Enhancing Markets (i.e. Economies) Transmissionability to Optimize Monetary Policies' Effect

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Monetary Policies of expanding liquidity through bottom low interest rate; stimulus packages, quantitative easing, etc should be transmissible to the entire market (i.e. economy) for best performance. However, current markets (i.e. economies) do not posses enough market security to provide the transmissionability to reach adequate market development (i.e. economic growth). This paper theoreticizes that by mitigating of 1) the shady business practices of 2) vague personal corporate liability and 3) contract laws, 4) vague insurance and bonding laws, 5) inadequate 1) intellectual property laws, 2) environmental protection and 3) consumer protection laws, etc market marginalization in fact will enhance the market security, and improve the transmissionability and the effectiveness of the monetary policies to boost market development (i.e. economic growth).

JEL Codes: A1, D01, D5, P48, K0

1. Introduction

Through lower FED's interest rates the liquidity pumped[1] into the market (i.e. economy) prompts market development (i.e. economic growth), but only if the market transmissionability (See Bhattacharya and others 2011) allows absorption[2] and transformation of such extra liquidity[3] into business entropy to build-up equity, and vice versa.

1.1 Market (i.e. economy's) entropy[4]

The technological improvements in manufacturing, international trade and communications i.e. rapid Globalization and rising Productivity have established global market (i.e. economic) allowances for expanding business activities into not-necessary-industrial related market sectors without prompting Inflation. The entropy is unpredictable business activities succeeded in a market (i.e. economy), which could be invoked by "natural" to the

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[1] Federal Reserve Bank of Chicago, *"Economic Conditions and Conditionality"*, February 28, 2013, But there are two other important tools I would like to highlight. One is the open-ended large-scale asset purchases (LSAPs) we currently are undertaking. Each month, we are buying $85 billion of mortgage-backed securities and long-term Treasury securities. These purchases are open-ended, meaning that the program will continue until the FOMC is highly confident that we are seeing a substantial improvement in the outlook for the labor market, which is both a prerequisite to and an indication of a broader, self-sustaining recovery. The second tool is our forward guidance about the fed funds rate—that is, our commitment to leave the rate at essentially zero until adequate progress is made toward economic recovery.

[2] Phillip Inman *"Bank of England ready to pump more cash into the UK economy",* The Guardian, Tuesday 26 February , Andrew Tyrie, chair of the Treasury select committee, said: "The lack of lending to SMEs is inhibiting economic growth in the UK. The MPC is right to be looking at additional tools, or changes to existing tools, that could help."

[3] Ivan Jaccard, "Liquidity constraints, risk Premia, and the macroeconomic effects of Liquidity Shocks" , no 1525 / march 2013….real economic *"effect is obtained by lowering the EIS in consumption and the wealth elasticity of labor supply. This joint effect, which in our environment depends on one single preference parameter, can be calibrated by using the model's asset pricing predictions."*

[4] Named after Boltzmann's H-theorem, Shannon denoted the entropy H of a discrete random variable X with possible values {x1, ..., xn} and probability mass function P(X) as,

$$H(X) = E[I(X)] = E[-\ln(P(X))].$$

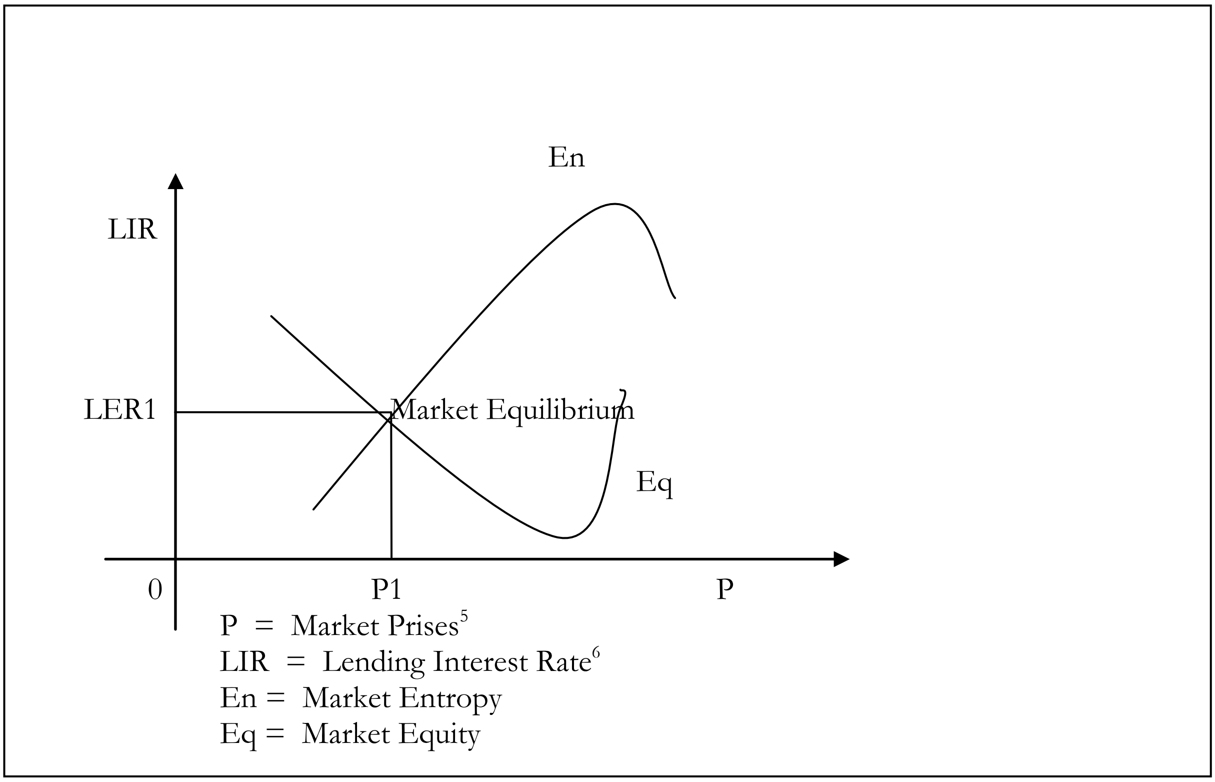
Here E is the expected value operator, and I is the information content of X.[8][9] I(X) is itself a random variable.

market competition agents i.e. businesses and investors, or “artificial” to the market competition i.e. governmental interventions, or a combination of both.

