February 1989. As a part of Cold War, it was powerfully fought between Soviet led Afghan forces against multi-national insurgent groups called the Mujahedin, mainly composed of two alliances: the Peshawar Seven and the Tehran Eight. The Peshawar Seven insurgents received military training in neighboring Pakistan and China, as well as weapons and billions of dollars from the United States, United Kingdom, Saudi Arabia, and other countries. The Shia groups of the Tehran fight alliance received support from the Islamic Republic of Iran. Early in the rule of the PDPA government, the Maoist Afghanistan Liberation Organization also played a significant role in opposition, but its major force was defeated by late 1979, prior to the Soviet intervention. The decade-long war resulted in millions of Afghans fleeing their country, mostly to Pakistan and Iran. Hundreds of thousands of Afghan civilians were killed in addition to the rebels in the war.

The initial Soviet deployment of the 40th Army in Afghanistan began on December 24, 1979, under Soviet leader Leonid Brezhnev. The final troop withdrawal started on May 15, 1988, and ended on February 15, 1989, under the last Soviet leader, Mikhail Gorbachev. Due to the interminable nature of the war, the conflict in Afghanistan has sometimes been referred to as the "Soviet Union's Vietnam War" or the "Bear Trap".

At the end of 1978, the septuagenarian Chinese, Communist Party leader Deng Xiaoping, after stabilizing the relations with the US, "*The Unite States of America and the People's Republic of china have agreed to recognize each other and establish diplomatic relations as from January 1, 1979.*" (EZRA F. VOGLEI, 2011, 333) heaved himself to the top job introducing a series of economic reforms that ultimately changed the country beyond all recognition. Emulating closer reforms, he applied the successful free or special zones regimes of Singapore, Hong Kong, Taiwan and similar Special Economic Zones, to mainland and continental China. Adopting the Wealth of Nations' principles, he opened the Country, out of the extirpated Cultural Revolution and the little red book doctrine of Lin Biao, in a borderless free capitalistic enterprise regime. He finally attracted most of the industrial activities and capitals out of the expensive ruled welfare Western democracies, starting a new economic era for the Far East region and it's escalating financial centers.

At same time, he and his colleagues planned the dissolution of the collective farms set up by Mao Zedong and permitted the peasantry to return to their old system of private family farming. These five figures, not correlated but performing their task in different areas in an already global economy, were the artificers in that year 1979 of an epochal social remodeling, marking the end of the great socialist utopia that had dominated so much of the twentieth century.

The huge literature about the demise of socialism, include even liberals bound to the prevailing welfare State theory reinforced after the American '60s movements started in Berkley, at Joan Baez notes. " …economics inevitably takes place in a political context, and one cannot understand the world as it appeared a few years ago without considering the fundamental political fact of the 1990s: the collapse of socialism, not merely as a ruling ideology, but as an idea with the power to move men's minds." (PAUL KRUGMAN, 2009, 10)

In this way, at the end of the eight decade of the twentieth century, the twin forces, markets and religion, discounted for so long after the enlightenment, came back vigorously on the world stage.

3. UNRESOLVED MONETARY ISSUES

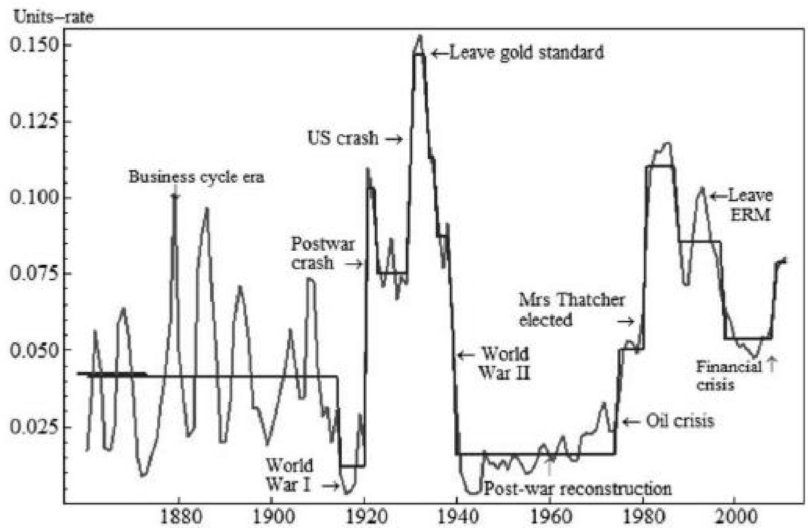
"The outstanding faults of the economic society in which we live are its failure to provide for full employment and its arbitrary and inequitable distribution of wealth and incomes. The bearing of the foregoing theory on the first of these is obvious. But there are also two important respects in which it is relevant to the second. Madmen in authority, who hear voices in the air, are distilling their frenzy from some academic scribbler of a few years back. I am sure that the power of vested interests is vastly exaggerated compared with the gradual encroachment of ideas. Not, indeed, immediately, but after a certain interval; for in the field of economic and political philosophy there are not many who are influenced by new theories after they are twenty-five or thirty years of age, so that the ideas which civil servants and politicians and even agitators apply to current events are not likely to be the newest. But, soon or late, it is ideas, not vested interests, which are dangerous for good or evil". (KEYNES, p. 383)

