

New Macro-economic Hypothesis for 21st Century

(GDP is no more indicating prosperity, but "The National Asset Allocation Ratio per Capita")

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(A Thinking of Macro-economic View Through Classical and Keynesian)

Executive Summary

For years, I have been always been thinking about how the modern macro-economic system works. How the marco's influence our daily life and fortune? Under my strong belief that the classical economic theories are still embedded in our Keynesian's system, I tried to figure out solutions and formulate clearer macro-economic structure we are facing. There are questions appears surrounding my heads, never have been a solution over years:-

1. What is the difference between Classical economic theory and Keynesian theory/Modern theory?
2. What is money?
3. What is the shortage of Keynesian economic system (current system)? Is it true that nation control the macroeconomic system leading to fortune tenure to the rich, and poor tends to poorer?
4. What is Classic Economic system?
5. What is the shortage of Classical economic system?
6. Is assumption of GDP (Supplement 2), Inflation and quantitative easing can lead to prosperity of the country?
7. Classical economic concentration on Wages and Productivity if it leading to countries' economic development?
8. How inflation rate over years influence?

Classical Thinking of Money

A classical thinking, Money is a relationship as a matter of money supply (circulation velocity), levels of productivity and prices. Money is acting at a kind of media for easy commodity trading, for the easy trading of materials to all area. Money has the

characteristics as follows:-

1. The media of trading activity.
2. Money orientated a standard of all the goods and materials, we call them price.
3. Money as a currency that built up as standard of valuation, easy to carry, durable, produce by precious materials, easy to be aggregated and separated.
4. Money basically itself no value/power; Its value and power devised from trading activities. The industrial revolution dawning the its power through increasing frequency trading.

There is also a simple form to mention quantity of money having the relationship of money supply and velocity of circulation, level of production, level of prices. Fluctuation of money leading by the changes of amount of precious metals relative to business. Precious metals delegate their functions to bank notes, cheques, bills of exchange and other substitutes. So, countries have to develop, they must find precious metals in the old days. And, commercial banking have always fail to keep pace with economic growth during 1870s and 1880s. Consequently, prices fell. The adoption of gold standard sought to build up its reserves to maintain fix rate of exchange, allow free movement of gold between countries. General belief that the gold standard system is growing far more slowly than production. The shortage of money given the phenomenon of interest rate not fall, but leading to the price fall.

As Peter F. Drucker have said, Money has no fatherland. However, the country was invented in large part to disprove it. It has gone transnational when money has slipped and leash. It always out of control by states, not even by their acting together. The flow of money under political influence is also as crucial as interest rates. By the way, no central bank can control its every day trade in international markets. Drucker has said,"it is so greatly exceeds anything needed to finance national and international transactions that the flows escape any attempt to control them, limit them, let alone to manage them." The circumstance appeared more difficult and complicate as far as the Cyber Currency Birth, since then.

As far as we know, our money before 1970s is directly weighting amount with precious metals (gold/silver). Some said the 'The Long Period Fluctuation' of price is related to the amount of these precious metals, that delegate the function of bank note change. The argument is stock of precious metal cannot follow the market and business activities development, especially in 1870s and 1880s, price fell. Gold itself is itself short of supply until 1880, new mines founded in Australia, South Africa and follow by Klodike in 1896. Maybe, there is a core linkage of depression happened in

decades. In order to keep the ratio between precious metals and amounts of bank notes, the storage of money within banks are in low level (1873 to 1892). The stock of money at this period did grow only 16 percent; This might lead to the people reluctance to buy in market. As the slow movement of cash flow in between the societies and countries, trade diminished leading to deflation, price going down, further leading to lower employment and salary rate at the end. Prosperity would in small amount of landlords' hand. Philip Cagan (1914) has argued that there is strong correlation between price change and money stock growing rate. Whereas Alfred Marshall has interpreted the Gibson paradox that money shortage will lead to high banks interest rates. Thus, it has resulted by increase real value of money. People has the strong intention to money storage rather than buying in markets, even if the interest rate is low. Bond price has to be fixed in money return, it raise the real value of principal and interest in return. This is the overall macro-economic scenario of the late 19 century to early 20 century. The macro-economic situation is based on thinking of the classical economic thinking towards a stable environment but probably interrupting the dawn of industrial revolution in early 20 century. A country development needs crucial factor that money stock has to be increased and flow. That means gold stock should have been in a increasing manner through always discovered new gold mines, maintaining high yield of those mines in hand. So, War and Colonization in early 20 century are always embracing countries development. Classical economic theories might have leaded to 'Great Depression 1920s'.