1.2 Market (i.e. Economy’s) Equity

Market Equity is the value built in assets by the level of market development. In a short-run Market Equity (i.e. Eq) decreases with rising Lending Interest Rate (i.e. LIR), whereas Market Entropy increases with rising Lending Interest Rate (i.e. LIR), while in a long-run the direction could reverse.

1.3 Market Equity to Market Entropy



However, if the transmissionability is limited the system (See Espinoza and Senhadji 2011) could be choked bringing overcapitalization of individual market (i.e. economic) sectors; the 2001 & 2007 Recessions are good examples of such overcapitalization: 2001-3 Recession’s Dot-com Bubble and 2007-9 Recession’s Real Estate overcapitalization.
Moreover, if the market (i.e. economy) does not properly perform the unemployment, underemployment, fiscal deficiencies and the rising National indebtness (Reinhart and Rogoff 2009) [7] could overload the economy.

[5] In economics, market price is the economic price for which a good or service is offered in the marketplace.

[6] LIR = Lending rate is the bank rate that usually meets the short- and medium-term financing needs of the private sector. This rate is normally differentiated according to creditworthiness of borrowers and objectives of financing. The terms and conditions attached to these rates differ by country, however, limiting their comparability.

[7] have recently engaged in a prodigious research effort aimed at collecting and analyzing economic data and financial crises across dozens of countries and hundreds of years. The most comprehensive repository of this work is their 2009 book This Time is Different: Eight Centuries of Financial Folly; a separate report “Growth in a Time of Debt” (GITD

To deal with the market transmissionability means to alleviate the insufficiencies that make the market competition dysfunctional: monopolies and oligopolies aggregated by the globalization.

Part I

2. Market Security

From a lender prospective an entity's market security procures the applicable for this entity lending interest rates. A feasible business loan requires less risk, whereas shady business environment keeps the market risk high (Diamond and Rothschild 1989) [8]. Secured by the government lower rates lending or subsidies e.g. corporate welfare is a market interference that may or may not have positive market effect, which depends on that market transmissionability. The further and more aggregate such market interference the less-probable is such to merge into natural general dynamic market equilibrium, but instead to bring redundancies.

Historically, a pro-supply market (i.e. economy) with higher profit margins would absorb more fluently artificial interference by the government: The more profitable conditions for successful business enterprises and better-paid employment, the higher possibility for business cyclically self-adjusting economy's optimization, the less harm from exogenous interventions. The Big Business & Investors were the fundamental market (i.d. economic) agents for market development (i.d. economic growth) by pushing productivity up and raising investment. Hence, the low-market security high interest rate lending to Small and Medium Enterprises & Investors (SME&I) was feasible economic agent, whereas the trickle-down economics performed well in a pro-supply business environment.

However, the increasing Globalization and rising Productivity, the China's industrialization and the Internet, etc (See Konov 2011)[9] have allowed rapid moving and outsourcing of industrial production (Khanna 2013)[10] that finally has pushed the unemployment rates up and consumption down, and has tipped-off the supply-to-demand market balance (See Friedman 2013)[11] into a demand-to-supply balance a process more likely to accelerate. Whereas, the Small and Medium Enterprises and Investors (SME&I) have become the unambiguous market agents for prompting and maintaining the needed market demand (i.e. economic consumption) and the related market wealth distribution and market development (i.e. economic growth).

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hereafter), based on a subset of their data on national debt and economic growth, has received considerable attention in the media and among policy makers after professor Reinhart testified at the National Commission on Fiscal Responsibility and Reform.

