

The global economic outlook ver.2.1.2e

~ for the steady economic growth of the world

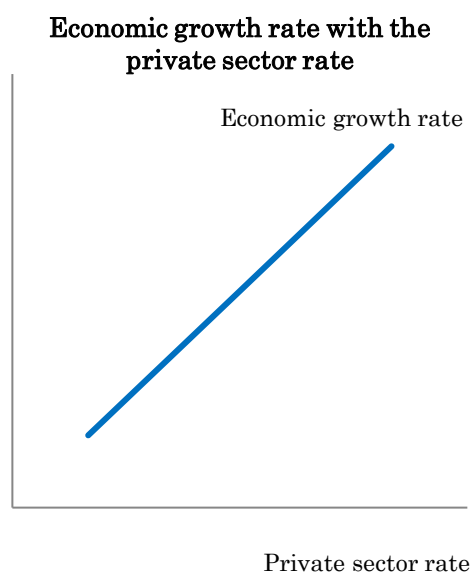
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1) Structural reform: the needs of world federal system for the world economy

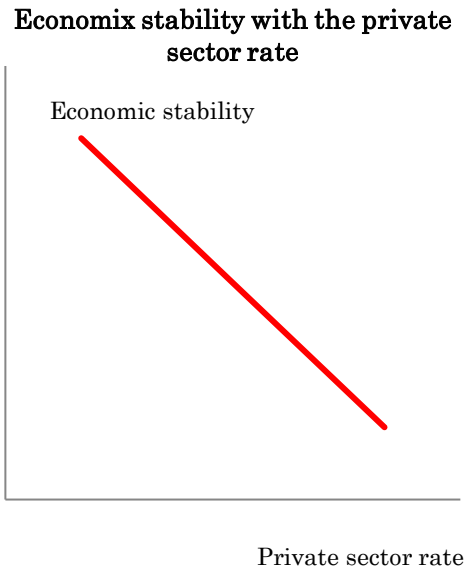
Here we focus on the economic growth rate and its stability by the fact that the whole goods and services in the world are produced by public and private sector. Here, production is defined by the broad sense includes capital gain, not only GDP.

We consider a condition in goods and services provision for the whole demands, the public sector would rather produce unprofitable products otherwise the private sector would produce more profitable products. We show it as a graph relating a ratio of private sector of production on horizontal axis, to economic growth rate on vertical axis. If we follow a logic that if we produce the goods and services more by the private sector rather than the public sector, the competitive logic of the market fascinates productivity gain therefore gaining the economic growth rate. The graph is shown positive slope as below,

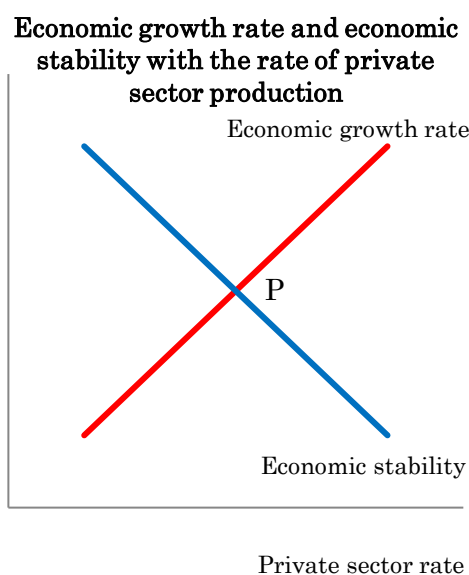


The competitive logic of the market or its principle of market mechanism include various factors leads to market equilibrium which optimizes and stabilizes the economy. However, they also include multiplier effects which lead to divergence effects to various factors which would stabilize and sometimes crush the economy. In the market conditions that multiplier effects work excessively, economics goes into unstable and uncontrollable by the volatility of various economic indexes.

Therefore, in turn, the next graph will show the economic stability on vertical axis as below,



As the result, we put this graph on top of the previous one, we find an intersection point P between two lines.



In the capitalist economic system, private sectors expand their activities with more financial freedom, however the intersection point P how private sector rate can be is determined by the public sector by various legislation, fiscal policy and monetary policy. In these days public sectors operating their business globally, these governmental decisions are done by multiple institutions or each of multipolarized world. After all those decisions themselves are dropping into competitive logic and losing their controls.

For the solution of these economic problems, establishing the world federal government* which globally function as an autonomous decision-making public sector. In the next 2 and 3 chapter, we further consider the financial policy followed to structural reform of the world economy described above and its monetary policy based on its financial policy.

2) Financial policy: ideal model of redistribution

In these days, the innovation of Information Technology (IT) largely contributes the society and therefore to the world economy as well. This impact effect it as deflation by leading to better productivity, thereafter we expect further deflationary effect by the development of Artificial Intelligent or Internet of Thing. Furthermore, IT innovation reduces cost of consumption on demand-side, thus we can say leading to better consumptive. As the result, we could recognize deflation effects on both demand and supply side.