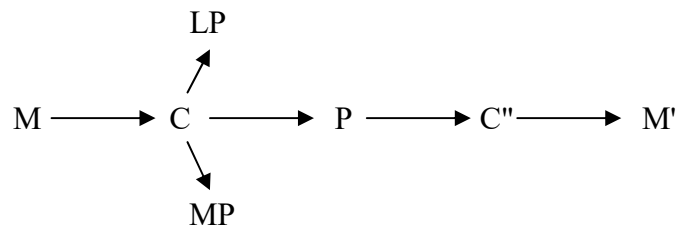
Theorist influencing the classical macro-economy and envisage the modern world

The most famous and influencing political economists are Adam Smith, Ricardo, Malthus and John Stuart Mill. Their theories have influenced the classical political economic world. Adam Smith emphasis the early free trade rejecting the Cartel forming narrow competition. His theory of the division of labour through machinery usage in order to increase the productivity of labour, which comply with the development of the Industrial Revolution in early twentieth century. Thus, the increasing of wages and productivity of labour are crucial in allowing the accumulation the material wealth. High rate of productivity will further lead to market expansion and international trade. He further differentiated the basic class division between capitalists, landowners and wage-labourers; sadly missing analyze co-relationship between them. He opposing monopoly control in commerce in all area, even in own colonial area. Since, colonial monopoly is having adverse influence to colonies. The colonial power can constitute high profit rate by establish an artificial high price system by monopolistic sector. Thus, the system leading to distorted

allocation of national resource. At the same time, he support colonization and trade with her own colony is trade beneficial. The colonization can lead to the backward colonized countries that stimulate the economic growth, replenish to the paternal countries resources and economical shortages. The example like Great Britain in 19 to early twentieth century, she become vast commercial enterprise having influence on mutual benefits between this paternal country and colonies (the dawn of global trade).

David Ricardo, another theorist who interested in the co-relationship between the two classes of capitalists and landowners (agricultural activity as core business). His assumption is the increasing population leading to more landowner return. As more cultivating population (farming labour) had to be feed and work, there was necessary to cultivate in less fertile land. Thus, the unfavorable profit finally push up the house rent and corn price. Its further diminish the profits of industrialists in town. A boosting accumulation of agricultural products, such as corn is the main theme over society in order to maintaining the low labour and food cost. Ricardo discover that limited land supply will limit the productivity and society growth through this assumption. Land supply is the factor of productivity growth assuming of no importation from other country. In other words, his assumption is grounded under the condition that there is strict denial of agricultural importation from other countries which further metaphor the importance of free trade; he opposing Corn Laws.

Marx and Engel, the theorists have developed the historical materialism. They further define the nature of productive forces are basically developing as according to social change and economic development. The evolution of production relationship govern the progress of productive forces. Social relations are closely connected with the nature of productive forces. Every generation of productive forces will change the mode of production relationship. This consequent will further change social relationship within the working population. Marx and Engel further argue that the effect of productive forces are having the relationship of production, affecting by social result and human practices. That is to say production of no machine invented, is workforce production through fundamental human hands, nothing related to machinery and technical knowledge, call 'the product of human industry'. Whereas the class struggle will always exist, following the mode of production change and social change. Marx view 'the evolution of social economic formation as a process of footstep of natural history'. Marx argue the form of productive forces are expanding with commodities production in the diagram as follows:



M=Money C=Commodities LP=Labour-power MP=Means of Production
 P=Production Process C'=Produced Commodities M'=Money in Return and Profit

The diagram actually show the fundamental ground of forthcoming modern capital concept. It seem easy for today observation but it is revolution idea in Marx's days. The diagram interpret that Money is invested by the capitalist to buy commodities, such as machineries. By the additional help or function of those machineries, it influence the labour force and means of production/production mode. There will be a development of production process because of the consequently change of labour force and means of production. The new commodities or product manufacture and sale to market for money return. The capitalist use the money in return to re-investment and diagram undergoing again and again. During this cycle activities, capitalist try to reduce the value of labour-value to make more profit or capital accumulation. It devise the result of class struggle between bourgeois and labourer.

Marx also allege the capitalist development is a crucial factor for world market, foreign trade and colonialism. Marx has declared in the first volume of Capital:

"The discovery of gold and silver in America, the extirpation, enslavement and entombment in mines, starting of conquest and looting of East Indies, the turning of Africa into warren for the commercial hunting of black-skins, stimulated the dawn of the capitalist production era. These idyllic proceedings are the chief momenta of primitive accumulation". In the other words, Marx argue that money is based on how much storage of gold/silver (gold/silver standard) to represent a country's prosperity. A paternal country colonize another country with much gold mine can improve a paternal country wealth. It also makes a easy trade between them. Sometimes, war is a unavoidable during the colonization. This take one step near to international trade and to support industrial revolution established in more develop nations. However, a shortage is that the colonial powers could have pressed down the progress of industrial development in their colonies.

