

THEO KOELLIKER

A NEW CONCEPT OF MONEY  
FOR THE ECONOMY OF TOMORROW

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## INTRODUCTION

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### A WAY OUT OF THE VICIOUS CIRCLE

This short review concerns a new economic system based not on abstract theories, but solely on the observance of the undeniable laws of Nature.

Consequently this system introduces a completely new concept, wherein money is only Man's tool, not his master. As this involves an enormous quantity of mathematical operations, its existence has only now become possible, thanks to computerization.

The immediate result would be permanent economic equilibrium, guaranteeing automatic stability of prices, with no place for recession, inflation, devaluation and other ills inherent in existing systems.

Full employment and therefore maximum productivity would be ensured, no matter what the initial conditions of the country adopting the system.

Private property and personal freedom would be maintained, with full play of individual initiative.

This new system first appeared at the peak of World War II in the very capital of international high finance - in neutral Switzerland.

A presentation in condensed form of the system written by Theo Koelliker under the title *La Paix Totale par l'Equilibre Economique Absolu*, was published in French for the first time in 1943 by P.E. Perret - Gentil in Geneva.

This publication met with an enthusiastic response in certain limited circles. A working group of economists and other intellectuals (sociologists, psychologists, philosophers, etc.) was formed in Lausanne and for many years explored the system quietly and without publicity.

Their findings are the subject of a three volume manuscript in French, still in rough, non-edited form.

The paper that follows represents a tentative summary of Volume III. It does not intend to prove anything, only to inform the reader of the basic principles and of the main benefits of the system. Full argumentation and detailed explanations will be found in the original manuscript.

The reason for publishing this paper today is the seriousness of the present world economic crisis, with no apparent remedy in sight either on the capitalist or so-called socialist horizon.

We hope that the alternative presented herein, even in this very condensed form, will arouse interest in all people of good will.

We welcome all ideas, suggestions, reactions and positive criticism and any other form of help to develop, elaborate further, and promote the system.

We are also pleased to announce that the translation into the Indonesian language of this short review and of Theo Koelliker's first book *La Paix Totale* are already in process.

It is not just by chance that the system has met with such a favourable response in Indonesia, where many of the ideas contained or implied within it already existed : for instance the doctrine of Pancasila, the religious concept of interest-free loans, and the popular tradition of Gotong Royong (mutual assistance).

H.R.V. & R.H.T.  
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## A NEW CONCEPT OF MONEY FOR THE ECONOMY OF TOMORROW

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### A TENTATIVE SUMMARY OF VOLUME III

1. At the root of all economic systems, existing or proposed, and their supporting sociologies, there is a central deep concern not always clearly formulated, that somehow those systems will succeed to produce, beyond the achievement of prosperity, a long-term state of peace within countries and between nations.

In fact the problem of peace can be reduced to a simple truism: "No aggressor without aggressivity and no war without aggressor". The problem of peace may therefore be reduced to that of aggressivity; it is not necessary to seek further. A difficulty does arise, however, owing to the fact that aggressivity is the manifestation of an instinct and that, as far as humans are concerned, instincts are indestructible. Nevertheless, psychology has ways to sublimate instinctive impulses. The right thing to do is to allow the instinct of aggressivity to operate, while exhausting its energy within the individual; it is thus permitted free play without being in a position to produce any subsequent harm. The orientation of this solution has led to the system called "guided self-interest". Its justification will be seen in the results described and analysed in Volume III.

2. In practical terms, "guided self-interest" is an economic system which arises with the introduction of an "evaporating", and thus balancing currency, which is meant to decrease in value with the passing of time. Each individual's self-interest then concentrates on a single objective : to dispose before the end of the month of all bank notes on hand. It is then shown how money cease to be the master and becomes the servant of all, including the workers.
3. With guided self-interest, business practices would evolve through the harmonization of man with the surrounding world. This change of relationship would take place without people's even noticing that they have now acquired a new morality. They would just allow self-interest to direct them, but self-interest would be heightened, rendered favourable to others, without thereby being restricted in its operation.
4. "Religion" in the widest sense of the word derives, of course, from the Latin *religare* which means to create a link or to relate. This new relationship between man and his entire environment is essentially a *religious act*. This is achieved by the simple fact of taking man as he is with all his shortcomings, including especially his selfishness, without verbiage and bigotry, but action instead.

5. In the West, the official religion has now become more vocal than dynamic. So it is scarcely surprising that collectivism should have arisen independently of and in opposition to it. This explains why Marxists are usually atheists. Guided self-interest would be a social system catering equally to the masses and to the individual, whose personal self-interest would no longer be a reprehensible vice, but would work as fuel and motivation to the advantage of the community.

Guided self-interest (guided in fact by two universal principles : the law of Decay and the law of Risk) is, as we shall see, a system which reconciles ethics with efficiency and achievement.

The law of Decay expresses the fact that we live in an universe wherein everything deteriorates, moving infallibly towards destruction in a more or less distant future.

