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## **Differentiations of the Industrial Financial Credit System from the Preindustrial Models**

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### **Abstract**

During the Preindustrial Era the production of goods and services was done in small scale by cottage industry and crofters. The SMEs of that time could then form coalitions, cooperation's, or collaborations, small or big, due to the specific demands of the time. Also the different specialties came together in unionisms, which acted then as consultants to the Rulers or Governments, in order to legislate the rules, the standards, the specifications etc. In this way, the preindustrial SME's were able to adjust to the changes of their environment.

The small measures and the locality were in harmonic balance with natural and technical environment. Additionally the cottage industry owners and the crofters had ensured the feedback of the results of their activities, as they had the direct contact with the consumer-users of their products or services. The quality control of products and services was also direct, and additionally fair, according to the consumer - users' needs and wishes. All these characteristics changed dramatically, following the evolutions of industrialization.

At the end of the Industrial Era, as the locality was replaced by the globalization, the changes reached their apogee and predispose an explosion. We can now go forward, though, with ideas and proposals for postindustrial prototypes, by analyzing the facts which brought the changes. After such, the comparison of the preindustrial and the industrial models can guide us to a postindustrial model.

### **Key words**

cottage industry, crofters, harmony, balance, environment, financial credit system

### **1. Introduction**

The global financial system is in the eye of the storm of the last economic crisis, which as it seems will mark the end of the Industrial Era. This last and long-term explosion in an escalating crisis-chain has many aspects and ramifications, but in its trunk is a financial crisis. The mainly economic crisis, which has negative effects in all human activities, has yet global effect on the fact that human activities have been globalized.

As human activities have been fully industrialized, the massiveness that is the main feature of industrialization has spread the negative impact of human activities across the world, with immediate dangers even to its survival. These massive and rapid changes create in the scientific world (mainly in economists) an urgent need for solutions. But the solutions can only be found after a careful analysis of the problems, after registration, classification and evaluation of the cases and of their sources.

For this analysis, the primary role is played by the historical research of the whole evolution of the economy. The logic of such an effective process is that historical research permits investigation in the reverse course of the historical developments, from the end to the beginning of the history. A historical survey of the economy (and the financial system as part of it) will highlight the points from which stem the problems which created the economic crisis.

Once identified the source, it is easier to investigate what, how, and who created the problem, in order to facilitate and seek solutions to this problematic situation. The main conclusion coming out from what has been referred, about the historical research, is that the negative standards of the

preindustrial as well as the industrial economic systems can shape the prototypes – models of the postindustrial financing system.

With that in mind, we begin our work with a historical survey. In the following analysis, recording and coding, we identify the sources of the problems, their causes and how they have shaped the evolution and expansion of each problem. At the same time, the factors that created these causes are identified. Having the most possible complete picture and the integrated conclusions it is easy to design an effective treatment of the economic problems.

## **2. Investigation of the Pre-Industrial Economic Models**

In pre-industrial times, the goods' and services' production, as well as the trading, were necessarily made on a small scale, by crofters, small family enterprises, crowds of craftsmen and small trade units. The economic sizes were of the same scale as well. Such scale of enterprises could manage to have predictable cost. They had also a short range, as they were by nature local. On the other hand, the environment was not affected by their activities. The preindustrial enterprises were, also by their nature, very well adjusted to the natural environment, and often they even did exploit the natural sources.

On the other side, the small sized enterprises of the Preindustrial Era did easily form seasonal consortiums and cooperation in economic matters, in order to respond to occasional rating of needs. Respectively the small units were acting, back again, autonomously, producing or serving only those absolutely necessary, or even doing restorations, repairing, renovations, etc. works.

In any occasion, the investments of the preindustrial enterprises proved as a rule to be, efficient immediately. As a result, the investments done by such measures proved also do help reducing the general costs over time. This wisely economic managing of the preindustrial businessmen was due to the fact that they had direct contact with all the stages of their labor, in every scale.

Having direct contact all the way through with the work done, all those that were involved in the finances during the Preindustrial Era, had a comprehensive perception of their objective. Therefore, the preindustrial financing businessmen had a comprehensive knowledge of their subject, and in this way their acting had, most of the time, effective results.

The effective results, as well as the efficiency of their economics, proves that the preindustrial businessmen were as a rule capable. Their ability was due to the way that in the Preindustrial Era, those dealing with financing, evolved from the one rank to the next by meritocracy. It is a fact that before the Industrial Revolution the step by step evolving was mainly the result of a successful acting in the previous stage. In this way those coming to the top and who directed the finances of the unit, were for sure capable for their post. So, before the industrialization of economics, the right man was in the suitable position.