Another classical theorist under the influence of Imperialism, their concepts were within the rivalry of capital centralization, monopolies establishment, the export of

capital (oversea investment), colonization, constitution of world markets. The major works come from Hobson (1902), Hidwasing (1910), Luxemburg (1913 and 1915), Bukharin (1915 and 1924) and Lenin (1916). Their theories and ideologies based on the majority description of the economic system development must be suited to the complex political, ideological phenomenon, as the highest stage of capitalism. The description is always talking about cartels and monopolies, including banking system giving influence of the whole economic life. Highly monopolize the profit through establishment of close relationship between ruling parties give the form to maintain/strengthen its national prosperity. Those classical economist announce the five features in the classical economic world as follows:

1. Concentration of Capital
2. Emergency of Financial Capital (Merging of Industrial and Bank Capital)
3. Export of Capital
4. International Monopoly
5. Territorial Division of Whole World

The principal approach is the industrial, commercial, and bank capital concentrated in hands of small amount elicits in order to maintain high financial yield, calling 'Financial Capital'. The Financial Capital finally leading to development of the thinking of the countries expansionist policy targeted to achieve peace-loving and humanitarian, physical gain the support of colonization (one nation's greatest dominated the world). The fact that the industrial revolution causing the capitalist over-production of commodities, which cannot be sold all in internal market. Countries need to search for new world markets. And, this is for the dominate and search for cheap raw materials and labour-power. Classical Marco-economical thinking by both Bukharin and Luxemburg are 'Imperialism is the political expression of the accusation of capital in its competitive struggle for what remains still open of the non-capitalist environment'. As the result, this development fulfill the assumption the world would result in achieving the whole world in one capitalist nation. That is what our current theory of Globalization (Supplement 4), we always say.

Although financial capitalism is the tenor for peace-loving and humanitarian, it deviated to a path of unwanted freedom, but domination; neglected the independence of the individual capitalist, but demands its allegiance. It detests the anarchy of competition. It needs the state which can ensure guarantee its domestic market through a protective tariff policy and facilitate the conquest of foreign markets. This thinking may have embedded the forthcoming of 1920s Depression. Through this foot step of thinking socialism in early 20 century is inevitable. It is not the reason of the

workers bring about the political struggle but classical capitalism will consequently collapse. Since, Marx's class struggle is only a historical process to socialism reflecting the impossibility of classical capitalism in certain economic stage.

Keynesian Revolution, the Dawn of Modern Macro-economy, the era of fluctuation

An British economist John Maynard Keynes (1883 to 1946) who have experienced the Great Depression during 1920s. People worry about job lost, and saving more money, retreat of borrowing money and non-essential purchase. Finally, there lead to lengthen the period of lower . Keynes call this effect as 'Paradox of Thrift'. The situation goes on without remedial action, deflation and sequential bankruptcy will lead to the economic system collapse. Contrary to the orthodox economic thinking that the economic system itself will heal herself through erasing those outdated business activities. Classical economics under Keynes view is basically an unregulated free markets with fraud of having self healing ability when facing problems. Keynes argue the unfavorable environment just sluggish maintained in long run due to the low wages and mass unemployment. Classical economist thinking is remaining the markets to be cleared off in long run. However, Keynesian thinking is the government can stimulate and shorten this unfavorable period by using fiscal and monetary means, borrowing from private sectors (surplus saving from population). This is the General Theory of Employment, Interest and Money (1936) create a revolutionary new envisage how the government influence economic environment through those means. Keynesian system bring about more frequent bust and boom to the markets. On the other hand, the quantity of money(M1) crucial factor upon the effectiveness of government's monetary policy. In August 1971, U.S. president Nixon give the decision to cut off the direct convertibility of U.S. Dollars into gold. This is the beginning of global economic system adapted the Keynesian thinking into reality. It also represent the era of a nation's banknotes relied on her bonds and national credit approached. Keynesian may have outdated classic colonization thinking. However, there are arguments if Keynesian system will be solution to solve rich poor disparity.

The scenario of Classical and Keynesian Thinking Influence Global Economic Environment

Traditionally, money has been thinking as media for trading activity; Money through the support of gold standard system, they are supposed to be standard of valuation, devised from trading activities. After August 1971, money as currency value is always fluctuation to suit the national economic necessities under the Keynesian system. There are many new ideas and creation of derivatives tools within markets for private

sectors to invest and easy borrowing at the same time. Adam Smith's free trade; Colonization thinking is replaced by Globalization economic activities; Marx's class struggle is embed as potential hazard influenced by rich poor disparity. Most of ours are democratic countries, so capital centralization and monopolies thinking are a obsolete. As our Keynesian system is in operation globally, currency is having the direct relationship with GDP, National Credit and Bonds.

An interpretation of our estimated current global economic scenario under the influence of classical economical thinking

In fact, our current macro-economic system is founding on those classical thinking, on the footstep of our predecessors' economic theory, which regulated its trends to develop to this present sophisticated system. The worldwide using Keynesian system do not obliterate the classical thinking and theory. The Keynesian system is a revolution but also adopted the classical thinking and theory in practice, such as Adam Smith's.

