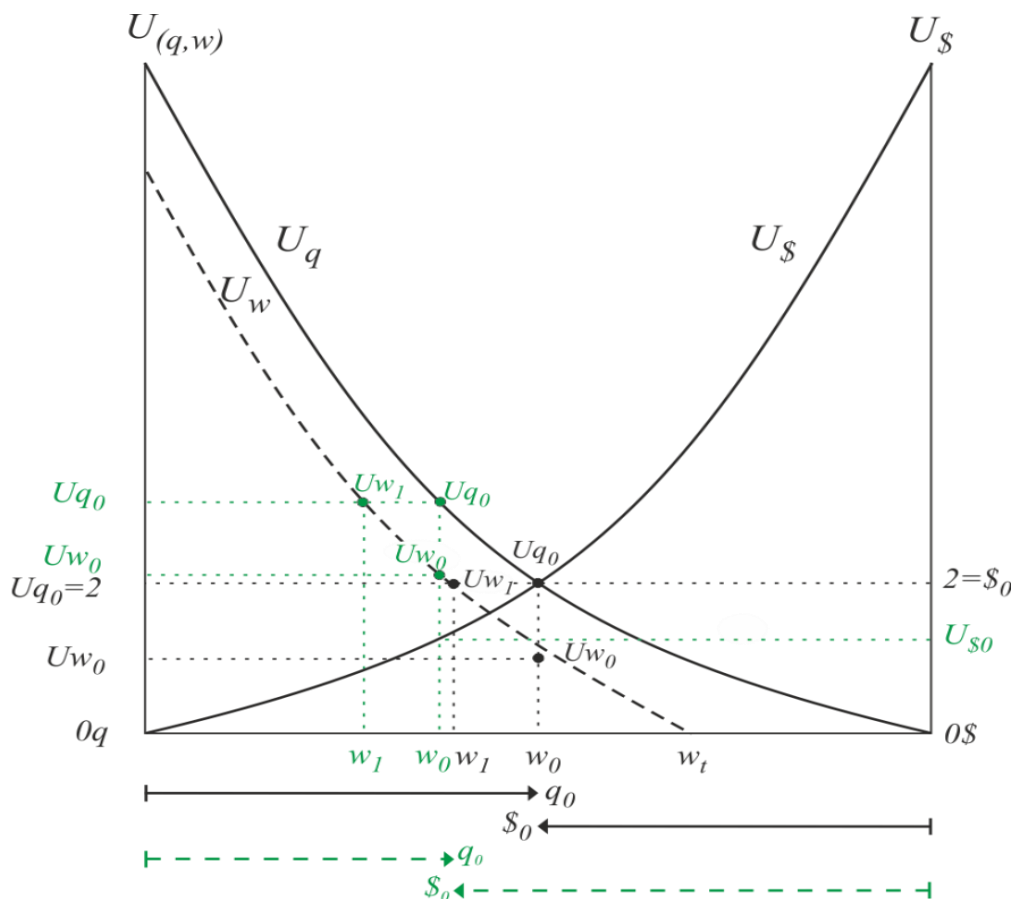


## SSET 18 – CAPITALISM MONETARILY AFFECTED

In this paper we will show the process by which the “monetary policies of cheap currency” affect capitalism,<sup>1</sup> which originates in the alteration of the **natural order of the logical causality**: *value* → *price*,<sup>2</sup> which is affected by the imposition of the **factual causality**: *price* → *value* —authoritarian taxation on the relative value of the currency, instrumented through the control of its price. Let us see its initial and final consequences.<sup>3 4</sup>

### Capitalism monetarily affected (initial)



### Initial consequences

They are those concerning the loss of the *relative values of capitalism*.<sup>5</sup> The graph was constructed on the same structure as that shown in [Capitalism](#), to which were added (green) the

<sup>1</sup> Economic system governed by the natural laws of utility: decreasing marginal of the wealth and relative marginal of the exchange. See [Capitalism](#).

<sup>2</sup> Relative values determine prices, causality derived from natural economic laws.

<sup>3</sup> What is generally studied by the concept of economic cycles, which SSET explains by controlling the price of the economic calculation unit, which affects the relative values from which they arise.

