

Original Paper

Some Considerations on Sustainability Issue in the Economic and Social Sectors

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Abstract

To be implemented and investigated, according to the rules of a good relationship with nature, the sustainability must be equipped with a theoretical scheme that will help to understand the dynamics of this relationship and the opportunities offered in order to improve the economic system development. It's essentially about recognizing that, just like physics, also the economy is subject to some general and abstract rules. This is the case of the inflation base value which the Central Banks have defined as a value close to 2%. So, if the economy moves along the track indicated by this value, we have the confirmation that growth is properly developing. This base value for inflation is defined implicitly without any clear specification. We can therefore admit that it's an ideal value like the great universal constants, which gives us some information about an economic system that is developing according to the rules of natural computability. According to this point of view, the base inflation close to 2% is essentially utopian, because it can only be achieved if the whole economic growth moves in full harmony with the nature around us. It follows that even if we could actually verify the realization of a base value close to 2%, in reality we aren't in the best conditions at all, especially if the global economy is affected by deflation as today. The deflation, that is the falling price trend, is part of the complex messages that both nature and economic systems send to warn that the economy is worsening and becoming unstable. Both inflation and deflation are messages that never contribute to the economic development. A messaging complex that starts and evolves in parallel with the rising of economic cycle inside the daily activity. In summary, a mechanism that has the responsibility, by imposing pauses on the system, to reduce the instability of the systems in order to facilitate the return to the natural development condition (i.e., to a relative compatibility). A correction system based on the conjuncture that is obviously quite different from the stability world, in which the economy grows and develops with a linear and constant inclination depending on differentials.

Keywords

conjunctural cycle, inflation base value, instability sub-world, monetary messages

1. Introduction

Sustainability in economics should be understood as the relationship between humanity, with its economic and social activities, and the nature around us. According to this evaluation parameter of economic and social relations, we must admit that the relationship with nature may not always be optimal. But rather it's somehow damaged by the pressure exerted by human beings when they improperly use the natural resources. If this relationship with nature is deviated, then the economy course has lost the path of relative compatibility with nature and is launched into an instability sub-world.

We can certainly say that a large part of the global economy is today in this unstable economic condition. With what consequences on the level of everyday life? The first and decisive exception is the presence inside economic systems of a non-linear but sinusoidal development of the conjuncture cycle. In other words, the economic growth follows the ups and downs of the economic conjuncture. After a recovery phase, however, a phase of recession or reduction in GDP will follow. And not only that: if the instability continues, the pace of the economy will get worse, in the sense that the recovery phase will be reduced more and more with the balance worsening of relationship with nature. While the declining phase of Gross Product (GDP) is extended over time and the economy is contracted with serious social and economic effects.

The instability general condition of economic systems, all subject to the economic cycle, is telling us that the instability issue is actually linked to the relationship with nature and that it plays an overall mediating role to protect the environment from excess pollution. So, pollution periods can be followed by recurring economic crises in search of a discontinuity in order to reduce damage.

Therefore, economic instability costs money and the return to a relative stability and compatibility phase is often necessary to support the correction natural process. It follows that the normal operations of fiscal and monetary policy to boost the weak economy can give some appreciable results only if they do not oppose frontally the natural work of correcting the unstable economy. Now, we don't forget that in the post-2008 financial crisis, reliance on unusual levels of deficit spending avoided at least the worst damage compared to an uncovered financial crisis.

However, this effect -certainly positive- was obtained because the financial policy on that occasion played a concomitant role to that of natural process to rebalance the economic systems. In particular, the fiscal policy seems called upon to limit the consequences of a very unbalanced wealth distribution to the detriment (as usual) of the less favored or even poor community. Thus, the fiscal policy seems to be called upon to play a significant role in returning to the less favored and poor part of the community at least some portion of the wealth, which otherwise tends to flow towards the top of the more fortunate part of society.

Obviously, there are some shadows in the maneuver. The first and directly observable is the oversized growth of public debt which in turn means the weakness of the most fragile systems, which are therefore more exposed to the recession wind. And unfortunately, this is not the only troubling point. Anyway, the fiscal policy is called to play an essential role that will compensate, at least partially, for the serious imbalances caused by the wealth concentration in a few hands and a consequent simultaneous poverty spread.

Consequently, also the abnormal process that drags income and wealth upwards, so depressing the less fortunate segments of the population, is another symptomatic effect caused by the imbalance of economic systems in their relationship with nature. So how can we say to be on a correct path regarding the evolution of the planet by which we are sustained?

Well, the first element to observe is exactly the development trend. Now, if there is instability, then we will have the conjuncture pace as a companion, together with a series of events such as the anomalous wealth distribution and damage affecting the less fortunate classes. In a stable situation, instead, that is with a relationship sustainable and compatible with nature, the economic system development tends to rise slightly but steadily over time. Obviously, an economy that is stable over time with a constant growth is just utopian, because a relationship between humankind and our environment acting on a compatibility and neutrality level is still utopian.

The problem is that the issues of sustainability and relationship with nature is ignored. A relationship that is based on the axiom about the use of natural resources: the available natural resources must be used rather than consumed. The ultimate goal of human beings is to preserve the natural resources for future generations.

Therefore, preserving and not consuming or wasting natural resources is synonymous with respect for the rule that sees in future generations those who have the task of continuing to improve the knowledge of our mother nature. In other words, humanity would have the transcendent objective of analyzing and knowing the universe around us, starting from the remote past, so passing through the Maya and Egyptians who deified the sun, up to a wide group of researchers who seek the laws and rules allowing and regulating the construction of universe and solar system. Moreover, a strong interest is felt by the entire community for the repercussions that the positive tension to study and research can bring in terms of social and economic well-being.

1.1 Symptoms of the Instability or Relative Incompatibility That Globally Pervade the Economy

Since the economic systems are unstable and with poor compatibility, they are subject to the economic conjuncture, that is to a corrective mechanism that introduces the recession into the economic scenario. The recession is therefore essentially a corrective mechanism that, if and when left to act, can allow the reduction of the anomaly (incompatibility) and therefore a gradual return to stability and relative compatibility with the natural world. The correction mechanism *par excellence* is the recession: while some connecting tools are shaped for the relationship between humanity and nature inside the instability world, other phenomena are taking some evidence, such as the monetary anomalies.

As already explained in the past (*Cossiga, 2019*), the monetary anomalies, such as inflation or deflation, are not parts of the economic mechanism in action; that is, they do not participate in the economic course. Rather, they are simple messengers of an altered and unbalanced economic system to warn the community that the economic system has left the path of relative balance with nature. From this point of view, they cannot be subject to reactions or opposition because they are just messages, a sort of ‘ghosts’ created by the instability. Instead, it’s necessary to correct the reasons that have led the economic system to deviate from the right path. Nevertheless, the right path we are talking about is not the compatibility with nature which in the current state of knowledge and science is actually utopian. This right path is instead trying to move the global economy along the narrow and difficult way of the least possible damage to the nature around us. On the other hand, the path indicated by the correct relationship with nature certainly doesn’t lack attractions. In fact, if and when followed without deviations, it should allow us to count on a constant and slightly rising economic growth for a certain time.

The rupture of the relationship with nature, on the other hand, entails the appearance on the scenario of the conjuncture erratic rhythms. Thus, is dissolved the symmetry of that constant growth we experienced for a few years, to finally start a difficult course with efficiency loss and development capacity reduction, which at the end stops or anyway declines.

The intrinsic rule of the economic conjuncture is exactly to curb the potential development strength, when the diverted economy risks compromising the self-correction capability of nature. Therefore, any attempt to solve the anomalies of the economic situation with the remedies of fiscal and monetary policy, remains opaque if the goal is the return to a growth, which is possible only on a potential level. Unlikely goal, without correcting the basic reasons of instability or when the *status quo* is tolerated without any correction.

On the other hand, the monetary phenomena such as inflation or deflation, are anything but irrelevant in the economic world, even if they do not participate and aren’t involved in the domain of economic action. And therefore what are they in concrete? They are genuine messages of immediate understanding for the members of community. Essentially, they simply say that things in the economy are going badly. Moreover, they are messages coming from the market in explicit form, that is through the price trends (inflation or deflation) or in implicit form, that is as widespread sensations on the favorable or unfavorable condition of the economy.

These messages directed to the community are suggesting to adapt their behavior to the changed conditions of the economic context, and above all to accentuate their critical position towards the governing leadership about the economic management. We should believe in fact that the community is the final point of the relationship between humanity and nature. In the sense that ‘the community’ is the human group most sensitive to the changes in economic conditions and finally the real arbiter of the whole economic cycle.

How else would it be possible to explain the singular ability that the simple man in the street or our neighbor have, to grasp the real state of the economy at a glance and therefore to agree with the

government economic action, or to show instead a critical attitude so to discern, in a simplified and synthetic way, what to do to get out of the wrong course in order to return to the balance of a possible compatibility, by regaining the knowledge and science domains.

In other words, it could be said that the community itself decides, on impulse of the explicit or implicit messages coming from the economic system, the scenario in which the economy will take its shape in the future. This demonstrates that the relationship between humanity and nature is very close and that everything happens on impulse of the community shared will, and not for the intervention of unknown and improbable forces.