Our modern macro-economic system possess the characteristics as follows:-

1. Money, a media of trading activity, oriented a value with the relationship of money supply and velocity of its circulation, level of production and prices.
2. Money is having the relationship with inflation of a country.
3. Under the Keynesian system after 70s the worldwide, countries' money quantity is relating to bond issue, better self-healing power, lessen the intention of war. Colonization is obliterated. Countries improve its prosperity mainly through currency war.
4. Adam Smith's free trade is still influencing the modern macro-economic system. Isolation policy shall not be promote for it will adversely affect the global economy.
5. Ricardo has argued that limited land supply restricted a country's productivity and society growth. Nowadays, some of the cities esteemed as having potential development are bearing the burden of high properties value and rent. This is really a stumbling block especially to growth both industrial /technical research and development. People are more willing to be properties owner rather than industrial investment.
6. Marx has alleged the capitalist development is an important factor for world market and foreign trade.
7. Classical theorist has also declared that the approach of industrial, commercial and bank capital concentrated in small amount elicits in order to maintain high

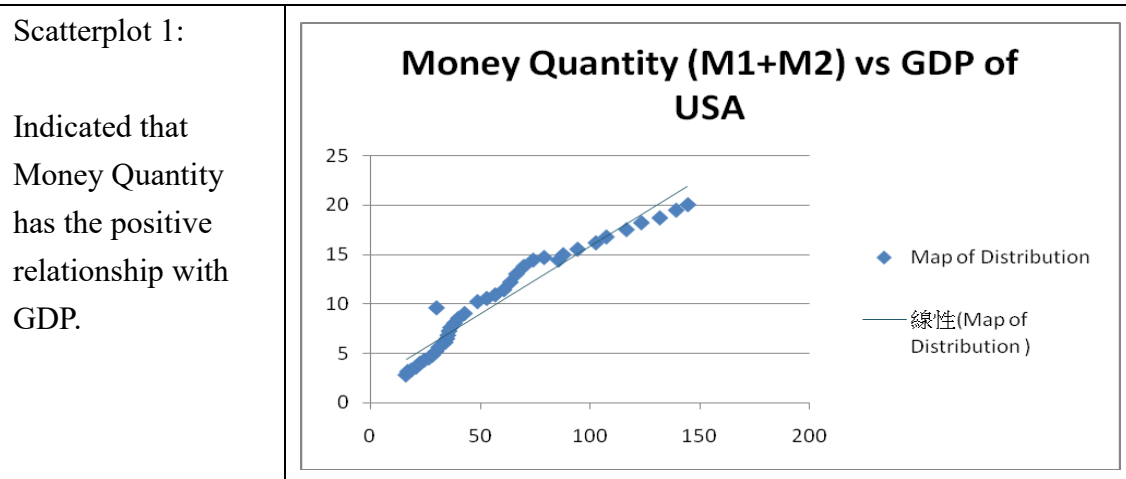
financial yield.

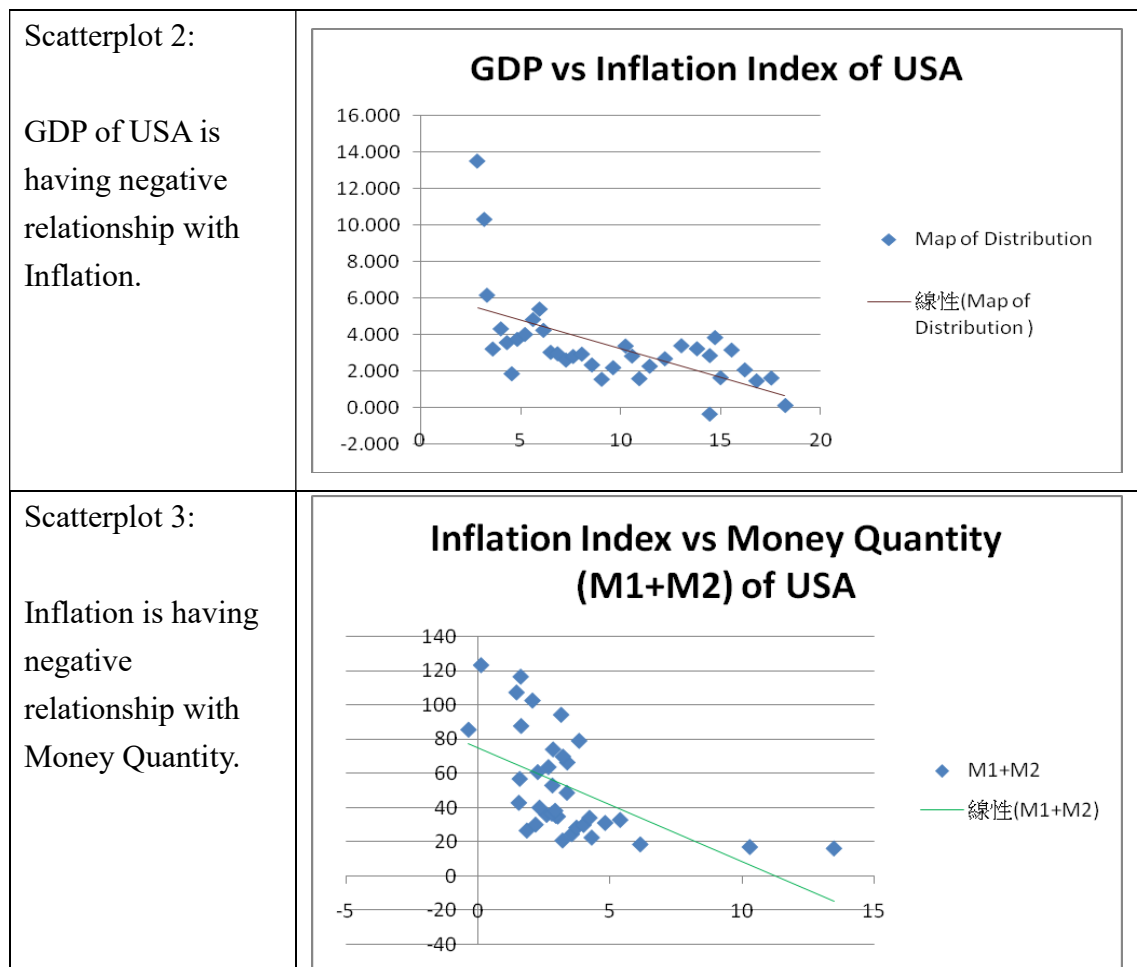
8. Keynesian theory lead to worldwide lessen the importance as valuation of gold to money. Thus, money value directly entangled to bonds issues leading to upheaval of a Countries' Quantitative Easing much more easy (supplement 1)..

