Postscript

Q & A: Readers' Alternatives as a Surrogate Postscript

The 2nd edition tries to entertain both readers and the author together. Readers can enjoy their answers and look for key Chapters in the 2nd edition. New discoveries/facts after the 1st edition are all absorbed into the 2nd edition. Essence of these discoveries is wholly represented by six nature-neutrals: Money, Consumption, the Relative share of capital, Deficit, Politics, and Spirituality, where a constant capital-output ratio endogenously prevails as a unique axiom.

Questions and Answers (Q & A) are related to concrete empirics led by six nature-neutrals. Q & A is composed of the following eight topics:

1. What are obstacles/barriers for measuring capital stock?

2. Is there any difference between market principle countries and no financial market countries?

3. How to cope with differences between macro and micro, endogenously?

   With review of N. Gregory Mankiw's (*JEP* Summer 2013: 21-34) "Defending the One Per Cent."

4. Why politics-neutral and spirituality-neutral? And how to measure the level of democracy? With review of G. John Ikenberry's interview with Yoichi Kato, Asahi Newspaper dated on 13 Sep 2013.

5. What are differences of robustness between Japan and the US?

   With review of Kenneth Rogoff's statements; structured by Kazuki Yamakawa, G-10, the Asahi Shimbun Glove, Sep 15-Oct 5, 2013. The heading is: 'Calmly warn against huge national debt and essential to future growth investment.

6. Is vector a saver of econometrics?

   With $AB \neq BA$, proved mathematically by Ramanujan Srinivasa, whose teacher was Godfrey Harold Hardy, Trinity College, Cambridge.

7. What are key cores for integrating LONG data (1960-2012) with Short data (1990-2012) in KEWT database 8.14?

8. How to solve wages between micro and macro?

   With review of Paul Hettler's "Firm Size, Wages and the Business Cycle – draft, 12 Oct 2013, at *IAES* Conference, Philadelphia.

Readers are able to flexibly replace the above examples by interesting papers or books, taking into consideration the opposite sides.   The true results remain the same.

(1) What are obstacles/barriers for measuring capital stock?

Q1: Accounting is true by year in that the final difference of cash flow-in and flow-out corresponds with that of real assets-in and real assets-out or that profits and losses.   Then, does the SNA (1993, 2008) follows the same principle?   If not, why?

A1: The SNA is statistical so that it follows the accounting principle.   Nevertheless, the SNA assumes that final difference of cash flow-in and flow-out is zero.   Or, the SNA holds under an assumption that cash flows and real assets are consistent with each other.   This assumption is correct when the SNA shows the situation just after the redistribution of taxes so that enterprises and households absorb all the taxes.   Then, why is it wrong? The rate of return of the SNA shows final returns/profits at enterprises and households so that the rate of return at the government sector is hidden or assumed to be zero.

Q2: Why is the final stage of national net income redistribution *inaccurate* from the viewpoint of taxes?   From the viewpoint of economic policies by sector, the government sector works most vital role for the total economy by country.   Regardless of 'the share of budgeting or deficit to the total economy' (i.e., the size of government), the government sector manages a key core of economic policies.

A2: The SNA is records-orientation and the *EES* (Earth Endogenous System) is always policy-orientation.   One system cannot have both roles.   Then, how to cope with this obstacle?   The *EES* absorbs actual statistics data of the SNA into the *EES* or its KEWT database.   The *EES* as a result, is qualified with cooperative work, where the SNA and KEWT focus on its own role.

Q3: Why does Jorgenson's revolutionary proposal not work enough?   Why does capital stock at a macro level differ from the aggregated capital stock at enterprises? (The above **A2** is an answer to this question so that avoids repeating).

A3: Jorgenson's theory not wholly (towards the total economy) but partially (individually) equals the practice for stocks and flows.   This is because capital stock and capital flow/net investment are not consistent by year and over years, at a macro level.   At the macro level, capital stock is difficult to estimate/measure due to a dynamic fact of never repeating steady data under changing circumstances by year and over years.   For example, the capital-output ratio is stable, the *EES* holds modestly but, how to settle a constant capital-output ratio, apart from stylized facts?   Stylized facts remain results, never approach causes or the essence.   Consistency of stocks and flows ultimately holds when

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all the parables and variables are consistent each other by country, by sector, and year and over years, where even 'initial' data turn to endogenous at a instance (see KEWT database).