<sup>4</sup> And, although in the end the consequences of such behavior are perceived, it is not possible to understand with precision its origin. “Policies” that find “foundation” in theories that assimilate value and price (endorsed by the failed “ingenuity” of Jevons).

<sup>5</sup> Which are perceived by the impossibility of the **subjective-currency economic calculation, due to the loss of the relative value that operates as a unit of measurement** — central theme of the Austrian School.

variables corresponding to the marginal utility ( $U_{\$0} < U_{\$0}$ ) affected by the factual causality:  $\downarrow P_{\$(q)} \rightarrow \downarrow v_{\$(q)}$ .<sup>6</sup> We went on to highlight the variations that occurred:

*Neutrality of the economic unit of measure* ( $v_{q(\$)} = v_{\$(q)} = P_{q(\$)} = P_{\$(q)} = 1$ ): it disappears as much  $U_{\$0} < U_{\$0} = 2$ , which implies the disappearance of the **EVOLUTIONARY OPTIMUM**<sup>7</sup> given that:  $U_{q0} > U_{\$0}$ ;  $q_0 < \$_0$ ;  $v_{q(\$)0} > v_{\$(q)0}$ ;  $P_{q(\$)0} > P_{\$(q)0}$ .

*Marginal utility of wealth*:  $U_{q0} > U_{q0}$ , with  $q_0 < q_0$ .

*Marginal utility of labor, with capital*:  $U_{w0} > U_{w0}$ , with  $w_0 < w_0$ .

*Marginal utility of labor, without capital*:  $U_{wI} > U_{wI}$ , with  $w_I < w_I$ .

*Marginal utility of the unit of work after the last unit that generates wealth* ( $U_{wt+1}$ ): its value remains zero ( $U_{wt+1} = 0$ ).

*Accumulated wealth* ( $\alpha$ ): they are not included as long as there is no neutral economic unit of measure that allows their calculation. Monetary interventionism alters the economic calculation.

### Final consequences

Let us see now the final consequences represented in the graph (final flow) by means of the “closed box in red”,<sup>8</sup> once the new **EMP** of monetarily affected capitalism has been achieved.

The new **EMP**,<sup>9</sup> where  $v_{q(\$)} = v_{\$(q)} = P_{q(\$)} = P_{\$(q)} = 1$  and  $U_{q0} = U_{\$0} = 2$ , shows the final consequences of the actions of the two economic laws of marginal utility of capitalism, adapted to the new monetary order imposed:  $U_{\$}$ .

Now let us compare the level of each variable: capitalism (black), initial (green) and final (red):

<b>Marginal utilities</b>	$U_{\$0} = U_{\$0} < U_{\$0}$	$U_{q0} > U_{q0} > U_{q0}$	$U_{w0} > U_{w0} > U_{w0}$	$U_{wI} > U_{wI} > U_{wI}$
<b>Acumulated utilities (<math>\alpha</math>)<sup>10</sup></b>	$\alpha_q < \alpha_q$	$\alpha_{q0} < \alpha_{q0}$	$\alpha_{w0} < \alpha_{w0}$	$\alpha_{wI} < \alpha_{wI}$
<b>Work (<math>w</math>)</b>	$w_0 = w_0 < w_0$	$w_I < w_I < w_I$		

In the graph (flow-final) we can see how the reaction of the capitalist natural order to currency infection culminates:

- Restoration of the subjective-currency economic calculation, after a period where it is not viable, at an economic level lower than that of capitalism.

<sup>6</sup> Circumstance reached through “the technical tools of currency policy”: expanding paper currency; setting its price, equivalent to the interest rate [ $\downarrow i_{\$(q)} \equiv \downarrow P_{\$(q)}$ ]; operations in the credit market; ... etc.

<sup>7</sup> Understanding as such to: **Evolutionary Medium Point (EMP) of Capitalism**. Topic developed in SSET 15 – *The Economic Calculation Subjective-Currency-Accounting*.