Those crucial directions and mentions by classical theorist have already embedded within our modern macro-economic system under the Keynesian's direction, which obliterated by present economist. This also indicated the crucial factors affecting move of countries' prosperity through the estimating of money quantity, having the relationship of money supply and velocity of circulation, level of production, level of prices. Under this scenario, that makes the GDP, Money Quantity and Inflation Rate the important indicators reflecting a country economy.

Let take United States of America as example, she is the first country to get rid of gold stand system in August, 1971; adapted the Keynesian system. The country at the same time adapted those classical theories within the her economic system. As globalization as accepted as trend, the above aforesaid characteristics a country cannot denied. Worldwide has accepted USA as a great country with advance technology and prosperity. Under Keynesian influence, we have the research through SPSS to analysis her actual economic condition through her years of 1980 to 2015 GDP, Money Quantity and Inflation rate (data from Board of the Federal Reserve System).

A scatterplot to fast analysis those 3 factors (GDP, Money Quantity, inflation rate) through Excel.





According to the Keynesian theory, there is phenomenon the monetary policy can arouse the public to buy more in the market, stimulate the inflation rate rise. However, these three scatterplot noticed the actual situation is contradicting the theory. The money quantity and GDP rise, inflation stay low.

Those data shall go through further in depth checking by SPSS19, it get the same result enclosed behind. The GDP is having a very strong correlation of 0.968 (limit 0.7) when money quantity increase into market, the GDP goes up. That means the money quantity is influencing the GDP level which can say that the money diminish its value, when increase its quantity to the market. At the same time, the lower money value direct leading to higher GDP level.

It is a funny resulting that both the GDP and Money Quantity level are having strong negative correlation with the inflation rate, -0.588 and -0.545 respectively. That means the GDP level goes up and Money Quantity increase indicate the inflation rate goes down, contradicting the Keynesian assumption.