The law of Risk on the other hand derives from the fact that Nature never gives any profit (or increase of the original quantity) without risk. Take the case of having only three grains of wheat, the only normal way of getting the fourth one is by sowing what one has. This of course exposes one to the risk of losing everything, both, seeds and harvest. On the other hand, when Nature does offer a profit (in this case termed legitimate) it is generous: an ear, or fifty grains in return for a single one !

If we submit loyally to these two great universal laws (Decay and Risk), shall we harvest the abundance which Nature sometimes vouchsafes ? The answer will follow later on.

6. Religion teaches correctly that man should not worship Mammon. Unfortunately this advice has been too often misused to make the poor resign themselves to their miserable social condition, without in any way reducing the power of money or suppressing the "money powers". Mammon will be subjugated as soon as man no longer holds coined currency, because by nature it is supposed imperishable and guaranteed by gold which symbolizes it (and belongs to the state, not to you !). It is this currency which, by its very nature, is in conflict with the great universal law of Decay, that rules all economic assets, i.e. goods and services, whether for production or consumption.

The anomaly of "coined currency" may be illustrated in the following manner. We place a bank note next to the quantity of potatoes that it will buy. At that moment, this coin (in accordance with its definition as taught in universities) is the effective equivalent of the economic item under consideration. There is a balance. After a short interval, we find the bank note or the coin intact next to a heap of putrefying matter. Balance no longer exists. The coin is no longer the equivalent that it represented at the start of the experiment. It no longer corresponds to its university definition as taught to the future graduates. Where is the fault, the lie? In the theory or in the currency?

There is more. Pursuing the subject, we notice that the only factor which disturbed the balance in the above mentioned example - doing so without any interference on our part - was the lapse of time. It follows that the lapse of time - against which Man is powerless - automatically introduces the element of inbalance into an economy based on "coined currency". It is not surprising that under such circumstances all the economies of today need constant rearrangement (monetary manipulation) such as devaluations and adjustment of salaries, without mentioning all the kinds of cosmetics and palliatives which can temporary mislead people, but not Nature.

7. Common sense demands intervention at the source of the problem. Yet we are helpless in the face of the passage of time, so the only possible intervention will concern the very nature of the currency. This should represent indefinitely the equivalent of goods, all of which are perishable sooner or later. We live in a world where everything except coined currency is supposed to be subject to ageing, degradation and deterioration. Nevertheless, Ministers of Finance all over the world have never had the slightest idea of correcting this inconsistency.

From the awareness of the "falsehood" of coined currency was born the idea of a currency that conforms to its definition (see point 36 hereunder), a currency which - by obliging its holders to dispose of their bank notes before the commencement of the following month - would be subject to "evaporation" and thereby subject to the law of Decay. Charges in the form of evaporation stamps would be computed according to the required speed of money circulation and would amount to a corresponding percentage of the bank notes value. This of course is one of the simplest ways to induce evaporation. Other "evaporating" devices would be worked out depending on the type of money concerned, Bank cheques, computer entries, etc. In fact, given the principle of evaporation, various methods will be perfected, each corresponding to specific set of circumstances and tried out through computer models before implementation. We would one way or another be faced with the strange situation of a man working to earn money which he would be anxious only to get rid off.

8. The obligatory purchase of evaporation stamps would drive the monetary flow into forced circulation, since the self-interest of everyone would try to pass on others the depreciation by evaporation of the currency, thus evading it. The economic circuit would be brought under pressure and money would cease to be thesaurized.

We may also note that without any recourse to preaching and bigotry, the results of religious teaching would be fully achieved out of self-interest and the fact that an instinctive impulse leading to self-interested action lies at the very root of an evaporating currency. We therefore deal with the problem of peace at the subconscious level. Also this shows efficiency by doing instead of talking.

9. Pressurization of the economic circuit would with evaporating currency be the responsibility of a law of Nature, the law of Survival of the fittest, through the outcome of self-interest. Since everything would take place at the subconscious level people will have no interest in opposing the operation of a system occurring naturally and automatically. An individual would only know that he would be subject to an evaporation tax on any currency in his possession on the first of the month. Self-interest would impel him to try to avoid this relatively low charge. After all, what would it be out of one's salary compared to subscriptions to unions or the loss in purchasing power caused by inflation ?

Many advantages would be assured in compensation for such a small possible monthly loss. Furthermore, the fact of monetary evaporation operating on the subconscious would bring about a change in habits without any conscious effort being required of anyone in the process.

10. Subject to a universal law, and with indestructible self-interest as the motive power, the system of guided self-interest is in no danger of braking down. Despite the aspirations of moralists, we may then be happy that Man's selfishness is incurable.

We need now only to consider how the rational harnessing of this "reprehensible vice" can lead to economic stability and therefore ensure lasting world peace.