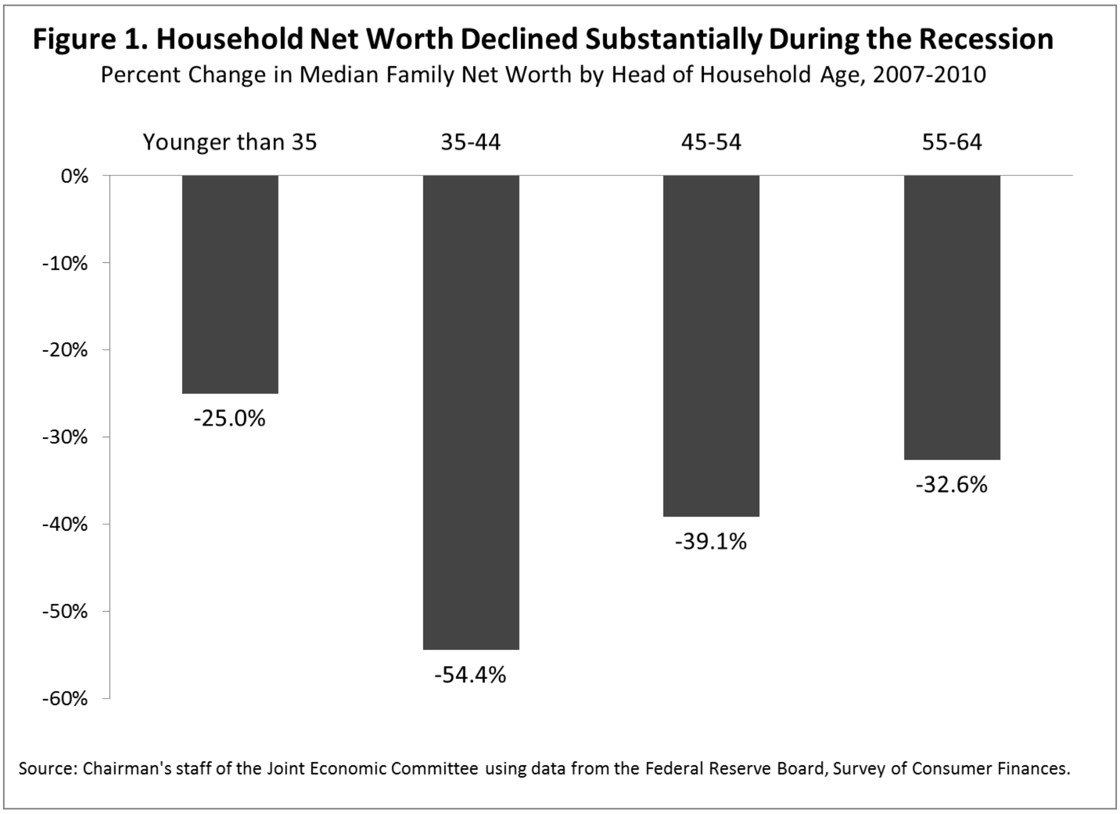
[8] Risk and uncertainty have been recognized as central topics in contemporary economic theory.

[9] the three main market facts: 1) the ongoing globalization; 2) the rising productivity; 3) the environmental pollution and exhausting Earth resources have major exogenous and endogenous casual effect on the real markets of the Advanced Market (AM) and Emerging Markets (EM) alike. (China is not included as an EM)

[10] 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.

[11] 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.

Hence, the market conditions that boosted economic growth in the past: e.g. shady business practices (See DAVID DAYEN)[12] (See Sengupta and Faccio 2011, 93(2), pp. 127-54), vague insurance and bonding requirements, lack of intellectual property protection, weak environmental protection agents of the trickle-down economics have become unable to prompt business entropy[13] and employment under these new conditions. E.g. the US middle class' lost of wealth process accelerated by the 2007-9 Recession.



The market security becomes a dominant economic issue. A necessary change is from relatively insecure market conditions to relatively fair market competitions with higher market security, shaping a higher role for small and medium enterprises and investors as main market (i.e. economic) agents under diversified and enhanced business entropy.

3. Provisions of Market Economics

In what does the Market Economics differ from the currently used Trickle-down Economics? First and for most the Market Economics is founded on:

[12] The Salon 03.05.2013, *"To serve and protect … banks? With mega-banks illegally foreclosing on active duty members, the penalty is jail. But, as always, there's a catch"* "Misdemeanors of this type may be chicken feed compared to other, more serious criminal violations undertaken by the banks during the financial collapse. But the SCRA violations are the most clearly spelled out, both in terms of the burden of proof and the penalties. Typically only repeat misdemeanor offenders get punished with prison time – but that's exactly what we have in this case."

[13] 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.

1. Relatively fair market competition by taking away the artificial to the markets advantages (See ANDREW ROSS SORKIN)[14] from the Big Transnationals and Big Investors by:

- changing the corporate limited liability into corporate unlimited liability (whereas the passive investors should not become liable) (See Ruggie 1982, 2007)
- enhancing business laws (See Tom Bingham)[15] and contracting laws[16]
- enhancing insurance and bonding laws
- improving intellectual property protection laws
- making fiscal initiatives equal opportunity laws (meaning to all sizes businesses)
- bringing market exchanges under the corporate unlimited liability laws and deleveraging the differences between Big and Small & Medium Investors market access and fraud protection

2. Enforce Environmental Protection proprietary laws; also simplify the procedures for the governments' environmental protection related lower interest lending, subsidies and fiscal stimulus.
3. Balanced budget laws attached to a projected leverage for market development (i.e. economic growth) short and long terms.
4. Pressing through the International Financial Institutions (IFI) for international acceptance of the appointed 1, 2, and 3 provisions.

4. Market (i.e. economic) Effect under the Provisions

The general mitigation to the unfair conditions of market (i.e. economic) competition will allow market expansion of the small and medium enterprises and investors through:

- higher the market security;
- lower interest lending[17];
- most diverse and robust business entropy;
- change from current reliance on only manufacturing related jobs income distribution; into more diverse such (See Contessi 2010);
- enhanced consumer protection laws;
- the Alternative: Energies, Farming, Tourism, etc. better market competitiveness;
- enhanced market (i.e. economy) transmissionability.

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[14], *"Realities Behind Prosecuting Big Banks",* Dealbook, NYT MARCH 11, 2013 "I am concerned that the size of some of these institutions becomes so large that it does become difficult for us to prosecute them when we are hit with indications that if we do prosecute — if we do bring a criminal charge — it will have a negative impact on the national economy, perhaps even the world economy," Mr. Holder told the Senate Judiciary Committee.

[15], Lord Chief Justice 1996-2008, presents eight parts of the rule of law: The law must be accessible and so far as possible intelligible, clear and predictable. Questions of legal right and liability should ordinarily be resolved by application of the law and not the exercise of discretion. Laws should apply equally to all, unless objective differences justify differentiation.