"Madmen in authority, who hear voices in the air, are distilling their frenzy from some academic scribbler of a few years back", considering the present fiscal and monetary policies enacted worldwide in the developed World. Nothing more correct may be said, in order to explain the waste deficit spending and free money let available to keep surviving large banks, too large to fail and out of racks industrial activities under Keynesian schemes under a huge sovereign debt structure.

Many central banks rely on dynamic stochastic general equilibrium models – known as DSGEs to cognoscenti. This model – which as usual is more technical and formal than conceptual – argues that the models' mathematical basis fails when crises shift the underlying distributions of shocks. Specifically, the prerequisite 'law of iterated expectations' fails, so economic analyses involving conditional expectations and intertemporal derivations also fail. After the fiat money debasement, all the monetary models started to stagger and not to respond to expected evolving paths. In the first gold standard rejection, after the First World War, the unemployment rate rapidly grew reflecting the great depression, after the gold-standard commitment rejection, the unemployment rate fell reflecting the loose consequent monetary policy in the roaring twenties and the strict consequent Hoover measures. Two different patterns as presented by (HENDRY) and explained as law of iterated expectations' failures, in the seventies and eighties, after the external gold constraint was removed, all the public spending started to rapidly grow piling up an unbearable progressive public debt.

Thomas J. Sargent, Nobel 2011 has tried to explain the uncertain outcome of monetary policies as inflationary or on the contrary ineffective from a Keynesian point of view as uncoordinated iterative paths according to related economic policies behavior. It is strictly and coherently visible, after forty years of tested quantitative easing and negative interest rates that the economic activity is following different geo political trends reflecting the two centuries old explanations in Adam Smith Wealth of Nations and in most classic theories of general equilibrium.

Figure 1 Location shifts over 1860–2011 in UK unemployment, with major historical events



Source: < http://pragcap.com/why-standard-macro-models-fail-in-times-of-crisis>

The 1987 – 2008 crisis are slowly developing along the fiat money new era, where some of the basic monetary functions have been lost. The Keynesian – monetarist models are not able to explain anymore the unexpected market behaviors in the stagflation decade of '70, the October 1987 bubble burst, the roaring years ninety and the final derivative general world wide crisis. It was Congress's view — and it was certainly St. Germain view - that the S. & L. industry was vital to the American dream of homeownership. Indeed, back then, the only loans the industry allowed were mortgages. Thus, in 1982, Congress passed the Garn-St. Germain Depository Institutions Act — which St Germain wrote with Edwin "Jake" Garn, the Republican senator from Utah - that essentially deregulated the industry, allowing S. & L.'s not only to pay market interest rates, but to make loans far afield from home mortgages.

The idea was that S. & L' s needed to be able to make more profitable loans since they were going to be paying much higher interest rates to gain deposits. What nobody seemed to realize was that financial deregulation was bound to have unintended consequences. S. & L.'s went from being the most cautious of financial institutions to the most heedless. S. & L.'s operators dove into all kinds of exotic areas. By the late 1980s, it had all come a cropper; ultimately more than 1,000 S. & L.'s - one out of every three still operating in 1988 - went under. The industry's collapse cost the taxpayers nearly $125 billion.