Q4: What is a starting point for measuring capital stock and flow?

A4: This is an endogenous rate of technological progress, where the corresponding rate of total factor productivity (*TFP*) is simultaneously measured. The rate of technological progress is independent of national taste/preferences, culture, and history by country (preferences, hereafter). In other words, consumption is independent of technology. With these facts/discoveries, an economy maintains sustainability. Note enterprises cannot distinguish technology and marketing in this respect. The range of enterprises is much less than an economy by country.

Q5: Why does macroeconomics set the capital-labor ratio as a base (even in Solow's exogenous model to a given rate of technological progress)?

A5: A thesis of mine at the University of Auckland (PhD in economics, Nov 2003) had investigated this question. A fact is that there is no relationship between the capital-labor ratio and the capital-output ratio. Why? There is no measurement of the rate of technological progress, back again. $TFP = A_{STOCK} = k^{1-\alpha}/\Omega$, see Note 19 of 3.6 Conclusion in The Model and Its Properties. The thesis differs from the *EES*, which was produced after ten years later: (1) Based on the role of corporate finance in economic growth, as shown by its thesis title. (2) I had to express all the parameters and variables not using endogenous equations but using recursive programming after thousands of experiments.

Q6: Then, how can we approach capital stock and flow so as to match those of KEWT?

A6: *Seven endogenous parameters* are made of the following parameters so that by measuring these values we know the difference between statistical and endogenous data under national disposable net income $Y = C + S = W + \Pi$.

$n_E = n.$ $i = I/Y.$ $\alpha = \Pi/Y.$ These three are fixed by year in KEWT;
$\beta^*,$ $\delta_0,$ $\Omega = \Omega^* = \Omega_0 = K/Y,$ $r = r^* = r_0 = \Pi/K,$ and $\alpha = \Omega \cdot r$ for confirmation.

Seven endogenous parameters:

1. Endogenous net investment to endogenous income, $i = I/Y.$
2. The rate of change in population, $n_E = n.$
3. The relative share of capital, $\alpha = \Pi/Y,$ where $\alpha = \Omega^*/r^*.$
4. The capital-output ratio, $\Omega^* = K/Y,$ (or, $\Omega^* = \dfrac{\beta^* \cdot i(1-\alpha)}{i(1-\beta^*)(1+n)+n(1-\alpha)}$).

5. The technology coefficient (or the quantitative net investment coefficient), β^*,

(or, $\beta^* = \frac{\Omega^*(n(1-\alpha)+i(1+n))}{i(1-\alpha)+\Omega^* \cdot i(1+n)}$).

6. The coefficient of diminishing returns to capital (DRC).

$\delta_0 = 1 + LN(\Omega^*)/LN((1 - \beta^*)/\beta^*)$.

7. Speed years for convergence, $1/\lambda^*$, the speed coefficient, $\lambda^* = (1 - \alpha)n + (1 - \delta_0) * g_A^*$, and $g_A^* = i(1 - \beta^*)$.

(2) <u>Is there any difference between market principle countries and countries without financial market?</u>

Q1: Why are no financial market countries able to execute economic policies, similarly to countries under the market principles?

A1: An economy works based on the real assets so that the financial/market assets represent the same results s those of the real assets.

Q2: What guarantees the equal results lying between the real assets and the financial assets?

A2: Money-neutral guarantees the equal results/causes.   The author's money-neutral is defined as the neutrality of the financial/market assets to the real assets.   Money-neutral holds since money is surprisingly characterized by a fact of quantity=quality by country.   As a result, money-neutral never ends by country, regardless of whether or not the financial market exists.

Q3: How are the real assets measured by country?

A3: The real assets, solely using endogenous equations, can be robustly measured under the endogenous-equilibrium and with no assumption within a national system and accordingly, under perfect competition.   In other words, if a national system does not work, the system is far from endogenous perfect competition.   As a result, the endogenous-equilibrium does not work.

