

Capitalism, Socialism and the Kingdom of God

A talk on the relationship between the sign of the interest rates and the type of the economic system and on the relationship between private and public sector in and after the transition into a Negative-Interest-Rates-Economy.



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Why are interest rates so low?

- Karl Marx **(1894)** in *Capital Volume III, Chapter 13: tendency of the rate of profit to fall* (TRPF).
- Alvin Hansen **(1938)**, L. Summers, P. Krugman **(2013)**: **secular stagnation due global excess of saving.**
- B. Bernanke, Greenspan et al. **(2005)** **global saving glut, cash hoarding, dead cash, dead money, glut of excess intended saving, shortfall of investment intentions,...** (from Wikipedia).

Simple money market mechanics: Growth of the volume of money on the supply side and decline of investment opportunities on the demand side lead to falling interest rates.

There is too much money too unequally distributed!

Three groups of borrowers / debtors:

Private Sector:

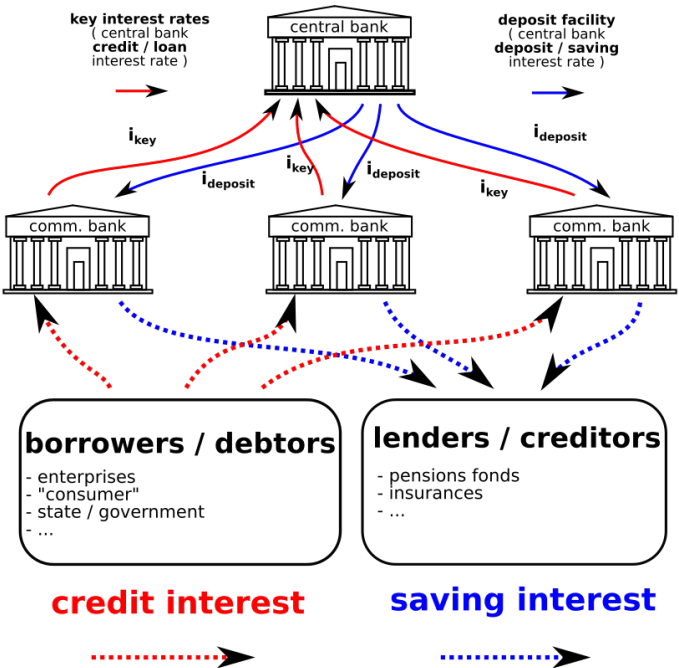
- (1) households, consumers
- (2) enterprises, companies, businesses

Public Sector:

- (3) Governments of the state(s)

Capitalist Financial System

(positive nominal interest rates)

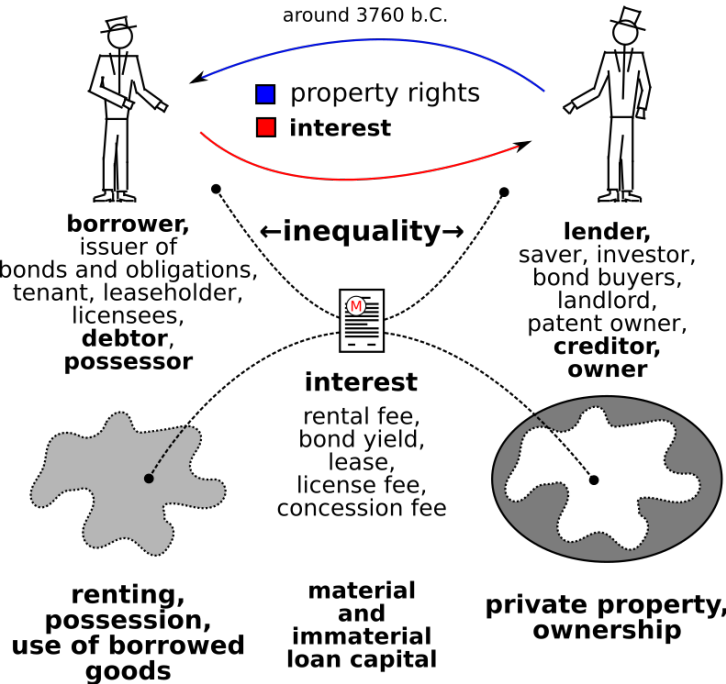


Capitalist Economy

Trade of Property Rights

(possession, use, right to earn income from the good)

around 3760 b.C.



