

Foreword

A deep-level and long-term understanding of capitalist society

The author decided to undertake the effort, which he now hands over to the public, in the aftermath of the world financial crisis – to understand what had happened then. He had seen himself as a Marxist in his youth, from around 1971 to 1981, but then found that systems theory (in particular of *Niklas Luhmann*) had higher explanatory potential. The writing of *Peter Drucker* also impressed him greatly. It took away some of his aesthetic aversion against money making and convinced him that business was a good place for creativity and thinking. Thus, the author, who was about to complete his legal education, made a turn and became a business lawyer, primarily in M&A, rather than, as originally intended, a criminal lawyer. As business lawyer, he was basically as neoliberal as most of his colleagues, if probably with somewhat more ongoing theoretical reading; of course, there was little time for that aside the daily work. He saw the EU as an instrument of peace, in particular to lastingly settle the scores between France and Germany, which pleased the author who was born just a few kilometers from the French border in the Saar region especially. He lived with this view throughout most of his professional life: Capitalism, in this period, appeared to him as certainly aggravating prior inequalities but without deeper flaw. Ultimately, the financial crisis of 2008 shook him up: If the substance of capitalism was competition in markets that moved from irritations to new equilibriums, how could such an unhealthy long-term ossification that unloaded in the crisis at all have been built up? The author was very impressed with the reaction of politics to the crisis, too. The nineties had been times of an apparent historic triumph of liberal and neoliberal thinking in economics. Why did politics then not stick to liberal “Laissez-Faire” and let the markets do the job after the crisis and clear things up but quickly – after a moment of “Laissez Faire” only, (when they allowed Lehmann Brothers to go down its natural paths) – declared state emergencies all over and began to apply extreme anti-liberal anti-market-policies on a world-wide scale? Politics – no other explanation was possible – had much less trust in self-regulation of capitalism than the author at the time. Did they know or fear something the author did not see?

When the author began to collect questions and ideas for this book and made his first sketches in 2011, he nevertheless still believed that the project would remain a purely economic endeavor, “macro-economic” rather than “political-economical”. That only changed after he had finished the historical part on antiquity and conceived of what he would be calling “deficient productive spending” in Part III. By then he had learned to understand that prosthetics and, hence, politics, ought always to have an important place in capitalism; capitalism did have a flaw, which was *deficient employment-generating spending*. It was incomplete and it needed prosthetics as a form of politics to deal with this flaw. But that was not the end. Around 2019, when the author had also worked his way through the echelon of methods of funding prosthetics, in what is now Part IV, because he could not believe that the method of money creation, which had come to crown the funding of prosthetics, would work forever, all of a sudden the *fear of future wars began to creep into the book*. This resulted from the insight that even if money creation was exhausted, the necessity of prosthetics would stay. The echelon of prosthetics or of their funding, respectively, now appeared not as an echelon but rather as a Nietzschean wheel of eternal recurrence, with war, accordingly, to reappear in the future. History, unfortunately, was faster than the completion and publishing of this book.

Three basic concepts are used in this book; the first is the profit motive as the fundamental economic driver and the economic essence of capitalism; it is commonly referred to as $M-C-M'$.¹ This motive leads, out of itself, to a *deficiency of employment-generating spending* or of productive² spending. This syndrome, antinomy, contradiction, etc. lies at the heart of everything; it is purely economic in nature but has crucial social consequences. The second concept is prosthetics, now a social, in fact, mainly political, brotherly complementary correction mechanism, which is executed by the state. Prosthetics try to moderate the problems that capitalist societies have with the deficient productive spending. They mitigate the destiny of the victims of the ancient and modern social drama. But prosthetics are, unfortunately, unthinkable without their dilemmas; the dilemmas of prosthetics are the third concept, which the book uses. These three central concepts capture three moments, which, through their evolution and interplay, largely determine the history of capitalist societies – in the long

1 “Money – commodities – more money”, abbreviated as or $M-C-M'$. See “Conventions” and page 81 et seq.

2 We have made up the word “productive”, as opposed to “productivity”, as a short label for “employment-generating” or “inductive to employment and production”. (We might even have used the made-up word “employcive”). Whether spending or revenues are “productive” or “employment-generating” looks at whether they lead to certain *inputs* in economic processes, namely labor-inputs, while “productivity” looks at the output of processes, namely whether a new good or service is created. Typically, productivity processes are also productive. But sometimes they are not. E.g., if bottles with money are buried and excavated, or if soldiers are employed to destroy a city, this is productivity but not productive.

run at their deepest level—: capitalism's flaw of deficient employment-generating (or productive) spending, states' corrective reaction to this flaw with prosthetics, and the dilemmas of the applied prosthetics. They allow to re-frame our view of the past and present of capitalism.