11. First of all let us recognize self-interest as a form of aggressivity. It derives from the instinct of possession which sets into motion the instinct of aggression in order to obtain its objective; since to possess, one must take, and to take presupposes an attack. Aggression therefore, precedes possession and self-interest (the principle of "me first") refers to possession. It is then obvious that all forms of egoism represent energy derived from the instinct of aggression. If the premise is valid that there are "no aggressors without aggression and no war without aggressors", then the entire quantity of aggressivity which has been exhausted in the form of self-interest stimulated by the wish to escape monetary evaporation would be no more available for war.
12. In addition, the full range of beneficial social phenomena (which we shall examine in due course) that will have been released by the inauguration of guided self-interest will make nations anxious not to lose their newly gained social peace, by replacing it with any type of conflict; so, apart from the aggressivity that it exhausts, guided self-interest would act as a potent brake on war or social unrest.
13. The big advantage of this system is that it is possible to implement it in a single country, no matter how small, to the exclusion of others. This, because guided self-interest would be subjected not to human control but to the great laws of the universe. Consequently, just as the person turning on a bathroom tap does not

concern oneself with the indisputable fact that the water will ultimately reach the sea, so too, the Head of State who taxes the notes of the Central Bank will not need to worry about the consequences.

Monetary evaporation will automatically affect individuals and take care of the rest. No country, great or small, near or far, would object to the passage of a new decree which is purely an internal affair of the country in question. What is more, the new law would have no immediate effect on neighbouring states, which would only ask to be paid at the time of settling accounts. Now, country "E" (using equilibrating - because evaporating - money) could initially make use of its gold and currency reserves to make good any deficit in its trade balance.

14. For true implementation of guided self-interest however, not only does money need to be subjected to the law of Decay, but the economy must also be subjected to the law of Risk in order to do away with illegitimate profiteering (or profits theoretically obtained without acceptance of risk). From the standpoint of Nature, such illicit profits include fixed interest from saving deposits, treasury bonds, bonds in general, mortgages, etc. where guarantees are optima and risk minimal. In an economy under guided self-interest, the only legitimate profit would be the variable dividend from shares (industrial, commercial, etc...) since the shareholders accept in advance the risk by definition inherent in an enterprise, and is ready to receive any amount of dividend produced, even none at all, whenever company's policy makes it necessary.

Of course, defenders of interest rates would reply that there is nothing illegitimate to ask for a rent-charge on money lent, the same as we accept to pay a rental when we hire a car or a TV set. There lies the error, both loans are not of the same nature, there is no equivalence between a decaying piece of merchandise and money which is by definition supposed to be imperishable. When one lends 100 Frs for one year, one gets back an integral amount of 100 Frs plus interest, the capital has not been touched by the law of Decay. But when one lends a new TV set for one year, one gets back a second hand merchandise depreciated by use, and even damaged (please see Appendix).

15. The central bank of a "E" country would unconditionally stabilize the cost of living by acting on the volume and the velocity of circulation of the equilibrating currency; on the volume through a free market policy (and by means of monetary syphoning and injections) and on the velocity by varying the rates of evaporation.

Since individual self-interest would be ever-vigilant, the slightest increase of the rate of evaporation would stimulate the monetary flow, while a reduction in the rate would bring about the corresponding decrease in its speed.



This can be better understood when considering the general formula of price :

$$Pa = \frac{Mc \times Vc}{Q}$$

which means that : within a given economic circuit and for a given unit of time the average price (Pa) is proportional to the real (unthesorized) volume of money in circulation (Mc) in that circuit and to the velocity of circulation (Vc) of that money (measured in number of complete rotations within the circuit during the same unit of time) and inversely proportional to the quantity of goods and services (Q) which are present on the market during the same given time.

One can immediately figure out that the stabilization of cost of living requires the stabilization of the average price (Pa) which requires in turn a constant equilibrium between numerator and denominator in the fraction of the price formula. As in a free economy the denominator (Q) is allowed to constantly fluctuate (hopefully towards growth) therefore adjustment is automatically necessary at the numerator level, and is applicable either to (Mc) or (Vc) or both.

16. With a totally docile currency, subject to control of volume and velocity, and which by its very nature cannot be thesaurized (all that would be impossible with our conventional currency) the central bank of an "E" country could at all times adjust the cash flow to that of commodities thus maintaining indefinitely at a stable level the cost-of-living index. This means that, whatever upheavals might come about, the equilibrating currency would have an unassailable purchasing power, regardless of what might occur in other countries. This is something beyond the reach of our coined currencies, for which one has only to look at the present chaos in monetary parities.
17. Equilibrating currency would, through the guaranteed stability of its purchasing power also largely offset the fear of the future. With a currency in conformity with its definition, many worries would be eliminated: for housekeepers, rentiers and pensioners. And many advantages would result for the insured. In a coined currency economy, insurance is a cheat, particularly in the case of life insurance.
18. The unconditional stability of the general price level would produce interesting results :
  1. Any rise in price of a particular sector of the economy would automatically and mathematically be followed by corresponding fall in another sector, since the total average would be invariable.

2. Falling prices would relate to products least in demand, as being of least interest to the public. One of two things would then happen: either the producer would withdraw them from his manufacturing program, or he would have to improve their quality and appeal. This would mean an automatic cleansing of the market.
  
19. As stated, the introduction of guided self-interest would bring about the elimination of illegitimate profit (as obtained risk-free), itself the basis of the exploitation of man by man. Consequently, anyone wishing to eradicate the odious aspects of capitalism need not seek to gain control of the means of production, but rather demand the abolition of fixed interest, accompanied by the introduction of an evaporating currency. Without that, there can be no true socialism.
  
