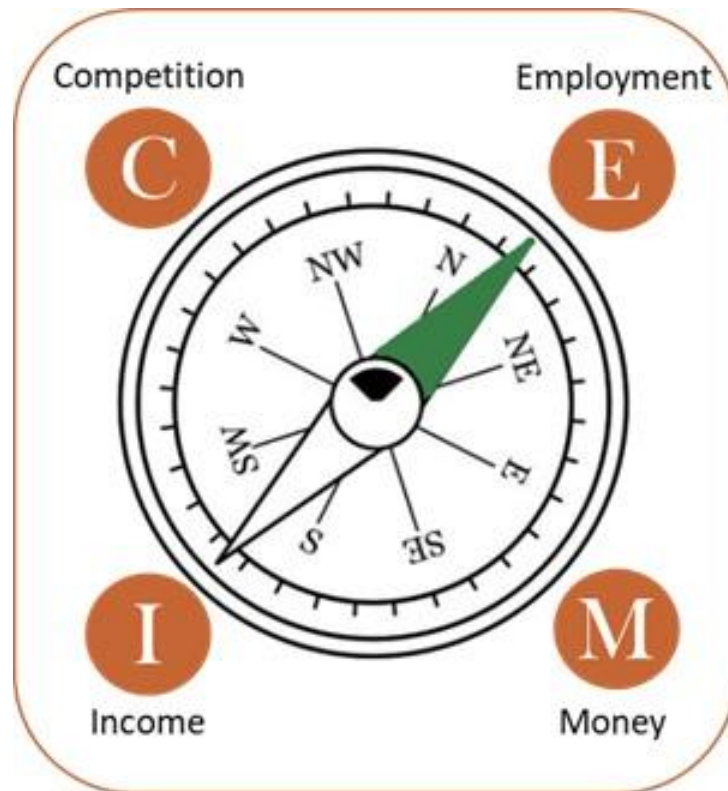


The Formal Ontology of Economics: Foundations for an Objective Political Economy

Preface by Jacques Bichot



Foreword

[Paul Fabra](#)'s "*Essay on the Rehabilitation of Political Economy*" (described by Raymond Barre in 1974 as a "prolific" Essay) aims at nothing less than a complete reversal of perspective in contemporary economic thought. This shift proposes a systemic political economy grounded in a realist, formally definable framework of the world, in contrast to subjectivist approaches. More profoundly than it first appears, this concept emancipates economic thought from a hegemony that originated as academic [neoclassicism](#) and evolved into political neoliberalism.

1. In economics, mathematization that is not sufficiently constrained by the precise ontology of objects and acts is based on the inadequacy of the primitive analysis of facts.

Basic economic theory can however be constructed by means of definitions that are admissible in formal ontologies based on set theory. Neglecting it exposes us to errors that are all the more serious because they are essential. "Part I – Introduction to the Objective Political Economy", the first part of this endeavor, and then [chapter 1](#) of its second part, "Part II – Political economy propositions", argue this choice of method.

2. Economics is fundamentally concerned with the market-based exchange (called economic-exchanges) of commodities, most often facilitated by money.

Political economy defines a commodity functionally: it is any good or service offered for sale. This makes [commodity](#) the precise generic term for the non-monetary item in any economic exchange.

A rigorous, formal definition of a [commodity](#) is only possible if it facilitates a complete [taxonomy of economic exchange](#). This theoretical necessity is met by grounding economic science in a proper theory of the commodity, as undertaken in [chapter 2](#) of "Part II – Political economy propositions". This foundational clarity is essential to avoid several categorical errors, such as the mistaken classification of [labor](#) (as the expenditure of human energy), knowledge, [natural resources](#) in their raw state, and [money](#) as [commodities](#).

3. A more issue lies at the very heart of price theory.

It originates from a question that seems reasonable: what causes the varying prices of goods and services exchanged for money or through barter? The common answer, rooted in the neoclassical school of thought—scarcity—is a prime example of this error, as it often serves as an unproven assumption.

The remedy is to replace this overly general question with an analysis of prices across each [category of commodities](#), beginning with [primary commodities](#) that generate true income. However, a robust theory of the commodity alone is insufficient for this task. It must be built upon three other properly defined foundational concepts: the [enterprise](#), [accounting](#), and [capital](#).

4. Economic policy is the natural child of economic science.

The prerequisites that have just been indicated open the way to discerning what is assuredly true not only about profit and employment but also about the [total distribution](#)

[of income](#), about [wages](#), about [interest](#), about the prices at which enterprises sell, about money. Once this path has been made, at the time of the formulation of an economic policy, the essential aspects of what is specific to [economic exchanges](#) and [transfers](#) are better held together, at the same time as the reasons why the errors and shortcomings of the basic theorization of the economic system make the government of the latter a dispenser of perverse effects and collective errors emerge more clearly.

The foundational concepts just outlined enable a clear understanding of what can be objectively verified—not only regarding [profit](#) and [employment](#) but also the [total distribution of income](#), [wages](#), [interest](#), enterprises' selling [prices](#), and [money](#). Once this groundwork is laid, the core mechanics of [economic exchanges](#) and [transfers](#) integrate more coherently into policy formulation. This clarity also reveals how errors and omissions in the fundamental theory of the economic system lead to governance that generates perverse outcomes and leads society astray.

[Dominique Michaut](#)

Preface by Professor Jacques Bichot

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A very useful conceptual clarification

[Dominique Michaut](#) has undertaken a work of public salvation: to restore order, method, and above all common sense, to the anarchic conceptual proliferation that characterizes economic discourse today, and even, to a rather large extent, economic science itself.

Statistics and the models that use them are plethoric. As the capacity to process digital data has grown exponentially, economists – and others who like to talk about economics – are having a field day. But the quantity of data does not always go hand in hand with its quality. The ready-to-wear of the economic figure comes out of workshops whose often prestigious name hides the lack of professionalism from the untrained eye.

Why is that? Because numbers are only of interest if they measure a correctly conceptualized reality. Unfortunately, reality is often poorly conceptualized. Statisticians frequently calculate and disseminate sums that bear a certain administrative label without checking too much whether this label corresponds to a well-defined, reasonably homogeneous reality, defined by a clear concept.

For example, international comparisons relating to [wages](#), wages, or labor costs. Prestigious organizations, such as the OECD, widely reported by the media, base themselves on gross salaries, as if employers' social security contributions were not part of employees' compensation. This is because, administratively, the said contributions are deemed to be paid by the enterprise, but not by the [employee](#). This leads to considerable errors in diagnosis, as the financing of social security is distributed very differently between employers' contributions, employee contributions and taxes depending on the country. It is therefore of the utmost importance that voices be raised to call a spade "a spade", even if reputable bodies and eminent personalities persist in referring to it as a dog.

It is this immense and salutary task that [Dominique Michaut has tackled](#). His *Introduction to Objective Political Economy*, the first part of his *Précis of Systemic Political Economy*, has precisely the object and merit of carefully defining the words used to analyze economic phenomena. He took seriously Albert Camus' warning, which he is careful to quote: "Not naming things correctly adds to the misery of the world." And he introduces us to a universe in which concepts, and their names, are used to name things, at the end of a reasoning intended to determine what deserves to be measured because it has meaning and consistency.

This universe can be observed, to a large extent, with the help of accounting. This discipline holds a large place in [Dominique Michaut's](#) work, because accounting data is our number one source of information: it is very important that by putting on accounting glasses we do not become colorblind, myopic or hyperopia! When we see the absurdities committed in

the context of public accounting, where, for example, the expenses of a financial year are calculated partly in accrual accounting, and partly in cash accounting, we understand how important it is to be perfectly clear about this tool, which is a central part of the apple of our eye as economists.

But [Dominique Michaut](#) does not limit himself to building good instruments of observation and analysis. It advocates rules of conduct – which is why the third part is entitled *Major Economic Policy Guidelines*. And the most central of his recommendations, which links him to [Paul Fabra](#), is the increased use of [capital](#) as a means of financing economic activity.

[Dominique Michaut](#) does not plead for speculative capitalism, for which our contemporaries seem to have an extreme attraction, and others an inveterate hatred. He proposes a [yield capitalism](#), in which the providers of [capital](#) would be rewarded not by the hope of [surplus value](#), but by the almost total distribution of the [profit](#) made. Self-financing, greatly reduced, would be replaced by share issues: shareholders would be free to reinvest or not the [dividend](#) received; they would thus regain the power that has been confiscated from them by the technostructure and the businessmen. Corporate income tax could therefore disappear, replaced by shareholder income tax.

This original proposal, which is the opposite of the usual pleas in favor of a corporate tax system that encourages them to finance themselves, is of the same inspiration as the plea that [Dominique Michaut](#), like myself, makes in favor of the "truth payslip", i.e. the absorption of employers' social protection contributions (social security and supplementary schemes) by employee contributions. In both cases, it is a question of returning to the people who make the enterprise operate, ordinary shareholders and employees, the responsibilities that have been in a way confiscated from them: ensuring the financing of the investments necessary for the development of the enterprise; pay the insurance premiums that provide them with social security coverage.

The analytical and conceptual part of [Dominique Michaut](#)'s book therefore leads, as should always be the case, to proposals for structural and, above all, structuring reforms. By basing these projects on a strict intellectual discipline, it gives these recommendations a coherence and solidity from which we would all benefit greatly if our rulers and future rulers were inspired by them.

Jacques Bichot, August 2016

The alarm signal of individual shareholding in France

[Three months after writing the preface to this book, [Jacques Bichot](#) took the opportunity of information to publish the following column. DM]

According to recent information (*Les Echos*, 18 November 2016), the number of natural persons holding shares seems to have halved since 2008. Parallel to the disaffection that affects the trust granted to political leaders, this disaffection is worrying: it shows that the population is distancing itself from both economic and political institutions.

Not investing directly in at least one enterprise is a bit like not going to vote: you leave it to others to take care of choices over which you feel you have little influence. Of course,

owning a few shares, like a ballot slipped into the ballot box, does not make it possible to change the course of things on one's own, but small streams make great rivers, and if streams dry up, rivers quickly turn pale.

Participating creates a bond

This is a problem of collective action. Let us consider a crowd that gathers to shout its indignation after a serious attack: each participant in the demonstration is, like the shareholder, like the voter, a mere drop of water, but he wants to be that drop of water, he wants to participate in this current. What for? Because this action makes sense, because it creates a link between these human atoms that aspire to form a community, a society, or even a people. Participating is a rewarding process. Feeling solidarity is more than a pleasure, it is the satisfaction of an existential need.

Less participation in elections, less direct participation in the capital of enterprises, less participation in religious ceremonies, all these "minuses" go in the same direction, that of a weakening of the bond. What unites human beings is to have something in common, whether it is a good, a goal, a feeling, a collective action. Sometimes this "something" is an ideology, but it is more often a reality that is both ideal and tangible, like this "carnal homeland" celebrated by men as different as Charles Péguy, Marc Augier, Jean-Luc Mélenchon and Jean Raspail. This "something" must have a consistency, a somehow palpable attraction.

Disembodied finance kills the link

The problem with stocks is that they have become abstractions. The majority of large groups have lost what could have aroused a kind of corporate patriotism among shareholders and employees alike. During its recent capital increase, Air Liquide saw a flood of requests well beyond the amount proposed: why? This is not only because this enterprise is well regarded by rating agencies and by the majority of financial analysts; It is also because it has for several decades associated its shareholders with an industrial and commercial history in which each of them can be proud to participate, and that the purpose of the operation

– acquiring an American enterprise operating in the same sector – corresponded to his image of competence and seriousness. But Air Liquide is unfortunately an exception.

Fast-saving undermines individual shareholding

The rule that increasingly governs the business world is that of abstract, disembodied financial markets. In these markets, "financial products" are bought and sold. Regardless of what these products correspond to, the only thing that matters is the hope of returns, and especially of [surplus value](#), that they arouse. As in the minced meat served by fast food restaurants, the consumer does not have to know the ingredients. The saver is directed towards fast-saving where he will be sold a product that is not necessarily bad, but devoid of character, purely utilitarian, incapable of arousing a real attachment.

The fall in individual shareholding is due to the unstoppable rise of fast-saving. No need to know what you are financing, you are immersed in an abstract universe where the prospects

of [return](#) and [surplus value](#) are provided by econometric models that the client will obviously not evaluate. All you need to know is what you're promised: it's up to you to choose the most advantageous, the most appropriate for your needs, without worrying about what your money is used for.

Fast-saving merchants have proliferated in the manner of McDonald's and Speed Burgers, and the result has been a significant replacement of direct ownership as well as traditional restaurants. But there the similarity ends. Because you can have a pleasant conversation, with family or friends, in a McDonald's: the destruction of the link with the producer has not led to the destruction of a very important bond, the one that unites the commensals. Whereas Burger savings weaken, or even destroy, the economically and socially important link between investors and enterprises.

Diagnosis

The saver was a provider of capital to enterprises; He has become a client of the financial industry that sells him services. This reversal of the situation of savers is harmful: if we want to give direct shareholding a real chance, it is this that must be stopped being promoted.

Let us begin by examining a very important case [of shareholding other than the ownership of shares by individuals](#): that of pension funds, institutions that are essential for organizing funded pensions. These funds can act either as stable shareholders or as businessmen who stock exchange. Unfortunately, they have evolved, on average, from the first formula to the second, considerably increasing the speed of turnover of their portfolios. What for? This is largely because managers are judged on their short-term results: they must therefore realise their surplus values quickly, and hedge against capital losses, instead of acting as loyal shareholders of enterprises with which they would establish lasting relationships. Tackling this problem of short-termism of pension funds is a priority, as they have the size to lead by example.

Regarding household shareholding, it is first necessary to understand why it has declined. It is not inherently less efficient than the savings channeled by institutions that manufacture financial hamburgers intended for savers transformed into consumers of financial services. To increase their market share, these institutions have an interest in the direct shareholding being less efficient; And they have found an effective way to do this: to make the markets technically complicated, and very volatile, which goes hand in hand. These two characteristics distance households from direct shareholding and lead them to become customers of intermediaries, who employ specialists and practice hedging techniques.

The vicious circle works very well: more volatility leads to more hedging, therefore to more recourse to derivatives, therefore to more complexity and more mimicry causing crazes followed by sudden disaffections, in other words more volatility.

What to do?

To break this vicious circle, it is necessary to focus on [returns](#) rather than [surplus values](#). Of course, investors in young shoots and start-ups are forced to bet on the strong surplus values of a few enterprises, which compensate for numerous and often total losses. But the

Dupont household does not invest in start-ups: it provides resources to fairly large enterprises, or to a small enterprise that it directly manages. The strategy to follow is then not to favor [surplus values](#) over [returns](#).

An enterprise that distributes most of its profits, and issues shares when it wants to increase its equity, will have "quiet" shareholders and therefore – if it is listed – a less erratic stock market behavior than those whose reference shareholders rely on [surplus values](#), favoring the use of [self-financing](#). The first thing to do is therefore to introduce a tax system that does not disadvantage dividends [Dividende](#) compared to self-financing, nor the distribution of free shares compared to the hope of [surplus values](#), nor capital increases compared to borrowing.

Other measures must be taken, in particular to limit the use of derivatives, which have become a kind of drug of the financial markets and more generally of business. Without going into technical details, let's say that these products, which are increasingly sophisticated, have become much more harmful than useful by proliferating: they create more instability and risk overall than security.

Weaning is always a difficult operation, but it delivers from a kind of slavery. This is one of the efforts to be made to establish what [Dominique Michaut](#) calls [Yield Capitalism](#) as opposed to [surplus-value capitalism](#), which is too inclined to flirt with speculation.

Jacques Bichot, November 2016

Part I – Introduction to the Objective Political Economy

Defining the scope of economics

Sapere aude!

"Have the courage of your own understanding."

Kant adds: "This is the motto of the Enlightenment." This is found, in fact, in his *Answer to the Question: What is "The Enlightenment"?* of December 1784¹.

Despite its modern advancements, economic thought remains heavily influenced by archaic assumptions such as "that which is expensive is scarce", that stifle rational analysis. This work argues that the alternative of an '**Objective Political Economy**' is both a methodologically robust and politically viable solution.

Social exchanges

Our most comprehensive dictionaries catalog the vast spectrum of human exchange. These interactions range from the symbolic—words following handshakes, gifts cementing occasions—to the foundational, where the exchange of intentions solemnizes marriages and contracts. We cultivate affinities through traded affections and rally around sports built on the exchange of a ball. Yet this tapestry also includes darker threads: accusations that fray commitments, and the professed necessity of exchanging blows by military and police. For many, politics itself is constituted by the exchange of promises for votes.

Amid this entire ecology of social exchange exists the distinct **subset** of offers made in return for money. Due to its profound consequences, both beneficial and harmful, this monetary domain has achieved a position of overwhelming dominance.

Economic exchanges

For the sale of any good or service, the legislator has established that monetary payment is non-refusable—and often mandatory. While a barter transaction involves no direct exchange of money, the monetary economy remains **functionally identical** to a system of universal barter. This is because all goods and services sold are ultimately, and exclusively, traded for other goods and services. This principle is an inviolable, universal law. Consequently, social exchange consists of transferable goods and services being traded against each other, a process typically mediated by money.

Now, the set whose only elements are these exchanges, including barters, possesses the remarkable property of being strictly formalizable.

Although these transactions could justifiably be termed "market exchanges," we adopt the more fundamental label of economic exchanges. This choice is methodological: it provides

¹ Quote by Pierre Manent in his book « *Cours familier de philosophie politique* » (p. 170 en collection Tel de Gallimard).

a sharp delineation within the universe of social exchanges, circumscribing those—and only those—that constitute the proper domain of the economy.

Economic transfers

Gifts, taxes, and most thefts are also economic acts. The word "transfer" is well suited for their generic labeling, subject to three conditions, however:

- First, a "transfer" is defined by a one-way change of property, unlike an economic exchange, which requires a reciprocal swap of property between two parties.
- Second, the term "transfer income" must be seen as contradictory. A person who earns an income is one who works in exchange for a wage or places their savings in exchange for the receipt of interest or profits.
- Third, a transfer is rightly considered economic only if it involves an object that can be the subject of an economic exchange: namely, money, a good, or a service.²

Labeling an allowance a "minimum income" or "solidarity income" demonstrates how the confusion between transfers and exchanges is harmful. Receiving aid and receiving a job offer are never equivalent. Blurring this distinction is unfair to those who work to relieve the community of their burden. Income is one thing, a subsidy is another.

Economic exchanges and economic transfers, while both being economic transactions, are fundamentally different in nature. This is because only economic exchanges result in the creation of new economic wealth.

Framing the ontology of political economy

"Senseless research is related to unforeseen discoveries. The role of the non-existent exists; the function of the imaginary is real; and logic teaches us that the false implies the true. It seems, therefore, that the history of the mind may be summed up in these terms: it is absurd by what it seeks, it is great by what it finds. »

Paul Valéry³

² Example of an economic transfer by providing a service: the farmer who uses a tractor with ad hoc equipment to voluntarily clear snow from the public road. Another example: individuals and associations who take on the chore of collecting rubbish in a place for a walk, on a beach or a playground, which is also voluntary. These services are of such a nature that they can be sold to a public body or another owner. The tax is a transfer: what has been owned by a taxpayer becomes the property of the public treasury. Contributions to a so-called pay-as-you-go pension scheme are also transfers: what was owned by the contributors becomes in the first instance the property of the scheme which, after deduction of management fees, uses this levy to pay life pensions; the contributing generations are to the generations thus pensioned like children who support their parents, which is different from what happens for so-called funded pensions; In principle, these are formed through economic exchanges and not through transfers. But this last point is rejected by those who insist on the refusal to include dividends in an economic exchange between the capital agents and the operators of this investment. The defined economy shows that this refusal represses a recognition that considerably cleanses the system of economic exchanges: see, taking the time to immerse oneself in it, the arguments for this consolidation in the form of initial proposals of economic science and major orientations of economic policy. This is all the more important because there are transfers that do not appear to be transfers: capital gains and losses are transfers made by means of an exchange.

³ Dans *Variété - Études philosophiques*. The underlining is by Paul Valéry.

Eight main questions

Four cardinal points

In an Objective Political Economy, the four cardinal points are, in alphabetical order, [competition](#), [employment](#), [money](#), and [income](#)⁴. At each of these points, two questions of general interest arise.

- On [competition](#): is the market's regulatory force not driven by price comparability? That is, can [prices](#) — [wages](#) and [dividends](#) included — be effectively compared without complex calculation, thereby enabling the freedom of choice?
- On [employment](#) : what is the [dynamic](#) between capital accumulation and [profit](#) that guarantees a state of full employment? Which rules of public financial management best provide for obtaining this benefit?
- On money: how do these public financial management rules, coupled with price-comparability-driven competition, provide what is necessary to preserve the long-term purchasing power of placements in savings accounts, loan securities, shares of corporate capital, and individual business capital? What about exchange rates with the currencies most used in international trade, as well as national trade balances with *The Nagging Problem of the Balance of Payments* (the title of a book published [by Jacques Rueff](#) in 1965)?
- For [incomes](#), what trends normally affect their national totals? If the complete distribution of these totals is not regulated by a tamper-proof key, where is there an arbitrary division and what does it imply to assume it?

Morals and morale

The most widely accepted answers to these last two questions – those concerning [income](#) – orient morality and morale within the society. They represent the prevailing opinion with regard to the fact that it is preferable that [the transfers](#) imposed by the legislator should be and should not, pursuant to Article 13 of the *Declaration of human rights and Citizen of 1793*:

"For the maintenance of the public force, and for the expenses of administration, a common contribution is indispensable; it must be distributed equally among the citizens, according to their capacities."

But in such a matter, what does "also" mean? Is it proportional to the taxpayer's income or through progressive scales? In this case, the things that are seen and not seen (Bastiat) make it doubtful that the progressivity of the average tax rate per tax household contributes more to the common good and to the sufficiency of tax revenues than the proportionality of this same rate. In the [Initial Propositions of Economic Science](#) discussed below, it is a question of providing the criteria for the equity of [the price](#) by [category of economic exchange](#). Without this, the idea [of fair economic exchange](#) remains held in clouds from which errors are taken for truths, for lack of ad hoc instruments for observing reality (for

⁴ Hence in the logo of onto-economy-politics, the letters arranged around a compass: **C** for competitions, **E** for jobs, **M** for currencies, **I** for income. The magnetic needle points to **E**

example, the error of [the distribution of working time](#) which can only turn into the sharing of unemployment; or the error of the [reduction in the cost of the](#) lowest paid labor, which can only lead to a social divide and an addiction to [subsidies](#)). Fair pricing criteria by [economic exchange category](#) are politically necessary for the selection of public actions that civil society has the greatest interest in demanding or rejecting in economic matters. An organic law for the management of public finances, such as the French LOLF of 2011, and a tax reform whose recitals do not explicitly refer to the economic theorization that inspires them, are democratically flawed since they amount to carrying out a hidden political project. Mutatis mutandis, the same is true of the programs of the political parties and the platforms of the unions, including the employers, of course. The improvement of "social dialogue" and "social refoundation" are above all economic affairs.

Four scientific on-call duties

Definable set logic

The logic of finite sets is based on the axiomatic specifications of each of the two possible definitions of any such set:

- "in extension" by an **exhaustive list** of the elements of the whole under consideration;
- "in intention" by a statement of a property common to these elements **and** to them **alone**.

Conceptual Foundations of Accounting

The acquis is that of the conceptual foundations of [double-entry](#) accounting. The distinction between stock ([balance sheet](#)) and flow accounts (income and expenses) is fundamentally objective. It logically implies other distinctions, two of which are particularly important for both practical and theoretical purposes: the distinction between stocks which are of financing ([liabilities](#)) and investment ([assets](#)), and the distinction between [expenditures](#) which strictly speaking are either [charges](#) or [investments](#).

Economics can be the subject of an exact science

The refusal that also helps a lot to bend to the methodological rigors of defined economics is that of a systematically negative answer, to the question: can economics be the subject of an exact science? Answering in the affirmative does **not at all** imply the assertion that any phenomenon qualified as economic can be accurately described and predicted by this science!

On the other hand, only the accreditation of the idea that economics can be the subject of an exact science, however limited the field, will lead to the recognition of a great historical fact. Economic theory has been scientifically misled. By his claim to make his conception of the human condition prevail, his space for investigation has been too extensive. His terminological flippancy has made it a kind of phlogiston, the fluid that the ancient chemists had imagined to explain combustion, right down on some of its fundamentals ([marginal usefulness](#), especially in its neoclassical version). His postulate that all [prices](#) have in common more than being [economic exchange-values](#) has led to the error of reasoning called the "petition of principle"; if this is really so, it is to be deduced from an investigation of the

formation of prices by [category of economic exchange](#), and not to be taken as proven before it has been proved.

A set of initial proposals

Political economy

Since the first twenty years of the nineteenth century, and at the initiative of the Frenchman Jean-Baptiste Say and then the Englishmen Robert Malthus and [David Ricardo](#) (before John Stuart Mill and Alfred Marshall, among others), the titles of treatises on economic theory often include the expression "political economy" (*Traité d'—*, 1615, Antoine de Montchrestien).⁵

Etymologically, a theory is a continuation – from the Greek *thêoria*, "procession, parade".

Logically, such a sequence is made up of propositions – in the sense of the Latin *propositio*, "statement". Under these conditions, rehabilitating a political economy or undertaking to reconstruct one better shaped by assembling a set of primary propositions, is part of a tradition; with the merits of the latter, on the one hand, and methodologically perfectible on the other.

The basis of a theory of the commodity

Without having a theory of [the commodity](#) as its basis — an intentional definition of the commodity, a division of all commodities into subsets that are themselves intentionally definable — a theory of [commodity exchange](#) is constructed as if taking into consideration the classes of objects exchanged could not avoid truncating and biasing primordial economic reality. Since the first chapters of economics textbooks do not yet include a theory of the commodity, an original gap is perpetuated, while it is obvious that mistaking bladders for lanterns constitutes a permanent danger when it comes to exchanges and transfers of objects that make their owners more or less comfortable. Etc.

⁵ Malthus, Thomas Robert, 1766-1834. Say, Jean-Baptiste, 1767-1832. Ricardo, David, 1772-1823. *La Critique de l'économie politique* de [Karl Marx](#), 1818-1863, parut en 1859, *Le Capital - Tome 1* en 1867.

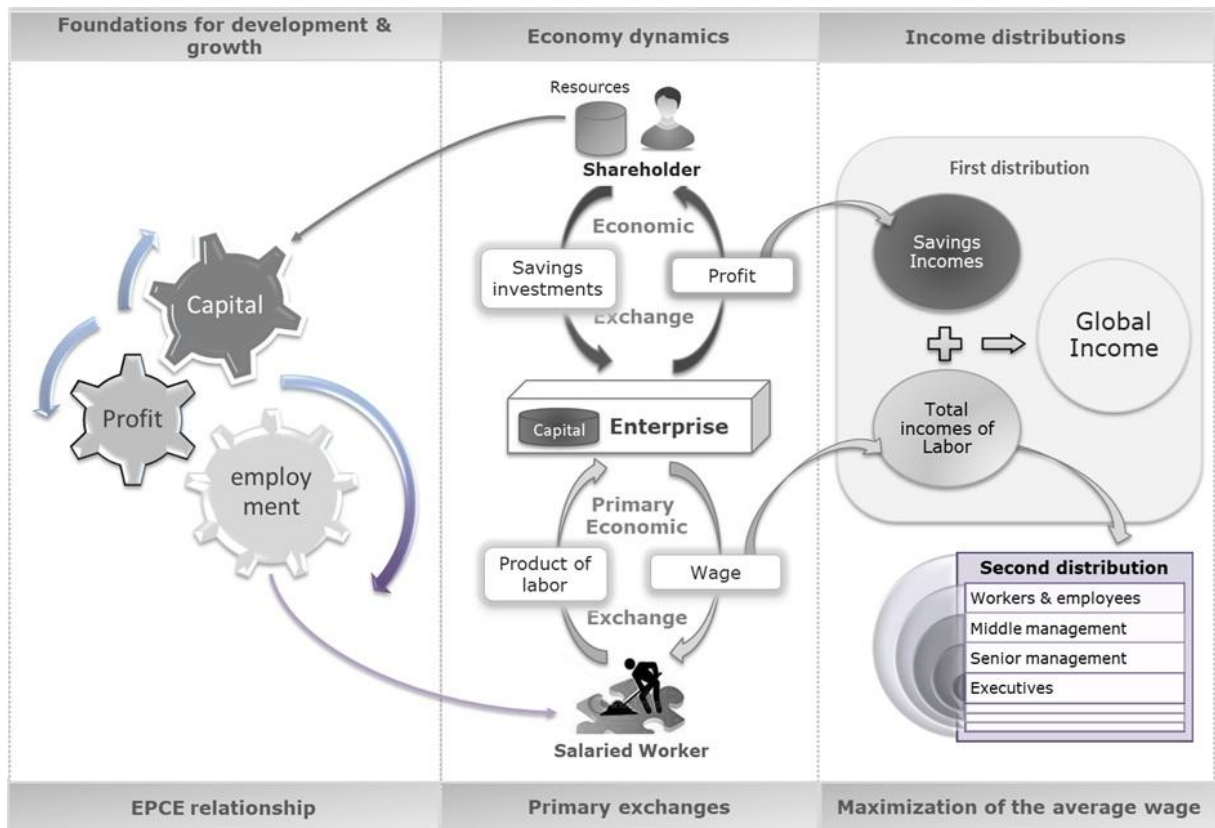


Figure 1 – Global operating model of the economy

The income generator and its two controllers

The income generator

Within each nation, whether it is confederal or not, the income itself is exclusively income from labor for some and saving placement income for others. They are generated by all economic exchanges, both domestic and cross-border. Downstream of the generator, all economic transfers constitute an additional distributor, ultimately financed entirely by levies on income as well as legacies.

