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Original Paper

After the Pandemic Disease, Could the Economic World Resume the Sustainability Path?

Dott. Giovanni Antonio COSSIGA[1*]

[1] Presidente Collegio sindaci Policlinico Umberto 1 Università Sapienza, Roma, Italy

[*] Dott. Giovanni Antonio COSSIGA, Presidente Collegio sindaci Policlinico Umberto 1, Università Sapienza, Roma, Italy

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Abstract

Is there any chance that the global economy struggling with the pandemic, could be able to recover soon or would the times get longer? Answering this question becomes quite hard because we can't rely on any precedent. The statistical projections rely on the hypothesis "tomorrow the same as today", thus showing some uncertainty. However, we cannot forget that the pre-coronavirus world was and still is troubled by a creeping deflation; this is a sign that the economy goes through an unstable condition and has lost the route of the correct relationship with nature. On the other hand, we are witnessing an exceptional exploit in the performance of some Asian countries, in particular China and India. A phenomenon that should be interpreted as the result of a natural correction tending to the resource and culture appropriate distribution between continents. A phenomenon that worked as an accelerator of global development and that has now almost stopped, due to the substantial parity of China with Europe and North America. Then there is the issue of the unequal wealth distribution in the major Nations with an accumulation at the top of society and an increasing poverty spread. A phenomenon that is contrasting the economic development and is causing serious social tensions. The natural correction is entrusted to the subordinate financial cycle which, however, plays to the advantage of the real economy. Any projection of the post-pandemic economic performance should therefore consider the action of the whole series of events. We can say that the lockdown of the global economy has the result of a forced recession that we may consider as actually playing a natural role in reducing the instability inside the economy. And this can give the result of a rising inflation (now too low) and therefore of a potential improvement in the economic climate. Regarding the issue of resource redistribution between continents, we may expect that -after Asia- also Africa and Latin America would be involved in the development acceleration process. This eventuality of the reciprocal interests *between competing countries, whether applied with a greater energy, would certainly be a driving force towards the global development. Finally, the issue of great wealth and great poverty will be a valid reason for a substantial attention by the fiscal and monetary policy, because the correction of these anomalies will be a necessary direction in order to avoid economic and social problems that could twist like dangerous snakes.*

Keywords

deflation as message, symptoms of instability, resource redistribution, subordinate financial cycle

1. Introduction

The Covid-19 pandemic surprised the global economy struggling with the aftermath of the 2008 financial crisis and in the middle of an evident decline in development, except for China and USA. A discontinuity in the growth process of the global economy that does not find however an understandable logic. In practice, it could be observed that, before the lockdown imposed by the pandemic, the trend towards the development declining capacity of economic systems seems to be progressive. Europe was the first among advanced economies to show some difficulties in maintaining an even moderate growth rate of its economy. Many countries of Latin America, Brazil first, and of South East Asia, were showing a greater suffering.

Now, we cannot assume that the staggered trend of global development should be attributed to the phase shift of the economic situation in the various continental areas, also because in the general climate of more or less serious deflation it doesn’t seem possible to identify the classic recurrence of cyclical waves with a different frequency within the global context. Rather, seems to be emerging a structural decline, which before the pandemic was already affecting the major economies with a progressive approach.

To appreciate the potential effects of the pandemic on the global economy, it seems therefore appropriate to consider the context in which the new and unexpected calamity has spread. A context that was showing a declining trend, likely to drag down even those countries most proudly committed to keep strong the pressure towards the economic growth. It’s quite easy to observe that the responsiveness to development shown by the USA and, above all, by China, is at least in part the result of classic strategies to support the economy, which follow the equation usual for government leaders: “growth equals consensus”.

On the other hand, we cannot ignore that the growth bubble in the two-year period 2018-2019 in the USA was dragged by the tax cuts which, for three years starting from 2018, provided new income for consumption and further worsened the upward concentration of wealth. And this was not without consequences, on a social level, as can be noticed looking at the hateful wave now crossing the United States and caused by the poverty increase and by the abuses suffered especially among black Americans. And also financially, troubles are coming for the public debt increase, which reached 100%

of GDP just before the Covid-19 crisis, and for the Wall Street growing financial bubble, where new highs were reached in February 2020 taking advantage of the great availability of low-cost liquidity.

This exuberance wasn't unnoticed, of course, as confirmed by reading the Fed press releases at the beginning of 2020 (Note 1). China is showing a no less surprising growth, which has the objective of keeping a growth pace that perhaps has become unlikely, if not inappropriate, for the country after a run of its economy lasting more than thirty years. These were questionable objectives already before the pandemic, but now the problem is a somehow opaque international scenario.

Also, in the case of China, it's useful to have a look at the decisions of the Central Bank of China, which want to confirm the sustained growth objectives (Note 2). Nevertheless China, even before the pandemic, is affected by a context full of contradictions, as clearly shown by the trade balance data and, on a financial level, by the performance of the most important Chinese Stock Exchanges.

Therefore, it's a unhealthy economic environment that is going to the pandemic unexpected appointment, and rather we can see a global economy which is affected, at least for the great economic entities, by a singular tension into the financial markets: unrelated, anyway, to the trend of real economy, which instead shows that the "crutches" offered by fiscal and monetary policies are needed, due to the continuous demand for low-cost liquidity; actually, it's a symptom of a progressive chronic debt of companies and families.

2. Method

2.1 The Symptoms of Instability Pervading the Global Economy, Maybe even Worsened in the Post-Pandemic

As already explained in some of my previous papers (Cossiga, 2020), monetary anomalies, such as inflation or deflation, are not acting as parts of the economic mechanism; that is, they do not participate in the course of the economy. They are messengers, instead, of the altered and unbalanced economic system in order to signal to the whole community that the economic system left the path of balance with the nature, which is hosting and protecting the life. From this point of view, they cannot be targets of any reaction or opposition because they are simply ghosts created by the instability. It's necessary, instead, to correct those reasons that led the economic system to diverge from the right path. On the other hand, the road indicated by the correct relationship with nature, certainly exerts some attraction. Because in fact, if and when followed without deviations, it allows us to rely on a steady and slightly rising economic growth.

A framework that at the level of expectations we could define as a "tomorrow the same as today", because inside the world of economic stability are excluded the economic anomalies, as they are leading to periodic and recurring recessions or to financial crises. The breakdown of the relationship with nature, instead, leads to the appearance of cyclical conjuncture with its inconstant rhythms affecting the economic scenario. Thus, the symmetry of constant growth is dissolved, and a bad course is started with loss of efficiency and reduction of development capacity, finally ending with a decline or even a stop.

Now, the intrinsic rule of the conjuncture is precisely to curb the push towards a constant development, when the deviated economy risks to compromise the self-correction ability of nature. So, the attempts to resolve the economic anomalies through fiscal and monetary policy remedies remain opaque, if the objective is to return to a steady and slightly growing stability. This is, indeed, an unrealistic target without correcting the underlying reasons for instability: unrealistic is also the attempt to tolerate those anomalies without correction.

Well, we can say that before the unexpected and deep slowdown imposed on the economy by the global pandemic, the situation in the main continental areas appeared to be characterized by an ubiquitous presence: the deflation tendency of prices, also at a general level. We are therefore in the presence of a common factor of imbalance within the economic systems, which is the signal that the phenomenon has become general, just like the parallel but different phenomenon of inflation during the 1970s. Both inflation and deflation are messages to the community which, in a way explicit and common to all of us, are giving the information that the attempts of the leadership to force the economy beyond limits are increasing the instability of the systems and therefore are causing the widespread phenomenon of deflation (Cossiga, 2017).

Now this phenomenon, as already mentioned, has no direct impact on the economy but it’s just an indicator of the alternating tendency to the balance undertaken by the economy; however, does motivate the feeling that the liquidity ocean and the debt abyss of companies and families could have no limits. This assumption is rationally unacceptable, yet it seems to open a scenario of freedom and abundance without limits, which is somehow similar to what we actually had, have and will have before, during and after the pandemic.

In other words, far from promoting a serious reflection on the issue of this unusual freedom offered by the global deflation danger, the phenomenon seems able to expand further despite the pandemic. Meanwhile, at the fiscal and monetary policy level, which are called to play a substitutive role for the economic activity faded and slowed down by the pandemic extension. That is, through interventions that somehow interfere with the real production of new liquidity.

But let’s take a closer look at the matter. The problem seems to lie in the long slowdown imposed on the global economy by the instability of the economic systems, which appear to use deflation as a siren that may put the system on the fragile path of the speculative bubble. Why?

In other terms, the weak economic growth during deflation is a natural mechanism which, if left to operate, could gradually bring the economy back on the path of stability and constant growth. Actually, it could represent a singular condition of tolerance, in the event that the market would be inundated by a liquidity flood. A liquidity overabundance which is also required by the market, which identifies a way to maintain the *status quo* through the use of debt. An alternate way to survive, by pushing consumption and investments and thus forcing the market otherwise weak.

Actually, the economic circuit does not run and stands up only thanks to the growing indebtedness, while the financial market of the stock exchanges and financial securities is growing with the continuous support of low-cost increasing liquidity and the willingness to further debt. It follows that deflation—which is a factor to contain the economy—can thus become a sort of escaping mechanism on the financial markets for liquidity at a close to zero cost.