New perspective to evaluate the country prosperity

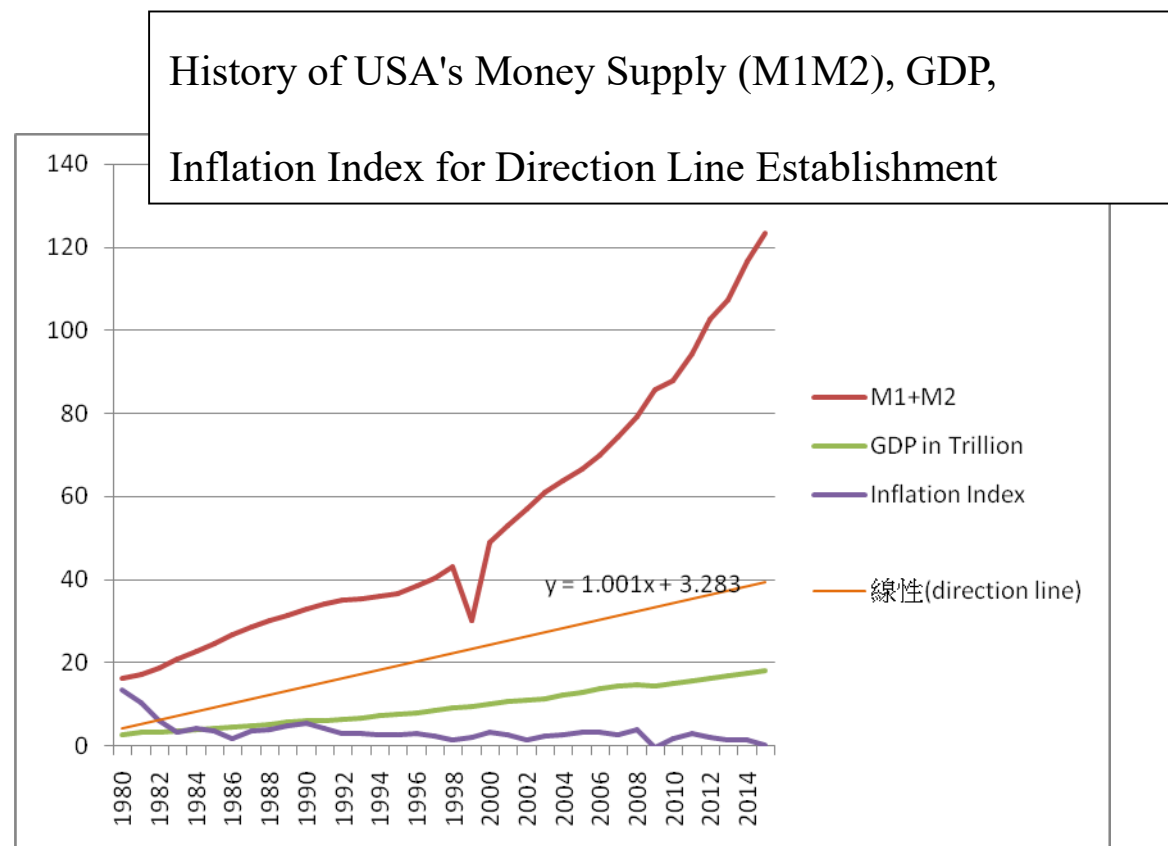
The analysis itself show that a country GDP cannot be a good indicator to show off the actual economic condition, especially the country herself has gone through years of Quantitative Easing to sustain its survival prevent her own recessions. The analysis result also challenge the Keynesian. GDP and Money Quantity will arouse the downfall of inflation rate. Can this phenomenon indicated the country's prosperity is in the hand of small portion bourgeois' hand beyond that large amount of people are still poor?

High GDP through monetary policy is only reflect those small portion bourgeois being rich. That is why there is no growth of inflation rate. By the way, money value itself will diminish if increasing its money quantity. GDP can no more measure the country's prosperity. A new measuring system should be established (adapted Thomas Piketty theory, 2002):

1. Capital gain ratio (c)= Capital /Annual Income
2. Return Capital Rate (b)= Capital Return (such as interest, bond return, rent return)/Capital
3. National Asset Allocation Ratio (a)= (b)X(c)
4. When (b) x (c), we have Capital Return (interest, bond return, rent return) / Annual income.

When the National Asset Allocation Ratio (a) result is in larger in value, the disparity within the country is high, adverse affecting the country economy, assuming low inflation rate with high money quantity level.

Further to insufficient interpretation of long term national economic scenario, a direction line was introduced to reflect the country's economy situation, there established the constant for above equation as follows:



The National Asset Allocation Ratio = $1.001x$ Capital Return (interest, bond return, rent return) / Annual income, after revised.

The National Asset Allocation Ratio per Capita = National Asset Allocation Ratio / Population, (a)/population.

Remarks: If the National Asset Allocation Ratio per Capita is large in value, the country's prosperity is identified as most of asset in government's hand. Usually, general citizens are poor. On the contrary, the ratio per Capita low in value, the country herself in poverty. Her national reserve is low.

Conclusion

This paper want to show off one fact the classical economic theories are still influencing our worldwide economic system. The worldwide has already adopted the Keynesian system thinking that monetary policy, such as Quantitative Easing can avoid recession. However, there are evidence the system is not perfect, high money quantity just only lead to high GDP, just an illusion of country prosperity, not real. There may have consequence of upsurge the disparity between poor and rich. It further cannot help for stimulate inflation rate raising. It keep going down anyway.

This paper has taken data from Federal Reserve as sample background for analysis, the prodigious discovery of the inflation ratio is having negative relation with GDP value. That means the country will get low inflation rate conditioned that the GDP raising.

GDP will not be a crucial indicator a country's prosperity but a new equation called National Asset Allocation Ratio. There is a further introduction of National Asset Allocation Ratio per Capita of how to evaluate a country prosperity trend of future. It also further the direction line will govern and draft out the trend of how much money quantity need to generate the proper GDP in return. However, further research on this direction is a need as follows:-

1. Money, a media of trading activity, oriented a value with the relationship of money supply and velocity of its circulation, level of production and prices. However, a new cryptocurrency which do not possess the aforesaid characteristics. What the impacts if popularly accepted as orthodox currency widely used?
2. We can further said money is having funny relationship with inflation. There needs to have research to discover if any other factor influencing inflation.
3. Money value has been strictly linking to gold value before 1970s. This is argued by most of modern economist that the classical theories might have led to 'Great Depression'. One of the assumption is a country would have more willing to start wars change or sustain ones prosperity level through conquest. Or, an upheaval of a country prosperity by another way through colonization. However, it has experienced that a country will suffer long stand economic laggard, weak in self-healing if she is not taking the aforesaid choices. Under the Keynesian system after 70s the worldwide, countries' money quantity is relating to bond issue, better self-healing power, lessen the intention of war. Colonization is obliterated, there comes globalization. Just that simple?
4. There must be further research on The National Asset Allocation Ratio per Capita about how its influence a country's economic future.