Bequests, including inheritance taxes and, when this levy is deemed to be too little to reduce the disparity of private assets, the addition of a wealth tax with its perverse effects, the use of which pays the price. The creation of economic wealth is exclusively provided by the generator which, at the same time, provides for the distribution of income before any redistribution. This leads to a problem as crucial as it is one of civilization: what are the mechanisms of distribution before any redistribution? Are they, for some of their cogs, intangible and, for others, modular? Does Yield Capitalism tend to make the effects of these mechanisms more justified than the priority given to the race for surplus value? Is the maximization, in the natural (logical) slope of the market economy, that of saving placement income and the assets that provide it, or that of total income from labor? It is impossible for a defense of the general interest and an economic policy to be as relevant as possible without having correct answers to these questions in their foundations.

In the generator, two interconnected controllers are integrated. For those who have studied them closely enough, their acronyms EPCE and RPP¹ remind us that the initial E and the final E of one are those of Employment — Employment > Profit > Capital > Employment

— and that the initial R of the other is that of rate of return, R, productivity P, profitability P': RPP'.

The EPCE controller — Employment > Profit > Capital > Employment

The EPCE controller can be represented by an isosceles triangle, inscribed in a circle, with its vertices labeled Employment (E), Profit (P), and Capital (C). The system operates in a clockwise direction, following a steady clockwise rotation.

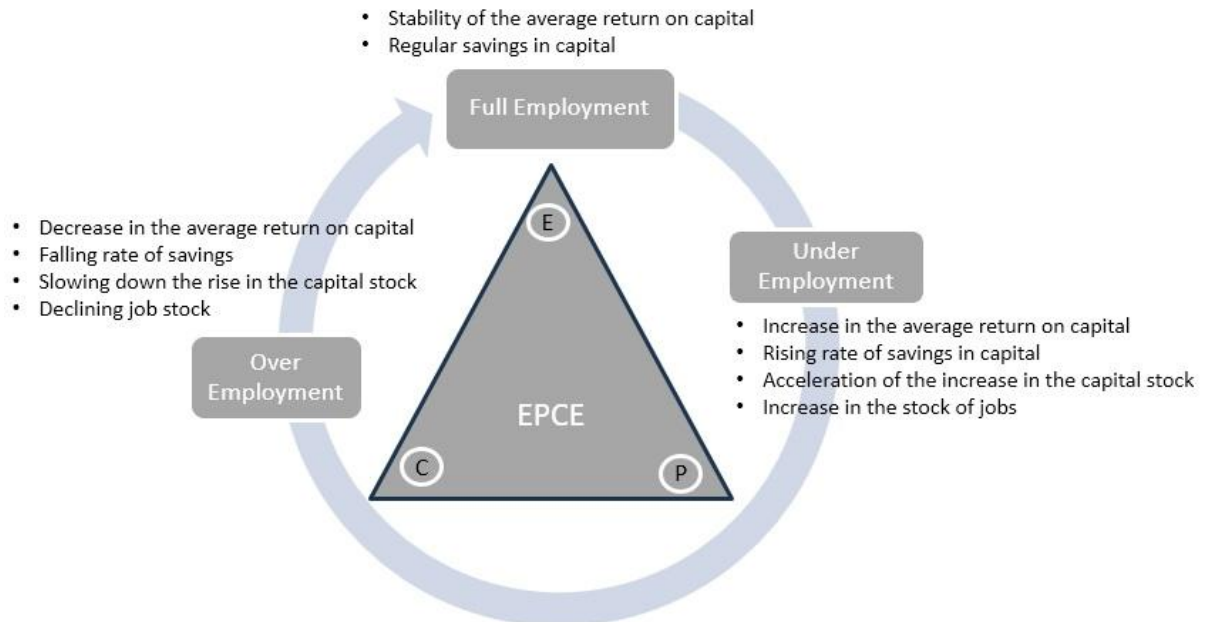


Figure 2 - EPCE regulator

This model reveals a powerful dynamic: the controller restores full employment more rapidly when its impulses are strengthened by avoiding self-financing from benefits. By shifting away from retained earnings, we directly enhance the appeal and variability of new savings in capital (C), as their effective yield becomes the primary driver of investment. This creates a virtuous cycle, making capital injections more attractive and responsive than when their returns are diluted—even if this means the prospects for surplus values (capital gains) are less spectacular or, as in the case of cooperatives, entirely excluded

The RPP' controller — rate of return R, productivity P, profitability P'

As for the image that best gives the idea of what the RPP' relationship is, it is that of a Roberval balance whose beam rotates around an axis mounted on a cylinder. The first plateau is that of rate of return R, the scourge revolves around productivity P that the evolution of techniques increases, and the other plateau is that of profitability P'. The definitions of R, P and P' are such that any rate of return R is equal to a productivity P multiplied by a profitability P'. It is as safe as when, on a bank statement, the sum of the debits is different from the sum of the credits, then the final balance is different from the initial balance.

The RPP' controller adjusts the profitability levels P' to the rate of return constraints R and the productivity performance P', the rate of return constraints R coming largely from the EPCE controller. National productivity P controls the evolution of the national total income.

The increases in other [productivity](#) P are reflected in the decrease in competition in the [sales profitability](#) P' of enterprises.

Adam Smith, Jean-Baptiste Say, [David Ricardo](#) and [Karl Marx](#) have pointed to the tendency towards the equalization of [return \(rate of profit on capital\)](#) between the sectors of enterprises of the same nationality (mining, manufacturing, finance, transport, wholesale and retail trading, among others). Today, this teaching is in disuse. This does not mean that the trend in question is no longer a natural economic law. The objective political economy holds that [RPP](#) regulation intervenes not only between sectors of enterprises and enterprises in the same sector, but also up to the levels of the same ownership of the supplies sold by the enterprises; see [Chapter 11](#).

The asymptotic decline in national profitability P' makes the market economy a producer of the maximization of [total labor income](#) under the constraint of a sufficient average rate of rate of return R of investments. Then this maximization is joint:

- 1) full employment longer than underemployment.
- 2) the incessant approximation of the prices at which enterprises sell to their sufficient level.
- 3) income from real investments as a gradual replacement for [pay-as-you-go pensions](#) which, for reasons set out in [Chapter 7](#), have the incorrigible disadvantage of not participating in the extension of periods of full employment.

The desired shift from [surplus-value capitalism](#) to [yield capitalism](#)

But there is a general condition for obtaining these results. The full and prompt operation of [the generator's controllers](#) must, deliberately, be preferred to the race for [surplus value](#). [Yield Capitalism](#), in which cooperatives have their place, must, politically, have prevailed over the business of surplus value. In other words, the capitalism of sufficient profit and full employment must have stopped the acceleration of the race for maximum enrichment for the big landowners, senior executives and higher-ranking politicians.

Chronic underemployment may be mainly due to [a public levy](#) (taxes + loans) that is so heavy and growing that it increasingly hampers the functioning of the [EPCE](#) relationship, with the result that the national stock of capital is not up to the level necessary to increase the stock of sustainable jobs ([capital](#), within the meaning of commercial enterprise law: the contributions of [the members](#)). In this case, it is distressing to have to note that the political class, which has its hands on the levers of such a country's economic policy, is proving incapable of explaining to its voters why public charges (operating expenses, [subsidies](#), financial amortisation of debt) must be reduced, vigorously and sustainably: because they have become a main cause of underemployment. It could not be more logical that the prescription for the activation of the [EPCE](#) and [RPP](#) controllers should include what has been too quickly called "the golden rule", i.e. the concomitant compliance with two rules of public financial management – see economic policy 2.

The avenue of full exchange

Defiance and weariness on the one hand, self-protection through silence on the other

Frédéric Bastiat formulated a social law of selection when he noted: "The public is made in such a way that it distrusts what is simple as much as it tires of what is not." To this mistrust as well as to this weariness, the academic authorities, the editors-in-chief and the highest elected authorities contribute as long as they refrain from openly taking sides for or against the innovation of the Objective Political Economy or any other attempt to publish the product of a really fundamental economic research but, a suspicious omen in many eyes, not yet academic or otherwise endorsed by a well-established institution.

This circumspection, which is very much in line with one of Auguste Detoeuf's impeccable aphorisms, "*The man who has arrived no longer moves*",⁶ is all the more prudent because there is something much more compromising in the innovation of the Objective Political Economy than the theoretical rupture. From the first chapter, on growth, of the *Major Economic Policy Guidelines*, which take up the organic reforms detected during the assembly of the *Initial Proposals of Economic Science*, the implicit criticism of imperatives jumps out at the eyes, cruelly for those who are willing to remember having proclaimed that the provisions to be replaced by better or no ones were the right ones or the right ones. only possible.

By and for the euthanasia of rentiers, ostracism against the impartial spectator

We have overlooked the point of view of the impartial observer. We have clung too much to biased observations and errors of reasoning that create mirages. We have relied too much on the balance of power as the main line of conduct. We have been too satisfied with expedients, including compassion that gives a clear conscience when in the end it often proves to be counterproductive. In what we have inherited that is most solid, we have sold off too much. We have not had the courage to fully assume that in peacetime financial crises are above all the result of intellectual errors that lead to major management errors.

The precedent of ordoliberalismus, born in Fribourg in the 1930s

The breakthrough of a new grand boulevard is nevertheless within our reach. Calling it "the avenue of full exchange" will not, today, make its project more often enthuse than it will leave indifferent, or that it will excite here and there pre-programmed hostility. Coming from the left and the right in the democratic symbolism of today, the best socialism and the best liberalism converge economically and politically towards an *Ordoliberalismus*. The latter is of the type that some twenty young professors and researchers of law and economics at the University of Freiburg began to cultivate in 1932, and which, from 1948 onwards, had as its fruit, by means of the *Soziale Marktwirtschaft*, what is retrospectively called the "German miracle".

⁶ Propos d'Octave-Louis Barenton, confiseur, ancien élève de l'école polytechnique.

Seven retrograde taboos

Economically, liberal socialism and social liberalism must participate in the overthrow of taboos in order to be better able to minimize structural unemployment and maximize [total income from labor](#), as well as to obtain the wage differentials deemed appropriate:

- 1) Fewer and fewer jobs provide those who work in them with a decent income because of robotization and globalization: an infringement of what full trade is able to provide.
- 2) No less social inequalities without at least as much or more redistribution of money through public finances: an infringement of what distribution produces by itself in the middle of exchange.
- 3) No employment without employer contributions and no [dividends](#), in terms of returns [on the savings in capital](#), without a substantial fraction of the [profits](#) being allocated to the [self-financing](#) of the enterprise operating the said capital: double violation of full trade.
- 4) As few rentiers as possible, other than by means of pay-as-you-go pensions, the art of making society seems to be better applied and economic development is said to be better equipped with shock absorbers from competitive shocks: an infringement of full trade.
- 5) No major privatization, particularly concerning the provision of medical care and its insurance, more generally no substantial reduction in the size of the welfare state, other than through IPOs and enterprises of enterprises: violation of full trade.
- 6) From now on, there will be sufficient growth without a large buffer of [subsidies](#) and public debts financing charges: violation of full trade.
- 7) No country providing for the prosperity of its population without enterprises whose aim is the maximum of "creation of value for the shareholder" dictates the taboo of which those who see a healthy necessity almost always fail to specify that this so-called "creation of value" is mainly or only [surplus value](#): a highly pernicious violation of full exchange.

Five healing wounds

Politically, turning one's back on the full-trade economy is an increasingly disastrous mistake in the long run:

- 1) It is taking a step backwards in the application of the principle of subsidiarity, making civil society less and less able to take charge of itself.
- 2) It transforms the contribution to the common good of the political class on the one hand into a skin of sorrow in terms of its usefulness, and on the other hand into a flying carpet at the expense of the community in terms of the salaries and allowances of elected officials and senior executives of the public service.
- 3) It maintains and multiplies social fractures.
- 4) It makes immigration too tempting and integration too difficult.
- 5) It increases the use of propaganda to pretend that these evils were only in adaptation to globalization and the overcoming of xenophobic nationalisms.

Establishing trust in Objective Political Economy

Although Ricardo's [very substantial contribution](#) to an objective economic analysis ultimately fell short, it was not a complete failure. His framework, however, was systematically dismantled on fundamental points by the subsequent exploitation of his work by both [Marxism](#) and [marginalism](#) (cf. [Paul Fabra's seminal work](#)). The specific lacunae in Ricardo's rigor that prevented economic thought from crossing the threshold into a hard science have since been obscured by poorly framed questions and biased answers. For two centuries after the 1820s, the intellectual climate remained unready for his level of analytical clarity

Objective Political Economy establishes a fundamental distinction between economic accumulations (the aggregation of properties with [economic exchange value](#)) and economic gains (the increase of monetary sums). It posits a viable foundational principle for economic systems: the endorsement of the former, coupled with the rejection of maximizing the latter. Crucially, this endorsement does not prescribe the collectivization of property. The prohibition on maximizing gains pertains foremost to enterprise profit margins, upper-echelon wages, and the multiplication of redistributive or punitive fiscal sanctions.

A significant school of thought within liberalism champions the pursuit of economic gains while rejecting the legitimacy of economic accumulations. This view holds that the race for maximum gain is essential to [competition](#)—particularly when competition is framed as a Darwinian struggle rather than a principle of social organization. Proponents argue that this very process, by accelerating general prosperity, automatically safeguards the minimal requirements of social justice.

Automatically attributing to individuals a universal will to maximize their personal gain **is not a liberal principle**. The foundation of a free society is that every person—natural or legal—must take full responsibility for their self-determined goals. Theorizations and practices that impose a single, rigid objective on entire categories of economic agents are inherently illiberal. A society can only be considered maturely open when it rejects such teleological generalizations and the mathematical models derived from them.

While claiming the mantle of [methodological individualism](#)⁷, fundamentally subjectivist and behaviorist approaches to economics reduce individual and entrepreneurial rationality to a set of arbitrary, self-serving assumptions. Consequently, these frameworks are not only pseudo-liberal but also socially divisive.

⁷ Voir la définition de « l'individualisme méthodologique » dans [Wikipedia](#).

Paul Fabra's major works

"The only liberating path open to us is to bring the economic — and political — system back to objectivity. It would then cease to put pressure on us, at every moment of our existence, by processes of psychological action calculated to suggest to us needs that bind us. Finally, freed from the continual solicitations of state propaganda or the commercial and advertising apparatus, the imagination could unfold in complete freedom in its own universe (art, love, leisure). It is by restoring social life to rationality, that is to say, to reality, that we will be able to once again open up the field of possibilities where such a field exists for good."

*[Paul Fabra](#)*⁸.

Refounding political economy

Capital for Profit is the title of the English version of *Anticapitalism*, written by Paul Fabra from 1969, published in 1974, republished in 1979, revised again in 1989 and 1990 for the English edition published in the United States in 1991. The author, at the end of his *Preface to the English Edition*, indicates that he now considers this version to be the most accomplished —

"I now consider the English version (which incorporates some changes) to be the more authoritative".

The chapters, grouped into two parts, are composed of passages generally titled, in other words sections. For example, in *Capital for Profit* there are four sections in the first chapter, seven in the second, and so on. In *Anticapitalism*, including the *Preface* and the appendices, there are a total of 140 sections. For the English edition and excluding the two presentations of its own — *Foreword by Michael Nowak* (3 pages), *Preface to the English Edition* (8 pages) — the same count gives 109 sections. In number of characters, the shortening is about a quarter.

Although largely based on writings in English, [Paul Fabra](#)'s treatment of "*the most general problems facing the economist*" was designed in French. This is why extracting from *Anticapitalism* only what is in *Capital for Profit* is likely to help French and French-speaking people to become aware, for the first time or more completely, of the reversal advocated by their author⁹.

Capitalism with Capital: The Recipe for Full Employment

In A4 format, this book in English is 33 pages long¹⁰.

⁸ *L'anticapitalisme - Essai de réhabilitation de l'économie politique*, p. 33 of the first edition (1974, Arthaud), p. 37 of the second edition in French (1978, Flammarion). In *Refonder l'économie politique* Third paragraph of the section *À bas la révolution !* of chapter 1.

⁹ [Télécharger la préparation de cette nouvelle édition \(phase 1, 100 %\)](#)

¹⁰ [Télécharger l'intégralité de cet ouvrage](#)

Part II – Political economy propositions

Can an exact science whose object is what we call "economics" on a daily basis be articulated? If so, does this science, however partial it may be achieved by objectivity, provide certain solutions to practically essential problems that the current theorization has only apparently solved? These questions can only be examined in a constructive mode by means of **primary**, experimentally verifiable, selected and articulated propositions, with the initial option of a common-sense prescription set out by [Paul Fabra](#):

*"Far be it from me to think that mathematics is not indispensable to political economy as it is to the other sciences; But the use of mathematics must be preceded by a close analysis of the concepts used. If the equations we use are inconsistent, we can develop all the equations we want, but we will end up with inconsistent results. Too often, in the humanities, we are satisfied with the appearance of scientific language. "*¹¹

In economic analysis, as in other disciplines, the most justified criticisms are milestones of what must be either avoided or succeeded. They do not, however, provide the certainty of having drawn from reality all that is necessary for the establishment of a **Objective Political Economy** (OPE). OPE is grounded on the SysFEAT [upper ontology](#) where concepts of structure, context, individual and changes are defined. It provides robust foundations for the proper definition of economic concepts.

Basic economics in twelve chapters

In the long-term competition of general theories of economics, the objectivist approach is still, after all, only at the stage of its prototyping¹². In particular, it has to prove its ability to explain normal price formations, from the prices that provide [saving placement income](#) and [labor](#), to the prices at which firms sell. In other words, the objectivist approach must clarify the question [of economic exchange values](#), despite the overly global answers that the history of ideas has bequeathed to us ([value-utility](#) versus value-labor). The same revision should also provide experimentally verifiable answers to two other fundamental questions: 1) what is the normal course of [income](#) distribution? 2) what are the main factors in the relative stabilization of [legal tender](#) currencies?

The economy, the commodity, the enterprise

The [first chapter](#), entitled *The Economy*, defines the scope of the economic science strictly as the subject [economic exchanges](#) analysis. The [second chapter](#) formulates a theory of *the commodity* by enumerating it [five properties](#), which exclude [money](#) and the three elementary means of production (knowledge, natural resource and human labor as effort) of the set of commodities,.

¹¹ [Refonder l'économie politique](#), chapitre 1 *Le renversement du fondement de l'économie politique*, première section *L'économie politique a rétrogradé à l'âge « préclassique »*, fin du huitième paragraphe. Le soulignement par mise en caractères gras est mon fait. Sur le même thème, voir [Walras lu par Valéry](#).

¹² Reprint of an article originally published by [economiematin.fr](#) le 29 décembre 2016

The [third chapter](#) examines the [enterprise](#), starting from the observation that it is the sole entity which exists exclusively to engage in [economic exchange](#). Contrary to the deeply ingrained belief that an enterprise's purpose is profit maximization, this notion is not merely an oversimplification—it is, in [Peter Drucker's terms](#), "irrelevant" and "harmful." No enterprise is inherently defined by this motive. This fundamental misconception is profoundly damaging, as it obscures three critical facts:

- 1) Enterprises are only artificially tax subjects.
- 2) Enterprises only sell [composite commodities](#).
- 3) Only enterprises are purchaser of the [elementary commodity](#) known as [savings in capital](#).

Accounting, capital, profit

The [fourth chapter](#) a general theory of economic accounting. This is necessary because a fundamental part of the economic vocabulary is derived from accounting categories. However, the economic accounting of states, households, and enterprises each possess distinct characteristics. A general theory must therefore provide a unified framework capable of defining and contrasting these different accountings

The fifth chapter ([capital](#)) and sixth ([profit](#)) rigorously redefine their core concepts, overturning common assumptions in the process. They introduce a crucial distinction between [capital](#) and [quasi-capital](#) to counter the harmful concentration of indirect enterprise ownership. Supporting this, the work differentiates [tradable shares](#) from [redeemable shares](#). It concludes by establishing two new forms of public information to enable the continuous sanitization of financial markets.

Employment, distribution, wage

The [seventh chapter](#) deals with *employment* in the light of what has been previously admitted. Barriers to the full exercise of feedback between the state of employment and the [stock of capital](#) via [profit](#) are counterproductive. Their lifting has effects in which the social treatment of unemployment is not even a good placebo. What is at stake in this matter is that national economies are provided with a **permanent stimulus mechanism**. Failure to comply with two rules of public financial management also harms employment. This is why the seventh chapter ends with the specification of these rules.

The [eighth chapter](#), on *The [Distribution of Total Income](#)*, first establishes that total labor income is what remains of total income after saving placement income has been accumulated. Then, this chapter intersperses between the concepts of [rate of return](#) and [profitability](#) (decanted in the sixth chapter) a strict definition of productivity. So the interpretation of the equations shown shows that **the distribution of total income lends itself to the maximization of total labor income**. In many countries, including France, public opinion remains convinced that the natural tendency of the market economy is in the opposite direction and that consequently it is necessary to compensate for it through power relations and redistribution.

The ninth chapter deals with wages as the generic term for labor remuneration. Concerning these payments, no one can repeal three fundamental laws. Country by country, they are:

- The average wage is a collective outcome.
- Wages depress the average income of those who earn less and elevate the average income of those who earn more.
- The distribution of total labor income is regulated by collective subjectivity.

The [ninth chapter](#) deals with [wages](#) as a generic name for labor remuneration. Regarding these remunerations, **no one can repeal three laws**. Country by country: 1) the average wage is a collective outcome; 2) Wages depress the average income of those who earn less and elevate the average income of those who earn more; 3) The distribution of [distribution of total labor income](#) is regulated by [collective subjectivity](#).

Interest, prices, money

The [tenth chapter](#) sees [interest](#) as a [price](#) to be subordinated to the [national average rate of profit on capital](#). The goal of this principle is not simplistic reversal, but to **make finance inherently subservient to the objective of job creation**.

The prices that the [eleventh chapter](#) studies are those at which enterprises sell. One conclusion of this study is that most of these prices each have an underlying value that is objective. The norm that governs this value is expressed by means of an expression not yet referenced in the economic vocabulary: [the equalization of direct rates of return of the same belonging](#). This norm is in fact a law established by [competition](#) when it is purged of what makes it more verbal than real. The final conclusion is far-reaching: the systemic viability and moral viability of the market economy become significantly greater than it has been if market authorities disallow the exercise of this law.

Of the [twelfth chapter](#), on *Money*, I indicate here only two things. It is intelligible only in the light of what precedes it. It is a transition with the part on economic policy.

Chapter 1 - The Economy

Above, the [introduction to the Objective Political Economy](#) partly duplicates this first chapter. The methodological options are, however, argued below in a more complete manner, the field of study being more precisely limited, and the hypothesis of monetary perfection posited until its removal in the last chapter.

Whatever one does, a political economy is oriented by its beginnings in such a way that it will prove possible, or impossible, to make it cross the threshold of an exact science. For this to be possible, it is necessary in particular that in the beginning there be a real definition of its object, instead of one of those statements which only give the impression of a precise investigation.

1.1 For its logical coherence, economic thought must rely on definitions that are valid within the framework of a formal ontology

Dictionaries, lexicons and glossaries provide information on meanings that are not, most often, statements that conform to the definition of the mathematical definition of finite sets.

1. The definition of the mathematical definition of finite sets can be summed up in three propositions.

- 1) A finite set is definable in extension or intention.
- 2) An extension definition lists all the objects that are part of the set under consideration.
- 3) A definition in intention states a property or properties that all the elements of the set under consideration and they alone possess.

2. It is to be expected that the definitions of economic objects and acts will be for the most part understood.

The statement of a definition in intention can often be intertwined with a partial enumeration. For example, economic wealth is the product of human labor, such as tools, food, and clothing, which is most often exchanged for a quantity of money and for the rest directly among themselves. The partial enumeration could be the beginning of an extended definition if all tools, food, and clothing were traded economically. However, this is not the case because of those that their owners have produced and that they keep to themselves, among other reasons. By this kind of impossibility, in economics the definitions admissible in the logic of finite sets are for the most part comprehensible. This fatality increases the need to bring great care to this discipline beforehand with literary mathematics.

3. Definitions that are admissible in set theory, other observations of reality, and reasoning use semantic conventions.

This is why economic thought is only brought to its highest point of rigour by explicitly mentioning the major naming conventions it uses. The most typical verb clauses in economic theory are reputed to be "all other things being equal" and "sooner or later". In fact, the clause most necessary for the elaboration of genuinely scientific economic theory is: "let us agree to call..." – followed by a word or expression – "the whole..." – followed by an acceptable definition in the logic of finite sets.

4. Despite the propensity for relativism, the principle of the search for truth is simple.

A theory is a series of statements that express a relationship between several terms. In other words, a theory is a series of propositions. A proposition that describes an aspect of reality is true when this description is in accordance with the facts. A theory, however partial, is itself completely true when none of its propositions is contradicted by a true proposition, whether or not the latter is part of the theory presented. [Karl Popper](#) included *A Supplement to the Critique of Relativism* (1961) at the end of *The Open Society and Its Enemies*¹³. It reads:

"The main philosophical disease of our time is intellectual relativism and the moral relativism which, at least in part, stems from it. By relativism, or skepticism if one prefers this term, I mean the doctrine according to which any choice between rival theories is arbitrary: either because objective truth does not exist; either because, even if we admit that it exists, there is in any case no theory that is true, or (without being true) closer to the truth than another; or because, in cases where there are two or more theories, there is no way to decide whether one is superior to the other. Some of the arguments advanced in support of relativism flow from the very question, "What is truth?" to which the convinced skeptic is sure there is no answer. But, to this question, one can reply in a simple and reasonable way – which would probably not satisfy our skeptic – that a statement or statement is true if, and only if, it corresponds to the facts¹⁴. / What does it mean to "correspond to the facts"? Although a skeptic or relativist may find it as impossible to answer this question as it would the previous one, it is actually as easy and even almost trivial. For example, every judge knows well what a witness means by truth: it is precisely what corresponds to the facts. We must make a clear distinction between knowing what truth means and having a means, a criterion, to decide whether a statement is true or false. Most of us don't know the criteria for determining whether a banknote is genuine or fake. But if we found two notes bearing the same number, we should have good reason to declare that one of them [at least] is false: an assertion which would not be deprived of meaning by the absence of a criterion of authenticity. It is, in my opinion, the requirement of a criterion of truth that has led so many philosophers to believe that it is impossible to answer the question: "What is truth?" But the absence of this criterion does not render the notion of truth meaningless, any more than the absence of a criterion of good health renders the notion of health meaningless. In the absence of any criteria, a sick person may seek to regain his health, and a man who has made a mistake may seek the truth. / One of the direct results of Tarski's work on truth is the logical theorem: there can be no general criterion of truth. This theorem is well-founded, and it is based on the very notion that truth is the correspondence with facts: that is, on a notion for which we have no criteria. The unreasonable requirement of the philosophies of the test, if it had been complied with in this case, would have prevented us ever from arriving at this logical result – which is of great importance. Certainly, there is a kernel of truth in skepticism and relativism, namely that there is – in fact – no general criterion of truth. But we

¹³ Seuil 1979 pour la traduction française abrégée. Les passages cités sont extraits de cette traduction, pages 186 et 188 du tome 2.

¹⁴ Souligné par [Popper](#). Il en va de même des soulignements suivants.

have no right to conclude from this that the choice between rival theories is arbitrary. It simply means that we can make a mistake in this choice: that we are fallible. / ... / It is an illusion to believe in scientific certainty and the absolute authority of science; Science is fallible because it is human. But this does not give reason to skepticism or relativism. We may be mistaken, of course; It does not follow that the choice we make between several theories is [inevitably] arbitrary, that we cannot learn, and get closer to the truth. »

5. The selection of scientific ideas is, in the long term, rational.

At the beginning of 2008, [Raymond Boudon](#) enriched the encyclopaedic collection *Que sais-je? Presses Universitaires de France* by *Le relativisme*¹⁵. The observation that there are no general criteria of truth and scientificity is exposed, with a philosophically more prestigious and didactic reference to peddle than the one used by [Popper](#) in the excerpt quoted above. Boudon does so in a passage¹⁶ deserves to be quoted here in full (the footnotes are additions for the purposes of the present quotation, the underlining is by the author cited):

"Two main arguments can be made against cognitive relativism¹⁷.

"1 / As Kuhn indicates¹⁸, the selection of scientific ideas reveals the action of irrational factors in the short term. This does not exclude that, in the long term, this selection will be rational. Lavoisier is objectively right against Priestley, even if the discussion of Priestley's theory of phlogiston¹⁹ shows that the positions taken by the scientists involved in the debate were often inspired by irrational motivations. It is therefore only if the distinction between the short and the long term is neglected that the principle of the excluded third can be applied²⁰ and declared that since the discussion between scientists is not exclusively rational, the selection of scientific ideas must be regarded as irrational. But, once this distinction is taken into account, the question of whether discussions between scholars are rational or not is disqualified by its very formulation.

"2/ The same applies to the conclusions that have been drawn from the powerlessness of the philosophy of science to determine the criteria for demarcating science and non-science. We have never been able to identify the criteria in question. But one can apply to scientificity a decisive remark of Kant's on truth²¹; it is not because there are no general criteria of truth that it does not exist. To seek the general criteria of truth, he ironically, is to seek to milk a goat. However, truth is not an illusion.

¹⁵Souligné par [Popper](#). Il en va de même des soulèvements suivants.

¹⁶ N° 3803

¹⁷ Relativisme cognitif : négation de la possibilité pour la connaissance d'accéder au réel

¹⁸ Thomas S. Kuhn (1900-1967), philosophe américain. Les *Références* de l'ouvrage de [R. Boudon](#) renvoient à *La structure des révolutions scientifiques*, 1962, Flammarion.

¹⁹

²⁰ Le feu considéré comme un des matériaux ou principes de la composition des corps. Joseph Priestley, 1733-1804, Antoine Laurent de Lavoisier, 1743-1794.

²¹ Principe du tiers exclu, dit aussi du milieu exclu : entre deux propositions contradictoires, l'une est vraie et l'autre fausse si, et si seulement, l'exclusion d'une troisième proposition est recevable.