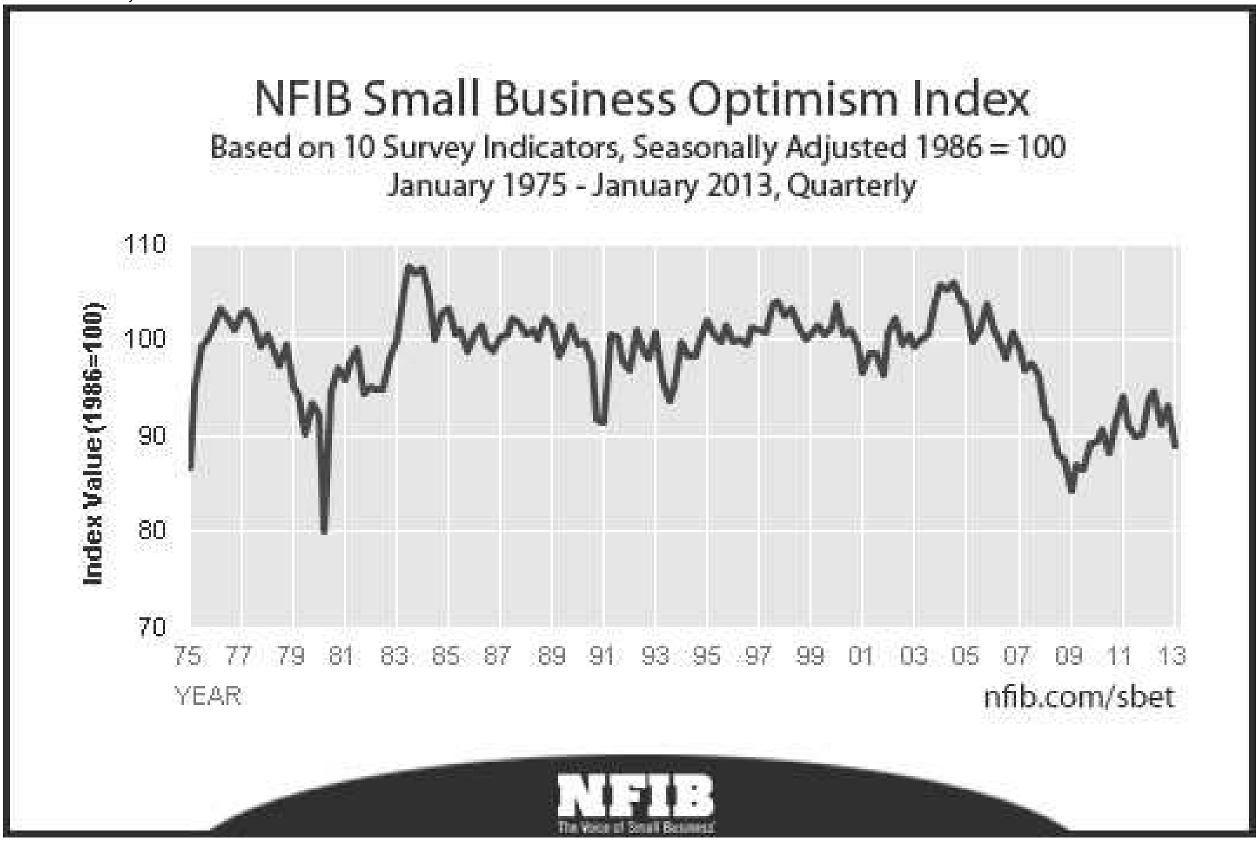
[16] E-Notes, *The law of unfair competition will not penalize a business merely for being successful in the marketplace and will not subsidize a business for failing in the marketplace. Liability will not be imposed for aggressive, shrewd, or otherwise successful marketing tactics that are not deceptive, 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.

[17] An important function of safe financial assets is to facilitate exchanges by serving as collateral in financial transactions.

5. Monetary Policies under Market Economics

Proprietary points of Monetary Policies:

- Inflation/Deflation as a primary market (i.e. economic) factor (See Anderson and others 2011);
- Deficit[18] and National Debt as a secondary factor (See Arslanalp and others 2010);
- Keep less volatile Interest Rate;
- Monetary policies are pegged to the Inflation/Deflation;
- Stimulus initiatives to target alternative energies, farming, tourism, etc;
- Global market (i.e. economy) strategies to copy the National, whereas the International Financial Institutions (IFI of WTO, WB, IMF) (See Shultz and others 1998) to lead and handle such through issuing Special drawing rights (SDRs) and controlling functions;
- The national and global monetary policies should target more vital diverse business activities;



- Wealth distribution should be more market related; however, income inequality should be kept in balance if needed by other ways.

The Productivity and Direct Investment are considered the fundamental economic tools rolling powerful market forces for economic growth (See Smith 1937). However, under the new emerging conditions of industrial overproduction capacity, particularly empowered by the China's industrialization (See Stiglitz 2002), the general market entropy should not be only connected to these two tools (See Bandyopadhyay and Suryadipta 2011) but to more comprehensive diverse market (i.e. economic) tools to carryon long-term market

[18] The U.S. trade deficit with China widened to $27.8 billion in January, potentially signaling another record annual deficit in 2013 after hitting $315 billion in 2012.

development (i.e. economic growth). The market economics gradually will diversify individual market sections, whereas business cycles will affect not necessary the whole market (i.e. Economy) but some market sections; therefore, governmental market interference should pressure individual market (i.e. economy) sections instead of a general market (e.g. economic) intervention, thus the monetary and fiscal policies' effect on the required intervention business cycles (See Aruoba and others 2011) should not be even for the whole market.
The market entropy requires diversity of monetary and fiscal policies not their generalization, whereas governmental actions could harm economically healthy market sections. The government should use countercyclical monetary policies to avoid recessions, but these measures should be less volatile and preventive, instead of consequencual and panic driven (See Llaudes 2010).