Reference:

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STANDARD LINEAR REGRESSION SPSS19 ANALYSIS RESULT

GET

FILE='C:\Users\user\Desktop\Macro Economics_M_GDP_Inflation.sav'.

DATASET NAME DataSet1 WINDOW=FRONT.

REGRESSION

/DESCRIPTIVES MEAN STDDEV CORR SIG N

/MISSING PAIRWISE

/STATISTICS COEFF OUTS CI(95) R ANOVA ZPP

/CRITERIA=PIN(.05) POUT(.10)

/NOORIGIN

/DEPENDENT Inflation_Index

/METHOD=ENTER M1M2 GDP_in_Trillion

/SCATTERPLOT=(*ZRESID,*ZPRED)

/RESIDUALS NORMPROB(ZRESID)

/CASEWISE PLOT(ZRESID) OUTLIERS(3)

/SAVE MAHAL COOK.

Regression**Descriptive Statistics**

	Mean	Std. Deviation	N
Inflation_Index	3.3697	2.49743	36
M1M2	52.5363	30.22046	36
GDP_in_Trillion	9.5181	4.68916	36

Correlations

		Inflation_Index	M1M2	GDP_in_Trillion
Pearson Correlation	Inflation_Index	1.000	-.545	-.588
	M1M2	-.545	1.000	.968
	GDP_in_Trillion	-.588	.968	1.000
Sig. (1-tailed)	Inflation_Index	.	.000	.000
	M1M2	.000	.	.000
	GDP_in_Trillion	.000	.000	.

N	Inflation_Index	36	36	36
	M1M2	36	36	36
	GDP_in_Trillion	36	36	36

Variables Entered/Removed^b

Model	Variables Entered	Variables Removed	Method
1	GDP_in_Trillion, M1M2	.	Enter

Model Summary^b

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.596 ^a	.356	.317	2.06450

ANOVA^b

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	77.650	2	38.825	9.109	.001 ^a
	Residual	140.651	33	4.262		
	Total	218.300	35			

Coefficients^a

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	95.0% Confidence Interval for B		Correlations		
		B	Std. Error	Beta			Lower Bound	Upper Bound	Zero-order	Partial	Part
1	(Constant)	6.576	.849		7.742	.000	4.848	8.303			
	M1M2	.033	.046	.394	.704	.487	-.062	.127	-.545	.122	.098
	GDP_in_Trillion	-.517	.298	-.970	-1.731	.093	-1.124	.091	-.588	-.289	-.242