20. The great naivety of Marx and Lenin lay in imagining that they could institute a communist economy by using a capitalist money (i.e. coined currency). Neither of them thought of condemning it. In fact it is unthinkable to set up an economy from which "profit-making should be eliminated" even before raising the question of legitimate and illegitimate profits.

And yet to abolish capitalism, it is obviously essential to change the currency. Indeed "guided self-interest" abolishes capitalism, but preserves capital. The enemy of the poor is not capital, but speculation, the enemy of capital is not the proletariat, but ignorance.

With the new evaporating currency, which renders thesaurisation worthless, capital has no intrinsic value anymore, since money is perishable and would disappear if kept inactive; it has therefore to be put in work into production and services.

Capital's value therefore is no more related to its quantity only, but also to its mobility-potential. This dynamic capital becomes the flywheel of the economic circuit, the core of new "eco-dynamics".

This is the change that we recommend, and it will be shown how the suggested solution favours the workers, without prejudice to the rich. Guided self-interest would simultaneously satisfy the aspirations of both, the Left and the Right. This seems so unlikely that the first reaction is to reject it as utopian. Yet it is so surprising only because we have been living for the last thirty five centuries within the trauma of the basic initial error : coined currency.

If we had continued believing - like the ancients - that the earth was flat and the sun was a lamp suspended in the sky, would we have been able to put a man on the moon ?

It is because Copernicus, Galileo, and Newton, all three, played a part in correcting ancient errors and replacing them with the

law of gravity, that "celestial mechanics" were finally developed and eventually enabled NASA to achieve its triumph - not long ago regarded as impossible. Many people in this century would never have believed that a stone could be thrown into the air without falling back to the earth: yet the day came when that happened not to a stone, but to a manned spacecraft.

21. Back to the workers, we noted (Section 47. Vol. III) that salary investment (a novelty inherent in guided self-interest) would not only promote rising salaries but would ensure full employment. With guided self-interest, there would be no more unemployment, and recession would no longer have to be feared, because from the very start the central bank could oppose all deflation.

What is more, management would, on account of salary investment, be motivated towards generosity by its own self-interest (an unavoidable result of the pressure to which the monetary circuit would be subjected thanks to evaporation) and the claims of the workers would be satisfied even before being voiced. Guided self-interest would put a definite end to strikes for lack of purpose.

What a score for social peace, national income and trade balance of lucky country "E" !

22. The unvarying cost of living despite the rise in wages would permit guided self-interest the privilege of ignoring the salary and price spiral.

"Good-bye" also to unemployment and inflation.

The opposite of the latter - deflation - in classical economy hampers sales and introduces unemployment. If inflation is to the advantage of some, on the other hand deflation causes loss to everybody. By the simple fact that it accompanies a reduction of the volume of money in circulation, unemployment further intensifies the deflation that gave it birth.

Confronted by this problem the directors of some of the central banks of the capitalist world were faced with a dubious choice when they gathered once together in Basel. They opted for "inflation rather than unemployment" !

What do capitalists care about employees on fixed salaries ? Or about small landowners, the insured and pensioners ? Is it surprising in such economic systems where illegitimate profit reigns supreme ? Nevertheless, the conclusions of the bank directors reveal how inadequate the brakes to inflation are in countries depending on "coined currency".

If they wish to apply the brakes, they risk defeating their own objectives. It is better therefore to let the economically

weak suffer the drawbacks of inflation, rather than affect the interests of high finance through deflation!...

Such policies would be swept away at a stroke by guided self-interest, because the dilemma unemployment/inflation does not exist any more. The unvarying cost of living will be maintained whatever the increase in the quantity of goods and labour, because of a corresponding increase of the amount of money to pay for them.

This will show how capital and labour are not enemies but the essential parts of the same process.

Full employment will be thus insured even in front of growing automation. The use of robots will be in fact encouraged by the Workers themselves who would be able to benefit from cybernetic technology and from less working hours for the same salary. This again is possible only thanks to the automatic adjustment of money supply to whatever situation on the production side.

23. Salaries paid in an evaporating currency (the kind that burns one's fingers) would simultaneously encourage both, buying and saving.

This is a startling proposition. In order to avoid loss through evaporation, the individual has an equal choice, to invest in property of goods and services (buying) or in shares in enterprises (saving). For the economy both choices come to the same, because they both direct money to the pole of production. Buying would mean a higher turn-over for the management of the company, and therefore higher profits, and a higher dividend payable to the shareholders. With guided self-interest the financial position of the shareholders and that of the employees would simultaneously improve.

24. When only legitimate profit, i.e. dividends are involved, the banker, seeking his profit would direct savings capital to the production pole of the economy, offering it free of charge to the company's boss in exchange for variable dividends on shares. In theory he will be running a risk (which renders his own profit from the operation legitimate), but in practice he will realise that, thanks to the evaporation which puts pressure on the monetary circuit and favours buying, he risks at most drawing increasing dividends.