"Kant means that there is no finite set of criteria that can be applied in the manner of a checklist to determine whether a theory is true. On the other hand, in many cases one can decide with certainty in favor of one theory against another. This is what the history of science teaches us. We can accept the theory proposed by Torricelli and Pascal of the physical phenomenon that was to give rise to the barometer and reject the theories of Aristotelian inspiration because the first better accounts for the phenomena observed and does not introduce the idea that nature abhors a vacuum. In other cases, other criteria will make it possible to decide between competing theories. Thus, the criteria that make it possible to choose between the theories explaining the extinction of the dinosaurs are partly different from those that make it possible to decide between the theories of Priestley and Lavoisier. It is precisely because it is possible to determine on the basis of solid reasons whether one should prefer one theory to another that some theories irreversibly disappear in favor of theories deemed preferable in the light of well-defined criteria that vary from one case to another.

"Kant's remark on truth can be applied to scientificity. There are no more general criteria of scientificity than of truth. As soon as theories can give rise to comparisons leading to an indisputable arbitration, they give the impression of being scientific. But it is difficult to go beyond in terms of precision. There are no general criteria for scientificity, but scientificity exists. ».

6. What is true for truth and scientificity is valid for objectivity.

The most damaging consequence of the negation of the possibility for knowledge to access reality is to eliminate from the field of consciousness the cultivation of the virtues of objectivity. This regression is aggravated by the undue attribution, but as a rule in subjective political economy, of an economic exchange value to knowledge in itself, in other words to knowledge in itself (more on this subject in the next chapter).

7. In economics, too, the claim of pure description is fallacious.

In *Relativism*, two pages of which have just been quoted, [Raymond Boudon](#), at the beginning of his third chapter, entitled *Explaining Beliefs*, asks the question: "Should we accept on the other hand the opposition often proclaimed between normative knowledge and descriptive knowledge?" At least in economic theory, the descriptive is very often, if not always, normative, positive or negative. In any case, to describe is in itself to recommend seeing things in this way and, in economic affairs, to administer them according to what is held, explicitly or implicitly, to be normal and abnormal. To devote economic theory — economic science, the foundation of political economy — to description in the first place in order to ensure its scientificity? It is in reality impossible to stick to it, while pretending to do so is necessary to pass off prejudices as explanations and the particular as general, while giving the impression of sticking to impartial considerations.

8. Pseudo-definition is essential to give in to one's partialities.

The use of acceptable definitions in finite set logic is necessary for economic theory for the same reasons as in other disciplines. The neglect of these reasons is particularly tempting, however, when it comes to economics. This negligence is, in fact, essential to give in to one's partialities when they are closely involved in what I am or believe to be on a daily basis. This

is why overcoming them is always difficult and often impossible. Economic subjectivism, in its individualist and collectivist declinations, needs pseudo-definitions to appear rational.

9. Pseudo-definitions are the basis for petitions of principle.

The pseudo-definition favors the petition of principle, i.e. the reasoning that holds as true what is to be demonstrated²². The effort to pay attention to the facts required by definition, in the sense of this concept in mathematical logic, opens the way to demonstration, whereas the petition of principle obstructs this path. Let's take an example. I hold it to be true that the law of supply and demand mainly governs the formation of all prices. I derive curves and equations from it, and other kinds of considerations, and then I say to myself that it is "therefore" quite true, although I have not demonstrated it, that the law of supply and demand mainly governs the formation of all prices. The avoidance of this petition of principle comes of itself as soon as the attention has been sufficiently sharpened by the effort of true definitions. The understanding then lets slip that: 1) "mainly" does not mean "complementarily"; 2) it is all the prices and not a part of them that are in question. This "mainly" and "all" are not in line with the facts.

10. In other words, an agricultural commodity whose price falls when its supply exceeds its demand and rises when it does not.

Noting this in no way prevents us from asking: what determines the objective exchange value of this commodity when there is neither an excess nor an insufficiency of its supply over its demand?²³ The same question is formulated in another way: what does the objective exchange value represent at which there is possibly an underbidding or overbidding? The answer to this question completes the avoidance of the petition of principle of the law of supply and demand which is supposed to govern **mainly** the formation of **all** prices. A theorization by means of pseudo-definitions, petitions of principle and abuses by excluded third parties²⁴ reinforces prejudices which in turn facilitate its accreditation. Claims about what economic theory cannot have in common with the "hard sciences" are inadmissible in the light of what these sciences admit is methodologically more elementary: knowing what exactly is at stake.

11. The mathematics of economics is first and foremost literary.

In economics in particular, concepts without equations from a doctor of physics are better than all the equations that one wants to deal with notions. The definition of the definition is a mathematical instrument logically indispensable for the proper use of the rest of the

²² L'extrait cité comporte ici une parenthèse donnant, en allemand, une référence précise dans l'œuvre d'Emmanuel Kant, 1724-1804

²³ Il reste fréquemment utile, voire indispensable, de préciser que le **concept** de pétition de principe est distinct de la **notion** de position de principe. Une **position** de principe procède de considérations parmi lesquelles il y a ou non une **pétition** de principe ou plusieurs. Une pétition de principe est toujours ou bien un paralogisme — erreur de raisonnement de bonne foi — ou bien un sophisme — erreur de raisonnement de mauvaise foi... mais assez manifestement la fiche Pétition de principe de Sophisme.com est tout à fait de bonne foi et dans le mieux de ce qui se trouve sur le même sujet par internet.

²⁴ Parler, dans ce contexte, de « demande » est une commodité pour distinguer l'une des deux offres en présence. La demande marchande, en tant que catégorie générale opposée à l'offre marchande, n'existe pas, contrairement à l'illusion qu'en donne l'usage de la monnaie. Parlons, c'est pratique, de l'offre et de la demande mais, quand il s'agit d'échanges économiques, n'oublions à aucun instant qu'il s'agit toujours d'une offre en échange d'une offre.

range of mathematical tools, including, in the first place, the rule of three. The choice of words and the assembly of sentences is a mathematical exercise, in which one strives for the maximum accuracy and completeness in the observation of which one is capable, as well as for the minimum of non-contradictions, petitions of principle and other sophisms. To devote oneself to it as an author and reader is to do literary mathematics. Arithmetic, algebra and geometry are, among other things, part of mechanical mathematics. In this matter, doing literary mathematics is essential so that the complementary use of mechanical mathematical instruments participates in the exact resolution of objective problems. Failure to push this effort far enough opens the door to more corruption than could be avoided. Much of the mechanical mathematics in economic research will only become progress after a significant amount of literary mathematics. Not only scientific but also social progress: literary mathematics, once established and more didactically exposed, falls under common sense, while mechanical mathematics falls under the meaning of only the minority of its followers. If the geometric rigour of authoritative economic discourses had progressed significantly, for example since the 1850s or 1950s, the economic pathology would have been greatly reduced, in an almost mathematical way.

12. The proper use of the rule of three is not as simple as it seems.

The rule of three is widely used in economics, as in the work of the engineer, the cook and the doctor, among many others. In *Le relativisme*, a work cited above, [Raymond Boudon](#) helps us to realize that there is every reason to expect that this use lends itself to established consensuses on misconceptions.

"In a famous experiment, J. Tooby and L. Cosmides²⁵ asked doctors the following question: 'A disease has a prevalence rate of 1/1,000. There is a test to detect its presence. This test has a 5% false positive rate. An individual is subjected to this test. The result is positive. What is the probability that the individual is actually affected?' / The question elicited false and yet widely shared answers. A majority of doctors believe that, under the conditions described, the subject who tests positive has a 95% chance of actually being affected by the disease. If we average the doctors' responses, the subject who tests positive is assigned a 56% chance of being sick. As for the correct answer..., it is given by just under one in five doctors, exactly 18%. / ... The prevalence rate being 1/1,000, per 100,000 people there are an average of 100 sick and 99,900 healthy subjects... However, these 99,900 non-sick people have a 5 out of 100 chance of being declared positive. Hence it follows that there are a little less than 5,000 "false positives" among the 100,000 people. Thus, the probability of being sick when you are positive is $100 / (5,000 + 100)$, i.e. a little less than 2%. »

In economics, there are many comparisons of percentages that do not have the same base 100; the proportions in relation to aggregates that make it possible to reduce or increase them; correlations that give the impression of cause-and-effect relationships that do not exist or that include a decisive intermediary that is not reported; distribution problems deemed to have no objective solution when they have one. The adage is well known: you

²⁵ En note de bas de page 46 de l'ouvrage cité, références à une étude publiée par ces deux chercheurs en 1992.

can make numbers say anything, sometimes including the truth; to numbers and equations, as well as to econometric models. One of the keys to more relevant political economy, and therefore to economic policies that are themselves more relevant, is of course to pay more critical attention to what is most commonly said on the one hand, and the most cleverly on the other.

13. Scientific law is rigorous.

I have the right to say, if I am convinced, that this phenomenon, whatever its nature, participates in the configuration of economic activities or results from it. On the other hand, I never have the scientific right to affirm that this phenomenon is inherent in all or part of these activities without demonstrating it in one way or another. There is no economic science epistemologically worthy of the name unless it is bound to respect this discipline for all that it admits of principality. A particularly important application of this rule is this: no one has ever demonstrated, and never will demonstrate, that the inclination to maximize profit is inherent in the commercial enterprise. Whether skilfully articulated or spontaneous, a theorization of economics that is based on the affirmation of this inclination is not scientific on this key point. If we add to this the fact that definitions, in the sense of this concept in the logic of finite sets, are only found in a residual way, or even are not found at all for all that is accepted as principal, then there is no doubt that this theorization is fundamentally unscientific.

14. An economic theory is established as rationally as possible by being formally made up of propositions that are not only explicitly stated but also stated before their argument.

The key observations, the articulation of which constitutes a theory, are made by dint of looking with one's own eyes and through reading, of thinking pencil in hand, of losing one's way until one finds landmarks lost to sight. For each of these observations, there is no other way of methodically putting it to the test of reason than to formulate it as concisely and precisely as one is capable of in order to verify its admissibility several times by the argumentation that authorizes it.

Of the "*rational selection of ideas*", [Raymond Boudon](#) notes that it "*unfolds... necessarily slowly for an essential reason, namely that the criticism of an idea has little effectiveness in itself as soon as it comes up against 'opinion' and 'social power'*".²⁶ Once again, we can illustrate Tocqueville's analysis with an example that came after him in order to underline the importance of his thought for the intelligence of our societies: that of the countless critical essays, from Viktor Kravchenko to Alexander Solzhenitsyn, which denounced the Soviet system, its efficiency and its cruelty. They only shook the non-believers: those who were not convinced that the communist system was a real alternative to the liberal system, both viable and preferable to the latter.

²⁶ L'opinion et le pouvoir social au sens de ces mots dans l'œuvre de Tocqueville, et particulièrement dans le second *De la démocratie en Amérique*. Le passage cité se trouve aux pages 189 et 190 de *Tocqueville aujourd'hui* de [Raymond Boudon](#), aux éditions Odile Jacob. Le soulignement est mon fait.

1.2 Let us call **market, or economic, an exchange** of a service or a good for either a quantity of money or a good or service.

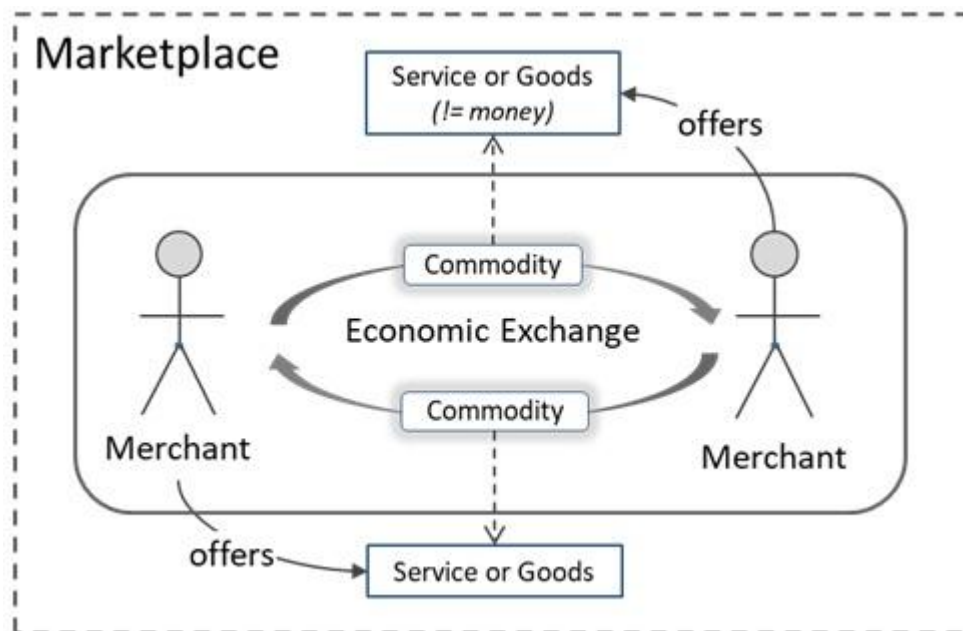


Figure 3 - Economic exchange

1. To argue this proposition, let's talk about type X and type Y exchanges by first considering an example of each.

Andrew does the dishes for Paul's restaurant in exchange, type X, for a quantity of food or change. Cleaning dishes is a service rendered. Its counterpart is the transfer of property, in the form of a quantity of food or money. James gave John bread in exchange for wine or a quantity of money. In this exchange, there are type Y, reciprocal transfers of two commodities.

2. An exchange of type X as well as type Y is a **barter** when the counterpart is not a quantity of money.

And it is partly a barter when the counterpart is not only a quantity of money. In an economy where the practice of barter has become very marginal, a slightly shorter statement of proposition 1.2 becomes almost sufficient: Let us call market, or economic, an exchange of a service or a good for either a quantity of money or a good or service.

3. Type X and Y exchanges are part of the same subset of contracts with reciprocal obligations of both parties.

Andrew does the dishes for Paul's restaurant in exchange for a quantity of money that he later uses to buy an object sold by Jack who in turn uses this quantity of money to engage in an exchange of type X or Y and so on.

4. Economic exchanges are a subset of **social exchanges**.

All economic exchanges are social; not all social exchanges are economic. Apart from the exchange of one quantity of money for another quantity of money, all the counterparts in exchange for a quantity of money are commodities.

5. But what exactly is a commodity?

And what are the different categories of commodities? A theory of commodity exchanges, i.e. of the exchange of commodities, is too little developed as long as it is not based on a theory of the commodity, or the theory of services and goods that have an economic exchange value.

6. Drawing up an inventory of the kinds of counterparts in exchange for a quantity of money divides all commodities into subsets.

This division is superfluous if the main determinant of any price, or exchange value, is always the same. Otherwise, the main determinant is likely to vary from one kind of commodity to another.

7. To be sure, a method is necessary: postulate the opposite case, even if it means having to conclude that the main determinant is always the same.

So don't dwell on the question: where does the (exchange) value of everything that is sold and bought come from? To prefer it: where does the value (always exchange) of each great kind of thing that is bought and sold comes from? By avoiding any petition of principle, including the one, as has already been noted, of the law of supply and demand as a controller of price formation in all circumstances.

1.3 All gift, voluntary or forced, of a quantity of money or of another thing having a market value, is a transfer of an item of economic exchange.

Any such transfer is economic, and any economic transfer is of this kind. The concept of economic transfer is inseparable from that of economic exchange because the latter participates in the definition, in the logic of finite sets, of what an economic transfer is and is not.

1. A property, or a provision of services, has a market value, i.e. a market value, when it is of a nature that it can be sold.

The verb "sell" and the expression "market value"²⁷ used in relation to non-monetary terms of economic exchange only and not also to means of payment. In what economic assets include are the credit balances of bank accounts and cash, which are means of purchase and donation. The use of language is limited to the respect of a distinction whose theoretical validity is patent, despite the petition of principle of the so-called supreme law of supply and demand. This invented supremacy leads to maintaining, against the facts, that money is an economic wealth like any other, on the grounds that it is offered and demanded.

2. To speak of a "transfer of property" instead of a "transfer of a economic exchange term" is also appropriate when there is no doubt that the property in question is an item of economic exchange.

Moreover, it is self-evident to speak of a transfer in a context where there is no doubt that it is the transfer of a economic exchange term. Moreover, it is more relevant to speak of a

²⁷ Ce n'est que de façon figurée et péjorative que l'adjectif « vénal, ale », au sens propre qui se vend ou peut se vendre, est utilisé pour qualifier un comportement : un juge vénal, un amour vénal, une plume vénale, etc.

transfer as a whole than of "transfer income". This expression conflates one thing with one of its opposites: the counterpart in exchange and the subsidy.

3. Any transfer of money or other property with market value is a subsidy.

A subsidy is a transfer of purchasing power. A tax is a subsidy that the legislator obliges to provide and that is used to carry out economic exchanges and to grant subsidies.

4. Transfers made compulsory by the legislator are not necessarily public.

This is the case, for example, with the maintenance obligation and the eponymous pension. Moreover, the legislator requires economic exchanges, for example the subscription of a car insurance contract if necessary. Family life imposes the need for parents to provide for their children, as well as, sometimes, for children to provide for their parents. Other circumstances make it essential or desirable to practice the subsidy on a private basis of subsidy. It is as much part of the fundamental freedoms as the practice of economic exchange.

5. A compulsory contribution to a family allowance scheme is a transfer.

On the other hand, a contribution to a compulsory insurance scheme, in particular health and unemployment insurance, is not a transfer but a premium in exchange for guarantees.

6. A contribution to a pay-as-you-go and points-based pension scheme is not a transfer since there is in return the payment, when the time comes, of a pension proportional to the number of points purchased.

This type of pension is quasi-saving placement income that is just as much an annuity as saving placement income. Life annuities by a pay-as-you-go pension scheme **other than by points** are nevertheless pensions by transfer.

1.4 The object of the Objective Political Economy is that which is specific to economic exchanges and to the transfer of the terms of these exchanges.

1. Economic exchanges and the economic transfers of the terms of these exchanges form a system.

The economic system is not closed, although commodities are exchanged, most often by intermediary money, only for commodities²⁸. In addition to the incessant creation of new commodities²⁹, technical knowledge and legal apparatus are part of the environment of the economic system and participate in its steering. In turn, the operation of the system alters its environment.

²⁸ Argument for this statement in the next chapter, proposition 2.11. By atavism, the word "commodity" first evokes a material object. The services exchanged for remuneration must nevertheless be seen as commodities, otherwise one thing and its opposite are maintained: yes, these exchanges are marketable, as evidenced by the fact that they determine the existence of markets; No, because in each of these exchanges one of the two terms is not a commodity.

²⁹ Any new merchandise is not a new material object (see previous note).

2. Economics has as its object the open system that the practice of economic exchanges and transfers of market terms of trade establishes.

A major characteristic of the economic system is that it has as its subsystems a monetary organization and a fiscal organization, with all that these devices entail in terms of empirical approximations. This is one of the reasons why the notion of equilibrium applied to the economic system is unrealistic.

3. There are no specific subjective causes for the practice of economic exchanges and transfers.

Subjective causes which would concern only the economic aspects of social life would exist if the appetite for purchasing power were of a different nature from the appetite for power; the desire to possess through commodity exchange or the capture of an economic transfer of a nature other than that of the desire to possess; the need satisfied by means of commodity exchange of a different nature from the need satisfied by the self-consumption of its production; the mentality of a different nature from the social mentality; *Homo economicus* a real constituent of *homo sapiens*.

4. Since Jean-Baptiste Say, it has been repeated that the economy is the production, distribution and consumption of wealth.

This assertion, even when it is specified that the wealth in question is only that which has a economic exchange value, and therefore does not include "human capital", ³⁰peddles a pseudo-definition of the economy. The argument in the following proposition explains why.

1.5 The field of the Objective Political Economy comprises only two types of production and no consumption.

1. For insurers, "production" refers to sales.

The sale in question is that of guarantees provided in exchange for premiums. In business management, the use of the expression "production of sales" is very widespread, while in enterprises, other productions are economic by destination. In accounting, a "product" always comes from a sale made (exchange) or from a subsidy received or to be received (transfer).

2. Two productions are in the field of the Objective Political Economy.

One of these outputs is that of sales, in the first place by individuals (work, and placements when they are in exchange for their remuneration); in the second place by enterprises where it leads to the production of Marge margins (positive, zero or negative). The other production is that of transfers, in particular those from individual to individual (inter vivos gifts, inheritances); those organized by the public authorities to provide for their financing and the aid they grant; those from individuals to non-commercial associations.

³⁰ Entre les analyses et les prescriptions économiques qui font usage de la notion de « capital humain » et celles qui se refusent à le faire, il y a en tout état de cause une rupture dont les conséquences ne peuvent pas être que vénielles.

3. Human beings do nothing without producing and consuming.

But if producing something other than an [economic exchange](#) or [transfer](#) and consuming anything are acts recognized as being of an economic nature, then every human act is economic. However, if every act of man is more or less reputed to be economic in scholarly circles, the distinction between a subset of economic activities within human activities is erased in these circles.

4. The distinction between the economic and the non-economic is respected on a daily basis.

From the age of reason, we all consider that economic life is only one aspect of life in society, because we find that our actions and those of our fellow human beings are not all related to money and the means of obtaining it. The intuition of the existence of a homogeneous sphere of which money is a main instrument is of course accompanied by remarks that make extensive use of the qualifier "economic", facilitating the accreditation of formulations that are not true definitions of what this sphere is but which nevertheless function as realistic assertions.

5. A large part of human consumption is of economic origin.

Purchased goods and services enter this share, after selling services and goods or receiving a [subsidy](#). **This does not mean that consuming is an economic act.** Whoever considers that everything that takes part in the possibility and decision of buying and consuming, or that is capable of taking part in it, remains consistent only by admitting that everything is economic, since anything is capable of taking part in this possibility as well as in this decision.

6. Production and consumption are very often made possible only by economic exchanges and transfers.

Admitting that producing and consuming are not, in themselves, economic acts does not negate this obviousness. The qualities and quantities produced and consumed depend largely on the organization of the practice of [trade](#) and economic [transfers](#). The object of study and reform constituted by this organization is sufficient to make the proper and useful and important of economic science.

7. This delimitation not only does not detract from the specificity, usefulness, or importance of economic science, but on the contrary reinforces them.

Starting from considerations on the human condition and on the notion of [utility](#) in order to draw the elucidations expected from economic science exposes not only the risk of philosophizing badly, but above all of failing these elucidations.

8. A doctrine of the subjective causes of the practice of economic exchanges necessarily makes great deal of the notions of need, [scarcity](#), [utility](#), desire, pleasure, and pain.

When a theorization of economics is based on such a doctrine, the statements that serve as the definition of economics are extracted from it. These statements do not define anything because all human activities satisfy a need by filling a lack; provide pleasure; give pain. By conflating arbitrary notions, the economist inevitably comes to the economy, which

is everything and, therefore, nothing in particular, contrary to what happens on a daily basis. The doors are then wide open to imaginary constructions by means of petitions of principle. In any case, the economy, which is everything, is nonsense.

1.6 The Objective Political Economy must first be studied under the assumption of monetary perfection.

1. The economy is very largely monetized.

Commodity exchanges are almost always carried on by the use of money, and subsidies are Transfert Economique transfers of a quantity of money most frequently. This convenience is indispensable, because of the considerable handicap that generalized barter and the payment of taxes in kind would constitute.

2. This convenience has disadvantages which would disappear only if the currencies in circulation were so good at preserving exchange value that a loss or gain of purchasing power would never result from their use.

Should economic science be built first on the hypothesis of monetary perfection in order to later bring to light, among the monetary organizations observed and conceivable, the most adequate? The negative answer diminishes, or even annihilates, the ability to find the best way.

3. The model of pure and perfect competition and the hypothesis of monetary perfection do not have the same status.

The model of pure and perfect competition reduces the regulation of the freedom to offer by the freedom to choose to what it does not have to be in order to exist, as Schumpeter was one of the first to show. The hypothesis of monetary perfection neutralizes a variable until it is discerned that currencies that are legal tender should disrupt as little as possible.

4. The principle of legal tender is so simple that we tend to lose sight of it.

In the geographical area where a currency is legal tender, **no payment may be refused on the grounds that it is made in that currency.** In this way, a currency that is legal tender is endowed with an unquestionable discharging power in law.

A currency is forced tender when it is inconvertible into gold or any other metal that can be used to calibrate it. Legal tender and forced tender of a currency are combinable and separable.

1.7 Let us distinguish, as scales of observation of economic phenomena, mesonomy, macronomy, and micronomy.

1. The history of economic theory has dictated that microeconomics has its own macroeconomics.

It also wanted Keynesian macroeconomics to be erected into a corpus that was supposed to be largely self-sufficient, both for econometric (national accounts) and political (economic stimulus) purposes.

2. The reality established by the practice of economic exchanges and the transfer of terms of these exchanges determines the existence of scales of its observation and exploitation.

It is in fact to distinguish two of these scales that the notions of microeconomics and macroeconomics are now used spontaneously.

3. The investigations reported in this book use three scales.

In order not to cause confusion, neologisms are used to designate these scales: mesonomy for the average, macronomy for the largest, micronomy for the smallest.

4. Since the enterprise is the only institution that exists only for economic purposes, let us align the mesonomic scale with the enterprise.

The concepts of commercial general accounting are mesonomic. The enterprise as a legal entity and its capital are, among other things, mesonomic objects.

5. When economic analysis takes into account what is happening in a geographical area, it is macronomic.

While the rate of profit on capital of a firm is a mesonomic quantity and controller, the average rate of profit on capital for all firms in a country is a macronomic magnitude and controller. The global stock of capital and that of jobs are also macronomic quantities and controllers. The phenomenon of the distribution of total income is macronomic.

6. Cost accounting concepts are micronomic.

Several of these concepts are defined and used in Chapter 11, on the prices at which firms sell. The problem of the fraction of common costs to be included in a full cost price is micronomic.

7. We will see that this problem is wrongly reputed to have no objective solution.

The scope of this micronomic solution, as we will also see, is mesonomic and macronomic. A homogeneous and complete theory of prices is made up of normative observations, some of which are macronomic, others mesonomic, and the last micronomic. The theory of economic exchange values accepted in Objective Political Economy must go as far as the calculation of the objective selling prices of industrial commodities (not scarce) marketed by enterprises. This is proof of its usefulness, its coherence and its completeness.

Chapter 2 – Commodities

To better understand [economic exchanges](#), we must consider items of exchange other than monetary quantities. Classifying these items of exchange generically as "commodities" provides an accurate framework for economic exchanges, so long as two conditions are fulfilled:

- The properties that qualify an item for membership in the set of commodities must be fully enumerated.
- The taxonomy of this set must be sufficiently advanced to constitute a partition of all [economic exchanges](#) into [homogeneous](#) subsets.

A coherent [ontology of commodities](#) —encompassing all tradable goods and services — is the indispensable foundation for a sound theory of price formation. Such a theory is vital not only for effective macroeconomic policy but also for microeconomic enterprise strategy, as it directly enables accurate [cost-of production](#) analysis and a true assessment of Return on Investment (ROI)..

2.1 All commodities are the product of an expenditure of human energy.

1. A commodity only exists when it is offered for sale.

However, even when the item for sale was the result of [transfer](#), the act of selling it still requires effort (expenditure of energy). Therefore, every commodity is the product of expended human energy, if only for the service of its sale.

2. Every commodity is the product of [human labor](#).

But it must then be pointed out that, in such a statement, the word "labor" is used in one of its three main meanings. "Labor" means:

- either an expenditure of energy;
- or the product of such an expenditure;
- or an employment.

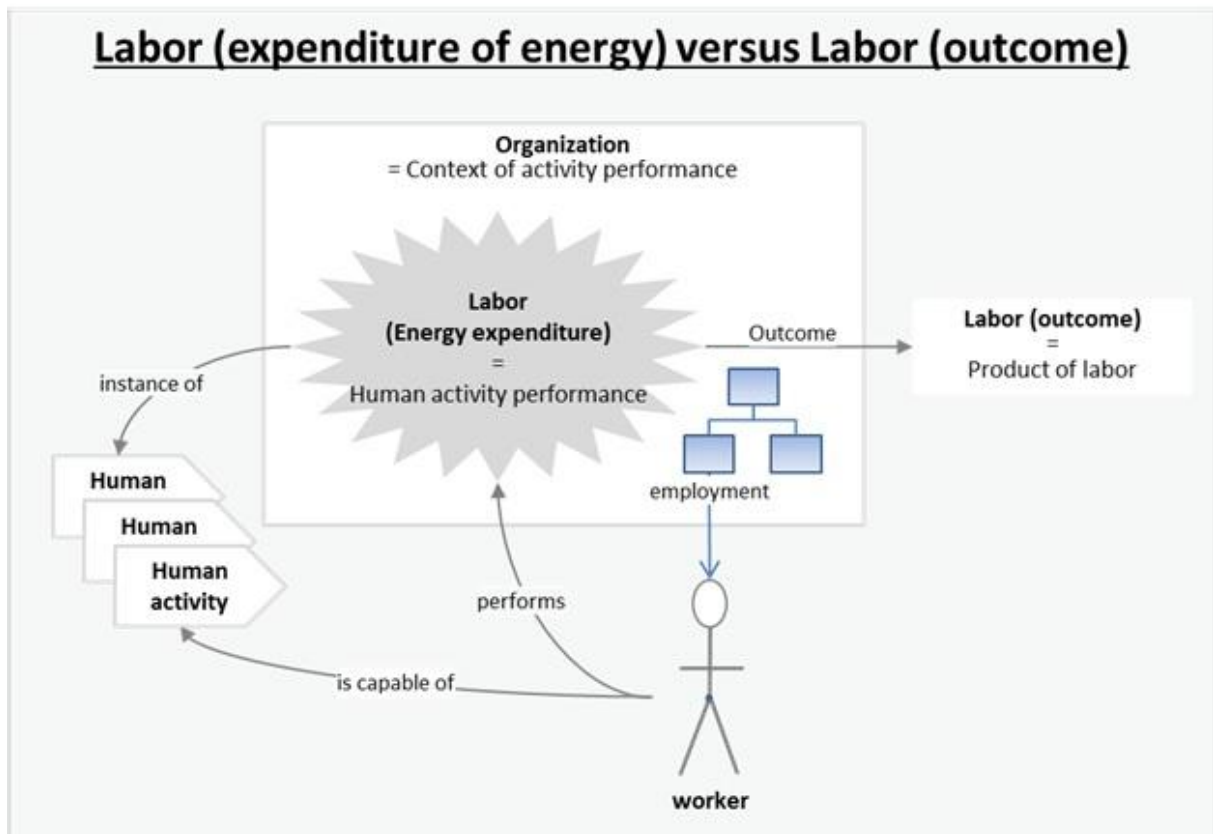


Figure 4 - Labor expenditure of energy vs product of labor

3. The greatest risk of confusion lies between labor as an expenditure of human energy and labor as a product (an outcome) created by that expenditure.