According to the scheme shaped by these reflections, we can try to interpret the long story that fuelled the growing inflation at a global level since the 1970s that, once apparently resolved in the 1990s, has turned into deflation which was also widespread at a global level (Shilling, 2001). Now, it seems evident that between the two realities, the inflated world and the current one in deflation, there isn't discontinuity at all, but rather a sort of continuity. In the sense that the world in inflation has somehow "adapted" to the world in deflation of the current scenario. But apart from the reasons for this transformation of the monetary messages coming from the economic system, it's worth considering that, from the seventies to today, the economy at a global level is traveling in conditions of imbalance and incompatibility in relation to the best path to follow for a good relationship with nature.

In other words, are changing the monetary messages to inform the community that things in the economy are not going well, but doesn't change the underlying problem of a general instability inside economic systems. The long battle against inflation, previously held under a cautious control, found its turning point in the initiative of the Fed president Volker and the US president during the late 1970s. The Fed decided to hike interest rates which rose then to 21.5%. Under the severe tightening of monetary policy, the North American economy fell into recession in the years 1980-81. Inflation, which at the end of seventies was traveling at 15%, was tamed and therefore contracted to 5%, and then declined to 2% throughout the nineties (Note 1).

Inflation was tamed and the entire global economy followed, according to the footsteps traced by the USA to eradicate inflation. However, thrown out the main door, it came back under the deflation form in the 2000s. It can be assumed that when the world learned to eradicate inflation and to block the re-emergence of the nominal price run, the logic and modality of the message to the community was changed. Since we are always talking about a message: a message suggesting to the community that things in the economy are going badly. Once deflation appeared on the horizon of the economy, it soon spread globally, starting obviously from the most financially fragile countries.

1.2 Inflation or Deflation Are just Messages, Images, and They Cannot Be Adjusted by Direct Actions

The fight against high inflation rates was done with the monetary policy maneuver of interest rates, an indirect action that works through the interest rates by raising them in sequence, according to the inflation rhythms. High interest rates discourage the economic activities due to the rising cost of money and, therefore, cause a cyclical reversal and the economic system fall into recession. The recession of the

economy produces the somewhat arithmetic effect of curbing the run of nominal prices, as a direct consequence of the declining economy. If monetary tightening is maintained, at the same time the recession increases, and we can witness a reduction ratio of the inflation rate.

In some way, therefore, the action of monetary policy moves in symmetry with the natural correction, which -through the conjuncture cycle- aims to correct the economic imbalance. Let us not forget that the conjuncture introduces in the economic system the periodic recession phase which aims to reduce the relative incompatibility of the economy with the natural system. In other words, the development mechanism paused to allow the reduction of the economic systems' instability and to mitigate the incompatibility caused by our presence on the planet.

Now, trying to understand why the deflation message came after the inflation had been somehow tamed and almost banned, is certainly quite difficult. We can think that the hard battle against the emergence of the nominal price increase, made the deflation to rise again as a replacement. However, I wouldn't lose time on this aspect, because both deflation and inflation are messages, a sort of images of reality that in no way would participate in the development of economic events. In fact, the greater the instability of economic systems, the more incisive and effective these images of reality will be towards the community, which is the message final recipient.

Apart from the hypotheses on the reasons for the replacement of messages, it must be said that what really matters is not so much the type of message, but rather on what inflation or deflation are warning the community. That is, the continuing instability and relative incompatibility of economic systems at a global level. On the other hand, I would say that an inflation curbed just at its beginning, could no longer perform the function of a disturbing message connected to its acceleration within an unstable context.

From the point of view of the defenses available to monetary policy, there isn't a lack of technical resources to be used. Nevertheless, the consequences in case of inflation or deflation would be very different.

It has already been said that the monetary policy uses monetary tightening to fight inflation and, therefore, to induce recession. The monetary policy in this case moves according to the cyclical inversion trend already acting in the economic system. In the case of deflation, instead, the monetary policy cannot find any positive result by reducing interest rates to the point of reaching the zero or becoming even negative, due to the simultaneous decline of nominal prices. The rate reduction to zero is somehow a supine adaptation to the condition of falling prices. In other words, the monetary policy cannot act in contrast to push up the falling prices.

However, left to act under the grip of falling prices, the economy can finally turn towards recession, also in this case according to the market trend in order to rebalance, with a pause, the distorted development of the economic system. The monetary policy, however, together with fiscal policy, aims to avoid the fall into recession, to contain the social and economic damage due to the increase of unemployment and to the decline of incomes, especially for those families who are less privileged and at risk of poverty.

Obviously, we can certainly agree on the social objective. However, there remains the question of the effectiveness of joint interventions aimed at keeping interest rates low over time by injecting at once liquidity into the market, to an unprecedented extent. The declared objective of the Central Banks is to support the recovery of the economy, otherwise in decline, with new liquidity. On the assumption that the resilience of the economic situation would represent a valid support for the recovery of nominal prices as well. Basically, when it's given strength to the economy, also the prices will consequently escape the deflation grip.

Certainly, this hypothesis is to be verified, as it leaves behind a potential poisonous tail. In fact, the support to the economic situation requires that fiscal and monetary policy play a role of mutual collaboration. However, some adverse legacies are playing a role too. The public spending in deficit has reached an unprecedented dimension in most nations to mitigate the blows of the very serious financial crisis of 2008-2009. Once again, under the adverse conditions created by the pandemic, Eastern and Western parts of the World are in agreement to expand without limits the deficit disbursement of the public budget. Well, there is no doubt that the intervention of economic policy has made it possible to avoid a serious deterioration of the economies in the last decade, especially by alleviating the social damage due to the abnormal increase of unemployment and poverty. Not without the negative legacy of increase in public debt, with implications that still need to be examined and well evaluated.

In addition, the debt land becomes a minefield. For the concurrent action of the monetary policy, which seems to play a role of support to the fiscal policy, while its action instead should be to act according to a long-term perspective (Note 2). Central Banks, in fact, are not subject like governments to the evaluation of voters and to the demands of social representatives. Actually, by relying the objectives of their action on the employment defense, the Central Banks end up moving exactly in the wake of fiscal interventions, through credit promotion and provision of large amounts of new liquidity. Well, it cannot be denied that during the storm of financial crisis, the support action of Central Banks is essential to promote first an attenuation and then a recovery of the economic cycle.

Even in this case, however, there is no lack of some hidden negative aspects, added to that already observed for the increase in public debt. In fact, the unlimited liquidity increase and the interest rate fall to zero, reinforce the expectation of loans at a zero or almost zero cost, and this stimulates the indebtedness of companies and households. In other words, the system gets into debt beyond any real possibility of being later able to pay the debt. Furthermore, and I would say above all, this debt situation activates a speculative credit that can push the capitalization of stock exchanges and assets quite beyond the correct market value (Note 3).

There will be therefore some unexpected implications due to the intervention policies: however, these implications are not suggesting any advise against the strategic interventions in the event of a serious crisis. Nevertheless, some reservations must be added about the hypothesis that an economic upturn could represent a remedy for deflation. Actually, there seems to be no relationship between economic recovery and decreasing deflation. Also because the trend towards deflation, which is today affecting the global

economies, means in the end that the trend towards global recession is spreading. In fact, the message sent through deflation essentially means that the economy is 'way off base' if compared to the compatibility path and the correction through the recession is just a necessary pause to regain the growth stability.

Therefore, it would make no sense to say that the upturn disarms deflation. Now, right on a practical level, it's clear that forcing the economic situation when it's in a deflation condition means going against the natural order, which proposes a pause to rebalance the economic system and to restore a possible compatibility according to the state of science and knowledge. With ambiguous results, anyway. In the USA, President Trump attempted to force the weak cycle at the beginning of his term by tax legislation that reduced taxation for the three-year period 2019-2021, especially to the benefit of the wealthier and richer taxpayers. After a cycle rebound during the first year of its implementation, the global economy was hit by the pandemic, then the generalized lockdown for some months was spreading everywhere an increase of unemployment and recession. On the other hand, even the upturn in the economic situation that was recorded in the two-year period 2018-2019 was rather a cycle advance than a lasting and effective recovery of the US economy.

2. Method

2.1 Some considerations on Low Inflation in the Case of an Economy Tending to Deflation

About a possible rise of (low) inflation in the case of a positive conjuncture cycle, experience shows that a modest inflation rise may occur during the recovery of the economy. In this case then, we can see that inflation is approaching 2%, i.e., the base value indicated by Central Banks as a sign of a healthy and balanced economy. Now, it appears evident that, in a world struggling with widespread deflation and therefore with economies generally unstable and in search of a possible compatibility, the probable position of inflation around the base value is only an algebraic fact, therefore not at all a symptom of balanced economic state and even less of relative compatibility with nature.

In concrete terms, it must be remembered that the base inflation close to 2% is just an ideal value, which postulates an economic system that has been balanced for some time, and which develops in a compatible way with the nature around us. Therefore, the base inflation close to 2% can be configured as an absolute value, like the great physical and mathematical constants. Given this characteristic of absolute constant, the base inflation is close to 2% but doesn't come close to zero in the case of a stable economy, because prices are just the messengers of the economy. Therefore, the small difference of base inflation from zero is only the symptom of the "background noise" produced by the economic activity when it moves in full balance with nature. Background noise that is reflected on stable and balanced prices though with a small alteration, which on an experimental level has been set close to 2%.

