

ers not only beyond international and military politics, which they might have preferred as otherwise conservative family fathers, businessmen, or bankers, but also beyond economic policies, which they would normally have pursued as sound. In other words, imperial competition and the search to dominate others rather than to be dominated by them triggers a military logic of escalation, and as long as this logic prevails, financially “stretching to the utmost” and “over-stretching” in indebtedness and money creation becomes rational and responsible (one might think). In fact, the decisive advantage may come from not only spending the financial resources you have, but from spending resources *you do not have*, including by taking on debt and by money creation⁷⁶ The law of escalation, accordingly, renders necessary what is normally irresponsible and unreasonable. It makes the unreasonable reasonable and the reasonable unreasonable. In summary, we find that not only microeconomic motives of private banks to the raise the volume of loans they can hand out or of firms to use such loans, but probably mainly geostrategic and military motives of states pushed money creation in the past and may continue to push it in the future, far beyond what common wisdom would consider responsible.

Section 3. The economic system

With *Max Weber*, we do not consider goods procurement by violence to be part of the economic system.⁷⁷ Strictly speaking, thus, an expression like “violence economics” or “robber economies” would be incorrect. If, in the environment of an economic

76 The law of escalation also operates by raising the readiness to take on sovereign debt. However, as long as debt remains redistributive (without money creation), its redistributive character (somebody must be willing to depart with the limited scarce money and it must be repaid), sets strict limits on the possibilities of escalation. These limits can be pushed, e.g., if an externally strong state can debt-finance war efforts with existing wealth of foreign countries, but only the combination of debt and money creation can wholly unleash the law of escalation. The distinction between redistributive debt (without money creation) and expansive debt (with money creation, e.g., fractional reserves credit money creation or fiat money creation) will be further developed below on page 399 et seq. and page 407 et seq.

77 Max Weber writes: “‘Wirtschaftlich orientiert’ soll ein Handeln insoweit heißen als in seinem gemeinten Sinne nach an der Fürsorge für einen Begehr nach Nutzleistungen orientiert ist. ‘Wirtschaftlich’ soll eine friedliche Ausübung von Verfügungsmacht heißen...” (Weber (1980) page 31). “‘Wirtschaftlich orientiertes Handeln’ (verwendet) die die aktuelle Gewaltbarkeit als Mittel” (loc. cit. page 31). “Wirtschaftlich orientiert kann jede Art von Handeln, auch gewaltsames (z.B. kriegerisches) Handeln sein (Raubkriege, Handelskriege). Das Pragma der Gewaltbarkeit ist (aber) dem Geist des Wirtschaftens – im üblichen Wortsinn – sehr stark entgegengesetzt. Die unmittelbare aktuelle gewaltsame Fortnahme von Gütern und die unmittelbare aktuelle Erzwingung eines fremden Verhaltens durch Kampf soll also nicht Wirtschaften heißen.” (loc. cit. page 32).

system, goods are procured by violence, which happens regularly, then the acting humans glide off into a praeter-economic method. That understood, we will remind the reader that state violence in the form of abstract protection of the power of property, is still a crucial pre-condition of an otherwise violence-free economy. The ownership of objects and the performance of contractual obligations being enforced by the law, by state violence in the last instance, is the basis for the freedom of owners in markets and for the use of economic owner power. A positive definition of the economic system should use the criterion of *exchange*. We conceive of exchange in this context as mainly earmarked upon the formal moment of a certain freedom of choice and consent and, thus, in terms of the need to give away a remuneration in order to obtain something.

Our perspective is close to the views held by systems theoretical sociology of the economy, mainly as conceived by the German sociologist *Niklas Luhmann* (1927–1998).⁷⁸ After his death, Luhmann's views on the economic system were developed and enriched by *Dirk Baecker*. Systems theoretical sociology views society as consisting only of communications: "Communications are the elementary events and elementary operations of social systems".⁷⁹ Communicative events occur *in time*. Accordingly, as we already stated, the society (and the economy as a social subsystem) should not be regarded so much as a spatial structure, but a "temporalization of the notion of elements to elementary events"⁸⁰ should take place. "Events appear and disappear – if no new events are found, the autopoiesis of the system comes to a stillstand, and with it the system. The border of the system is set by nothing else but by the elementary events themselves...; to the extent they occur, they distinguish the system from everything, which it is not."⁸¹