As to style, the author aims at providing as realistic an account of the economy as, e.g., Han Fei, Thucydides, Machiavelli, Pufendorf, Hobbes, Clausewitz, Marx, Nietzsche, Theodor Mommsen, Carl Schmitt, Lenin, Paul Kennedy and Henry Kissinger or Niklas Luhmann have provided, as the case may be, on history, the state, geopolitics, society or war (notwithstanding their obvious differences).

Capitalism, today, is as vigorous, creative, and dynamic as ever before; yet, by the same token, it always was and still is also an ailing patient. In fact, it has very recently been moved from a regular day ward to intensive care. We witness protectionist state interventions, huge fiscal state subventions, and, over two decades permanent, massive horror-monetary policies (such as “ultra-unconventional” quasi-zero-interest-rates and massive asset holding of central banks), which the leading ideologists of capitalism would themselves have considered unbelievable just fifteen years ago.³ The massive central bank asset purchases are ultimately financed by state fiat money creation. Occasionally, we see measures, which are directly borrowed from socialist revolutionaries, such as bank nationalizations after the crisis of 2008, yet they are implemented in order to save capitalism. Nevertheless, economic liberalism still occupies center stage in pro-capitalist arguments. A patient, capitalism, if permanently attached to dozens of hoses, tubes, pumps, cables, electric engines, and suction-mechanisms, yet still quite powerful, continues to chant the song of economic “liberty” and non-intervention.

The theoretical approach of this book and mainstreams' economics

It may be useful to relate this book's theoretical approach to the prevailing teachings of mainstreams economics⁴ of the day. First, if anatomists could carve open

3 See *Roitzsch/Wächter*, ZIP 2008, 2301 et seq.; *Roitzsch/Wächter*, DZWIR 2009, 1 et seq.

4 We use the expression “mainstreams economics”, which in our view encompasses neoclassical economics and the neoclassical synthesis, in the plural to counteract the misunderstanding that there is only one single main stream of economic reasoning, which quasi-officially reflects, supervises, defends and represents capitalism. Capitalism, contrary to Catholicism and a socialist state managed economy, neither needs a single commando post to rule it nor a single orthodox theory. Rather, an eclectic landscape, in fact, increases the flexibility of changing policy interference. By the way, theories with a cathedral-like doctrinal design have anyhow become endangered species. Hegemony is today no longer achieved by conceiving and purifying a doctrine and propagating and defending it intellectually but by influencing swarms never to unite on an undesired course.

the economy like a human body in a dissection room, then they would find a *purée* of fast-moving communications, money and commodities between billions of emitters and recipients, but no substrate of pre-arranged moving parts in an order with predetermined operations;⁵ there is nothing like hearts, lungs, livers, or connections like an aorta and nerves, like a clockwork or like a connected gasoline tank, a carburetor, cylinders, pistons, a crankshaft, wheels etc. The distinguishable, visible realities – wealth owners, businesses, workers, canals, trade routes, naval connections, pipelines, antennas, satellites, cables, production, the internet or money transfer systems – have no meaningful overall structure or connections. Therefore, the attempt to view “the economy” as a system comprised of stations with a spatial organization is doomed to fail. Rather, as *Dirk Baecker*, a pupil of the well-known German systems theorist *Niklas Luhmann*, puts it, the economic system consists of elementary events in time; they “are the system, which reproduce it and through whose reproduction they reproduce themselves...”⁶ Accordingly, the economy is comparable to an epidemic, a neurosis, a psychosis, a weather system or even an explosion. This exposes economic theory to the daunting task to categorize highly ephemeral events into elements and to analyze systemic connections between such elements.

Second, economic theory that tries to attack the task is hampered by two experiences in the recent history of economics. A great historic passage of arms occurred between Marxism/Socialism/Communism. It ended with the loss of the Marxist side politically, and in a rigidified and dogmatized aggressive schism intellectually. Both sides were wrong in essential regards, but the fact of their enmity helps them to entrench and to both survive. The fallacies of Marxism save mainstreams economics (certainly in the eyes of mainstreams economists) and the fallacies of mainstreams economics save Marxism (certainly in the eyes of left-wing audiences). The veterans of an exhausted battle collude to block progress. A lesser passage of arms resulted from the challenges posed by Keynes. The outcome was more amicable, but it was not more favorable to theoretical progress as it drove economics into intellectual eclecticism. Therefore, today’s general landscape of economic theory is false doctrinarism with eclecticism superimposed; it could not be worse. Concepts, which rule in pro-capitalist mainstreams economics, such as competition or price levels, are macroeconomically almost irrelevant. This fate is shared by leading anti-capitalist concepts. Like inequality is not the crucial moment in society, history is not the history of class battles. Marxian “exploitation” is even more misleading than the focus on inequality. Exploitation does – quite simply – not exist.

5 Marx, when he famously stated in the first sentence of *Capital* volume I that the capitalist mode of production “presents itself” as an “immense accumulation of commodities”; pointed to very much the same problem.