Q4: What parameters/variables do these facts prove?

A4: Directly, the speed years for convergence by country and indirectly the diminishing returns to capital (DRC) coefficient, δ_0.   For example, China seems to be well managed by policy-makers yet, actually money-neutral does not work well under arbitrary operation of the markets, even if the market principles apparently work similarly to other financial market countries.

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Q5: What is measured in the real assets instead of absolute price levels by goods and services?

A5: The endogenous system shows the relative price level p=1.0000000 and also the absolute price level P=1.0000000: $p = P = 1.0000000$.   However, this fact remains a sufficient condition of the function of the real assets.   A necessary condition is shown by the elasticity of substitution, $\sigma = \frac{\Delta k/k}{\Delta\left(\frac{r}{w}\right)/\left(\frac{r}{w}\right)}$, where MRS=r/w (see, xxxiii, Notations, pp. xxxi-xlii, *Earth Endogenous System*, 15 May 2013).   Under perfect competition, $\sigma = 1.0000000$ holds, as seen in many democratic countries while $\sigma \neq 1.0000000$, as shown in China.   In China, δ_0 exactly expresses unusual values, which unexpectedly influences on sustainable growth and stop-macro inequality.

Q6: What is an ultimate conclusion on the market principle?

A6: The endogenous system reinforces the market principles so that the spirit of market principles must be respected as much as possible, since the principles have results close to God, although the principles do not clarify any true cause due to vertical role.

(3) How to cope with differences of macro and micro, endogenously? With review of N. Gregory Mankiw's (*JEP* Summer 2013: 21-34) "Defending the One Per Cent."

Q1: Do you think which base realizes stop-macro inequality most effectively, macro or micro?

A1: The literature must be based on micro while the *EES* ("*Earth Endogenous System*," 15 May 2013, lxviii+568) is fully based on macro.   It is a fact that so fundamental strategies are useful to stop individual inequalities as the differences of the real wage rate by country. The *EES* is policy-orientation and measures an averaged real wage rate, where nominal growth rate of national disposable income equals the rate of inflation/deflation, under the real rate of return=zero (the *RRR*=0).   The averaged real wage rate differs from individual real wage rates and, a variety of strategies decreases the differences of the real wage rates. In short, the macro-base cannot step into strategies, which reinforce economic policies of the *EES* and, the micro-base uses policies and strategies freely.

Q2: Do you think that strategies in the micro-base are integrated?

A2: Generally it is difficult for economists to integrate strategies within the micro-base. Strategies may spread to a few related aspects but never to all the aspects that constitute a whole national system.   The *EES* is a complete system that totally integrates strategies available in the micro-base.   Or, results of individual strategies are totally absorbed into economic policies in the macro-base.

Q3: What cause distinguishes tax strategies in the micro-base with fiscal policy in the macro-base?

A3: The literature and the SNA (A System for National Accounts, 1993, 2008) are record-orientation and estimate national disposable income just after redistribution of taxes, where households and enterprises have each income. The *EES*, however, is policy-orientation and accurately measures national disposable income, Y, just before redistribution of taxes, where $Y = C + S = W + \Pi$ holds accurately and consumption is connected with wages endogenously for the first time and reminds of the original idea of Meade and Stone.

Q4: What is a typical case of tax strategies and fiscal policy?

A4: The progressive tax rate is a typical case of tax strategies while an averaged ratio of government income to Y as the size of government (the G size), $Y_G/Y = T_{AX}/Y$, is a typical case of fiscal policy. Economists know that the progressive tax rate is effective and efficient but there is no authority to approve it as a national system since it remains a strategy. Contrarily the G size determines the framework of national economy. $Y_G/Y = T_{AX}/Y$ or the G size shows 15-30 % of Y. Despite of small share of Y, the G size is deeply connected with fundamentals of the total economy, most effectively=efficiently and, as the most influential core of national economy. Further fiscal policy easily absorbs the progressive tax rate under a fact that actual taxes are within a narrow range of endogenous taxes.

Q5: What is a conclusion?

A5: Macro and micro cooperate and never contradict in the statistics and endogenous data.