The preindustrial procedure of economists' evolution ensured the practical efficiency of the financing business, and after that its financial health. The maintenance of such a financial health over time was also ensured by the fact that the preindustrial businessmen (who were mostly owners and labors at the same time of their enterprise) had high interest to maintain the level of their financial returns by targeted interventions.

The interventions of the preindustrial financial businessmen could be targeted because of the small measures, which gave them the capability to watch closely the developments, the customer requirements and the changes in the labor and business environment. In this way the targeted financial initiatives of a preindustrial financial businessman was done generally in time and successfully.

Healthy economy, thought, is based also in the transactions justice. A fair balance in transactions was ensured by the measures that transactions had in the Preindustrial Era, which had driven to direct and apropos dealings of the producers – traffickers with the consumers – users. Whenever then, the values were fluctuated and they were adapted immediately in the economic climate, depending to the needs of the era and the changes of the financial environment.

Such financial system, which came out essentially from the (positive or negative) experiences, was exposing in time those financial enterprises who could not meet the requirements of the times. On the other hand, it was pushing the producers – traffickers of the specific economic subject, as well as the

consumption – use, to a balance of financing demands and provisions. In this way, the small economic measures and the little financial range ensured also the overtime financial stability of the enterprises.

The long time financial stability has a very important collateral advantage: As the management of the small preindustrial financial enterprises went from generation to generation jointly with the business, there exists a stable flow of financial experience and knowledge. As long as such a financial system lasts, the “lost knowledge” is minimized. “Lost knowledge” stays as a very important and imponderable economic measure until today.

### 3. The Genesis of the Financial System

The creation of the financial system began when trade began to be bounced by the value of the exchanged goods in precious metals or stones. This development has created a wealth accumulation, and the accumulation of this wealth created in its turn the need for safe storage. Already in early civilizations there were sought safe havens and outposts treasures. Basic specification of the sought storage - space was the permanence of location and the security. As then, in parallel, anything valuable was sacred, and holy objects were kept in safe and permanent places of worship, the temples were the first vaults.

In those vaults - temples, in addition to collective savings of the people's property, individual wealthy citizens gave also their wealth for safekeeping. This showed that the priests were responsible for receiving, recording and storing of all tangible values of the relevant territory.

An economic axiom is that any wealth loses its value when not used. So ever since the era of direct transactions, from the cradle of the human civilization, we know that loans were given in grain and other goods. When wealth began to refer to metals' or stones' opposite, and could easily be saved, the need showed out for it to be reclaimed and not just stored. Lending then began to be made from the temples' stocks, so the temples became the first banks.

The corollary of this development was that, as the only ones able to manage the wealth kept in the temples were the priests, the priests were the first bankers. The banking operation of priests began very early. Already in the 18th century BC in Babylon of Hammurabi, the priests gave loans of gold reserves with well-defined interest levels. We know about that from the credit registers and the Hammurabi Code.

The foundations, though, of the modern financing system were laid in Ancient Greece. Alongside with the political and social development, the economics of Ancient Greece's classical period played a decisive role in shaping the culture and in laying the foundations of sciences in Europe: Socrates used first the term “οικο-νομικός – eco - nomic”, as Xenophon says, to describe the right management of the ecos = house, and recorded that economics constitute a science.

The use of coins was preceding, having as first the δραχμή – drachma (from drato = keep on handful), a handful of iron rods. Then came the mint of the first European coin, the “Turtle of Aegina” by Phaedon the Argean. The “Turtle” was actually a monetary system of weights and measures.

When, afterwards, every Ancient Greek state minted its own coin, the profession of “Argiramoivoi” (money-changer) emerged. During the 5<sup>th</sup> century BC, the “Argiramoivoi” evolved to bankers and took in Ancient Greece the greater part of the banking activities away from the priests. In this way, the first financial system of Europe was created then in Ancient Greece.

We have today a rather definite picture of how the Ancient Greek financing system was built, mainly from written mentions of that time about the finances of the Athenian Democracy, during its 140 years – long existence (462-322 BC). The bankers in Athens were acting in the same way as every other citizen was obligated to.

The main principal of the Ancient Greek democracies was that the citizens were obliged to follow their life-through the state laws. Those state laws, though, which were formed by the citizens themselves, “according to the common believes and the common interests”. The Ancient Greek citizens had also the responsibility and the authority of the laws' controlling.

