

Chapter 13

Q&A to Paul Krugman's Column in *New York Times*¹

1. Introduction

This chapter first geometrically shows integrated measures of philosophy, theory, practice, and history. Second, this chapter summarizes the author's own interpretation by country and, for Krugman's Question and Answer (Q&A), where this chapter uses the author's own expressions with his own responsibility. Resultant phenomena by endogenous data address **seven** countries: Japan, the US, Canada, Korea, China, Russia, and India. Krugman's blogs and also columns-proposes and -answers have been clarified in his own aspects to professors, schools, and the current situation, anytime consistently, month by month. In Krugman's writing, country appears but not for country target.

In these contexts, this chapter avoids to cite words, sentences, and short paragraphs, from his unique explanations. Krugman actually commands of statistics data as in the literature while the author uses his own data or, purely endogenous data. Apparently, these data results are opposite. Yet, to the author's understanding, each essence is the same. This fact is: Statistics data are always within a certain range of endogenous data. This fact is proved by the Kamiryo Endogenous World Table (KEWT) database series.

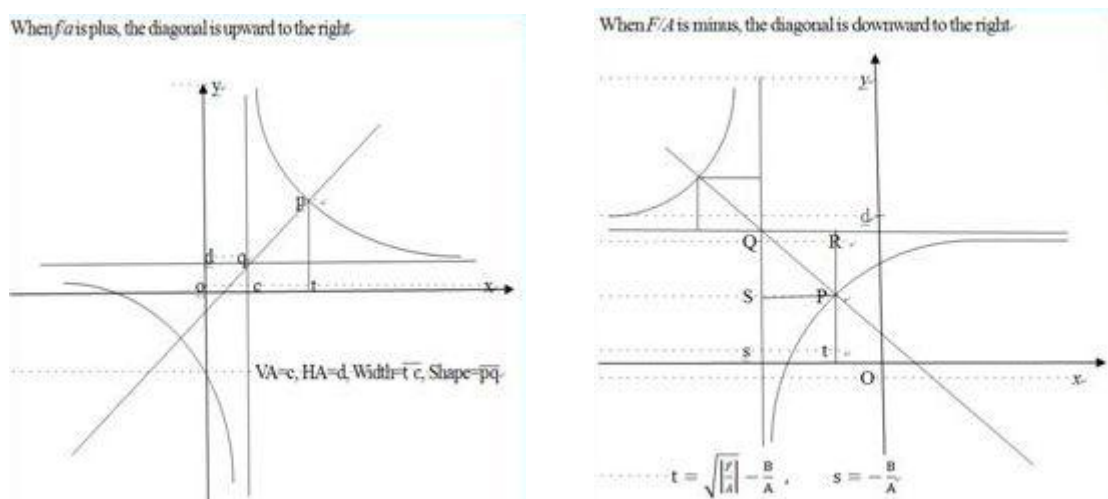
Integrated measures of philosophy, theory, practice, and history, geometrically based on Hyperbola functions that are reversed endogenous equations in the *EES*

Two dimensional planes are used for hyperbola functions: in the 1st and 4th quadrant respectively. Integrated measures a fact that any idea, thought, or theory is right on each standpoint, because of *the Yin and Yang principle* originally measured by a uniquely endogenous system. *The Yin and Yang principle* originated in Olden China before born of Chinese characters roughly three thousand years ago, and the literature says so. However, *the Yin and Yang principle* remains philosophy and cannot be measured, except for the author's integrated measures above.

¹ This chapter was prepared two days after Krugman's Column in *New York Times*. For this column, please refer to <http://www.nytimes.com/2014/10/01/blog.column/krugman.html>

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The essence of integrated measures is: Human is destined to be closer to Nature/God although human cannot be equal to God. Sustainability is another word of peace by country and, peace of, to, and by people. Democracy is another word, similarly to sustainability and guarantees cyclical economies in the world, even if actual levels of democracy seem to be far from ideal. Nature or God produces human so that peaceful mind the only source of world peace. Concretely, e.g., if any idea, thought, or theory belongs to negative, at the same time the negativity is balanced by positive beyond space and time. Therefore, we are always composed hopefully. For example, if war happens, then perpetual peace in reality becomes much robust immediately even if peace is not seen in human eyes.



Data source: To aggregate BOX- D-1, on page 523 of the *EES* (2013).