Separation of Real Economy, Financial and Lending Economy - Contracts -

Economy, state and society as a whole comprised of a **system of contracts**.

Three fundamental types of economic contracts.

Real Economy:

- **Purchase contracts:** consensual *change of ownership* against payment, e.g. shopping, buying a car or a house.
- **Employment and service contracts:** buying and selling of work, labour, services, craftsmanship, etc.

Financial and Lending Economy:

- Aforementioned lending contracts and loans: *ownership preserved, separation of ownership and possession*, e.g. saving contract, loans, credits, renting, leasing, lending and borrowing of money, knowledge, licence trading, use of internet, digital, electronic social networks (payed with data), tools, houses, land, etc. Old form: fief or fiefdom.

Capitalism (positive interest) is the predominating principle in financial and lending economy.

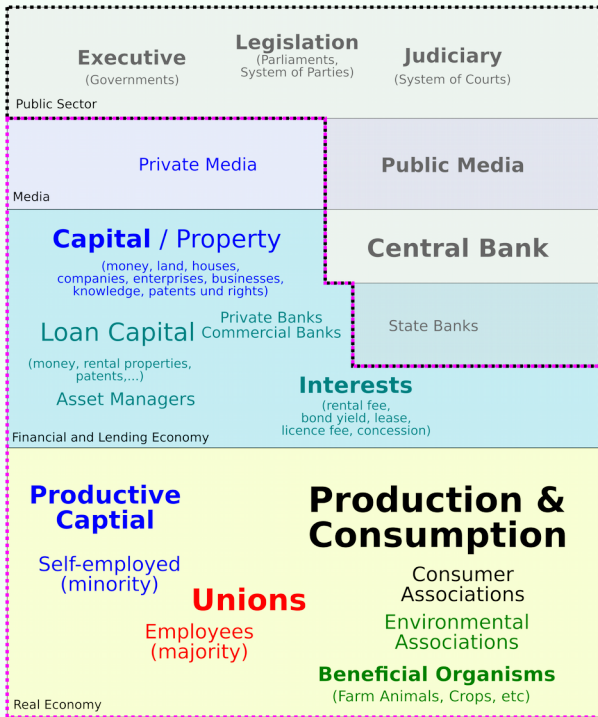
Separation of Real Economy, Financial and Lending Economy - Markets -

Real Economy:

- **Purchase contracts:** internet, supermarkets, markets for knowledge (patents), rights, tools, cars, houses, land, etc.
- **Employment and service contracts:** labour market, markets for services, craftsmanship, etc.

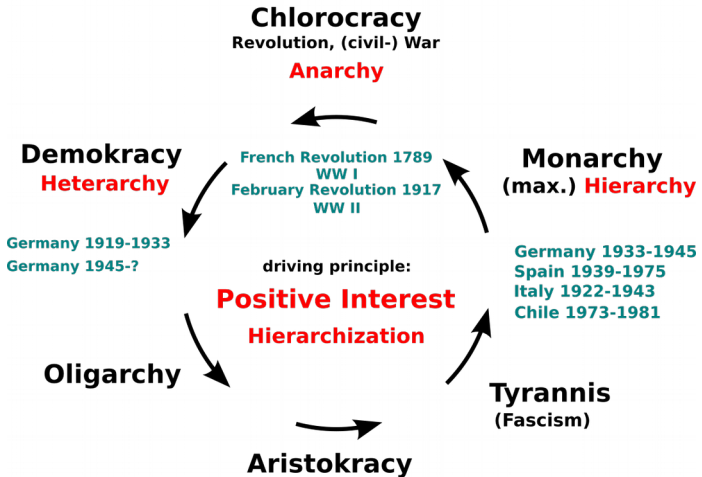
Financial and Lending Economy:

- **lending contracts and loans:** commercial banks, money and capital markets, rental and lease markets, markets for licences, rights, etc.