25. The unavoidable rise in wages (the mechanism which we will analyse in section 43, 36 and 47) offers opportunities for saving, unknown to this day. This permits the workers to buy through their own labour shares in the company employing them - a very different story from the shares sometimes distributed by an offending paternalism.

26. Owing nobody anything for the shares they own, the workers enter the shareholders meeting hall through the main door, for it is their own company. With guided self-interest, the questions of participation and of co-management etc. will resolve themselves in the most natural manner in the world. What is more, the future of the company will not be decided exclusively by outsiders.

The staff - emotionally attached to the company - will adopt towards the management a quiet different attitude from that which is taken in companies operating within the classical economic system.

27. When a forced-circulation currency (such as the evaporating currency of guided self-interest) is integrated into an economy rejecting illegitimate profits (fixed interests from saving accounts, mortgages, bonds, etc.), investments will adjust themselves automatically and proportionally to savings. The latter then shares in the production of the goods rather than merely syphoning off an illegitimate profit.

28. As the land area of the earth is a finite quantity, while its population continues to grow, land will become an increasingly scarce commodity. In a classical economy, the interplay of supply and demand raises the price of scarce commodities. So even without speculation, land value keeps rising, but a brake on this can be applied through guided self-interest.

29. By incorporating the value of land in the calculation of the cost-of-living index, in a guided self-interest economy, land speculation would be blocked.

Nobody has thought of this yet, because the index is merely an informative element which economists have not tried to convert into a working instrument. This is the case because of the absence of a currency with forced circulation, controlled in respect of both volume and speed, therefore stabilising unconditionally the cost of living.

Inability to struggle against inflation goes together with helplessness to control real estate speculation.

30. With a currency which makes it possible to immobilize unconditionally the general cost-of-living, it is a mathematical fact that any rise noticed in any one sector of the economy, will call forth a corresponding fall in another sector, since the total average would have to remain the same (cf. point 18). This mechanism enables us to understand why through guided self-interest the problem of land speculation would cease to exist.

31. Since guided self-interest is in a position to stabilize at any time the cost-of-living index, and because all consumer goods are obtained directly or indirectly from the earth, it follows that if the cost of the land has provoked any rise in the general cost of living, then the stabilization carried out by the central bank of an "E" country would immediately result in a corresponding fall in another sector of the economy, and that sector would forcibly be that of "the produce of the land" (in the widest sense of the term). It could not be otherwise. Thus, with guided self-interest, any rise in the price of land would automatically provoke a fall in its financial yield. This fact will immediately be noticed by the public.

32. In urban zones, the "produce of the land" - in its widest sense - means buildings.

We may add that with guided self-interest, mortgages would be eliminated (since they lead to illegitimate profits) and replaced by "property shares", with variable dividends (which constitutes a legitimate profit). The former owner of the building will then become the manager and the majority shareholder of a real estate company. If the price of land were to increase, then by the nature of things the dividends on property shares would become lower.

33. The future owner of land for building would be unable to obtain fixed interest loans in the form of mortgages; he would only obtain funds from possible buyers of shares. The latter would present themselves only when there is a real need for accommodation.

There would be no occurrence of a surplus of accommodation as it happened in Switzerland in 1929-1939. Never again would the property owners be left to face alone the full weight of the building crisis while the mortgage creditors continued at no risk to draw fixed interest on their deeds with the possibility - in the event of the debtor's insolvency - of seizing the building for the cost of a mortgage representing normally only half of the value of the property. Such unjust deprivation results from the Law's acquiescence under a capitalistic system to illegitimate profit. Guided self-interest would do away with a flagrant social injustice.

When on the other hand there is a shortage of accommodation, numerous future shareholders would automatically show up, being attracted by a guaranteed property dividend. There would be no need to offer building incentives. Self-interest would attend to the matter simply by obedience to the law of Risk.

34. As soon as a rise in rents causes the cost-of-living index to go up, the central bank would bring about a corresponding fall, either by syphoning off currency or by slowing down the rate of its circulation. Obviously this would take place in a sector in

which prices are not fixed by contract, as is the case with rents. Consequently the sector affected would be that of construction and the production of other consumer goods. Thus any increase in rents would be immediately counter-balanced by a drop in the cost of living. As a result of the automatic cleansing of the market (as analysed in section 49, Volume III), the law of supply and demand would bring the fall of prices of those commodities of least interest to the general public.

In actual practice, this would mean the cost of construction being affected, and bears out the fact that when the cost of land rises, it is its "financial yield" which is affected, irrespective of the final result.

Thus, the real property problem will be solved as soon as an equilibrating currency and the removal of illegitimate profits are instituted.

35. In the agricultural sector, guided self-interest would just as appropriately regulate the situation. To start with, it would be impossible for the farmers to fall into debt. Since the introduction of an evaporating currency would be accompanied by the legal prohibition of mortgages, so that the laws of Decay and Risk would simultaneously be respected, a farmer wishing to buy land, extend property or develop its yield, would be obliged to look for shareholders to whom in due course he would be liable for dividends of the profits from the exploitation of the property. How much less financial trouble he would thus have than with the obligatory payment of fixed interest on a mortgage! Conversely, the shareholders would only appear if the land to be acquired could be expected to provide an attractive income. Those prospective shareholders would also wish to know whether crops to be introduced might be wheat or beetroot, or if the land should rather be used for dairy produce or beef-cattle. They would judge for themselves and finance what they believe worthwhile.