6 *Baecker* (2008) page 34, translated by the author.

Third, economic academia has invented methodological instruments that all but guarantee that economics remains in this sad state. On the side of mainstreams economics, mathematization structurally disenables historic and sociological thinking, which would be required for a jump ahead. But history cannot deliver quantitative data, which the mathematized reasoning of today's economics can only digest.⁷ Furthermore, mainstream economic academia has a preference for "papers" that have a certain size and style of argument; this also blocks attempts of self-liberation from the outset because the format of "papers" educates economists to restrict themselves to low-caliber amendments.

Fourth, we need to distance ourselves from Marshallian supply and demand graphs, by which many mainstreams' economists are mesmerized. While there is, of course, "Walrasian tâtonnement", it only illustrates how individual prices for commodities are affected by competition. What, yet, macroeconomically matters are *not* ups and downs of such prices or price levels, but whether elementary economic events in the form of C–M–C' and M–C–M'-circuits can close in such a volume as to provide firms with the revenues to keep them going and property less workers to subsist. For that, we need *interrelations between price levels* for meaningfully selected commodities, in particular for labor, equipment, and inventories, final produce and means of subsistence. Hence, we would at least need a series of interrelated graphs, which show the feasibility of system-building in in the sense of C–M–C' and M–C–M'.⁸

Fifth, methodologically, as already hinted at, we use concepts of modern systems theory. To repeat, there is an ongoing autopoietic building of the economic system through elementary events, which emerge over time, which are the system, reproduce it and through whose reproduction they reproduce themselves.⁹ Ongoing system-building is, accordingly, far from assured, but instead a problem. Theoretical analysis of capitalism, then, must look out for the conditions that must exist for system-building to continue, for the preconditions of ongoing successful economic system-building. This allows us to re-conceive of a great deal of economic problems from being problems *within* the system (the system works, but it ought to work *better*) to issues of there being "too little system" (the system's diameter or activity being deficient). "More" economic system may, e.g., be more employment contracts, more

7 "Traditional economics were not developed because anyone thought they were a good description of real human behavior; they were adopted to make the math work in the equilibrium framework." (Beinhocker (2007) page 118).

8 The common supply and demand curves do not offer insights about *why* they are shaped in the way they are. What are the offered prices for labor derived from? From the costs of workers' subsistence? Are firm's supply prices for products derived from their productions costs plus a profit margin? What "rigidities" are there? Accordingly, the curves do not explain why they don't cross and deals are not concluded, i.e., in times or areas of unemployment.

9 See again Baecker (2008) page 34.

contracts between firms and suppliers (e.g., following new inventions and technological breakthroughs), and more purchases of consumptive goods that enable circuit closure.

Ongoing system-building depends upon interconnectivity in time over several generations. Earlier generations cause, and enable later generations of economic events (by rendering commodities and money available) and *expected* events of future generations of economic events *motivate and induce* system-building the present middle generation. The generations overlap; each generation of events is a middle generation to future generations. Successful system-building propagates in many lines into many directions, like – to return to the already given example – an epidemic or explosion. But one can also compare economic system building to melodies, where prior tones, their relationship, their rhythm, beat, meter, scale etc. determine whether and how the melody can go. Or take a Vienna Waltz, in which a pair of dancers' prior movements (the positions, through which they pass, and their ongoing movements, when they arrive there) as well as their idea of how they will continue, determines how the dance will unfold. A false tune in a melody or a dancer being “on the wrong foot” at a certain moment will interrupt system-building. Other examples include “pass systems” in team sports, e.g., soccer. Situations such as these emerge if players without the ball can move into a position and when the passing players see them and are able to deliver the ball at the right moment. Predator-prey systems survive and propagate on condition that predators can find and kill enough prey for them to survive (without killing too much of it wherein they would extinguish the prerequisites of the predators' survival).

Economic system-building is by no means a homogenous or a steady flow (at the same speed of the same material), but is a discrete, discontinuous activity which comes in eruptive and stuttering pushes, in a certain one-two-rhythm. What “runs” through society, if it does, and “builds economy”, if it does, is a structured, self-conditional, self-determining (self-hindering, self-enabling, self-observing) process, which is as well past-related as future-related. It is “on” if certain material and motives are there, certain filters and portals are on (and others are off), each at the right moment.