2. Results in endogenous data by country

This chapter aims at Q&A by country based on some aspects in Krugman's Columns in *New York Times* by week. The US, Canada, Japan, Korea, China, and India: Krugman's indications in his blog and columns might not be always available.

Some of the author's views and interpretations in these Q&A to Krugman are overlapping, as readers will notice, but, these views and interpretations constitute common economic analyses. Common views and interpretations naturally attributed to the essence of the EES and its KEWT database: no one denies his ability. Krugman is uniquely excellent in summing up the essence of what he intends to appeal: even in his interview with a popular journal the

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same and more understandable. The author does not cite Krugman's writing each by each and, tries to understand his true meanings. The author's interpretation is his own responsibility, as the author stressed at the beginning of Introduction in this chapter. The number list is common to his blogs and NYT columns. Krugman repeats the same subject almost for a few/several years.

By the way, the author of this book is completely politics-neutral and spirituality-neutral since the *EES* is based on the author's 'six neutrals.' If dear to say, the *EES* is indifferent of any idea, thought, or theory and harmonizes a whole story, as if Nature could set.

Japan

Q&A by Krugman: Japanese government wants to raise the consumer tax rate from the current 5% to 10% steadily after 2015. This policy destroys the efforts since the beginning of the 1990s in Japanese economy. Why? Answer is: returning back to deflation, definitely damaging economic recovery. How to as an alternative? Answer is simple: If people think that Japanese economy becomes better, actual economy turns to better. Concrete policy is just to say that Abe himself was wrong so that the consumer tax rate backs to 5%. People's expectation makes it possible to have the real rate of interest down and deficit situation will be sustainable.

Q&A by Kamiryo: First of all, commonly to any economist or researcher, Krugman's argument is based on actual or statistics data and situation so that it is quite natural. From the viewpoint of purely endogenous, every argument of him seemingly is opposite. However, the fact is not so. Krugman may not perceive purely endogenous or not know the *EES*. The author's Q&A seems to be unfair. The fact is not so. Why?

Endogenous and statistics data have each own characteristics and essentially expresses the same phenomena. Only difference between both data occurs under the market principles. Statistics data cannot clarify the causes in the real assets. This is the first limit of the market principles. This limit is free from Krugman's responsibility. The market principles are vertical: The price level holds by goods and services and, is instantly determined, just like 'next to God.' Moreover, actual months required for the production of goods and services never match the instant determination of the price level. This is the second limit of the market principles: There is much room for human to run over money, eagerness for fame, and lust for power. Be relaxed. Why? We

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enjoy the *Yin and Yang principle* and, negative and positive are balanced always immediately, regardless of whether or not a phenomenon is conscious by the five senses.

The author does not repeat the logical connections in the above paragraph when the author processes Q&A by country below.

Second, the author directly answers to Q&A by Krugman hereunder. The true reason for long deflation is the accumulation of deficits and debts in Japanese economy since the 1990s. If deficit decreases by year, it is possible for Japan to get rid of deflation. If government consumption decreases by year so steadily and so urgently, Japan will recover economically in reality. The fact is opposite. An economy shifts from private sector to government or government-oriented and, enlarges the share of government activities. The size of government is predetermined and expressed by the ratio of all the taxes after taking into consideration subsidies as minus taxes. Common target of the size of government is roughly 17%, although each country has to follow national taste. Conclusively, Japan cannot get rid of deflation or increase consumption: the wage rate rather decreases with weak exchange rate. No policy determines the market principles over half a year. This is shown by the market principles. Politics cannot manage or control the market principles at all. Please look at several key charts published by the Bank of Japan (28 March, 2015) herein, up-dated at the timing of the last proof-reading.