(4) Why politics-neutral and how to measure the level of democracy? With review of G. John Ikenberry's interview with Yoichi Kato, Asahi Newspaper dated on 13 Sep 2013

Q1: Why is politics-neutrality the fourth that follows the author's three neutralities to money, technology, and the relative share of capital in the *EES*?

A1: The *EES* harmonizes macro and micro, consumption and technology, sustainable growth and returns, and cyclical economy with stop macro-inequality; not fighting but give first and get last spirit. Philosophy behind hyperbolas (each as a reduced form of endogenous equations) is '*the negative and positive principle*' as expressed by vertical and horizontal asymptotes, whose origin is the origin of two-dimension plain hyperbola (2DPH). The

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author, as the first appearance, topologically proves that the author's Silver Ratio overlaps the Greece Golden Ratio. 2DPH is identical to Shizuko Ishida's Super Universe Integration Theory (SUIT), which is most advanced in math, physics and element chemistry fields and supported by empirical family-like proofs. As a result, human and the level of democracy are naturally involved in politics-neutral. The author approves the existence of good and bad in the actual six-dimension world. One-side is right and another-side is also right and, the true-side is the same, dynamically and balanced.

Q2: What is most vital in human and economies?

A2: No anxiety is most vital. Theory=practice. This is measured in the *EES*. Experiments and 'learning by doing' are ever-lasting way for human and economies. This century is the era of people, by people, and for people, by country; based on each country's preferences, culture, and history and, with happy consumption under no unemployment, no war, and no assets bubbles. Any national system holds, beyond capitalism and socialism, as long as money-neutral works by country.

Q3: What is the role of Japan?

A3: Japan is able to maintain authority for peaceful role in the world since Japan is the only country to have experienced atomic bombs. Mind and decision are the first and results are the second so that leaders who have not experienced wars are apt to be involved in repeating wars, as history always clarifies. Decision-making is the first and results follow.

Q4: What is the essence of democracy?

A4: Democracy reflects people's level of money-making. When people wake up from endless dream, good and bad, the level of democracy improves over years. The level of democracy does not depend on the differences of systems but righteous education towards human culture by country and civilization by area. Global economy and cheaper costs reflect lower level of democracy. Note that when the market principles are controlled arbitrarily, the economy expresses flying on one engine and apart from money-neutral. In this sense, democracy is tightly connected with the market principles and the author's money-neutral.

Q5: What is the essence of politics-neutral?

A5: The *EES* is based on the real assets. Economic situation reflects the level of politics since leader decides economic policies. The optimum situation is realized when the level of politics is another expression of the real assets. This is called politics-neutral. When leader's decision-making is far from politics-neutral, the situation becomes ineffective and inefficient.

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(5) What are differences of robustness between Japan and the US?
With review of Kenneth Rogoff's statements; structured by Kazuki Yamakawa, G-10, the Asahi Shimbun Glove, Sep 15-Oct 5, 2013.
The heading is: 'Calmly warn against huge national debt and essential to future growth investment.'

Q1: What are essential differences between Japan and the US economically?

A1: It is true that i) Japan is the largest creditor country in the world while the US is the reversed and ii) data show that a debtor country is slow in growth.   Data are actual statistics data and always within a certain range of endogenous data.   Despite of the above facts, Japan is huge deficit country, the ratio of deficit is over 200 % to GDP, by year, much higher than those of other developed countries.   It implies once deficit cannot be repaid, ten-year debt yield immediately rise up and default is inevitable.   The *EES* warns this fact earlier since the market principles work like God although the principles work vertically by good and services and free from serious causes.

Q2: What are typical differences between Japan and the US more concretely?

A2: Japan spends government consumption and public net investment as much as leaders and decision-makers like, shortly and in the long-run, and irresponsibly without thinking of next generations.   Some part of this irresponsibility comes from unstable politics yet, politics do less costly spending and always put off doing for people.   The US spends much money for world order at the sacrifice of public net investment and within a strict range of deficit to GDP.   As a result, the US economy is much robust compared with Japan from the viewpoint of the endogenous- equilibrium.

Q3: What is a common contradiction inherent in politics?

