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preface

This paper reveals why Yamada Houkoku's economic policy is the only solution to global economic crisis.

Taking an in-depth look at the book called "The General theory", I explain what went wrong and demonstrate why the establishment of an ever normal granary is needed to restore economic prosperity and to prevent financial crisis.

A soliton economy is the opposite of a chaos economy.

This economy implies that a small shock does not lead to economic depression and financial crisis.

A capitalist economy lacks a complementary market.

The economic system created by Yamada Houkoku maximizes the amount of exchange of goods, with a minimum detrimental effect of money on macroeconomy.

A monetary economy does not maximize the amount of exchange of goods.

A barter economy with no money also doesn't do that.

J.M. Keynes supports fiscal policy whose purpose is to increase effective demand.

On the other hand, Milton Friendman emphasizes the importance of monetary policy.

However, they don't recognize the difference between surface structure and deep structure.

A western economist except for behavioural economics seems to ignore the psychology and cognitive efficiency inherent in human beings.

Expectation plays an important role in economy.

However, modern economics ignores deep structure in expectation.

In other words, expectation is strongly related with human cognitive abilities.

Deep structure in economy belongs to human cognition the exchange of goods and economic structure etc.

Western economists seem to pay attention to only visible things.

On the other hand, Yamada Houkoku's economic policy implies that an invisible deep structure is more important than monetary or fiscal policy and a change in policy regime.

Modern macroeconomics is concerned with the notion of optimization, optimal control theory, a conflict between domestic objectives and external objectives.

On the other hand, Yamada Houkoku's economic policy is based upon the notion of Japanese or Chinese philosophy.

According to them, a conflict must be solved by the addition of new things, which creates the self-organizing emergence.

Monetary policy is intended for both the stability of exchange rates and domestic economy.

Fiscal policy is intended for both the stability of domestic economy and social welfare.

However, we can't achieve both objectives at the same time.
In a similar way, we can't say that he must can swim.
This means that we can't use auxiliary verb at the same time.
However, we can say that he must be able to swim.
He must can swim.
The above sentence is ungrammatical.
In order to correct it, we must replace can with be able to.
If we say, "He must be able to swim", that sounds natural.

The above example explains the essence of Yamada Houkoku's economic policy.

Houkoku's solution means that an ever normal granary is intended for the stability of domestic economy and social welfare.

It can contribute to an increase in fiscal revenues and the amount of exchange of goods.

In order to achieve both of the objectives of exchange rate stability and economic boom, monetary policy is not effective.

However, the establishment of an ever normal granary with monetary policy can be effective with them.

In this situation, "can" corresponds to only monetary policy, and "be able to" corresponds to an ever normal granary with monetary policy.

In a similar way, fiscal policy is not effective with both of the objective of economic boom and social welfare.

A lower interest rate may lead to economic boom.

However, it might cause exchange rate overshooting.

A higher taxes may lead to fiscal surplus, which contributes to social welfare.

However, it might lead to economic depression.

On the other hand, an ever normal granary with fiscal policy may be effective with both of them.

Linguistics literature says that can and must are not in harmony with each other in a same sentence.

However, it says that must and be able to be the exception.

In order to change an ungrammatical sentence into a grammatical one, the solution must be the replacement of a word.

Fiscal policy corresponds to “can”.

On the other hand, an ever normal granary with fiscal policy corresponds to “be able to”.

Globally speaking monetary and fiscal policies are not effective with respect to output exchange rate stability and equilibrium in external balance.

However “must and be able to” are different in character.

In a similar way, monetary policy and fiscal policy are the same in character if we say economically.

On the other hand, an ever normal granary with them are quite different in character.

An ever normal granary holds the function of the market design mechanism and the platform economics.

On the other hand, a great difference which distingutes Yamada Houkoku’s economic model from them is as follows.

They lack the existence of complementarity and a export sector.

The business model Yamada Houkoku creates is intended for the emergence of new economic structure.

The establishment of an ever normal granary creates the economy based upon a barter economy, which buy economic goods from a private sector and sell them to people who are in need.

In other words, economic depression will come back to normal soon, without any monetary expansion.

A collapse in bubbles or stock prices leads to the emergence of people who suffer from heavy debts and a reduction of the purchasing power in money.

The solution is not expansionary monetary or fiscal policy, but the establishment of exchange of goods, which means an ever normal granary. Macroeconomic policy does not matter.

The matter is economic system, which Yamada Houkoku creates for the welfare of poor people.

Introduction (New economics of J.M. Keynes)

I would like to challenge conventional wisdom which means that discretionary macroeconomic policy is not effective with respect to output and employment.

If discretionary macroeconomic policy implies the establishment of monopoly and control system, then this policy may be effective.

J.M. Keynes's real economic message means that Government and central banks should control the amount of an exchange of goods, not interest rates and the amount of money.

The reason is that economic depression implies the reduction of the amount of an exchange of goods.

If this is true, an increase in a circulating money and its velocity corresponds with the increase in this amount.

The establishment of monopoly and control system does not lead to fiscal debts.

If this establishment leads to an increase in private firm's profit, then logic tells us that economic recovery occurs soon.

An increase in money supply does not always lead to the increase in the amount of economic transactions.

Economic recovery is conditional upon the fact that the creation of Government enterprise leads to private firm's profit.

This fact is also conditional upon the fact that the relationship between Government enterprise and private firm is complementary.

In other words, economic goods produced by Government create new demand for private firms, which leads to economic recovery.

If we try to develop J.M. Keynes's economic philosophy, we must construct economic model that the multiplier effect depends upon not only the marginal propensity to consume but also the number of complementary goods and the number of economic network.

The above argument tells us that complementary goods complements economic network each other. In other words, a great economic shock never cause a great economic depression with a great number of them.

One of the real causes of economic depression is a lack of complementary goods and economic network.

In other words, deflation (a price competition) is due to a lack of them.

If this is true, a quantitative monetary easing is not effective with respect to output and employment.

As they increase, investment uncertainty decreases, and therefore this stimulates domestic economy.

The purpose of J.M. Keynes's general theory is to tell us the mechanism of investment uncertainty.

The above argument tells us that 'new general theory' must include the solution for investment uncertainty.

Complementary goods and economic network are related with effectual demand, effective demand and division of labour, which is linked with the amount of output and employment.

The reason why comparative advantage and mutual advantage don't work in a globalized capitalist system is simply due to a lack of them.

The reason why a lack of them occurs is because of animal spirits and a strong interest for profits of a private firm.

Therefore, government and central banks must cope with this problem by producing complementary goods.

If the number of complementary goods and economic network increase, economic problems such as the redistribution of income unemployment and deflation may be solved.

If government enterprise increases the number of them, then a profit motive of them works well for a capitalist economy.

Oversupply of non-complementary goods leads to economic deflation, because of a price competition and a lack of demand.

However, if government increases the number of complementary goods, then non-complementary goods changes into complementary goods, which leads to economic recovery.

The purpose of this paper is to prove that economic philosophy of J.M. Keynes is completely misunderstood.

Economic fluctuation reflects our cognitive abilities to understand economic phenomenon.

This can't be explained by a reductionist view.

For example, the changes in financial assets, the change of a value in money, the rate of unemployment can't be controlled only by discretionary macroeconomic policy.

If J.M. Keynes were alive now, he might say that economic fluctuations can result from application of human inductive process to them.

A central theme of J.M. Keynes's economic philosophy means that economic fluctuation is purely a cognitive phenomenon.