The citizens in the Ancient Greek Democracies were those also who decided in the cases of justifying for who broke the law, but also for the cases that the laws' correctness was questioned. Besides all those who were in some kind of office did not get any financial compensation. On the contrary, in cases that they were judged by the citizens for faulty behavior, they were imposed to confiscation of their property.

On financial data's development, taxation has also a long history, as in prehistoric ages there existed already a taxation in wares. But as administrative boundaries expanded, taxation in kind could not cover the needs of the administration as it had limited range, so in taxing the wares were replaced by precious metals and stones, or coins of various shapes and sizes.

The evolution of the tax system to its modern form was again in the republics of Ancient Greece. Most prominently is the setting by Solon (639-559 BC) of a system of citizens' participation in public expenditure, according to their tax-paying capabilities. A social justice was then commented, as described by Aristotle in the "Nicomachean Ethics": "Injustice means to take someone more than he should from the goods and less of the bad."

It was also in Ancient Greece where the economic subject of mutual funds first appeared. It was the common property that was collected by the city-states that took part in the 1<sup>st</sup> Athenian Alliance in 478 BC, after the Persian Wars. These ancient mutual funds, which had seat in Delos, were designed for the protection of the Greek cities from future attacks. In 454 BC, though, Pericles moved the seat from Delos to Athens, and the Athenian alliance was transformed to Athenian hegemony.

Closer, though, to the modern term of "mutual funds", is the personal achievements of Thales the Milesian (624-546 BC) who (using his knowledge in astrology) made provision of olive oils' good crops and bought in advance the exclusive right in the olive presses of Chios and Miletos. In due time he sold the rights to other producers – dealers with profit.

#### **4. The Initial Economic Models of the Industrial Age and Their Developments**

The first industrial economic models were shaped by the peoples and the countries which developed both the Scientific and the Industrial Revolution. Their configuration followed at the beginning here also the natural process that was followed preindustrial: In a blank field randomly appeared a financial novelty and it was applied directly in practice. Only after a successful and effective implementation, this novelty was established as a financial model for similar economic activities. It was then applied by others who were active in that economic area. Some of those who applied this financial model posed their personal stamp on the amendments', additions', corrections' etc. improvement movements. Those personal improvements which proved successful in practice, were followed by a new group, or (if it was total corrective and it covered some key deficiencies) it was applied by all the practitioners thereof. In the second case essentially arise a new financial model.

The financial models were formed in this natural way, since the beginning of the science of economics, up to the early stages of the Industrial Age. The initial stages of the implementation of economic models were actually formed along with their configuration. Such a method of standards' development and implementation ensure in itself their effectiveness.

The development of the economy in the natural method of financial standards' configuration changed then, though. The industrial financial models could not avoid to display the basic industrial characteristic of massiveness. As they evolved, they addressed in increasingly larger sizes. In their last evolutionary phase, the economic models were referring almost exclusively to globalized sizes.

One of the key factors that changed the evolution of the pattern of financial models was the characteristic of specification. The specialization became necessary since the beginning of the development of industrialization, because huge numbers resulting from mass production required that a specific group of workers should be dealing with only a small part of the production process.

The skilled workers' specialization led to the specialization of auditors and inspectors, traffickers, businessmen, etc. involved in the production and trafficking. Ultimately all those involved in a particular economic sector were gradually specialized. In this way the specialty of economists emerged, which specialty diffused horizontally in all relevant disciplines, from legal and engineering in financing, to the philosophy of economics.

The rule is, though, that each specialization forms in its evolutionary course her own environment where gradually prevails a particular conception, an own mentality, an own practice, and an own acting mode. When gradually this particular ensemble or environment cut off from the rest specialized ensembles or environments, the method of models' forming changing and the where process follows the particular culture and the specific rules of the particular ensemble or environment.

In this way, lately, those specialized enterprises which were operating in the global environment, have formed their own global financial models. These models in turn have formed a specific economic faculty, which subsequently passed to the economic philosophy of a number of economists.

These recent economic theories are very difficult to evaluate, because the large, globalized sizes result in very long - lead reflective times and large feedback delays. We can definitely say, though, that the modern financial environment is removing from the actual image, and it is sliding in its own virtual reality. The immediacy is lost in financing, after the specialization in the transactions and between the financial products inserted a range of specialties.

In globalized sizes, the control of the developments and the preventing of unexpected negative phenomena is virtually impossible. When an unexpected financial crisis in the relevant field breaks out, the economic recovery and precautionary measures have generally only temporary effects and they often are even found to be inadequate or incorrect.