Anacyclosis - Cycle of Economo-Political States

(Polybios, c.w. Samsara, „vicious cycle“)





Ammit (/ˈæmɪt/; Ancient Egyptian: ꜥm-mwt, "devourer of the dead";^[1] also rendered Ammut or Ahemait) was a demoness and goddess in ancient Egyptian religion with a body that was part lion, hippopotamus, and crocodile—the three largest "man-eating" animals known to ancient Egyptians. A funerary deity, her titles included "Devourer of the Dead", "Eater of Hearts", and "Great of Death".^[3] Ammit lived near the scales of justice in Duat, the Egyptian underworld. In the Hall of Two Truths, Anubis weighed the heart of a person against the feather of Ma'at, the goddess of truth, which was depicted as an ostrich feather (the feather was often pictured in Ma'at's headdress). If the heart was judged to be not pure, Ammit would devour it, and the person undergoing judgment was not allowed to continue their voyage towards Osiris and immortality. Once Ammit swallowed the heart, the soul was believed to become restless forever; this was called "to die a second time". Ammit was also sometimes said to stand by a lake of fire. In some traditions, the unworthy hearts were cast into the fiery lake to be destroyed. Some scholars believe Ammit and the lake represent the same concept of destruction.

Ammit was not worshipped; instead, she embodied all that the Egyptians feared, threatening to bind them to eternal restlessness if they did not follow the principle of Ma'at.

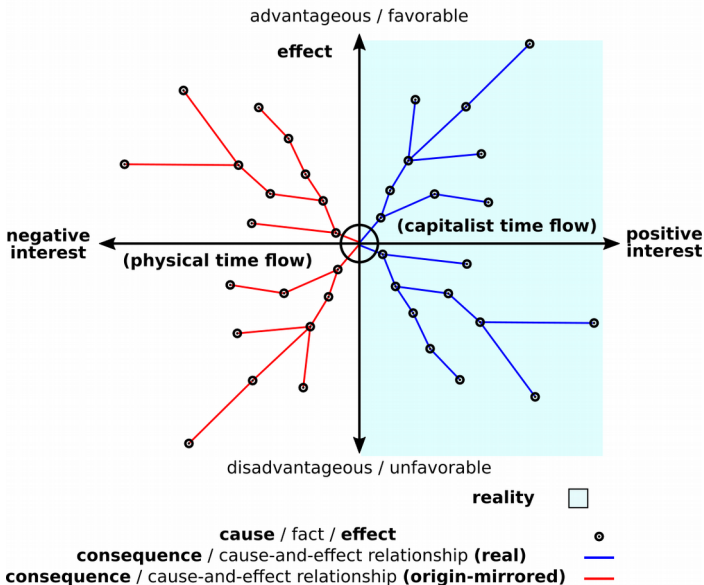
What will happen if interest rates on deposits and loans are negative on the long run?

Warren Buffet 2020:

„It is probably the most interesting question I've ever seen in economics.“

What does the “other side” look like?

Origin-mirrored Causal Chains



Three Fundamental Economic Systems:

1. **Capitalism** (freely emerging market economy with positive interest rates),
2. **Socialism** (centrally administrated, *planned* economy) and
3. „the third one“

All three systems are related to the **principle of interest** and the **sign of the nominal interest** (rate).

„Third“ system with **negative nominal interest** technically accessible only in our time.

Technical prerequisite: **circulation protection** (e.g. digital currency, cash chargeable with negative interest, devaluing parallel cash currency, what else?).

Historic Names: *Kingdom of God (Jesus), Economy of Islam (Mohammed), Communism (Marx), Freiwirtschaft (Gesell), Sacred Economy (Eisenstein), ..., „Negative Interest Rates Economy“*

Economic Systems and Interest Rates:

<u>Name</u>	<u>Interest Rate</u>	<u>Handling of Property</u>
NIR-Economy / Communism	-100%	Gift Economy
<i>Kingdom of God, Economy of Islam, „Freiwirtschaft“, Sacred Economy</i>	-50%	„Sharing“ Economy
ZIR-Economy / Socialism	0%	Preservation of Property
PIR-Economy / Capitalism	positive	Rule of Property

What are states and how did they come about?