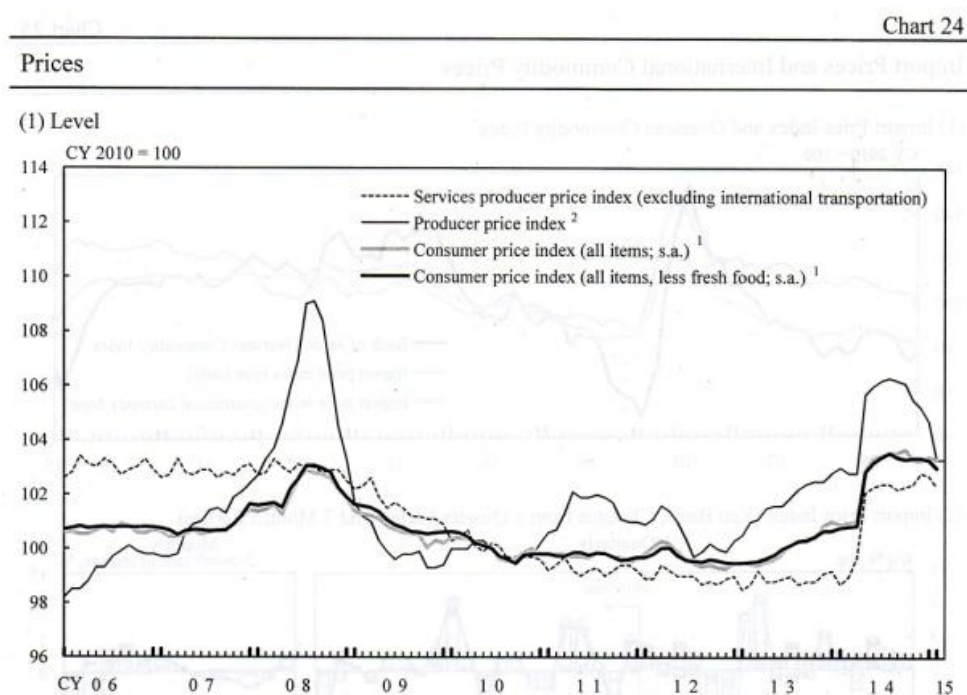


Chart 15

Indicators of Private Consumption (2)

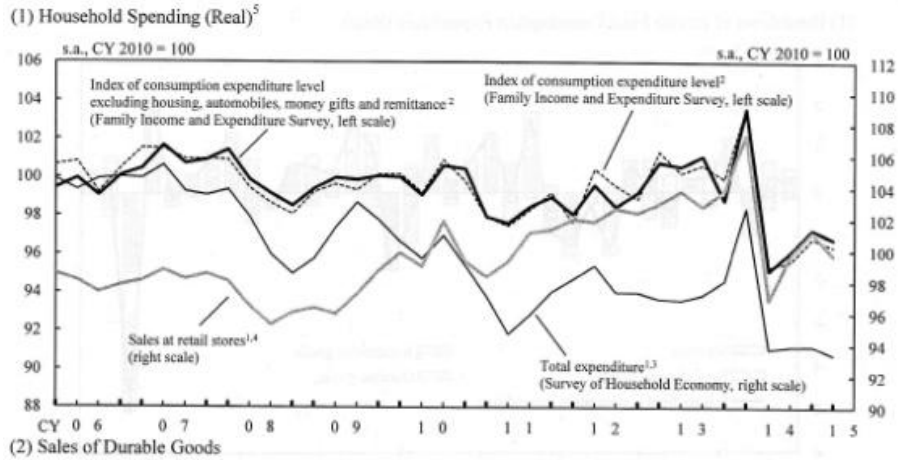
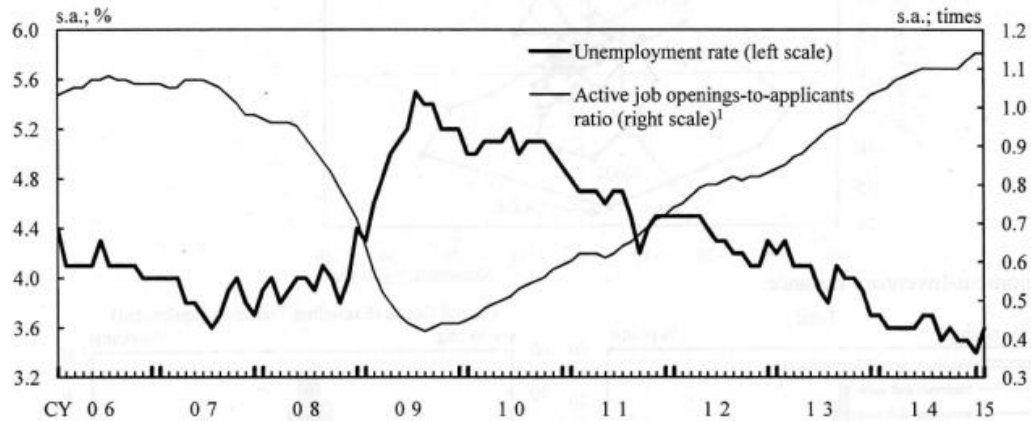