Automatically there would be no more "mountains of butter" in excess since shareholders would not be available for financing wrongly-oriented agriculture. After such beginnings, well controlled by the wish for profit, the agricultural market would balance itself, since guided self-interest also would remove from any market those products least appealing to the buyer and the seller.  
(Volume III, section 48)

Furthermore, an economy controlled by guided self-interest would not need to be subsidised by the state, all the more so because in the agricultural sector the problem would be tackled from the other end (that of the offer) so that guided self-interest would itself adjust the supply to the demand. This would take place exactly as in the real estate sector.

36. When properly guided, self-interest being subject to the laws of Decay and Risk, would always favour both the community and the individual. An example will prove this.

There is no "natural" proliferation of money. If a hundred francs are left in a drawer for a year, they will not by the end of it have produced about 10 or more offsprings.

So how does it come about that, when one puts a hundred francs in a bank saving account, about 10 or more additional francs will be present after a year? Generally we are told that the money has been put to work. What a lie! We shall see who has done the work. For this purpose we must refer to the classical definition: "Money is the undifferentiated equivalent of goods and services".

As a result, the 10 to 20 francs of fixed bank interest are equivalent to some goods and services. Now these goods and services did not exist when the money was deposited, since there were then only one hundred francs, and not one hundred and ten or more. By what miracle did this profit (the equivalent of bank interest) appear from nowhere? In economic terms, "goods" are raw material plus some work. There is no profit, however small, even of only 10 francs, that does not involve the participation of one or more workers. They are the ones who have worked, not the money, so that the bank interest could exist.

As for the beneficiary of the 10 or more francs, he has run no risk and has merely had to wait a year for the fixed interest to fall into his lap. During that period however, the workers had to run the risks of their profession in order to produce the equivalent of the bank interest, so that someone else, comfortably ensconced in his armchair, could enjoy selfishly the fruits of their labour.

This is what happens when self-interest is not guided. It is there that the exploitation of man by man arises, always originating from the existence of fixed bank interest, which (from the viewpoint of Nature) is an illegitimate profit since it is always obtained without any risk being incurred by the creditor.

37. Once the workers realise that this is where the exploitation of man by man has its origin, they will insist on the introduction of an evaporating currency and the subjection of everyone to the law of Risk, so that illegitimate profit will be eliminated.

There is no other socialism.

What a pity that Marx did not realise this fact; the exploitation of proletariat by capital would have ceased well over a century ago.



38. Legitimate profit - which is normally widespread in Nature - would introduce into the economy abundance but never excess instead of alienating and exploiting the one who generates the profit.
39. How can guided self-interest favour the "haves" at the same time as the "have-nots" ? Firstly, it proposes an escape from monetary evaporation by the purchase of shares. This is the rational way to preserve the value of current assets while allowing them to grow. The possessive instinct would be satisfied at nobody else's expense. Rather it would be to the general advantage since guided self-interest would lead to a simultaneous rise in salaries and dividends without a corresponding increase in the general cost-of-living. In turn, the unvarying purchasing power of the evaporating currency would prevent the current assets from being either eroded by inflation or sapped by unemployment.

In addition, while unemployment is eliminated and strikes become impossible, the "haves" would avoid the danger of losses or lack of earnings.

40. Apart from social peace, stable cost of living and trade balance, guided self-interest would through the unassailable parity of its currency (not only with gold but also with the totality of commodities - its standard) make finally possible an universal currency. This is one of the basis of international economic peace, which is obviously incompatible with the plurality of coined currencies.

An economy based on guided self-interest would also allow the free circulation of goods and services, not as a result of customs agreements but because in "E" countries exports and imports of goods and labour would no longer create financial or monetary problems.

Consequently, guided self-interest thanks to its inherent policy of free exchange, would produce a free circulation of goods and services and unrestricted flow of currencies. Exchange control and clearing would no longer plague dealers and travellers.

41. In addition, the policy of free exchange would insulate "E" countries from exchange fluctuations. Being subject to the great law of Decay, the equilibrating currency would stimulate simultaneously both, imports and exports. Therefore, for "E" countries, rush to exports would no longer be necessary as the trade balance would automatically be insured.

42. Surplus imports would constitute an increase of the national wealth, since the quantity of goods within the country would be balanced by a large quantity of money as a result of the monetary injection carried out by the central bank, which would nevertheless

prevent fluctuations in the general level of prices. Should imported goods rise in cost as a result of inflation in the country of origin, and if an increase in their price affected the general price-level, then the intervention of the central bank would put matters in order. The automatic cleansing of the market would take care of the rest (Volume III, section 49).

One sees the vital need for developing countries to adopt the system of guided self-interest instead of slaving under capitalistic currencies and credits based on illegitimate profits. Volume III, section 50 shows that the implementation of the system would not require the approval of any foreign country, nor would any veto be effective, thus liberating developing countries once and for all from economical colonialism.