These prove that the modern economic theories fail to provide timely solutions to emerging problems, since, when the processing of corrective movements are completed, the developments in the economic environment have gone to another phase and a lot of information has changed or is completely overturned. After these any theory of intervention-methods is often outdated and may even have the opposite effect.

## **5. Reference to the Current Financial System and Some Relevant Theories**

All financial institutions, whether banks, pension funds or hedge funds, operate basically in exactly the same way: The owners - shareholders contribute sufficient start-up capital, and then the financial institution borrows (the deposits of customers, labors' contributions, or other financial institutions) and in turn invest them in the form of loans, shares and bonds or with "bets" in the derivatives market. These institutions simply use the "leverage", the money of their clients to increase the profits that the initial investment of the owners have brought.

The operation of the current financial system of based on the banks. It is the banks that shape the labyrinthine we of pipelines of the industrial financing system. It is also this web which brings the huge gap between the production-trading and the consumption-use.

Some elements of the industrial financial system are the bonds, bank bonds, treasury letters, mutual fund shares, forwards, futures, options contracts, shareholders acquiring documents (warrants), equities and other products that can be traded in the financial market.

The banks have in the industrial financing system a standard way of functioning the owners or shareholders of the bank put their money in the bank, providing its capital. The bank borrows then money from the depositors with an interest rate (the deposit rate) and lends it then to the households and the enterprises with also a specified interest rate (the lending rate). The first is generally lower than the second, and so then arises the bank's profit. Banks must ensure that they are in any case able to properly service their debt, even if a (small) percentage of loans give themselves unsafe.

This happens though, in good times. If the economy falls into a deep recession things are changing. Enterprises and households struggle to pay the instalments of loans taken and this creates a problem for the banks, which meanwhile are still owing to the depositors and lenders. When the bank has lent the greater part of its customers' deposited money, and if at that time a number of them with draws their capital, then the bank will have illiquidity and it might be forced to shut down.

Financial intermediation takes place when those who want to lend encounter those in need of loan. This happens even between countries, such as when China buys US bonds. But most known is when a bank uses the household deposits to provide loan to a company.

Referring to some terms of the industrial financial system, we start with the bonds. Bonds are issued by a government, a company or an organization, as an acknowledgment of debt or a right to distributed profits. Relative species are bonds, bank bonds, treasury letters, mutual fund shares, (forwards are), futures, options contracts, shareholders acquiring documents (warrants in), equities and other products that can be traded financial market.

The bond is actually a promise: the one who is issuing it promises to repay with interest the amount of offer to those who buy the bond. The government bonds are issued by the public and are bought by the banks and other institutions such as pension funds.

Until recently bonds were financial products with easy measurement, low risk and return of investments as they had time given and they were fixed. But lately there were created new complex investment products, based on bonds, where the interest rates are more volatile and their valuation is difficult.

The interest rate differential, better known as "spread" is the difference expressed in basis points (where 1% is equivalent to 100 basis points) between the interest rate charged on bonds considered to be safer in the other.

The interest rate charged on bonds is that which considers the size of the burden on taxpayers. It actually depends on the state dept. The greater is the potential of a country to repay the loans which it need the higher is the interest rate.

Refinancing debt is the repayment of debt with new borrowing. When approaching maturity (in other words the end of time) of the bonds, a country can issue a new loan-order to pay their owners. Problems arise, though when though, creditors refuse to cover the issuance of new bonds, judging the risk of excessive and instead require the payment of the existing debt.

A bankruptcy happens when a number of non-performing loans exceeds a threshold. Then the bank is found to owe more to creditors than the value of loans and other assets. So, even if it would sell at once everything it owns, even then it could not repay its creditors.

If investments do not evolve as expected, if the loans turn bad, and if stock markets fall, then the losses turn out to be large, sometimes larger than the banks themselves and the regulators had first predicted. This in turn leads to a general panic and the, governments are forced to intervene (with the taxpayers' money), because the financial system is absolutely essential for the functioning of the industrial financing system.

All the above mentioned have a common denominator, which is information. Once the investor decides to place funds in the stock market, he must be prepared to be kept informed by all sources of information given to him. In the industrial financial system, information is supposed to be given by the dealers. It is also a standard obligation for the issuer to provide information to the bond holder, etc. The issuer undertakes, though, to first serve the requirements of bondholders and after the shareholders' requirements.