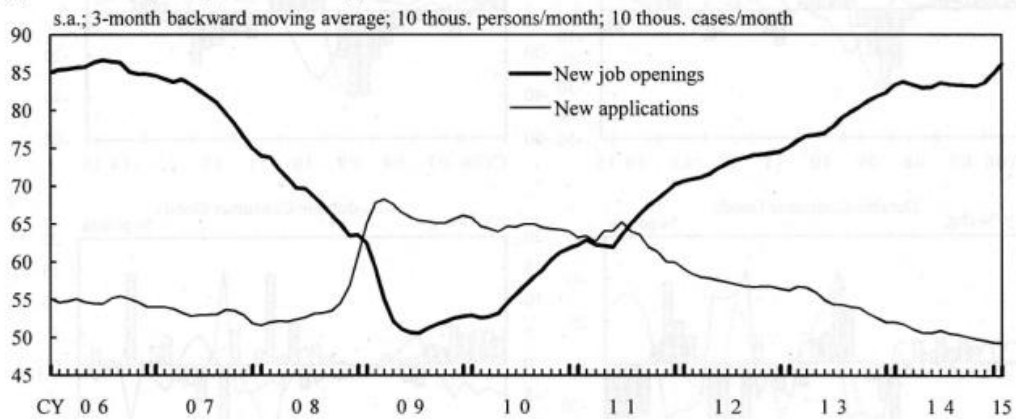
Chart 21

Labor Market

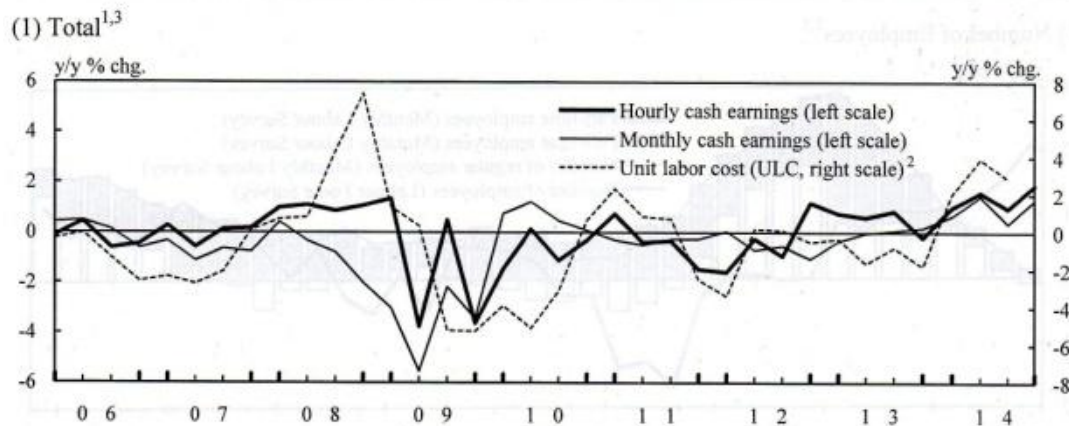
(1) Unemployment Rate and Active Job Openings-to-Applicants Ratio



(2) New Job Openings and New Applications¹



Wages

The U.S.

Q&A by Krugman: The US currently recovers its economic power to some extent. Yet, there is some problems: Krugman stresses a risky policy for the FRB to raise interest rate. Krugman says: Before the wage rate rises up highly, the US economy will be damaged once Janet Louise Yellen, governor, moves to rise of interest rate. The author also read her speech explaining for the current US economy. Is this really true?

Q&A by Kamiryo: The author of this book directly answers to Q&A by Krugman herein. Behind Krugman's asking, there are of course condensed essentials. The author discovers six aspects holding in the endogenous-equilibrium. The author justifies respective foundation of six aspects prevailing in an economy. Six aspects have been proved theoretically and empirically hitherto but, repeating six aspects here briefly once more:

- (1) The real rate of nominal returns is zero: $RRR=0$.
- (2) Technology is independent of national taste and population: technology-neutral.
- (3) Macro inequality is indifferent of the relative share of capital: α -neutral.
- (4) An economy is most effective and efficient if deficit is zero: $\Delta D=0$.
- (5) An economy is most sustainable if it is free from politics: politics-neutral.
- (6) An economy is most sustainable if it is free from spirituality: spirituality-neutral.