The excitement thus arising within the financial markets has some effects also on the real economy, which however tends to lose its relationship with the finance, intended as an instrument to promote the economic activity. The financial market can thus acquire an autonomy dissociated from the real context, so following the fate of an unreasonable and irrational speculative mechanism. It could be said that the wealth-effect produced by the unusual development of the financial market would be reflected on the circuit of the real economy, not so much directly, as rather indirectly.

The dragging of a strong financial market towards the real economy remains weak because the speculative phase doesn't involve the economy but remains confined within the financial market of Stock Exchanges. This means the usual mechanism that we have already noticed during the 2008 financial crisis. An irrational development of the financial market and a low correspondence to the real economy.

Apart from the relationship between the financial market and the real economy, let us now to focus on how the deflationary scenario opens the way to the potential speculative development of the financial market. Actually, we're witnessing a singular phenomenon. That is, the massive liquidity poured into the market plagued by deflation, doesn't have a visible impact on the price pace. The long inflation throughout the seventies made us accustomed to an improper relationship between the money quantity and prices. So, an increased availability of currency could have repercussions on the inflation tone.

We must say now that this hypothesis of a link between inflation and money quantity is just more an assumption than a certainty. Because inflation and also deflation are both messengers and do not appear as leading players on the economic scenario. Apart from this consideration, the fact remains that the absence of any reaction on the price front has played the role of license to proceed, under the assumption that the availability of low-cost liquidity is an important *stimulus* to force the economy to restart.

The messages sent by the main Central Banks on the topic are unequivocal. To fight the deflation course and the weak economic trend, the formation of abundant liquidity inside the market is stimulated, in the presumption that the push so given to the weak conjuncture could remove from the scenario the persistent trend towards deflation. We find this belief, or rather this hope, expressed inside the press releases of the Central Banks in Europe, America, and Asia.

Actually, a conjuncture upward pressure could cause (as a mere algebraic effect) a slight rise of prices, which in any case usually remain below the base value close to 2%, adopted by the central banks as a synonym for good economic performance. It's a modest upward push, then, according to the economic situation, which however does not change the orientation of prices towards deflation, as in the present case (Shilling, 2001).

In summary, therefore, the modest push conquered by the real economy, directly or indirectly through the financial market, seems to be achieved at the cost of unusual freedom of the financial circuit, which becomes the main user of the constant flow of new liquidity at a cost near to zero. Moreover, it assumes a position of irrational autonomy from the real economy and at the end is neglecting its supporting role in the evolution of the real economy.

2.2 The Process of Economic and Cultural Equalization between the Great Continents

The unexpected and serious economic crisis following the pandemic lockdown shows a further drop in inflation, as can be seen in **Figure 1**, relating to the inflation trend in the European Union countries during the first four months of 2020. The phenomenon of the deflation worsening is also in this case an algebraic effect, due to the modest downward push of prices caused by the declining conjuncture.

Moreover, the global economic landscape, before the Covid-19 crisis, offers other reasons to pay attention and to make research on the consequences of global phenomena, which are far from being over and therefore still in action. First, more attention is deserved by the new world geography after the run towards a greater development balance in the large Asian countries. After World War II, the accelerated development of many countries in the Southeast Asia, and therefore China and India, started and then became extraordinary and explosive.

Apart from the spectacular speed and continuity that characterized this phenomenon, which is creating a greater and balanced distribution of resources and culture between the great continents, we are facing a reality that is changing the hierarchy between large countries. In a relatively short time from the point of view of times governing the natural forces, the Europe of colonizers has to deal now with the new reality of the Asian giants.

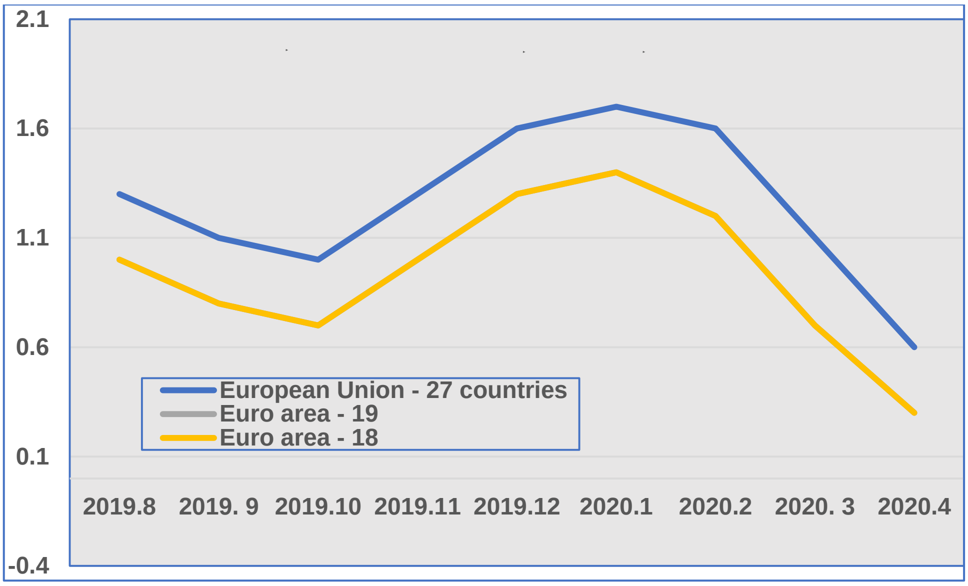

Figure 1. Inflation Trend in the European Union in the Early Months of 2020

Source. Elaboration on Eurostat data - HICP (2015 = 100)—monthly data (annual rate of change)

It's undoubted that such accelerated evolution was the synthesis of a collaboration surely not motivated by the desire to provide help and support to developing areas, but anyway the result of an extensive and widespread cooperation of the advanced countries, the USA and Europe in the lead, with the emerging countries. A cooperation which, maybe with some residual colonial mentality, nonetheless has given a decisive push to change the political and economic geography of the world.

It must be said that the transfer of capital, technology and skills in favor of local workers didn't have a direction, that is an identifiable guide overseeing the transformation of local realities and therefore the forced start of the development process. Nor can we say that all this has been achieved thanks to the human spirits and the creative force of communities. Also because, in the end, it's a phenomenon that soon changed its direction and reached a potential achievement that was quite far from the premises of simple mutual interest that moved the uncoordinated initiatives. Meanwhile, we should think that the run characterizing, especially in the last forty years, the Asian development should be integrated as part of the robust growth that has interested the world from World War II to the present day.

So, it isn't a one-way mechanism that invested the great Asian countries, but a sort of conjunction and integration that have given an overall push to the economic and cultural development of the whole global economy. It's like saying that all the more or less voluntary players in the phenomenon of a more equitable sharing of resources and culture, have moved following a development process which, becoming more equitable, has also become propitious for the majority of participants.

In some way, therefore, the interest or maybe the creativity of the individuals who collectively, though without coordination, initiated and activated the great progress of a more balanced development between the continents, was in some way favored or even pushed by the advantage not only of the single company or capital. In fact, I would say that above all the whole process was moved by the general advantage that local communities received in terms of a more balanced and extended development.

Well, the progress towards a more equitable distribution of resources and culture between continents seems to have been possible thanks to the combination of interests between industrial and developing areas. Therefore, there's left only the problem of prospects to look at, if it's true that we are at a turning point in which this joint interest between the various countries seems about to decline. Now there is no doubt that the long run towards the accelerated development of the main Asian countries, China in the lead, has now reached a level of relative parity with the more advanced areas. In this new situation, which is taking shape in the global landscape, it seems clear that can disappear or at least diminish the mutual interests which allowed the recovery towards development of areas that were colonial territories in the nineteenth century.

On the other hand, the new economic profile acquired by Asia, and in particular by China, within the global landscape is creating some tensions above all in the United States that see their leadership softly exercised at a global level contested by the new *parvenu* of the political and economic global scenario. This is to say that the phenomena of exchange and mutual transfer of technology, cultural resources and capital that have characterized the last thirty years, are now slowing down. This decrease is due to the natural progressive decline of the mutual interests of the United States and Europe with Asia, but also to the rising of the opposite phenomenon: the return to the original countries of technologies, activities and factories that over time had been located abroad in the newly industrialized countries.

A return operation which at a political level is also urged by the leaderships, especially in the USA, which seems little warned for its possible consequences on the global economic development for a stop or, even worse, a regression of the global redistribution process.

The acceleration of global development that we have experienced after the second World War is due, at least in part, to this re-arrangement at a planetary level. Therefore, it cannot be denied that the end of this massive phenomenon could result in a progressive decline in the economic development capability of the main countries. Nor can it be denied that other phenomena related to a declining pace of this process, which remained largely limited to the Asian continent, could represent a potential regression for the general economy.

It is like saying that the great discontinuity arisen in civil and economic progress among the various continents during the nineteenth century has undergone a correction throughout several generations. A corrective process activated in a directionless and uncoordinated way, by the same excessive discontinuities emerged and strengthened over time; a process implying the natural tendency towards a gradual and widespread course in the social, economic, and cultural development. So the natural correction, though still limited, was possible with the push of collective interests and creativity, that is, with the direct participation of the communities that essentially accepted this revolution.