"When Her Majesty Queen Elizabeth II asked the economists at the London School of Economics in November 2008 how come they had not seen the current crisis coming (a question which was surely on everyone's lips but which only a feudal monarch could so simply pose and expect some answer), the economists had no ready response. Assembled together under the aegis of the British Academy, they could only confess in a collective letter to Her Majesty, after six months of study, rumination and deep consultation with key policy makers, that they had somehow lost sight of what they called 'systemic risks', like everyone else. Had been lost in a 'politics of denial'. But what was in that they were denying?" Same uncertainties arise from the econometric centers of both IMF and FED, which supplied positive comments during the beginning of 2008 not foreseeing any financial cloud in their model skies. The FED chairman Bernanke himself, after refusing the offer of his rented house in the year 2002, when he joined the FED Board relocating from Princeton to Washington , bought it in the year 2004 at a price double of the previous one. It happened at the eve of the real estate collapse in the subprime crash; he also had a full access to both the IMF and the FED econometric centers.

"The only surprise about the economic crisis of 2008 was that it came as a surprise to so many. For a few observer, a textbook case that was not only predictable but also predicted. A deregulated market awash in liquidity and low interest rates, a global estate bubble, and skyrocketing subprime lending were a toxic combination." (STIGLITZ, 2009) Actually, the 2008 crisis is a clear and unavoidable consequence of the macroeconomic deregulation of the Western economies, without any consideration of two economic issues present on the 21st century World markets. First, the huge reservoir of cheap labor in Asia, out of the planned economy cage, and the consequent foreseeable concurrence, second the cheap updated telecommunication and transport logistics, that produced an easily understandable convenient reallocation of the world industrial production and research activities towards the East.

The final invisible Smith hand were reallocating the goods and services production progressively after the Deng revolution to Asia, while the financial Western deregulation was producing as an alternative to a wide deleveraging of financial quantities and financial intermediaries critical masses, the new financial innovation with all its risks and consequences. Unfortunately, the new potential market was the financial structured and derivatives markets, the hedge funds and the new subprime huge latent credit demand.

During the stagflation decade in the '70, the Keynesian framework was not explaining the then idle economy growth, when price were rising with as well as the unemployment rate.

During those years, Hayek and Friedman, both monetarists won the Nobel prize for Economics, while in the eighties the monetarist theory, at the base of the first 1987 bubble doesn't give an explanation either. The surging of the stock market indexes coexist with stable CPI trends in the commodities and services markets, showing the first wide diverging paths of growing financial instrument value without general inflation fallouts. The expanding monetary base, due to the new fiat money experience, and the steady CPI are the new coexistence model.

4. THE CONFLICTING ECONOMIC ALTERNATIVES

"Macroeconomics was born as a distinct field in the 1940's, as a part of the intellectual response to the Great Depression. The term then referred to the body of knowledge and expertise that we hoped would prevent the recurrence of that economic disaster"(LUCAS). All researches in those periods concern segmented markets, with different barriers and entrance barriers, like transportation and communication costs, customs duties and protecting lists. Nowadays, in the global interdependent single market, the cost structures and technology incorporated in single products affect the global demand and supply, which seem to affect the economic activity more than any other macroeconomic variable. In this new lookout it is likely to see "……western democracies were increasingly circumventing the spirit of liberal constitutionalism by passing coercitive legislation, typically under the guise of achieving social justice, but in reality serving well-organized coalitions of special interests" (HAYEK).

The shift towards macroeconomic models to regulate both the employment level and the intrinsic value of money enters in conflict with the microeconomic principles of management in a market economy. Considering the marginal capital efficiency, as Keynes used to call the profit all the surviving firms pursue the offset of all the costs by mean of sufficient revenues, to satisfy both their financial and the economic dynamic structures.

The macroeconomic models mostly support public functions as a solution to the instable social equilibrium conditions, which seem not to predict the full employment of all the available resources. The public function, spread over a vast territory, imply scores of public officers and public structures to support non-profitable economic activities during recessions and depression cycles when vast potential unemployment affects the economic infrastructure and sectors.