Therefore, assuming that the base value of inflation cannot be zero, it's not as clear and obvious how and why the base value can be set close to 2%. That is, why it could be stated that having reached this stage of stable and long-lasting prices, we can reasonably say that the economy is on the level - desired but

somehow remote - of balance and compatibility with the development of nature. The condition under which we would have really reached the balance point of the economic system, is linked not only to the actual achievement of the basic objective but also to an economy that should remain firmly tied to the balance point (compatibility and neutrality with the planet).

Alternatively, the fact of having briefly touched the inflation base value close to 2% is not a *sic et simpliciter* confirmation of the good economic administration. We can rather assume that it's a symptom of an unstable and deflation-prone economy, which is pushing values down. We note that deflation is a continuous and constant downward correction of values. Therefore, it can be assumed that the increasing inflation trend, according to an acceleration linked to the economic instability, is continuously narrowed by the simultaneous action of deflation. In other words, the system inflation is cut and reduced by deflation, which pushes the wave of prices towards their lows, even with a negative sign due to the exit from the possible compatibility path.

The inflation created by the stable economy, compatible and neutral towards the natural world, therefore, is zero. It follows that the base inflation close to 2% is an ideal value, which we cannot find in the normal economic situation and which is not definable by an algebraic criterion. We can consider it a sort of constant that ideally represents the point of maximum coherence between the human adventure in the economic field and the evolution of the natural planet that is our home. Nevertheless, this is a universal and hypothetical value without comparison in the real life, because it should be compared to the great constants of physics. It is the basic objective of the neutrality search of our presence on the planet, that we can only achieve thanks to the advancements of science and the knowledge of mankind about the creation around us.

Experience seems to show that the inflationary motion generated by the unstable economic system is a continuous process that has an acceleration basically depending on the unstable condition of the economy. This basic acceleration can undergo an alteration in relation to the instability state. Thus, it can undergo variations in the nominal run of rising or falling prices if the instability degree of the economic system worsens or tends to improve. Moreover, let us add that the conjuncture motion affects this mechanism, in the sense that the 'background noise' generated by the economic activity on prices is certainly not immovable but can change due to the direction of economic cycle. The variability of the background noise shouldn't be surprising. It shouldn't, because the constant measurement of the background noise is a specific prerogative of the universal constant that we can meet only in the ideal case advisable in the perspective—hopefully not so remote—of a durable economic compatibility, which is situated, as we know, in proximity of 2 %.

In other words, the background noise of the economic world undergoes, due to the discontinuity of the path towards a relative compatibility, an alteration or rather a disturbance like when we are looking for a radio station. In our case, it's assuming the price system symptoms, so that the fixed and constant number of the economy background noise becomes the measure of nominal prices, obviously without losing its fundamental task of value comparison.

The phenomenon is obviously relevant mainly in the case of an economy with a deflation tendency. As already mentioned, deflation acts in subtraction from the underlying motion of current inflation; therefore, usually the economy affected by a deflation tendency shows a rate close to 1%, which becomes even negative when the relative incompatibility of the economic system increases. The economic situation, where the conditions exist for a cycle recovery, can alter the nominal price rate and therefore there is a modest increase under the pressure of the new tensions in the economy. It's therefore a simple algebraic motion of prices which can therefore show a slight increase (e.g., up to 2-2.5%); variation which, as mentioned, is an expression of the variation in the background noise. With the reversal of the economic cycle, the base rate tends to fall into the previous position close to zero.

Central Banks usually link the success of economic support to an improved price climate, which then would tend to climb the deflation slope in presence of a robust economy. As we said, a solid economic growth is an unlikely assumption under the deflation scenario. However, a cycle rebound cannot be excluded if, as mentioned, the economic landscape in search of compatibility with the nature around us is in any case affected by the economic cycle.

However, the factor in evidence in this case and acting on prices is the background noise that becomes like a rubber band that allows the nominal prices to satisfy the increased or deducted claims imposed by inflation or deflation. In the case of an economy struggling with deflation, the possible overlap of the economy background noise with the value of base inflation close to 2% is nothing more than a confirmation that the economic system remains in deflation. This is what excludes any hypothesis saying that touching the price constant value could be a positive signal on the way towards the economic compatibility.

It goes without saying that the claim about a potential rise of (low) inflation made by many Central Banks, under the impulses of the economic recovery, doesn't necessarily mean that the moderately rising price index could somehow prelude to a passage into a world free from deflation. Unfortunately, this is not true for the simple reason that the deflated system naturally tends to recession in order to 'redeem' the consequences on the economy caused by the deviation from the compatibility path.

2.2 The Economic Situation Is a Sign of the Deviation of the Economy from the Possible Compatibility Path

We have already said that, in the case of instability inside an economic system, the background noise also assumes a modest variance due to the strength of the economy, slightly increasing or decreasing with the recovery or recession. In the stable world, in fact, the background noise tends to the fixed and constant base value over time close to 2% without any possible alteration, so providing the guarantee that the economy is moving within the terms of compatibility (complete neutrality with nature).

Well, this dystonia that usually appears in the unstable world is both the symptom and source of the most complex motion involving the economy and the conjuncture cycle, according to a sinusoidal motion traced by recoveries and recessions. It has been said that continuing on this way will open the door to

recession, which is the main instrument that nature has chosen to contain imbalances in order to bring the altered system back to a possible compatibility.

It is the breaking of the background noise constant that defines the new measures, increasing or decreasing, that the various altered states of the economy will take over time. These new measures are responsible for the starting and regulation of the structural inflation that characterizes the systems in relation to the state of their relative incompatibility. So, we can presume that, with the expansion of the economy basic value (background noise), the economic system tends to accelerate the current inflation flow. An expansion of the structural base value that travels with an acceleration that is independent of the economic scenario, but is correlated anyway to the instability degree.

In the case of deflation, we must consider that the tension acting on the base value of the economic system gradually decreases, so imposing a downward path to the nominal prices. The underlying motion of base inflation, therefore, tends to contract and gradually pushes the nominal value of prices towards the lower levels. It could be thought that the work of progressive descent of inflation from the peak reached by the normal acceleration process is slow. That therefore we can see an intermediate period between the inflation wave and the deflation stagnation, during which the inflation can drop to a minimum of 5% or even less.

Thus, the experience of the last 50 years seems to confirm that inflation has been overcome and therefore we passed in the nineties to a price run under control. This more or less long period of relative stability, however, tends to end in the 2000s with the further decline of the inflation base rate below the base value close to 2%. As saying that, after a quite long parenthesis, we passed in the space of about fifty years from the phase of rising inflation to the phase of deflation.

It could therefore be assumed that during that half century we have been able to record a change in the presentation model of the monetary anomaly from inflation to deflation. As saying that the long battle undertaken by monetary policy to correct the variability of nominal prices has been unsuccessful, or rather that the long battle started by the global economy since the 1970s to bring the accelerated wave of nominal prices back to controlled values, finally managed to calm the *impetus* of rising prices, though with mixed results. Nevertheless, this tamed impetus seems to be rather the cause that shifted the direction of nominal prices run from an acceleration trend to a deceleration trend.

As already mentioned, deflation and inflation are messages that the altered system escaped out of relative compatibility path sends to warn the community that things in the economy are not going well. They are both messages and as such they do not participate in economic events. They cannot therefore be directly attacked because they are just ghosts, like mirrors in which the economic state is reflected: so their image cannot participate in any way in the system motion.

It can also be said that the transition period from the inflation to the deflationary world, which lasted over a decade, may have been a period of relative tranquility in the relationship with nature. This interpretation seems to be supported also by the clear improvement of the global economic framework: the leap forward towards a redistribution of resources between continents, with China and India in evidence, the

development acceleration in the USA under the Reagan presidency and in the 1990s during the Clinton presidency, and not least Germany's strong presence in the international trade next to China and Southeast Asia.

Also based on this interpretation of the last decade of the nineteenth century, we can say that from the beginning of the twentieth century a new and more pressing instability, which is the origin of the speculative bubble on real estate, takes the place of the relative compatibility acquired in the previous period. That bubble erupted in the USA at the end of 2007 and then showed its full potential along the following year in Europe, Latin America and parts of Asia. Essentially, the formation of the speculative bubble and the subsequent financial crisis, no less than 1929 crisis in terms of impact on the economic rhythms, must be understood as the failed attempt to continue the happy season of the previous decade. A season that, on the other hand, was exhausted and deserved a respite period.