Information sources are also supposed to be the financial press and media in general as well as the members of the securities and derivatives markets of the stock exchange as they are market professionals and have actually the role of the investment advisor. Information technology is now days also a major driving force in the evolution of stock markets. The issuing company may also request information or to exercise control on the respective activities of Administration, as well as to receive information on the company by the respective Shareholders Department.

## **6. Analysis of the Current Situation in the Financing System**

The management and control of modern globalized figures are impossible to progress on without technology. The technology had a decisive influence to the developments towards industrialization from a very early stage, already in antiquity. But in the globalized economy, the technology has become the most necessary economic means. Today we could say that the operation of the financial system is based on the technology. Especially the electronic technology is developing rapidly and any technological means are now parts of each corresponding sector of financing.

The radical changes in the financial system because of the technology have created a new economic environment. An economic environment, though, that proved to be financially very unsafe. The measures of global sizes can change now from one moment to another in zero values and vice versa.

Maybe the main change is though that the position and the role of the people decreased continuously since the beginning of the Industrial Era. With the dominance of globalization and of technology virtually disappeared the human factor. The disappearance of the human element introduced also the "disappearance" of the human brain and by extension of the logic (which is only humane nature), and of the human way of responding.

Today there have been created such technological means in telecommunications, for example, that they make the planet just a small neighbourhood. The disappearance of the distances with the

technological means during the globalization eliminated the time after the human perception. So some economic researchers are forced from their specialty to monitor economic developments elsewhere, they act in the time of that place, and with the technological means that they have in their disposal, they can have a direct picture of the developments in other places anytime.

That, which has completely disappeared in this way, after the technological developments, is the immediacy of the values to the monetary exchange. Even the initial replacement of the value by the currency, has been deported by some elements in the computer's memory. Besides the balances of the financial data changed rapidly, after the speeds of the electronic means, thus eliminating the concept of the real value of the transaction's object.

The industrial direction of the economic developments resulted to the use of technology, and the technology introduced a regression back to a primitive economic environment. We could say today that the contemporary economic environment of the Industrial Era has returned the economy to the prehistoric times. With conditions worse than then, though, because being the knowledge only to specialized intermediaries, there is a complete alienation of the producers - traffickers from the consumers - users

### **7. Epigrammatic Record of the Positive and the Negative Elements of the Financial System over Time**

What emerges as a general principle is that from the positive elements of the pre-industrial systems, the respectively negative industrial ones could be distinguished and vice versa. But for the complete listing and comparison of the data, the great variety and number of all the industrial economic systems requires, a series of books. So we will try in the context of our work to indicatively mention the key points, which arose from our up to here reference.

As a key positive element of the pre-industrial economic systems raises the immediacy in transaction. Similarly, the lack of direct transactions' capability of the producers - traffickers - service providers, with consumers - users is a major draw-back element and a disadvantage of the industrial financial system. The lack of immediacy eliminates every possibility and probability of direct feedback to the industrial financial system.

The lack of direct feedback, which results, prevents the on time confrontation of the problems that arise in practice. In this manner, the lack of immediacy in the financing system causes a chain of escalating problems, with rates that are increasing as the sizes do increase. Increasing of measures substantially causes even greater lack of immediacy, up to the point that the economy in general and the financial system in specific reach to the explosion of a crisis.

In the industrial financial system, a labyrinthine web of conduits was developed elapse between the initial financial product or service, and the ultimate address. This situation gives a negative overview, full of ambiguity and control weakness, which essentially cancels in practice even the concept of the term system. As a natural consequence of such chaotic situations, it is impossible to anticipate any problems, and accordingly it is impossible to have any timely corrective action.

Another key element of the pre-industrial systems, which basically relates to the immediacy, is the practicality of the education systems. We could characterize the educational systems of the Pre-industrial Era as lifelong training systems, which were based on the traditional structure of the society and the family of that time.

The traditional structures and standards were adapted and served the needs of the society at a local level, because they were shaped over time by the practical experiences of the local communities. It is ensured so that, after a rational course, in the specific post the right man is developing, a real connoisseur of his object and not a multiplier of theories.

The positive element of practicality and ultimately of the rationalization of the pre-industrial economic systems is presented respectively as a negative economic element in the education sector during the Industrial Era. Here the system is not practically developed during its implementation, but it is designed theoretically by specialized teams of scientists. It is then institutionalized by people, whose experience and knowledge is mainly in administration, and it is imposed essentially to both learners and teachers. Especially the teachers are degraded in quality, from teachers of the subjects (where they have been recognized after having direct personal knowledge and experience) to multipliers of theories.