That being said, we can therefore argue that the tendential conclusion of the phenomenon, given the substantial economic equivalence of the large Asian countries with Europe and the United States, could start a phase of relative slowdown on the development path: a relative slowdown that would affect the majority of economies. It could be deduced that the lockdown imposed to the economy by the pandemic, could therefore mark an unexpected accentuation of an ongoing phenomenon. A sort of strong and sudden signal that the climate of the world economy has changed and that no prospects to overcome the *status quo* are in sight, not shortly anyway. A sort of alert warning that seems to sound in particular for the USA and China, for which the economic strength seems to be the prerequisite to support the leaderships. Therefore, the classic policies to support the economy are called to keep the economic cycle at a high level, even in contrast with these adverse winds blowing on the general scenario.

It can be added that the process of a greater economic, social, and cultural equalization at a global level was just partial, because directed mainly towards Asia. The partiality of the ongoing process, however, is opened to a possible continuation involving both the African continent and large areas of South America, currently excluded or just late on the roadmap.

These natural phenomena, able to correct the speed differences of continental areas in the path of balanced and coordinated development, are not governed and occur according to particular and unusual times. We are therefore unable to make predictions and to promote or support anything.

We can just argue that a new wave of interest in economic and cultural interventions as well as in the technology and production transfer to Africa, could have the effect for individual countries and for the whole economy to stimulate once again the development.

2.3 The Financial Market Accelerates Compared to the Real Economy, Which Instead Is Likely to Decrease

The pandemic is leaving its deep sign on the real economy. But the post Covid-19 world has still a difficult legacy from the pre-lockdown economy, due to the incurable tendency to deflation and the gradual exhaustion of the large but incomplete natural action for a more equal distribution of resources and culture at a continental level. Inside this scenario, somewhat problematic, there is also the remarkable trend of the accelerating financial market, while the real economy instead is slowing down.

We have been observing for a long time now, perhaps from the 2008 financial crisis spreading worldwide after the so-called subprime bubble, the acceleration phenomenon not coordinated with the real economy of the most important Stock Exchanges, beginning with Wall Street and Shanghai. During the decade following the 2008 crisis, the phenomenon has taken a cyclical trend, where we can see even strong setbacks that are following the irrational excitations unrelated to the performance of the real economy. It’s to be excluded that these could be events related to particular episodes, because there is nothing behind these flare-ups that rekindle the pressures of the financial market.

Finally, the competition with China pulled out some ancient measures usual in the nineteenth century, such as tariffs on goods imported into the US and then China answered back, in a crescendo with just some pauses. Well, the Stock Exchanges reacted correctly with a quite large decrease in prices. However, the warning sign for the stability of international trade soon changed its direction. So, after the first phase of concern, the financial markets have resumed the rising until to reach one after the other some new historical highs in prices, at least on the main Stock Exchanges of America and China.

In the scenario made complex by the persistent tendency to deflation and the progressive exhaustion of the global integration process based on the mutual interest and on business creativity, there seems to be no doubt that there aren't realistic reasons for a strong economic growth, both globally and for individual countries. *Ergo*, the problem is still there: how to give a meaning to the double sequence emerging between the financial market and the more cautious trend of the real economy.

Now this strange phenomenon can really take the financial market away from the link with the real economy. This leads us to exclude that the push expressed in advance by the financial markets could be a good signal for a new phase of sustained economic growth. Therefore, it's quite clear they are no longer advance messengers of the good weather. Moreover, they could be also at the first step for the potential formation of a financial bubble.

As saying that it seems now acceptable to foresee that after the 2008 financial storm, a new speculative wave may be in preparation, which at least for now doesn't seem to find a valid shelter in the unexpected crisis triggered by the pandemic. As we have seen in the past when the Stock Markets went critical after the decisions on duties, to then strongly bounce back, in the same way seems to replicate today during the pandemic. (**Figure 2**) After the sharp correction recorded by the Stock Exchanges of the Western area in March 2020 under the blows of the rapidly advancing pandemic, the phenomenon of the price rises in the financial markets resumed again. Only after a few months, Wall Street and in particular the Nasdaq have shown that they wanted to climb back to the previously reached highs (Note 3).

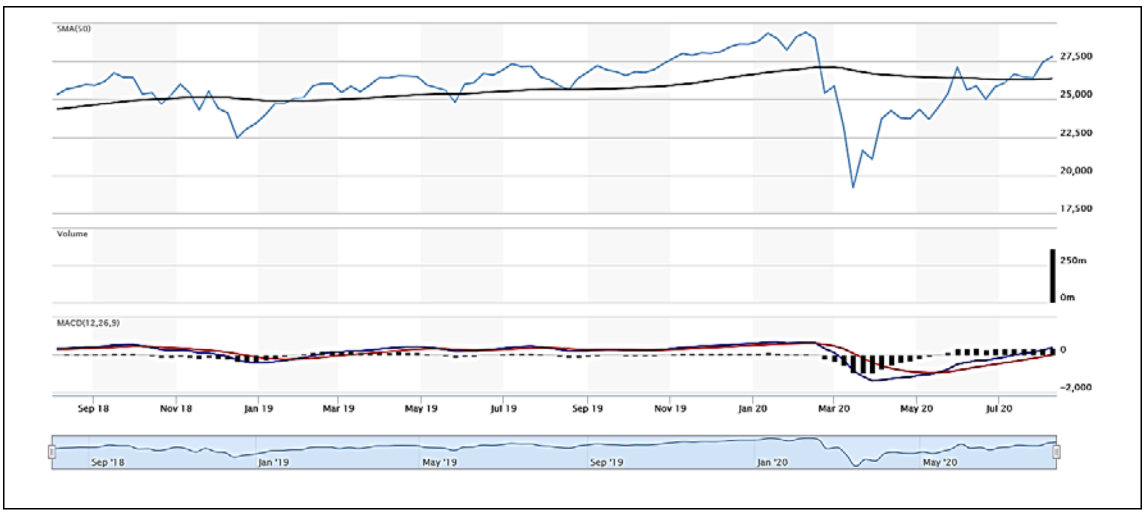

Figure 2. Dow Jones Trend in Biennium 2018-2020

Source: chart from MarketWatch

An anomaly, indeed, when compared to the cautious path of the real economy that certainly cannot be flattered as a sort of pioneer of the potential next awakening of the post-pandemic economy. For the simple reason that are still there all the obstacles slowing down and interfering with the potential growth of the economic systems, beginning with the deflation trend and also because is still frozen the equal distribution process of economic and cultural resources between the continents. We must therefore carefully observe what is happening within the financial market, assuming that this is not a predictive event of the economic rebound but rather a serious and even recurring anomaly.

All this opens to the hypothesis that once again a distancing effect is emerging between the real economy and the financial market, each one running partly following different purposes and goals. To clarify the problem better, the intimate and indispensable relationship between the capital market and the real economy could be marked by a partial fracture. The economy's path is marked by the previous 2008 crisis and recently by the lockdown for the pandemic; therefore, it proceeds down slowed and uncertain about the next prospects, also due to the technological evolution dominating the global scenario.

Otherwise, the objective of the financial market would be partly deviated by the phenomenon of the wealth and income concentration, which strongly arises globally in the main countries. A phenomenon that weakens the economy due to the compression of resources available for the real economy, though I would say that this is above all a sign of the instability growing inside the economic systems. Systems which are therefore witnessing increased poverties and, in contradiction, a wealth concentration at the top of society. Therefore, it's a phenomenon that weakens the economy due to the excessive inequality of resource distribution within the community and that certainly must find, in turn, a natural correction able to promote a progress, though not decisive, for the economic and social relations.

We can therefore think that the recurrent exuberance shown by the Stock Exchanges, in particular in the USA and China, and more generally also by the financial market, is nothing but a strong and also problematic reaction of the natural correction system. A mechanism without a pilot but somewhat suitable to wipe out part of the virtual excesses created by the exuberant financial market with the price rises, that are no longer aligned and coordinated with the cautious pace of economic development.

In other words, the effervescence occurring within the Stock Exchanges of the main countries would be partly virtual and, therefore, destined to dissolve during the periodic financial crises. Thus cutting, at least partially, the excesses of enrichment that are feeding the phenomenon of wealth and income concentration at the top of society.

All this to say that if nothing would be done to correct the distorted wealth distribution within the community, we can expect the phenomenon of financial crises to become recurrent. This finance cycle would overlap the real economy, in the attempt of natural corrective system to somehow adjust the unbalanced resource distribution inside the communities. The perverse process of the wealth accumulation at the top of community causes an inevitable decreasing spiral in the economic system development and an unavoidable social reactivity, due to the contrast created in the relationship between human beings and between human beings and the nature. A relationship based on mutual protection, for the life continuity of future generations and for the progress of scientific activity, which is the best guarantee of a compatible relationship between human beings and between humankind and the planet.

Among the anomalies of the unstable economy, in the search of compatibility with nature, we also find the wealth concentration and conversely the tendency to reduce this improper movement that together risk blocking the real economy development. The sequence of these movements, one increasing and the other reducing the resources at the top of community, is essentially just a secondary cyclical rhythm that seems to pervade the financial markets, independently of the cyclical but slow motion affecting the real economy.