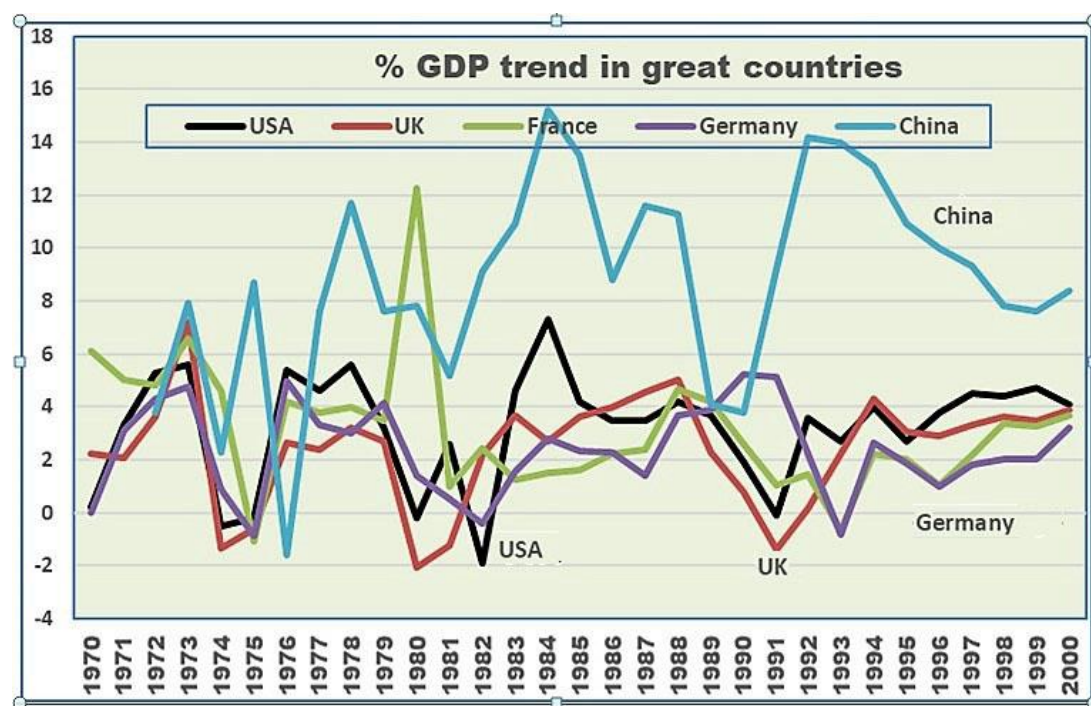


Figure 1. GDP Profiles in Some Great Countries 1970-2000

Source: Elaborations on OECD-Stat data

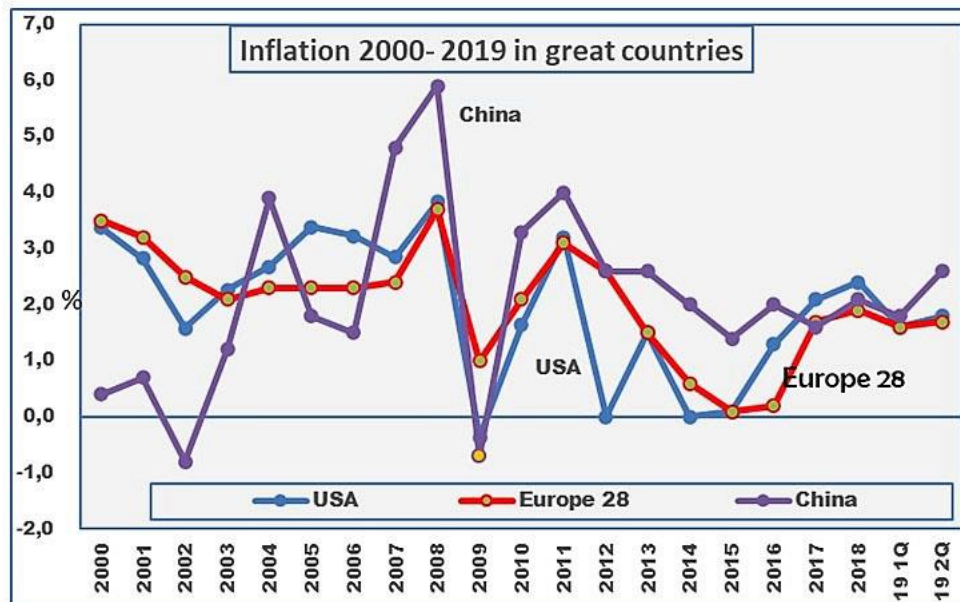


Figure 2. Inflation Profiles in Some Great Countries 2000-first two quarters 2019

Source: Elaborations on OECD-Stat data

Basically, when monetary and fiscal policies learned to contain the inflation *exploit*, which had affected the industrialized West for over twenty years, the monetary message changed its sign and from a price accelerated motion changed to a price decelerated motion. It's quite easy to connect the two phenomena to the acceleration which turns into a price deflation trend.

The fact remains, anyway, that both the monetary messages, inflation and deflation, are the precursors and companions of the economic cycle. Both are precursors of a development cycle which is weakening, and therefore introduces the periodic recession of the global economic system into the development path. Instead of a constant and slightly rising growth, which is still an utopian feature of the economy stable and compatible with nature, the development line is confused and loses its strength. The logic able to govern the change is to introduce a pause, a recession in the development path, which would limit the economic strength. A pause that, also on a level intuitively logical, implies the opportunity to limit those development forms that in part are in opposition to the relative compatibility path, that is the path along which the humanity can progress with the least possible damage to our planet.

The compatibility relationship between humanity and nature around us can be defined as a model involving not the destruction of natural resources, but rather their preservation for future generations. Assuming that natural resources are the life source, the logic of maintenance should be interpreted as the life continuation from generation to generation. Not an end in itself, but the intergenerational human journey in search of the secrets of nature around us. In some way, the life is protected by the nature that welcomes us into its womb, so that we can continue our research in the scientific and cultural fields that will prepare the way for neutrality and full compatibility with nature.

If the compatibility relationship is flawed, it doesn't mean that the economic system will automatically show the instability signs, typical of the instability sub-world. Because there is a sort of elasticity in the stability of man-nature relationship, which despite that flaw allows the progress of science and culture not to stop but to continue its development. It must be added that this continuity in the science and knowledge evolution is indispensable, on the assumption that the civilization degree would also condition the relationship with nature. In the sense that a greater degree of culture and civilization would mean that we are moving on a development line that is increasingly consistent with the basic obligation of respecting the nature.

Thus, we must admit that the economic development line is marked and limited by the obligations imposed by the relative possible compatibility. But this limitation could not concern instead the push towards research and knowledge, which shouldn't find any stop due to a relationship crack between humanity and nature. As saying that having reached a certain civilization stage, it could be observed over time a constant acceleration of research with its effects on the economy and on the whole human society.

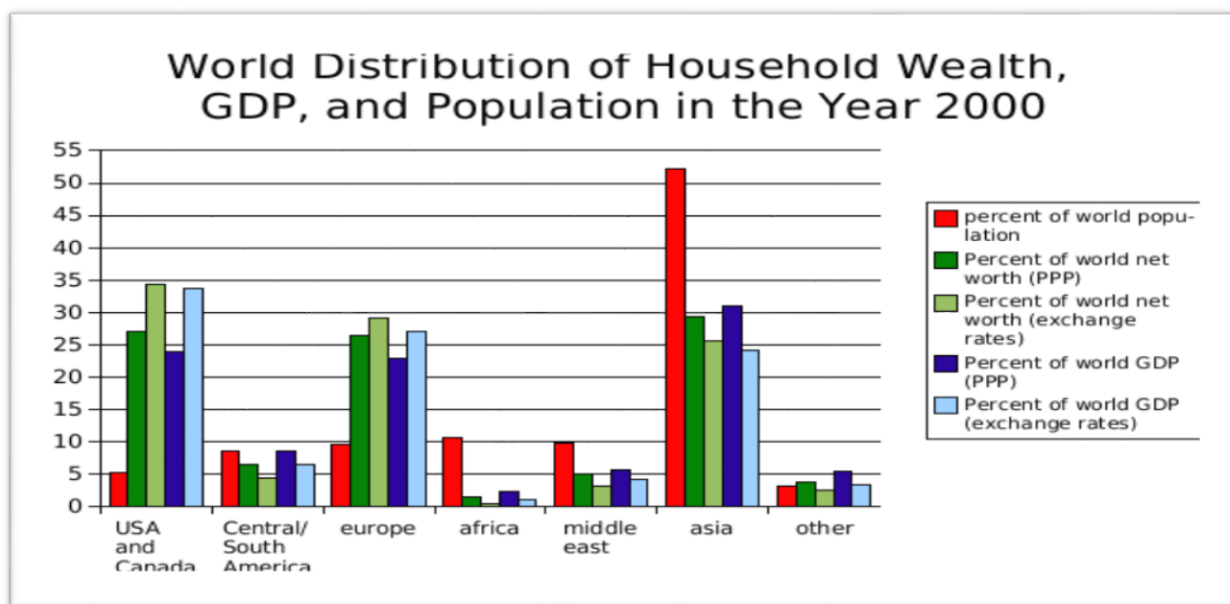


Figure 3. Resources and Wealth Distribution between the Continents in the Year 2000

Source: Wealth distribution by country—Wikipedia.

In the sense that the science and culture development is the essential prodrome to gradually extend the respect paradigm towards nature also to humankind. Now, to make the global economy scenario show a diversity in development and participation degree of the scientific progress, it's evident that the natural tension should move towards a gradual rebalancing of all the civilization level differences between the continents. This is the right key to read the strength that since the last century has marked the run of the Asian continent, in particular of China and India. An unprecedented profile of development in economy,

culture and civilization level, that has no equal and finds its deep motivation in the natural tendency towards the rebalancing of the potentials of culture, scientific research, and economic progress between the continents.

It must be said that the rebalancing process between the continents is far from being complete, indeed. In fact, it reached an unexpected apogee in some Asian countries that today are evidently protagonists of the world development, while it's still in progress for many countries in Africa, Latin America, and the Near East. Since the progressive rebalancing of the development potentials of the economy and culture is an irreversible natural process, it's to be believed that it will continue according to times which cannot be predicted, but which will gradually be achieved according to the times of nature, which obviously do not correspond. to our human times.