- The worker's energy expenditure: his fatigue, his wear and tear;
- the product produced by means of this expenditure: the outcome of work carried out.

4. Status of automated labor

Automation does not change anything. All commodities will remain the product of an expenditure of human energy, even in the case of automatons assembled, programmed and repaired by other automatons. At the top of a line of robots and automated processes will, in fact, always be at least one product resulting from an expenditure of human energy.

Under these conditions, what is the price of a wage? Fatigue and wear and tear, or the labor? What does the employer buy from the employee (and the enterprise in its own name from its owner in his capacity as an employee)?

5. Not every product of human labor—every piece of work—is, for that reason alone, a commodity.

Myriads of products created by human energy are never commodities. Many of these, as we will later discuss, act as factors of production—both for commodities sold by enterprises and for non-commercial services, whether public or private.

6. Rampant commodification has an antidote.

The antidote is a rigorous ontology of commodities, one that provides a complete partition of all kinds based on their formal definitions.

2.2 Labor as an expenditure of human energy is not a commodity.

1. Labor, conceived as the exertion of human energy is a necessary means for economic exchanges and transfers.

²This indispensable means, however, is never itself a commodity, for the simple reason that it is a product—a result—of an expenditure of energy and time which is exchanged for money or directly for another result—another product of an expenditure of human energy.

2. The distinction between labor as an expenditure of human energy and labor as an exchangeable commodity is not specious.

The fact is that there are two realities here, certainly linked but nevertheless distinct. Let's consider an example. A very large wedding cake was ordered from a pastry chef. The latter begins manufacturing the evening before the day of delivery. He spends the whole night there, in the basement, because that's where his laboratory is located. In the morning, the customer who placed this order arrives at the store. The pastry chef's wife warns her husband from the top of the stairs. The pastry chef, who had just dozed off, woke up with a start and began to bring the product of his work to the shop. Badly awakened and too tired from his night's work, he misses a step, the wedding cake rolls down the stairs, the dog attracted by the windfall immediately gobbles up a large slice of the cake, in any case smashed by his fall and riddled with porcelain debris. As a result, there has indeed been an expenditure of human energy but there is no longer any product of this expenditure in exchange for its payment by the customer.

3. The terms "price of labor" and "cost of labor" mean nothing when it comes to labor as an expenditure of human energy.

They only take on a meaning when it comes to labor as product of labor provided in exchange for a wage. This is done for the most eminently practical as well as theoretical purposes.

4. Often, the wage does not only include what is paid directly to the employee.

In this case, there is also what is paid by the employer on behalf of the employee as such. Of this part, it can be said, in distinction from the share directly paid to the employee, that it is indirect. The entire wage is then the sum of its direct and indirect shares.

5. One way to get comfortable with one of the most basic economic realities is to talk about the "cost of labor" as if it could be anything other than the entire wage.

A brake on more objectivity in economic relations qualified as social is thus kept tight, and all the more firmly because the relative shares of indirect wages are large in relation to the direct wage and the full wage. This is a very important point. Major economic policy proposals must hold it back as long as the fiction of the employers' reputed shares of the entire wage remains.

2.3 The primary commodity is labor as the product of an expenditure of human energy.

1. The products of labor, in exchange for which workers receive wages, are part of all the commodities sold by the enterprises.

This is one of the reasons why these products, which are services, are the primary commodity. Another reason is that this same commodity enters the production of public administrations and non-commercial associations. And to these two reasons is added a third: all organizations, including families, which employ personnel, buy primary commodities.

2. Every holder of income from product of labor derives it from the sale of the primary commodity

Including when this holder is not aware of being a merchant, economically speaking. Radical and unjustly inspired criticisms of economic life would not remain so frequent if those who peddle them would admit that the remuneration for their work also makes them merchants.

3. Many of these merchants are unwilling, but it is in avoidance of the worst.

In order to give exclusivity to the practice of subsidies (gifts, transfers), the practice of economic exchange must be prohibited and, consequently, the wage system must also be prohibited, in all its forms, thus severely undermining the exercise of fundamental freedoms.

4. Since the primary commodity is the service of labor in exchange for its remuneration, the primary market is the labor market.

If this market is, for whatever reason, economically immature, then it may be practically futile to work to clean up other markets before having, even in theory, made progress in recognizing what makes the labor market more objective and impartial, and therefore less paved with injustices. Whether it is accepted or not, the Labor Code is in fact the first book of the Commercial Code.

5. A political economy is only realistic if in its initial expectations it admits the primacy of the labor market.

The primacy of the labor market is fundamental because it is where the primary commodity—product of human labor itself—is exchanged, forming the very basis of all economic activity. When a political economy, through its dominant theories and policies, obscures or represses this reality, it severs us from the true nature of value creation. This distortion weakens our collective capacity to form sound economic judgments, leaving us vulnerable to policies and practices that generate systemic harm.

6. It is not because the primary commodity is the service of labor that there is not another category of elementary commodity.

The other category of elementary commodity that the service of labor is, as this chapter returns to later, the service of the investment of savings in exchange for its remuneration. The basic markets are those of labor and savings placements. The absence of full employment is likely to be due more to the state of the savings market than to the labor

market, given that corruption by habit and inadequate legal provisions of only one of these two markets is unlikely.

2.4 A commodity always includes the supply of a service.

The service always provided is that of putting it up for sale.

1. Goods have characteristics that services lack.

They are storable and transferable. This is why "wealth" is spontaneously associated with the possession of goods. But, as a general rule, what really makes the owner of an extraordinary property rich is not this property alone; it is just as much the number and variety of persons employed, in one way or another, to serve this owner and his family as well as to work for the maintenance and beautification of the property.

2. In economic discourse, the expression "goods and services" is often used.

The term " **services and goods** " better reflects a basic economic reality. As previously noted, the [primary commodity](#) is a pure service.

3. Raw materials and foodstuffs, semi-finished and finished products: will we come to the point where it is no longer these objects of economic exchange that the word "commodity" first evokes?

Everything that enterprises sell is, in the last resort, produced only by means of two services: the [labor service](#) and the savings [investment service](#).

4. So labor and capital?

Product of labor and invested savings. We shall see further on that in Objective Political Economy it is better to designate by the noun [capital](#) only one of the investments of savings.

2.5 A commodity has a [use value](#) and an exchange value.

1. The distinction between use value, or utility, and exchange value in price formation, was introduced into economic thought by Adam Smith during the second half of the eighteenth century.

It was in the following terms:

"It must be observed that the word value has two different meanings; sometimes it signifies the utility of a particular object, and sometimes it signifies the faculty which this object gives of purchasing other commodities. One can be called value in use and the other value in exchange."

Immediately afterwards, Smith rejects the systematic attribution of dearness to utility:

"Things that have the greatest value in use often have little or no value in exchange. [...] There is nothing more useful than water, but it can buy almost nothing; there is scarcely any way of getting anything in return. A diamond, on the other hand, has almost no value as to use, but it will frequently be found to be exchanged for a very large quantity of other commodities."

2. In the second half of the nineteenth century, the marginalist revolution occurred.

Those who are convinced of the validity of marginalism have their own way of reading "the old authors" (Professor Jean Marchal). On the *Paradox of Water and Diamonds*, here is what Professor Frédéric Teulon wrote about it in the 1990s³¹:

"This paradox can be explained using the concept of scarcity. Water is a vital but abundant good, so the marginal utility that an individual derives from the consumption of the last amount of water he uses is very small. Water will therefore be marginalized, with little value, despite its immense usefulness in terms of the survival of the species. »

The validity of Adam Smith's rejection of the attribution of dearness to utility is nevertheless easily verifiable and largely verified. By circumventing it by subterfuge of the utility of the last quantity, marginalism reduces scarcity to the rank of universal determinant of price formation and economic "science" to sophistry: *what is scarce is expensive, what is expensive is rare*.

3. This is in contradiction with Adam Smith and then David Ricardo, who judged that the relative quantities of labor play a major role in terms of price formation.

In the first quarter of the nineteenth century, David Ricardo endorsed this judgment, but excluding commodities that were permanently or temporarily scarce, as well as taking into account what some economists have called "capital intensity", which could be very different from one commodity production to another – that of coal mining and that of wicker baskets or shoes. Like what.

4. In reality, and in a competitive situation, the prices of tap or bottled water depend above all on production costs and profits.

These costs themselves depend very much on the quantities of labor, new and past. The profits are at a normal height, variable in time and space, under the conditions set forth further in the present treatise. Ricardo states very clearly, in the first paragraphs of chapter 1 of his *Principles*, that there is no common determinant of all commodities of their exchange values. Again, it is because of those of these commodities which are scarce—as distinct from others which, in greater numbers, are "reproducible at will by human industry."

5. Nothing, apart from the habit that has been adopted, allows us to prejudge the existence of a universal determinant of price formation.

It is only after the observation of the formation of prices in each main category of commodities that it becomes a good method of pronouncing on this existence. Thus *ex post* and not *ex ante*, failing which a petition of principle is committed by asserting an existence which it is precisely necessary to demonstrate that the practice of economic exchanges establishes it. No petition of principle is scientifically acceptable. This is one of the reasons why the marginalist solution to the so-called water and diamond paradox is unscientific. Since it is not possible to prove that this solution is part of the reality established by the practice of commodity exchanges, it is the uselessness of marginal utility to found a general

³¹ Economic vocabulary, PUF, coll. Que sais-je ? n° 2124, page 88 de l'édition 1996.

theory of [economic exchange](#) that reason obliges us to stick to, until the eventual *ex post* proof that the universal functions attributed to marginal utility and [scarcity](#) really exist.

6. **From this last consideration follows the reason why the [division of all services and marketable goods into homogeneous sub-assemblies](#) is an irreplaceable prerequisite.**

A theory of economic dearness that is not based on this prerequisite is condemned to be at least partly imaginary. Yet, of course, the more unrealistic the theory that guides the choice of an economic policy, the less adequate this policy will prove to be once implemented.

7. **In Objective Political Economy, the expression "exchange value" and the word "[price](#)" designate exactly the same relation.**

This ratio is that of quantities [exchanged](#) on a commercial basis, the most convenient and widespread use being by far to express this ratio by a quantity of money (money). Let us repeat this, because neglecting it leads backwards: it is not just after having made the distinction between two kinds of value that it is possible to investigate with fairly good knowledge of the facts the question of whether or not all commodity values have more in common than being prices.

2.6 Money is not a commodity.

1. **Money is an instrument whose purpose is to be accepted in exchange for a commodity and, more generally, in payment.**

The [use value](#) of current currencies is reduced to the fact that they have an exchange value and, more broadly, a liberating power. Many transfers of purchasing power are made, and often can only be made, in monetary terms.

2. **The utilities of commodities are not reduced to the fact that they have an [exchange value](#).**

The usefulness of current currencies is reduced to the fact that they have a discharging value and that they can be exchanged for other currencies that are current.

3. **The usefulness of a currency that is current lies in the fact that it is not a [commodity](#).**

A wad of banknotes can be transformed into a commodity if it is put under glass and in a frame these notes, and then the object thus made is sold. If this work finds a buyer at the asking price and if this price is paid in money, then the latter is used as an instrument, which is not a commodity since its utility, or [use value](#), lies entirely in its [exchange value](#).

4. **Banknotes, coins and other payment instruments that are no longer in circulation become commodities when they are offered for sale to collectors.**

A conception of economics that admits that currencies in circulation are [commodities](#) like any other, or almost like any other, is based on the incomplete transformation of the notion of [commodity](#) into a concept properly so-called.

5. In the *Economic Vocabulary* cited in argument of the previous proposition, there is no entry "Commodity".

In the index of each of the two volumes of Raymond Barre's *Political Economy*, there is also no entry for the word "Commodity". In the *Economic and Financial Dictionary* published by Le Seuil, the same is true³². Etc., etc., etc. It is to be believed, against all evidence, that economic exchanges do not have as their own terms either one commodity and a quantity of money, or two commodities in the case of barter. It is also to be believed that there is no logical necessity in using in economic science, in the same sense, the expressions "commodity exchange", "commodity exchange", "economic exchange", without which a true definition³³ of the object of this science is inarticulable.

2.7 The elementary means of all human production are accumulated knowledge, natural resources, new labor.

1. The techniques and theories taught to apprentices are accumulated knowledge.

In addition to new knowledge and know-how, old ones are falling into disuse and are sometimes rediscovered several generations later. All theories are means of production. The fact that a theory is more radically false than true does not change anything. Economic theories or so-called economic theories are no exception. That the latter can also be the cause of alteration of practices could not be more normal. It even seems that we need to go further. Isn't the succession of several management modes and currents of economic thought, in the space of a generation or two, often more the product of persistent incapacity than of real innovation?

2. The natural resources exploited by man provide him with energy and materials.

Through the expenditure of his own physical and mental energy, man draws energy and materials from solar radiation, flora, arable land, fauna, subsoils, wind and water. All living beings must incessantly consume natural resources in order to continue to live and, in the case of man, to modify his living conditions.

3. In the museum of natural resources, famous in the history of economic thought, there are air, water and diamonds, gold, among others.

The air is there because it is free, in ordinary circumstances, while its usefulness is vital. Drinking water and diamonds are found there because of the lower cost of water, whereas its usefulness is vital and that of diamonds as an ornament is not. Gold is there because of its monetary use, in terms of the calibration of all other economic exchange values. This does not mean that air, water, diamonds and gold are in themselves commodities.

³² Mais dès sa première édition en 1975, il y a une entrée « Marchandisage »... qui renvoie à « Merchandising - Ajustement des caractéristiques d'un produit aux fins de commercialisation ».

³³ [2] Une acception du mot « économie » conforme à ce qu'est une définition en logique des ensembles finis. Cette conformité est indispensable à la fixation de ce que la science économique a en propre de traiter et la politique économique en propre de gérer – ce que donc l'économie politique a, dans la vie en société, en propre d'étudier et de guider.

4. New human labor means a new expenditure of human energy.

In everyday life, work is opposed to leisure. It's inevitable. However, this should not be deceived. Leisure activities also require labor, as an expenditure of energy and exposure to fatigue for those who engage in them. And even sleeping, that's labor! Often the result of leisure activities is not only the pleasure they provide. Services and goods are produced there, without entering the economic circuit as long as they are not put on sale, given away or stolen.

2.8 None of the three elementary means of production is a commodity.

Labor as an expenditure of human energy is not a commodity, as already stated above.

1. X has two loaves of bread and one piece of knowledge, Y lacks bread and does not possess this knowledge.

X offers Y, or Y asks X, for one of the two loaves of bread and knowledge. The other party agrees. Whether the bread is sold or given by X to Y will not change the fact that the ownership of this bread will pass from X to Y. But what about knowledge? The knowledge that X has transmitted to Y **will remain in the possession** of X and Y will have the ability to transmit it to Z without being able or having to renounce its possession.

2. Knowledge is not in itself a commodity.

Knowledge is not in itself a commodity because it is never enough to possess it to be able to make it an object of commerce. New labor must always be added Moyen de production Travail nouveau, if only to find a buyer or donee and, very often, to be able to provide him with the agreed thing. In other words, a person whose wealth of knowledge and the art of drawing particularly clear and convincing exhibitions from it are great. Such a person may derive income from his knowledge and talent only if he publishes, professes or advises all activities which require new labor on his part.

3. A candle offered for sale or given away is an economical object.

From Joseph E. Stiglitz, in *Another World*³⁴

"... Because knowledge is what economists call a 'public good': potentially, everyone can benefit from it. [...] Thomas Jefferson, the third president of the United States, said it much more poetically when he likened knowledge to a candle: when it lights another, its light does not dim³⁵.

While a candle offered for sale or given away is an economic object, knowledge is not in itself an economic object because of the difference indicated above, in 1.

4. A natural resource is not in itself a commodity.

As if to know, a natural resource is never enough to be able to make it an object of trade. Even if it is only necessary to gather or fish and then to put on sale or to give away, it is still

³⁴ Fayard, 2006.

³⁵ Pages 160 et 161.

necessary to have the new labor of gathering or fishing and then offering for sale or transferring. Etc.

5. In other words, a village located in the only place that allows you to admire an exceptional natural landscape.

Its inhabitants realize that they could derive substantial income from this gift that nature has given them. At the end of a Homeric legal battle with the supervisory authorities of their commune, they obtained permission to install and put into service tolls at the entrances to their village. After several years during which it was necessary to amortize on the one hand the bills of the lawyers who won the legal battle, and on the other hand the investment required by the installation of the toll booths, their joint venture became profitable. The exceptional landscape proved to be a natural resource which, like any other natural resource, was not in itself sufficient to make it an object of trade.

6. Should we therefore consider that all natural resources are a public good?

In truth, no natural resource is in itself an economic object, like all knowledge. Declarations and negotiations on the economic objects constituting private and public assets must take this truth into account, otherwise they are tainted by two untruths: not only is no elementary means of production in itself an economic object, but also there are economic assets only made up of economic objects, that is, things that have an economic exchange value.

2.9 A commodity is a supply that has been offered for sale and has not yet found a buyer.

Services exchanged for income from labor are economic supplies, as are savings placement services exchanged for their remuneration.

1. A supply that can be sold but is not offered for sale is not a commodity.

And a supply which, after being put up for sale, has found a buyer is no **longer** a commodity. There is, however, one notable exception: when the purchase is made by an enterprise in order to make all or part of it for resale.

2. Haggling is systematic where always asking the seller for a discount, even if it means postponing the purchase until it is obtained, has either become part of the way of life or has remained commonplace.

The propensity for bargaining³⁶ is fueled by the accreditation of two **arbitrary and illiberal precepts** (see below), held in subjective political economy to be inherent in the practice of economic exchanges: 1) the aim of non-cooperative private enterprise is, it is claimed, to generate the maximization of profit³⁷ ; 2) The law of supply and demand mainly or

³⁶ Mot dont l'un des sens est : contrat illégal par lequel un sous-entrepreneur s'engage à faire effectuer un travail par une main-d'œuvre recrutée à cet effet, sans fournir de matériaux.

³⁷ Une coopérative gérée de telle sorte qu'elle dégage le maximum de ristournes à distribuer à ses sociétaires adopte ce but *ipso facto*.

exclusively regulates the price of all commodities, including in the first place the price of labor in exchange for its remuneration, it is assured.

3. These two precepts and the pseudo-definitions of economics stir up unlimited commodification.

The word "commodification," which appeared in the French vocabulary according to Le Robert in 1978, tends to be used in the same sense as "commercialization," as in preparation for the sale of natural organs of the human body and surrogacy, among other dangerous extensions of the catalog of economic objects.

2.10 Any supply that is a commodity has therefore five properties.

The services of the savings placement exchanged for their remuneration are economic supplies, just as are the services exchanged for income from labor.

1. A commodity is a supply that has the following properties:

- 1) to be the product of an expenditure of human energy
- 2) always include the provision of at least one service
- 3) to have a utility other than being an instrument of exchange
- 4) not being an elementary means of production
- 5) to have been put up for sale and not yet to have found a buyer.

2. The following are excluded from the set of commodities:

- 1) Labor as an expenditure of human energy;
- 2) Currencies that are legal tender;
- 3) Knowledge;
- 4) Natural resources.

3. There is no so-called "knowledge economy".

The expression "knowledge economy" is unfortunate as knowledge itself is not an economic object. The dynamic it describes is, in strict economic terms, simply an increase in the proportion of commodities whose production, marketing, and use require previously non-existent skills. This observation is also valid for robotization, that also applies to robotization, despite speculative proposals like paying wages to robots.

4. Health, life, education and justice are priceless, in the economic sense of the word.

In principle, they are not **commodities at any time**. And yet they have, oh how much, their respective uses!

However, priests, presidents, professors, policemen, notaries, ministers, soldiers, doctors, mayors, magistrates, nurses, bailiffs, guards, educators, deputies, councillors, lawyers – except in cases where they carry out their duties **without** being paid – are nevertheless **all merchants**, sellers of their services in exchange for a wage, even though it is said of the latter that it constitutes emoluments, fees, wage, pay, etc. When this is understood, it is easier to arrive at a single "social regime".

5. The economy, improperly called "health" economics, involves the provision of care by means of economic exchanges and economic transfers.

The concept of "health economics" frequently leads to conceptual errors within the medical profession. One such bias is the persistent use of the term "patient" for an individual who functions economically as a client. From a strictly economic perspective and, excluding charitable care provided in keeping with the Hippocratic Oath, medical services are commodities. Their price is a market reality, and the role of insurance is not to artificially distort this value

2.11 Commodities are ultimately exchanged against other commodities, most often through the intermediation of money.

1. In Chapter 1, the second proposition sets out the object of political economy: economic exchanges of services or goods.

In the same chapter, the fourth proposition lays down the convention of the object of the Objective Political Economy.

2. It goes without saying that a service rendered must itself be a commodity in order to be the end of a commodity exchange.

It is by conventions of designation that commodities are ultimately exchanged only for commodities. But since these conventions take into account indisputable realities, it is certainly true that commodities are ultimately exchanged only for commodities.

3. This truth establishes three others.

These other truths relate to subsidies (4 below), primary commodities (5 below), supply and demand (6 to 8 below).

4. Subsidies transfer purchasing power that in one way or another comes from the sale of commodities.

In other words, for there to be purchases, there must first have been sales. Or, with "demand" for "purchases" and "supply" for sales, for there to be demand, there must first have been supply. More precisely, for there to be a demand for finished products, there must first have been the supply of the primary commodity, that is to say, that of jobs in exchange for wages. Even more precisely, for there to be more demand for finished products, there must first and foremost be more job offers that provide purchasing power that is itself on the rise.

5. The lasting increase in the volume and quality of market trade depends on the sustainable increase in the volume and quality of trade in the primary commodity.

There is only real economic growth when there are at least as many new jobs as there are disappearances **and** when the purchasing power of wages increases. What is the most appropriate way to achieve this? The relevance of an economic theory and policy depends very much on the answer they give to this question.

6. The parties involved in economic exchanges are both bidders and demanders.

This is totally and immediately obvious in the case of barter. This remains true when one of the two terms of economic exchange is a quantity of money. In the latter case, for one of the two parties, the supply consists of a commodity and the demand of a quantity of money. For the other part, it is the opposite: supply is made up of a quantity of money and demand is made up of a commodity.

7. In the case of the employer and the employee, who is the provider and who is the requester?

The employer is a requester of a service and a wage provider. The employee is asking for a wage and offering a service. Since usage emphasizes more the wage than its counterpart, it is agreed that the provider is the employer and the applicant is the employee or the job seeker. In reality, both are suppliers and demanders, one of a commodity, the other of its payment.

8. In many economic discourses, "supply" means "production" and "demand" means "consumption".

By virtue of these meanings, some consider that supply is the generator of [economic exchanges](#). Others say it's the demand. The question is to know how and where the exchange of [commodities for commodities](#) is constantly restarted. Ambivalent notions of supply and demand do not provide the best answer with certainty because they are ambivalent.

2.12 The commodity root taxonomy consists of two subtypes: elementary commodities and composite commodities.

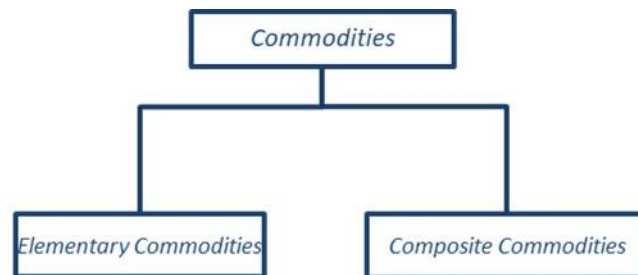


Figure 5 - Top level ontology of commodities

1. On the next section, proposal 2.13 defines the subset of elementary commodities as an extension.

Proposal [2.14](#) defines the subset of [composite commodities in terms of intention](#).

2. A commodity is either [elementary](#) or [composite](#).

By distinguishing between elementary and composite commodities, the set of commodities is completely partitioned into two subsets. This is a first step in establishing the [ontology](#) of commodities.

2.13 There are two kinds of **elementary commodities**, one supplied by the workers, the other by savers.

In other words, an elementary commodity is either a **primary commodity** or a **savings placement**.

1. The **primary commodity** is one of the two kinds of **elementary commodity**.

The **primary commodity** consists **only** of the services exchanged by the workers for **wages**. This last specification, "against wages", is however only quite true when the economic concept of wage is taken from the legal framework where it is amputated by the criterion of the relationship of **subordination**³⁸. **All the names given to the remuneration of labor are wages, economically speaking.** Wages, attendance fees, freelancing in some cases are, among other things, salaries. Freelancing in other cases and the fees of the liberal professions are **growth revenue**. A doctor, a lawyer, an architect, etc., allocates part of this turnover to the remuneration of his labor, i.e. to his **wage** and, if applicable, to those of his employees. The employer of a "self-employed" worker is his or her enterprise.

2. On the economic scene, actors frequently play several roles.

In the past, distinguishing the landowning class from the capitalists and the working class was in accordance with social reality. Since then, assigning these **roles** to categories of the population has appeared to be less and less in line with the facts. Employees **Workers** are also employers of domestic staff. Their role as employers is nevertheless distinct from their role as **employees**. **Workers** are also **shareholders**. Their role as **shareholders** is nevertheless distinct from their role as **employees**, as well as from their role as customers of enterprises and taxpayers.

3. In economic analysis, it is better not to consider that every set aside constitutes "savings".

Layaways made by an individual and an enterprise are only apparently comparable to each other. A household's hoarding is savings, but they do not invest.

4. In the first approach, let's only call **savings** those of these layaways that are made by individuals.

When an individual invests in exchange for **interest** or **profits**, it is in his role as a saver that he becomes a supplier of one of the two kinds of **elementary commodity**. If we look more closely, we will note in the rest of the previous chapter the existence of a different category of savers than individuals³⁹.

5. The initial creators of economic wealth, i.e. of economic exchange value, are individuals.

Of course, organizations, including **enterprises**, are essential means of this creation. But it is the industrious abilities of a population that are first and foremost at the origin of its

³⁸ The subordination link is an extra-economic criterion because, in all commercial exchanges—including that between an employer and an employee—the contract is synallagmatic. This means it entails reciprocal obligations and, consequently, a state of mutual subordination in both law and fact..

³⁹ Cette autre catégorie ne comprend **pas** les entreprises, **tous** établissements financiers compris.

prosperity, which does not prevent many bosses from affirming that enterprises are the only creators of economic wealth — propaganda, when you hold us.

2.14 Every composite commodity is produced by means of the purchase of several other commodities, one of which is usually the labor supplied by at least one individual.

Using the terminological conventions laid down above, we can just as easily say: every composite commodity is produced by means of the purchase of several commodities, one of which is generally the elementary and primary commodity, always exchanged in exchange for wages.

This observation is, of course, to be compared with the already made and more general observation that commodities are exchanged for commodities.

6. Contributions in kind and in industry to a commercial enterprise, new or already constituted, are the creation of commodities.

This commodity⁴⁰, exchanged for a fraction of the ownership and profits of the enterprise, enters into (participates in) the composition of the commodity sold by the enterprise.

7. Example of civil servants

Françoise and François sell part of the harvest from a garden they cultivate. For the part of the crop which they sell, they create compound commodity and, whether they recognize it or not, an enterprise which will last as long as they continue to sell that part of the product of their labor. The additional income they derive from it is a creation of economic exchange value. Since the part of their harvest that they consume and that which they give away does not enter the circuit of economic exchanges, it is not necessary to include it in an economic aggregate in a Objective Political Economy, whereas alongside monetary evaluations of the same kind it finds its place in a sprawling economy.

8. This poses a fundamental political and ethical problem.

Do we want to push the economy to become as defined or as sprawling as it is possible to make it?

2.15 Enterprises only sell composite commodities.

1. A movable or immovable property offered for sale by the individual who owns it is a composite commodities.

Enterprises legally established as such do not have the exclusive right to sell composite commodities. This is in no way incompatible with the fact that all enterprises, including those that are usually not declared as enterprises – in particular because they only last for the duration of a single transaction – only sell composite commodities.

⁴⁰ Apports en nature : biens corporels (terrain, immeuble, machine, etc.) et incorporels (brevet, créances, clientèle, etc.). Apports en industrie : ceux d'une activité professionnelle que l'apporteur a déjà exercée.

2. The set of commodities is only defined if all the enterprises are defined.

In [defined economics](#) definitions must conform to what a definition is in finite set logic. If this is not the case, political economy, as objective as its architects apply themselves to making it, is more vague than what is in reality specific to the practice of [economic exchanges](#). Hence, here, the [next chapter](#) on the enterprise, with in mind a definition of the object called "enterprise" that is not yet common.

3. On this economic point as for several others, the public administration which by necessity is as close as possible to the real market is that of taxes.

To achieve this, this administration uses the "de facto enterprise" categorization. For example, a tax inspector will readily consider that a private individual who regularly sells vegetables to his neighbours that he grows in his garden has set up and operates a business.