6. Improving of Less Developed Markets

Targeted market (i.e. economic) leaps of the less developed markets (i.e. economies) into environmentally friendly products and services are considered a National and Global prospective made possible by the Market Economics' higher transmissionability. The enhanced business entropy and diversity will enable the natural market competition to accommodate now-considered economically unsound technologies such as the environmental protection ones. It will maximize the role of the subsidies and low security loans backed by the governments. Therefore, the market forces of an enhancing market competition may well be considered a problem solver to the shrinking economic entropy and high unemployment, even when leading environmental and consumer protection laws are enhanced. High diversity business entropy' market competition would allow the alleviation of underdevelopment and poverty through implementing environmentally friendly technologies with not straight dependence on the industrialization.

6.1 Research & Development (R&D)

The nature of market competition requires natural market forces to connect Research & Development (R&D) and High Education[19] to the market competition the best economic forces for reducing redundancies, and keeping market equilibrium. If disconnected from the market competition the R&D and High Education could not and would not benefit the market (.i.e. economy) entropy, but would keep high underemployment.

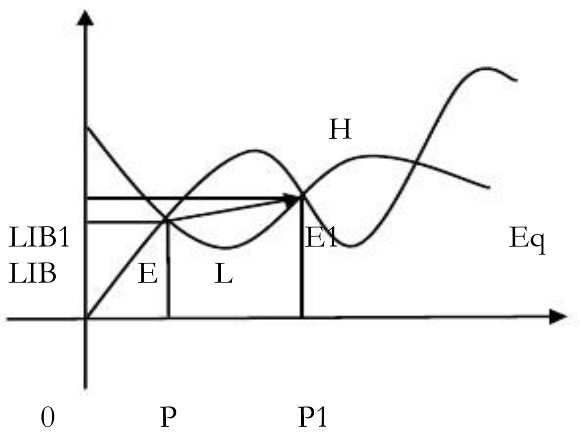
6.2 Market Leap prompts Market Development

[19] See Donghoon Lee, *"Household Debt and Credit: Student Debt"* February 28, 2013

- Higher education is an important investment among young workers for better jobs and higher income, but it is accompanied with a growing student debt burden.
- Total student loan balances almost tripled between 2004 and 2012 due to increasing numbers of borrowers and higher balances per person.
- Nearly one third of the borrowers in repayment are delinquent on student debt.
- The higher burden of student loans and higher delinquencies may affect borrowers' access to other types of credit and the performance of other debt.

Market Leap is a provoked significant move in business activity by artificial for the market (i.e. economy) means: such as targeted low-interest landing or subsidies under higher-market security' market environment.
The unpredictable but still directed Market Equity's (Eq) built-up through accelerated Market Entropy (En) by Market Leap (L) is a long-run Market Development:

6.3 Market Development



P = Market Value1
LIR = Lending Interest Rate
H = Market Entropy
Eq = Market Equity
E = Market Equilibrium
L = Market Leap

7. Monetary Policies of a Pro-Equilibrium Economics

Under current pro-supply economics the monetary policies were tight budgetary constrained, in a pro-equilibrium economics the monetary policies are focused on inflationary/deflationary fluctuations with additional projection leverage, whereas the budgetary stays as secondary. Because the market economy is based on already succeeded industrial production with capabilities for some expansion, the market abilities to accommodate inflationary shocks are more affluent.
Inflation/Deflation could be prompted by rising commodities' prices rather than the process of manufacturing related, however, commodity prices affect manufacturing goods indirectly, therefore, and the commodity prices are the best preliminary inflationary indicators. The rising productivity and the difference in production costs from less developed markets to the developed ones absorbs some of the commodity prices shocks; therefore, the difference in markets levels of development should be considered other important entropy for preventing inflationary shocks. The National and Global Market policies should not target deleveraging of these markets (less developed, developing, and developed) but it should target alleviation of poverty and improving environmental protection, instead. In addition, the monetary policies should sustain from leveling off monetary differences among countries (i.e. markets).

7. Projected Leverage

The accelerated diverse business entropy and higher market security expends a long-run projected leverage. The quantitative budgeting reflects the projected leverage, market (i.e. economic) policies similar to the Keynesian but in a high transmissionability market conditions.

8. Governmental Involvement & Incursion

Governments benefit market development by not getting involved in strait business activities or incurring into the fair market competition; the promotion of the Environmental protection by the governments should be a consistent policy to benefit all possible market participants. Free entrepreneurship should be the only driven force for market development (i.e. economic growth). Lower-rate targeted lending and subsidies must be objectively accessible by all market participants by law, and dispersed through commercial banks on setup matrix not politically subjective. Social, Infrastructural, and etc fiscal policies market agents under the optimized market security business environment will partially become equitable more efficient to influence market equilibrium, however the percentage of such "artificial" to the markets demand should well be kept in limits for not hurting the over all market equilibrium. The parameters for positive usage of these agents depend from a market entropy and equitability, issues dealt by other sections of this research.