2.3 The Conjunction Cycle Is not an 'Evil Stepmother' but a Resource for Economic Rebalancing

The relationship between humanity and nature is unbalanced. However, the relationship seems to offer some flexibility that would somehow mitigate the consequences due to the deterioration of compatibility relationship. In the sense that experience shows that abrupt interruptions or at least a sharp slowdown in development can start a period of relative calm and economic development with a rising trend. Thus, in the post-World War II period, the reconstruction and recovery phase after the catastrophe was quite long and lasted in fact until the 1960s. The same happened after the long season of the inflated world which continued up to the mid-1980s. From the relative disappearance of inflation and nominal price acceleration, it began a somewhat positive season that lasted until the beginning of 2000 with relative economic tranquility and sustained development.

These brief considerations allow us to recognize the phenomenon of the economic system recession as a natural tool to correct instability and as a mechanism to regain a possible compatibility of economic systems. In other words, the economic system that is facing some compatibility difficulties seems to use the recession pause as a tool to return to a potentially possible balance. According to this point of view, the economy - having now entered the instability sub-world - immediately shows a deterioration of development potential and the tendency of economic systems to recession. Therefore, between the periods marked by a greater balance with natural systems and the periods marked by instability, a big difference is represented by the different capability of the economy to follow a growth path.

This diversity is measured by the more or less frequent occurrence of the economic inversion, considering that the economic cycle puts the recession on the growth path, that is the periodic pause with variable frequency to eliminate from the system its unacceptable incompatibility dross. The economic cycle is not characterized by a constant progression of recovery and reversal phases, but rather by a great variability in its behavior. For the simple reason that the shape and acceleration of the cyclical phases is governed by the instability degree of economic system. In the sense that it's a sort of medicine which is given in different doses according to the deviation degree recorded by the economy regarding the relative compatibility path.

It's therefore unavoidable that seeing a consistency in the development of economic cycles is just an optical illusion. Thus, in the 1960s the Western world emerged from a long season of sustained and constant growth, which has extended also beyond World War II. That season was now over and inflation was beginning to appear into the world economy. A modest inflation at the time under control, was the signal that the economy could not sustain the previous growth rates. The world, having passed the reconstruction phase, was entering again into the instability sub-world. During this initial phase, inflation remained under control and the economic cycle seemed to follow a constant behavior, with rhythmic phases of peaks and reversals. In other words, during the initial phase of instability, the losses in efficiency and growth rate were contained.

However, already in early seventies the inflation accelerated, a sign that the instability of the untreated global economic system was increasing. The acceleration of inflation caused by the first oil crisis could have had a provisional and temporary impact, in the case of an almost stable economic system. But in that era context of a widespread instability, the strength offered by the unexpected and massive increase of oil price has started the high inflation, also due to the attempts to mitigate the damage deriving from the unexpected rise of oil cost through the use of public expenditure in deficit. With the result of accentuating the instability degree of economic systems in an attempt to force the economy motion, which was actually paused to put the potentials back in line with the acceptable path of a relative compatibility with nature.

Thus, the unexpected oil increase has become an active factor in the inflation acceleration. This temporary factor of rising prices due to the oil cost has become then an engine of the inflation acceleration, now difficult to keep under control (Note 4).

Therefore, the economic earthquake imposed by the stunning rise of oil price wasn't the inflation engine, but only a strengthening factor of the phenomenon, due to the attempt to fight the recession trend caused by the anti-pollution pause. Actually, an even massive increase such as the one that caused the first oil crisis would have imposed a generalized price increase, which would have led to a new price structure, once again stable. However, in an unstable reality and with an accelerating inflation due to the misguided attempt to keep high the level of economic growth, the rise in the oil cost was a violent shock, and unsuccessful were all the attempts to mitigate and contain its impact on the economy. In short, the remedy was worse than the disease, so that the pressure on development and the attempt to mitigate the impact of oil shock on the economy have just widened the instability of economic systems. One reason more for the inflationary pressure increase on prices, which then continued globally for a decade.

Unavoidable therefore, the fall of the economy potentials for the entire inflation period, together with a trend towards recession, with some peaks at the outbreak of oil crises in the mid-seventies and at the end of the decade. It must therefore be admitted that the falls into recession may be accompanied by unexpected or somewhat different conditions that modify the current framework and become an opportunity for a corrective reorganization of the economy.

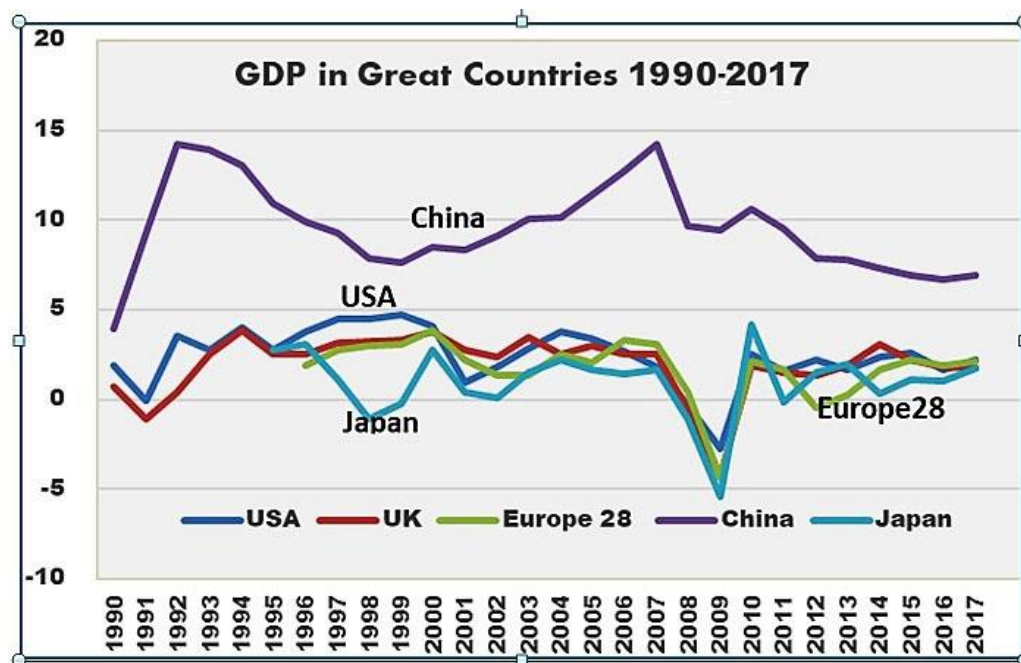
It is therefore difficult to try to escape the natural correction mechanism, which uses the economic cycle and recessions to contain the deviation from the relative compatibility path. As in the seventies and more recently during the serious financial crisis in the first decade of the 2000s, conditions could be created - also due to instability - that make even a hard recession necessary for the correction in order to return to a possible compatibility of the economy.

On the other hand, precisely because of this need to clean up the altered system, the size and strength of recessions are variable, therefore more or less intense and destructive in relation to the virtual excess created by a forced development. Based on these brief considerations, we can predict that the exit from the COVID-19 pandemic, which now has a global dimension, may be different depending on the various economic systems. According to this theoretical view, the financially weakest countries will be the hardest hit. As saying that the term “weak finance” is addressed to countries that show a more marked tendency to deflation. In other words, the deflation thermometer can give us, in summary, the instability degree and therefore the right correction needed to re-establish the compatibility.

The fact that the economic cycle is not constant and repetitive over time but is a sinusoid with a variable dimension controlled by the system instability, obviously gives value to the thesis that the economic situation is actually a cure. That is, not a typical factor of economic life but a superstructure that comes into action only in the case of a course deviating from the potentially possible compatibility track. Of course, the presence of a sub-world in which the economy enters in quarantine to purify itself of excess pollution should also mean that economic life, just like the matter with its forces, is subject to the inflexible rules of natural order. Rules that are the necessary prerequisite for the humankind survival on the planet and generally in the natural world.

We should imagine that humanity in its relationship with nature, would follow a path compatible with the economic and cultural state. That therefore there is a trend line along which the reciprocal relationship between humanity and nature is acceptable, on the assumption that any advance in civilization and knowledge would play to the advantage of mutual respect. A path that will lead us - hopefully as soon as possible - to the compatibility and neutrality of our presence on the planet where we all live. Therefore, a potential course during which we should respect a level of relative compatibility, up to the goal of a complete neutrality. The only alternative for derailing from the relative compatibility path, is the recession.