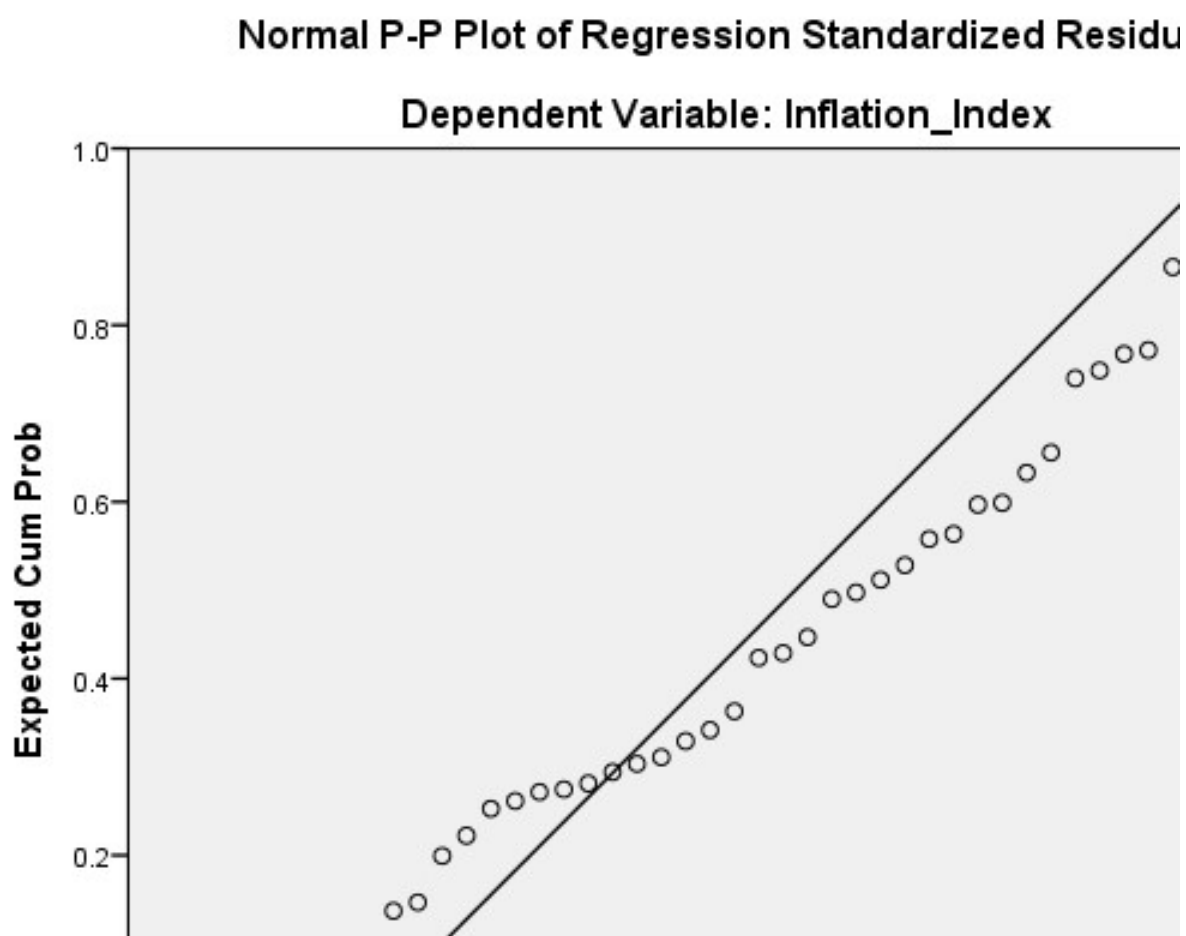
Casewise Diagnostics^a

Case Number	Std. Residual	Inflation_Index	Predicted Value	Residual
1	3.815	13.51	5.6325	7.87686

Residuals Statistics^a

	Minimum	Maximum	Mean	Std. Deviation	N
Predicted Value	1.1808	5.6325	3.3697	1.48948	36
Std. Predicted Value	-1.470	1.519	.000	1.000	36
Standard Error of Predicted Value	.398	1.117	.571	.173	36
Adjusted Predicted Value	1.2413	5.5874	3.3567	1.48184	36
Residual	-3.22491	7.87686	.00000	2.00464	36
Std. Residual	-1.562	3.815	.000	.971	36
Stud. Residual	-1.622	4.022	.003	1.017	36
Deleted Residual	-3.47743	8.75296	.01303	2.20017	36
Stud. Deleted Residual	-1.665	5.547	.051	1.217	36
Mahal. Distance	.326	9.280	1.944	2.064	36
Cook's Distance	.000	.600	.033	.103	36
Centered Leverage Value	.009	.265	.056	.059	36

Charts



Supplement 1: Quantitative Easing is a rapid monetary policy has once been used by the Fed to stimulate sluggish economic environment through printing vast amount of money instantly. There is general assumption that the printing money effect is global; the Fed declare currency war to the world in order to save her own critical financial collapse. Thinking that printing money means arousing higher inflation, higher food prices and stock bubbles in other developing countries. Printing money also means that U.S. debts is devalued (trashing the Dollars) and more bonds shall be sold to foreign creditors' countries, and pay back in cheaper dollars. However, other countries are interacting with the U.S. policy; The actual situation is the USA a country mainly rely on import supply by foreign developing countries, causing deflation within U.S. market. And, U.S. will get trouble in addicting high debt to creditor's countries. U.S. will face difficulty to raise interest rate in long term. The policy also arouse high inflation internationally, but the high inflation rate will not be a problem for rich countries (countries less disparity between rich and poor). On the other hand, cheaper dollars shall create the opportunities to facilitate the foreign organizations to buy up U.S. advance technology and strategic assets through organizational merging activity.

Quantity Easing also create stock bubble to worldwide, leading to high fluctuation in stock markets because of money flooding. In the end, countries in the worldwide are printing more money in order to response U.S. Quantitative Easing.

Supplement 2: $GDP=C+I+G+(X-M)$; C:consumption, I:investment, G:government spending, X:exports, M:imports.

Supplement 3: Classic Gold Standard 1870 to 1914
 Creation of Federal Reserve 1907 to 1913
 Currency War 1 (1921 to 1936)

Supplement 4: The term globalization first mentioned in 1960 and widely recognition until 1990s, shortly after the Berlin Wall fall. New global corporations have its nature of multinational founding in one country but operated extensively abroad through branches and affiliates. Due to this specific characteristics of the giant organizations, boundary and rivalry between countries become obscured. Their products became an integration of parts produced from many countries. This also means that a downfall of a product or multinational organization adversely affect many countries financial condition, meaning that it is obstinate to upheaval of protectionism.

Furthermore, the new global corporation will appear to submerge its national identity tending to establish its global brand. Under this characteristics, the decision making on how resource and productions allocation will based on considerations of cost, logistics and profits, but not consider first by home country identity of the organization.