

SSET 20 - Fiscal and monetarily affected capitalism

We have already studied SSET 18 - [Capitalism Monetarily Affected](#), and SSET 19 - [Capitalism Fiscally Affected](#), here we will study the combination of both effects.

We already know wealth evolves in a capitalist system: ¹

Capitalism

$$W_{(tn)} = W_{t0} (1 + g)$$

Capitalism fiscally affected

$$W_{F(tn)} = W_{t0} [(1 - 2f^w) + g(1 - 2f^n - 2f^w)]$$

Fiscal effects on Capitalism

$$F_{(tn)} = 2W_{t0} [f^w + g(f^n + f^w)]$$

We start from the equation that represents *Capitalism fiscally affected* [$W_{F(tn)}$]. ² We only need to incorporate the monetary affectation to capitalism, and we will have the proposal resolved. For this we must express the preceding equation based on the relative value of the unit economic of measure [$v_{\$(q)}$], task provided by the [Quantitative Theory of Wealth](#) (SSET 16):

$$v_{\$(q)w} = \$_t / W_{\$}$$

$$W_{\$} = \$_t / v_{\$(q)w}$$

$$\$_t = W_{\$} v_{\$(q)w}$$

We can express the fiscally affected wealth equation as a function of $W_{(tn)}$:

$$W_{F(tn)} = [W_{(tn)} / (1 + g)][(1 - 2f^w) + g(1 - 2f^n - 2f^w)]$$

We can express the fiscally affected wealth equation based on $v_{\$(q)(tn)w}$: ³

Equation of fiscal and monetarily affected wealth [$W_{FM(tn)}$]

$$W_{FM(tn)} = [\$_{t(tn)} / v_{\$(q)(tn)w}][(1 - 2f^w) + g(1 - 2f^n - 2f^w)]$$

¹ Where W_m is the non-currency wealth measured monetarily, at the end of the period $t_0 \rightarrow t_n$, W_{t0} the initial, and g the coefficient of net wealth generated in the period t_n on the initial wealth, f^w is the tax rate on the stock of wealth, and f^n on the net wealth generated in the period. In later works we will disaggregate g between the one attributable to the preceding wealth (capitalization) and the one related to innovations-discoveries, as well as to impute the relevant one to labor and capital.

² Depending on the initial wealth (W_{t0}), the wealth rate generated on it (g), the tax impact rate on the wealth generated in the period (f^n), and the tax rate on the wealth stock (f^w).

³ $v_{\$(q)(tn)} = W_{t(tn)} / v_{\$(q)(tn)w}$.

The combination of fiscal and currency effects is corroborated:

$$\uparrow f^{n,w} \leftrightarrow \downarrow W_{FM}$$
$$\uparrow v_{\$(q)w} \leftrightarrow \downarrow W_{FM}^4$$

Pretending to neutralize fiscal effects through currency effects, or vice versa, implies firewood. In other words, the only neutralization between fiscal and currency policies is reducing the impact of one when the other is increased, antithesis of currency expansion suggestions to “compensate” for fiscal expansion, and vice versa.

The only relevant difference between currency and fiscal effects is that the first one conserves (although weakly) the creative destruction of wealth, which allows the recovery of the initial panic phase of all currency effects.⁵

It is clear that our conclusions are diametrically opposite from everything that implies encouraging public spending, consumption, destruction of wealth, lowering the price of currency, etc.⁶

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⁴ See SSET 16 – [Quantitative theory of wealth](#), and *Annex*.

⁵ See SSET 18 – [Capitalism monetarily affected](#).

⁶ How to consider the currency: that no be wealth (present), virtual, abstract, of absolute value, or emerged from nowhere... because it only serves to exchange (economic thinking thousands of years ago). All these failures have the same origin, not making economic theory EXCLUSIVELY based in the UTILITY (Menger), the only way to understand, among other things, creative destruction, instead of assigning it to all destruction, even the unearned (?). Apparently, **Menger's simplicity was more complex than previously thought.**