Apart the thirty golden years running from the end of the Second World War up to the dollar debasement, the anti-depression New Deal instruments and the deficit spending theory seems to have attracted a vast conglomerate of Governments engaging a rally on the financial markets to close the gap between general economy goals and available national resources. The sovereign debt therefore has arose generally over the boundaries of national resources to service its falling terms and revenues from personal taxation and public tariffs. Since 1970, the fiat money condition has allowed the issuance of uncovered paper money promises, instead of title representing actual goods. For the first time in the year 2008, on the 16 September, the FED took advantage of the Section 13/3 of the FED Reserve Act allowing the emission of unlimited paper money, without any need of justification or specific ground. This time the case was the 23 Bill loan to J.P. Morgan, in order to acquire the falling Bear & Sterns a 1923 investment Bank, starting a tremendous growth of the monetary base that, according to plane monetarism and to Keynesian models, should stimulate the economy for the latter and produce a rundown hyperinflation, which indeed not appeared.

What really happened, according to some contradicting readings, after enough analysis and readings about the issue, is a huge liquidity trap, according to Keynesian perspectives, an unlimited financial bubble over most of the World trading markets meanwhile the CPI remained steady by a general substitution of Western production by Eastern, and Asian lower labor costs industrial productions. The new monetarism from a macro economic point of view seems split about an apparent grow of financial instruments prices in a deflationary framework.

The two contradicting developments may coexist since the beginning of the '80s as a side effect of the economic interdependence, arousing from what named in some NY Times articles "globalization", or global village, or straight forward used as an article title. The economic interdependence come out of the 1979 actual end of history, when Khomeini, Margaret Thatcher, Pope John Paul II, formerly Karol J. Wojtyla and especially Deng Xiaoping, turned the world upside down. That was the end of the cold war on one side and, as a side effect, through the jihad revolution, a new religion wave, that surfaced from the post enlightenment world as a violent wave of violence and rebellion.

When the Islamic world turned its back to the Soviet Block, starting with the removal of the Karaki government in Kabul perpetrated by Amin to release the Muslim ideology from Marxism, as was happening all over the Islamic world. The event led to the Afghanistan invasion by the Russian troops on Christmas day1979. Started then a ten years war, which led the Soviet block after the general upraise in Poland and the Chinese turnaround about the Cultural Revolution, to the fall of the Berlin wall and the give up of socialist perspectives of a State run Economy.

The follow up of these events actually was consequence of the debasement of the dollar and of the linked inflationary '70. The confused stagflation and recession, with an impressive inflation in no way was in line with the Keynesian model stemming from the General Theory (Keynes 1936), neither were explicable from a strict monetarism point of view, which was not possible in an inflating monetary expansion.

At Camp David, after excited and confused long discussion on the second weekend of August 1971, the undersecretary John Conally and President Richard Nixon took a panic decision. The 4 percent drop in the dollar against the German mark since the Bundesbank allowed the rate to float since May, the spike in gold to over forty-two dollars an ounce and a list of custom duties on imported goods, a fiscal contribution to US made product. However, the president wanted to wait until Congress returned after Labor Day before implementing the plan. He had heard about the risks about suspension from Federal Reserve chairman Arthur Burns, and worried that closing the gold window could cause a panic" (WILLIAM L. SILBER 2014,83) the Diocletian edict was pronounced and the 21st century begun. There is, actually already mountains of evidence that support the quantitative theory of money implication for money growth, inflation and interest rates. What is new in this post gold exchange standard stage is the concurring inflation and unemployment, which seems to contradict all the Keynesian explanation and has a common definition as stagflation, and reflects the markets behavior during last century's '70s.

After the '80, the monetary base growth reflects the fiat money huge increase in a sudden debasement of the legal tender payment instrument, under the exploitation of the deficit spending as a bridge to further general fiscal policies in order to pursue some comfortable political infrastructure. " …. ungefähr 70 prozent der Forscher arbeiteten nicht in Interesse der Allgemeinheit. Sie hatten massive Eigeninteressen. Sie saßen in Verwaltungsräten von Finanzfirmen, arbeiteten als Consultants oder hatten gar eigene Unternehmen" (Weik, Friedrich, 2014, 143).

