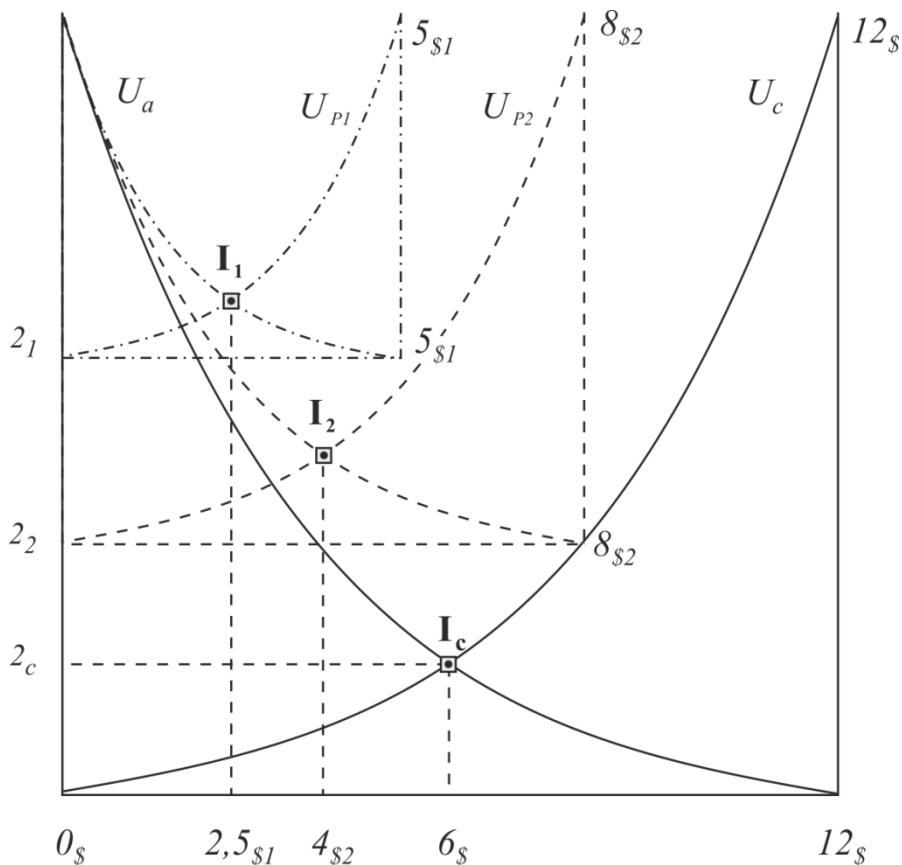


SSET 25 - THEORY of INTEREST

(Geometry)

In this paper we will show the geometric development of the previous algebraic work.¹ For this purpose we elaborate the following graphic:

Correlations of interest



In continuous tracing the “closed box”² of an economy with: $q_t = 12\$$ is shown; with optimal credit-total level in I_c ,³ with its mean of $q_{ec} = q_t / 2 = 12\$ / 2 = 6\$$, where $U_a = U_c = 2_c$.⁴

We have assumed levels of credit-debt (credit granted to third parties) of 5\$ and 8\$. For the purpose of comparing the optimal credit level of the economy, with that of each case, we have drawn the “closed boxes” of each of them, from a higher level in the ordinate. That is, at 5\$ corresponds to a higher position in the curve of U_a of wealth saved, then to 8\$.

¹ In SSET 24 - [Theory of Interest \(algebra\)](#), where it is appreciated: $v_{c(q)} = v_{q(c)} = P_{c(q)} = i_{c(q)} = 1$.

² That is the typical format of the [Subjective and Solidarity Economic Theory \(SSET\)](#).

³ This is equivalent to [Optimal Evolutionary](#), in this case referred to credit.

⁴ Utility of wealth saved and granted to total credit, in symmetry.

Let us see the comparison of the relevant variables in the [Subjective and Solidarity Economic Theory \(SSET\)](#):

Case 0: $q_c = 12\$$; $I_c = 2_c$; $q_{ec} = 6\$$

Case 1: $q_{p1} = 5\$$; $I_1 = 2_1$; $q_{e1} = 2,5\$_1$

Case 2: $q_{p2} = 8\$$; $I_2 = 2_2$; $q_{e2} = 4\$_2$

The conclusions we have obtained in the “algebraic model” are corroborated, which could not be otherwise, as they arise from the natural economic laws ⁵ of the [Subjective and Solidarity Economic Theory \(SSET\)](#):

$$I_1 > I_2 > I_c$$

$$q_{e1} < q_{e2} < q_{ec}$$

Which implies, depending on the relative values of evolutionary optimums: $v_{x(y)} = I_x / I_y$

$$v_{1(2)} > v_{2(1)}$$

$$v_{2(c)} > v_{c(2)}$$

Conclusions:

- The function of the businessman that its expertise in generating wealth be higher than the average: $I_1 > I_2 > I_c$. ⁶
- The economic institutions must be present a framework of full validity of the *marginal natural economic laws: decreasing wealth and relative exchange*, otherwise the credit-debt will not be available for the best economic opportunities. ⁷
- It is corroborated that the credit limit (total: debt + capital) is the existing wealth. The opposite would imply generating a “closed box” with X\$ sides greater than 12\$, which would imply the following inconsistencies: $q_{px} > 12\$$; $I_x = 2_x < I_c = 2_c$; $q_{ex} > 6\$$, y $v_{x(c)} < v_{c(x)}$.
- SSET 18 – [Capitalism Monetary Affected](#) is corroborated, when the State interferes with the currency system via de *currency interest* \equiv *price of the currency*. ⁸

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⁵ Marginal utility laws: decreasing wealth and relative of exchange.

⁶ The businessman alerts to the economic opportunities of Israel M. M. Kirzner.

⁷ Monetary policies, subsidized credits, public debt, ... undermine the natural order.

⁸ Capitalism is the best ally of humanity, and the current totalitarian financial system is its worst enemy.