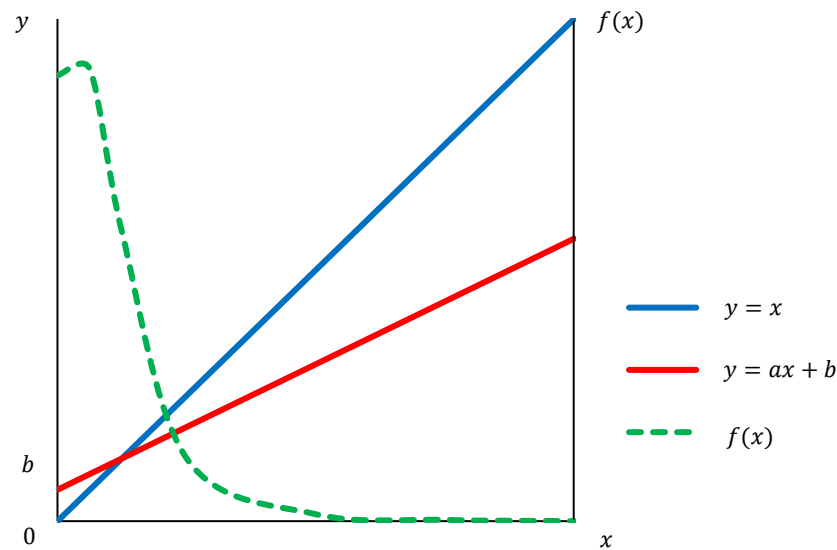
If these impacts are so large, the monetary policy whose first target points to inflation rate, therefore gaining rate of expected inflation would face to the difficulty by further widening the gap between the ongoing monetary policy and the market fundamentals described above. Quantitative easing, one of the main monetary operations taking results lower liquidity in the market, after all it causes concentration of wealth and widening of the income gap. Nowadays, it leads to not only economic problem but also the social instability which is the foundation of healthy economy.

If the ongoing deflation by technological innovation meant to be the positive factor, building social system accepting this trend is the only way to satisfy both of economic growth and stability. If the various technological innovations further contribute to the development of society in the future, it will not be just an ideal to redistribution to the whole world for welfare by global taxation. Needless to say, various approaches have been done to redistribute by both public and private sector around the world, but what the world needs now is to share more economic stability heartily by forwarding the policy which obtains clear social concept in such a way.

This fundamental concept could be considered as the redistribution which secure living cost of lower-income families in the world. An example of distributional way is represented by the following equation and graph.

We set the distributional way, $y = ax + b$

$$\int_0^{\frac{b}{1-a}} f(x) \cdot (y - x) dx = \int_{\frac{b}{1-a}}^{\infty} f(x) \cdot (x - y) dx$$



x : pre-distributional income, y : post-distributional income, a : distributional rate, b : absolute standard of living, $f(x)$: population distribution of pre-distribution

Further, characteristic features of redistribution could be considered as below,

- In the area where more people would receive redistribution, it causes demographic reverse and inflation with the population growth particularly. Then it would correct the disparities, but this might lead to the malignant inflation or confusion of the local society by rapid change. We need to observe continuously the social and economic impact of redistribution cautiously.
- The redistribution formation could be various way like building public sanitation or operation of environment preservation for those whose life style would not rely on monetary system so much.

3) Monetary policy: issuing entity of global money

Today, in the course of global monetary history, the fiat currency of united states of America US dollar is distributed worldwide as the key currency. However, as described in the chapter 2 about the changing environmental of world economic, there has already been discussed to introduce newer currency with newer innovative technologies and tried to regulate those newcomers.

In generally, it is called cryptocurrencies, its fundamental technology, blockchain could issue cryptocurrency on the distributed ledger on the internet. Blockchain technology itself could expand its ability to manage further intrinsic information need to be recorded for various

database in social system includes economic activities. And it is expected to be safer and lower cost.

As implementing new world currency, it can include transfer fees in its system and this could allocate to the cost of issuing entity includes system management. If the redistribution described in the chapter 2 could be executed from its transfer fee as well without governmental tax system, it could clarify its redistribution rule and could include its concept to the currency itself as a new value of welfare.

The determination of the total cost of redistribution could be preferable to consider the living costs of half population of world lower income families as respecting democratic concept. By following the equations in the chapter 2, its relation could be represented to the equation below, as the result, it could determine the value b as median of population distribution of pre-distribution.

$$\int_0^b f(x)dx = \int_b^\infty f(x)dx$$

If we redistribute b to whole world population, total amount of redistribution S could be represented as below. Hence this could be a reference for determination of transfer fee rate as for its resource.

$$S = \int_0^\infty f(x)dx \cdot b$$

For stabilizing value of new currency itself, gold could back it, therefore gold backed currency stabilize price and existing legal currencies from introducing it to exchange market. At the same time, for maintain liquidity as the world currency, the adjustment of gold reserved rate to the whole issued amount could be issuer's operation. Therefore, the issuer needs to maintain two operations, redistribution for micro economy and its gold main asset management for macro economy.

The management of issue entity of world currency must be independent from the world government like legislative or judicial branches are. However, it should be remained within the public sector therefore, all currency users must have the right to join its management by electing personal, decision of various rates or others directly or indirectly. At the end, the currency and its issuer would obtain more trust and affinity. As the results, the world economy would obtain more growth and stability.

* Appendix: What is the world federal government?

On august 23th 1947 in Montreux, Switzerland, world federalists from various countries had gathered and taken place a meeting in Montreux at the first international congress of the "World Movement for World Federal Government". They called upon the peoples of the world to join us in their work and declared Montreux declaration presenting six principles together.

Finally, these principles are presented as followed.

MONTREUX DECLARATION ~ World Federal Government Six Principles

1. Universal membership: The world federal government must be open to all peoples and nations.
2. Limitation of national sovereignty, and the transfer to the world federal government of such legislative, executive and judicial powers as relate to the world affairs.
3. Enforcement of world law directly on the individual whoever or wherever he may be, within the jurisdiction of the world federal government: guarantee of the rights of man and suppression of all attempts against the security of the federation.
4. Creation of supranational armed forces capable of guaranteeing the security of the world federal government and of its member states. Disarmament of member nations to the level of their internal policing requirements.
5. Ownership and control by the world federal government of atomic development and of other scientific discoveries capable of mass destruction.
6. Power to raise adequate revenues directly and independently of state taxes.