Aspect (1) indicates that any financial or interest policy does not influence the changes in the real assets. Or, the nominal growth rate of GDP is non-sense under $RRR=0$. Concretely suppose: Using the coefficient between the rate of return and the growth rate of output, $r = (\alpha/(i \cdot \beta^*))g_Y^*$, $0 = (\alpha/(i \cdot \beta^*))g_Y^*$ is derived. Therefore, international competition among countries by showing up the GDP growth is no meaningful. True demand from people is to raise the real wage rate but, it is difficult to realize this wage rate without decreasing deficit.

Aspect (1) further indicates that the current rate of return solely reflects the current circumstances. If it is extremely close to zero, it means that the real assets cannot produce earning power. The current low rate of interest is replaced by weakness of the real assets by country. Then, how to raise the wage rate? The author answers not easily but not impossible at all.

Canada

Q&A by Krugman: Canada currently recovers its economic balances to some extent. It is true Canada had some severe experiences for the last 70 years, as Krugman indicated. Canada is independent-oriented by nature and takes advantage of the next friend, the big America. Typical difference between the US and Canada is the size of population. Naturally, Canada is more close to nature/God. What determines sustainability of an economy, reminding of "Small is Beautiful" by Ernst Friedrich Schumacher?

Q&A by Kamiryo: The author indirectly answers to Q&A by Krugman here. Canada is one of typical countries in the world. Why? I visited Ottawa on 12 Oct 2005, helped by Andrew Sharpe, Managing Director of IARIW. Now I am rereading 'The Federal Budgetary Process,' Finance Canada, 24p for Power Point.² The author's intention here is not to introduce the contents of this booklet but to remind of the behavior to leadership and democracy with people. One may indicate: small-sized countries have difficulties in how to balance deficit because a certain fixed costs are required for any country. It is true but, positive is the penetration of democracy by, of, to people. Interest-groups cannot get huge money before strict watchers of people. Politics are transparent and open. E.g., the author knows a fact that representative Olympic sportsmen rejected their dispatching to join the Game, in order to decrease the burden of government budget. This is the spirit of sportsman.

² Of course, I must indicate useful charts and tables in pages, 16, 18, 23, and 24 in that PP.

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Back to Finance Canada, the author three times asked the same question to staff of Finance Canada: What is the first priority of people in Canada? What is the second priority of people in Canada? What is the third priority of people in Canada? Each, the author carefully watched their eyes. Their answers were sincere and the same: People wants the first priority. I was deeply impressed and never can forget that scene in the author's life time.

Conclusively, why are Canada people cooperative with decision-makers and government? Answers say: Canada was, early in the 1960s once, the most wealthy nation in the world. Then Canadian government had spent money more and more to satisfy people's demand: This is common behavior of politics in the world. After bad cyclical economies, Canadian people have decided to sacrifice current generations and leave sustainable green cyclical economies for next generations. This is a good contribution to societies and people in the world.

In short, sustainability equals 'closer to Nature,' regardless of religions. Fair International prevails over the world: This is social contribution in the *Yin and Yang principle* that is measured by hyperbola dynamics and balances beyond space and time.

China

Q&A by Krugman: China seemingly recovers its economic balances to some extent but perhaps just before entering into assets-bubbles burst. Almost all the economists in the world discuss this problem and are afraid of the beginning of bad circulation. Krugman is one of most pessimistic controversialists in the world. Krugman questions: Surplus workers rapidly decrease and asset investment level is beyond the sustainable level. Despite, consumption demand cannot rise up at all. No one knows how to conquer 20% shortage of GDP lying between total demand and supply. We may not get a right answer among economists using statistics data.

Q&A by Kamiryo: The author straightforwardly answers the questions raised by Krugman. Krugman's indication is true if we stick to statistics data without realizing the rapid tendency of the real assets in China. China differs from other capitalism countries, since the market principles are seemingly managed by China government. They say: China must be crushed suddenly partly due to bold public activities. Is this true? The author's answer is No definitely. Why? Macro economy by province may be true to some extent if the real

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assets do not work for cyclical economies. Note: The US and China each have federal government that manages states or provinces as a whole system. It implies that the US and China differ from other countries that do not distinguish general with central government.