Indeed, we could say that the energy accumulated during the secondary cycle of the financial markets, is developed to the detriment of the real economy strength that, in fact, is weakened. In other words, the reiteration over time of the adverse cycle phenomenon of the financial markets is a constant and progressive limit to the natural growth of the real economy. In fact, it's nourished by the economic pushes that otherwise would pour over the orderly development of economic systems.

Why is all that happening? Maybe we can say that what could restore the charge for the secondary cycle of financial markets, seems to lie in the behavior of those markets, which deviated from the path of orderly development. Therefore, it's a deviation contrasting with the orientation of the community, interested instead in reducing the wealth concentration.

As mentioned, against the process of wealth concentration hugely damaging to a balanced and compatible growth, the economic system reacts with a secondary financial cycle. In this way, the values virtually increased will then be eliminated due to the value collapse when the cyclical wave would decline. Unfortunately, the breakdown of the secondary cycle is also affecting the real economy, which badly endures the following financial crisis. Hence, the secondary cycle sequence is doubly damaging when the financial euphoria spreads, growing to the detriment of the real economy; then, during the breaking phase due to the consequences of the financial crisis on the production system (Cossiga, 2019).

The recurrence of the phenomenon is the signal that there are some conditions inside the market that essentially make it possible, after each pause of the secondary cycle, to resume the convulsion that excites financial markets. With the usual goal of concentrating the wealth of those who are better able to follow the growing market, so grabbing all the monetary benefits. All this, however, is always to the detriment of a more equitable and socially acceptable resource distribution.

2.4 The Consequences Carried by the Long Lockdown on the Issues Deriving from the Corona-Virus Time

Therefore, the macroeconomic picture coming up before the appearance of the pandemic on the global economic scenario it's quite problematic; thus, in order to solve the post pandemic issue we should first try to define the fate of this problematic context. According to some hypotheses, there could be a fall in production and GDP of the current year, even quite deep, but with the prospect of a robust economic rebound in 2021. According to these settings, the strongest financial economies, starting from China, Germany, and the USA, would be the first to get out with a good recovery from the block of all economic activities imposed by the pandemic.

It's somehow useless to discuss the verifiability of these predictions. They have the probable fault of starting with the premise that "after tomorrow might be just like yesterday", that is, the economic landscape should remain essentially relatively stable. So, based on this relative invariance, we could rely on econometrics to project the data of a hypothetical next future. The correctness probability of these forecasts, however, remain low, since the premise may be distorted, due to the continuous changes made by the possible troubles caused by the global economy on the predictive axiom "tomorrow will be just like today".

Let us for now give up trying to decide which of the major economies will take the first step and how strongly the economy will move, all together or in a non-homogeneous way between the various continents. It's a sort of prophetic exercise that remains unlikely. However, we can say something by verifying which consequences the long lockdown may have led on the problematic issues inherited at the coronavirus time.

As we said, the global economy has been struggling for a long time with a monetary message, such as deflation. Without a relationship and an involvement of the economy's fate, the economic system—now without any distinction in time and space-signals a trend of falling prices. A trend unrelated to the fate of the economy, but which describes -as in a mirror- the drift of instability and poor compatibility of the global economy with nature.

The long struggle to fight this phenomenon has so far produced few results, because it's assumed that's an uncertain result due to the intrinsic weakness of the economy. *Ergo*, the main players of monetary policy, who have the task of protecting good currency, believe that in order to recover the pathology of falling prices a strong recovery of the economy may be sufficient, or at least sufficient to contain the phenomenon. Now, there is no doubt that a sustained recovery could have the advantage of driving away the price decrease. But unfortunately, it seems that the structural weakness of the economy is the crucial node pushing out the message of falling prices. So, the thesis would not make sense, because the classic tools to control and support the conjuncture do not show the expected effectiveness.

In other words, the way to solve the instability of economic systems doesn't seem traceable through the classic Keynesian support action, because this kind of resource is unable to solve the instability deriving from a partial breakdown of the compatible relationship with nature. Now if we rely on the natural system, that is, on the natural procedure of instability correction, it would be necessary to allow the economy to enter into a corrective pause, also through the periodic recession; a recession that would be aimed to eliminate or reduce the deviations from the development path compatible with nature.

Well, given the long presence of deflation specter in the global economy, at this point we might ask ourselves what will be the effect or the reflection on the persistence of the long economic stagnation phenomenon at a global level due to the pandemic. It is not surprising that the forced interruption of the normal economic movement seems to be able to affect the deflation strength, which so far didn't seem defeated at all.

In fact, we shouldn't forget that the natural process to bring the economy back to its natural stability and constant growth over time is precisely the recession that puts on pause the economic development. Well, the pandemic had the singular effect of pausing the production systems at a global level for a few months, with the result that is not so different from what could be induced by a recession extended for a few quarters over the whole global economic scenario. Nevertheless, we should consider the possible consequences!

Firstly, we can consider the good ecological consequences on air quality and more generally the positive impact on the environment caused by the progressive extension of the global lockdown also on those activities producing atmospheric pollution. If we admit that the instability of economic systems is at least partially fueled by the breakdown of the compatibility relationship with nature, we can believe that in a singular and even paradoxical way the long epidemic round may represent a sort of beneficial pause for the protection of nature.

All this cannot be without any returns, also on the economic scenario, which in the meantime was made vulnerable by the spread of coronavirus. We can therefore ask ourselves what could be the return effect for having forcefully given a breath to the environment, by pausing the pollutions caused by the economic activity.

In general, we may believe that the minor physical damage for humankind inside an environment with some cleaner air (at least temporarily) could be added to a partially reabsorbed instability of economic systems. A somewhat recovered path of compatibility with nature could give some advantages in the future in terms of efficiency and growth, less affected by the constraints imposed by the poor compatibility.

Defining this *quid* of improvement in the future global growth can be an useless speculation. It seems more realistic to say that we could therefore see an improvement in the expected results, based on the projections of institutional offices. The pandemic is a deep global shock. The projections are giving for the euro area a GDP drop of around 8.7% for 2020, slightly heavier for Italy which would fall by 9.3%. In the case of the United States, the Fed in mid-September revised upwards its GDP estimates for the year, which therefore would fall by 3.7% only, compared to the 6.5% decline expected in the previous quarter. The OECD has revised upwards its estimates for global GDP. In 2020, the world GDP could limit its drop to 4.5% compared to the 6% expected just three months earlier. Finally, China could have a modest growth as early as 2020 (Note 4 Note 5).

On the other hand, the relative advantage acquired in the relationship with the environment could somehow be reflected also on the most direct and immediate indicator of the economy: the prices. It seems therefore reasonable that the deflation tendency showed with a varying intensity by the economic systems at a global level is attenuating, because directly influenced by the lower overall instability. As saying that from next year, the expected recovery of the post-lockdown economy could enjoy an advantage due to the prices less affected by the deflation trend. A phenomenon that will have some direct effects on the expected recovery of the economy, not at all due to the fate of the conjuncture, but rather deriving from the basic improvement regarding the economic compatibility in the global scenario.

However, these are theoretical evaluations whose positive effects should already be seen in the next year, though currently not calculable. Based on this forecast, an improvement reported for a lighter deflationary trend, could be more evident for countries showing a greater financial fragility and, therefore, a more marked deflationary trend. Thus, we should note an unexpected recovery capability in the Southern European area, which suffered for a greater fragility after the 2008 crisis. The whole area could in fact benefit from a probable small rise in inflation around the base value of 2% from next year, with positive results on the economic and financial stability and with a relative compensation for the imbalances and the relative spreads inside the European Union.

3. Result

3.1 The Trend of Natural Phenomenon towards a Greater Equity between Global Areas

The hypothesis that there may be a loosening of the global instability within economic systems due to the pause caused by the pandemic, is coming therefore from the assumption that the recession is the natural tool able to control the deviations of the economic system from the stability path. We can certainly make a sort of streamlining that would consider the pause imposed on productive activity by the virus spreading, as a forced, serious and long-lasting recession of the global economic system.

From this point of view, it could be possible that the slowdown of the real economy may also have repercussions on the other evolutionary factors that we found throughout the previous pages. Starting with the phenomenon of cultural resources and economic redistribution between the continents, which showed over the past thirty years the acceleration of development pace of some large Asian regions. So that today China has reached the economic and cultural standard of the most advanced countries in Europe and North America, followed by India and Southeast Asian countries.

This partial balancing, which is still showing some large continental areas excluded from this natural process of economic convergence, cannot be certainly considered concluded. Indeed, we can observe that the goal of partial equalization that has been consolidated, implies that until now was lacking a general process involving together those continents until now little or not touched by this great natural motion. Well, there are no reasons to exclude the possibility that this progressive evolution is still ongoing even if in a period of time that we cannot estimate.

Therefore, if we admit that the corrective process of resource redistribution between continents has an uneven path, and therefore is still ongoing (Note 6), we will be able to observe the symptoms. Well, we can say that a first symptom that the equalization phase involving the Asian countries is being interrupted, could be seen in the progressive reduction of mutual interests, which was the operational push of the process. The spy of the declining mutual interests can be found in the challenging climate, at economic and political level, which sees the growing opposition between the new China and the United States. A political and economic opposition deriving from the exhaustion of the equalization phase; that natural tension supporting the accelerated development run in Asia has exhausted its mission and gives way to a new and unprecedented rivalry.