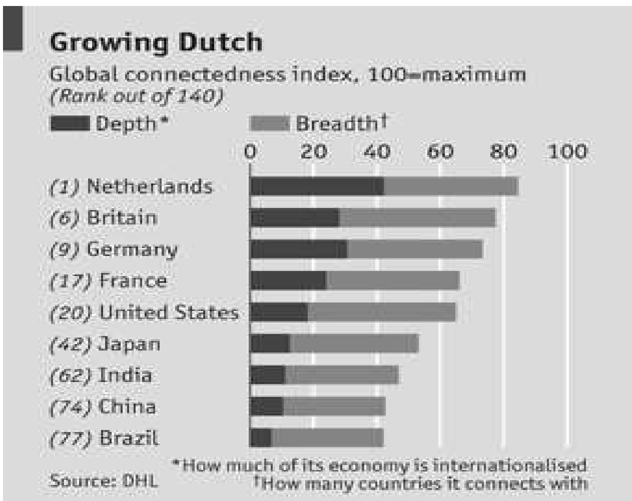
Part II

9. Fundaments of Market Economics

Even innovative the Market Economics has its fundaments (as follow) statistically confirmed and scientifically discussed.

9.1 Fundament I

Along with the expanding Globalization and rising Productivity, the China's Industrialization exogenously affects developed and less developed markets alike by weakening the Inflationary forces, but also limiting their industrial employment and related consumption and fiscal powers.

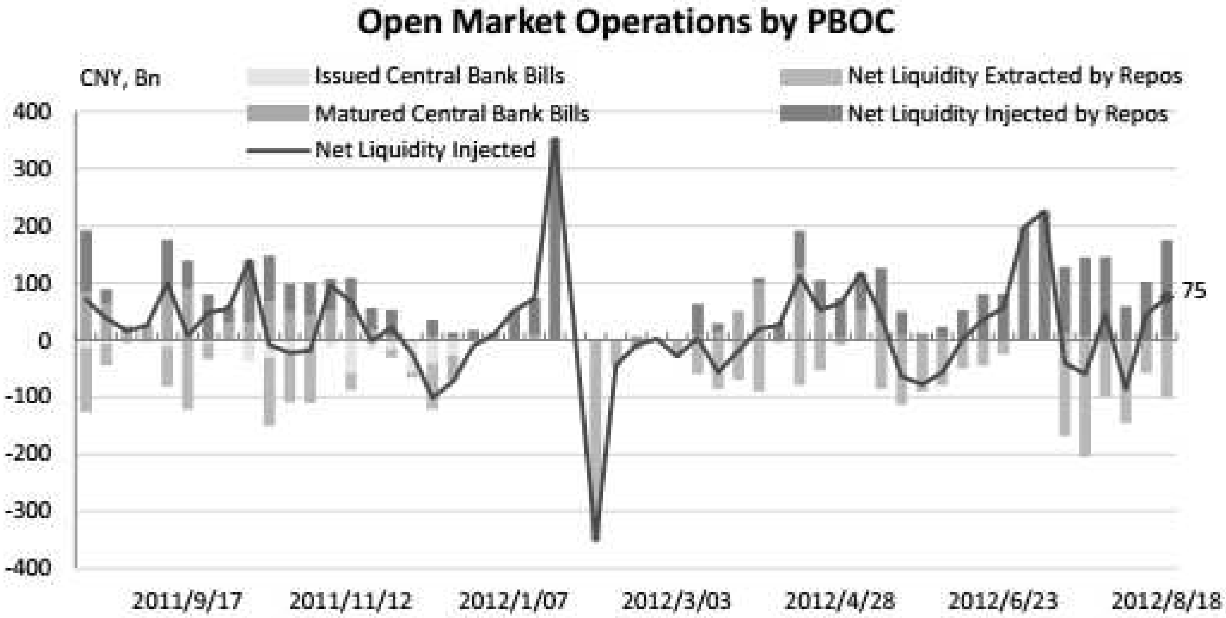


”Now, developing countries increasingly produce the kind of high-value-added components that 30 years ago were the exclusive purview of advanced economies. This climb is a permanent, irreversible change. With China and India -- which together account for almost 40 percent of the world's population -- resolutely moving up this ladder, structural economic changes in emerging countries will only have more impact on the rest of the world in the future.” , “As economies mature, manufacturing jobs sooner or later shrink,” (See Spence 2011) and the Innovations in Manufacturing, “For the past 50 years, technological development has helped productivity grow more rapidly in manufacturing than in the rest of the economy. On the one hand, this growth could lead to less employment, since it allows the production of a given quantity of goods with fewer workers. On the other hand, it results in cheaper products, creating an incentive for consumers to buy more goods, which could increase employment.” (See Katz 2012), with the Moving and Outsourcing of the Industrial Production, the Global Market Liberalization and the Internet the industrial capabilities have tipped-off the industrial production into overproduction.
“the current globalization seems to have aggravated the problem of unemployment, the corollary of which is endemic income inequality and mass poverty in Africa. In fact, the trickle down economy pattern has consistently failed Africa.” (Ukpere 2012)

9.2 Fundament II

Injecting large quantities of liquidity is current monetary policy of most developed economies[20]. However, the effect from such is limited because of weak transmissionability.
“In particular, deficit-financed government spending can, at least in principle, allow the economy to avoid unemployment and deflation while highly indebted private-sector agents repair their balance sheets.” (See Eggertsson and Krugman 2011)
The ECB on Wednesday announced its second long-term refinancing program (LTRO2) which provided EUR 529 billion ($710.8 billion) in three-year loans to European banks, a bit higher than its first refinancing offering in December last year. The Quantitative Easing (QE1, QE2 and QE3) has come up to $85 billion monthly bonds buying back by the Feds The new Japanese government started aggressive Quantitative Easing programs to boost the demand.
The People’s Bank of China conducted 220 billion yuan ($34.6 billion) of reverse-repurchase operations, the most in a single day...

[20] “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.”