We connect the systems theoretical concept of elementary economic events with the proposition that system-building in profit economies operates, especially, via the *integration of economic events into two particular types of sequential two-leg-patterns*. These two-step combinations, which are always two exchanges, are C–M–C' (a sale of a commodity to obtain money and to purchase another commodity to use it as value-in-use) and M–C–M' (a purchase of commodities, including labor, to sell the un-processed or processed commodities at a higher price). Mankind have been well aware of the distinction between these two circuits, with their two legs, for millennia; this awareness often surfaced as the worries of spiritual leaders, religious men and philosophers, about production being abused for money-making. And it was,

of course, also present, at least intuitively in the consciousness of merchants since antiquity.¹⁰

The operation of the two types of circuits is the only form in which economic system-building is possible and they are interdependent. The expectation of the closure of a C–M–C'–circuit by its M–C'–leg induces firms to trigger investive M–C–M'–circuits, the M–C–leg of which will enable the closure of other investive M–C–M'–circuits. Because this is so, the *expected* new investive M–C–M'–circuits will also induce other new investive M–C–M'–circuits. Finding and telling the narrative of capitalism, therefore, requires *looking out* for when and how C–M–C'–circuits and M–C–M'–circuits can close. Economic system-building, to repeat, is as much causal as teleological; causality and finality work together.

Sixth, we must do away with the idea that the economy has an inner “original purpose” or a “function” for society (e.g., the procurement of goods or of scarce goods) with such assumed function intrinsically controlling the economy. The economic system has no steering mechanisms, which seek to ascertain such goal-attainment. Discussions about “the” economy’s purpose or function are, thus, empty, magical, mystical and romantic at best, putting a veil over the quest for profit as the economy’s major, dictatorial system-builder, which, in addition, only operates at the level of individual wealth owners. We can approach the same issue from another side: Even if triggered C–M–C'–circuits or M–C–M'–circuits do close, including productive, employment-generating circuits, there is no built-in assurance that *enough* of them will be triggered and close given the number of non-owners, property less workers, whose subsistence depends on employment. Only Quesnay’s holistic “royaume agricole” allowed that all members of his classes could live from the “dépenses” of the other classes – but that is not the reality.

Seventh, while we reject an original purpose of the economic system in the sense of the existence of an *economic* steering mechanism, which compares economic output with social requirements and takes correcting action, we, of course, do observe that *society and politics* take a lot of corrective actions if the economy does not deliver what they expect. In fact, these correction mechanisms will shift into the center of this book; this is what prosthetics is all about. In other words, the economy is “neutral” to society (it is only guided by profit and does not care about the society), but the society is *not* “neutral” to the economy. If individual humans react to economic outcomes with hunger, homelessness, suffering, deprivation, illness, etc., then society and politics *will* react, society spontaneously with anomy, banditry, unrest, etc., and politics, more organized and purposeful, with rebellion, political entrepreneurship, military entrepreneurship,¹¹ warlordship, revolutions – or prosthetics.

10 A well-known merchant’s reference to M–C–M' is “Buy cheap and sell dear!”.

11 The term “military entrepreneur” is used by *Smith*, Introduction: The Sung dynasty and its precursors, 907–1279, page 5.

Marx and other predecessors, truisms, banalities, centaurs and pans in economics

Authors like Sismondi, Malthus, Marx, Luxemburg, Keynes, Kalecki, and Minsky have in part pursued a perspective similar to the one here adopted. Marx, the list's most monumental figure, requires a separate introduction. He was a man of broad knowledge, had a deep understanding of society and history, and was a strong critical independent thinker. Based on his acquaintance with Hegel, as well as with materialist theory of history, he was better equipped to generate early "systems-theoretical" and "evolution-theoretical" insights than most of his generation-mates. His use of Hegelian dialectics to pursue "contradictions" in the economic system was breathtaking and leaned towards a theory of system-building in the economy over time. He also correctly pointed at profit as the driving mechanism from which the contradictions of capitalism would ensue (such as $M-C-M'$, which we have, of course, adopted from Marx). Yet, he was also utterly wrong in what he elevated to his most important economic dogma, i.e., in his *fallacious labor-theory of value* and his concomitant *exploitation theory*. He, in fact, probably adapted Ricardo's labor-theory of value because he wanted to evolve his exploitation theory out of it. His doing greatly damaged the advance of economic theory. It is true that *everybody* in a profit economy or in a capitalist economy tries to "exploit" everybody else as a means for their purposes. It is also true that firms, entrepreneurs, or capitalists "exploit" the fact that workers are without the means of production and have no alternative to seeking employment by firms. However, Marx wanted to use the term "exploitation" in a narrower, more specific and, as he believed, deeper economic sense. Only labor value created by employed workers could create surplus value and profit, and exploitation consisted in an appropriation of that surplus value. This was exactly wrong, yet after Marx had reached his historic status (it should be borne in mind that from 1919 to 1990 he was the most important ideological founding father of the largest country in the world, the USSR, and since 1949 to today he has retained this position in the world's most populous country, China), his theory became so entangled in political necessities that it became quasi-impossible for critics of capitalism to correct this central doctrine. Doing so would have constituted high treason at in the eyes of the workers' movement, and possibly in the eyes of revolutionary states as well. We are free of this concern. Accordingly, we dare to connect to a time of the economic history *before the theory of labor value and exploitation had been invented*, to Sismondi and Malthus in particular. Furthermore, we also find that Marx' "general formula of capitalism", which is $M-C-M'$, can operate very well without a theory of labor theory and of exploitation. We hope that we can use Sismondi, Malthus and Marx' "general formula of capitalism" to work out extremely valuable and powerful insights further down in the book.

