

# Market Economy under Rapid Globalization and Rising Productivity

Joshua Ioji Konov

Economic Philosopher & Management Consultant

Chicago IL, USA

<http://joshuakonov.wix.com/joshua-ioji-konov>

## ABSTRACT

Market economy of enhancing business laws in contracting, bonding, insuring, legal corporate structures<sup>1</sup>, e.g. will marginalize the economic agents and tools that make market competition unfair, empower small and medium businesses and investors, and boost business activities, fiscal strength, employment, and capital transmission. Keynesian capital infusion will extend its market effect in such higher security marketplace.

**KEYWORDS:** market, markets equivalent of economic, economy, economies.

## INTRODUCTION

The new developments such as the break of the Soviet Block, the China's industrialization, the Internet, and the improving technologies (Konov, 2011)<sup>2</sup>, have accelerated rapid outsourcing and moving of industrial production (see e.g. Khanna, 2013) from most developed economies (markets) to China, India, etc. (see e.g. Levine, 2013). Hence, most developed markets have experienced declining industrial production, shrinking fiscal reserves, diminishing employment (see e.g. Sam, 2011) etc causal to growing national debt (see e.g. Reinhart and Rogoff, 2009), whereas the modern day economics is based on industrial production (see e.g. Claessens, Kose, and others, 2009 pp. 653-700). The relatively high lending rates specifically to small and medium businesses, investors and less developed markets prompted by shady business laws intended to promote trickle-up concentration of capital (see e.g. Sum and others, 2011)<sup>3</sup>, with insecure market exchanges, the markets could not keep balance between demand-to-supply (see e.g. Friedman, 2013)<sup>4</sup> and long-term market

---

<sup>1</sup>The law of unfair competition will not penalize a business merely for being successful in the marketplace and will not subsidize a business for failing in the marketplace. Liability will not be imposed for aggressive, shrewd, or otherwise successful marketing tactics that are not deceptive, fraudulent, or dishonest. The law will assume, however, that for every dollar earned by one business, a dollar will be lost by a competitor. Accordingly, the law prohibits businesses from unfairly profiting at a rival's expense. What constitutes an "unfair" trade practice varies according to the cause of action asserted in each case.

<sup>2</sup>There is no doubt that America's manufacturing base has declined, peaking at 19.6 million jobs in 1979 and now at just over 11 million jobs. Despite this economic transition, however, U.S. manufacturing jobs are still worth having. On average, full-time manufacturing work pays 20 percent more than full-time service-sector jobs.

<sup>3</sup> There is no doubt our economy is primarily being held back by the deleveraging and drop in demand that resulted from the 2008 financial crisis.

<sup>4</sup>The market capitalization of the Wilshire 5000 is up \$9.2 trillion since March 9, 2009, to \$16.0 trillion on Friday. The Fed's flow of funds data show that the value of all stocks in the US has increased by \$12 trillion to \$26 trillion from Q1-2009 through Q3-2012. The value of stocks directly held by individuals is up \$4.7 trillion to \$9.8 trillion over this

development (Acconcia, 2011). The last 2007-9 Recession showed violent market fluctuations and diminishing equity. Starting from the real estate overcapitalization it quickly moved into all sectors of the markets - manufacturing, services, etc, in addition, the relatively high lending rates, a short-term by nature, were procyclical exposing the economy to general financial turbulence, capital shortages, high unemployment etc. The Feds pressured under the circumstances used conventional Keynesian methods<sup>5</sup> of capital infusion, stimulus packages, and unconventional methods of quantitative easing and general market interference by extending unemployment benefits and foreclosure procedures, etc. as countercyclical measures. The post-recession market indicators have shown some limited positive effect between 1 to 3% a slow pace economic growth, about 8% consistently high unemployment, and marginal market consumption growth (see e.g. Bandyopadhyay and others, 2011).

For an economy based on high economic growth to match high interest lending rates, the slow pace was conceptually counterproductive; therefore, declining fiscal reserves have pushed rising national debt, thus restraining the governmental investment in the social spheres and infrastructure. Even though, the countercyclical QE and large stimulus governmental actions saved the economy from collapse (see e.g. Del Granado, 2010). However, the reasons that invoked<sup>6</sup> the recession have not been properly comprehended and addressed; the debt is still rising (see e.g. Combes and others, 2009), so far is the unemployment and the overall market imbalance (Saez 2013: From 2009 to 2011)<sup>7</sup>. The Third QE is in progress, but the transmission of liquidity (see e.g. Benes and others, 2010) on the US market is not enhanced thus prompting a capital exodus to more profitable markets rather than sustained economic growth. But, this is not the only possible negative consequence to the US market, further, the aggregating redundancies and overcapitalization of such policies approximate the conditions that provoked the 2007-09 recessions.