On the other hand, it's useful to observe the renewed attention of the European old colonial countries towards sub-Saharan Africa for a new mutual interest in economic integration and cultural exchanges, which is accelerating the development factors within the area (Note 7). On the other hand, the same situation of economic integration and technology transfer has been working for some time between the USA and Mexico as well as the South American countries, though with less intensity.

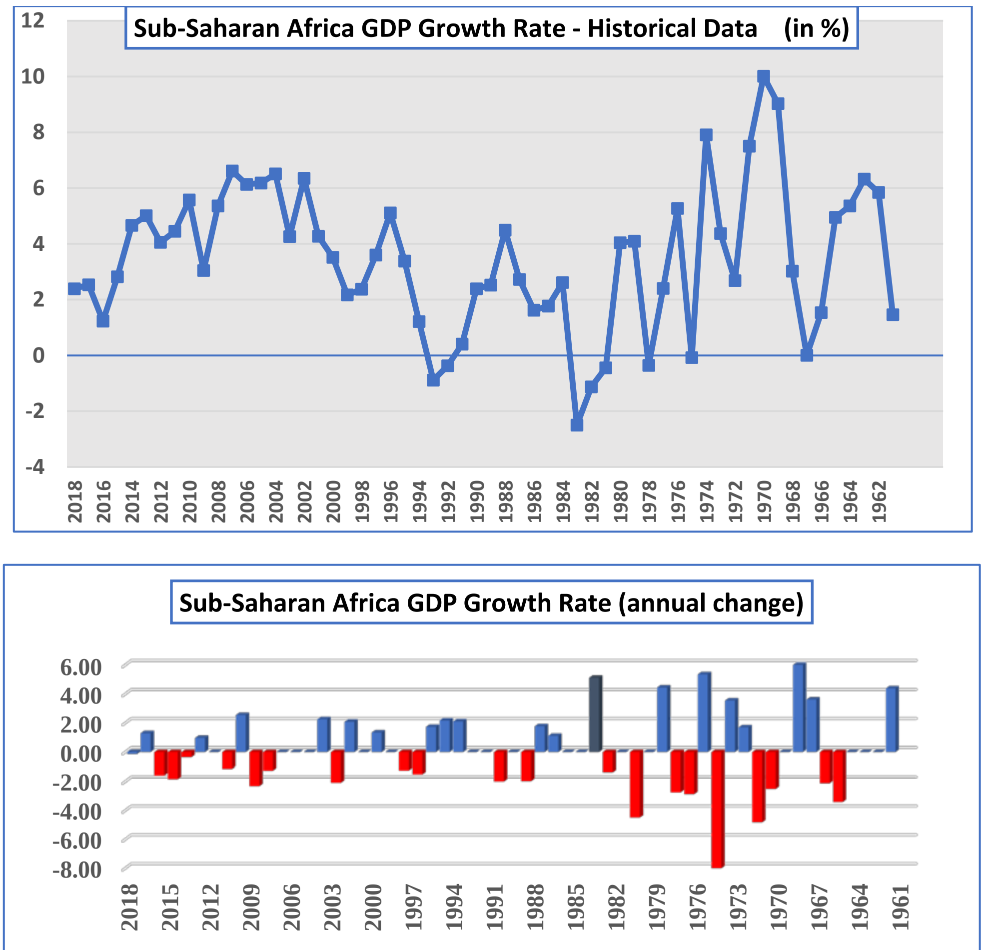

Figure 3. Sub-Saharan Africa GDP Growth Rate and Annual Change in % (1960-2018)

Source: Elaborations on World Bank data

It should be added that from over a decade, China is showing a growing interest in the sub-Saharan area, particularly in the field of oil and renewable energies, demonstrated by the transfer of capital and technology. Looking now further ahead, it could be pointed out that even the social unrest of black Americans troubling the United States for the death of George Floyd, killed by police officers (Note 8), may be a paradoxical sign of the change in the interest center, that could move from Asia to Africa.

Figure 3 shows the GDP percentage growth of the Sub-Saharan area as well as the annual variation rates from 1960 to 2018. As shown in the graphs, the development strength of the area stopped in the two decades 1980-2000, and then again regained strength in the following twenty years. As saying that the natural project of redistribution of economic and cultural resources since the 1980s has been attracted mainly by the Asian area and China in particular. The natural phenomenon directed towards a more equitable distribution of resources between the continents has therefore partly taken other directions, thus leaving behind the potential that could accelerate the development of Africa and part of Latin America.

The long stagnation imposed by the coronavirus on the global economy will require at least a two-year period to recover the level reached by the global GDP in 2019. However, it must be said that the end of the development equalization process that conquered many Asian areas could be a further reason for a slowdown of development potential at a general level.

We move on the assumption that the natural push for greater homogeneity between continents in the possession of resources has been and still is a strong impulse to support and promote the growth of global areas. Therefore, the end of this strong development impulse could be a further reason for a pause in the economic and social growth. However, as already mentioned, the natural phenomenon of equalization between the areas at a global level doesn't seem interrupted; because the centers of mutual interest, which give shape and substance to the entire process, are moving in the direction of the continents lagging behind on the path towards economic and social equalization.

This trend towards the continuation of the natural process for greater equity between global areas, may not go therefore in the direction of a return from the area where these interests were attracted, to those countries where technologies and capital were originated. In this hypothesis, advocated by some heads of state (often for partisan interests), the return maneuver could have an anti-historical significance and, therefore, may lead to the decline instead of the expected strengthening of the growth capabilities in the individual countries and also globally.

The natural direction of the equalization between the different global areas seems to be moving by changing the destination of mutual interests towards the continent that suffered the slavery degradation in the eighteenth and nineteenth centuries; not so much as an impossible compensation for the terrible past, but rather as the sign of an unstoppable natural trend. Therefore, a parallel interest should continue to appear towards the countries of Central America and the Andean area.

3.2 The Insane Swing of the Secondary Cycle of Financial Speculation, Unrelated to the Real Economy

In the hypothesis substantially positive for the global development of the economy, the emerging trend towards a greater equalization of the different areas regarding resources and culture could be a good symbol: in fact it would have the effect of giving new impulse to the global economy, and especially in favor of Europe and USA, in this phase of slow recovery after the lockdown imposed by the pandemic. At the end of August, the phenomenon was far from ending although its strength was slightly decreasing in the Americas, while it now seems to be under control in much of Europe, Near East, China and Southeast Asia. But at the beginning of autumn a new flare has strengthened and the forecasts of a re-easing of the pandemic rely on the vaccine, which can only be distributed in sufficient quantities in the course of 2021 to calm the development of infections.

If this is the evolution of the coronavirus in the second half of 2021, it’s realistic to believe that there are the right conditions for the origin of a new push towards global development already in 2022-23, also due to the natural pressure towards a greater homogeneity in the continental development processes. Alongside this predictable potential and the forecast of a cautious inflationary increase, then maybe less suffocated by the deflationary trend, now we can mention another global factor, already present before the pandemic development.

As above mentioned, an anomalous trend towards the concentration of wealth and incomes in a few hands has been accentuating in these years post-2008 financial crisis. All this, obviously, with great damage to the majority of the community, which sees the availability contraction of goods and incomes following the unusual and anomalous poverty increase (Cardoso, 1992).

Coincident with the improper trend towards the wealth concentration, an anomalous double economic cycle emerged and continues to occur even during this post-pandemic phase. A weak and cautious cycle of the real economy, which is now clearly affected by the recoil imposed on normal evolution by the pandemic emergency. Moreover, the forecast approaches for the next two years attempted by Central Banks in Europe and the USA have an uncertain reliability, due to the lack of clear guidelines about the ability of individual economies to recover at the moment of their gradual exit from the forced lockdown. Furthermore, the hypothesis of a reconstruction of the future based on the pre-pandemic scenario also appears somehow weak, because the pandemic has imposed a technological motion with a rising trend.

Beside the cycle of the real economy, therefore, an uncoordinated cycle of financial markets has appeared for some time, which has its reference index in the performance of the Stock Exchanges, unrelated or even in contrast with the cycle of the real economy. As already mentioned, the phenomenon seems related to the singular mechanism that is accentuating the concentration of wealth and incomes. In the sense that the secondary cycle of finance seems to be defined as the natural reaction to fight the phenomenon of concentration of resources and goods. In other words, the cycle periodically activates until the bubble breaks: this coincides with the elimination of the virtual wealth consolidated through the arbitrary and unrelated price growth of financial assets.

Therefore, it is clear that the concentration of wealth is causing a decreased growth potential of the economy and that the secondary cycle of finance is aimed to partially remove the excesses of accumulated wealth. And not only that, because when the financial bubble breaks, the real economy is affected and suddenly falls into recession. With the consequence that the cut in incomes and wealth of the most favored social area, will also affects the rest of the community, due to the work and employment loss. The corrections introduced by fiscal policy to control the income fall and the job loss, will therefore assume the anomalous meaning of a resource transfer (in deficit) to the less privileged social classes. A sort of improper transfer of resources from the favored social area to the poorest deciles of the population.