The prevailing Keynesian perspective seems linked to some vested interests, deriving from the usual mobility of researcher and economists that commonly divide their professional life among Universities, are member of the board in Financial firms and work as partners in large consulting firms. Generally, they publish on oriented press, or take advantage of nominated scholarships and private funds in research and teaching programs. (WEIK, FREDRICH, 143).

Figure 2 Monetary base since the ‘85

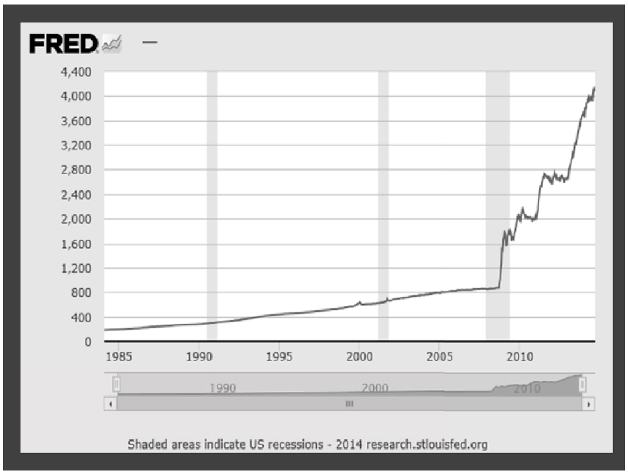


Figure 3: Inflation during the third century of the roman coinage, silver debasement.

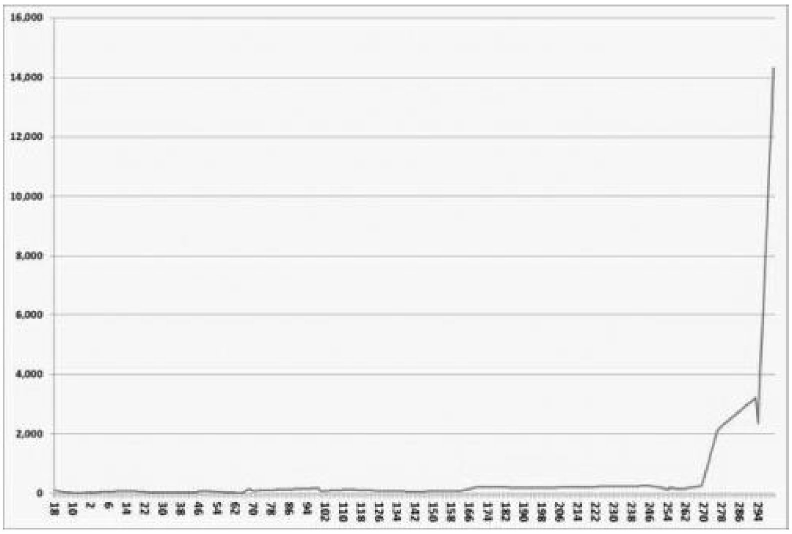
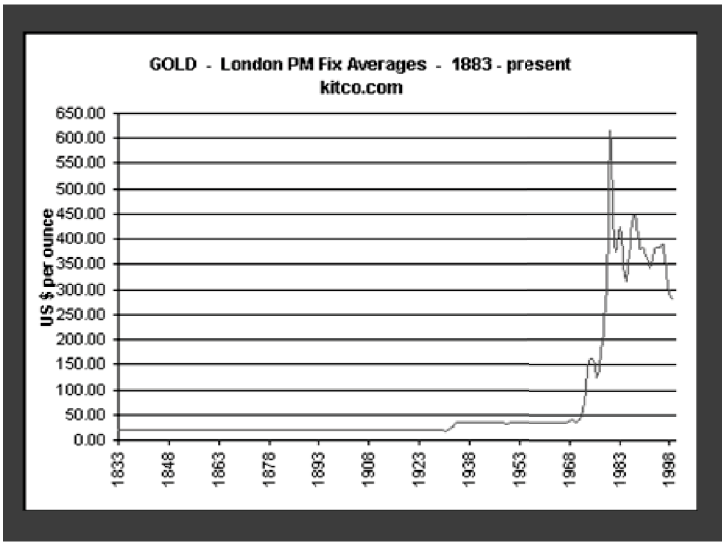


Figure 4: Dollar debasement in term of gold.