This paper locates some of the micro and macroeconomic agents contributing to the last recession and post-recession market imbalances, suggesting some ways these economic agents could be changed or enhanced to accommodate the new global market developments for a long-term market development (i.d. *equivalent to long-term economic growth*)

## CONCEPTION OF COUNTERCYCLICALITY

The modern day economics follows the conception of self-adjusting markets by cyclical-fluctuations. To prompt and maintain cycles of growth, the central banks lower the tier one lending rates, pour more liquidity, and keep deregulating seeking high productivity; a deregulated business in a shady business environment, (president Clinton's time is the best example for such economics), that prompts start-ups, business ventures, and market risk. Such policies, however, in time bring conditions for economic redundancies, then the overheating economy with dangerous overcapitalization of some sectors the interest rates are raised that in the 2007-9 Recession could not help readjusting the economy; instead, it brought it to a hold, if not to total collapse. The theory that the markets should self-adjust by going through up and down business cycles, while the

---

period. The values of equity mutual funds and equity ETFs are up \$2.3 trillion and \$634.7 billion, respectively, over this period. Owners' equity in household real estate jumped 19.6% by \$1.3 trillion to \$7.7 trillion during the three quarters through Q3-2012! There's more to come given that the median existing home price rose 10.9% y/y during December, the best pace since January 2006.

5 "We're seeing larger so-called fiscal multipliers, or namely, a more significant negative effect on the economy of austerity than many researchers had expected," Yellen said. "To me the evidence, both in the United States and in Europe, is that fiscal austerity does raise unemployment."

7 Average real income per family grew modestly by 1.7% (Table 1) but the gains were very uneven. Top 1% incomes grew by 11.2% while bottom 99% incomes shrunk by 0.4%.

governments should stay hands-off by just using its interest rate and monetary policies (see e.g. Kumhof and others, 2011) underperformed. Even in the beginning of the last Century was noticed that these cycles were unable to self-adjust without major economic pain affecting all parts of the markets, therefore Keynesian economics let the governments more proactive and countercyclical by using monetary and fiscal policies, not waiting on the markets to go independently through these self-adjusting processes. Keynes considered governmental interference as an investment to prevent unnecessary market slow-downs (see e.g. Neely, 2011), which would be laid on the country's debt, and when the conditions improve and the market growth returns the investment would be paid back. What Keynesian economics was doing was to accelerate the natural market processes and shorten the business down cycles. Whether, Libertarians or Keynesians the business cycles have been taken for granted, the role of trickle up and down capital is paramount.

However, for the last twenty plus years the business cycles (e.g. 2001 & 2007 Recessions and post-recessions) have not being able to readjust, and to compensate for the equity losses. The rebounds from the 2001-2 Recession brought up the real estate overcapitalization that kicked off the 2007-9 Recession. Diminishing the middle class the lack of fiscal reserves allowed the infrastructure deteriorating, the unemployment and underemployment rising. The large corporations moved and outsourced, the unfair market competition further ousted the small and medium businesses and investors. The capitalism of self-adjusting cycles has not performed appropriately under these new conditions. The question remains: why does it happen, on the first place?

Because, the new global marketplace required the usage of some natural and artificial market agents and tools to marginalize the unfairness in market competition and to raise the market security; firmly countercyclical market economics to cut on redundancies, and to prevent violent market fluctuations.

The transnationals and big investors through single market agent of productivity could not boost the necessary business entropy<sup>8</sup> in developed and developing markets alike. Neither were the market conditions of deregulated market exchanges, weak business laws (see e.g. Shriver & Jacobson LLP, 2007) ideological economics of short living government programs, e.g. were contributing for preventing the market (i.e. economic) shock. Diverse business entropy (see e.g. Mrkaic, 2010) could be created with the market participation of the small and medium businesses & investors, and undeveloped markets. However, current capitalism lacks the fair market competition for them to expand to the required level of possibilities. The EU market (economic) double-dip recession is an example for current limitations of the trickle-down economics. Whereas the budgetary shortages are fought by austerity measure and spending restrictions rather the most devastating effect to the less developed markets of Greece, Spain, Bulgaria, Romania, etc a slow down progressively hitting the most developed markets of Germany, France, Denmark, etc. Relying on the big business and investors to boost the economy, when the low government spending and regulations to boost productivity. The EU system is greatly underperforming (see e.g. Krugman. Paul *Data, Stimulus, and Human*, NYT, 2013)<sup>9</sup>.

---

8 A measure of the disorder or randomness in a closed system. The most general interpretation of entropy is as a measure of our uncertainty about a system. The equilibrium state of a system maximizes the entropy because we have lost all information about the initial conditions except for the conserved variables; maximizing the entropy maximizes our ignorance about the details of the system.[18] This uncertainty is not of the everyday subjective kind, but rather the uncertainty inherent to the experimental method and interpretative model.

9 That said, if you look at players in the macro debate who would not face huge personal and/or political penalties for admitting that they were wrong, you actually do see data having a considerable impact. Most notably, the IMF has responded to the actual experience of austerity by conceding that it was probably underestimating fiscal multipliers by a factor of about 3.

The US policies of using quantitative easing, close to zero interest rate, stimulus packages, fiscal and social subsidies were more innovative with marginal growth as low as 2.3% for 2012, and -0.1% for the 4<sup>th</sup> quarter. In addition, the possibility of overcapitalization of some part of the US market such as personal credit, education loans, because of the excessive liquidity is scary, indeed. The US, as the EU does, are relying on the big financial institution and business to transmit capital down to the small and businesses and investors, however no success has been indicated. The transmissibility of the US market is limited indeed. Lending rates to small and medium businesses and investors are not reduced, and the lending quantities are not raised, the market security to support fluid transmission is not improving.