It's equally clear that, if at the bubble break created by the secondary cycle of finance would start again in a relatively short time the tension in stock prices and financial assets, we can believe that is starting a new anomalous cycle. Essentially, the destruction or rather the virtual elimination of values created by the speculative process, takes breath for a new series of tensions in the quotations, unrelated to the real economy. With the abnormal purpose, therefore, to recover and even increase the abnormal load of wealth and income concentrated in the most favored decile of the community.

Again, a sort of insane swing, moving between the disordered growth of wealth concentrated at the top of society and the impersonal and irrevocable axe of natural correction that has the aim to limit these excesses. So causing, unfortunately, terrible damage by falling with disruptive force on the real economy, which therefore periodically seems condemned to a serious economic reversal, not only unnecessary but also excessive, which essentially tends to demolish or weaken the (already weak) strength of the growth accumulated between one crisis and another.

All this can be clarified by **Figure 4**, showing the evolution of Dow Jones over the past nine months. The reaction to the sharp drop in prices at the pandemic outbreak (February 2020) was followed by a significant rise that does not find a valid confirmation in the uncertainty context involving the global economy in the same period. Not only for the fall during the lockdown of production activity in industry and services, but rather for the uncertainty surrounding the recovery especially in 2021.

Now it is clear that a speculative phase of the secondary cycle of finance could be a cause for serious concern about the resilience and recovery of the economy after the pandemic. It is useless to believe that the price increase of financial assets could also be a good sign for the real economy. On the contrary, the cycle strength of finance must be seen as a heavy antagonist for the fate of real economy: for the damage produced by the periodic breakage of the secondary bubble, but also for the deviation that could be suffered by the resources deployed by Central Banks to return liquidity to families and businesses, due to the insane attraction exerted by the unexpected strength of the financial market.

This danger seems to be present in the context of the action carried out by the main Central Banks, and in particular by the FED and the ECB, which both put emphasis on a smooth transmission of monetary policy (Note 9). However, it seems clear that the policy of wide availability of low-cost credit, which is the classic measure to favor a gradual recovery when the economic situation is under stress, also becomes a convenient way for accessing credit and for a grand style recovery of financial markets, first of all in the USA.

Figure 4. Dow Jones (DYIA) Trend for Next Nine Months 2019-2020

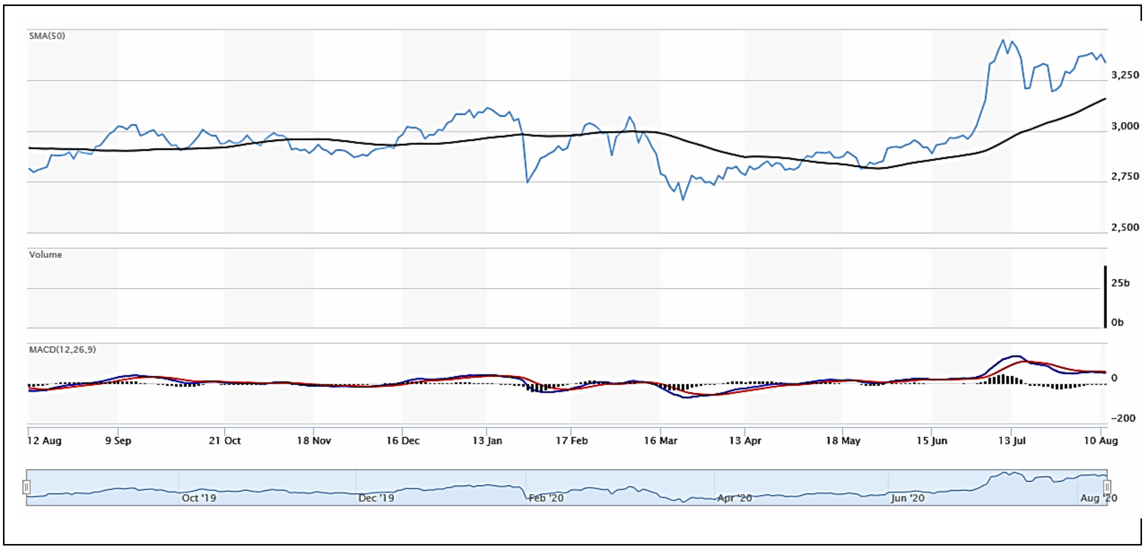

Figure 5. Shanghai Composite Index Trend for Two Years 2018-2020

Source: Chart from MarketWatch

Therefore it is unavoidable to put the motions of the financial markets under close control, with the primary aim of curbing a possible new speculative phase, which in the current contingency would have the undesired task of favoring once more the recipients of the great wealth, unfortunately to the detriment of the whole community.

At this point we could say that the secondary cycle of finance is called to play a role that is anything but marginal in the scenario of the post-pandemic economy. But this script can be imagined differently if an effective control on the speculative development of the cycle of finance would be activated or if any possible control would not be activated. In fact, we must consider that the formation and reiteration of the secondary cycle of finance is essentially a mechanism to control any excess of wealth concentration, by breaking periodically the bubble.

As saying that the mechanism was born and reproduced because of the unresolved phenomenon of the wealth accumulation at the top of society. But the issue is far from being solved because the freeze periodically imposed on great wealth doesn't seem able to slow down the accumulation process, which is anyway continuously renewed. Therefore, in absence of interventions, it becomes unavoidable that excesses will be penalized through the periodic breaking of the speculative bubble on the financial markets.

It follows that we can think to interrupt the sequence -wealth accumulation and corrective speculative bubble- only by curbing the phenomenon of wealth accumulation, with a more equitable redistribution of resources and social welfare. A solution, therefore, doesn't seem available if we propose to interrupt the second part of the paradigm, that is the speculative climb: because this has a corrective function, in the assumption that the tyranny of the accumulation mechanism tends to suffocate the economy, if left to operate without the intervention of natural correction.

Thus, the problem apparently lies in the excess of concentration which in turn triggers the paradoxical defense of the speculative mechanism. The real problem then is how to control the phenomenon of excessive wealth accumulation: in fact the troubles derived from the secondary cycle of finance, would disappear by managing to curb this anachronistic evolution, which is just a saprophyte model of the real economy.

3.3 The Growth of Quotations in the US Stock Exchanges Could Be the Result of an Imbalance due to the Economic Weakness after the Pandemic

At this point, it should be noted that the secondary cycle of finance has a non-symmetrical evolution. In fact, while the speculative pressure becomes strong and the prices are suddenly rising for the North American and Chinese Stock Exchanges, slowly followed by the Stock Exchanges of the old continent, and particularly by those of the Mediterranean area. In the aftermath of the recession imposed by the pandemic, the rebound of the US Stock Exchange was the fastest in history. In fact, the fall (-34%) suffered in the previous February was almost entirely recovered in June. At the end of June 2020, the Nasdaq was close to historic highs and the S&P 500 index was just 3% lower since the beginning of the year (it is noted by some strategists that it took various years for the S&P 500 to reach its previous record after the great 2008-2010 recession). The run of stock market prices in Europe during the recent period was quite more cautious.

Apart from any opinion on the unexpected acceleration of the US Stock Exchange prices in recent months, we should start by saying that the break of the speculative bubble generally occurs where the prices have run more. In previous cases at the turn of the century and in 2008, the breakdown of the cycle was originated in the US Stock Exchange. However, the phenomenon then was rapidly extended to the global financial markets, usually causing even greater damage to the economies financially more fragile. The correction is generalized regardless the triggering factor, that is the specific break of the speculative cycle in the hyperactive market.

A globalization effect of the secondary financial cycle gives a warning on the consequences of a new speculative break, keeping an eye to the excessive rebound of the US stock market, even though the progression of the pandemic in North America was not yet over at the autumn threshold. We should add that the phenomenon of the wealth concentration has reached its historic highs in the USA and China and then in Italy and in some countries of the Eurozone. Therefore, it is not surprising that the wick triggered in America or China can then deflagrate in a new global recession.

The non-marginal problem is that the cycles of finance after years of a devastated real economy, are failing in their natural objective of achieving a more equitable distribution of wealth and resources. This is witnessed by the recurrence of the cyclical motion, which is essentially evidence that the mechanism doesn't appear able to alleviate the situation. This inability is demonstrated not only at the time of the speculative rupture, when obviously the loss of value of financial assets abruptly cuts the accumulated capital stocks, but rather because on the financial front the remedy usually taken to mitigate in part the damage caused by the financial crisis, appears quite weak.

In other words, it could be roughly stated that the fiscal policy, by subsidies and credit to businesses and families, can represent the tool of choice in the post-crisis period to give new breath to the economy by means of public aid. In the sense that the transfer of deficit spending in favor of the economy, in part gives back to the labor market the resources absorbed by the secondary cycle of finance to give substance to the speculative motion.

On the other hand, always speaking in very general terms, it could be considered that the deficit spending to support the real economy is essentially a sort of transfer from the mountain of wealth accumulated by a few, to the whole community. Paradoxically, it could be argued that the increasingly elaborated instruments of fiscal policy are called to play an alternate role of guarantee for the most poor and marginalized incomes to mitigate the destructive degradation otherwise inflicted by the financial crisis.