78 Niklas Luhmann's work, in its turn, was based on the sociology of *Talcott Parsons*, on second order cybernetics (theory of observing systems, observers of observers), connected to e.g., *Heinz von Foerster*, the theory of recursive and autopoietic systems of *Humberto Maturana*, and on *Francisco Javier Varela García* and on *George Spencer Brown's* theory and logic of distinction. As mentioned in the Foreword, the author who studied with Prof. Luhmann in Bielefeld in the early eighties, owes to him a recommendation for a grant to the New School for Social Research to New York in 1984 to study legal anthropology with *Stanley Diamond*.

79 The quote is from *Baecker* (2008), page 41, translated by the author.

80 On the radical "temporalization of the notion of elements" in modern systems theory in general, see *Luhmann* (1984) page 28, 387 et seq. On the economic system "as consisting of temporalized elements, which cannot, as elements, have duration", see *Luhmann* (1988) page 20. Quotation from *Baecker* (2008) page 34, translated by the author.

81 *Baecker* (2008), page 34, translated by the author. Again, this may tell us that what economists often see as problems *within* the economic system might better be conceived as the economic system coming to a temporary *halt*. Unemployment of labor or capital may be understood as the economic system not reaching out far enough – there are not enough dancers at the dancefloor for the present dance...

Society's subsystems all consist of communications and develop and differentiate from each other through the use of generalized symbolic media of communication. They each allow for a specific distinction that becomes the *code* through which the subsystem operates. The economy uses money as its generalized symbolic media of communication and the code of payment or no payment.⁸² "The social function of the economy is the communication of scarcity".⁸³ "Operation scarcity"⁸⁴ takes always place "if somebody, (1) visibly for others, catches hold of things, services or relations, (2) thereby increases the stock of these things, services or relations for himself and diminishes it for others and (3) finds a form of consent for his behavior, which modestly only observes... and does not try to prevent this catching hold through the use of violence, moral prohibitions, requirements of the law, threatening with political power, seduction, educational admonitions or scientific evidence".⁸⁵ "Operation scarcity" finds social consent through a "scarcity communication",⁸⁶ as a payment, which is further specified by the money amount, and which one person pays in order to "catch hold" of a scarce object.

It is also important that the economy is an *autopoietic* system. "An autopoietic system is a system, which reproduces itself through reproduction of the elements, of which it consists, through the elements, of which it consists"⁸⁷ Baecker adds: "The system consists of the elements, which reproduce it. The elements are the system, which reproduce it and through whose reproduction they reproduce themselves."⁸⁸

The reader may have noted that this book uses "exchanges", distinguishing a moment in the economy, while *Luhmann/Baecker* use payments. There are further differ-

82 The political system operates through the distinction between power and no power; the legal system through the distinction between lawful and unlawful; the scientific system through the distinction between true and untrue; interaction systems through the distinction between love and no love, etc.

83 Baecker (2006) page 12, translated by the author.

84 As almost everything is scarce, the notion "scarcity", which is often used to define the economy, is near to tautological. Overproduced cars are scarce, water, heat, cold and fresh air may be scarce and even God could be made scarce by selling indulgences. While the point is right in principle, it becomes misleading if overemphasized. The essence is: If one private individual owns something, which at all matters as it is wanted by another private individual, that object is scarce.

85 Baecker (2006) page 12, translated by the author. See also page 76 on Max Weber.

86 Baecker (2006) page 72, translated by the author.

87 Baecker (2008) page 33, translated by the author. The German original reads: "Ein autopoietisches System ist ein System, das sich mittels der Reproduktion der Elemente, aus denen es besteht, durch die Elemente, aus denen es besteht, reproduziert." See *Luhmann* (1988) page 17, 43 et seq., 52.

88 Baecker (2008) page 34, translated by the author. The German original reads: "Das System besteht aus den Elementen, die es reproduzieren. Die Elemente sind das System, das sie reproduzieren, und durch dessen Reproduktion sie sich selbst reproduzieren."

ences, but these differences have no relevant consequences for the macroeconomics dealt with in this book and may remain unresolved. It suffices to know that violent wealth procurement, examined previously, is certainly *not* part of the economic system and that the economic system consists of elementary economic events in time, which at least include exchanges.