Japan has dealt appropriately with the recession by exceeding indebt-ness, but with the expertise of very experienced approach, however still relying on big businesses and investors, the Japanese markets has been long stalled into deflation and slow development. However, the new (2013) PM is using very aggressive economic policies<sup>10</sup> of QE and large stimulus programs to overcome the long-term stagnation of the Japanese market (i.e. economy).

China has been weathering the 2007-9 Recession and post-recession as the best performer of all. The surplus liquidity, the vest marketplace, the multi-bullion infrastructural projects, the prompt action preventing real estate overcapitalization were successful market interventions. The Chinese approach of balancing private with public employment worked too. In the last stimulus, China is investing more than a Trillion Yuan against a Billion in their small business programs; it obvious which one is considered fundamental.

## **THE IDEOLOGY OF CAPITALISM**

The global role of trickle-down capitalism is conclusive (see e.g. Kumhof, 2010), moreover, the question remains, why the economic indicators are negative or sluggish, said the least? The libertarians suggest the governments' intervention was too much, the Keynesians argue it was too little. This paper states that both are partially right. However, the industrial productivity of manufacturing which under the capitalism could only save the developed and developing markets alike is too modernized, globalized, and easy to move or outsource, whereas it will be impossible to bring city as Detroit ever back in History, or help all EU markets raise their productivity and GDP's. It could not "save" the world from market sluggishness, because the industrial production is easy movable to China and elsewhere, whereas the labor force is skilled and less expensive, the market is vest, and its advantages are too great to ignore. Nevertheless, this is not China to blame for creating great business opportunities; it was the system of economics stalled on the industrial production as the only market agent for market development. The Chinas, Vietnam, Brazil, etc are processes irreversible by market nature under the most recent market conditions of globalization; if it was not China, it was going to be someone else.

The low market security consequencual of high interest rate to small businesses & investors, and undeveloped markets is part of the Social Order of the capitalism with procyclical self-adjusting or semi self-adjusting markets. A system that has being ousted by the real market developments for the last 20+ years, and it must be changed and enhanced to a Market Order, so it could adapt by peaceful means to these new developments. This paper shows one possible approach to seek higher market entropy for overcoming the economic dependence from industrial production.

---

10 "We will put an end to this shrinking, and aim to build a stronger economy where earnings and incomes can grow," Mr. Abe told a televised news conference. "For that, the government must first take the initiative to create demand, and boost the entire economy."

## **MARKET AGENTS AND TOOLS**

Market agents are the carriers of market tools that have impact on the market/economy, for example big businesses and investors, small businesses and investors, market exchanges, etc are market agents, whereas fiscal stimulus, low interest lending, subsidies, etc are market tools. Market agents carry on and implement market tools thus seeking market equilibrium and prompting market leaps into targeted directions to boost market development (i.e. economic growth). Market agents and tools are either natural to the market competition, or those artificial to the markets competition. Natural to the markets are e.g. small and medium businesses and investors, big businesses and investors, market exchanges, and etc, whereas artificial to the markets are social, educational, infrastructural expenses nevertheless gaining some equity in a more secure marketplace.

## **CHANGE OF PHILOSOPHICAL PRIORITIES**

The major problem of the capitalism is the wealth distribution and redistribution by using natural to the markets agents, the last recession has made governments use stimulus initiatives, unemployment benefits, and infrastructural projects, and etc. to substitute for the inadequate natural market consumption. The industrial production and big business as best market agents of the capitalism could not support such consumption through salaries, bonuses, and commissions. The industrial production could not continue its role under these new market conditions. Moved and outsourced capital and industrial production disequilibrium in maintaining highly paid employment and social prosperity has come to the points of hurting the markets. Therefore, the US government started their direct market intervention. Their action was necessary to save the US market from collapsing. Continuing this pattern under the next futuristic recession the governments will take bigger part into business activities and wealth distribution and redistribution by using unnatural to the market economy agents and tools that will bring market redundancies and unfair competitions, political favors and corruption. The large transnationals and the big investors are only one to benefit from the unfair market competition through lower interest and public financing, by avoiding taxes, by moving production and capital elsewhere in the condition of economic upheaval they gained strength. All the rest suffer in a chaotic business environment of lack of capital and decreasing consumption. Small businesses and investors, undeveloped markets and lower classes get the worst from such. The markets imbalance also accelerates to violent fluctuations on a long-term instability (as the 2007-09 recessions showed).

The philosophy of economics should change to a more diverse business entropy rather higher market security to allow lower lending rates to small and medium businesses & investors, and undeveloped markets.

## **SMALL & MEDIUM BUSINESSES AND INVESTORS, AND UNDEVELOPED MARKETS CARRIERS OF MARKET DEVELOPMENT, EMPLOYMENT**

Small & medium businesses and investors fetch 75% + of the US employment that consequence into the consumption and fiscal reserves. Even the high lending rates, the shady business environment and market exchanges, etc. they still are the most beneficial to the general economy. Up to date, they have been feeding the US economy growth and profit margins. However, now, the role of small & medium businesses and investors is growing proportionately with the improving technologies, accelerated globalization, and rising productivity. The real market possibilities entitle small and medium businesses as main motor for diverse business entropy to produce employment and related fiscal reserves. Lower lending rates and fair market competition are required for small & medium businesses and investors to become competitive on the marketplace. However, to be natural for the

market equilibrium, the market security should be enhanced substantially. The only secured by the government loans, subsidies or tax breaks would not ensure sustainable market development; instead such could invoke market overcapitalization and redundancies in longer-term more negative than positive effect if the market forces are not used to keep the market equilibrium. With the improving market security, lower interest lending would become natural for the markets, the transmissionability would be improved to accommodate subsidies, and tax breaks without fetching aggregations.