43. In the case of exports, after much work had been performed and salaries paid, the "E" country would have few such product left over, then syphoning off the currency would once again re-establish the balance between money and goods and maintain the unvarying stability of the average level of prices.

Private nominal assets of individuals would not suffer from such syphoning. However, their availability would be reduced, so that the true assets would not be eroded by inflation.

This is a more effective system than that of "obligatory savings", so often dreamed of in socialist countries, or that of "syphoning through taxation", which is an unfortunate invention of capitalist countries.

44. The unfashionable and ineffective orthodox practice of the French of the "balanced state budget" and the American absurdity of the "deficitary state budget" could also be dispensed with, though these are intended to stimulate economies suffering from unemployment.

In 1962, President Kennedy of the United States envisaged such a budget, but his death prevented its implementation. Another U.S. President, Nixon, took over Kennedy's idea, using it as a proposal to Congress, known as the "anti-unemployment budget". What happened next is history.

45. With the introduction of guided self-interest, it would no longer be necessary to rely on a palliative "psychological shock" as so often advised by economists, to try to revive a dormant economy.

If psychological factors are to be introduced into politics and economics, then let us have guided self-interest !

There will be then a permanently sustained psychological shock, produced by the selfish desire to avoid the evaporation rate.

Its success would not derive from political illusions but from the faultless operation of a great universal law.

Politicians, even those of the Left, have shown how little understanding they have of psychological shocks, so the people themselves should now intervene and take the constructive step of loudly proclaiming how they intend to be supported, assisted and protected by the guided self-interest system.

46. With guided self-interest it will become possible to dispense also with the easy-way-out of inaction, consisting in doing nothing but giving such excuses as for example, that "inflation in Switzerland is imported from America !"
47. The European E.E.C. (Common Market) would not have been confronted with so many problems, had it started off by adopting the guided self-interest system. In that economy, class struggle would be eliminated by lack of purpose, similarly the trade war between nations would cease to exist. Each country, each individual would be able to satisfy their own needs for peace and plenty, without harm to their neighbours.

Guided self-interest would finally confer monetary independence on nations. This is the corner stone of economic sovereignty - which one day will make it possible to dispense with political "sovereignty", the main obstacle for the realization of a true community of nations.

48. The text presented here, being only a summary, will certainly raise many questions and objections, and a sceptical reader could possibly see here and there some apparent contradictions. The word "summary" implying itself the subjacent idea of insufficiency it is only in the Volume III of the original manuscript that all answers will be found as well as the full demonstration of the viability of the system.

Theo Koelliker  
Lausanne, February the 1st, 1971

## APPENDIX

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THESE ARE EXTRACTS FROM THE BOOK *La Paix Totale par l'Equilibre Economique Absolu* BY THEO KOELLIKER, PUBLISHED IN FRENCH FOR THE FIRST TIME IN 1943 BY PERRET-GENTIL IN GENEVA. ENGLISH AND INDONESIAN TRANSLATIONS ARE NOW IN PREPARATION AND WILL BE PUBLISHED SOON.

### FOREWORD (in extenso)

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It has been repeated so often that everybody has ended by believing it that the matter of economics is a very complicated one only to be understood by specialists. This is incorrect.

If economics appears to the outsider as a complex building with many facets, its inner design is nevertheless extremely simple. It must therefore be approached from the inside. That is the method of this book. Further, once the three basic laws on which all else depends are understood there are no more secrets and the solution for all problems is revealed. Anyone who understands that  $\frac{3}{5}$  is greater than  $\frac{2}{5}$  but less than  $\frac{3}{4}$  can understand all these economic phenomena. Perusal will convince the reader.

Once the public has begun to become acquainted with the simple science of economics, people will no longer accept being made guinea pigs in experiments for which they alone will have to pay.

Economics in fact, as practised to date, has never been anything but purely experimental and thus empiric.

Under a democratic government, the public is entitled to accept or to set aside its government's political decisions. Yet has that public been consulted on any important question affecting economics, such as currency devaluation, inflation or deflation? It should be possible for the public to be consulted on such matters in the same way as it is asked for opinions on draft statutes or laws.

Instead, the myth is being perpetuated that economics is the mysterious and exclusive preserve of specialists. Those claiming to belong to the privileged few may prefer to keep the public in the dark as to their activities in that complex building of many facets, where the windows are sealed.

Once economists have to account to the general public for their plans, as do lawmakers and politicians, an important step will have been taken towards true democracy.

SECOND PART "THE ERROR" SECTION 10 "CURRENCY" (in extenso)

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It is possible to understand how and why money transformed the economy, through the analysis of the factors that led to the advent of money.

Human society would seem to date from the age of lacustrine habitation. Groups were probably formed for better protection against wild beasts and to allow each member to contribute a share in the communal effort. This practice resulted from the universal law of Least Effort (i.e. line of least resistance).

To begin with, every one participated directly in the performance and protection of the community. In exchange, food was shared out. Work was the only economic value.