Our re-narration of capitalism will build upon a great deal of content that has been known for a long time. It even sometimes approaches the status of truisms, banalities, or tautologies. This applies already to $M-C-M'$, which, as we already stated, was known to and often consoled by spiritual and religious leaders and philosophers for millennia and of which merchants must also have always been aware. Hyman Minsky correctly analyzed the lack of payment capability as depressing capitalist investment, production, and employment; but this insight too, goes hardly beyond what every schoolgirl knows (you run into problems if you do not pay your debt when due). Keynes correctly saw investment alternatives competing in the minds of entrepreneurs. Yet, is it not obvious that entrepreneurs, capitalists or firms will seek to maximize their profit? In other words, the elementary building blocks, which have to appear in economics seem to be quite simple and easily accessible. If economics is, nevertheless in a deplorable state, then that may result from them not being put into the proper order as well as from attaching all sorts of false add-ons and out-grows to them. The world of economic concepts, we believe, resembles a fairy tale world of centaurs, minotaurs, and pans and a lot of our reasoning has to go into telling the sound parts from bad parts, where to make cuts, and how to recombine both the existing heads and bodies of such creatures.

Productive and sterile economy

In Part I of this book, we introduce to the elementary economics of profit economies and establish fundamental economic terms and doctrines. In specific, we observe the conditions under which the masses of non-owners might find employment and subsistence in modern capitalism. In order to do so, we indeed coin this book's central terms from the perspective of political intervention. Like a physician imposes terms upon human biology so as to best detect illness and steer therapy, we impose our terms upon the economy to best capture what matters for society in the economy, and what best guides its political interventions. Since antiquity, states have regarded profit economies as powerful, but also as half-finished and incomplete and considered and applied prosthetics; we follow them in their observation and elevate distinctions, they already used implicitly, to explicitness and higher clarity. We will, particularly, use a distinction, which has long silently guided prosthetics from the background: the distinction between the productive and the sterile economy. In the tradition of Quesnay, we, thereby, split up the economy into two *abstract* and *purified economies*: a productive economy with employment-generating or productive spending and with employment and subsistence-effect for the non-owners and in a

sterile economy, or a wealth economy, without employment effect.¹² In other words: One economy contributes everything to the subsistence of property-less workers; the other, the sterile economy, contributes nothing. Yet unlike in humans, where the “red” blood with oxygen and the “blue” blood without oxygen each have clearly distinguishable circulation channels (heart chambers, arteries, and veins), through which they travel separately, the productive and sterile economy are not physically apart. Nevertheless, for the sake of clarity, it makes sense to use the abstract idea of a *pure and wholly employment-free and sterile* wealth economy and of an equally *pure productive only-employment economy*, which are both regarded as after “carve-outs” of what does not belong there. E.g.: While selling a house, in contrary to building one, does not lead to massive employment-generating or productive spending on construction workers etc., it still involves a certain amount of spending on legal, notarial, clerical activities, which is employment-generating, etc. We, thus, arrive at the pure idea of a distinct productive and sterile economy only after such corrections or carve-outs. But this will not affect the principle: It is much better to use terms and concepts, which have explanatory power but difficult borderlines, than terms and concepts with clean borderlines but with fuzzy content and little explanatory power.¹³

If we lay the distinction between the productive economy and the sterile wealth economy *crosswise* over the customary distinction of “consumptive” vs “investive”, this gives us Matrix I.

12 We shall, of course, acquit Quesnay's *classe stérile*, artisans, trade, manufacturing and factory owners, hence, capitalists and the free professions, of being “sterile”. We shift the blame to Quesnay's *classe de propriétaires*, about whom Quesnay says himself “ils sont utiles à l'état que par leur consommation.” (*Cartelier* (2008) page 36).

13 Of course, there is a need for lawyers, notaries, secretaries, clerks, traders, tax advisors, IT-people, taxi-drivers, cooks and waiters, security services and often even for construction firms to erect high rise buildings, which serve the wealth economy and which involve productive spending. Yet, the dollar-trillions shuffled around and dollar-billions earned in the wealth economy, e.g., derivatives, sovereign bonds, forex, the stock markets, M&A-deals, or private equity, generate by far less employment than the productive economy. There are, in fact, also sterile components in house and factory-construction etc., e.g., interest payments. Details must be postponed to the main part. See on page 123.