Underdeveloped, undeveloped, or deteriorating markets exist elsewhere some cities like Detroit, parts of Cleveland, and Philadelphia of US market are deteriorating or underdeveloped. However, the majority of the underdeveloped, undeveloped, or deteriorating markets are all over the world: from Bulgaria to the Middle East, Africa and Latin America there are many marginally functioning markets in which consumption is weak, poverty roars, and economic activities are off mainstream barely functioning markets. The pollution in these markets is high, the resources are wasted, the majority lives on some exogenous contributions, social security, etc. Leaving such market to deteriorate and linger is not anymore optional; the Earth environment cannot take pollution largely contributed by primitive heating, old vehicles, deforestation, e.g. Furthermore, the weakness of markets affects global market development in general. The scares resources philosophy is incoherent when the world is becoming such a small place. The role of these markets is rising; it could be compared to the discovery of the New World of the past, because if markets could be developed not just by industrialization through market leaps, then their equity rises. However, the Earth would not take mass-market development the ways we have experienced, therefore particular areas as alternative energies, organic farming, alternative tourism are possibilities for targeted market leap of many markets. The main carriers of such global market development are the small & medium businesses and investors.

## **MARKET SECURITY**

To raise market security:

- the shady business environment that generally benefit big business and investors is alleviated to strict business contract and procedural laws (see e.g. Bingham, 1996-2008).
- limited liability laws (see e.g. Ilgmann, 2011)<sup>11</sup> are enhanced into unlimited (for the management – not to the investment) liability corporate laws;
- insurance and bonding are adapted to offset liability turbulences;
- fair over the board fiscal and monetary policies deleveraging big business to small and medium business;
- international intellectual property are protected across the board (see e.g. Scandizzo, 2001; and Watt, 2010).
- equal laws apply globally.

Market transmissionability of subsidies, tax breaks, stimulus initiatives, etc is directly related to market security. Market demand-to-supply equilibrium under the conditions of market leaps cannot be achieved without firm market security. Neither the economies/markets could boost and sustain employment and development without market security. Any other ways, the market balance is distorted that would prompt redundancies, overcapitalization, and economic upheaval.

## **MARKET EQUITY**

The raising of market security is casual to rising market equity and thus lower rate lend-ability. Equity values directly mirror market security, if market forces are properly used. Market equity could go into overcapitalization and bring recessions, as it happens with the 2007-09 recession, only if market forces are not complied with, the business laws are insufficient, and the economy/market maintain marginal development whereas individual market parts (in case it was the real estate overcapitalization) overextend substantially their profitability. Moreover, only under weak business laws market environment such overcapitalization is possible. Here, it should be differentiated “business laws” from “business regulations”, in case the rule of law applies evenly to all participants, whereas regulations are politically motivated and amendable (see e.g. Kahan, 2009).

Social and infrastructural expenses with the rising market security would change partially in equity to maintain equilibrium by using social and infrastructural “expenses”. The ideology of capitalism allocates social and infrastructural expenses as weighing to possible productivity and economic growth (see e.g. Brzoza-Brzezina and others, 2010), however, market economics accepts these as counterweights and countercyclical balance. The percentage equity of social and infrastructural expenses would reflect the proficiencies with which markets balance demand-to-supply and use market leaps to expand and develop. Not the governments are suppose to control business entropy, it is the right rule of law and capital expansions in a high market security, which are suppose to boost and maintain market development (see e.g. De Broeck, 2011).

## **MARKET ECONOMICS USING QUANTUM FACTOR**

Market Economics not relying on cyclicity uses random approaches to suppress inflationary market pressures (similar to the monetary policies by Maslov, 2008). The randomness in this paper is called quantum factor (see e.g. Hidalgo, 2007). Used is the comparison between old classical physics to the quantum physics, whereas the certainties of the first one give away to the uncertainties of the second. It is argued that market fluctuation could not be apprehended by ideologically founded economics of principles like the currently used one (see e.g. Friedman, 2000) by which economic agents and tools are applied in regard the believing powers of the trickle-down capitalism, but instead market agents and tools are used “as it comes” like “parameters” in a quantum vibrating grid (see e.g. Maslov, 2008). This paper argues that the markets present variety of uncertain changes and vibrations that in reality could not be comprehended and apprehended by principle postulates, but only pressures applied to different parts of the random fluctuations could keep the economy from the big waves (see e.g. Reinhart and others 2010).

## **NATURAL AND ARTIFICIAL TO THE MARKETS AGENTS AND TOOLS**

Natural for the markets are agents and tools that directly participate in the market competition bringing profit, i.d. small and medium businesses and investors, big businesses and investors, etc.

Artificial agents and tools are social and infrastructural expenses (where under social are included social security, medical, pensions, educational, etc expenses). Such expenses are artificial to the markets because they do not generate profit.

