

## SSET 31 – ALTERED “General” Subjective Economic Theory

In SSET 30 – [“GENERAL” Subjective Economic Theory](#) we have presented the economic order that arises from the validity of the two natural laws that govern the economic one: *law of decreasing marginal utility of wealth* and *law of relative marginal utility of exchange*. This order is guarantor of obtaining an *Efficient and Equitable Economic Evolution*.<sup>1</sup>

Let us see which are the economic institutions that alter *E*, as they arise from our previous works.

### Fiscal policies

Through them, wealth is deduced from those who generate it to be destined for destruction. Therefore, the effect on wealth is twice that of the established tax rate (*2t*):<sup>2 3</sup>

$$\uparrow 2t \leftrightarrow \downarrow W$$

### Currency policies - credit

Through them, a decrease in *currency interest* (*i<sub>s</sub>*) is promoted, which, according to its correlation with wealth implies:

$$\downarrow i_s \leftrightarrow \downarrow W^4$$

That we extend to *wealth interest*:

$$\downarrow i_s \leftrightarrow \downarrow W \leftrightarrow \uparrow i_w$$

### Pricing policy

#### Maximum prices

Which is done by setting currency prices below those determined by relative values, then due to the positive correlation of both with wealth arises:

$$\downarrow P_{q(\$)} \leftrightarrow \downarrow v_{q(\$)} \leftrightarrow \downarrow W$$

The “cheap” currency policy can be expressed by controlling the price of the currency:

$$\downarrow P_{\$(q)} \leftrightarrow \downarrow i_{\$(q)} \leftrightarrow \downarrow v_{\$(q)} \leftrightarrow \downarrow W^5$$

Which extend in the *quantitative theory of wealth* (*v<sub>w</sub>*):<sup>6</sup>

<sup>1</sup> Concept developed in *Chap. VIII* of [Subjective and Solidarity Economic Theory](#) (SSET).

<sup>2</sup> Here we include the imposition of tariffs, which hinder the exchange.

<sup>3</sup> Here we include bureaucracy understood as an inefficient activity of many, where is needed work (activity that generates wealth) efficient of few.

<sup>4</sup> While we know that  $i_{\$(q)} \equiv v_{\$(q)} = 1 / v_{q(\$)}$ , and positive correlation  $v \leftrightarrow P$ , we deduce that  $\downarrow P_{\$(q)} \leftrightarrow \uparrow P_{q(\$)} = \text{INFLATION}$ . Then  $\uparrow P_{q(\$)} \leftrightarrow \downarrow W \leftrightarrow \downarrow L \leftrightarrow \downarrow k$ . That is, the Phillips curve with a positive slope corroborates our economic theory.

<sup>5</sup> In underdeveloped economies such as Argentina, the value of the local currency (\$) is relative to the US currency (US\$), which serves as an economic calculation unit, so we have:  $\downarrow P_{\$(US\$)} \leftrightarrow \downarrow i_{\$(US\$)} \leftrightarrow \downarrow v_{\$(US\$)} \leftrightarrow \downarrow W$ . That is tried to solve alternating the control of *P* or *i* — *the dog that turns in its attempt to bite its tail* without a solution of continuity, which will only arises if the *unnatural economic order* that we denounce here is subverted.

<sup>6</sup> Defined in [SSET 16](#) and [SSET 16 \(cont.\)](#).

$$\downarrow P_{\$(q)} \leftrightarrow \downarrow i_{\$(q)} \leftrightarrow \downarrow v_{\$(q)} \leftrightarrow \downarrow W \leftrightarrow \uparrow v_w$$

### Minimum prices

This is done by setting monetary prices above those determined by the relative values, especially in the labor factor ( $L$ ). Then, due to the positive correlation between the two:

$$\uparrow P_{L(\$)} \leftrightarrow \uparrow v_{L(\$)}$$

Higher level of  $v_{L(\$)}$  achieved at a lower <sup>7</sup> amount of work ( $L$ ):

$$\uparrow P_{L(\$)} \leftrightarrow \uparrow v_{L(\$)} \leftrightarrow \downarrow L$$
 <sup>8</sup>

### State debt

The permanent indebtedness of the State ( $D_E$ ) <sup>9</sup> implies making present wealth available to an inefficient administrator (because *it does not manage its wealth*), which determine

$$\uparrow D_E \leftrightarrow \downarrow W$$

### Economic crimes

Economic crimes ( $R$ ), understood as such to the illegal detraction of wealth, discourage their generation ( $\downarrow W$ ), therefor their permission implies: <sup>10</sup>

$$\uparrow R \leftrightarrow \downarrow W$$

### Demand policies

We refer to those that drive “aggregate demand” ( $A_D$ ) which, because they are intended to increase destruction, or lower the efficient generation of wealth have the effect:

$$\uparrow A_D \leftrightarrow \downarrow W$$

### SYNTHESIS:

Since any alteration to natural economic laws leads to  $\downarrow W$ , <sup>11</sup> we have the unnatural economic correlations ( $\uparrow 2t$ ,  $\downarrow i_{\$}$ ,  $\uparrow P_x$ ,  $\uparrow P_L$ ,  $\uparrow D_E$ ,  $\uparrow R$ ): <sup>12</sup>

$$\downarrow W \leftrightarrow \downarrow i_{\$} \leftrightarrow \uparrow i_w \leftrightarrow \downarrow q_i \leftrightarrow \downarrow q_t \leftrightarrow \downarrow L \leftrightarrow \downarrow k$$

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<sup>7</sup> Due to the law of decreasing marginal utility of wealth, greater marginal utility ( $\uparrow U_L$ ) implies less quantity ( $\downarrow L$ ).

<sup>8</sup> It is the union “force” that destroys work.

<sup>9</sup> It is including paper currency.

<sup>10</sup> It Includes agreements sectorial government with: business, unions, financial (derived from irregular financial currency systems).

<sup>11</sup> It is in addition to the concentration that owns this lower wealth.

<sup>12</sup> Argentina did not deprive itself any alteration of the natural economic order, under the proposal of “welfare economics”, “social justice” and “redistribution of wealth”.