Figure 1: Matrix I – Consumptive vs investive and productive vs sterile spending

	consumptive	investive
sterile	sterile consumptive	sterile investive
productive	productive consumptive	productive investive

It tells us that *only what happens in the lower part* matters for employment, and it also tells us that it does not matter for employment whether an action is “consumptive” or “investive”. The two lower boxes decide upon the social “master drama of modernity”, on the subsistence of property-less workers, mass prosperity or suffering, anomy, banditry, upheaval and revolution, and often on civil and external wars. Conversely, the distinction between investive or consumptive spending does not matter greatly for macroeconomics. The distinction between employment-generating or productive and sterile spending does.

Deficient productive spending

In Part II we revisit the ancient master drama, i.e., whether the predecessors of today’s property-less workers in antiquity could hold onto their land. They could obviously not – and this in the departure point of to the modern master drama. Non-owners need employment to subsist. Will modern capitalism generate the needed employment? Part III attacks the question as an analysis of the preconditions of circuit closure in the productive economy, assuming that capitalism is left to operate according to its own logic, “stand alone”, so to speak. The closure of $M-C-M'$ -circuits then depends on either the consumption of wealth owners or workers or on investments by productive wealth owners, which expect a profit from it. Circuits, which are not expected to close (and are not satisfying the profit-criterion), are not initiated and omitted circuits cannot generate employment. This analysis will debunk an essential intrinsic dynamic of capitalism: deficient productive spending. The problem lies not in the consumption of workers. To the extent they were employed, they will reliably largely (not wholly) return their salaries to productive capitalists for subsistence goods as employment-generating spending; they cannot do otherwise. The problem also does not lie in the consumption of wealth owners; they are phenomenally good consumers, yet, their consumption is by far insufficient due to their limited number and due to the limits of what humans can reasonably consume. *The problem mostly lies with $M-C-M'$ -players* who will only make purchases (thereby closing the circuits of earlier investors) if they expect to resell their purchases – often

after processing them – for a profit. Only players who seek profit in the future enable earlier players to realize their profits; earlier player generations succeed only because subsequent generations seek out profit too. The expectation of there being enough “sucking behavior” in the future, ignites present sucking-in of labor and other commodities, i.e., employment. The power behind the present flow of money is the expected later flow; the sacrifice of money later triggers the previous sacrifice. “...in other words,” writes *Kalecki*, “the capitalists must spend immediately all their additional profits on consumption and investment”.¹⁴ Already the *suspicion* only that future generations of firms may not sufficiently do this, creeps backwards into other firms present investive employment-generating spending and depresses economic activity here and now. Here comes the bitterly dull point to which the term “wealth economy” draws attention: Even what firms intrinsically love to do most – hunting for profit – will turn them away from what they have to do to enable other firms to realize and expect profit in the productive economy: They are seduced to migrate into the wealth economy to find an easier game. We are, thus, not only in a state of circular conditionality¹⁵ and uncertainty, where things can easily go wrong, but the ruling dynamics of capitalism are, in fact, tilted *against* an outcome that is macroeconomically desired by the political system. There is a solid systematic cause for “secular stagnation”, “savings glut” or “investment dearth” *at the deep level of the elementary heartbeat of capitalism* already.

Accordingly, if there was (as there was) significant growth in the productive economy and improvement of living standards in many countries over significant periods of the past or even, very recently, in China or India etc., it was not because capitalism *per se* runs in an integrated manner, but that growth was due to a *series* of (either accidental or premeditated) *favorable circumstances*, which smoothed out and remedied the innate deficiencies of capitalism at these times.

Prosthetics, their evolution and dilemmas

Part IV investigates how states deal with this systemic deficient employment-generating spending and progresses to prosthetics. States either somehow try to help to procure surplus value for firms, i.e., the money to finance their profits or they simply and directly pour social transfer payments into workers pockets. Such prosthetics may be financed by violent wealth procurement or protectionism (to the detriment of other economies abroad), by taxation and by other forms of expropriation

14 *Kalecki* (1971) page 27.

15 Quesnay had this circular situation in mind when he spoke of his tableau as “l'ordre de la distribution des dépenses et de la *reproduction du revenue par la dépense même du revenue*”. (*Quesnay*, Philosophie rurale, in : Cartelier (2008) page 190, italics added).