In higher security markets, the natural market agents and tools empower market capital transmissibility and profitability, the artificial agents and tools get partially equitable and weight on the demand side (see e.g. Baldacci and others, 2010). The percentage of equitability reflects a market’s proficiency in the ways equity is generated and enhanced (see e.g. Dabla-Norris and others,

2008). There could not be artificial part of the market overweighting natural market competitions side, because the inflationary forces would become excessively elevated (see e.g. Leeper and others, 2010).

## **DEBIT/EQUITY/CREDIT ACCRUAL ACCOUNTING**

Accrual accounting is used by more secure public companies required to disclose detail information by the US SEC and exchanges, and other countries financial controlling offices (*Investopedia, 2012 An accounting method that measures the performance and position of a company by recognizing economic events regardless of when cash transactions occur.*) (US Security and Exchange Commission, 2012).

Thus, these companies are capitalizing on their equity in terms of realized but not paid off economic transaction. The national and international business on books is done on debit/credit cash basis, consequencial to the low market security. Thus, if we make comparison to the public companies with the enhanced market security, markets could gain accrual international accounting, which will allow lower interest and easier financing. Such access to capital would be natural for the markets, not done by extra security that governments currently use approach.

Accrual accounting will open a capital flow to undeveloped markets whenever these implement the requested business and corporate laws, insurance and bonding requirements, etc under political security, which compare to the presently used system is farther simplified. Commercial banks should carry on globally such capital flow, whereas governments should not be involved in investment (see e.g. Babecky and others, 2010). Small and medium businesses and investors should access directly capital flow through the commercial banks. Governments and international organizations should use subsidies and tax breaks through the commercial banks to boost market sectors into environmental friendly energies, alternative tourism, organic farming, and etc.

## **INTERNATIONAL ORGANIZATIONS WTO, WB AND IMF**

At presence, International organizations: WTO, WB, and IMF have inherited the Parish Club and the practice of high interest rate short-term lending (*“IMF-supported market reforms, with their emphasis on fiscal reforms, have affected the procyclical behavior of government spending in developing countries”* (Bernardin and others, 2010). They are loan controllers and collectors (see e.g. Shultz, 1998). The change of attitude and priorities from lenders and borrowers controllers to global development and inflation & deflation controllers, which does not necessary matches their present approaches (see e.g. Smith, 1997).

The short term high interest lending to change to a long-term secured by markets lending, subsidies and targeted capital flows to transmit to fluent markets bringing and maintaining long-term market development, which to be diverse and complex. The frontiers to be closed on by diversified business entropy. (1=f noise).

## **ENVIRONMENTAL PROTECTION & CONSUMER PROTECTION LAWS IN MARKET DEVELOPMENT**

Environmental protection and consumer protection laws in market economics are agents to diverse market entropy, whereas, under current capitalism these are counterproductive and anticompetitive. Diversification and complexity are in the foundation of market economics by bringing employment and vivid business entropy (see e.g. Mrkaic, 2010) The comprehension of market economics comes from its complexity, whereas the simplicity of only productivity driven

capitalism (see e.g. Silverberg and Verspagen, 1995) weakens economies in modern day global marketplace by keeping tight business and limiting possibilities. The environmental protection is paramount to save Earth for future generation, however its expensive technologies and restrictions are in conflict with capitalistic economics, only change and enhancement of the economic system gives humans real chances to survive environmentally. Earth resources are exhausting too, the current days economies are disproportionately wasting resources. In undeveloped and underdeveloped markets wasting is particularly unstoppable, whereas people there survive constrained by lack of opportunities and access to employment. Market economics is the way to reach these markets not just by contributions, but also for long-term market development.

## **THE RULE OF LAW**

There are fundamental differences between the rule of law and regulations. The rule of law in business should have the same impact on the society as it has in criminal and civil laws, however in the fundamentals of trickle down economics the “shady” and deregulated business is considered as booster for easy business and economic growth (see e.g. Singh, 2010). In market economics, the rule of law is paramount for establishing fair market competition that will empower small and medium businesses and investors to diverse business entropy and employment.

## **UNLIMITED LIABILITY CORPORATE STRUCTURES**

The currently used limited liability corporate structures (see e.g. Ruggie, 2007) to be changed to unlimited liability to the decision makers of corporate structures. The passive investors not participating in the managerial process such change must not be affected. The change should bring personal liability to CEO and the management for wrongdoings, contract breaches, human rights violations, etc. Hence, it will marginalize market variances giving advantage to big business and investors (see Konov, 2011).

## **CONTRACT BUSINESS LAWS**

Ongoing long-term business lawsuits for avoided business contracts are in great disadvantage to small and medium businesses and investors, lien laws should apply to business contracts, whereas personal liability and insurance & bonding should be comprehensively deleveraging financial dealings (see Konov, 2011).

## **INSURANCE**

Comprehensive insurance & bonding should be applied to business contracts and business dealings to limit risk. To enhance market security, in support of clarified and enforced business laws, the insurance and bonding play major role to limiting partially personal liability in financial dealings. Liability insurance under personal liability enforceable business laws giving the balance in business dealings, whereas the business contract security would be supplemented by the insurance & bonding in case of default to offset business risk decisions (see e.g. Contessi, 2010). However, personal liability would be enforceable in case of premeditated fraud (see Konov, 2011).