A3: Any country has its vision for future far ahead, at least several decades.   Politics cannot execute such future vision as far ahead.   Therefore, the author proposes politics-neutral as a yardstick for people, where the real assets are always a vital base.

Q4: Why does structural reform put off?

A4: This fact is related to the number of votes so that the level of democracy varies by country.   Generally, the smaller the population the effective the country is.   Naturally people want local governments and central government wants more central power.   People realize this fact.   When people think of others, people take actions and gradually politics march together.   Participation from family to community and region spread, with eyes and ears.   This is the process/path of democracy.

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Q5: How to decide public net investment (after capital consumption)?

A5: Profit principle does not contradict the macro level based on the real assets. Profits are maximized with minimum net investment in the long run. The rate of return is optimum at minimum net investment. Topology proves this fact. The x axis is net investment and the y axis is the rate of return, where vertical asymptote overlaps the y axis so that the optimum rate of return must be closer to the vertical asymptote. Profit principle is expressed by parabola while hyperbola needs two-dimension plane hyperbola (2DPH). Profit principle is given its original position in 2DPH. Further, the author's RRR=0 implies that the nominal growth rate of output equals the rate of inflation/deflation so that GDP competition among countries is non-sense.

(6) Is vector a saver of econometrics?
With $AB \neq BA$ proved mathematically by Ramanujan Srinivasa, whose teacher was Godfrey Harold Hardy, Trinity College, Cambridge.

To conquer the difficulties of microeconomics and macroeconomics, econometrics was born, I understand. Further today E-Views is developed by Quantitative Micro Software and, generally used for data estimation and data analyses. This software has four assumptions. Key cores have no assumption based on the real assets of the *EES* (Earth Endogenous System).

Q1: Is there any difference between economics and mathematics?

A1: Yes, definite differences are. Mathematics is simple and short.

Mathematics. No proof and no assumption are required. The partial is consistent with the whole.

Economics. Theory does not mean Practice. Empirical proof differs by the length and timing of chosen data, which change over years, never repeating the same result while theory demands equations and rules or Kaldor's stylized facts.

Q2: Does the *EES* stand for mathematics or economics?

A2: The *EES* stands for mathematics. Why? The *EES* matches mathematics completely, where endogenous equations measure all the parameters and variables, with no assumption and theory results equal endogenous results. As a result, the partial is always consistent with the whole in the *EES*.

Q3: Why is the *EES* able to prove macroeconomic hypotheses and/or rules while endogenous data change by country, sector, and year and over years?

A3: The *EES* has few hypotheses and/or rules.   For example, the capital-output ratio remains unchanged over years, by country and by sector (the G and PRI sectors, just before tax redistribution).   However, the *EES* finds many aspects between values and ratios.   For example, six neutralities are empirically proved: Money-neutral of real assets to financial/market assets, consumption-neutral to growth and returns, the relative share of capital-neutral to macro inequality, deficit-neutral to most effective=most efficient , politics-neutral to optimum results, and spirituality-neutral.

Q4: Endogenous data in KEWT database-series are all endogenous: There is no initial data given in endogenous data.   Why?

A4: The *EES* has no exogenous and no externalities.   First, a given capital stock is input but, at once the capita-output ratio is adjusted so that the capital-output ratio is constant over years (e.g., 50 years). As a result, the initial capital stock immediately turns to endogenous.   A reason comes from a fact of consumption-neutral that the consumption, individual preferences, culture, and national history are independent of technological progress and technology by country.

Q5: What is the relationship between E-Views and the *EES* and its KEWT database?

A5: Conclusively, the four assumptions indispensable in E-Views disappear in KEWT database. It implies that KEWT perfectly works as E-Views itself.   The *EES* and its KEWT database, as a whole, unite macroeconomics and econometrics and others cooperatively, never against.

(7) What are key cores to integrate LONG (1960-2012) with Short (1990-2012) in KEWT database 8.14?

Q1: What is a crucial connector of the Key Cores of LONG and Short in KEWT database?

A1: The crucial connector is the capita-output ratio.   The LONG and Short 1990 respective values must be the same and be equal to the initial 1960 value.   This fact constitutes a unique Axiom and called the capital-output ratio-constant.