4. It happens that the same supply is either an elementary commodity or a composite commodity.

It depends on the provider. If it is an individual who asks only for wages in exchange, the service he sells is elementary commodity. If it is an enterprise, the service it buys is composite commodities. For example, if I employ a person who cleans the windows of my home, I buy [elementary commodities](#); On the other hand, if the same service is provided to me by a cleaning enterprise, I buy [composite commodities](#).

5. Like all other enterprises, financial institutions only sell composite commodities.

Or a borrower who can be loaned a sum of money against interest by an individual or by a financial institution or another kind of enterprise. If the borrower chooses to contract with the individual, he is buying a basic commodity. If he chooses the enterprise, he buys a composite commodity.

2.16 Only private individuals sell both kinds of elementary commodities.

1. The primary commodity is one of the two kinds of elementary commodity.

The [primary commodity](#) is the service of the work provided, in exchange for its remuneration, by an individual. **Only private individuals sell the primary commodity.**

2. The other basic commodity is the [savings placement](#) in return for its remuneration.

Many individuals provide this service, but they are not the only ones. Non-commercial associations, including foundations, are doing the same. That is why the whole of the suppliers of both kinds of [elementary commodities](#) includes only private individuals.

2.17 Only individuals and non-commercial associations have income and save.

The arguments below are common to those in Proposition 8.1 below: Let us call [the](#) sum of the [total income from savings placements](#) and the [total income from labor](#) the total income.

1. Let us call **income** only the counterpart of the exchange of an elementary commodity.

The elementary commodity is a service either of labor or of the investment of savings. When this commodity is the service of labor, its counterpart is income from labor generically called wages. When it is the service of investment, its counterpart is income from savings. Interest Interest or profits constitute this second kind of income.

The distinction between income and transfer is necessary for a compelling reason. The flow of donations, made up largely of those who are forced by means of taxes and compulsory contributions, comes from **levies** on the income itself. The term "transfer income" is contradictory because in the economy of a household a product, in the sense of that word in accounting, is always either an income obtained in exchange for the provision of a service or a subsidy.

2. **Income from labor is only received by individuals.**

To equate Revenu the proceeds of an enterprise's sales or the proceeds of taxes with income makes us lose sight of what is specific and essential about personal income. To say that an allowance received by an individual is (transfer) income Transfert Economique has the same effect.

3. **Only individuals and non-commercial associations save.**

To equate the reserves built up by enterprises with "savings" makes us lose sight of what is specific and essential about the savings of individuals and non-commercial associations.

4. **Only individuals and non-commercial associations receive income from savings.**

Individuals and non-commercial associations sell the investment of their savings. This sale is that of an elementary commodity. The turnover of enterprises comes from the sale of composite commodities; to say that these figures are the income of enterprises blurs the perception of economic reality. Tax revenues are imposed transfers and not counterparts of economic exchanges; to say that these revenues are the income of the civil service blurs the perception of economic reality.

5. **A key reality is related to income.**

The economy exists for individuals and their non-commercial associations and by them, first and last resort – by and for individuals and families. The attribution of the prerogatives of suppliers of basic commodities to other organizations, including enterprises, elementary commodities contradicts reality. Reason must reject these attributions all the more because their political undertones are very clumsy.

2.18 The set of elementary commodities that are investments consists of two subsets that are counterparty to interest and profits, respectively.

1. **Let's look at two cases of an investment by an individual or a non-commercial association X.**

In the first case, X lends a sum of money or some other kind of object in return for the commitment made by borrower Y to return the loan to X on the agreed maturity. In the second case: X brings to enterprise Y a sum of money or some other kind of object which

gives it either partial or total ownership of enterprise Y or only the status of member (cooperatives). In both cases, X remains the owner of what he has invested.

2. In both cases, the service provided by X to Y is the end of a economic exchange only if Y provides X with the remuneration constituting the other term.

The service provided by X to Y is not the end of a economic exchange between X and Y when the following happens. Y considers it normal that the remuneration for the service provided by X should come at the time of the liquidation of his investment to Z. To make the exchange between X and Z a **substitute** for the exchange between X and Y constitutes an infringement of exchange capitalism, in other words of Yield Capitalism, as distinct from surplus-value capitalism.

3. In the case of a loan, the investment is temporary and subject to a commitment that the borrower will return the loaned item.

In the second case, the investment is permanent, with no commitment to return at a predetermined term. To speak of loan and **credit** in the first case and of capital or equity contribution in the second case seems to be the vocabulary convention most spontaneously used to account for this difference. Let us stick to this convention, even if it means supplementing it if the need arises.

4. An investment in the permanent financing of an enterprise is therefore the end of an economic exchange only if the distributions of all or part of benefit the enterprise's profits remunerate it.

We will agree more before we call these distributions profits. At the same time, we will resume the custom of talking about its return on an interest-bearing investment Rendement.

2.19 There are two kinds of composite commodities: scarce commodities and industrial commodities.

1. Composite commodities can be reproduced at will by human industry, while others are not.

This observation was introduced into economic theory by David Ricardo (1772-1823), in the first paragraphs of the first chapter *On the Principles of Political Economy and Taxation*⁴¹. Neoclassical (marginalist) political economy ignores this observation, which there is no doubt is so fundamental in Ricardo's work **and in the facts** that its proponents go too quickly when they consider themselves to be continuators of this work. Logically, and because of the observation very explicitly introduced by Ricardo, see quote below, neoclassical theorization is in contradiction with classical political economy, Ricardo's version⁴².

⁴¹ Première édition en 1817, troisième et dernière du vivant de son auteur en 1821

⁴² L'observation sur la rareté introduite par Ricardo a joué un si grand rôle, par sa négligence, que le verbatim de cette introduction figure deux fois dans le présent précis.

2. The way in which Ricardo extracted the concept of economic scarcity from the general notion of scarcity is exemplary.

From the fourth to the sixth paragraph of section 1 of his chapter 1, *On Value*, of *On The Principles of Political Economy, and Taxation*, Ricardo wrote (below in italics and with the beginning of a line wedged to the left): ⁴³

There are some commodities, the value of which is determined by their scarcity alone. No labor can increase the quantity of such commodities, and therefore their value cannot be lowered by an increased supply. Some rare statues and pictures, scarce books and coins, wines of peculiar quality, which can be made only from grapes grown on a particular soil, of which there is a very limited quantity, are all of this description. Their value is wholly independent of the quantity of labor originally necessary to produce them, and varies with the varying wealth and inclinations of those who are desirous to possess them.

There are commodities whose exchange value is determined only by their scarcity. No labor can increase the quantity of such commodities, and their exchange value cannot fall as a result of an increase in their supply. Famous statues and paintings, rare books and medals, high-quality wines that can only be obtained from grapes grown on particular soils of which there is only a very small quantity, are all of this kind. Their exchange value is entirely independent of the quantity of labor which was originally necessary to produce them, and depends on the fickle fortunes and desires of those who desire to possess them.

These commodities, however, form a very small part of the mass of commodities who are daily exchanged on the market. By far the greatest part of those commodities which are the objects of desire, are procured by labor; and they may be multiplied, not in one country alone, but in many, almost without any assignable limit, if we are disposed to bestow the labor necessary to obtain them.

These commodities, however, constitute a very small part of the mass of those which are daily traded on the market. By far the greater number of the commodities which are the object of our desires proceed from such labor that can be multiplied, not in one country but in many, almost without any assignable limit when one is willing to devote the labor necessary to obtain them.

In speaking then of commodities, of their exchangeable value, and of the laws which regulate their relative prices, we mean always such commodities only as can be increased in quantity by the exertion of human industry, and on the production of which competition operates without restraint.

⁴³ Dans la dernière édition du vivant de Ricardo, le chapitre 1 comporte 7 sections. La section 1 comporte 21 paragraphes. C'est donc bien au début de ses principes d'économie politique qu'il a placé son observation sur la rareté, laquelle a joué depuis un temps immémorial un grand rôle par le syllogisme tout aussi fameux que logiquement irrecevable : puisque ce qui est rare est cher, la cherté procède de la rareté.

In speaking, therefore [Marchandise](#), of commodities, of their exchange value, and of the laws which govern their relative prices, we have in mind only those commodities whose quantity can be increased by the exercise of human industry, and on whose production there is unhindered competition.

3. A commodity is [economically scarce](#) only when it cannot be produced permanently or temporarily by human industry.

Land and real estate, as soon as they are put up for sale and expropriated for which the public authorities compensate, constitute a [scarce commodity](#) whose social importance and economic benefits are considerable.

Other resources that cause economic scarcity include fossil minerals and fuels. Their farms create and maintain **windfalls** at the expense of buyers: who nowadays has never heard of oil rents?⁴⁴

4. In the light of the foregoing considerations, we agree to say that composite commodities, of which no industry can increase the quantity they form, the subset of [scarce commodities](#).

Symmetrically, we agree to say that the [composite commodities](#) which are produced or duplicated in series by human industry form the subset of [industrial commodities](#).

5. Almost all collectibles become, when they are put up for sale, [scarce commodities](#).

While the sole or main determinant of the price of a scarce commodity is the process of selling to the highest bidder or the quickest acceptor, the effective prices of commodities of such a nature as to be reproducible at will are brought back to their [sufficient levels](#), under several conditions which are set out in the following (Chapter 11, in particular).

6. Price theories are articulated as if only [scarce commodities](#) existed.

Within the commodity ontology there is a subset of [elementary commodities](#) and a subset of composite commodities. Within the [composite commodities](#) set there is a small subset of [scarce commodities](#) and a very large subset of [industrial commodities](#). Ignoring this ontology of commodities pave the way to make [scarcity](#) the *deus ex machina* of the economic system — see textbooks for secondary and higher education in "economics" "See secondary and higher education textbooks in 'Economic Sciences' that intone this refrain from their very first pages and return to it incessantly.

⁴⁴ | Rente, définition | La [rente](#) tirée par un ménage de ses placements et la rente pétrolière, ou jadis la rente foncière des grands propriétaires de terres agricoles, n'ont en commun que d'être encore désignées par le même mot. C'est malheureux. Dans la rente tirée de la location d'une propriété, il n'y a pas de plus-value. Dans la rente que des [placements de son épargne](#) procurent à un particulier n'entre pas forcément de la [plus-value](#). Dans la rente pétrolière, comme pour d'autres rentes engendrées par de la [rareté économique](#), il y a surtout ou exclusivement de la plus-value. Un moyen de distinguer ces deux sortes de rente consiste à parler de « [manne](#) pétrolière / boursière / immobilière / aurifère / etc. » afin que [rente](#) redevienne étroitement associé à un autre substantif qui en est dérivé : [rentabilité](#).

2.20 Some industrial commodities are mass-produced and others are serial-duplicated.

Industrial commodities: composite commodities that human industry can produce without any assignable limit as long as it gives itself the means to do so.

- 1. The production of ten thousand identical cars or computers requires, after the studies and tests that led to the development of the model, ten thousand assemblies of the same object.**

Automobiles and computers are mass-produced. On the other hand, the production of ten thousand copies of the same software package requires assembling a duly tested copy and then having it copied ten thousand times. Similarly, the production of ten thousand copies of a book requires a set of proofs to be drawn up and then ten thousand copies to be printed and bound. Software packages and books are duplicated in series.

- 2. The sale of mass-produced industrial commodities transfers a right of ownership that the seller renounces.**

This is also the case for the sale of certain mass-produced duplicated commodities. But for others, the right transferred is strictly limited to the use of the product. To illustrate this point, let's compare what the rights of the buyer of a book are and the rights of the buyer of a software package.

- The buyer of a book on paper does not have the right to make a complete copy of it, but he has the right to resell the book.
- The ultimate purchaser of a software package generally has the right to make copies of the package for its own use only (backups), but not the right to resell the copy it has purchased or a copy of that copy.

- 3. For an industrial product that is duplicated in series, the notoriety that the most influential prescribers give it often plays a more important economic role than for a mass-produced industrial product.**

Let us compare, for example, what happens in the case of software packages and books on the one hand, and computers and furniture on the other. For software and books, the quantity sold is highly dependent on the appreciation of the most influential prescribers. Their price, as long as it remains below the level considered excessive by these prescribers, often has only a marginal effect on the quantity sold.

2.21 The taxonomy of commodities consists of six sub-types.

In each of the categories noted below 1) to 6), how are the prices formed? Do the prices of all commodities, whatever their category, have the same determinant?

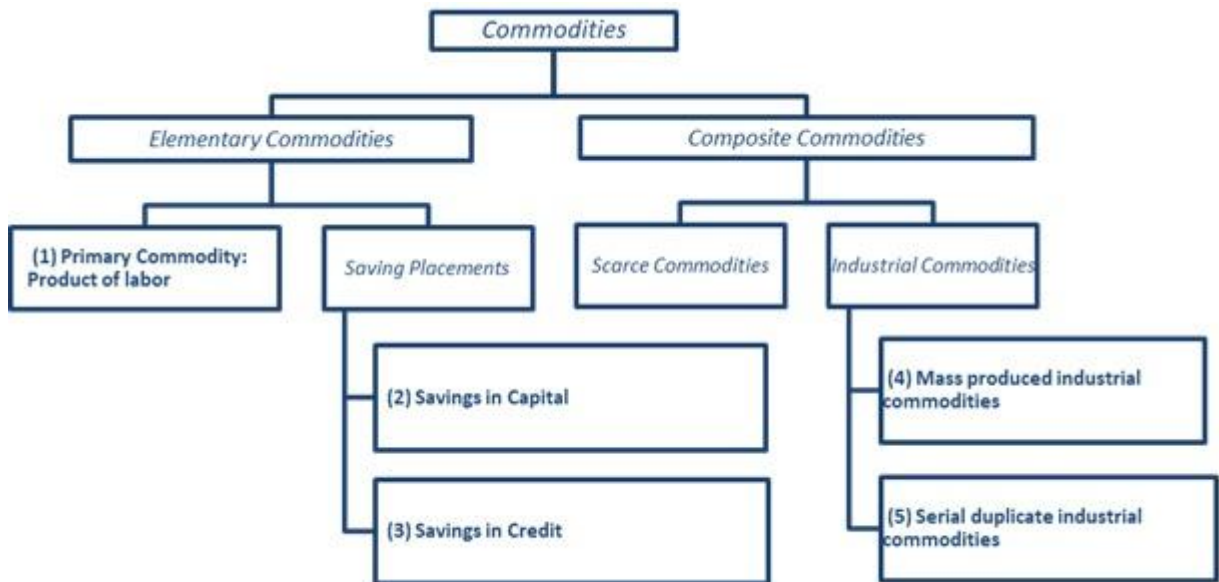


Figure 6 - Commodity ontological taxonomy

1. **Primary commodity:** product of labor for Wage⁴⁵
2. Savings in Capital (or Equity Savings)⁴⁶
3. Savings in Credit⁴⁷
4. Scarce commodities⁴⁸
5. Mass-produced industrial commodities⁴⁹
6. Serial duplicated industrial commodities⁵⁰

2.22 The categories of economic exchange are the same as the categories of commodities.

1. Three economic classifications are identical.

The nomenclature of commodities is the same as the **nomenclature of commodity exchange** and the **nomenclature of prices**, when the latter word designates the values of economic exchange.

⁴⁵ Product of labor as defined in proposition 2.13

⁴⁶ En capital, à savoir en financement à proprement parler permanent d'une entreprise. Soit une entreprise à créer ou transformer de telle façon qu'elle ne soit pas endettée. Pour y parvenir, il est indispensable qu'il n'y ait chroniquement dans son financement (donc au passif de son bilan) que du capital, sans aucun crédit (emprunt, crédit-bail, crédit fournisseur), de même qu'aucun affacturage à l'actif de son bilan.

⁴⁷ En crédit, à savoir en dépôts remboursables et rémunérés par des intérêts et non pas par de la distribution de bénéfice. Les obligations sont des placements en crédit. Les formateurs, les banquiers et les journalistes épris de « finance moderne » ont particulièrement tendance à tenir des propos tels que le crédit n'y est plus qu'une sorte de capital, et inversement, comme si par cet amalgame l'économie pouvait ne pas s'en trouver plus exposée à des crises.

⁴⁸ Proposition 2.19.

⁴⁹ Proposition 2.20, argument 2.

⁵⁰ Proposition 2.20, argument 1.

2. **One of the differences between capital (standing advance) and credit (temporary advance) is that only the former is essential financing for the creation and operation of a business.**

This is why a price theory that does not have in its elements a theory of the normal rate of return on savings in capital is defective. The provision of the financing essential to the creation and operation of an enterprise is part of the general scheme of economic exchange. This is particularly evident in the case of commercial enterprises which, by their articles of association, make it their rule: to you, the providers of my permanent financing, the remuneration of your service by a share of my profits. The rule to which credit institutions adhere is just as logical and necessary: to you, my customers, the repayable advances that I provide you, to me the interest with which you remunerate my service.

2.23 Whether a single determinant governs all prices is a question resolved through the categorical analysis of commodities.

This crucial point of method is mentioned in Chapter 1.

1. **Is the main determinant of any economic exchange value, or price, always the same?**

To detect this, a method is necessary: throughout an investigation of the formation of prices of each homogeneous category of commodities, postulate that this is not the case, even if it means having to conclude that the formation of all prices is the same determinant.

2. **If all prices have in common that they are only exchange values, then there are no other primordial realities to be retained in the economic theory of value than those described in this chapter.**

The primary and elementary commodities are provided by the worker in exchange for remuneration for his or her service. The other basic commodity is provided by the saver in exchange for the remuneration for his or her service. The prosperity and quality of life of a population and of each of its individuals depend very much on the quantity and quality of the labor and savings placements of its members.

3. **The labor of human beings is the general fact to which it seems most realistic, the most objective and the most necessary to associate money, and more broadly with economic life.**

In many words and behaviors, money is not associated with human's labor or is very weakly associated. Every sum of money is nevertheless a purchasing power which is the product of the old and new labor of humans. There is nothing ideological about it, in the pejorative sense of this adjective.

4. **Which economic mentality best provides for the improvement of the quality of life?**

Is it the one that puts the most emphasis on the subjective, or objective, determinants of economic exchange values? Which option favors both seriousness in the management of public affairs and the longevity and other qualities of manufactured products? Would the political skepticism of the electorate be what it has become if the current answers to the two previous questions were different from what they are?

2.24 The need to differentiate prices from costs.

1. "Price" for the trade-in value requested or accepted by a seller, "cost" for the trade-in value offered or accepted by a buyer.

An exchange value accepted by a seller is for him a product, in the sense of this word in accounting. An exchange value accepted by a buyer is for him a burden, in the sense of this word in accounting.

2. The vocabulary of accountants and management controllers frequently uses the distinction between price and cost.

The same is true in everyday life. Sellers' prices are, once the exchange is concluded, costs for buyers.

3. Using the words price and "cost" as just said is not only convenient.

Some speak of the "cost of capital", but refuse or are reluctant to speak of the "price of capital". Others admit that a rate of profit distributed over capital is a price, but refuse or are reluctant to speak of the "cost of capital."

The reality of economic exchanges means that every price is, for the co-exchanger, a cost. Since the exchange value of every commodity is a price and a cost, every remuneration for labor and savings in capital is a price and a cost.

4. Starting from the observation that the prices of composite commodities tend to be sums of costs begins an explanation.

The level of dearness of these commodities, often produced in large series, is not arbitrary. But what are the determinants of the remuneration of savers and workers? In order for the explanation to take shape, it must include two elucidations, one on the formation of the prices of the elementary and primary commodity that is the service of labor in exchange for its remuneration, the other on the formation of the prices of the service of savings in capital.

5. This is a problem of order.

First of all, the elucidation of the formation of the price of labor, or first of all the elucidation of the formation of the price of capital? Does the cost of capital play a role in the formation of the price of labor? Or is it on the contrary in the formation of the price of capital that the cost of labor intervenes?

Chapter 3 – The Enterprise

The effects of the dominant conception of the enterprise (enterprises are for profits) resonate incessantly. However, the objective reasons for the existence of this body and its other main specificities have so far too often been ignored. A few observations establish that this repression is neither desirable nor fatal:

- The enterprise is the only entity that exists only for the practice of economic exchanges.
 - Enterprises are not inevitably enslaved to a maximum to the advantage of their owners or managers. Maximum profit and maximum surplus value are not part of the standards that the market economy obliges enterprises to respect. The goal of maximization of profit is useless and dangerous, to consider it imperative is illiberal, the alternative of maximum surplus value is even more questionable. The "social refoundation" without a refoundation of the doctrine of profit comes up against an impossibility.
 - Entrepreneurs have economic responsibilities that are all social.
 - Enterprises are not tax subjects (3.5).
 - Enterprises have two other specificities (3.6, 3.7).

3.1 The enterprise is the only entity which exists exclusively to engage in economic exchange.

We can just as easily say: the enterprise is the only entity whose raison d'être is economic exchanges.

1. This proposition is a definition in the sense of this concept in set theory.

The definition of all enterprises, by the common ownership of all its elements and to them alone, applies to any enterprise regardless of:

- its legal status;
- its duration of existence;
- its sectoral affiliation: agricultural, artisanal, financial, industrial, liberal, among others;
- its ownership, private or public or mixed;
- its registration or non-registration as an enterprise.

Since a definition is also a vocabulary convention⁵¹, we agree to call "enterprise", the commercial enterprise in economics, with its other main specificities reviewed in the rest of the chapter.

⁵¹ Définition, désignation | Tel mot ou telle expression pour désigner une définition, au sens de ce concept en logique des ensembles finis, a toujours de l'importance. Le choix d'une dénomination peut cependant être arbitraire parce que, tout compte fait, plusieurs vocables conviennent aussi bien.

2. Of course, not all human enterprises are commercial.

Families do not exist only for the practice of [economic exchanges](#). Human beings engage in other kinds of exchange. Their undertakings are far from being all commercial. States do not exist only for the practice of economic exchanges.

3. The assimilation of a state to an enterprise is mistake.

However, it is still frequent, as the recognition of the main specificities of the enterprise is still not widespread. This makes it easier to cover up anomalies. Public administration reformers who do not see this take what turns out to be setbacks in the face of experience.

4. Enterprises are crossroads of markets.

[Savers](#) invest in it [Placement Epargne](#) for [a fee](#). Workers provide [services](#) for their own pay. Other suppliers supply it. Customers buy what it sells from it. Only in enterprises are there economic exchanges of these different categories.

5. Enterprises create opportunities.

This creation is carried out through three types of offers. Some are made to [savers](#), others to workers, the third to customers.

These offers are essential to increase the purchasing power in circulation, the makers of which are ultimately [savers](#) and workers. Managers are organizers.

Businesses are economically indispensable because of the opportunities they create and maintain.

6. The claim that enterprises are the sole creators of wealth and value is an oversimplification.

First of all, it is necessary to specify what wealth and value it is. This wealth is **marketable**. This value is of [economic exchange](#), in conjunction with utility, or use value.

In reality, enterprises **participate in** the creation of market wealth and economic exchange value as well as utilities. This participation helps to make enterprises economically indispensable. But **the value-creating act of economic exchange is the exchange of [elementary commodities](#)**. The population derives its [income](#) from the sale of these commodities. However, enterprises are not the only buyers.

However, it is important to keep in mind one of the exclusivities of enterprises. They alone buy capital [investment from](#) savers [Placement en Capital](#), in the unequivocal sense in which we will be led to use this word.

7. [Commodity exchange](#) is an act whose morality is potentially as positive as that of [giving](#).

Conversely, the economic gift is an act whose morality is potentially as positive as that of [economic exchange](#). The repression of this recognition affects the way enterprises are generally managed.

3.2 The enterprise is not mandated by the market economy to pursue maximization of profit or surplus value as a binding standard.

This observation is one of those that today's dominant economic thought represses. What are enterprises for? The most common answer springs up: to make as much money as possible for their owners and operating officers! Many of those who see in this way consider morality to be safe, provided that there is a good use of this money, but without explaining why in such a matter the end would justify the means.

1. The goal of **maximization of profit** is useless and dangerous.

The "pope of management", the American **Peter F. Drucker**⁵², wrote the following about maximization of profit⁵³:

If you ask a typical businessperson to define an enterprise, they will probably say that it is an organization that should make a profit. The typical economist will probably give the same answer. This answer is not only false, it bears no relation to the facts.

The predominant economic theory of firm and business behavior, the maximization of profit – which is simply a complicated way of expressing the old refrain of buying cheap and selling at a high price – may, more or less, explain the way Richard Sears worked. What it cannot explain is how Sears Roebuck or any other business enterprise operates, or how such business should operate. The concept of profit maximization is, in fact, meaningless.

<..> the full chapter is available in the appendix: [What is a business?](#). <..>

2. The imperative of **maximization of profit** is anti-liberal.

The freedom to conduct a business inherently entails the free choice of its lawful purposes. However, when profit maximization is elevated to an imperative, this freedom of choice is constrained. This impoverishes the very exercise of entrepreneurial liberty and leads to a proliferation of anti-competitive practices, which become essential to enforce a regime of maximum enrichment for owners and managers.

3. The alternative of **the maximization of surplus value** is even more detrimental to the enterprise and the economic fabric.

Consider a property owner who rents out their asset. If the tenant unilaterally decides to pay only a fraction of the agreed rent, justifying this by stating that the owner's enrichment is already ensured by rising property values, the absurdity and unacceptability of this breach of contract become self-evident.

However, this is precisely what a prevailing school of thought encourages enterprises to do: limit **dividends** to a small fraction of **benefits**, or forgo them entirely. This strategy relies on using—and, wherever possible, covertly manipulating—market mechanisms to ensure

⁵² Voir les références à [Peter Drucker](#) dans Wikipedia.

⁵³ *Management : Tasks, Responsibilities, Practices*, première édition en 1974 par William Heinemann Ltd. La citation est extraite du chapitre 6. Les premiers passages de ce chapitre sont reproduits, en anglais et *in extenso*, en [annexe](#).

that the capital gain realized upon the liquidation of the investment reaches a level that is, at a minimum, comfortable and at best, miraculously high.

4. Is a sufficient rate of profit on capital a norm that a market economy is able to uphold?

Postulating a positive answer to this question is methodologically wrong. But it is also important to place at the beginning of the theory of the market economy an *a priori* which distracts from the provision of a positive answer in the course of theoretical elaboration.

5. A claim about some kind of gain is a one-condition definition.

The property that this statement states must indicate what is specific about this gain and who perceives it, otherwise its definition, in the sense of this concept in the logic of non-fuzzy sets, is a deception.

6. What is proven for any gain is not a defining element of any of them.

All winnings, including those acquired from games of chance, have in common that they constitute a goal for someone (strictly speaking, a thing has no purpose and an enterprise is a thing); to be exposed in search of their as much as possible; require the taking of a risk of losing a bet or a situation or both; to be considered as a "reward".

7. Talk about profit, which only repeats what all gains have in common, harms the quality of "social dialogue".

At the forefront of these remarks is: "Profit is the goal of the enterprise" or "maximization of profit is the goal of the enterprise" (sic, in both cases, as far as "the enterprise" is concerned). Its variant "The enterprise is an association for profit" (Medef, 2007) reinforces this belief more than it contributes to its evolution. In the same vein, the "risk premium" and the "reward" are invoked to justify profit.

The emphasis on objective considerations specific to the issue of business ownership is left aside. An increase in the number of points of substantive agreement between the "social partners" has been postponed *indefinitely*.

8. The "social refoundation" without a refoundation of the doctrine of profit comes up against an impossibility.

The "social refoundation" aims to reduce the systematization of abuses of power and power relations, particularly in relations between employers and employees. Its success requires less arbitrary discourses on the enterprise.

The spread of such discourses is blocked as long as the most objective aspects of profit are sacrificed to the perpetuation of ideological traditions. It is, in fact, logical that the advocates of the class struggle, even in its most reformist form, or of economic war, even in the most policed form, pretend not to see that this most objective exists.

9. The distinction between "internalities" and "externalities" serves to avoid questioning marginalist axioms.

In *The Theory of Corporate Finance* (2006, Princeton University Press), Professor Jean Tirole (Nobel Prize in Economics 2015), after recalling on page 57 "that prices reflect the scarcity of resources, that management should aim at maximizing shareholder wealth",

states (same page, first paragraph of section 1.8.1): "An economist would rephrase the position of the proponents of the stakeholder society on the recommendation that management and directors internalize the externalities that their decisions impose on various groups". In other words, the maximization of "shareholder wealth" is at the forefront of internalities, but it must be tempered by taking into account the externalities that constitute the "stakeholder society".

Economists on this line say to the officers and directors of [tradable joint-stock enterprises](#), on the stock exchange or over-the-counter: take a broader view of what is at stake. In doing so, these economists implicitly recognize that the axiom of prices, always a function of [scarcity](#), as well as the axiom of maximizing shareholder wealth, may not be objective realities that enterprises and nations can ignore with impunity because they are "internal" – inherent – to the economic system. To arrive at a scientific point of view where this hypothesis leads, it is necessary to engage in a whole reconstruction, refusing to presuppose in particular:

1e) that there is a common determinant of all [prices](#) – while accepting that the study of price formation in each of the [main categories of economic exchange](#) leads to the finding of the existence of such a determinant –;

2e) that the economic system excludes [Profit](#) the possibility of a sufficient price for [the investment of savings](#) in shares of capital in terms of profits – this is false, it is demonstrated –;

3e) that the economic system excludes in the matter of [wages](#) the impossibility of finding an objective sufficiency in their national averages – it is their inadequacy that is everywhere and always true. – ;

4e) that the economic system excludes, also in the matter of [wages](#), their differences from being keys to [the distribution of total labor income](#) – it is in fact unfair not to take into account, from the stage of the theory of the price of labor, the fact that the highest wages reduce those below them –;

5e) that the normal effect of the market economy is the maximization of saving placement income by compressing small and medium income from labor – the opposite is demonstrated with the help of concepts that are admissible in the logic of finite sets: the normal tendency in a competitive economy is the maximization of small and medium income from labor through the sufficiency of saving placement income;

6e) that capitalism dominated by the search for [surplus value](#) is necessarily the ultimate of economic liberalism;

7e) that [Yield Capitalism](#) deserves the contempt in which it is held because its systemic properties are not superior to those of capitalism dominated by the search for surplus value. [Peter F. Drucker](#), an economist by training and then a very committed actor, has repeatedly declared himself convinced that great progress remains to be made by daring to restart the objectivist theory of basic economic theory.