## **INTELLECTUAL PROPERTY**

Intellectual property laws should be enhanced on the global marketplace to protect small and medium businesses and investors in sufficient ways. Patent and trademark laws with all their complexity should be cleared from complicity and applied disproportionately by a unified approach.

The multiple jurisdictions in protection should be unified under one umbrella, too. The complicity of intellectual property laws and multiple jurisdictions serve big corporations by their hard to obtain and enforce, particularly on the global marketplace (see Konov, 2011).

## **MARKET EXCHANGES**

The unlimited liability and contract business laws will affect market exchanges to limit on speculations that at present benefit big investors, however other specific laws should be implemented on “as it comes, as it goes” approach. The market exchanges are considered in market economics as the natural market agent for wealth distribution and redistribution, therefore illegal or fraudulent activities of inside trading, fraudulent information, e.g. should be fought indiscriminately. Transparency and down to real business attitude should be promoted and established by the market makers to serve small and medium investor for their access to the global marketplace (see Konov, 2011).

## **SELF-EMPLOYMENT**

The final frontier in market economy is self-employment, which will gradually break borders and become global market agent of employment, therefore business laws and corporate laws should adjust to give equal opportunities to self-employment. Fiscal policies should appropriately accommodate these self-employment and its needs marginalizing any preferential treatment or regulations to other market competitors.

## **MARKET LEAP**

Under the market economy high transmissionability should allow the execution of market leaps to accelerate parts of the market by capital infusion in “as it comes, as it goes” approaches. As industrial production only and high interest lending are not the proprietors of market economy but market entropy and expanding business activity are, the major indicator and adjusting point is inflation, therefore market leap is contained by inflationary forces, wherever such inflationary forces are retained in appropriate levels market leap could be executed to boost business activity in particular for the market areas. Environmentally friendly productions, alternative energies, organic farming, e.g. are some of the market areas that could be succeeded onto underdeveloped markets by market leaps. The inflation should be under constant check while market leap is in process. Investors, national and international banks, international organization, e.g. could invest into market leaps for future profits. The market security and the rule of laws necessary for the proper transmissibility for market leaps are paramount (see Konov, 2011).

## **MARKET DEVELOPMENT VERSES ECONOMIC GROWTH**

Market development is not based on budgetary only lending approach of the present. It differs in market security, lower lending rates, and not relying on only productivity and industrial production approach of the economic growth conceptions. The constant volatility of economic growth is avoided in market economy to succeed long-term market development. In an uncertain market environment in which market agents and tools are applied to smooth violent fluctuations (see e.g. Stiglitz, 2002) and the inflation/deflation is the main indicators and adjuster, the business cycles are not relied upon cutting on market redundancies and insufficiencies. Market development differs to economic growth in its fundamentals and the methods used to control. Moreover, some economic tools used to prompt economic growth such as shady business laws and regulations of the trickle-

down present economics are in conflict with the pro-rule of law and environmental protection laws of the market development.

## **INFLATION**

Inflation & deflation are the most important indicators of market economy, by which market policies, market leap, etc are adjusted to and executed by. Market economy relies on the surplus production becoming possible by high technologies in manufacturing, open global marketplace, and ever rising productivity that could substitute for and supplement to other diverse business activities, therefore industrial production is considered by market economics as the main balance to inflation. The industrialized countries of the US, China, Germany, Japan, e.g. could acquire organizational manufacturing and capital abilities to offset globally inflation (see e.g. Bandyopadhyay, 2011). To fight inflation & deflation central banks and international organizations should enhance to maximum statistical flow of information, and use monetary and other means. The formulas to fight inflation & deflation in market economics are in a process of being accomplished for which the corroboration of any specialists in statistical economics would be highly valued. The principle is that to a certain point much higher than the current point of market development market demand-to-supply balance could self-adjust, however as everything the tip-off points are not far off, therefore prompt actions would be required to achieve long-term market balance. Market economics does not rely on centralized currencies to manage inflation & deflation violent fluctuations, actually more multiple currencies would reflect individual countries in a better ways. The EU troubles with the Euro are good example of poor functionality of common currencies under different levels of market development. However, local currencies should be pegged and strictly controlled to reflect right management by the international organizations. Market economy's vitality would compensate for many insufficiencies by its market forces, if the rule of law and other conditions were properly implemented by the local markets.

## **EMPLOYMENT**

Only small and medium businesses and investors, who are the main employers, could provide diversity in business. With the rising business activities the employment would grow too, labor protection laws should be very clear and firm to protect a diverse mostly self-employed labor force. Minimum and prevailing wages should be required in any case of business entities benefiting from subsidies, tax breaks, or participation in projects subsidized by public funds. However, generally markets competition and forces should adjust wages.

## **CONCLUSION**

The market economics should establish conditions for growing market economy by changing and enhancing business and corporate laws, investment and insurance procedures, e.g. Market forces should be predominantly used in such business environment. Small and medium businesses and investors, and undeveloped and underdeveloped markets should be the main motor for balancing industrial demand and for market development. Government market involvement should be marginal.

Market development should be globalized under the rule of law in business and fair market competition. Market forces are uncertain by nature; therefore, business cyclical self-adjusting is not used by market economics. Inflation & deflation are main points of adjustment or market economics, in compare to pro budgetary currently used economics. The market diversity to expand employment. This paper is based on two papers (Konov, 2011). The citations, referrals, and bibliography are fundamental for coming to these paper conclusions.