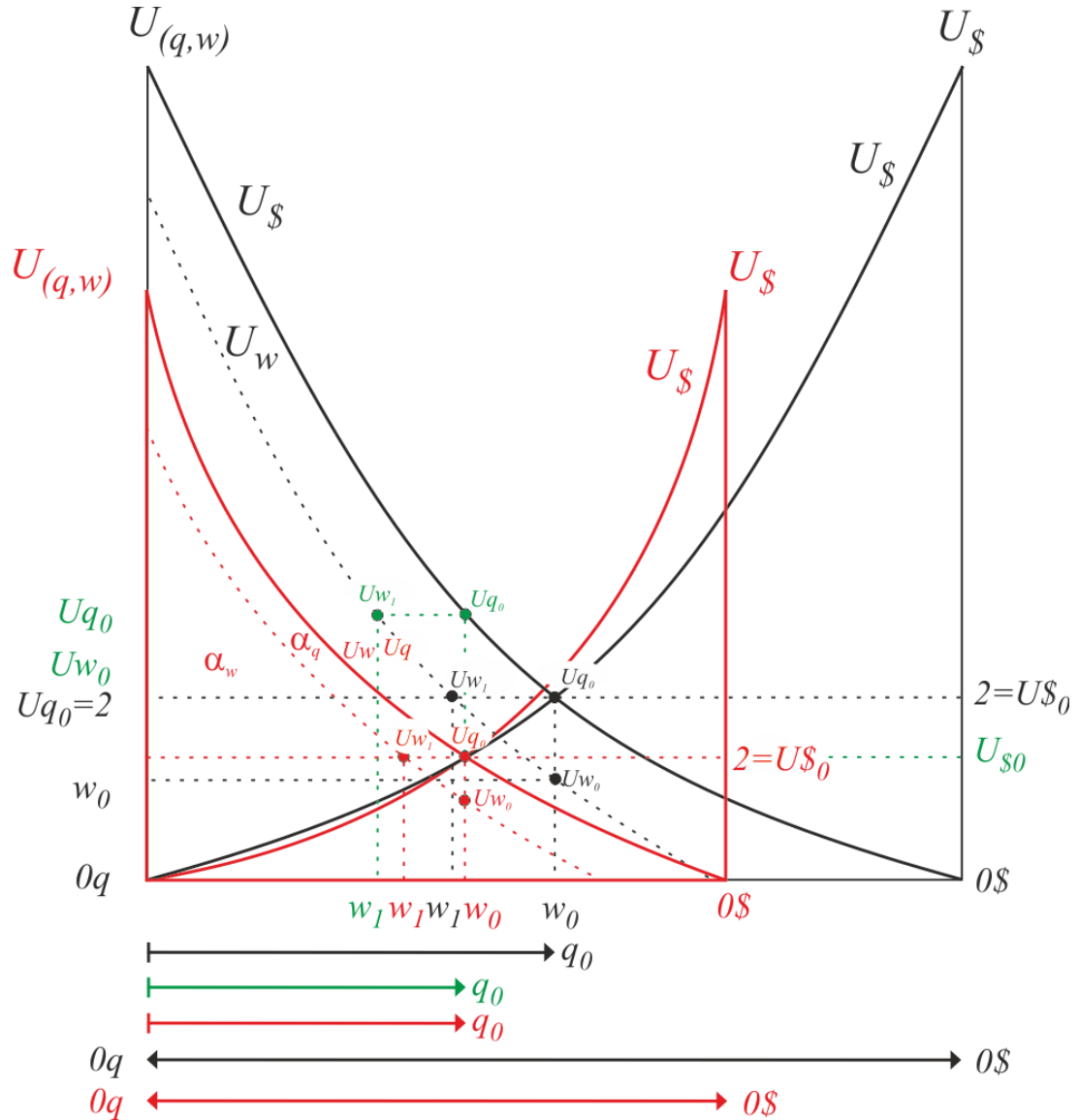
<sup>8</sup> Which is constructed from the new level of the marginal utility of the currency:  $U_{\$0} = U_{\$0} = 2 < U_{\$0} = 2$ .

<sup>9</sup> The **EMP** (no longer EO) around which the new “closed box” is built in red:  $U_{q0} < U_{q0}$ .

<sup>10</sup> The areas of initial consequences are not shown due to the impossibility of economic calculation.