3.3 An enterprise is a contract, organized by a natural or legal person: the entrepreneur.

1. The enterprise's characteristic is to buy to sell.

An individual who, on occasion, buys to sell thereby creates a business, however ephemeral it may be. Whether or not the tax authorities recognize it as such does not change anything. Non-profit associations which, in addition to their main activities, buy in order to resell operate a business in this capacity, as does a parish that buys candles and resells.

2. The enterprise's nature makes it a market.

This does not mean that every market is a business. The organization and policing of a market, whether local, national or international, is often the responsibility of the public authorities without being obliged to trade in it. The labor market and the placement markets are institutions of this kind because of the legislative provisions that govern them.

3. In the market that every enterprise constitutes, economic exchanges are between itself, the enterprise, and several economic roles.

These roles include that of capital providers, that of workers hired by the enterprise, those of other suppliers, and that of customers. This makes any enterprise destined to last a market hub.

4. At the head of an enterprise, there is a person, natural or legal: the entrepreneur.

When the entrepreneur is the sole owner of the enterprise, it is customary to say that the enterprise is either individual or in personal name. But the enterprise is often a legal person, i.e. a commercial association with an enterprise name (a name), a domicile, the capacity to sue in court and to acquire assets. In this case, the entrepreneur owns either nothing of the enterprise or only a greater or lesser share.

Entrepreneurs are individuals or *ad hoc associations*. Savers are individuals and **other** non-commercial associations, including families and foundations. Workers paid in wages in the full economic sense of the word (Chapter 9) are individuals, nothing but individuals.

5. The entrepreneur and the enterprise are not one.

The entrepreneur, whoever he or she may be, has goals and makes them evolve whenever he or she wants. The enterprise, which is one thing, does not have one. When it is said that it has them, it is always those of an individual or collective entrepreneur (enterprise), or those that are attributed, rightly or wrongly, to the entrepreneur.

I invested in shares in the capital of enterprise E. I am, virtually or really, a member of a social body which is the entrepreneur from whom all the delegations of power within enterprise E proceed. This social body, like the individual entrepreneur, has the goals that it decides and that it makes evolve as it sees fit. Economists who believe they are authorized to dictate to enterprises and to society as a whole the goals they assert are attacking a fundamental freedom, it can never be repeated too often as long as this abuse continues.

6. Enterprise S is the legal owner of an apple orchard.

The decision on the mode of operation is the responsibility of the shareholders of S's capital. The decision to sell the apple orchard is also theirs. The status of a legal person does not confer any autonomy in relation to the holders of the shares in its [capital](#), in principle.

In principle only? An enterprise manager is recruited. A wage is negotiated with him. Delegation of powers is given to him. The effective powers of the members may be reduced as a result. But if this reduction becomes effective, it is the result of abandonment and abuse. The members will have abdicated some of their powers. The head of the enterprise will have abused the powers delegated to him. The rejection of an obligation of discipline will continue: that of full [economic exchanges](#), a concept that the objective theory of [prices](#) identifies, as we will see later.

7. The enterprise is no more or less conducive to the pursuit of personal goals than the public administration and private non-profit associations.

The enterprise is just as conducive to the exercise of devotion as the public administration, including all of its elected staff, and as private associations whose main purpose is not commercial.

3.4 The main responsibilities of entrepreneurs are economic and, in so doing, social.

1. What applies to the economic responsibilities of entrepreneurs applies to that of [savers](#) and [employees](#).

The economic responsibilities of the public authorities are also social responsibilities. On the other hand, social acts are far from being all economic. Family life is not the only one to attest to this.

2. While not all social acts are economic, all economic acts are social or have a social effect.

Hiring and poaching are economic acts, as more generally are selling and buying: hiring is to begin to buy, to debauch is to stop buying. Hiring and poaching are part of such as more generally buying, selling, transferring money or something that can be sold. Investing savings in the financing of one enterprise rather than another is an economic choice. This choice has social effects. Paying more or less for contributions in [permanent enterprise financing](#) is an economic choice. This choice also has social effects. Etc.

3.5 Although they are used to collect tax revenues, enterprises are not tax subjects.

1. The generic term "economic agent" masks the fact that enterprises are objects.

These objects exist only for economic purposes. The subjects, who all play several economic roles, including that of taxpayer, are first and last individuals and their private non-commercial associations.

2. Enterprises can be used by the legislator to make them collectors of tax revenue.

What ways of doing this are good economic organization? The profits of enterprises belong to the providers of their actual permanent financing, see further on the chapter on capital.

In other words, these profits belong to those who derive from them, or are likely to derive from them, capital [saving placement income](#), in the unequivocal sense of the latter word agreed below.

3. The [taxpayers](#) of last resort are individuals and private associations with a non-commercial purpose.

Some taxes paid by enterprises are added to the prices at which they sell. This is particularly the case with VAT. These indirect taxes are openly the responsibility of taxpayers of last resort. Other taxes paid by enterprises have an effect when they appear or change, and another after them. Corporate tax is one of them. Initially, these other taxes modify the results of enterprises. Eventually, their impact is eventually reflected in the prices at which enterprises sell. This is a consequence of the enterprise's exclusively commercial economic status.

4. All tax levies paid by enterprises are ultimately the responsibility of taxpayers of last resort.

Parliamentarians, senior civil servants and economists who fail to heed it are part of a cover-up.

5. Equality before income tax has more virtues than its opposite.

Approval of the progressivity of direct income tax is so widespread that it is necessary to hasten to specify what equality is involved. A short sentence is enough. All [income](#) is taxed at one or more identical rates, regardless of whether this income is from labor or investment. The civic virtue of this equality is not the least.

3.6 Only enterprises sell composite commodities.

1. Any natural or legal person who undertakes to sell [composite commodities](#) thereby creates an enterprise.

An individual owns a property. He puts it up for sale or rent. If he finds a buyer, he creates an enterprise. Some enterprises are very short-lived. For example, when I decide to rent a space on a "fair of everything" to sell objects that clutter me. Enterprises are also nestled within associations. The cloakroom of a charity is not a business, but it becomes one because of what it sells. Etc.

2. The enterprise in a personal name is an entity that is economically distinct from its owner and boss.

This owner *exchanges* his capital contribution with his enterprise for all or part of the net profits of this enterprise. This boss *exchanges* with his enterprise the service of his labor for the remuneration of this service. If the personal accounts of the boss and those of his enterprise are one, this is in itself a mismanagement.

3. The status of owner or [member](#) of an enterprise and that of [employee](#) of this enterprise are distinct.

The practices of business life are economically sophisticated only if they include mechanisms for *separating the respective roles and powers* attached to the qualities of owner, or member, on the one hand, and [employee](#) on the other. The rule is the same if the

same individuals perform more than two roles. This is particularly common in some cooperatives where members are both customers and [employees](#) of the enterprise.

3.7 4. Elementary commodities that can only be purchased by enterprises are the [savings in their capital](#).

Enterprises only buy this [commodity](#) when they distribute at least part of their [benefits](#) to the contributors of their [capital](#). Consequently, the chronic insufficiency and precariousness of [wages](#) — which are themselves fundamental [economic exchanges](#) — can be largely attributed to the infrequency with which this foundational transaction takes place.

3.8 Anyone who rents out constitutes an enterprise.

1. The leasing of fields, meadows, and woods played a great part in the history of economic ideas.

The political economy of the eighteenth and nineteenth centuries admitted, in fact, that the distribution of income was carried out between three social classes, the landowners, the capitalists, and the workers. In reality, [the actual income](#) are of two kinds: that of [saving placements](#) and that of [labor](#). Nevertheless, classical political economy considers that the distribution of income constitutes the main part of what economic science must succeed in elucidating ([Ricardo's preface](#) to his *Principles*).

2. Many commercial enterprises sell and manage rentals.

The generic product that these enterprises market is the [composite commodities](#) that constitute the provision of the rental service.

3. The other rental enterprises are individuals, private associations and public entities.

A lessor who does not make his business the subject of a [legally constituted business](#) has nevertheless established a **de facto business**.

4. Renting and maintaining it is expensive.

All rentals must be managed and all management costs. Although rented ownership of land may only be subject to tax burdens for generations, most real estate requires periodic major maintenance. If necessary, the search for a new tenant also costs.

5. For [the landlord, rent](#) is a turnover and not an [income](#).

The landlord only manages his business well by seeing in the rent he receives a product from which charges are to be deducted.

6. The profits of the lessor are saving placement income.

It is once all [expenses](#) have been deducted from [income](#) that, as in any enterprise's [income statement](#), a margin appears, which is [profit](#) when it is positive. Only the distribution of the profit to the owner of the business, or to his co-owners, constitutes [saving placement income](#).

7. Saving placement income from renting out contributes to the distribution of the overall income.

Further on, [Chapter 8](#) theorizes the distribution of [total income](#). Let us consider here only one of the most obvious aspects of this problem. If total saving placement income increases faster than total income for a long time, then but only then does the share of total labor income fall in total income. If total saving placement income increases at a slower rate than total income, then, but only then, does the share of total labor income increase in total income. Moreover, in the latter case, the rate of increase in [total labor income](#) is greater than the rate of increase in [total income](#).

Chapter 4 – Accounting

It is a truism to say that economic accounts use economic principles. But, after all, what principles are we talking about? And how could an exact economic science be achieved without having in its pillars proven principles of economic accounting?

Political economy was born **before** all the founding concepts of economic accounting were brought to light. To the old confusions that persist, the economic vocabulary in use today adds new and often misleading categorizations, like conjuring tricks.

The evasion begins with the concept of economic accounting. Although its existence and precise definition are indisputable, it is set aside. This makes it possible to repress the division of all economic accounts into homogeneous sub-assemblies, but different on a few crucial points. Instead of making progress in eliminating the denial of elementary economic realities, we maintain amalgams of variable geometry according to the ideological ends pursued.

4.1 The general theory of economic accounting is mesonomic.

1. The most general meaning of the notion of "accounting" is: recording of quantities.

The concept of "economic accounting" is extracted from this notion by the definition set out below, then argued. By logical and practical necessity, this concept is cardinal in defined economics.

2. The characteristic of economic accounting is to record economic exchange values.

Monetary amounts express these values, which remain exchangeable even in the case of the use of only an account currency.

C1 is a tax amounts account, C2 is a tax-free purchase amounts account, C3 is a sales amounts account. These three accounts are just as economical as each other. C4 is a cash or bank account with its initial balance, its inflows and outflows, its final balance. The C4 account is just as economical as the previous three. All these accounts, and many others, record economic exchange values, it being understood that a tax or a gift or a theft is, for one of the parties, an unrequited charge of a purchase and, for the other, an unrequited product of a sale.

3. A "stock accounting" is one of the instruments used in management, both of enterprises and of other entities.

In a material accounting, non-monetary quantities are recorded: numbers of pieces, weights or volumes, meters, etc. In this record there is always a record of a starting stock (if necessary zero) and often of the quantities entered. When the recording of the quantities outflowed is added to this, the device is said to constitute a permanent inventory. During the period under consideration, how much of this item came into stock and how much left it? And how much, at this moment, remains in stock? A stock accounting provides the answer, which is accurate in the absence of error or embezzlement.

Although a stock accounting can contribute a lot to better keeping an economic accounting, it is not an accounting. The keeping of economic accounts, often called "general accounts", is only quite frequently ensured by means of one or more stock accounts.

4. At first glance, the categories of economic accounting are the same as the levels of economic observation.

The most global level is that of [Macronomy](#). A **national accounting** system is macronomic. Regional accounting is also required. The intermediate level is that of [mesonomy](#). The so-called **general commercial accounting** is mesonomic. The finest level of economic accounting is that of [micronomy](#). **So-called analytical accounting** is micronic.

5. Commercial accounting and public accounting are two of the four types of mesonomic accounting.

The other two kinds of [mesonomic](#) accounting are [associative accounting](#) and [personal accounting](#).

Family accounting is associative accounting. Transfers [Transfert Economique](#) of income from parents to the family unit are often implicit. But they become explicit when the spouses keep separate personal accounts and together family accounts.

6. The distinction between the categories of mesonomic accounting is necessary.

In a family that operates a business, family accounting is one thing, business accounting is another. Similarly, in a public entity that carries on a business, the accounting of the entity is one thing and the accounting of the enterprise is another. A specific provision for commercial accounting is nevertheless now applied in associative and public accounting. A lack of economic discernment is being peddled.

7. The theory of macronomic accounting is derived from the theory of mesonomic accounting.

Macronomic [accounting](#) is conceived, and maintained, by means of [mesonomic](#) accounting and any other statistics. Historically, the design of national accounts has derived more from commercial accounting than from any other kind of mesonomic accounting.

8. The correct theory of national accounts is based on the theory of associative accounting.

The assimilation of a nation to an enterprise is wrong. A **national accounting system** is **economically ill-conceived** when it is based on this fault. The assimilation of a nation to a non-commercial legal entity is economically just. The most appropriate conceptual model of national accounts is [associative accounting](#).

9. An economic accounting standard is or is not a good one.

It is good when it helps to avoid making mistakes about the economic situation of the entity in question.

The compliance of economic accounting with the standards in force is verifiable. The complete good quality of economic accounting is not and never will be, while changes in accounting standards for ideological reasons distance us from Systemic Political Economy.

10. On what indisputable axiomatic should the general theory of economic accounting be based?

Well established, this theory provides an indispensable instrument for Systemic Political Economy. A small number of statements provide for its articulation, as shown below in propositions 4.2 to 4.7.

4.2 The distinction between stock and flows is an axiom of economic accounting.

1. The distinction between stock and flow is also an axiom of material accounting.

On an aerial photograph, I count a number of parked vehicles. This count is a stock measure. Using a video surveillance device, I count the entrances and exits of a car park. This counting is a flow measure. Measuring inventory is a snapshot. But this observation does not define what a stock is. The measurement of a flow relates to a duration. But this observation does not define what a flow is. Cash [balances](#)⁵⁴ and revenues are nevertheless different realities. Revenues are flows, cash balances are stocks, etc., etc.

2. The assimilation of economic circuits to hydraulic devices is often used.

Water reservoirs are stocks, water currents are flows. The reservoirs and economic currents are of [commodities](#), [debts](#) and currencies. Schemas of this kind, however, can be used to mask a primordial reality. One of the stocks of receivables is like a water tower whose function justifies calling [capital](#).

3. The first tool of economic accounting is a nomenclature of accounts.

It is now customary to say that such a nomenclature constitutes a chart of [accounts](#)⁵⁵. Titles of classes of accounts and accounts are included. Some of these classes and accounts are flow, and others are stock.

4. The second tool of economic accounting is the [double part](#)⁵⁶.

The accounts that a bank provides to its customers are among those that most clearly show the need for a "credit" and a "debit", mentioned more and more frequently in the "amount" column by a positive number for a credit and a negative number for a debit. Ensuring that a debit or credit amount can be recorded in any account is one of the features of double-entry economic accounting. Another system consists of balancing any credit by a debit of the same amount and any debit by a credit of the same amount, within the same accounting. The **equality between the sum of the debits and the sum of the credits** attests to the arithmetical accuracy of the balance carried out and, within the framework of duly standardised procedures, to its economic correctness (principle of this correctness in point 6 below).

Consider Bank B's account C1 in the double-entry books of entity E; the C2 account of entity E in the books, also kept in double entry, of Bank B. The direction of the writings in C1 and C2 is reversed. This inversion exists between any supplier and any customer, as more generally between creditor and debtor.

⁵⁴ Encaisse :voir la [définition de l'académie française](#).

⁵⁵ Voir la définition sur le site [plan comptable](#).

⁵⁶ Voir la définition sur le site [plan comptable](#).

5. The double-entry recording reverses the algebraic sign of a balance depending on whether it is a flow or a stock.

A balance is the result of an algebraic addition. For example, $(+3) + (+2) + (-1) = 3 + 2 - 1$ makes a positive balance of 4; and $(-3) + (-2) + (+1) = -3 - 2 + 1$ makes a negative balance of 4. A **positive balance is a credit when it is in flow, a debit when it is in stock**. Conversely, a **negative balance is a debit when it is in flow, a credit when it is in stock**. We become all the more familiar with this rule if we already have in mind the general scheme of the [income statement](#) on the one hand, and the [balance sheet](#) on the other (on these diagrams, see the rest of this chapter).

6. The balancing of a credit by a debit of the same amount is economically relevant.

Entity by entity, any [commodity exchange](#) or [transfer](#) of a commodity term has an effect on a stock of currency, [receivable](#)⁵⁷ or [commodity](#). The simultaneous recording in an entity's accounts of a credit or debit flow and an increase or decrease in inventory makes the double entry economically relevant.

Depending on whether the movement in question is an outgoing flow – debit – or an incoming flow – credit – a stock is reduced – credit – or increased – debit. In practice, it is sufficient to remember that by convention of use of the words "debit" and "credit":

- a debit outflow has as its counterpart a credit in stock;
- a credit inflow has as its counterpart a debit in stock;

7. For example, [work](#) is provided in exchange for his remuneration by cheque or transfer.

The employer's double-entry accounting records this remuneration by a debit and a credit: the debit is from a flow account – salaries paid –; The credit is from a stock account – bank. The employee's double-entry bookkeeping records this same remuneration by a credit and a debit. The credit is from a flow account – income – the debit is from a stock account – bank.

8. The generalization of the use of double-entry economic accounting constitutes a gigantic work of civil engineering.

Understandably, trade and industry were the crucible for the development of this book. The latter is nevertheless constituted by the adjoining use of the different kinds of double-entry economic accounting. It should be noted that the peddlers of denials of economic reality willingly dispense with admiring the work of civil engineering, and progress, that constitutes the generalization of the use of double-entry accounting. This helps them to tell themselves that the systematic use of the adjective "accountant" in its pejorative sense is honest.

⁵⁷ Voir la définition de « créance » sur le site jurislogic.fr.

4.3 The stocks of mesonomic entities are for financing and investment.

Mesonomic entities: public administrations, non-profit associations, enterprises of any legal form, individuals.

1. An entity's financing stock is its liabilities.

In the financing stock of a mesonomic entity there is almost never anything but the amounts owed. But liabilities in the *strict sense* have given the whole, the stock of financing, its still most frequent name of use.

2. An entity's investment stock is its asset.

An investment, regardless of the nature of what it contributes to producing, **increases the wealth of the entity that made it**. I will come back to this in connection with the essential distinction between charge and investment.

4.4 Financing stocks generally consist of a non-borrowed part and a borrowed part.

1. **The existence of non-borrowed financing is easily seen in the case of private non-commercial associations.**

Or one of these associations, which can be a family. Since its creation, it has had a total of revenue greater than its total expenses. This provided it with a positive stock of non-borrowed financing. This stock is also that of the savings of this association. It was built up thanks to debt. For example, credit Credit has been obtained to finance the purchase of a property.

2. Non-borrowed financing and net worth refer to the same difference.

By entity, this difference is observed between the amounts of two stocks. One is that of investments, or assets, and that of borrowed financing, in other words debts, liabilities in the Passif strict sense.

3. Any mesonomic entity is exposed to the risk that its net worth will become increasingly negative.

If the causes of this deterioration persist, the spiral of growing over-indebtedness leads to a tutelage that replaces the independence that the absence of debt provides with its opposite. An increasingly negative net situation is a cause of **exponential over-indebtedness** for any mesonomic entity, including first and foremost states.

4. **The positive net position of a mesonomic entity other than an enterprise is the same as its equity.**

Equity: funds that, literally speaking, ultimately belong to the entity in question and to it **alone**. Individuals with a positive net position have equity. Under the same condition, non-commercial legal entities have their own funds, such as foundations. All equity is by definition non-borrowed financing. However, not all non-borrowed financing is equity, in the sense defined above.

5. The positive net position of a legally incorporated enterprise is the same as its permanent funds.

In any legal-entity-enterprise, the stock of **non-borrowed and permanent financing** is equal to its net position provided that the latter is positive. In a corporate business, the non-borrowed and permanent financing is equal to its **actual working capital**, which in turn is equal to its net position. "**Permanent funds**" is certainly a little longer to say and read than "equity", but still accurate when the subject is corporate financing.

6. Not paying cash is a way of borrowing.

However, the cash discount system is only fair under narrow conditions. Let A and B be the customers of supplier F. The discount for cash payment is, let us assume, 2%. Customer A gets to pay at 30 days and customer B at 90 days calculated in the same way. In both cases, the cost of the loan seems to be the same: the renunciation of the 2% reduction in the amounts to be paid. However, the payer at the latest is at a substantial advantage. The cost, in relation to the sums borrowed respectively, is in fact three times less for B than for A.

7. This is just one example of the countless economic anomalies to which the ways of financing lend themselves.

Finance, the indispensable form of finance, is obviously not in itself an economic anomaly. But how can its violations of the rules of economic fairness be fought victoriously other than by making these rules the cornerstones of the theory of the market economy?

4.5 An entity's investment stock often includes investments and almost always equipment.

1. Investing a sum of money is providing a service.

However, this service is only the end of an economic exchange when it is remunerated.

2. The "financial assets" of account plans are investments.

Some of these investments do not yield anything. This is often the case with security deposits.

This is always the case with a free loan.

3. Non-financial fixed assets are equipment.

The acquisition by an enterprise of a patent or a trademark is an intangible asset⁵⁸. It is part of the equipment together with tangible fixed assets⁵⁹.

4. Equipment Equipment is usable for at least one year.

There are many easy-to-remember illustrations. A pan is a piece of equipment, what you cook in it is not a piece of equipment. Cloth tablecloths and napkins are equipment, their paper ersatz are not. A boiler is equipment, a fuel purchase is not. Etc.

⁵⁸ Voir la définition d'immobilisations incorporelles dans plan.comptable.com

⁵⁹ Voir la définition d'immobilisations corporelles dans plan.comptable.com

5. In theory, any stock that has a market value is an asset.

In practice, exceptions are allowed. Neglecting, on the day of the closing of the accounts, small stocks of supplies gradually modifies the result as well as the net position. This is all the more acceptable since the accounting principle of the permanence of methods is applied.

6. The distinction between investment and expense is essential.

An investment increases the stock of assets that the entity that does so owns. A load is a flow. Of course, investments are always based on what is expected of them. However, this does not mean that a charge is not also made for what it will allow to obtain in the medium or long term. The confusion between charge and investment stems from the insufficiently detailed distinction between flows and stocks. An economic vocabulary that strives to get as close as possible to the reality in which it is specialized does so better by making expense a hyperonym⁶⁰, as lexicographers say, of "burden" and "investment."

7. In any management of economic affairs, the amalgamation of expenses and investments is prone to errors.

Of course, charges and investments are expenses. But a reduction in expenses accompanied, in due proportion, by an increase in investments keeps the sum of expenses unchanged. In economic policy, opinions based on the amalgamation of the two types of public spending are still rarely criticized.

4.6 A balance sheet⁶¹ is the summary of the stock accounts.

1. "Bilan" comes from the Italian *bilancio* "balance".

In all the balances of amounts recorded for an entity, the balance sheet is, on D-Day, the **summary of the inventory accounts**, with on the one hand those of financing, or liabilities, and on the other hand, those of investment, or assets.

The historical part of the article "Accounting" of the *Dictionnaire encyclopédique Quillet* states, in its 1953 edition (the bolding is my doing):

*"The first treatise is by Luca **Pacioli** (1494) (*Tractacus de computis Scripturis*), for whom balance means balance. There is the double part⁶². In 1594, the Belgian Dashier **Goessens** established the **principle of the inventory**. In 1605, a Dutchman, **Stevenin**, showed the necessity of the **annual balance sheet** and established the rules of the inventory. In 1675, Savary published *The Perfect Merchant*, a book that has never been surpassed. In the 18th century, accounting made no progress. The large enterprises relied on the central power and the sovereign authorized them to violate the rules of accounting. This regime aroused such criticism that during the Revolution, public opinion demanded the elaboration of practical and precise provisions. The **French***

⁶⁰ Voir la définition dans [WordNet](#).

⁶¹ Voir la définition dans [PlanComptable.com](#).

⁶² Plus précisément, c'est la distinction entre **débit** et **crédit** qui est déclinée par Pacioli. La systématisation de la distinction entre stocks et flux restait à venir, introduite un siècle plus tard par Goessens (1594) puis Stevenin (1605).

***Commercial Code of 1807** laid down the regime applicable to enterprises⁶³. The Minister of the Treasury, **Mollien**, imposed a double share on the public finances; it revealed numerous deficits and falsifications. Since then, accounting techniques have progressed in parallel with the development of trade. »*

2. A ratio summarizes the principal of an entity's financing structure.

The numerator of this ratio is the amount of funds not borrowed. Its denominator is the total amount of [the financing stock](#). What it measures is a **degree of independence** as well as resistance to economic downturns. [Competition](#) based on the comparability of offers plays an irreplaceable role. But the degrees of financial independence of enterprises substantially configure the course of business. Expecting competing offers to have the same controlling effects, regardless of debt levels, is very unrealistic.

3. An [entity's stock of financing](#), in other words the [liabilities](#) on its [balance sheet](#), can almost always be reduced to two masses by the criterion of the duration of the financing.

One of these masses is that of [permanent financing](#) and debt with a maturity of more than one year. The other mass is that of financing with a maturity of less than or equal to one year or payable at any time (overdraft). Accounting [standardization](#) favors the estimation of these two assets. One of its rules is, in fact, the classification of the liabilities headings in order of exigibility. The first mass is often said to be that of "permanent capital" (an unfortunate name, we will see later why) and the second that of "short-term debts" or [operating liabilities](#).

4. An [entity's investment stock](#), i.e. [the assets](#) on its balance sheet, can also almost always be reduced to two masses by the criterion of the duration of the investments.

One of these masses is that of investments for a period of more than one year, the other for a period of less than or equal to one year. The classification of asset headings in ascending order of liquidity facilitates the determination of the amounts of these assets.

5. Several pairs of expressions are used to designate the two types of investments.

The most widely used in economic theory and financial analysis have so far been the pairs of [fixed capital](#)/[circulating capital](#) or [fixed assets and current assets](#), or "[net fixed assets/going concern values](#)". These designations should not make us forget that in enterprises, all the assets participate in the maintenance of the [flow of sales](#). Here the ratio between sales and total assets constitutes a stock rotation, a rotation that I will show later is a measure of [productivity](#).

6. The difference between financing and investments with a maturity of more than one year constitutes working [capital](#).

The difference constitutive of the working capital (FDR) is by definition equal to the difference between investments and financing with a duration of less than or equal to one

⁶³ Pas seulement aux sociétés : l'obligation de l'inventaire annuel s'applique aux entreprises en nom personnel.

year. To say that this additional difference is the "working capital requirement" (WCR) is often misleading. A decrease in the BFR does not result in an increase in the FDR. The rationale for a positive FDR is the same as a high ratio of financial independence.

7. The benefits of business-to-business spot trading are massive.

But the less business-to-business trade is in cash, the more what this state deprives it of is silenced. It considers that the search for the longest payment terms is part of the normal laws of commerce. So the FDRs are calibrated accordingly, which makes insolvencies more contagious. Employment suffers as a result.

4.7 A [profit and loss account](#)⁶⁴ is the synthesis of income and expense flows [Comptabilite_Charge](#).

1. In the charts of accounts, one class of accounts is allocated to [income](#) and another to [expenses](#).

The difference between total [income](#) and total [expenses](#) is the [result](#). The term "income statement" given to the summary of flows, previously divided between the "operating account" and the "profit and loss account", comes from this.

2. An ⁶⁵ entity's primary product is specific to its category.

In the sense of the word "product" in economic accounting⁶⁶, the main product is normally:

- in [associative accounting](#), transfers [Transfert Economique](#) obtained;
- in commercial accounting, [sales made](#);
- in [personal accounting](#), [income](#);
- in public accounting, [taxes](#).

3. Expenses [Comptabilite_Charge](#) always include operating expenses.

Capital expenditure is [investment](#). The accounting of operating expenditure entails, on the expense side, a debit from a flow account. The accounting of capital expenditure involves, on the investment side, a debiting of the stock account (balances recorded in the balance sheet are debit on the assets side, accounts payable on the liabilities side).

4. Equipment or debt amortization allowances are [expenses](#).

In enterprises, equipment depreciation **allowances** are part of the expenses. **Debt amortisation** expenses, including interest and principal repayments, are in fact expenses **outside of enterprises**: individuals, non-commercial associations, public entities⁶⁷.

⁶⁴ Voir la définition de « compte de résultat » dans [PlanComptable.com](#).

⁶⁵ Voir la définition de « produits » dans [PlanComptable.com](#).

⁶⁶ Ce sens n'est pas encore mentionné par les dictionnaires de langue française les plus récemment révisés. Patience ?

⁶⁷ Pour les entreprises seulement un remboursement de principal emprunté est un mouvement de trésorerie, sans incidence sur le résultat. **Alors que minorer le résultat d'une entreprise en faisant figurer dans les charges un tel remboursement serait frauduleux, ailleurs le contraire est un mensonge par omission...** qui reste encore pratiqué par quantité de politiciens, de hauts fonctionnaires, d'évêques, de commissaires aux comptes, de présidents et d'économistes. Voyons donc ce qui se passe quand l'un d'eux se rend à titre personnel chez son banquier pour obtenir un crédit d'acquisition immobilière ou de gros travaux d'entretien

5. An **expense** is either a **charge** or an **investment**.

In this respect, all economic entities are in the same boat. Whoever buys equipment **Equipement** makes an **investment** that increases his **stock of assets** – which **increases his wealth**. Whoever buys a supply consumed by this **equipment** is making an expense which is a **charge**⁶⁸. In no budget do variations in **charges** of any kind have the same immediate and future effects as variations in **investments**.