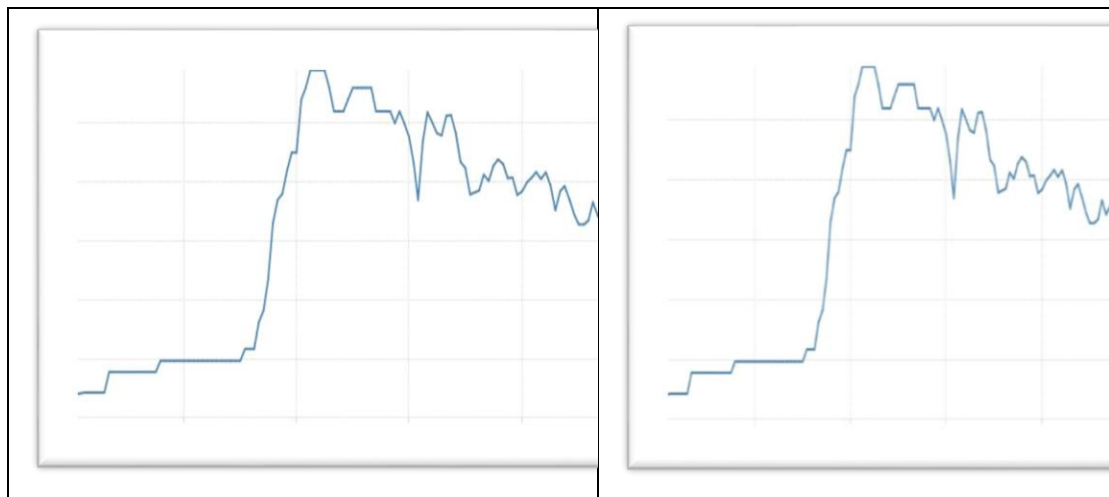
All this just to say that according to our deductive way of thinking, some natural rules and behaviors concerning economic and social life cannot be explained, precisely due to the objective lack of a sure matrix to which we could refer the engine feeding them. On the other hand, it's significant - according to this point of view - that some events, starting with the economic cycle and the messages to the community on the economic state (inflation and deflation), are repeated over time with different intensity, but always according to a pattern highly repetitive and without any apparent guidance.



- Oil price trend 1970-1975

- Oil price trend

1975-1980



Figures 4. GDP and OIL Price Trend in 1970-2017 in Great Countries

Source: Elaborations on OECD-Stat data

2.4 Natural Stability Tendency and Economic Situation Control Policies

Inflation or deflation, as we said, are messages sent to inform the community that the economy is deviating from the right path. In the case of deflation -affecting the global economy and therefore concerning all of us closely- the price index remains low or very low and can drop even below zero in the case of severe financial instability. Well, in the case of speculative excitement of the economic cycle and in a context of inflation tending to deflation, the current basic inflation can undergo a modest upward push, so that inflation e.g. at 1%, under this modest impulse could reach 2-2.5%.

Therefore, the proximity of prices to the base value close to 2% does in no way express a compatible balanced status. Rather, we are faced with a mere algebraic result that is certainly unable to give any answer to the search for balance and its relative economic compatibility. And cannot represent, on the other hand, a relief for Central Banks in their search for a stable and concrete escape way from the deflation grip.

Deflation is not directly attackable because it's just a message about the malaise of the economic system. Therefore, the problem of deflation becomes an unsolved issue if it isn't understood that the evil lies not in deflation, but in the instability of incompatible systems. It's necessary then to understand that to solve the problem, the common remedies based on fiscal and monetary policies may certainly not be able to solve, but not even to mitigate the puzzle of frozen prices. In other words, trying to use the classic tool of monetary policy measures to reduce the money cost to zero and make new liquidity available, can be a good aid to avoid or contain the damage caused by an economic depression. However, it isn't a choice capable to solve all the troubles of the deflation issue.

Let us consider that deflation is a signal about the economy deviated from the path of relative compatibility. If we let the natural correction work, the resulting pause or recession can over time mitigate the unstable state of economic systems. The economic systems, in fact, are subject to the economic cycle, which introduces recession into the scenario, understood as a natural mechanism to correct the growing incompatibility between humanity and nature. The tendency towards deflation, therefore, can be interpreted as a signal that the economic system is tending towards recession, in search of a pause in the growth process.

Well, forcing the economic systems to avoid recession can be in contrast with the natural tendency of the conjuncture cycle to decline and therefore the inability state of the economy could be extended over time. According to this point of view, only apparently too drastic, the therapies based on fiscal and monetary policy interventions in support of the economic situation cannot be simply rejected, even if at a first analysis a question raises about the over-reaction.

The economy grows according to the alternating modalities of the economic situation. Therefore, it seems correct to try to stimulate development and to "rectify" the economic cycle, so that economic systems can grow following a median line, thus defending itself as much as possible from the negative wave of the recession. Following this approach, the recession would not be the price to pay for the deviation from the relative stability path, but just an accident on the development run, almost a disease, then to be treated by any means. Well, following this point of view, fiscal policy becomes the essential leverage to keep the uncertain trend of the economy under control.

Therefore, when the economic situation abruptly collapses under the unexpected blows of a financial crisis, like in the years 2008-2009 (Krugman, 2009), it becomes essential to face the impending decline with its serious social effects. At that point, the theoretical discussion on the reasons for the block and fall of economic development, takes a back seat on our scenario. Although we must note that there is an overwhelming desire within the communities, that the government of the economy would guarantee a

“tomorrow equal to today”: and this is precisely what is somehow forcing to activate any intervention still available to control the fall of the economy in crisis.

This scheme of a controlled and guided economy seems, therefore, inspired by a considerable rationality, except to consider that the upsets of the conjuncture cycle, especially those deriving from speculative processes, are actually the possible result of intervention policies. Nevertheless, with the aim of reducing the steps of the economic cycle, the natural correction is actually blocked and therefore those intervention policies impose a scenario of persistent cyclical alternations.

It would be this ancestral and deep desire of the communities willing that the economy evolve smoothly towards a “tomorrow equal to today”, that confirms the real meaning of this aspiration. In all living beings there would therefore be the innate idea of the constant and linear growth of the economy, so confirming that the economy compatible with nature doesn’t need any director or economic guide, because it’s able to follow a stability path over time if and when is respected the complete compatibility with the environment.

To confirm the thesis that the conjuncture is a modality of the instability sub-world, we should recall the singular ability that we can observe in our neighbor and in the so-called man in the street. In fact, the world of relative stability, that is compatible with the current scientific knowledge, could be defined as the set of phases of adequate and acceptable economic growth, and the sub-world of instability could be defined instead as the wrong path taken by a system deviating from its relative compatibility. Well, our neighbor who certainly is not a protagonist expert in economics matters yet proves to have a knowledge brief and concise but adequate on the economic state of his country. He can draw upon the information that everyone has through the prices of daily purchases and of course also through the implicit feelings that become more frequent and sensitive when the economy is turning towards instability. Therefore, the primary information comes from the monetary messages (inflation or deflation) that the system sends insistently when the path towards stability in the economy has been lost.

On the other hand, if we investigate more deeply, we would be able to observe that our neighbor, even if not involved in the management of the economy, is able to formulate, though in generic and synthetic terms, a sort of program to return to the stability and compatibility in economy. For these innate abilities of the economic condition perception that everyone has, we can justify the basic idea of participatory democracy, which entrusts the community with the role of choosing the leadership to whom to confer the economy’s governance. By leveraging these faculties of the community about the economic state, the collective thinking expressed by a community is then used to make the economic surveys on production and consumption.

All this seems to be based on the community ability to anticipate the difference between the ideal condition of development linearity and constancy and the actual state with the conjuncture alternations. An actual situation that is delineated with reference also to messages that are not explicit but based rather on sensations generally widespread within the community. Well, this singular ability essentially lets the community to be the relationship source between humanity and nature; a sort of terminal that obviously

collects the signals on the divergences of the economic systems from the natural state, as a synthesis of all the feelings developed by all the community members.

Well, we must now admit that the economic activity moves according to physical laws, which are the limits that monitor the consistency of the economy's path with the goal to preserve natural resources for the survival of future generations. These laws are obviously including the rules that avoid the natural system degradation, modifying by the introduction of the conjuncture cycles the development path that otherwise would be relatively constant and predictable.

How else to explain the corrective behavior of the economic system moving with the simplicity of a motion that from almost uniform (relative compatibility) becomes alternate and, in this way, inserts a periodic pause in the development mechanism to free the economic system from the waste of incompatibility. Moreover, the introduction of alternating up and down cycles varies over time in relation to the instability degree of economy. The correction therefore relies on a sort of internal clock that modifies the trend, possibly extending the recession times, according to the instability degree defined by the natural instrument.

It should be considered that the simplicity of the corrective system doesn't have any other aid to perform its function. In fact, everything moving around the mechanism that makes the growth process of economic systems to vary from almost uniform to alternate, doesn't perform any cooperative work. In fact it's only a mere representation of the economic movement, no longer almost uniform, in order to provide a generally appreciable message about the process anomalies. They are only representations then, like mirrors in which the economic motion is reflected without any possible participation.

Therefore, the series of mirror functions have the task of providing a synthetic information together with some advances, on the state of the economy, through the price measurement that checks - like a thermometer - the malaise of the system. This is certainly not an end in itself, but it's important in order to warn the man in the street that the economy left the relative stability path, though always with a very specific purpose. That is to provide all the community members with advanced information about the economy governance quality, so to move where necessary their protest and dissent about the policy implemented by the leadership.

Therefore, these are two intervention degrees that aren't overlapping because they are just a reciprocal representation. This second collateral instrument doesn't participate in the correction, but obviously has the purpose of inducing to change the economic governance when it's affected the general rule set in the DNA of living beings, which postulates an ideal growth, linear and constant, of the economy.