(now mainly to the domestic wealth owners' detriment). States also use redistributive debt or money creation as a means to finance prosthetics. All means lead into dilemmas. The volume of prosthetic value-in-exchange that violent wealth procurement or protectionism could mobilize in minor "classical" hinterland-countries is, at least today, a drop in the ocean of the prosthetics required. Furthermore, renewed protectionism (or even outright violent wealth procurement) needs to establish and uphold a metropolis-vs-hinterland-difference, which will require military, political and ideological domination. Chinese cannon boats, if even they wanted it as a revanche, have no chance to ascend the river Thames to enforce the British buying of Chinese Opium or telecommunication equipment... China, too, will never allow the British to once again patrol along the "Bund" in Shanghai for such purposes. Any such attempt in (in whatever direction) would likely trigger World War III. If states push towards higher taxation and other forms of expropriation of their domestic wealth owners, this will not only quickly hit economic limits, but wealth owners will stand up against it. The political system, well aware of these limits, has reacted with debt-financing prosthetics. If wealth owners do not buy the products of the productive economy, so as to enable sufficient profit and employment, and cannot be taxed in the amounts required to buy them, then they should at least – voluntarily – grant loans. This strategy worked well for a while, but the highly developed capitalist economies have now reached the twilight of this period. Wealth owners are only interested in holding "good", profitable debt, i.e., on which sufficient interest is paid and which is normally repaid. If the available sovereign or private debt gets too "subprime", they turn away. Debt cancellations, as recommended in the Book of Deuteronomy to take place every seven years or as executed by Solon's reforms, might be an option. They can improve the solvency of those released from their debt and prepare the ground for them to take out new debt.¹⁶ Yet, this option only exists if the debt is held by public institutions, not if it is held by private wealth owners. This explains the crisis of debt financing of prosthetics in the last decades and explains the most recent financial invention: Central banks have transmuted their longstanding two-directional "open market operations" in straight forward debt purchase programs, thereby allowing wealth owners to dispose of uncomfortable excess debt. This came up as an emergency-strategy in the years following 2008, but has since become standard everyday practice. Central bank "asset purchases" have financed the recovery from the 2008 crisis, the anti-Corona policies and are, of course, also financing the Western costs of the Ukrainian war. A circus of debt financing of prosthetics, debt build-up by wealth owners, and debt recycling to central banks is rolling with an increasing percentage remaining stuck with the central banks. The problem with this is not that this practice brushes aside orthodox credence of economics,

16 E.g., US-President Biden has been promoting a campaign aimed at the cancellation of private educational debt in the US in 2021.

e.g., of von Mises, Hayek, and of the German “Ordnungspolitik”; the globalized capitalist ecstasy is since long comfortably united with general massive state interference and abjuration of all beloved old-liberal dogmas. The problem is also not that central banks might run out of money to buy debt (in fiat money regimes they can technically create fiat money without limits), but is rather that at some stage the funding of prosthetics via expansive debt combined with state fiat money creation will also hit intrinsic limits (which we shall pursue later further).

Money creation vs no money creation, fiat money vs commodity money

To study the financing of prosthetics, the book sharpens a distinction between two other distinctions, which is often blurred. The first distinction between *fiat money* versus *commodity money* (gold and silver and “credit money”, which grants a legal claim against banks for the delivery of gold or silver) must be distinguished from the distinction between *existing money* and *new money*, i.e., between no money creation and money creation. Laying the two distinctions crosswise over one another yields Matrix II.

Figure 2: Matrix II – No money creation vs money creation and commodity and merchant or private bank credit money vs state fiat money

	No money creation	money creation
Commodity and merchant or private bank credit money	No new commodity or credit money issued	New commodity money issued (e.g. new gold or silver embossed) New bank credit money (bank notes, bank token coins, bank deposits) issued beyond reserves held
Fiat money	At issuance of fiat money commodity and/or credit money is withdrawn in the same amount	At issuance of fiat money commodity and credit money is withdrawn in a lesser amount

This matrix makes it clear, first, that money creation, which is a version of value-in-exchange-creation, already existed in the world of commodity money (e.g., by finding and mining gold, by issuing merchants’ notes and drafts, or by bank credit money creation), long before state fiat money emerged, even if it was a more cumbersome or unreliable instrument at that time. Second, the matrix allows a fresh

look at the advantages of fiat money. The conventional story is that fiat money is great because it is practical by freeing us from shuffling heavy gold or silver around in transactions. But the property, which has made fiat money the “money of choice” of modern capitalist states, may more simply consist in its *tremendously increased quasi-unlimited potential of money creation*. Fiat money allows states to create value-in-exchange (for warfare and prosthetics) ex nihilo and, therefore, makes weak states into strong states and strong states into great empires – as long as the newly created state fiat money is accepted. Much like how sovereignty enables states to make new laws and other political decisions, thereby displacing families as natural-born leaders of society and tradition, so too does state fiat money displace the spontaneous natural-born money creation by finding and mining gold and through modest commercial and bank credit money creation. While $M-C-M'$ represents capitalism's dynamism as a strict logic with an inner antinomy, money creation through fiat money represents a utopian moment, a miraculous cure-all state-strategy, even potentially stronger more than taxation, expropriation and sovereign debt – but it too is on the way to its exhaustion.

Novelty in this book

This book will, of course, begin by examining how doctrines (terms and their relations) in theoretical systems, which existed before it was written, reflected the economy. It will focus on the question whether and when capitalist circuits generate employment, in particular for non-owners, via productive, employment-generating spending. This provides a defined, single perspective for its voyage. It then selects certain pre-existing distinctions, such as consumption and investment, or owners and non-owners, contract and violence etc., which it partially further evolves and adjusts to its explanatory needs, e.g., fiat money vs commodity money and money creation. It also rejects certain other prominent terms and does not use them at all. The book also adds a few distinctions, mainly the one between the productive economy and the sterile wealth economy and productive, employment-generating spending and sterile spending, which are not common. The novelty of this book lies primarily in composing the selected distinctions into an integrated explanation of the fundamental forces, antinomies, dynamics and dilemmas in capitalism in a certain elaboration and conciseness.