- Restoration of a new **EVOLUTIONARY MEDIUM POINT**,<sup>11</sup> adapted to lower economic level tan capitalism:  $Uq_0 < Uq_0$ .

**Capitalism monetarily affected (final flow)**

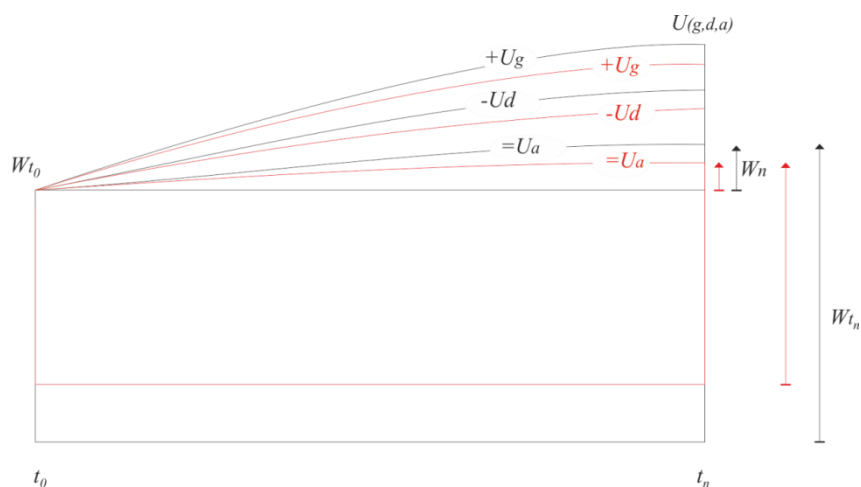


- The new economic order **implies** altering the *Efficient and Equitable Economic Evolution* ( $E^4$ ), proper to capitalism, which **NECESSARILY** decant into: **smaller, more concentrated wealth**.
- The natural force of capitalism acts even under state interference, helping to mitigate its consequences in the most efficient and equitable way possible.<sup>12</sup>

<sup>11</sup> The *Evolutionary Optimal* (EO) of capitalism no longer exists.

The graph of **The Subjective-currency-accountable economic calculation** of monetarily affected capitalism, show the new order in red:

### Capitalism monetarily affected (stock final)



Comparing the capitalism monetarily affected (red) versus capitalism (black), we can see the fall in wealth: both in the concave flow curves ( $U_a < U_a$ ), and in the final stock arrows [ $\uparrow W_n < \uparrow W_n$  y  $\uparrow W_m < \uparrow W_m$ ].

**The capitalism monetarily affected implies PLUS VALUE MONETARY**

**NOTE:** The conclusions of this work ratify the idea underlying in the theory of monetary cycles of the **Austrian School**. BUT, through the tools incorporated by the *Subjective and Solidarity Economic Theory* (TESS): total ( $q_t$ ) and exchanged ( $q_i$ ) of economic goods ( $q$ ), subject to the laws of marginal utility of wealth ( $U$ ) and the relative exchange ( $v$ ), with: a theory of the economic unit of measure independent of the currency, and a more precise theory of the distribution of wealth that guides the human action postulated by Mises; a theory of the imputation of utilities; a quantitative theory of wealth (different from the well-known quantitative theory of currency).

All this **WITHOUT**: **theory of prices (reduced to technical coefficients), theory of interest, theory of currency; Gresham's Law; regression theorem, compositional fallacies, costs, theory of cycles; etc....**

All our work was elaborated from the simple theoretical postulates of Menger; thus we obtained a simpler, stronger and more explanatory economic theory — which Jevons intended (see his “*Introduction*”), but his “ingenuity” played a trick on him, for being impregnated with “objective value”.

Carlos A. Bondone

<sup>12</sup> The resounding fall from  $U_{q_0}$  to  $U_{q_0}$  is a consequence of the exaggerated initial rise of  $U_{q_0}$  a  $U_{q_0}$ , product of the *state of panic* that induces flight to non-currency wealth, which will be attenuated once the natural forces of capitalism begin to operate the already deteriorated natural order. In Argentina, the USA currency (the calculation unit of Argentines) always achieved initial values that were much higher than those that were later established — **a very useful tool in my professional life**.