3. Result

3.1 The Economic Control Policies and the Concomitant Natural Correction Actions

As already mentioned, when the deflation message appears, the community has a first warning that things in the economy are not going well, and that the instability must be treated. Without policy interventions to support the conjunctural situation, the economic system will slowly tend towards recession in order to

have a purification pause that would allow the recovery of relative compatibility and balance. The conjuncture cycle, in fact, would not be a curse taking away the opportunities of a linear and constant cycle. Instead, it is a safeguard mechanism which, if and when left to act, can allow the recovery of an almost acceptable growth path. It's a bitter pill, but it becomes even worse if we act trying to contrast the natural mechanism. And in any case, it's painful on a social level because the poverty levels are increased, as the work possibilities are strongly affected. And thus, the result is an accentuation of differences and inequality in income and wealth distribution within the community.

For these reasons, the intervention policies to support the economic situation have the objective of mitigating the conjuncture cycle, especially when it's deep and violent, in the attempt to skip this phase, though actually curative, and thus in the attempt to 'mimic' the constant progression of a balanced economy. Now, it's evident that the defense against the deep crisis becomes inevitable to avoid the social and economic damage that would turn back the development schedule. On the other hand, during a negative economic trouble, such as the one experienced during the 2008-2009 financial crisis, the defense implemented by fiscal policy, with the unparalleled expansion of public deficit spending, has shown the great effectiveness of the protection from the adverse cycle collapse. Moreover, in perspective it has given breath to the economy by starting an activity recovery, albeit at moderate levels anyway lower than in the previous decade (Roubini, 2011).

However, the question remains about the possible dark side of the increased and continuous use of economic support policies, because it's evident that the support measures are essentially opposed to the natural corrective action. This means that if we don't let the economic conjuncture follow its natural verse, the economic system will not be cleaned of the instability waste. Therefore, sooner or later, the correction mechanism will come up again, perhaps with a greater strength. While waiting for its reappearance, we will inevitably see a widespread trend towards deflation. As saying that the economic system warns the community that the emergency is not over and the instability burden has not diminished. Therefore, it's evident that under the crisis blows all we can do is try to fix what is possible, even if in this way the natural correction would be affected. We should note that, in the case of a sharp decline in the economic situation, like in the case of the first decade financial crisis, it can be assumed that the rapid economic decline is only partially attributable to the action of instability correction. In fact, there is the serious danger of a cascade drop of production activities that originates sequentially, due to cash problems as well as to market progressive impoverishment.

For these reasons, we can think that a policy supporting the cycle, in the event of a serious financial crisis, plays the role of mitigating the risk of a serious economic downturn, while letting the natural corrective function partially play its role. Corrective function that is achieved, at least partially, through the recession although attenuated, which anyway affects the economic system despite the intervention of support policies.

In other words, it can be assumed that a supportive fiscal policy of the falling cycle could play a double role. First, allow a controlled recession that somehow cooperates with the growth path corrective function.

In addition, a calming function of the cycle excess fall, through interventions aimed at keeping companies and activities efficient and above all at safeguarding wages as much as possible and finally at helping poverty areas. It can be added that the good ability to recover economy after the abrupt fall, may be partly attributable to the correction work that the controlled recession has in any case guaranteed.

As, on the other hand, the efficiency decline of economic systems after the 2008-2009 financial crisis can be attributed to the residual unresolved instability. In the same way, this parameter, that is the lower efficiency of post-crisis economic systems, can be related to the different degree of residual instability in the various economic systems at a global level.

As we said, in the case of a deep involution of the economic system, the support policy manages to limit the damage, but cannot avoid a recession. Therefore, even if partial, a natural correction process is started. It follows that the attempts - often partially successful - to keep the system balanced, thus avoiding the cycle natural involution, aim to 'imitate' the natural condition of relative compatibility. Assuming of course that we are able to control the economic growth and therefore to follow the natural path of relative compatibility. Now it is evident that, by doing so, the unstable system is condemned to a virtual development, which will be subject to a progressive elimination of this improper surplus through an intensification of the cycles.

Policies to support the economy can therefore move in opposition to the natural correction cycle of the system which left the relative compatibility path. In other words, the unstable economic system periodically requires pauses to digest the anomalies of incompatible development. In this way the treatment, if progressively applied, may allow the unstable system to follow the development path although attenuated. The problems become more relevant if the cycle control policies essentially manage to give the (apparent) feeling that we can bypass the economic cycle. In this way, the goal of relative calm of the economy's path seems to have been achieved.

Now, it seems obvious that the possibility to return to grow without cycles is impossible if the economy has been unstable for a long time and the instability degree is recorded by the price deflation. It follows that despite the appreciable results achieved by the choice of a continuous support to the economy, nonetheless remains a negative legacy, which sooner or later we will have to pay. It can be hypothesized that the refusal of the recession can be assimilated to the refusal of a medicine, and therefore in the absence of remedies the economic system remains in a state of imbalance or tends to worsen. As already mentioned, the cycle appears if the economy leaves the development natural path; that is, it leaves the path marked by an acceptable compatibility. We should therefore believe that, while waiting to reach the true neutrality of our presence on the planet, there is however a natural path that, although marked by a relative incompatibility, follows anyway a relatively acceptable path to finally reach an absolute compatibility with the help of research and knowledge. In other words, we must dedicate more resources to scientific research and knowledge to accelerate our exit from the sub-world of incompatibilities.

3.2 The Scenario Anomaly and the Role of the Support Policy during the Spread of COVID-Sars

The global economy seems to be struggling with the unsurpassed problem of incompatibilities. The deflationary trend pushes growth down and narrows the perspectives. The communities feel the malaise sensation that this general state entails and therefore the disillusionment with governments that cannot find a way to resolve the economic instability. In the current situation, this malaise feeling is somehow absorbed by the prevailing problem of the pandemic that is spreading around the world relentlessly. The pandemic, on the other hand, has globally imposed a mandatory pause for the economic systems: it would thus seem to have played exactly the role usually proper to the economic conjuncture, that is to pause the systems.

This is not only a pause for the economy, but also for governments that thus find, in their search for rules and prescriptions to have a healthy behavior during the pandemic, a way to divert attention away from the issue of the economy and its weak performance. Furthermore, the modification of the economic outlook with increased unemployment and economic hardship has finally offered a role to the economic policy support, I would say unprecedented though common to the times of severe crisis.

The lockdown in recent months and new fears for the near future have created an unexpected poverty increase due to the job losses and the reduction of many economic activities. Economic policy was therefore called upon to play a substitute role, then replacing the income cut by the pandemic events with a substitute income, in the form of a public income. On a social level I would consider this an essential function, which nevertheless creates a public debt increase to maintain social peace and to contain a further serious increase in income and wealth inequalities (Cardoso, 1992).

An unexpected condition that benefits the government in power, which was noticing its consensus decline due to low growth and to deflation tendency. But today we are witnessing a consensus recovery due to the actions carried out against the pandemic and for the maintenance of social peace. In fact, we should consider that the social spending, through the increase in public deficit spending, doesn't meet much criticism because it deals with an essential issue, such as that of providing an income to the poorest and jobless families.

Furthermore, the rising social spending plays also the role of supporting the rapidly declining economic situation, thus mitigating the actual reasons that caused the consent loss of current government. This is an almost paradoxical situation that changes the short-term prospects on the political and social levels. As saying that the pandemic represents a sort of respite for the political situation, as long as it continues to be a public health hazard. Obviously, this pause shouldn't be surprising - at least on the political plan - because the criticisms that could be made on the economic policy of poverty support, disappeared. At the same time, the economic situation that suffered a serious fall is justified by the general framework, which in no case is attributable to the current government.

Obviously we are referring to the hypotheses of the fight against the pandemic carried out with relative success or at least with great commitment by the government in power. Thus, the government tends to be evaluated depending on the result level of the fight against the pandemic and no longer on that relating

to the success or failure of economic development and employment trends, which are actually much more relevant to the government activity. Also this asymmetry is quite consistent with the natural process of the economic system requalification. Because the natural system, to correct the instability, essentially becomes the mechanism that takes over the management of the deviated economic system.

In fact, let us recall that the natural system of instability correction tends to let the conjuncture cycle follow its fate. This means that the natural mechanism now agrees with the lockdown and the activity reduction produced by the pandemic. Because the activity decrease or rather its contraction due to the pandemic, has essentially forced the global economic systems to enter an anomalous recession, that is unexpected and was unpredictable, but dependent on natural factors which are also unrelated to the correction mechanism. We are therefore in a paradoxical situation in which the conditions are being created for a natural deployment of the conjuncture trends but in an anomalous form, though responding well to the correction needs of unstable systems.

This is suggesting that, due to the pandemic, we have witnessed a generalized GDP decline at a global level, which is essentially in line with the natural process of the altered system correction. We should therefore think that, after this unexpected but natural economic downturn, we can expect a global efficiency recovery of economic systems. This means that in the coming years, when the pandemic will be overcome, we could count on the qualitative improvement of the efficiency of economic systems. That is, to count on a period of sustained economic growth that in some way could be compared to the 80s and 90s of the previous century, in terms of duration and continuity.

And what is the basis of this hypothesis of a sustained growth in the near future? The basic idea is that if we let the correction natural system operate, we should have as a result an incompatibility reduction in economic systems. An unwanted but obligatory correction is already underway at a global level which is feeding however the hope to be able to recover in the near future the economic and social losses and disadvantages produced by the pandemic.