Data Source: ChinaScope Financial, PBOC

Note: Liquidity injected by repos is the net of issued reverse repos and matured repos. Liquidity extracted by repos is the net of matured reverse repos and issued repos

However, because of the weak transmissionability "Looking forward, it is unlikely that the consumption share of GDP can increase further in advanced economies. The main drivers of this increase were primarily financial engineering and wealth effects from strong asset prices. Neither of these factors currently is at play to push consumption's share of GDP higher." (Hayek and Kresge – 1999) some individual market sectors' overcapitalization similar to the one that prompted 2001 & 2007 Recessions is highly probable. "... widening dissemination of recession theories that blamed recession primarily on excessive bank credit and the ensuing overcapitalization."

9.3 Fundament III

The Large Transnational Corporations & Investors are the main beneficiaries (See Utton 1982) from the stimulus packages, quantitative easing, low prime rates, tax breaks, and etc current governments' actions.
"The facts show. . . that capitalist economies tend over time and with some interruptions to become more and more heavily concentrated." "competitive advantage [associated with the size and market power of Big Business], once created, prove[s] to be enduring." (See Utton 1982) "In general, the industries which are generally associated with small scale production... have low levels of concentration" (See (Ormerod 1995 p. 55) "advertising raises the capital requirements for entry into the industry" (See Sawyer 1981 p. 35) E.g. larger companies are able to outbid smaller companies for resources, ideas, etc. and put more money into Research and Development and buying patents etc. "Once dominant organisations have come to characterise the structure of an industry, immense barriers to entry face potential competitors. Huge investments in plant, equipment, and personnel are needed. . . [T]he development and utilisation of productive resources within the organisation takes considerable time, particularly in the face of formidable incumbents . . . It is therefore one thing for a few business organisations to emerge in an industry that has been

characterised by . . . highly competitive conditions. It is quite another to break into an industry. . . [marked by] oligopolistic market power." (Sawyer, Op. Cit., p. 108)
On micro and macro economic level the advantages over the small and medium enterprises (SME) could be summarized into the following few: (1) the access to low interest loans and public financing, (2) the weak contract and personal liability laws, (3) the weak intellectual property laws, (4) the favoritism of tax breaks, tax initiatives, and governmental subsidies, and (5) the sometime corrupt omitting environmental and consumers protection international contracts.
On a micro and macro economic level this research concludes that with the enhancements and changes of a few fundamental laws and approaches (See Provisions of Market Economics) the Large Transnational Corporations and Large Investors will lose some advantages. (See Saez 2013) [21]

9.4 Fundament IV

Relatively fair market competition could expand the market share of the Small and Medium Enterprises & Investors, which the improving technologies and competition practiced under the current economics cannot succeed.
"The new technologies [of the 1870s] may have been compatible with small production units and decentralized operations. . . That. . . expectation was not fulfilled." (See Sawyer 1981)
Conclusions: (1) the changing of the limited liability corporate laws into unlimited, (2) the enhancing business contract laws, (3) insurance and bonding laws, (4) intellectual property laws, (5) environmental protection laws, (6) the making fiscal initiatives equal opportunity laws (meaning to all sizes businesses), etc will establish a relatively fair National and Global market competition, and therefore boost the role of the small and medium enterprises & investors. (See DuBoff 2003)
The market (i.e. economic) security will be raised by the empowered market competition making lower interest lending markedly compatible and “natural”. Hence, low interest rates lending and subsidies can boost other business activities and employment to the level needed to compensate for the lost of industrial business and employment.

9.5 Fundament V

The artificial and with low transmissionability monetary policies result into considerable market harm for the less-developed markets.
“Distortionary trade policies (subsidies) harm most the economies imposing them, but the worst of them (in agriculture and clothing) are particularly harmful to the world’s poorest people”. (See Hicks, 1939 and Kaldor, 1939)
By this research: on a general market (i.e. economy) level, the self-adjusting business cyclicality causal of its complexity and complacency is not relied upon to fix the market (i.e. economic) downturns. The uncertainty of business cyclicality invokes interference. Under the circumstances economic agents and tools are used as parameters indiscriminately (not politically motivated) “as it comes; as it goes” approach. However, on a macroeconomic level the market forces could use self-adjusting sectional business cyclicality for

[21] From 2009 to 2011, 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%.

deleveraging redundancies or prompting possibilities for expansion of particular goods or services. Further, market competition is the main economic agent for managing fluent market development (i.e. economic growth).

9.7 Fundament VI

Under the most recent market (i.e. economic) developments, the wealth distribution is the fundamental issue of the Capitalism "points to the conclusion that a redistribution from wages to profits will have a depressive impact on consumption". (Villemeur and others 2012) This research concludes that: it is to the small and medium enterprises & investors to boost business entropy that will improve the wealth distribution by using market agents (not artificial as the socialization is). Hence, propelling employment, fiscal stability, and long-term development are reasonable expectations.
In the financial sector, under higher market security the small and medium investors will succeed natural for the markets wealth distribution having access to the global market exchanges. Even potential investment risk always exist the enhanced market security will minimize such risk substantially by eliminating conditions for widespread fraud and fraudulent speculations.