## REFERENCES

- Acconcia, Antonio, Giancarlo Corsetti and Saverio Simonelly “Mafia and Public Spending: Evidence on the Fiscal Multiplier from a Quasi-experiment”, WP/281
- Allen, Richard, “The Challenge of Reforming Budgetary Institutions in Developing Countries”, WP/09/96
- Alichi, Ali, Huigang Chen, Kevin Clinton, Charles Freedman, Marianne Johnson, Ondra Kamenik, Turgut K<sup>^</sup>inbay, and Douglas Laxton, “Inflation Targeting Under Imperfect Policy Credibility”, WP/09/94
- Anderson, Richard G., Jane M. Binner Vincent A. Schmidt, ”Describing the Pass-through of Individual Goods Prices into Trend Inflation in the United States”, Working Paper 2011
- Aruoba, S. Boragan, Francis X. Diebold, M. Ayhan Kose, and Terrones Marco E. “Globalization, the BusinessCycle, and Macroeconomic Monitoring”, WP/11/25
- Arslanalp, Serkan, Fabian Bornhorst, Sanjeev Gupta, and Elsa Sze, “Public Capital and Growth”, WP/10/175
- Aspachs-Bracons, Oriol and Pau Rabanal, “The Effects of Housing Prices and Monetary Policy in a Currency Union”, WP/11/6
- Baldacci, Emanuele, Sanjeev Gupta, and Carlos Mulas-Granados, “Restoring Debt Sustainability After Crises: Implications for the Fiscal Mix” WP//10/232
- Babecky, Jan, Ales Bulir, and Katerina Smidkova, “Sustainable Real Exchange Rates in the New EU Member States: What did the Great Recession Change?”, WP/10/198
- Bastiat, Frederic “Economic Sophisms. Irvington-on-Hudson: Foundation for Economic Education”, 1996
- Bandyopadhyay, Subhayu and Suryadipta Roy “Political Economy Determinants of Non-agricultural Trade Policy“, Federal Reserve Bank of St. Louis Review, March/April 2011
- Benes, Jaromir, Michael Kumhof, “Risky Bank Lending and Optimal Capital Adequacy Regulation”, WP/11/130
- Benes, Jaromir, Kevin Clinton, Marianne Johnson, Douglas Laxton, and Troy Matheson, “Models in Real Time<sup>1</sup>”, March 2010
- Bernardin Akitoby, Benedict Clements, Sanjeev Gupta, and Gabriela Inchauste, “The Cyclical and Long-Term Behavior of Government Expenditures in Developing Countries”, WP/04/202
- Brzoza-Brzezina, Michat, Pascal Jacquinot, Marcin Kolasa “CAN WE PREVENT BOOM-BUST CYCLES DURING EURO AREA ACCESSION?”, (WPS 1280) 2010

Chami, Ralph, Dalia Hakura, and Peter Montiel, “Remittances: An Automatic Output Stabilizer?”, WP/09/9

Combes, Jean-Louis, Tidiane Kinda, and Patrick Plane “Capital Flows, Exchange Rate Flexibility, and the Real Exchange Rate”, WP1109

Claessens, Stijn, M. Ayhan Kose, and Marco Terrones, “What Happens During Recessions, Crunches, and Busts?” *Economic Policy*, Vol. 60, pp. 653–700. Also IMF Working Paper, No. 08/274, (Washington), 2009

Contessi, Silvio, “What Happens When Wal-Mart Comes to Your Country? Multinational Firms' Entry, Productivity, and Inefficiency”, 2010

Crowe, Christopher, “Consensus Forecasts and Inefficient Information Aggregation”, WP/10/178

Chan-Lau, Jorge A. and Andre O. Santos, “Public Debt Sustainability and Management in a Compound Option Framework”, WP/10/2

DE BROECK, MARK AND ANASTASIA GUSCINA, “GOVERNMENT DEBT ISSUANCE IN THE EURO AREA: THE IMPACT OF THE FINANCIAL CRISIS”, WP/1121

Dabla-Norris, Era, Jim Brumby, Annette Kyobe, Zac Mills, and Chris Papageorgiou; “Investing in Public Investment: An Index of Public Investment Efficiency”, Straub, 2008

Del Granado, Javier Arze, Sanjeev Gupta, and Alejandro Hajdenberg, “Is Social Spending Pro-cyclical?”, WP/10/234

Esteban Guevara “EGT through Quantum Mechanics & from Statistical Physics to Economics”, 2007

Espinoza, Raphael and Abdelhak Senhadji ”How Strong are Fiscal Multipliers in the GCC? An Empirical Investigation”, 2011

Friedman, Thomas L. “The Lexus and the Olive Tree: Understanding Globalization”, New York: Anchor Books, 2000

Garcia, Carlos, Jorge E. Restrepo, and Evan Tanner, “Fiscal Rules in a Volatile World: A Welfare-Based Approach”, WP/11/56

Ilgmann, Cordelius, “The Advent of Corporate Limited Liability in Prussia 1843”, Centre of Applied Economic Research Münster, University of Münster, 2011

Hidalgo, Esteban Guevara “EGT through Quantum Mechanics & from Statistical Physics to Economics”, 2007