6. Income and cash flows are usually different.

The events generating the profit streams are **exchanges** or **transfers**. The generating events for cash flows are receipts and disbursements. Period after period, these flows are rarely identical. They differ in particular in the case of **investment**. While the latter is not part of the **expenses**, the disbursement of its cost is part of the cash outflows.

7. The universality of the principle of calculating the result should not be deceived.

The **result**⁶⁹ is the difference between **income** and **expenses**. This principle applies to all economic entities. When the difference is negative, calling it a "loss" or calling the result a "loss" is always appropriate. However, this does not mean that using the noun **profit** or **profit** and the qualifier "surplus" to designate the positive difference between **income** and **expenses** is always relevant.

8. The **result** is savings or dissavings for only two categories of entities.

An individual who keeps his accounts in double entry records a periodic **result**, correct in his calculation principle if, in the case of a current loan, **a debt amortisation allowance is deducted from the expenses**. Depending on whether the result calculated in this way is positive or negative, there has been savings or dissavings over the period under consideration. The determinants of the result of a non-commercial association are the same as those of the result of an individual. Depending on whether the result is positive or negative, it increases or decreases the **equity** of the association or individual – the net position of the association or individual.

9. A surplus or deficit is cash or profit.

It is according to its calculation by cash accounting or by an **income statement**. In the first case, the surplus or deficit is cash and not profit. The distinction between the two types of surplus or deficit is still too little practiced in the art of well-explained accounts.

et d'embellissements. Le banquier fait le point de la situation financière de son client en décomptant dans les charges actuelles et futures dudit client toutes les échéances d'amortissement de dette, remboursements de principal compris. Cette manière d'établir le compte de résultat de tout autre acteur économique qu'une entreprise est incontestablement réaliste, au point qu'elle obligerait la science économique à considérer qu'elle est la bonne même si personne n'en usait.

⁶⁸ Voir aussi la définition de « charge » dans [Plan Comptable](#).

⁶⁹ Voir aussi la définition de « résultat » dans [Plan Comptable](#).

4.8 In general accounting, depreciation of equipment is only relevant to enterprises.

- 1. Reminder: equipment depreciation, often called industrial, is distinct from debt amortization, often called financial.**

A borrower receives from the lender, at the entry into force of the contract that reciprocally binds both parties, the payment schedule of his debt, including interest and principal. This amortization plan is for financing and not for equipment.

- 2. Depreciation of equipment consists of spreading out the reconstitution of its acquisition value.**

Let us note E the [equipment](#) considered. Let us also denote D the total duration of the spreading. D is composed of short periods P , all of which are at most equal to one year. At each end of P , a depreciation expense of E is recorded. The amount of this periodic allocation is debited from an *ad hoc expense account*. The counterpart is a credit to a fixed asset account, this account being the one where the acquisition value of the equipment already appears, in debit.⁷⁰

- 3. This double-entry entry is necessary to preserve the value invested.**

However, it is not enough. The provisions made must be placed in an interest-bearing bank passbook. In this case, cumulative depreciation allowances are recorded as a financial asset. If it does not go that far, current cash is supposed to provide for the preservation of the invested value. But this is contradictory: well managed, current cash is in small surplus.

- 4. It should be emphasised that the value invested by provisions is only effective if they constitute a cash investment.**

This investment is liquidated to pay all or part of the provisioned replacement. In such corporate financial management, the operating cash flow is coupled with an investment cash flow. This doubling of cash flow is a step forward because the avoidance of misappropriation of industrial depreciation promotes the maintenance of employment.

- 5. This management system is not yet considered normal.**

To set it up, you need a fairly positive working capital. The solidity of the enterprise's financial situation is thus reinforced by the renunciation of the misappropriation of industrial depreciation, in particular to make it a means of financial depreciation.

- 6. Enterprises have among their expenses financial costs and industrial depreciation expenses.**

In fact, [indebted](#) mesonomic entities other than [enterprises](#) have financial depreciation expenses among their expenses.

- 7. In other words, a non-commercial association.**

Its managers use a structural ratio. They set it at 60%, but for the explanation to follow, it doesn't matter if it's not more or less. The numerator of this ratio is the annual total

⁷⁰ Cette façon de faire a remplacé celle qui a consisté à créditer un compte de provision dont le solde était mentionné parmi les stocks de financement, au passif du bilan par conséquent.

expenses Comptabilite Charge. Debt amortization expenses are part of these expenses. No industrial depreciation expense is recorded as an expense. The denominator is the annual total income Comptabilite Produit in the income statement. The association's managers are therefore aiming for an average annual result of 40%. If this percentage represents an amount greater than the capital expenditure of a year, the difference is placed. Such an association manages its results as prudently as the enterprises that best provide for their financial solidity manage their industrial depreciation.

8. The net position of any mesonomic entity depends on the market value of its fixed assets.

But only enterprises have a market value and **only enterprises have results to distribute in exchange**. This is why it is essential to include industrial depreciation in the expenses in their case. This is also why such a count makes no sense for non-commercial associations and individuals.

9. Many cost calculations require an estimated depreciation.

Among these calculations, there is of course that of the full cost price of an item sold by an enterprise. There are, however, many others. Some are common to all categories of entities. This is particularly the case when a choice of equipment is to be instructed.

10. For example, between three boilers and in this case, what will be the full cost of the thermal energy produced by each one?

The answer lies in estimating equipment depreciation. However, the presence of industrial depreciation among the expenses is only necessary in the general accounts of enterprises, just as the presence of debt depreciation among the expenses is only necessary in the general accounts of an entity other than the enterprise, when this other entity is indebted.

Chapter 5 – Capital

In economic science and policy, the term "capital"—used to mean capital, a capital, or some capital—seems at first glance to pose few problems. Upon closer examination, a consistent and unambiguous definition emerges that clarifies its role in the economic landscape, including the modalities of ownership of enterprises (see negotiable versus returnable shares).

Full employment and the avoidance of financial crises depend more than any other magnitude on capital as permanent financing of enterprises. This leads to a system of weights and measures that provides controlling and emancipatory instruments.

5.1 Let us call **capital** financing that is permanent in nature and provided directly to an enterprise by one or more savers.

1. Makes the meaning of the noun "capital" unequivocal.

In this sense, capital contributions are made solely by **savers**, in the sense specified in the previous chapter: individuals and private associations with a non-commercial purpose, exclusively.

2. One implication of this unequivocal definition of capital is also an unequivocal definition of credit.

Let us only call **credit** financing other than a capital contribution. Later in this chapter, the distinction between **capital** and **quasi-capital** leads to the completion of the definition of credit: other than a capital or **quasi-capital contribution**.

3. "It would be of great advantage to have at least two different words to designate capital depending on whether it is in an active or passive position."

Paul Fabra remarked on this in *Various Meanings of the Word "Capital"*, second appendix to chapter 5 of *Refounding Political Economy*. "Active position" means: part or all of the investment stock, or **asset**. "Passive position" means: part or all of the **financing stock**, or liabilities. However, despite its name, **liabilities** are economically **essential**, for two peremptory reasons: 1) Financing is essential for any **investment**. 2) Inappropriate financing structures lead to exponential over-indebtedness.

4. Why was double-entry accounting historically established with the "Debit" column to the left of the "Credit" column, and not to the right?

The first double-entry accounts were those of customers who started with a duty, in the "Debit" column, after which the settlement is recorded in the "Credit" column. Then came the **balance sheet** invented a century later, on the side of the inventory accounts whose balance is debit (a customer owes, debit balance), then mechanically took position to the left of the **liabilities**, on the side of the inventory accounts whose balance is credit (a supplier has made credit, credit balance).

5. The "Credit | "Rate" is economically more relevant in languages that are written from left to right and from top to bottom.

If this order is completely declined, the "passive" positions (financing) are stated **before** the "active" positions (investments) – before: above or in the left column. It is economically more relevant.

6. In business, the "capital", more capital than any other, is the financier.

Whether this permanent financing is provided more or less in cash or in kind (land, buildings, machinery, business) or in industry (patents, know-how) does not change anything. To object that this capital is only financial does not hold water. The enterprise is the only institution that exists only through and for the practice of [economic exchanges](#). It therefore exists only through and for financial flows between it and its suppliers of all kinds (including capital providers and [employees](#)) on the one hand, and it and its customers (which, often or exclusively, are other enterprises) on the other. Even if all this could be done only by barter, these flows would have a financial reality through the unit of value that would be used to account for them, and then to establish whether the enterprise keeps or melts the savings placed in the [capital](#) it operates.

5.2 Strictly speaking, "permanent" is that which lasts until the end.

The meaning of the Latin verb *permanere* is: "to remain to the end".

1. For an enterprise, what persists until its disappearance is permanent.

For an enterprise, the non-credit portion of its financing [Credit](#) is strictly speaking permanent, until it closes. The practice, which has become quasi-official, is to say that this part is its [Capital](#).

2. Any permanent enterprise financing contribution has an owner.

When the enterprise is in a personal name, the ownership of the enterprise and that of its capital are one. When the enterprise is an commercial enterprise, other than a cooperative or a mutual society, the co-ownership of the enterprise and that of its capital are also one. When the enterprise is a cooperative or mutual society, its members hold shares in its capital without being co-owners: in the event of liquidation, any bonus is transferable to one or more other legal persons of the category specified in its articles of association.

3. To call an enterprise's liabilities of more than one year "permanent capital" is unfortunate.

Short-term debts are part of financing with a maturity of less than one year. Medium- and long-term debts are part of financing with a maturity of more than one year. The latter expression, **financing for more than one year**, is less confusing. Capital [Capital](#) is financing of a different nature than debt, including in the medium and long term.

5.3 The unequivocal use of the noun capital is possible and desirable.

1. The uses of the adjective "capital, ale, aux" are not affected by this.

The Grand Robert of the French language reminds us of the historical primacy of this adjective. It was "borrowed around 1200 from the Latin *capitalis* 'of the head', derived from

caput, 'head' (->chief)". His first job "is specialized in the language of law with the value of 'which can cost the head, mortal'" – capital punishment... In 1567, "a substantiated use of the masculine capital is attested in economics". He is "destined – no pun intended – to make a fortune". It may be that he "was born directly in French." It may have been "borrowed from the Italian *capital*", the main part of a loan. In the sense that has become primary, the essential part of a reality is crucial. In other words, the most important thing is crucial.

2. The question of what is crucial in economics arises.

It calls for a first answer which itself calls for a next question. This chain leads to the object "permanent financing of the enterprise". Here's how.

The practice of [economic exchanges](#) is crucial, because it alone provides the [income](#), which feeds the bulk of [transfers](#). The enterprise is crucial in the practice of [economic exchanges](#), while the structure of a enterprise's [balance sheet](#) inevitably depends on its solidity and its ability to employ in a sustainable way. Permanent financing is crucial in an enterprise's balance sheet, because it is above all its size, in relation to [investments](#), that the strength of the enterprise and its ability to employ in a sustainable way comes from.

3. Economic science must, to the test of its use, prove itself to be correct with regard to what is, with regard to its object, capital.

To do this, the building materials of this science must contain as few ambiguities as possible. The discipline that is required is known. In other fields, its success is obvious. Concepts must be extracted from notions. The main tool of this extraction is the [definition in intention of a finite set](#).

4. To say that any amount of money is capital is easily avoided.

Often, "capital" is not only or at all permanent financing of enterprises. For many uses of the plural "capital", that of [fund](#) is substitutable.

5. The repayable part of a loan is unambiguously referred to by the main word.

The use of this word in this sense seems to be, in French, prior to that of the noun "capital".

6. The notion of "human capital" contravenes the abolition of slavery.

Through it, men once again become assimilable to commercial wealth. With them, their knowledge becomes so too. [Excessive commodification](#) and [financialization](#) triumphed. The improvement of working conditions suffers as a result.

7. Pascal made great progress in physics by forging the unequivocal concept of "pressure".

Economic thought that makes capital [Capital](#) an unequivocal concept accomplishes a progress of the same kind.

5.4 Quasi-capital is permanent corporate financing when it does not come directly from a saver.

1. Intermediation in savings placements in permanent corporate financing confiscates power.

Enterprises A to G have shareholders who are all savers. As a result, the latter have powers. But now enterprise G, by means of an increase in its capital, has taken complete control of A. It then successively acquired enterprises B to F. Impulses given, arbitrations made and sanctions pronounced in the past by savers have disappeared.

2. . The freedom of entrepreneurship does not inherently provide its own limits.

It tends to reduce the freedom to choose. Once the need to oblige comparability has been admitted, competition refers to the freedom to offer regulated by the freedom to choose.

3. Shares Action held by an institutional investor are quasi-capital.

This is, more generally, the case for shares held by any enterprise. The **public ownership** of all or part of an enterprise is an instrument of quasi-capital, not capital in the sense defined above.

4. The necessity of the distinction between capital and quasi-capital is certain.

Extensions and retractions of the use of quasi-capital, instead of capital in the sense defined above, have systemic effects, as do any other decrease or increase in competition.

5.5 Credit and capital are opposites in many respects.

1. There is no repayment term attached to the savings in capital.

The credit is attached to a repayment term or the exigibility at any time of a total or partial repayment.

2. Excluding cooperatives and mutuals, savings in capital provides ownership or co-ownership of an enterprise.

The only property that credit investment provides is that of a receivable.

3. The income consisting of all or part of an enterprise's profit is attached to the savings in capital.

The payment of interest Interest is attached to credit financing Credit. The price of the loan is likely to be fixed, once concluded. The income from a savings in capital varies according to the enterprise's results and cash flow. Hence the distinction between bonds, securities for investment in credit, and shares, securities for investment in capital.

4. An enterprise's recourse to credit contributes to the reduction of the enterprise 's capital.

Conversely, the use of an enterprise to increase its capital contributes to the reduction of the enterprise's debt.

5. The repayment of the principal of a loan constitutes a cash outflow.

Less credit for more capital reduces cash outflows.

6. A capital increase is a sustainable contribution to the increase in production capacity.

The loan that goes into the financing of an enterprise is a temporary contribution. Surplus value, whether it is obtained by leverage or otherwise, is a transfer and not a creation of purchasing power. I will come back to this point.

7. Only the supply of a new elementary commodity creates exchange value.

Whenever there is a supply of an elementary commodity in exchange for its remuneration, an employee or a saver creates exchange value. The composite commodities that firms buy and sell open up and maintain outlets that feed the demand for elementary commodities and consequently the incessant creation of exchange value in the form of income.

8. Credit and capital investments are not two points of conflict.

What they have in common is that they are financial and speculative. But there are **two kinds of financial speculation**. They become easy to distinguish when we observe quite carefully a form of sale of a loan for the purchase of something likely to be worth more tomorrow – sur plus value – than what it is worth today.

9. Let's give the floor to a seller of this form of credit.

"Buy this thing, which is worth 100 today, with the loan of 100 that my institution is going to give you. In a year, this thing will be worth 115, while over a year the credit of 100 will cost you 5. You will therefore have enriched yourself by 115 minus 100 minus 5, or 10". In this process, seller V makes to customer C an offer of merchant exchange, credit Credit in return for the payment of interest. But it is by transferring the assumption of the cost to a putative third party, the next buyer of the thing acquired by C by means of V's offer. The financing sold by V does not take part in any creation of market wealth, which creation exists only in the event of the supply of at least one new elementary good (paragraph 7 above). We are in the presence of an unenriching speculation of the entire population.

10. In the provision of permanent or temporary financing to an enterprise, there is a shift in the cost of this supply.

It is on the enterprise's future customers. But the essential difference is that it is through the purchase of new products of work for the enterprise's staff. In this case too, financial speculation intervenes, but it creates exchange value. The income from work and from the investment of savings provided by enterprises is by means of this speculation rewarding.

5.6 An enterprise's capitalization rate is more important than the amount of its capital.

1. Let us call the capitalization rate of an enterprise the ratio between its capital and the total of its balance sheet (= total liabilities Passif or assets).

The mathematics of exponential accumulation does not enter into the determination of this ratio.

2. The replacement of the mandatory mention "Enterprise with capital of..." " by "Enterprise capitalized at... % (... €)" has two advantages.

The [capitalization rate](#) provides better information about the financial strength of an enterprise than the amount of its [capital](#). Comparisons of capitalization rates are likely to contribute to the increase in their averages.

3. A young farmer buys a farm entirely on credit.

Legally, he is the new owner. Economically, it becomes so as its debt is amortized.

4. The capital contributor of an enterprise in its own name is the economic owner of only a proportion of the assets listed on the balance sheet.

Holders of shares in the capital of a [commercial enterprise](#), other than a cooperative or a mutual society, are in the same situation. The proportion is the [capitalization rate](#). Depending on whether, for example, this rate is about a quarter, a half or a three-quarters, all credit providers hold the additional amount economically.

5. The security of the savings in capital depends on many variables.

Nevertheless, a [savings in capital](#) yields an annual profit of 9%, with a capitalization rate of 40%, while another yields an annual [profit](#) of 6%, with a capitalization rate of 80%. Which one has the best combination of [efficiency](#) and safety?

6. The profit [rate products](#) by the [corresponding capitalization rate](#) provide an index.

In the previous numerical example, the lowest index is 360 (9 times 40) and the highest index is 480 (6 times 80).

5.7 In [a Objective Political Economy](#), a capital is exclusively that of a commercial enterprise.

1. Law and accounting describe the [capital](#) of a commercial enterprise as "social".

On this point, as on many others, the Objective Political Economy follows the practice enforced by enterprise law and the standardization of corporate accounting. This usage applies to legally so-called civil enterprises.

2. A capital is divided into [shares](#) held by its [shareholding or](#) into [shares](#) subscribed by its [member](#).

Shareholding would be, like the co-ownership of an enterprise in a general or limited partnership, eminently "capitalist". The cooperative or mutualist membership would be "solidarity". A cleavage is perpetuated without subjecting it to the verification of its economic reality.

3. Facts impose a starting point for this verification.

All [action](#) is *de facto* a [social share](#). Every [shareholder](#) is *de facto* a [member](#). Let's first look at what is common to all shares of [capital](#). Let us only then consider what makes the main economic difference between two kinds of action.

4. The **exploited value** of a share is equal to the division of the **capital** by the number of **shares**.

The **capital** taken into account is increased by reserves, both mandatory and otherwise, and less any losses. The balance of unallocated earnings ("carry-forward") is therefore taken into account in the calculation of the exploited value per share. In contrast to the emission value, the exploited value varies over time.

5. Of the amount of **capital** used to calculate the **exploited value per share**, we say that it is the **capital-operated**.

In the case of enterprises whose shares are listed on the stock exchange, **the market capitalization** is likely to be more or less different from the **capital under cultivation**.

6. An increase in **capital** through the issuance of new co-ownership shares reduces the relative share, per share, of the enterprise and its **profits**.

It therefore reduces the potential for **tradable surplus values** per **share**. These reductions are said to be dilution.

7. The acceptance of dilution promotes the deconcentration of corporate co-ownership.

It also promotes the increase in the capital base of the enterprises where it is practiced.

5.8 Refundable **shares** are those whose only method of **liquidation** is their redemption by the enterprise that issued them.

1. The **shares** that constitute "returnable shares" are redeemable and non-negotiable, therefore, not listed on the stock exchange.

The articles of association of the enterprise, known as "variable capital", as well as the diligence of the board of directors and the general management, govern the terms and conditions for the redemption of these shares and the permanent issuance of new shares. In some cases, the reimbursement only takes place once a year. In others, the time between the application and the actual repayment is very short, which makes this **method of liquidation** more convenient for the saver.

2. An investment in capital by returnable shares is deprived of the possibility of a **capital gain**.

The possibility of a capital gain generated by the sale of a share of **the capital** is inherent in **negotiable shares** (following proposal). Moreover, a capital gain or a capital loss on sale is certainly the result of an **economic exchange** – the sale of the transferred security – but it is also a **transfer** between the buyer and the seller⁷¹.

⁷¹ | Plus-value | Transfert | Observons l'effet d'une hausse d'actifs négociables, celle de l'immobilier par exemple, lorsqu'elle est nettement supérieure à celle des revenus durant plusieurs années consécutives. Pendant cette période, l'état du marché met les vendeurs en situation d'imposer aux acheteurs un niveau de cherté qui procure aux vendeurs de la plus-value. Alors la cherté d'où provient une plus-value engendre un transfert de valeur d'échange économique, qui va de l'acheteur au vendeur à hauteur de la plus-value. Par les définitions successives qui ont pour point de départ celles des échanges et des transferts économiques, **les revenus** proviennent exclusivement des échanges de **marchandises élémentaires** cependant que les **plus-values** engendrées par les ventes d'actifs constituent une catégorie de transferts.

3. The deprivation of the possibility of a capital gain can be reconciled with protection against currency depreciation.

Discounting the exploited value per share and aligning the liquidation value with that exploited value can be used for this purpose. The distribution of free shares is also important. For 20 years, I have been a member of an enterprise with variable capital. In addition to the annual interest on my investment, the enterprise informed me every 3 to 5 years of the revalued amount of my shares or distributed free shares to me. These measures have reduced the exposure to monetary erosion of my investment.

4. No shareholder of an enterprise whose shares are all returnable holds more than a capped fraction of the capital.

Typically: the fraction of the capital that a member holds at most is limited to 5%, i.e. a member of at least 20 members. In addition, and as a general rule, the enterprise only remains well managed if it maintains the issuance of new shares and the opening to new members in order to compensate at least for the liquidations that have taken place. This is why French legislation uses the expression "with variable personnel and capital" to characterize this type of enterprise, the "variable personnel" being the number of members⁷².

5. By means of returnable shares, the increase in the capital of an undesirable member is completely controllable.

This is the case if the articles of association provide for a procedure for the approval of new members and the liquidation imposed on the member who contravenes the conditions of his approval. This makes it possible to reconcile the protection of the *affectio societatis* with the constant opening of the capital to a greater number of shareholders.

6. Historically, in terms of voting rights, the rule that has most often been associated with the practice of restitutable shares is "one man, one vote".

This rule replaces, where it is statutory, the rule of a number of votes equal to the number of shares PartSociale held. This replacement is nevertheless based on a denial of reality. In other words, a member who sticks to holding a very small number of shares, well below the ceiling set by the articles of association. He has the same power at the general meeting as another who contributes more to the permanent financing of the enterprise. We can say what we want, but this other is in reality more supportive.

7. The "one man, one vote" rule is more secondary than often considered.

It is secondary to the method of liquidation of the shares. It is also secondary in terms of the level of profit per share. Over the long term, the viability of **the business model of the returnable joint stock** enterprise essentially depends on three conditions:

- 1) Whenever the results before any other distribution so permit, the enterprise pays remuneration for contributions of capital at the rate prevailing on the capital market (for this rate, see the chapter on employment below).

⁷² L'introduction dans le droit français de la « société à personnel et capital variables » date du milieu du XIX^e siècle. Des mesures législatives analogue ont été prises à la même époque partout en Europe.

- 2) The enterprise shall keep active the method of liquidation and the issue of new shares in the capital, through provisions which shall be the subject of recurrent publicity.
- 3) The distribution of free shares compensates for the effect of currency erosion.

5.9 **Negotiable shares** are those whose most common method of liquidation is their sale to a buyer.

1. Listed stocks are the ones with the most open tradability.

The liquidation of unlisted marketable shares is generally more difficult, if not very difficult. In enterprises that are not really in business, the majority co-owner and head of the enterprise uses statutory limitations on the transferability of enterprise shares, as well as blank powers, so that the enterprise remains, in fact, in its own name. This disguise has as its counterpart the restitutable joint-stock enterprises whose managers have put on hold the method of liquidation specific to this kind of capital.

2. Advertising the exploited value per share reinforces the link between this value and the share price.

Currently, the number of shares is shown in the published quotes. On the other hand, neither the amount of the capital exploited nor the division of this amount by the number of shares is included. The market authorities are not yet doing anything to ensure that the exploited value per share becomes the level, variable over time, around which the price of a listed share oscillates.

3. Let us assume that this value and the rate of profit distributed in relation to this value are published in force.

So the comparisons to which each of these ads lends itself reinforce two trends. The differences in the rates of profit on capital worked are narrowing more quickly. The prices of tradable shares oscillate more closely around the corresponding exploited values.

4. The **market capitalization of an enterprise is equal to the product of its share price by the number of its shares.**

In the lexicons that are now provided on sites dedicated to the stock market, we find the term "shareholder value" as "value creation by the enterprise" or "creation of value for the shareholder". Often, this "value creation for" refers more to the capital gain than to the income from the equity investment. This "value creation" never refers only to dividends.

5. The purpose of negotiable shares is the same as that of returnable shares: the permanent financing of a corporate business.

Tradable stocks are **not** for gambling, although they can be used to engage in it. An investment in equities has the rate of return on what it pays in dividends. The distinction between capital gain and rate of return is all the more important since the capital gain is only received when the securities that provide it are liquidated, whereas dividends are only received while the securities are held.

6. Let us repeat that surplus values are transfers and not value creations.

There is the creation of economic exchange value only through the remunerated supply of an elementary commodity (Chapter 2 At the same rate of profit distributed on the value of the business, the returnable and negotiable shares contribute equally to this creation. A surplus value, the result of an excess of offers to buy over offers to sell, displaces purchasing power without being in itself a creator of it. This makes it a transfer⁷³.

7. The stock *option process* is not used in the full-trade economy.

This process amounts to saying who this form of profit-sharing is aimed at: "I employ you so that your work contributes to creating value for the shareholder. In practice, this means: to give current and potential shareholders the feeling that the surplus value in constant monetary units is, on our shares, a tree whose growth will be endless." In the economy of full trade, this statement becomes: "If you want to become a co-owner, it is under the same conditions as anyone else, whether or not anyone is an employee of the enterprise".

8. The separation of economic roles is cleaning up the markets.

But, like the political separation of powers, it is applied by prohibitions. **The requirement for banks to** be either retail or investment is one of the separations that provide for the consolidation of the market economy.

9. Financial techniques other than *stock options* are not used in the full-trade economy.

Debt **securitization** and **interest rate derivatives** are ways of multiplying the number of transactions likely to generate surplus values while minimising the capitalisation rate. The prohibition of these techniques is one of the characteristics of an economy in which exposure to capital losses and the possibilities of surplus values are reduced to what is necessary for two purposes. Rising capitalization rates increase resistance to insolvency outbreaks. This same increase contributes mainly to the establishment or restoration of full employment (see the chapter on employment below).

10. Which shares, returnable or negotiable, are the most favorable to deconcentration, disintermediation and the rate of return of equity investments?

Deconcentration: more savers have become and remain shareholders. **Disintermediation:** the share of quasi-capital in the financing of enterprises, including financial institutions, is declining.

Process of realizing return: placements of savings in capital becomes a source of annuities that can be passed on from one generation to the next after payment of inheritance tax.

11. Only negotiable shares can be used to transfer shares in the co-ownership of an enterprise.

The returnable shares of an enterprise make it possible to transfer, with the agreement of this enterprise, the status of member and the rights attached to it. But the receipt of an

⁷³ Comme montré dans la première note de bas de page de l'argumentation de la proposition précédente.

unlimited series of periodic [profits](#), constituting an annuity, is one of these rights in all cases of investment in capital.

12. Two advances make the question of the respective virtues and complementarity of returnable and negotiable shares relevant.

One is the less biased organization of the equity investment market. The other is the acquisition of the status of annuitant in addition to or in replacement of a pay-as-you-go pension, i.e. by transferring today's contributors to today's pensioners. Under these conditions, how would an economic policy that misses the possibility of this progress be sufficiently relevant?

5.10 Capital standards are necessary for the permanent consolidation of the market economy.

1. Two advertisements are prescribed above.

One is the [capitalization rate](#) The other is exploited [value per share](#).

Their promulgations bring about an organic reform of the capital market, including its stock market compartment.

2. Following a loss-making financial year, the opening capital for the following financial year is *de facto* reduced.

In the case of an enterprise, it is better to take note of a decrease in the [exploited value per share](#), commensurate with the loss. Conversely, a profitable financial year is likely to increase the exploited value per share.

3. Other capital standards are needed.

They are concerned in particular with ratios of which capital is one of the two terms. We will see later that the most important of these ratios belong to families, the largest of which are three: [rate of return](#), [profitability](#), [productivity](#). By sticking to definitions that are acceptable in the logic of finite sets, a closer look at them gives the observation of what is specific to the practice of [commodity exchanges](#) a **conceptual precision that is otherwise unattainable**.

4. Divergent positions do not prevent agreement on economic reforms.

Many opinions judged liberal or illiberal by those who take them and who oppose them leave a space in which to rebuild by common agreement the best economic organization. Paid [Placement Epargne](#) placements, like paid work, respond to objective needs, recognised as such by a large majority of our fellow citizens. The Objective Political Economy helps to free these necessities from the fears that distract from this progress. The inevitability of markets arranged as they are does not exist.

5.11 The four basic economic regimes

A general taxonomy of economic regimes is part of the implications of the definition of [capital](#).

1. The most complete centralism is established by the nationalization of all enterprises.

The permanent financing of a 100% nationalized company is totally quasi-capital.

The danger of centralism is highlighted by Lord Acton's famous phrase :

Power tends to corrupt, and absolute power corrupts absolutely'

2. Private corporate ownership is subject to centralism when the rules of competition are distorted.

The formation of trusts, cartels and holding enterprises, with permanent financing of enterprises of enterprises by quasi-capital and possibly cross-shareholdings, centralizes economic power.

3. The most accomplished liberalism is based on the direct ownership of all enterprises.

In economic liberalism that is not amalgamated with another regime, there is no quasi-capital at all. In such a configuration, inter-company cooperation makes massive use of franchise agreements.

4. Centralism and liberalism are the poles of a typological axis.

Depending on whether the frequency of exclusively direct ownership of a company is greater or less and extends to the largest commercial enterprises, the degree of liberalism is more or less high. The lower the degree of liberalism thus appreciated, the stronger the degree of centralism and vice versa.

5. Another typological criterion of economic regimes is the average capitalization rate of enterprises.

When this rate is below 50%, more credit than capital is used to finance enterprises. The neologisms creditism and créditist can be used to designate this type of economic regime.