Sociologist Norbert Elias in *On the process of Civilisation* (1939):

- „Sociogenesis of states“
- States emerged as administrative structures of the property of the local monopoly.
- **Interest is the original form of tax.**
- The **separation of powers** is a consequence of the European Enlightenment.
- **Human rights** (dignity, autonomy, freedom of contract) form the **core values** of enlightened states.
- The **rule of law** essentially ensures **compliance with contracts and laws** (*pacta et leges sunt servanda*).

State and capitalism have been separate since the Enlightenment. Since then, the state has only levied taxes on income (positive changes in private property) but not on capital, while capital takes interest.

Relationship of Interest Rates Driven Economy and the States

- **States** emerged as **social regulators (laws)** of the **capitalist process** with the intention of being able to **control the power of capital and to shape it in a socially acceptable manner**.
- **Capitalism (positive interest rate economy)** is therefore the **cause of the emergence of states** and their social protective functions.
- Positive interest rates are the core principle of capitalism. Consequence of the **transition to a negative interest economy**: **Regulatory intervention by the states in the market economy (taxation, enforcement of legal norms and regulations, etc.) can be scaled back without jeopardizing the social compatibility of the economic process!**
- **But (!!!) ... Interventions in the market economy for the purpose of adhering to the sustainability goals must be maintained and, if necessary, intensified!**

The Two Fundamental Poles in Economo-Political Systems

<u>Private Sector</u>	<u>Public Sector</u>
Pure Market Economy	Pure Centrally Administrated, Planned Economy
PIR-Economy / Capitalism NIR-Economy / Communism	ZIR-Economy / Socialism
(Neo-) Liberalism	Centralism, Collectivism

NIR: Negative Interest Rates
PIR: Positive Interest Rates
ZIR: Zero Interest Rates

Some surprising political consequences of the effects of a negative interest rates economy on property

- **In the crisis of the capitalist process** (including the probability of collapse, public debts, social and ecological collateral damage from the unequal distribution of income and wealth), **interest rates cannot rise above zero again.**
- The unequal distribution of income and wealth can only be offset by negative interest rates or another type of wealth taxation.
- The **central administrative economy** (planned economy, **socialism**) of the capitalists and owners emerges to **protect their property from expropriation.**
- It is precisely the capitalists who cling to socialism in the crisis, because return to positive interest rates would destroy their property too in the following collapse.
- The political ideology of the **liberation of the market economy** is **liberalism.**
- Logical consequence: **The political ideology of liberalism converts an economic system with negative interest rates monetary policy into communism a.k.a. the Kingdom of God!**

Some projected effects of negative interest rates on deposits and loans on property and work in the long run

- Sinking rents, lease interests, license fees, usage fees, lending fees, etc.
- Vanishing interests: Disappearance of the economic difference between ownership and possession, **Communityization of property**.
- Positive correlation of inflation rate and level of interest rates: **deflation due to negative interest rates**. Consequence: **increasing purchasing power of nominal fixed income**.
- Redistribution of economic power from "rich" to "hardworking", **rising wages**.
- Mathematical **limitation of the size of wealth**.
- Devaluation of the currency: **repatriation of companies and businesses**.
- **Reversal of the population concentration** in cities in favor of rural regions.
- **Breakdown of hierarchies** (power and rule), **establishment and amplification of heterarchies** (function, organization and division of labor).
- **Transition of the predominating process pattern from heteronomous competition to autonomous cooperation**.

What are suitable images for imagining the effects of a negative interest economy?

- 2nd law of thermodynamics: entropy (disorder) increases.
- 2nd law t.d. describes the passage (tooth) of time.
- All ecosystems function according to the 2nd law of thermodynamics.
- Negative interest is the anthroponomic equivalent of the increase in entropy.
- Negative interest makes capital behave like all kinds of dead matter, let capital rot, mold, oxidize, decay, be distributed and scattered.
- Most general definition of work is metabolic efficiency. In a negative interest economy, the interest flows back to the source: to the living.