9.8 Fundament VI

The rule of law in business effect that was considered a break to fast economic growth actually is enhancing the market security bringing positive to the market effect. (See Allen 2009)
Unlimited Liability Laws, "When either the participation constraint or the limited liability constraint bind, there exists an infinity of multi-period punishment paths that permit firms to implement the optimal collusive strategy" (See Pareto 1961) Business Laws, Insurance & Bonding Laws, Intellectual Property Protection Laws, Equal Opportunity Fiscal and Monetary Laws: Economic allocative efficiency and income distribution theory e.g. Pareto efficiency (See Anderson 2004), Kaldor-Hicks efficiency (See Cowling 2011) in case of enhanced liability, contract, insurance, intellectual property, equal opportunities laws make small and medium enterprises & investors as beneficiaries will improve overall Market Security and related Market Transmissionability. The methods to improve transmissionability differ from the current. "Policymaker is able to eliminate all capital adequacy regulations on banks after imposing unlimited liability in the banking sector" (See Kumhof and B Seenes, 2011)

9.7 Fundament VII

Monetary Policies in Market Economics will prompt accelerating and far-reaching effect under higher Transmissionability.
Recently, in the US, the low transmissionability e.g. "The bailouts, and the quantitative easing that continues, have overwhelmingly benefited the upper classes. Workers, homeowners, small businesses have by and large been left to fend for themselves." "A smaller bank with those types of problems would have been subject to a supervisory order to take immediate corrective action, and it would have been put on the troubled bank list," (Bair 2012) succeeded marginal effect on the markets (i.e. economies) growth.
The level of transmissionability varied:

- higher for China with their state business and subsidized large projects & small business, raising salaries, etc used as a counter balance to the private business thus getting 7.9% growth 2012;
- the US' large infrastructural projects, unemployment benefits extensions, medical bill, mortgage default extensions, etc measures to boost demand and balance the slow business succeeded over 2.6 (2012 3Q) economic growth;
- the Japanese up to zero growth for 2012, whereas the new Japanese government has started in 2013 aggressive monetary policies to boost their economy and the results already appeared the Yen is down to the Dollar, and the business activities are up;
- then the EU double dip contraction in 2012 to -0.4%, whereas the EU followed strictly the trickle-down theory of economics with the lowest transmissionability.

In Market Economics: Higher natural to the market entropy improves transmissionability propelling the monetary policies' effect.

9.8 Fundament VIII

Environmental Protection Laws, Consumers Protection Laws (Market Agents) will boost Market entropy.

In a low market security & transmissionability, the expensive technology and consumer protection requirements are competitively disadvantageous, "In theory economic growth might be achieved without additional impacts on the environment but this would mean many activities with economic growth potential would have to be foregone and this will not happen whilst top priority is given to achieving economic growth. The incorporation of the environment into the economic system ensures that it will only be protected to the extent necessary to ensure it is able to continue to supply goods and services to the economic system." (Beder 2002, pp. 50-56) The Australian Government, in its 1990 discussion paper on sustainable development, argued for example that; "It is necessary to evaluate the risk to future economic prospects if business investment and growth is prevented or discouraged. In some cases it may be worthwhile paying the price of some environmental damage to ensure present and future economic benefits. This will be particularly relevant in commercial development of non-renewable resources, where at least some transient impact on the environment is inevitable." (See Commonwealth Government 1990)

The effects of Global Worming have accelerated: the natural disasters as the hurricanes Katrina and Sandy, the drought in agricultural US, e.g. are prompting actions, however, only most developed countries' governmental subsidies and fiscal initiatives cannot substitute for such competitively disadvantageous expensive technologies and restrictions. The global environmental interdependence makes the not market related approach improbable for implementation even further.

The Higher transmissionability of the Market Economics enhances these agents' marketability in a high velocity, entropy, and diversity market place of more robust business activities. Even though, the equitability would not reach completeness, it could be more accommodative for these market agents bringing down the necessary subsidies and raising up these agents' productivity in the Global marketplace.

9.9 Fundament IX

When targeted injected liquidity steers entropy and boosts business activity and diversity the affectivity ratios will be higher. It is similar to the principle of monetary entropy by Maslov. "the rate at which entropy increments within the money field depends on the rate of money supply's velocity and intensity of the money field… If an economy thrives, money supply's velocity increases, savings transform into investment at a greater rate, volumes of earnings related to the used productive and rural capital are boosted as well" (Maslov and Ivanchenko, 2011 pp. 19-29) Therefore, the principles that steer and enhance monetary entropy extend to the market (i.e. economy) entropy, meaning intensity, diversity, velocity, etc.; the entropy to achieve market conditions for market development (i.e. economic growth).

9.10 Fundament X

Fiscal expenses (Social, Educational, Infrastructural, etc.) will become partially equitable market agent for keeping market balance (i.e. equilibrium).
"The state allocation of public spending in various sectors is broadly consistent with "growth maximizing," whereas increases in the central allocation of its budget among development projects, nondevelopment projects, and social and community services by cutting the center's spending on all other functions can promote regional growth". (See Zhang and Zou Volume 12, Issue 1 2001, Pages 58–81) The unambiguous reliance on private investment and productivity well presented in current EU economics (See Cashin 1995) is short of having in consideration ever increasing Productivity and declining manufacturing jobs most fundamental for the libertarian economics' fluency. Neither the probability for the Fiscal expenses higher return ratios; or, for in some cases (i.e. China), to balance salaries through state employment, or raise the needed consumption. Many researches show that even under the low market security a fiscal endogenous effect brings growth. "We test this prediction using panels of annual and period-averaged data for OECD countries during 1970-95, isolating long-run from short-run fiscal effects. Our results strongly support the endogenous growth model and suggest that long-run fiscal effects are not fully captured by period averaging and static panel methods." (Bleaney and others, 2001), whereas under better transmissionability the role of fiscal policies to boosting market development (i.e. economic growth) under the circumstances would be higher.

9.11 Fundament XI

Market Economics global effect leads to alleviation of poverty into market development not necessary prompted by industrialization.
The raised transmissionability effect extends to the global marketplace, whereas the Environmental interdependence requires prompt actions. The entropy effect to the US economy could be only achieved by global implementation of the Provisions of Market Economics.

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