The first symptom of economic improvement is evident already during 2021, with the price system that seems to be relieved of the deflation negative burden. In other words, as when the rising deflation indicates that the economic system has become more fragile and is tending towards recession, then in the same way with the deflation attenuation we should also see an improvement in the economic situation. On the other hand, the price decline we have seen in recent years during which the deflation phenomenon reached a global dimension, is a clear sign of weakness and fragility inside an economic system. As saying that, as the development degradation phenomenon has been greater with an intense deflation, in the same way we can believe that the expected deflation reduction can constitute the right instrument to relaunch development.

4. Conclusion

We have been oriented all along the previous pages to be in harmony with the idea of a relationship between humanity and nature that should safeguard natural resources for the future generations. In the sense that the economic development must respect and safeguard the natural world, since the smooth evolution of the natural system is reconciled precisely with the preservation of resources offered by the planet. It follows therefore that humankind must absolutely possess the necessary qualities to respect this basic rule. There would therefore be a mutual interest between humanity, which wants to continue living through future generations, and nature, which supervises the realization of that basic rule. I mean that there should be a mutual interest and therefore a safeguard power both at human and natural levels.

A complex relationship is therefore outlined with reciprocal messaging relationships coming from nature and humanity to signal that the system diverged from its natural path, so taking the path of incompatible unbalance. A reciprocal messaging that, as we have seen, uses prices to signal the anomalous behavior of the economic system. On the other hand, humanity, through the communities, is a sensitive terminal of the relationship with nature, and then individuals and groups are explicitly and implicitly informed that the economy has derailed from the right development path. The community, therefore, is invested with the responsibility of calling to direct the economy, a kind of leadership that should be increasingly coordinated with the compatibility natural goal.

It's singular that the messages sent by nature to the community are of a monetary nature, even if these monetary manifestations in any way would participate in economic activity. Both inflation and deflation are in fact just connection tools between humanity and nature: they are messages, informing about the state of mutual relative relations.

In summary, the nature gives us a series of messages about the economic situation when the economic system has lost the correct path of relative compatibility. They are direct messages such as price trends, deflation, inflation or instead they are implicit messages, a sort of sensations that everyone receives and processes, to help us understand if the economy has entered the instability sub-world. These are therefore messages that are perceived by the man on the street, by the man next door who - though unrelated to the problems of the economy - appears anyway capable to give an opinion, although generic, on the government's conduct and on the public management of the economy.

The community, which daily experiences the market problems, appears therefore to be able as a whole to provide a judgment on the economic management and to give or not its consent to the government in charge for the management of economic and social sectors. Thus, the nature offers a series of messages to the communities of each country, which in turn use these messages to define in embryonic form the most useful project for the return of the economy to a relative compatibility. It's obviously an embryonic project and therefore it may or may not agree with the electoral programs of the coalitions engaged in the election campaign. It will be therefore this the task of the coalitions fighting for the renewal of the elective assemblies: to give shape and substance to their programs, in order to make them as close as possible to the wishes of the community.

Thus, it's given strength to the principle that asks rulers to look far for the welfare of the community and not to break up their actions through a series of short-term interventions that cannot have the strength not even to increase the consensus of the leadership in power.

The complex of relations between humanity and nature, composed of reciprocal exchanges, is a fiduciary trust given to the community as the ultimate and sole owner of that relationship. It's essentially a linear mechanism that seems paradoxically not very complex on a theoretical level. On the practical level of its implementation, however, the problem lies in the terminal (i.e., the community), which may not respond with sobriety and timeliness to the indications coming from the economic system in explicit and implicit forms. This is because the implementation of the mechanism requires some time: even a long time, if so, required by the synchrony between the relationships and the sensations coming from nature, and their final reception by the community as a whole. During this even long synchronization period, the stability of the system can further deteriorate.

The emergence of new figures from the instability world can therefore refer to this problematic balance in the relationship with nature because the natural corrective system cannot stop to wait for the continuous re-composition of the balance between nature and humanity. Due to an extended imbalance, we can assume that some alarming phenomena appeared, such as speculative events, which punctuated the previous century and appeared also in the new century, so becoming an unexpected and brutal operational reality. The imbalance between the reception of messages and their implementation can compromise the communities' ability to express, during the consultations, the most suitable candidates to fully perceive the natural message as best as possible through the generic and synthetic indications coming from the community.

As saying that the difficulties, when they do not allow the community to fully express itself in the established times to transfer the indications of nature, can become a factor producing new unexpected monsters, often and unfortunately even little noticed. This is also the case of the widening gap in the wealth and income distribution among the population. An unfair but subtle mechanism that is felt only by perceiving the poverty increase; a reality which unfortunately appears even when wealth and overall incomes are increasing. Thus, a social malaise is growing which in some way must be corrected, but which is always the result of the persistent instability of economic systems, if and when the relationship between humanity and nature is for some reason interrupted, dried up, diluted over time.

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OECD—OECD Stat Database, various years

IMF—*International Financial Statistics* - Database, various years

IMF—*World Economic Outlook Update*, July 2018

Notes

Note 1. President Jimmy Carter nominated Paul Volcker to serve as chairman of the Board of Governors of the Federal Reserve System on July 25, 1979. He was confirmed by the U.S. Senate on August 2, 1979 and took office on August 6, 1979 (President Ronald Reagan re-nominated Volcker to a second term in 1983).

Inflation emerged as an economic and political challenge in the United States during the 1970s. The monetary policies of the Federal Reserve board, led by Volcker, were widely credited with curbing the rate of inflation and expectations that inflation would continue. US inflation, which peaked at 14.8 percent in March 1980, fell below 3 percent by 1983. The Federal Reserve board led by Volcker raised the federal funds rate, which had averaged 11.2% in 1979, to a peak of 20% in June 1981. The prime rate rose to 21.5% in 1981 as well, which helped lead to the 1980-1982 recession, in which the national unemployment rate rose to over 10%. Volcker's Federal Reserve board elicited the strongest political attacks and most widespread protests in the history of the Federal Reserve (unlike any protests experienced since 1922), due to the effects of high interest rates on the construction, farming, and

industrial sectors, culminating in indebted farmers driving their tractors onto C Street NW in Washington D.C. and blockading the Eccles Building US monetary policy eased in 1982, helping lead to a resumption of economic growth.

Note 2. The Federal Reserve's Dual Mandate: the monetary policy goals of the Federal Reserve are to foster economic conditions that achieve both stable prices and maximum sustainable employment.

Note 3. We have also made important changes with regard to the price-stability side of our mandate. Our longer-run goal continues to be an inflation rate of 2 percent. Our statement emphasizes that our actions to achieve both sides of our dual mandate will be most effective if longer-term inflation expectations remain well anchored at 2 percent. However, if inflation runs below 2 percent following economic downturns but never moves above 2 percent even when the economy is strong, then, over time, inflation will average less than 2 percent. Households and businesses will come to expect this result, meaning that inflation expectations would tend to move below our inflation goal and pull realized inflation down. To prevent this outcome and the adverse dynamics that could ensue, our new statement indicates that we will seek to achieve inflation that averages 2 percent over time. Therefore, following periods when inflation has been running below 2 percent, appropriate monetary policy will likely aim to achieve inflation moderately above 2 percent for some time.

In seeking to achieve inflation that averages 2 percent over time, we are not tying ourselves to a particular mathematical formula that defines the average. Thus, our approach could be viewed as a flexible form of average inflation targeting. Our decisions about appropriate monetary policy will continue to reflect a broad array of considerations and will not be dictated by any formula. Of course, if excessive inflationary pressures were to build or inflation expectations were to ratchet above levels consistent with our goal, we would not hesitate to act.

The revisions to our statement add up to a robust updating of our monetary policy framework. To an extent, these revisions reflect the way we have been conducting policy in recent years. At the same time, however, there are some important new features. Overall, our new Statement on Longer-Run Goals and Monetary Policy Strategy conveys our continued strong commitment to achieving our goals, given the difficult challenges presented by the proximity of interest rates to the effective lower bound. In conducting monetary policy, we will remain highly focused on fostering as strong a labor market as possible for the benefit of all Americans. And we will steadfastly seek to achieve a 2 percent inflation rate over time. *New Economic Challenges and the Fed's Monetary Policy Review – Speech Chair FED Jerome H. Powell*

Note 4. By “the 1973 energy crisis” we mean the sharp increase in the price of crude oil and its derivatives that occurred in 1973. On the day of Yom Kippur anniversary (October 6), Egypt and Syria attacked Israel; this war took its name from that Jewish feast of expiation, namely the Yom Kippur War (October 6-25, 1973). The Arab countries associated with OPEC (Organization of the Petroleum Exporting Countries) decided to support the action of Egypt and Syria through robust increases in the price per barrel Petroleum Exporting Countries) decided to support the action of Egypt and Syria through robust

increases in the price per barrel and embargoes against those countries that were more pro-Israel. The OPEC measures led to a surge in prices and a sudden interruption of the oil supply flows to importing nations.

Heavy were the consequences of the following “Austerity” on industry, which for the first time was forced to face the energy saving issue.

The 1979 chronicles recorded a second oil crisis with dynamics very similar to that of 1973-74: a sharp increase in the oil price due to a political event in the Asian area (in this case it was the coming to power of Khomeini in Iran and the subsequent war with Saddam Hussein’s Iraq; both events resulted in a sharp decline of oil production). Again, the rise of crude oil prices resulted in a high inflation, widespread throughout the Western world.