Credentials

This book deals more with social philosophy, state theory, political theory, and history than most other economics books. Even though references do not appear

on every page or if some authors do not appear at all in the book, I will nevertheless begin by paying tribute authors that were very important to writing it: Thucydides (454–399 BC), Han Fei (~280–233 BC), Niccolò Machiavelli (1468–1527), Thomas Hobbes (1588–1679), Samuel Pufendorf (1633~1694 BC), Carl Phillip Gottlieb von Clausewitz (1780–1831), and Friedrich Nietzsche (1844–1900). The book also uses sociological reasoning and economic history. In so far it is indebted to Niklas Luhmann, a systems-theoretician and sociologist, with whom I studied at Bielefeld University in 1981 and 1982. Other relevant social scientists include Werner Sombart (1863–1941), Max(imilian) Carl Emil Weber (1864–1920), Jürgen Kuczynski (1904–1997), Karl Paul Polanyi (1886–1946), Stanley Diamond (1922–1991), with whom I studied Social Anthropology at the New School in New York in 1984, and David Graeber (1961–2020). Concerning the theory of modern Western mass democracies, I owe a lot to both Peter Furth (1930–2019), a social philosophy professor at the Berlin Free University, whose private reading circle I had the pleasure of attending for over 15 years. Peter Furth also introduced me to Panajotis Kondylis (1943–1998), a Greek social philosopher.¹⁷

My own experience, as a business lawyer in M&A transactions and post-M&A-disputes for almost 40 years, including exciting years inside and for the German state agency privatizing East-German former “people-owned businesses” (Treuhandanstalt) in the early nineties, and the reflective experience of extensive teaching and writing on M&A (e.g., “M&A-Litigation”, 1000 pages, 4th ed. 2022) helped me to gain a business perspective on economics. My trial advocacy in post M&A litigation and arbitration, up to today, has also proven helpful in an unexpected way. Studying the facts in order to develop a script that comes as close as possible to the real story (to win a case before judges or arbitrators who are assumed to both intelligent and honest) is not so different from trying to find the true story in social sciences and economics. What can be surgically removed or argumentatively smashed in a court case is probably wrong and should not survive in scientific discourse either.

Still, most of the work for this book, most certainly, went into reading economists and thinking about them. The author is indebted in the first rank to Francois Quesnay (1694–1744), Anne Robert Jacques Turgot (1727–1781), Jean-Charles-Léonard Simonde de Sismondi (173–1842), Thomas Robert Malthus (1766–1834), Karl Marx (1818–1883), Lord John Maynard Keynes (1883–1946), Ludwig Heinrich Edler von Mises (1882–1973), Michal Kalecki (1899–1970), and Hy-

17 We do not like the term “interdisciplinarity” as it is reminiscent of meetings in which diplomats negotiate deals by mutually respecting their field’s autonomy. Truth-searching-thinking, however, must disregard borderlines and encourage to take the risk of crossing boundaries into the territories of other “disciplines”. Theoretical work, thus, ought to be “trans-disciplinary”, “non-disciplinary”, “proto-disciplinary”, “meta-disciplinary”, “post-disciplinary” or “cross-disciplinary. A similar argument is made in *Beinhocker* (2006) page 11.

man Philip Minsky (1919–1996). Other important authors include Adam Smith (1723–1790), Rudolf Hilferding (1877–1941), Rosa Luxemburg (1871–1919) and Josef Alois Schumpeter (1883–1950). As for more recent writers, Georg Soros (1930–), Steve Keen (1953–), Richard Koo (1954–), Adair Turner, Baron of Ecchinswell (1955–), Perry Mehrling (1959–) and Martin Wolf (1946–) were particularly stimulating reading experiences.

The book, which preoccupied the author for more than ten years, was written for pleasure, with pleasure, and some humor, and it will hopefully be read a similar spirit. Relaxing phases alternate with phases of more serious work. Occasional smiling is not prohibited. Eventually, a feeling of achievement will hopefully be reached, as though you have poked your head above the clouds after a long climb; if dizziness is the result of the venture, then so be it. This book's aim is to improve abstract understanding. Whether the insights acquired can be used for state policies, central bank policies, party policies (revolution, reform, and counter-revolution), or macro-speculation is beyond the author's current interest. Still: "...wie du da redest, wühlst sich mir das Innre um und gräßlich fliegt im Hirn das Denken." (Sophokles, König Oedipus, translation from Greek into German by Hugo von Hofmannsthal).

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