Q2: What determines the capital-output ratio-constant?

A2: *Directly* the speed years for convergence determine the capital-output ratio-constant.   This fact shows an optimum endogenous-equilibrium.   *Indirectly* some of seven endogenous parameters determine the capital-output ratio-constant and accordingly one of vital variables such as the growth rate of per capita national disposable net income.   Results of *Indirect* determinants always match the result of the speed years for convergence.

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Q3: What are values/ratios vital commonly to any country?

A3: First of all, population and its growth rate, n, where the rate of change in population, n_E, is distinguished with n. Under $n = n_E$, the rate of unemployment is zero. Second, an endogenous ratio of net investment to output but, the higher this ratio the higher nominal growth is. This is because net investment is independent of technological progress and remains quantitative enlargement.

Q4: What is the difference between dynamic growth and steady/natural growth?

A4: No, essentially there is no difference between dynamic and natural growth. The difference appears when statistics data are used. Nevertheless, statistics data are always within a certain range of endogenous data, as proved in the *EES* and its KEWT database.

Q5: Does mathematics fully connect statistics data with endogenous data?

A5: No. Mathematics holds without assumption and does not distinguish partial from whole. Statistics holds with assumptions, as historically shown by David Salsburg (2001, 340p.).

(8) Wages between micro and macro

With review of Paul Hettler's "Firm Size, Wages and the Business Cycle – draft, 12 Oct 2013, at IAES Conference, Philadelphia.

Q1: Is micro consistent with macro? If it is consistent, how does each essence differ respectively?

A1: Yes, always consistent with each other. Macro holds; with endogenous equations under no assumption and solely policy-orientation. Micro, households and enterprises, each holds; with tools of economic and econometrics under assumptions, strategies, unknown parameters, and externals, and wholly based on macro endogenous data.

Q2: What is the difference between strategies and policies economically?

A2: Micro and strategies are individual-oriented and never separated. Macro and polices are unity-oriented and never separated. Nevertheless, macro-policies always require micro-strategies. This fact is similar to results of the market principles. The market principles do not clarify true causes, due to vertical characteristics of the market principles by goods and services. As a result, strategies and policies are integrated or micro and macro are united.

Q3: What causes essential differences between micro and macro? What expressions are endogenously suited for macroeconomics when firm size, wage level, and business cycle in micro are integrated?

A3: A unique cause of essential differences between micro and macro is whether *just after* redistribution of taxes to national disposable net income, or *just before*: size $= Y_G/Y = T_{AX}/Y$. In the *EES* and its database, corresponding definitions are size $= Y_G/Y = T_{AX}/Y$ *just before*, and macro-wage level W in $Y = C + S = W + \Pi$. And business cycle is the same, although macro-business cycle is measured accurately using Hicks' (65-82, 170-191, 1950) sin function, which is derived from hyperbola function endogenously. Most easily, Norway has business cycle as it likes. Contrarily, Philippines is most severely located between consumption and net investment and hardly control business cycle level among 86 countries, 1990-2012.

Q4: What are the macro level results of workers' endowment and returns of investment at firm level?

A4: Profit maximum principle in firm level is always consistent with stop macro- inequality. Behind of this proof, the relative share of capital-neutral and also, politics-neutral exist and reinforce both at the micro and macro levels. Profit maximum is united as return max with net investment min, as shown by two-dimension plane hyperbola, 2DPH (see Home page of www.megaegg.ne.jp/ kamiryo/).

Q5: What is your answer to the micro level when the real rate of return=zero (*RRR*=0) at the macro level?

A5: It implies that the nominal rate of return corresponds with the rate of inflation/ deflation. At the macro level, global competition turns to the qualitative net investment improvement from *GDP* competition. Further, when *RRR*=0, policy-makers by country attains the rate of unemployment=0 under no inflation/deflation if requirements are executed. As a result, firm level competition directs real basis from nominal competition by country, supported by money-neutral.