The rapid development of technology during the Industrial Era filled a big gap in the education system's deficiencies. With modern technology, scientists have in their hands the means to help them having a relatively timely knowledge and performance. This timely performance is also translated into some immediacy in the relations with their students. But technology cannot assist in corrections if the direction is wrong. Instead, facilitating the multiplying potential, technology can worsen the problems.

### **8. Conclusions and Proposals for a Financial System of the Post-Industrial Era**

Einstein had said that if you perceive the problem, you have solved the half of it. We will add that the other half is solved by the use of the negative experiences, which are acting as a negative standard and can form the prevention models. The main conclusion from what has been said is that the negative standards of both the pre-industrial economic systems, and the industrial financial systems can modulate the postindustrial prototypes – models in economy.

We have stated that the control was gradually lost, once intermediaries appeared between the transactors. When from the money changers of the antiquity we reached the industrial financial system, and the increasing of the number of middlemen and of stages intercalators, the development of control loss was frenetic. So a key conclusion is that after the loss of immediacy in financial transactions, the gradual loss of the balance between the real value and the monetary exchange is also lost.

In the last phases of the industrial financial system's development, it appeared in this way a weakness on the economic developments' control. So, as in today's industrial financial system everything is acting in a virtual reality environment, successive crises occur. The creation of a financial system with an immediacy in the transactions appears as the only solution.

In order to come back to the zero point of economic development, we should follow the path of the economic development from the appearance of the monetary system until the Industrial Age. We can then make comparisons and investigate the causes that shaped economic developments. Having referred to the comparative advantages and disadvantages of the two eras, the pre-industrial and Industrial one, we can refer now to a frame of the ongoing shaping of the post-industrial economic prototypes-models.

As modern technology can now be applied to very small and small sizes, the means are given to fill the deficiencies in technology and the virtual absence of scientific study, analysis and research on a theoretical level. The use of modern technology emerges as a positive element for the small sizes. In small sizes the theoretical errors can be promptly identified. So the post-industrial financial system should operate with small sizes, to which will be given though the option of using the most modern technology.

The small-size principle of the Post-Industrial Era applies to all the activities of a citizen of the industrialized countries. Cell of the postindustrial financial system is in this way the concept of Socrates term "economic", the proper management of the human domestic hole.

The proper management in the postindustrial financing system must start from the cell of the society, the family, with the integration the lifelong training (starting with the civility in family) in the post-industrial economic systems. Investing in public education after the concept of lifelong training is a key economic size in the post-industrial system. Along with the proper financial education of the citizens, a prerequisite for the post-financial system is a democratic environment where citizens will have the possibility of knowledge, of the final control and full access to information.

The existence of unnecessary conduits, which can develop into a labyrinthine web was the main problem of the industrial financial system. If, however, after a general analysis, a rational link is designed between the directly involved in a financial activity, the problems will be eliminated and a rational financial system will be formed.

The financial system of the Post-industrial Era is a network that directly connects the production and provision of financial services to their consumption - use. The focal points of such a network can have only small - sized units, unlike the large industrial sizes. The economic environment of the post-industrial era is thus a modern financial network, which, like the democratic system will generate from within the control mechanisms and the mechanisms which will define the prices and the values.

The postindustrial financial model will utilize the know-how of the Total Quality Management (TQM) systems, where the "management" is actually diffused from the top to the bottom and from the bottom

to the top. Here the term “management” has the meaning of the power, as well as control. In other words the postindustrial financial model will have the same main principal with that of the Ancient Greek democracies. There the citizens (demos) had the power (cratos) as well as the control (same word) in all the socioeconomic activities.

The democratic way of control was also horizontal, as those citizens who had spent officers for a limited time, had to report (after the end of their term) and they were controlled by all the rest citizens. Today this basic condition of the final control by the ensemble of the stakeholders presupposes full update and complete information.

The postindustrial financial system will act after rules which have as a starting point the moral and not the materialism. After this logic, the managing positions are duty-offices and not places for profit taking. There are no high loans, having as facing some theoretical knowledge, but allowances for the time they spend making their duty.

The duty of those that have such a financial-manager post will be to offer their knowledge and experiences coming out from their documented abilities. If they, after their final control, prove not to fulfil their duty, they are subject then to penalties by the illusory of any form of their property elements.

Such a democratic financial system has by its nature an immune capability which protects it against the intrusion of unnecessary middlemen in all transaction phases, it will prohibit the creation of virtual reality, while, enabling immediacy, it will help the practical and rational financial transactions.

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