It follows that the correction imposed through the terrible secondary cycle of the economy would safeguard the economic system from the progressive asphyxiation determined by the insane wealth accumulation at the top of human society. Furthermore, in the aftermath of speculative rupture, the classical fiscal policy is called to avoid a disruptive retreat of the real economy under the blows of the global recession.

However, the recovery of the secondary cycle would show that the fiscal policy effort -albeit gigantic compared to the past- appears somewhat able to curb the worsening of economic systems in a crisis with no exit. It remains nevertheless insufficient to plug a recovery in the secondary cycle: and this is a probable sign that the engine of wealth accumulation is starting again.

It could be deduced that the possible relative insufficiency of fiscal policy interventions is somehow revealed to the market during the recovery phase of the post-financial crisis economy. When, that is, these interventions are anyway reduced due to the excessive exposure reached by the public sector. At that point, we should be able to notice that gradually, according to what observed during the previous crisis of 2008-2010, may be resumed the upward movement of the quotations on the main Stock Exchanges, the North Americans in the lead.

As saying that the gradual limitation of the public presence generally emerging on the market during the post-crisis period, could produce an imbalance between two adverse trends. In fact, the speculative market growth is no longer supported and in some way is no longer limited or conditioned by the parallel movement of fiscal policy supporting the real economy. It could be said that these are two mechanisms of mutual control, between the real economy and the financial markets, which appear able in some way to restrict a potential new wave of speculative model, assuming that monetary and fiscal policies could continue to operate in a coordinated way.

It could be deduced that the acceleration marking since spring 2020 the growth potential of quotations on the US Stock Exchanges may be essentially the result of an imbalance due to the potential weakness of the economy after the pandemic, despite the massive support interventions for families and businesses. An imbalance that paradoxically benefits the stock prices, which are thus showing an upward trend against all uncertainties about the real economy.

In some way, therefore, the discontinuity emerging between financial market and economy could be attributed to the discontinuity of fiscal policy, which finds some limits in the progressive indebtedness of the economic system on its public side. Conversely, this rhythmic public intervention potential, which will weaken anyway, is confronted with a monetary policy intervention that instead finds no limits to the increase of Central Banks exposure. In particular, the Fed as anticipated has also expanded its program to purchase assets and bonds from individual companies. To date, its portfolio has already grown up to 7,200 billion, doubled in one year and clearly greater than the response given to the 2008 great crisis (Note 10).

This duplicity in the intervention ability of the two policies, which seems unlimited in the case of monetary policy, does not seem to play -as it would make sense- to the advantage of the real economy. In the sense that the real economy would react to support the economy, thus integrating the sphere of intervention. Unfortunately, it does not look like that.

As demonstrated by the reaction of the US Stock Exchange after every decision of the FED, which throughout these months of struggle against Covid-19 has progressively increased the amount of interventions, with the interest rate reduced to zero, the unlimited availability increase thanks to QE, and the purchase of assets and corporate bonds.

As saying that the quotations of the Stock Exchange market are not dragged by the still uncertain and unverifiable run of the US economy struggling with the pandemic, but are dragged instead by the siren song, which in an anodyne way seems to come from the pulpit of Central Banks. If the upward movement of the Stock Exchanges, not only in the USA, is not a positive anticipation of the possible recovery of real economy, then obviously we are facing a speculative phenomenon. A sort of revival of the wealth centralization mechanism that perhaps is proposing, though with other and new actors, to reabsorb the losses suffered by taking advantage of the freeze imposed by the pandemic.

The change we are now witnessing on the occasion of the pandemic is represented by the recovery sprint of the Stock Exchanges in the USA and China in particular, as also in the European continent and in Southeast Asia, though with less force. In the past and since the turn of the century, the upward tension in the Stock Exchanges has been much more gradual and usually was taking years to regain its pre-crisis highs. How can we interpret this unexpected change?

I fear the answer could be somewhat unpleasant. The issue under observation remains the behavior's duplicity between the real economy and the financial markets. Well, this restart evidently too fast should be measured by comparing it with the behavior of the economy. In the sense that if the run of the financial markets is followed in coordination also by a revival of the real economy, a parallel run albeit with distorted times, no particular concern could be caused.

The message we could draw is different if the prompt restart of the financial markets would be followed by a weak and uncertain movement of the global economy and especially in the USA and China, with a look at the euro countries of Europe. Because the weakness of the global economy would be paradoxically certified by the unexpected rush of the financial markets everywhere. A sort of certification that the bubble in the financial market is preparing to be ready and detonate by an indefinite time.

4. Discussion

Trying to look at the real economy after the pandemic means prefiguring the long-term damage caused by the passage of the coronavirus, globally. A long-term vision is complicated not only because references in the recent past are lacking, but also and I would say above all for the overly complex scenario of the global economy on the eve of the pandemic outbreak.

The evolution of the pre-pandemic scenario due to the long stagnation of the global economy in the first half of 2020 is beginning to settle. In the meantime, we are witnessing a further downward trend in inflation. It's just a technical fact due to the downward technical pressure exerted by the sharp drop in the economy during the lockdown. Can we hope that in the next months and especially in 2021-2022, we could witness a global recovery, albeit limited, of inflation? As saying that if this prediction comes true, the pandemic could have the merit of perhaps inducing a change, then going beyond the general tendency to deflation.

The return to a key inflation rate close to 2%, indicated by Central Banks as the reference rate for a healthy economic system, will not be anyway the indicator of the balance achieved by the compatible development. Because the basic inflation close to 2% is an ideal, abstract value that postulates an economy that has long since achieved its compatibility with nature. A hypothetical goal, therefore, achieved if for long time the economy has grown steadily following a slightly increasing growth path. Well, although we are far from this ideal goal, even a modest rise in the inflation rate could be a solid basis to give some breath to the economy in the next year (Cossiga, 2018).

This eventuality is linked to the sharp recession that has become globally widespread due to the expansion of the pandemic. An unexpected and sudden recession crisis, moreover generalized, which however moves in the direction indicated by the natural system, to mitigate the instability accumulated inside the economic systems. So, as deflation is synonymous with an impending recession imposed by the natural correction mechanism, an upward recovery of inflation is likewise a sign that the natural correction has been partially successful and the real economy can then recover in the post-pandemic period.

The issue of the distribution of economic and cultural resources among the continents is also important for the post-pandemic economic orientations. The accelerated jump in Asia and especially in China, which has reached the standard of western countries, could be a cause of obstacle and slowdown in the trend of international trade, as a global development proxy. The acceleration of China on the path of economic and cultural growth in the last twenty years has had the consequence of creating a distortion in the natural project of global resource redistribution. Natural project which must be considered oriented towards a more equitable and compatible distribution of resources between continents. As a result, some continental areas lagging behind, Africa and Latin America in particular, in the same period suffered a decline in their potential.

The attraction of mutual interests between the different continental areas, which is the basis of the long phase of natural redistribution of cultural and economic resources at a global level, has been catalyzed towards Southeast Asia, China and India. Having reached now a comparable level of economic and cultural development, we are witnessing a progressive decline of the attraction force towards the Asian continent. A decline of attraction that could also cause a reduction in potential for the economies most involved in the process of reciprocal exchanges. With the consequence that a slowdown in the post-pandemic global development is not just a hypothesis.

We are talking about a redistributive process evolving in the long run, so the hypothesis that the natural correction of resource redistribution with an equitable function can be restarted, is not to be discarded. On the contrary, the singular attraction that allowed the concentration of capital and technology interventions towards the Asian continent can be considered an episode of this ongoing process. Therefore, we can consider inevitable the completion of the natural process with the convergence of mutual interests from Asia, now well developed, towards those areas that suffered the consequences of prior concentration in favor of the Far East. This goal will be achieved by the gradual replacement of previous destinations with the new recipients in sub-Saharan and Central Africa and Central and Latin America.

With the dissolution of the concerns raised by the pandemic, we could see in the coming years the renewed interests of Western countries and China towards the African continent and the interests of

North America towards the southern area of the American continent. If this hypothesis will be confirmed, the promotion of areas still relatively underdeveloped could represent a factor able to mobilize global development. Like the development promotion exercised in the last fifty years by the natural redistribution mechanism that has brought Asia and especially China to a cultural and economic level comparable to that of the most advanced countries.

As we are approaching the conclusion, last but not least we can examine the difficult issue of the tendency to concentrate wealth; a factor occurring almost everywhere but assuming anomalous characteristics in the main and most advanced countries. The entry of the pandemic into the general scenario doesn't seem to have direct effects on this behavior. In the two-year period 2020-21, the prospect of some unemployment increase due to the adaptation of the global production system to the needs of collective health may have some economic and social repercussions.

Well, this potential tightening of social relations due to the unequal income distribution could be exacerbated even more by the phenomenon of the wealth concentration. A phenomenon that didn't stop and which is therefore showing a panorama with a double perspective: the unprecedented strength of the financial market and the Stock Exchanges facing a real economy instead in recession almost everywhere.

Apart from the reasons for the partial awakening of the financial markets, the question of progressive social intolerance arises and confronts this duplicity of the economic situation, which for the community just means poverty increase and income reduction for most families.