The author has attended at several academic international conferences held in Guilin, China, for the last 35 years. Besides, World's Fair, Shanghai, Si Lake, Mount Huang Sham, Guangzhou, Splendid China, and other deep into mountain areas, always with the author's students. The author has known with eyes the transitions in culture and civilization old China has succeeded to generation by generation.

Conclusively, China unbelievably designs, executes, and completes whatever public intra-facilities: Surprisingly fast within almost one year even if intra-facilities are huge scale all over China. The author guesses: One hundred times faster, compared with Japanese cases. Staff completes loudly running all the way, where some failures may happen. Speed and dynamics may come from long history to fight each other and changes government historically: Completely different from mild, peaceful, and modesty behavior in agriculture and civilization since old Japan.

The author finds a significant fact that China has reabsorbed the *Yin-Yang Principle*, through life-time education. This is natural green cyclical sustainability as reaction of no more living in China. Extreme negative is now acquiring the reform of sustainable economy using the real assets. Confucianism or Confucius and Mencius are prevailing among generations, young and old, towards moderation. Hyperbola philosophy is alive: Negative and positive are always balanced beyond space and time.

Concretely, China selects some area for green cyclical village, where natural products are brought up, without relying on chemical products. At the same time when the model area shows its natural results, this model is applied to suitable areas in China. Why? Human and individual tongues never forget the taste of natural agricultural products. Nature and God have given this function to human, as we have experienced over generations. High-priced products from abroad are soon replaced by China's own natural farming products. This is great contribution to world society since all the countries buy China's products which but now are becoming high priced, partly due to the shortage of surplus labor as indicated by Krugman.

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Likewise, China sacrificed forest resources at the cost of local government balances in budgeting. Central government stops these bad habits. China has recovered confidence in how to manage bad provinces, with success in green cyclical economy by area. Then, what is currently expected in assets-bubbles?

If China succeeds in increasing consumption and accordingly cyclical green economy, consumption and net investment are balanced and, no anxiety exists at all. The literature cannot clarify the balance between consumption and net investment using statistics data. A fact is: The rate of return is maximized when net investment is minimized, under $RRR=0$ in the endogenous-equilibrium. No more net investment is required at all. Anxiety of shortage in consumption, net investment, and GDP is non sense. China is balanced in macroeconomic situations, reinforced by green natural cycling. The market principles always work, where arbitrary intervention by politics does not work at all. China is one of typical cases to prove six aspects.

Korea

Q&A by Krugman: Korea seemingly recovers its economic balances. Krugman is exceptionally confident in the current Korean economy. Why is Korea so robust? Krugman explains a good answer. Krugman indicates: households have much borrowings yet not for housing but for education. In this respect, Korea is similar to western countries. Why is Korea most stable? Krugman does not answer.

Q&A by Kamiryo: The author purely endogenously answers *why* raised by Krugman. Korea claims against IMF's sharp prescription in Korean financial Crisis. However, Korea learned: How important it is for an economy to have deficit zero. Korea has recovered its robustness by decreasing deficit by year and now the deficit is zero. The only reason why Korea is robust in economic activities is deficit $\Delta D=0$. Some ones may indicate: Korea has used unfair policy for the exchange rate. But, remember: The exchange rate is not controlled by any policy, over half a year and under the market principles.

$\Delta D=0$ at the macro level implies that private activities are robust under perfect competition. Korea may not actually be under perfect competition similarly to other countries. Then, Korea has another problem but, this belongs to micro enterprise activities. Policies hold in the macro level and strategies in the micro level. Strategies reinforce policies in the macro level. Therefore,

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some strategies damage sustainability at the macro level in the long run. This is true. We need to be long sighted rather than short sighted. The *Yin and Yang principle* always work for balances and dynamics between the macro and micro level, as proved by the KEWT database.

The author had visited Seoul and old historic towns with seminar students in recent years. Korea is also one of Confucianism countries. Nevertheless, changes over years are significant compared with those in Japan. It is natural since there are two countries in the same peninsula. In Korea, old and new are sharply balanced even in the same Confucianism. This sharpness is between China and Japan and three countries share ancestors commonly. Three countries will be nearer to Nature in the long run.

Seoul hosts world-wide conferences repeatedly. The author has attended often just like in Japan. In Aug 2014, Shinichi Mochizuki, Kyoto University, was one of the key speakers at the International Mathematics Association. The author read a newspaper report that Mochizuki proved an integration of algebra and geometry mathematically in a paper of one thousand pages or so. This fact matches the author's macroeconomics.