Darrell Duffie, economist a Stanford has been sitting on the board of Moody's, Martin Feldstein, Harvard economic advisor of President Ronald Regan, promoter of deep banking deregulation, was member of the board of AIG. Glenn Hubbard President of Columbia Business School Uris Hall, was sitting on the board of Capmark, and MetLife, Richard Robb as well with a tenure at Columbia, is founder of Kristofferson Robb & Company, as well manager with Hedgefonds CRC, which assume a relevant risk position in the CBO market. Larry Summers, professor at Harvard, chief economist at WB, appointed by President Clinton, is a major deregulator. Manager of the hedgefund D.E. Sjaw, after appointment by Obama as member of the Presidential economic committee. Same in Germany where Hans Werner Sinn was advising member of the board with the Hypovereinsbank, Burt Rürup founded and managed the Rürup Rente, financial Institute for retirement pension plans, with Carten Maschmezer, founder of MaschmezerRürup AG, Walter Riester, liberal according to the European standard, was sitting on the boards of Bosch, Daimler Chrzsler, Thyssen, Audi, Rheinmetall, Heidelberger Druckmachinen WMF. A long list of vested interests operate at same time on the public sector, or as private entity managers, or scientific researcher and pursue personal greatly rewarded position in the new deregulated era.

At the end of the wide effects in encroaching of deregulation and financial risky frameworks, what rests, at the Dodd Frank effort to reestablish financial market credibility, is expressed by Elizabeth Warren with her theory of consumer protection: " … banks did not and could not make money on loans that consumers had no hope of repaying. In any case, federal laws do not prohibit greed or even excessive optimism or even excessive risk taking." (GEITHNER, 2014, 504)

5. THE WAY OUT

Only way out and solution to such a confused scenery, seems to be an acceptance of the fiat money as a temporary monetary solution, "… the work for which I have received the Nobel Prize was part of an effort to understand how changes in the conduct of monetary policy can influence inflation, employment, and production" (LUCAS, 1996)

Problem not yet solved and still under great scrutiny all over the Academy, not to discontinue the market necessary transactions forming the GDP, but temporarily reducing all the merchant banks, too big to fail, to administrative clearing function. Such frame is recalling the social accountancy centers in previous planned Comecon economies, without any regard of the intrinsic money value, leveling off, therefore, their potential utilization as vehicle for deferring consumption and thwarting the total amount of saving in the economy necessary to economic growth and innovations.

In this case, the stabilization funds and all the Central Bank's facilities like the Tltro (Targeted long Term Refinancing Operation), without regard of any intrinsic money value, might keep alive the left monetary function of medium of exchange.

Whenever banks operate as social accounting centers, just enduring the operations of existing firms and related activities and employment, the most relevant market function, the efficiency assessing mechanism ceases to exist. Without the bankruptcy clearing off inefficient units, if too big to fail, the risk becomes the adding up unrequested mass of merchandise, to stock in warehouses without specific final demand, as long as consumers will be free to choose. (FRIEDMAN, ROSE FRIEDMAN).

Our modern models adjust the Rational expectations and Theory of Price Movements (LUCAS, 1996) econometric models with the Irrational Exuberance of unpredictable bubbles progression in a stable price scenery as seen by (GREENSPAN, 2013), by after an empirical experience of unforeseen slumps by both the FED and the IMF econometric refined complex models. In other words: "The aftermath of a financial crisis is always brutal, and this was an exceptionally brutal crisis. Americans had emerged with less wealth, less disposable income, and less confidence about the future" (GEITHNER, 440). From a different perspective, the author bought a splendid house in Washington for a double price request two years before just a few months before the subprime slump: " …. the Fed's response was very much in keeping with the historic role of central banks, which is to provide lender of last resort facilities in order to calm a panic." (BERNANKE, 97) Was this a panic choice as the Camp David 14 August 1971 when Nixon and his advisers, as narrated by Arthur Laffer, the microeconomics supply side prophet in his Return to Prosperity, took a panic decision to debase the dollar from gold starting the longest deepest monetary confusion ever.

Other likely solution pursuable might be a slow general market adjustment of cost of labour, which could slowly level off local asymmetries and under a general productivity and technological progress, leave the previous higher nominal levels with lower medium values with a higher purchasing power as a result of market forces readjusting the production on a geographical basis.

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