Then the law of Least Effort came into action again and the weakest members of society discovered how to perform less demanding tasks. And so it happened that some began to manufacture weapons for the hunters, thus being dispensed from the fatigue of the chase while still entitled to their share in the food, since their work was useful to the community. As of that time, manufactured objects, merchandise, acquired a value for the purpose of exchange.

And so barter began, initially in the form of direct exchange of goods for food. Food therefore is the earliest commercial standard since hunger is the prime need, so that even nowadays food still represents one category of salary. At first it took the form of hunted game, later on that of livestock (a development due to the principle of least effort). Traces of this remain in our language to this day : we speak of "capital" or "peculation", words derived from the Latin words "caput" and "pecula", referring respectively to a single head of cattle and to the herd.

Then barter became perfected, developing into the direct and successive exchange of various goods, the last of which could always be bartered against food which served as a guarantee of value, or collateral.

With the increasing development in trade however, barter became less and less practical. Direct exchange was only convenient when goods could be used at once and did not involve difficult transportation. For purpose of exchange, a choice was eventually made of a standardized commodity which occupied little space and was easy to handle. In this connection, it may be noted that even today some African tribesmen still use tobacco leaves for this purpose.

The first money has now been created and primitive barter replaced by indirect exchange. The present shape of trade was born.

And so we note that the commercial activity and the form of economy are two direct consequences of the universal law of Least Effort, and do not derive from the human will.

The adoption of the first money in no way modified the object of

transactions. It was still a question of exchanging two commodities, both subject to natural depreciation (see section 8). This inevitable depreciation made it necessary for the money to be used while it still retained all its value and thus ensured the regular rythm of transactions. It brought about in the most natural manner the need to buy, a need on the demand side. (It should be remembered that in the section 8 we considered unsuccessfully how this need could be awakened in the economy of today).

Goods used as money were generally measured by weight, which had to be checked for each transaction. When the weighing proved tiresome, the idea came to stamp the weight on the commodity itself. Hence the names by which several currencies continue to be known.

This time however, the law of Least Effort played a dirty trick to mankind who fell into the trap. In order to avoid the control by weighing the question then arose as to whether the stated weight remained exact. It therefore became necessary to choose as currency a long lasting commodity, a metal. Initially any metal would do, but gold was finally adopted.

The first or original money was replaced by coin, or conventional money, imperishable by nature. It is believed that this happened during the 16th century B.C. .... birth date of the oldest known coined gold bullion. From that time the whole mecanism of the economy got distorted.

It still is.

In fact, contrary to the previously prevailing situation, the economy now has two dissimilar elements, one natural and the other artificial: inherently perishable goods and arbitrarily imperishable money. The one was supposed to be the equivalent of the other, but in reality could no longer be so, since the characteristic homogeneity had disappeared : without any interference by anyone, goods have lost their entire value after a certain time, while money has retained its total worth.

The principle of equivalence does not apply anymore, it has become a myth, a lie. Conventional money is the fundamental error of all contemporary economies.

The possibility of storing and saving coins and their derivatives has not only eliminated the need to purchase, which need Nature was so harmoniously maintaining , but - worse still - abolished any satisfactory means of recreating it. Since however the opposition of needs is a basic necessity for economic equilibrium, the cause of all these troubles is coinage alone.

Our new economy is based on that discovery.

Unfortunately one must admit that all successive economic systems of the last 3,500 years (- with perhaps one exception between the 12th and 14th century A.D. -) were built on money that can last indefinitely, and goods that cannot, thus on two foundations one of which remained firm while the other was sinking. We need not wonder if the building starts to lean over ..... until it collapses.

Man seems to be unaware that the economy was entirely created not by him but by the laws of Nature, which he may not transgress with impunity. That is nevertheless what Man did, when by decree he assigned an artificial character to money. He thereby unconsciously awarded it the power to regulate the rhythm of transactions. From having been merely the servant of human needs, money thus became the ruler of transactions while man became its slave.

It is therefore unnecessary in economics to turn to morals in order to vanquish Mammon or the Golden Calf. It is quite enough to revert to the principle of the original money.

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SEVENTH PART "THE FUTURE" SECTION 60 "PEACE"

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Just as science has managed to harness fire as a source of energy, it can make use of self-interest as the motive power of the economy. Yet originally fire was nothing but an evil power which terrified mankind, who took to worshipping it.

If the knowledge of fire makes a difference between Man and animals, then the subjugation of self-interest will distinguish truly civilized human beings from those who merely claim that title.

It must be remembered that war, even in its latest technically most sophisticated form, is not a criterion of civilization. If we were not hypocrites, we should recall all missionaries and have them preach to the Western World first of all.

Man's advantage over beasts comes from his knowing how to control fire with water. The advantage of a truly civilized person over the modern beast will come from his knowing how to control self-interest with the new money...

We have believed that the god of thunder was man's master. That was false. We have believed that thought had to be subjugated to written text. It was false. We have believed that the king is the master of the people. It was false. Until now we have believed that gold should be the master of economy. It is false. The dogma of the true currency, inalterable, imperishable as gold, is the fundamental error of the economy since 35 centuries. This dogma is also false.

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