It follows that the prospect of stock market values touching the highs previously achieved within a real economy in recession, and in any case with GDP levels lower than in the pre-crisis, should become intolerable for those responsible for fiscal and monetary policy. In the sense that some corrective measures should be taken to restore the structural balance between finance and real economy.

Therefore, it is unimaginable that in the post-pandemic the adverse spiral of the finance secondary cycle would regain breath and that we should take into account the possibility of a new global financial crisis in the next years. It is therefore necessary to be aware that the stock market run is not a prediction of a forthcoming sustained recovery of the real economy. Indeed, apparently the two realities represented by the financial markets and the real economy are running now on two different tracks. Consequently, there are problems in the transmission of monetary policy, which should be corrected as soon as possible.

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Notes

Note 1. In connection with these plans, the Committee voted unanimously to authorize and direct the Federal Reserve Bank of New York, until instructed otherwise, to execute transactions in the System Open Market Account in accordance with the following domestic policy directive:—The Committee also directs the Desk to continue conducting term and overnight repurchase agreement operations to ensure that the supply of reserves remains ample and to support the smooth functioning of short-term U.S. dollar funding markets. In addition, the Committee directs the Desk to conduct overnight reverse repurchase operations (and reverse repurchase operations with maturities of more than one day when necessary to accommodate weekend, holiday, or similar trading conventions) at an offering rate of 0.00 percent, in amounts limited only by the value of Treasury securities held outright in the System Open Market Account that are available for such operations and by a per-counterparty limit of $30 billion per day. *Federal Reserve issues FOMC statement.—March 23, 2020*

Note 2. The People's Bank of China (PBoC) recently announced that 1,200 billion yuan (more than 156 billion euros) will be injected into the country's financial system through reverse repo transactions, just before the reopening of Shanghai and Shenzhen markets, closed for the Lunar New Year holidays of January 24th. Subsequently, the PBoC also announced that the interest rates on the 14-day reverse repo had been cut from 2.65% to 2.55% (after the reductions of five base points in October and December) and the interest rates of seven-day reverse repo from 2.50% to 2.40%.

Note 3. In mid-May, the *Nasdaq technology index* had returned to the levels of the beginning of the year, erasing the losses from viruses. At the beginning of June it had already returned to an all-time high. Now it's up to the other indices to regain the record levels reached at the end of February. In mid-August, the Dow Jones returned over 28,000 points as it hadn't happened since February 21, while the S&P500 is just one step away from the record of 3393 points.

Note 4. *The New York Times' Jeanna Smialek reports:* "**Fed officials** indicated that they expected the unemployment rate to end in 2020 at 9.3 percent and to remain elevated for years, reaching the 5.5 percent in 2022. Output is expected to be 6.5 percent lower at the end of this year than it was in the final quarter of 2019. The Fed expects that US unemployment will be between nine and 10% in the last quarter of the year, a recovery compared to 13.3% in May but far from the 3.5% advance of the pandemic."

Note 5. The euro area economy has been experiencing an unprecedented contraction since the coronavirus (Covid-19) began spreading in Europe. Economic activity declined in the first quarter by 3.6 percent, quarter-on-quarter, driven by the fall in both domestic and foreign demand. Consumer spending plummeted, largely due to the shutdown of non-essential businesses and heightened uncertainty about job prospects. Although employment declined only by 0.2 percent, quarter-on-quarter, in the first quarter of the year, recourse to national employment schemes remained at unprecedented levels. At the same time, business investment is expected to have collapsed on the back of lockdowns, fading demand, increasing uncertainty and vanishing liquidity. Given the global nature of the shock, both nominal exports and imports of goods declined sharply in March and are expected to remain subdued in the coming months.

Incoming data suggest a much larger contraction of the economy in the second quarter. After the projected collapse in the first half of the year, euro area growth is expected to rebound in the second half, supported by monetary and fiscal policy and some pent-up demand. In May, survey indicators suggested that there were some signs of the slump bottoming out alongside the easing of containment measures. *ECB—Remarks by Luis de Guindos, Vice-President of the ECB—10 June 2020*.

Note 6. Until early 2000, for each percentage point of GDP growth, two percentage growth points could be observed on average in international trade (a coefficient of elasticity equal to 1,2), with the consequence that the degree of openness increased over time. With an elasticity of 1, in the current phase the degree of international openness of the countries has stabilized.

Note 7. The EU-27 pumped into the African economy a flow of foreign direct investments equal to 222 billion euros, compared to 42 billion of the USA and 38 billion of China. Also on the side of development assistance, according to the model of the new season of relations, almost 50% of flows are granted by the EU with 19.6 billion euros against 25% of the United States (10.7 billion euros).

Note 8. On May 25, Minneapolis police officers arrested George Floyd, a 46-year-old black man, after a convenience store employee called 911 and told the police that Mr. Floyd had bought cigarettes with a counterfeit $20 bill. Seventeen minutes after the first squad car arrived at the scene, Mr. Floyd was unconscious and pinned beneath three police officers, showing no signs of life. By combining videos from bystanders and security cameras, reviewing official documents and consulting experts, The New York Times reconstructed in detail the minutes leading to Mr. Floyd’s death. Our video shows officers taking a series of actions that violated the policies of the Minneapolis Police Department and turned fatal, leaving Mr. Floyd unable to breathe, even as he and onlookers called out for help. The day after Mr. Floyd’s death, the Police Department fired all four of the officers involved in the episode. On May 29, the Hennepin County attorney, Mike Freeman, announced third-degree murder and second-degree manslaughter charges against Derek Chauvin, the officer seen most clearly in witness videos pinning Mr. Floyd to the ground. Mr. Chauvin, who is white, kept his knee on Mr. Floyd’s neck for at least eight minutes and 15 seconds, according to a Times analysis of time stamped video. Our video investigation shows that Mr. Chauvin did not remove his knee even after Mr. Floyd lost consciousness and for a full minute and 20 seconds after paramedics arrived at the scene. *NYT—How George Floyd Was Killed in Police Custody* (published May 31, 2020).

Note 9. The Governing Council was unanimous in its analysis that in addition to the measures it decided on 12 March 2020, the ECB will continue to monitor closely the consequences for the economy of the spreading coronavirus and that the ECB stands ready to adjust all of its measures, as appropriate, should this be needed to safeguard liquidity conditions in the banking system and to ensure the smooth transmission of its monetary policy in all jurisdictions. *ECB statement—18 March 2020.*

The Federal Open Market Committee is taking further actions to support the flow of credit to households and businesses by addressing strains in the markets for Treasury securities and agency mortgage-backed securities. The Federal Reserve will continue to purchase Treasury securities and agency mortgage-backed securities in the amounts needed to support smooth market functioning and effective transmission of monetary policy to broader financial conditions. The Committee will include purchases of agency commercial mortgage-backed securities in its agency mortgage-backed security purchases. In addition, the Open Market Desk will continue to offer large-scale overnight and term repurchase agreement operations. The Committee will continue to closely monitor market conditions and will assess the appropriate pace of its securities purchases at future meetings. *Federal Reserve issues FOMC statement March 23, 2020.*

Note 10. -The corona-virus outbreak is causing tremendous human and economic hardship across the United States and around the world. The virus and the measures taken to protect public health have induced sharp declines in economic activity and a surge in job losses. Weaker demand and significantly lower oil prices are holding down consumer price inflation. Financial conditions have improved, in part reflecting policy measures to support the economy and the flow of credit to U.S. households and businesses.

The ongoing public health crisis will weigh heavily on economic activity, employment, and inflation in the near term, and poses considerable risks to the economic outlook over the medium term. In light of these developments, the Committee decided to maintain the target range for the federal funds rate at 0 to 1/4 percent. The Committee expects to maintain this target range until it is confident that the economy has weathered recent events and is on track to achieve its maximum employment and price stability goals…

To support the flow of credit to households and businesses, over coming months the Federal Reserve will increase its holdings of Treasury securities and agency residential and commercial mortgage-backed securities at least at the current pace to sustain smooth market functioning, thereby fostering effective transmission of monetary policy to broader financial conditions. In addition, the Open Market Desk will continue to offer large-scale overnight and term repurchase agreement operations. The Committee will closely monitor developments and is prepared to adjust its plans as appropriate. *Federal Reserve issues FOMC statement—June 10, 2020*.

-The Federal Reserve Board on Monday announced updates to the Secondary Market Corporate Credit Facility (SMCCF), which will begin buying a broad and diversified portfolio of corporate bonds to support market liquidity and the availability of credit for large employers.

As detailed in a revised term sheet and updated FAQs, the SMCCF will purchase corporate bonds to create a corporate bond portfolio that is based on a broad, diversified market index of U.S. corporate bonds. This index is made up of all the bonds in the secondary market that have been issued by U.S. companies that satisfy the facility’s minimum rating, maximum maturity, and other criteria. This indexing approach will complement the facility’s current purchases of exchange-traded funds.

The Primary Market and Secondary Market Corporate Credit Facilities were established with the approval of the Treasury Secretary and with $75 billion in equity provided by the Treasury Department from the CARES Act. *FED—Press Release—June 15, 2020.*