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More data sources for readers:

http://www.megaegg.ne.jp/~kamiryo/

For the author's papers after 1980, enter *Hideyuki Kamiryo* on the Navigator of National Institute of Informatics, Scholarly and Academic Information: http://ci.nii.ac.jp/

The *EES* is indexed by RePEc: http://ideas.repec.org/i/b.html

And, BAP website: http://www.bapress.ca/ees.php

More fundamental Q & A: <u>Q&A based on James Tobin1980</u>

The author sincerely respects life-time behavior of James Tobin (3 March 1918-11 March 2013), full of politics-neutral and spirituality-neutral.   The author summarized Q & A file, using the following book (1980): *Asset Accumulation and Economic Activity.* Chicago: The University of Chicago Press and Oxford: Basil Blackwell. 99p.

The above book is composed of four sections;

I   Real Balance Effects Reconsidered. 1-19.

II   Policies, Expectations, and Stabilization, 20-48.

III   Government Deficits and Capital Accumulation, 49-72.

IV.   Portfolio Choice and Asset Accumulation, 73- 96.

For each section, the author set up 9, 12, 9, and 10 Q & A number, whose total number is 40. Besides, the author cites eleven equations, 68-68 in section III, and 86-87 in section IV, Tobin stated in each section.

The author has no intention to criticize in the above Q & A, with approval or disapproval. Keynesians, neo, post, and new, and neoclassicists, each has its own aspect and design modeling, with assumptions.   The truth is the same, regardless of whether or not each is apparently against.   Both schools and any other are harmoniously united as a whole.   This is the truth, consistently with the *EES*.   In this respect, Tobin's analysis is most wide and deep and, satisfies six nature-neutrals (see <u>Essence of the *EES*</u> in the 2nd edition).

The author is afraid that in the 2nd edition there is no space for special <u>Q&A based on James Tobin1980</u> (18 pages).   Readers, in this case, are able to get <u>Q&A based on James Tobin 1980</u> by contacting Better Advances Press, Toronto.

Finally, let us imagine some typical difficult countries such as Luxemburg (matured), Philippines (emerging), and Kuwait (without the market principle).   Any country has its own non-zero technological progress, independently from preferences (national taste, culture, and history), regardless of the level of population and its changes (increasing or decreasing) and also

the level of net investment and its smooth or sudden changes.

Let us start with the speed years for convergence by country and by sector (Total, Government, and Private sectors).

(1) Consumption and the propensity to consume are smooth in the long run. When consumption is rapidly moving in the short run, net investment naturally supplements its unstableness. But, net investment and returns march in parallel.

(2) The balance of payments determines the difference between saving and net investment. Total taxes determine G net investment, which must be plus and minimum: the smaller taxes the smaller G net investment is and, vice versa.

(3) If the balance of net investment between G and PRI is unstable, the speed years fluctuate under the endogenous-equilibrium or with six neutralities, where Adam Smith's no artificial policy is ideal. Philippines simultaneously aims at consumption and net investment, similarly to some other emerging countries.

(4) When the capital-output ratio in the initial year (1990) equals that in the last year (2012), the speed years are most sustainable. This is Axiom we find as ultimate endogenous. When it is most difficult, there are peculiar reasons by country.

(5) A common reason is how we can easily minimize net investment by country, and year and over years. The size of government is the ratio of taxes to G output, which determines every result regardless of several % or triple dozens %.

(6) Minimized net investment is most easily in reality when deficit equals zero. Zero-deficit is one of six neutrals but most simple and effective=efficient. Zero- deficit holds regardless of the market principle. Saudi Arabia is typical.

(7) When technology does not progress steadily, the speed years repeat up and down unexpectedly and suddenly. Luxemburg and Kuwait is typical. Net investment remains an emergency treatment. The market principle is still beyond technology.

(8) The above fact-findings remind me the past date, 14 Oct 2005 when I could visit and meet policy-makers and researchers at Finance Canada and Statistics Canada, helped by Andrew Sharpe, IARIW, Ottawa. My questions were: i) What is the first priority of economic policies? ii) What is the second priority? iii) What is the third priority? Their answers were the same: only for the next generations we follow no deficit in the long run. This is the way how to recover blessed prosperity in the 1960s. Empirically, their unique answer overlaps Samuelson's (1938, 1939, 1940) earlier statements.