Russia

Q&A by Krugman: Krugman does not step into Russia economically. Krugman refers to Russia rather politically and uses a word of war-risk. Krugman connects economics with politics and reminds us a fact under the market principles that political economy is the main road of Chicago School and *Journal of Political Economy*.

Krugman asks: Why Putin, Russian President, has controlled Russia so long? Power base is essential to a leader. This is a starting point. Concretely, there are two bases for power: One is continuous success in economic prosperity and, the other is how to set aside people's interest out of economic prosperity. Krugman states: This is a small war but, a war of any size costs much more than others for a nation. Politics knows it historically. Once a war starts, it is difficult to settle the war easily or further no one controls the war. Wars are most expensive and no return by nation. Expectation is impossible and most far from sustainability of a nation. Power base and the war obey the *Yin and Yang principle*. Regrettably, family life of people and power base obey and lose a nation. Further, Krugman warns a possibility of war between China and Japan or, other small nations, e.g. Vietnam, Philippines, and Cambodia.

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Q&A by Kamiryo: The author here steps into politics, apart from politics-neutral. In the actual world, Krugman's proposal is true and, anyone cannot deny Krugman's persuasive discussion. Historically, human has repeated wars and wars. In the 20th century, death marching has been repeated continuously and larger scaled. Even today, the UN is suffering from how to stop wars between nations and between areas.

Keynes had perceived this human power base. Keynes established IMF and the World Bank in 1944 just one year before the World War II, not to repeat war any more. This is the spirit of Keynes and human behavior. Human is most stable and happy when we have no war. Nothing is more important than human life given from ancestors to descendants by generation on this earth. This is the role of women who intuitively know this role given from Nature and God. Women know peaceful human life through 'doing by learning' of bear a child. On 15 Sept 2014, fortunately, David Marone, President, the UN University, answers the author's question, "Yes, for world peace, the first priority absolutely," repeatedly at the UNITAR, Hiroshima.

Target to green cyclical economy by area: Local revitalization system is most important as a base to connect each other; individual, family, local area, country, and the world. The endogenous-equilibrium realizes this target. And, endogenous and statistics data are united cooperatively. We stand just before peaceful societies in the world and all over the world.

In short, it is suggested: It is difficult for 'power base' and 'money parachutes' to find way out, before a country is lost. Sustainable and cyclical mean close to Nature and, no sustainable and cyclical, close to human.

India

Q&A by Krugman: Krugman does not currently step into India economy. Krugman does not refer to India for India in his blogs and columns at all. Indirectly, Krugman questions one aspect: How can we decrease macro-inequality by country? Statistically, this is certainly one of key aspects in macroeconomics yet, endlessly.

Q&A by Kamiryo: India was one of British colonies: Burma, Bangladesh, Singapore, and South Africa. British must have obtained great treasures from these countries. Suppose this is negative. Then, positive must be in a transplanted system. In reality, these countries know the essence of the system.

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These countries are deeply involved in British system while their national taste has been preserved.

Therefore, these countries know modesty. For example, deficit is within controllable by year. Instantly and historically, the Yin and Yang are geometrically balanced in hyperbola functions. India is historically involved in Hindu instructions even today. Buddhism was born by Buddha, revolutionarily. The author visited Buddha's birthplace, Lumbini, many years ago, thinking of the author's priest, Keiho Kitano. Recently, the author visited Peace Monument of Gandhi in Jan-Feb 2008 when the author had three week lectures at *Finance India*, Delhi, with questions and answers among students.

Back to economic system, the author has felt with eyes what does macro inequality mean. The α -neutral as one of six aspects holds and this implies that regardless of the level of the relative share of capital, an economy is even, impartial, and fair. Someone stresses the other side or unfair and, the author accepts his/her view as negative. Then what is positive? This is mind and behavior. If an individual feels happy and thankful under the α -neutral, the individual is positive. If an individual feels unhappy under the α -neutral, the individual is negative although the α -neutral must be positive. This case is mild since it is within and between individuals. Yet, this case is a base for society and country since individual and family are most close and full brothers.

Recall the case of power base: Power base is balanced as well but, much terribly falling into hell if the target is against human lives: If an individual is full of power base, the individual must feel stupefy. If the individual kills huge number of human lives by war, the individual must accept strong negative unbelievably.