Kahan, Daniel R., “Shareholder Liability for Corporate Torts: A Historical Perspective”, Georgetown University, A.B. 2006. © 2009

Konov, Joshua 1. Ioji / JK, "2001 & 2007 Recessions prompted remaking of the international organizations," MPRA Paper 34588, University Library of Munich, Germany, 2011

Konov, Joshua Ioji / JK,. "Piercing the Veil's Effect on Corporate Human Rights Violations & International Corporate Crime (Human Trafficking, Slavery, etc)," MPRA Paper 35714, University Library of Munich, Germany, 2011

Kumhof, M., D. Laxton, D. Muir and S. Mursula, 2010, "The Global Integrated Monetary Fiscal Model (GIMF) — Theoretical Structure", IMF Working Paper 10/34.

Kumhof, Michael, Douglas Laxton, and Daniel Leigh, "To Starve or not to Starve the Beast?", WP/10/199

Khanna, Ro "Entrepreneurial Nation: Why Manufacturing is Still Key to America's Future ", 2013

Law firm of Fried, Frank, Harris, Shriver & Jacobson LLP, "Trends in the Use of Corporate Law and Shareholder Activism to Increase Corporate Responsibility and Accountability for Human Rights", 2007

Levine, Linda "Offshoring (or Offshore Outsourcing) and Job Loss Among U.S. Workers", Congressional Research Service, 2011

Leeper, Eric M., Todd B. Walker, and Shu-Chun S. Yang, "Government Investment and Fiscal Stimulus", WP/10/229

Llaudes, Ricardo, Ferhan Salman, and Mali Chivakul, "The Impact of the Great Recession on Emerging Markets", WP/10/237, 2010

Manasse, Paolo, Procyclical Fiscal Policy: Shocks, Rules, and Institutions—A View From MARS", WP/06/27

N'Diaye, Papa, "Countercyclical Macro Prudential Policies in a Supporting Role to Monetary Policy", WP/09/257

Maslov, V.P." Economic law of increase of Kolmogorov complexity. Transition from financial crisis 2008 to the zero-order phase transition (social explosion)", 2008

Mrkaic, Mico, "Information Content of DQAF Indicators—Empirical Entropy Analysis", WP/10/204

Nabar, Malhar and Murtaza Syed, "The Great Rebalancing Act: Can Investment Be a Lever in Asia?", 2011

Neely, Christopher J., Assistant Vice President and Economist, "Fiscal Policy and Expected Inflation, Economic SYNOPSES", short essays and reports on the economic issues of the day 2011, Number 8

Nielsen, Lyng, "Relative Poverty Prepared, WP/09/93

OECD, 2009, "The Effectiveness and Scope of Fiscal Stimulus", OECD Economic Outlook, Chapter 3, pp. 105-150.

Ruggie, John Gerard "International Regimes, Transactions, and Change: Embedded Liberalism in the Postwar Economic Order International Organization", Vol. 36, No. 2, International Regimes, Spring, 1982.

Ruggie, John Gerard “State Responsibilities to Regulate and Adjudicate Corporate Activities under the United Nations’ core Human Rights”, 12 February 2007.

Ruggie, John Gerard, “Business and Human Rights: The Evolving International Agenda”, Corporate Social Responsibility Initiative, WP/31 2007

Reinhart, Carmen and Rogoff, Kenneth “Growth in a Time of Debt” (GITD hereafter)”, 2009

Reinhardt, Dennis, Luca Antonio Ricci and Thierry Tresselt, “International Capital Flows and Development: Financial Openness Matters”, WP/10/235

Rudrani Bhattacharya, Ila Patnaik and Ajay Shah “Monetary policy transmission in an emerging market setting”, January 2011.

Saez, Emmanuel “Striking it Richer: The Evolution of Top Incomes in the United States”, January 23, 2013  
(Updated with 2011 estimates)

Sengupta, Rajdeep and Mara Faccio, “Corporate Response to Distress: Evidence from the Asian Financial Crisis”, Federal Reserve Bank of St. Louis  
Review, March/April 2011, 93(2), pp. 127-54

Sum, Andrew Ishwar Khatiwada Joseph McLaughlin, Sheila Palma “The Jobless and Wageless” Recovery from the Great Recession of 2007-2009: The Magnitude and Sources of Economic Growth Through 2011 I and Their Impacts on Workers, Profits, and Stock Values”, May 2011

Silverberg, Gerald and Bart Verspagen, “An evolutionary model of long term cyclical variations of catching up and falling behind”, 1995

Singh, Manmohan and James Aitken, “The (sizable) Role of Rehypothecation in the Shadow Banking System”, WP/10/172

Shultz, George, William Simon and Walter Wriston. "Who Needs the IMF?" Wall Street Journal, February 3, 1998.

Smith, Adam. “The Wealth of Nations”, Modern Library Edition. New York: Random House, 1937.

Stiglitz, Joseph E. “Globalization and Its Discontents”, New York: W.W. Norton & Co., 2002.

Thornton, Daniel L., Vice President and Economic Adviser “Monetary Policy at the Zero Bound”, Number 7, 2011.

Traum, Nora and Shu-Chun S. Yang, “Monetary and Fiscal Policy Interactions in the Post-war U.S.”, WP/10/243