Conversely, when the average capitalization rate is above 50%, more capital, and, more or less marginally, quasi-capital than credit participates in the financing of enterprises. The noun "capitalism" and the adjective "capitalist" can be used to designate this economic regime.

6. 6. Creditism and capitalism are the poles of a second typological axis.

The indication of a percentage makes the use of the distinction between creditism and capitalism more precise. Average capitalization rates of 20% or 40% make a credit of 80% or 60%. Average capitalization rates of 60% or 80% make capitalism at 60% or 80%.

7. These considerations lead to a four-class typology of economic regimes.

- 1) Creditism centralism aka centralized credit
- 2) Capitalist centralism aka centralized capitalism;
- 3) Social Credit Liberalism aka Liberal Social Credit;
- 4) Capitalist liberalism aka liberal capitalism.

8. Liberal capitalism is the regime least exposed to crises of financial origin and the most capable of providing full employment

Liberal capitalism is the richest in independence. Its structures provide it with many more watertight bulkheads than any of the other regimes. Is it sufficient, however, to provide full employment more often and for a longer period of time than underemployment? Three other essential criteria come into play:

- The choice of the distribution of created wealth between labor income and capital income (see Chapter 8).
- Sound monetary policy (see Chapter 12).
- Sound management of public finances (see [Part III](#)).

Chapter 6 – Profit

Profit — *"The difference between an enterprise's total revenue and all of its expenses related to the production and sale of its goods and services. / Schematically, profit can be considered as "what remains" to the enterprise once it has paid the prices of its factors of production and, generally, all of its expenses. The existence of a profit naturally presupposes that all of its income (measured approximately by its turnover) is greater than all of its expenses"*⁷⁴

Another work of economic vocabulary, after having taken up: "Profit — Difference between the total revenue and the total cost of an enterprise",⁷⁵ states in line with the prevailing economic teaching: "Profit is an objective to be achieved, which sums up all the goals that are pursued by the firm."⁷⁶ But in this "summary", what about the maximization of profit? The proposals and arguments to be followed are, of course, in line with the statement stated above: enterprises are not inevitably enslaved to a maximum to the advantage of their owners or managers.

Here is a political economy that makes profit first and finally the end of a commodity exchange. Here is another one that does not, as is still the case today for the most taught. On this point, one breaks with the other. The one who does so pursues an overtly normative project that is very different from the apparently descriptive project of the other. By means of the methodological options from which the one who does so derives his capacity for objectivity, the atavistic and contradictory feelings that the notions of profit and capital continue to excite are stepped over. This is in order to base the primitive analysis of economic facts on concepts that are sufficiently defined and indispensable for their use to become impartial. The alternative, which is still the most commonly used, is the dead-end damnation of responses to ideology with ideology, in the pejorative sense of the word.

⁷⁴ *Dictionnaire économique et financier*, Yves Bernard, Jean-Claude Colli et Dominique Lewandowski, Inspecteurs des Finances, éditions du Seuil, première parution en 1975. Dans cette citation, les « recettes » sont les produits, au sens comptable de ce mot, entièrement constitués de chiffre d'affaires dans les entreprises qui sur la période considérée n'ont pas perçu de subvention.

⁷⁵ *Vocabulaire économique*, Frédéric Teulon, Agrégé de l'Université, Presses Universitaires de France, coll. « Que sais-je ? » n° 2624, 1996.

⁷⁶ Même source que la citation précédente, avec entre ces deux extraits : « *Le profit a trois fonctions : – il rémunère les apporteurs de capitaux qui ont pris des risques et qui ont effectué des apports en travail ; – il représente une contrainte d'efficacité ; – il permet de dégager des ressources pour financer des investissements* ». Dans cette assertion, « fonctions » est une manière dissimulée de dire « raisons d'être », car il faut détourner l'attention du statut logique de l'affirmation à suivre. Dire, en effet, que le profit « *résume l'ensemble des buts de la firme* » n'est logiquement recevable que s'il s'agit d'une hypothèse **démontrée** par la doxa. Comme ce n'est pas le cas et comme ce ne sera à coup sûr jamais le cas puisque l'entreprise est une chose et qu'il n'y a en réalité que des gens qui ont des buts, ce dire véhicule une contrevérité administrée par pétition de principe.

6.1 Let's define as **profit** only that distributed benefit which is provided in return for savings in capital or in quasi-capital.

Definitions of capital and quasi-capital: see the previous chapter.

1. The Objective Political Economy gives the noun "profit" an unequivocal meaning.

In this sense, profit is the effective remuneration for the permanent financing of an enterprise.

2. The profit thus defined is always a financial product for those who receive it.

However, this financial product is only income Revenu when it is in return for a savings in capital Capital. The profit received in return for a quasi-capital investment is only a financial product, and not also an income.

3. Profit thus defined has a status and functions of its own.

The economic status of profit thus defined lies in the fact that it is the end of a commodity exchange whose other term is the putting into capital or quasi-capital. The functions that this status confers are part of what economic science must elucidate. The remuneration of the capital or quasi-savings in capital raises the following three questions:

- Is the level of this remuneration the variable of a systemic relationship?
- Does this relationship have the effect of regulating this level?
- Does income from savings in capital reduce income from work?

6.2 Profit is the **dividend** in the case of commercial enterprises of any kind.

Civil, professional and real estate enterprises in particular are part of the economically commercial enterprises.

1. In the division of 8 by 4, 8 is the dividend, 4 the divisor, 2 the quotient.

The dividend is strictly speaking the total to be divided, but when it comes to the distribution of benefit an enterprise's profits, the quotient is often called a "dividend". The distribution of the dividend itself is effected by a more complex key than a single division in the case, which is in no way compulsory, of so-called preferred shares, or of preference, or of priority for distinction from ordinary shares.

2. The enterprise in its own name lends itself to the amalgamation between Wage the wage of the operator and the profit of the owner.

To avoid this confusion, the owner and operator must divide his deductions between two accounts: one of the result distributed to the owner, the other of the operator's wage. As the service of the labor provided by the farmer is exchanged for wages, the service of the investment of capital savings provided by the owner is exchanged for profit. In both cases, the co-exchangers are the enterprise and one of its suppliers.

3. Let us insist again: surplus value and profit are different realities.

Capital gain and capital loss are respectively a gain or loss that a **liquidation** provides. Profit is the product of **conservation**. The sale that provides added value is certainly a economic exchange. Nevertheless, surplus value as such is not a term of economic exchange, whereas profits and interest are, as such, terms of economic exchange.

4. The **profit** is a **pension**, in the primary and first necessary sense of this word: **income** periodic, fixed or variable, provided by a **investment**.

Interest **Interest** received by individuals and non-commercial associations is also **rent**. Pay-as-you-go pensions are de facto life annuities. The periodic income that **profit** provides is variable, although in very different proportions depending on the type of enterprise that serves it and the economic policy that prevails.

5. **The rents received are the turnover of an enterprise.**

The remuneration received by the owner of a leased property is only **profit** when it is equal to or less than the **profit**, all **charges** and provisions deducted, of the business that constitutes the rental. The determination of such a profit requires the keeping of complete accounts, which is difficult to make sufficiently far-sighted. This is why the fractions of real estate rent that constitute capital income are often overestimated.

6. **Profit is not a contribution to the reconstitution of savings invested in capital.**

Profit has, on this point, the same status as interest. The latter is, in honest trade, a price that presupposes the repayment of the **principal**. Profit is, in honest trade, a **price** that presupposes the preservation of the savings invested in capital by the enterprise that this investment finances. This retention is due to the depreciation of assets and the revaluation of the balance sheet due to currency depreciation, not to profit.

7. **Since profit does not have as its raison d'être the reconstitution of a savings in capital, the duration apparently expressed by a rate of profit is economically senseless.**

The period at the end of which a cumulative profit equalizes the amount of savings invested in capital is only the inverse expression of the average annual percentage of profit on capital. For example, when this term is 12.5 years, the average annual profit is 8%. But what does such a long period mean? Does the investment no longer have to be **profitable** when it is maintained beyond the end of this period? That would be fraudulent. In the points of economic logic called upon to govern these matters, the following two can never be repeated too often. Profit only remunerates the service of the **savings in capital**, but for as long as this service lasts. The only two means of economic accumulation by an individual are enrichment by inheritance and his savings fed by his **income** and capital **gains** derived from the liquidation of **investments** of his assets.

8. **The losses are on several points asymmetrical with the profits.**

As defined here, **profit** does not necessarily have the effect of increasing a stock of savings invested in **capital**. The loss instead of a profit necessarily has the effect of reducing such a stock by the same amount. Despite the still widespread illusion to the contrary, such a reduction can only be erased by a new **investment**, just as a dilapidated property can only be erased by new works. The absence of **profit** is a loss of income for the underwriter in **equity** or **quasi-capital**. However, it is not, in itself, a loss for him. On the other hand, the absence of **profit** is a definitive loss of earnings: whatever happens next, the long-term accumulation of **profits** received will be lower than in the absence of a period without **profit**.

6.3 Profits are one of the allocations of corporate profits.

1. The business profit considered here is the one that can be fully divided into a maximum of four parts.

A maximum of one of the four parts is an allocation to the [self-financing](#) of the enterprise, including a contribution to the compulsory reserves — a portion hereinafter noted as **A**. A second part is a wage supplement for [profit-sharing](#) for the benefit of the enterprise of some or all of the staff — part hereinafter noted as **I**. A third part is a [profit](#) for the effective remuneration of the [savings in capital](#) — part hereinafter marked **P**. A fourth part is an **overpayment** returned to customers in proportion to their recorded purchases — a share hereafter denoted **T**.

2. The distribution doctrine that prevails today is that of the three parts.

One of the three parts is for the enterprise: [self-financing](#) **A**. Another is for some or all employees [Salarie](#) : [profit-sharing](#) **I**. The third part is for the remuneration of the savings in capital: the [profit](#) **P**.

3. The predetermination of the proportions of the shares is often taken for granted.

To consider that the most consistent with [distributive justice](#)⁷⁷ is that these three parts are equal is to prescribe such a predetermination. Another way of predetermining the distribution of net profits is to set quotas, at least one of which is different from the others, for example 40% for share **A**, 30% for share **C**, 30% for share **P**.

4. Which justice or justness is more appropriate in this matter?

Market [exchanges](#) are commutations of transferable properties. This is why [commutative justice](#)⁷⁸ is intended to govern these exchanges, if not in full, at least in large part. Based on this observation, the distribution of enterprises' profits raises fundamental questions. What in this distribution is the least arbitrary? Is it to hinder as little as possible the stimulating and regulating functions of profit? Is the importance of these functions, for the economy in general and for the salaried workforce in particular, of primary importance over the long term?

5. Discrepancies give us pause.

In the case of a division into three equal parts, one of which is **the Ps** (the other two being **A** and **I** according to the prevailing doctrine), the rate of profit on capital is three times smaller than the rate of profit on the same basis. For a **P** of 4% on [the operating capital](#) paid to shareholders, 12% of net profit (3 times more) is then required – and 24% of gross profit with a tax deduction of half of the net profit. The prevailing opinion, led by authoritative voices, is to perpetuate both Part **I** and the subjection of enterprises to a tax on their profits. Such an opinion is inconsistent when it judges that a double-digit gross profit on capital rate is too much in favor of shareholders.

⁷⁷ Voir la définition de « justice distributive » dans [Wikipedia](#).

⁷⁸ Voir la définition de « justice commutative » dans [Wikipedia](#).

6. Profits and profits are not just leftovers.

For the purpose of calculating an absolute profit target, a board of directors or a self-employed entrepreneur applies a rate that it deems appropriate to the amount of capital. The objective thus set is not the result of a subtraction. In the forward-looking management of the [income statement](#) and [balance sheet](#), [profit](#) and [profit](#) are not leftovers. The share of profit included in a forecast and truly complete cost price [prix de revient complet](#) is not a remainder. It is only in general accounting and ex-post management control that profit or loss, as well as all other [margins](#), are only subtractions. A [price](#) theory built on the idea that corporate margins are constantly just leftovers is unrealistic, but no such untruth is enough to disqualify an economic theory academically.

7. Part I has a significant disadvantage, but it is easy to remedy.

Profit-sharing I, in addition to [wage](#), has an effect that is all the more important because it is relatively high: different salaries, as received on a month-to-month basis, are no longer exactly comparable. The "thirteenth month" (or more) has the same effect, as well as other bonuses and benefits in kind. Chain adjustments are more approximately and slowly made. But the remedy is obvious. The bases of comparison must be the annual all-inclusive salaries, even if it means dividing them by twelve or by an annual number of hours of work so that their orders of magnitude are more significant for everyone.

8. The generalization of the I share will have the effect that the P share will remain one of the allocations of an enterprise's profit.

By definition, the I share only exists in the event of a profit. Its generalization will therefore have the effect that the profit will, most often, remain to be divided into at least two parts: the I share and the P share.

9. Part T, that of the overpayment rebated to customers, is fallacious.

In order for an enterprise to be in a sustainable position to give its customers a share of the profit, the provision of this discount must be included in its selling prices. Insofar as this enterprise claims to provide its customers with fair prices through this rebate, it is fallacious because of the provisioning that has just been said. Only an overpayment **occasionally** returned to customers can be economically true. This point is justified by what is explained further in [Chapter 11](#).

6.4 Profit is an objective necessity.

1. In a Objective Political Economy, the subset of so-called market services and trade is the same as the subset of so-called economic services and trade.

Market acts are nevertheless a subset of economic acts. By definition, no economic transfer is a commercial act.

2. Profit makes the service of savings in capital marketable.

Like the service of labor and wages, an [investment in credit](#) and the [interest](#) it earns are the two terms of a [commodity exchange](#). An [investment in capital](#) or [quasi-capital](#) and the profit it is likely to bring are similarly the two terms of a [economic exchange](#).

3. The necessity of profit flows from the necessity of capital.

Capital savings are necessary for the creation and development of viable and autonomous businesses, a necessary condition for raising what is usually called "the standard of living". Whoever is opposed to the very principle of profit is only consistent if it is also opposed to the principle of interest and that of wages, since all three respond to the same necessity: to remunerate useful services.

4. Losses reduce capital and the lack of profit blocks a dynamic.

Losses instead of profits reduce capital, until it becomes more and more negative. Too low profits compromise the sufficient return on capital. The dynamic then blocked is the one that allows the enterprise to adapt its offers to the incessant transformations of techniques and outlets.

5. Enough profit is the constraint that economic objectivity forces to make the most ubiquitous in business management.

Profit to a sufficient extent, and therefore profit as well, is a vital **constraint** to which the enterprise is subject, **regardless of anyone's psychology**.

6. An enterprise does not economically own its profits.

For what remains after employee profit-sharing, the profits of an enterprise belong to the person who provides it with its capital. To see in the profit or loss of an enterprise a difference of the same nature as that between the income and expenses of a household or a non-commercial association is an error of economic analysis.

6.5 The distribution of all corporate profits makes sense.

A return as quickly as possible, a return to full employment whenever it is compromised, is the great result to be obtained.

But where is the master key? One avenue is the financing of enterprises. The remuneration of the most stable part of this financing can only be ensured by profit. Let us look at the distribution of profits.

1. Let us consider again the doctrine of profit distribution that prevails today.

This doctrine is that of the three parts. One part goes to supplement wage, another to remuneration for the savings in capital, the third to improve the enterprise's financial situation.

2. Another solution is the distribution of all annual profits.

In this solution, what remains of the net profit after employee profit-sharing, and any contribution to the reserve imposed by the legislator, goes entirely to the effective remuneration of the savings in capital.

3. Let's compare this solution.

The E1 and E2 enterprises have a capital that does not include quasi-capital. They allocate the same proportion of their profits to the profit-sharing of their employees. Their profits per euro of capital are very much the same. They remain so throughout the multi-year

period in question. For E1 and E2, the number of shares, all [negotiable](#)⁷⁹, and the amounts of [capital](#) are the same at the beginning of the period. For E1 and E2 respectively, Let us call R1 and R2 what remains of the net profit after employee profit-sharing and contribution to the mandatory reserves. The profits paid throughout the period under consideration are half of R1 for E1, the whole of R2 for E2.

4. Year after year, E2's [dividends](#) are roughly double those of E1.

E2 uses this superiority to increase **the capital each year** in excess [of E1's retained earnings](#). While the number of shares of E2 increases, that of E1 remains stable.

5. The board of directors of E1 does not want to imitate that of E2.

The main argument put forward by the E1 board is the rejection of [dilution](#). But thanks to the other solution, E2 has managed to grow its capital savings mobilization faster than [E1 Placement en Capital](#). In this way, E2 has also been able to grow its [assets](#) and sales faster than E1.

6. E2 has been more job creators than E1.

This was due to higher growth in [assets](#) and sales through higher capital savings mobilization. When one of E2's minority shareholders decides to liquidate its position, it is easier than its E1 counterpart to have it taken over. This is due to the [rate of return](#) on E2 shares, double that of E1 shares, as well as the strength of the [balance sheet](#) and the growth of E2.

7. The comparison between E1 and E2 suggests that the alternative solution is more economically relevant.

But it is generally only so if a [macronomic feedback](#) provides for it. We will see in the next chapter that such feedback exists.

8. Taxation offers a means of forcing the distribution of all profits.

This means consists of increasing the tax on [undistributed profits](#) to 100%, unless there is a contribution to the reserves made compulsory by the legislator. One way to do this is as follows, the tax in question is only the tax that enterprises pay on their profits. Over several consecutive years, the tax rate [on distributed](#) profits is lowered. Symmetrically, the tax rate [on retained earnings](#) is increased. At the end of this reform, the first rate is zero and the second is 100%.

9. The distribution by an enterprise of all its profits establishes the full shareholder exchange.

Through this full exchange, from year to year, each [shareholder](#) grants or not to the enterprise a fraction of the capital increase that the management and the board of directors request. He disposes of what belongs to him as he sees fit. Through his [savings in capital](#), he arbitrates more. [The freedom to choose better regulates the freedom to offer.](#)

⁷⁹ La comparaison est transposable aux cas dans lesquels les actions de l'une des deux sociétés ou des deux sont [restituables](#). Pour chacune de ces transpositions, la conclusion reste la même.

6.6 Standardizing the publication of rates of profit on capital is possible and necessary.

1. The argument to be followed complements that of proposal 5.10.

Capital standards contribute to the permanent consolidation of the market economy.

2. The equity of an enterprise and the capital operated by that enterprise refer to the same purpose.

Contrary to what the expressions "equity" and "equity" taken at face value mean, these funds do **not** belong to the enterprise (real equity only exists on the balance sheets of individuals and non-commercial associations). In both a sole proprietorship and a commercial enterprise, the capital worked is equal to the capital shown on the balance sheet, plus reserves and losses for the previous financial year, if necessary. It is therefore the amount that contributes to the constitution of the working capital, the difference between financing for more than one year and investments tied up for more than one year. In this regard, it should be noted that the working capital must be positive for part of the capital exploited to be used as wage funds.

3. The same rate of profit on capital applies to all commercial enterprises as well as to all enterprises in their own name.

The base 100 of this rate is the exploited capital.

4. For a corporate enterprise, the rate of profit on capital worked and the dividend rate Dividende relative to the value of the enterprise are the same.

The numerator of the second rate is equal to dividing the numerator of the first rate by the number of shares. The denominator of the second rate is equal to dividing the denominator of the first rate by the number of shares. The two rates are equal.

5. The annual rates of profit on capital-operated are comparable with each other and with annual rates of interest.

All these rates are prices. However, true economic competition requires easy price comparison. The organisation of a market economy remains too roughly established in the absence of a standard for the publication of the rates of profit on capital, symmetrical to what Interest the APR, the annual percentage rate of charge, is for interest. The returns on capital and credit investments (passbooks, bonds) must be easily comparable by savers.

6.7 A rate of profit measures rate of return or profitability.

1. The expression "rate of profit" itself is often confusing.

This is particularly the case in a context that does not indicate whether the rate of profit in question is on capital, turnover or value added.

2. Let us agree to say:

With **C** of capital, **V** of sales or value added, **P** of profit:

- the rate of profit on capital (P/C) measures the return on capital (also called return on equity);

- the rate of profit on sales (P/V) measures the profitability of the activity in question.

3. This choice of vocabulary makes it easier to take into account two facts.

First fact: since the P/C and P/V rates have the same numerator, a third term regulates their ratio: $P/C = P/V \text{ times } V/C$.

Second fact: there is no reason to admit that a rate of profit P/C varies in all circumstances in the same direction as the corresponding rate of profit P/V. Their V/C ratio measures a productivity whose evolution allows the long-term tendencies that affect each of the two rates of profit to often be in the opposite direction.

4. As there are two rates of profit, two families of margin rates exist.

One is that of **the margin rates on stock**, the other is that of **the margin rates on flows**. Since profit is a terminal margin, a profit on capital rate is a ratio of the inventory margin rate family and a profit on sales rate is a ratio of the flow margin rate family.

5. The use of the word "rate of return" to refer to a ratio of both the first and the second families is confusing.

One way of distinguishing what needs to be distinguished is the word "return" by following it with a qualifier. Rates of margin on stock, and with them the rates of profit and profit on capital, are said to be "financial returns". Margin rates on flows, and with them profit and profit rates on turnover, are said to be "economic return" or "economic".

6. These qualifications are misleading and ineffective.

The financial is, for better or for worse, a strict subset of the economy. What is commercial is not non-financial, even in the case of contributions in kind and barter. In reality, there are still many cases in which a margin expressed as a proportion of a stock or a flow continues to be called rate of return itself. For example, low margins on sales are often considered to be the least profitable, whereas the rates of these same margins on investment are often the highest.

7. It is better to come to call rate of return only a ratio of the family of margin rates on stock and profitability than a ratio of the family of margins on flows.

In this agreement, a profit and a profit on capital are rate of return, as are gross margin rates on inventory in retail or wholesale trade. The same profit or profit on turnover or value added is profitability, just like a unit gross margin rate on the purchase or sale price.

8. We will see later that these definitions of rate of return and profitability help to identify two economic laws of great importance.

At first glance, these definitions help to avoid mistakes that are still very common in business management. Pushing the most profitable activities exposes the relative share of the least profitable activities to increase. Faced with the resulting erosion of the rate of profit on turnover, it is then the elimination of jobs to redress the situation that can finally be imposed.

6.8 The publication of average rates of profit on capital is the responsibility of the public authorities.

1. **Especially since the distribution of all profits is in force, the returns on capital fluctuate from year to year.**

This occurs without a downward trend in the average return on capital over a long period (several generations). The issue of divergent trends that normally affect the average return on capital and the average profitability of sales of firms is discussed in the next chapter.

2. **These fluctuations better regulate employment and the prices at which firms sell when the publication of average annual rates of profit on capital is part of the system of weights and measures.**

The next chapter explains it for employment, and more in Chapter [11](#) for the prices at which firms sell.

3. **The [rate of return](#) of hospitals (which are all, in fact, enterprises) chronically lower than that of the pharmaceutical industry has harmful effects, as well as the rate of return of farms chronically lower than that of car manufacturers, etc.**

On the one hand, sectoral returns on capital, which are significantly lower than the national average, threaten jobs and compress incomes when they are significantly lower than the national average. On the other hand, sectoral returns on capital, which are significantly higher than the national average, indicate higher margins, contrary to what would generally be produced by a better organization of competition.

4. **All commercial enterprises compete in the market for their permanent financing.**

The general organization of competition remains too incomplete if, firm by firm, the [rates of profit on capital](#) are part of the business secret and if the [average return on capital](#) by sector of activity is a blind spot in the statistical apparatus.

5. **An additional consideration is even more decisive.**

Suppose a country where enterprises are divided into two sectors. The [average return on capital](#) in sector 1 is 4%, in sector 2 12%, in these two sectors combined 7%. If the average return of sector 2 is lowered to this average, i.e. from 12% to 7%, this sector **remains** attractive for savings in capital. If, at the same time, the average return of sector 1 is raised to the average of 7%, this sector **becomes** more attractive for savings in capital. In the end, **more capital becomes available as the equalization of sectoral return progresses**. An algebraic calculation shows that what applies in this respect to two sectors applies to as many sectors as it is necessary today to distinguish between them in the country in question. Hence the following generalization:

6. **The reduction in the dispersion of sectoral profit-on-capital rates promotes the growth of the national capital stock.**

This is one of the major reasons why the organization of the publication of the average rates of profit on capital is at the forefront of the economic duties of the public authorities.

Chapter 7 – Employment

In all phases of fluctuation in economic activity, the full exercise of [EPCE](#) feedback, **Employment > Profit > Capital > Employment**, is possible. Moreover, it is necessary, because the rapid return to full employment whenever it is compromised depends primarily on it.

One of the main obstacles to this full exercise lies in the reduced remuneration of [the capital savings placement](#) — cut or outright evaded to complete the euthanasia of the rentiers by the glorification of the harvesters of [surplus value](#). Another main obstacle comes from public finances when their management does not comply with two rules.

The last section of this chapter explains these two rules. The closer we get to it, the more the deterioration of public finances leads to more job destruction than creation. This occurs through a mechanism that is elucidated by consideration of EPCE feedback.

The "market finance" that took off in the 1980s reinforces the two main obstacles to the exercise of [EPCE feedback](#). Let this exercise finally come to the forefront of the common goods in the public mind! Under the effects of the most devastating crashes, legislators will tighten the regulation of modern finance to the point of making it unrecognizable from what it was at its worst. The abandonment of designs full of perverse effects is largely at stake in what the refreshed political economy will manage to make commonly understood.

7.1 Capital increases are the healthiest means of job creation by enterprises.

1. A healthier way than any other is established by comparisons.

Two enterprises or two geographical areas are compared for a decade. At the beginning of the decade, the two [capitalization rates](#) average in the case of geographical areas, were identical or closer than they were going to become. In the first third of the decade, one of these rates rose significantly, thanks to more capital [savings being mobilised](#) than recourse to [credit](#). The other [capitalization rate](#) remains stable or decreases. In the course of the decade, the rate has risen significantly and has remained stable or increased.

2. The end-of-decade employment results are most often very different.

In the first half of the decade, balance sheets were able to grow in the same proportion and this growth may have had about the same effect on employment. Then, a stall begins and increases. The higher [capitalization rate](#) is more appropriate for the expansion and opening of outlets that provide increases in sales at a sufficient margin, as well as for timely reconversion in the face of closing outlets. Higher [capitalization rates](#) encourage managers to look further ahead and to recruit more willingly on permanent contracts.

3. Raising an [average capitalization rate](#) has the same effect on employment as the creation of viable enterprises.

The viability of a new business obviously does not depend only on its capitalization rate. The sufficiency of the latter is nevertheless a necessary condition. A new, highly capitalized enterprise becomes a good employer more easily. However, drawing the full consequence

of these obvious facts does not yet prevail in economic science and politics as well as in the art of business management.

4. If the comparison is based on national economies, the results on employment are the same.

The rise in the average capitalization rate in a national economy, while this same rate is maintained or crumbling in the comparative national economy, has the same effect. In the former, job creation by firms becomes more sustained than in the latter.

5. What happens in the countries where the lack of jobs is most prevalent reveals the existence of two economic laws.

- 1) - The population of these countries is seeking by all means at its disposal to **create new businesses**, even if they are very precarious and very low-remunerative.
- 2) 2 - The reduction of this precariousness and weakness is best achieved by **more permanent financing** than by debt.

6. The rest of this chapter shows that a country-by-country feedback between the state of employment and the level of the capital stock via profit is normal.

Two conceptions of the market economy are at odds when one admits this normality while the other's postulates on profit and on a common determinant at all prices prevent it from doing so. The matter is not minor. Wanting the feedback between the state of employment and the most active capital stock possible is in the general interest, dispensing with it protects particular interests.

7.2 The possibility of a close relationship between the national stock of capital and the state of employment is certain.

1. The relationship between the sum of the financing used by enterprises and the number of jobs in enterprises is certain.

Since capital is part of this sum, the existence of a relationship between the national stock of capital and the state of employment is certain, although more or less close.

2. The inclination to "support demand" through dissaving eludes the obvious.

Of course, dissaving through purchases from enterprises supports market activity, but savings invested in capital support it just as much at first and then for a longer period of time. Initially, these investments finance purchases from enterprises and contribute to wage funds that allow them to hire. For a longer period of time, the wage funds constantly replenished by sales help to maintain jobs.

3. Savings in capital co-finance or finance the creation of jobs.

The greater the share of capital – in the financing of firms, and therefore in their liabilities – the closer the relationship between the national stock of capital and the state of employment.

7.3 The level of the national capital stock may be the main determinant of the size of the stock of employment.

1. This possibility varies according to the average capitalization rate.

In a country, the higher the capitalization rates, the more the national stock of jobs depends on the national stock of capital.

2. The national capital stock can only be the main determinant of the stock of jobs in enterprises.

But firms, including those of the self-employed, have such a significant weight in the economy that the jobs they provide are the ones on which the overall state of the labor market depends the most.

3. The revival through more savings in capital does not have the perverse effects of the increase in public charges.

Nor does the revival through more savings in capital have the perverse effects that a greater proportion of loans generates in the financing of enterprises.

4. The qualitative consequences of the level of capitalization must be taken into consideration.

Working conditions depend to a large extent on the financial situation of the employer, whoever it may be. Chronically too small cash flows are sources of tension and evasion. In enterprises, deadlines are more easily met when the capitalization rate is high. The quality of life at work is affected. The proponents of the minimum capital in order to maximize rate of return do not like to be reminded of it: quality of life deteriorates or improves according to the fall or increase in capitalization rates.

7.4 The change in the average rate of profit on capital may contribute to the change in the capital stock.

1. The relationship between the change in the average rate of profit on capital and the change in the capital stock is flexible.

To receive profit is one act, to invest again is another. The annual total of new savings in capital may be higher or lower than the annual total of profits. The general interest requires that in times of underemployment, new savings in capital should be greater than profits.

2. The greater the corporate profits allocated to self-financing, the more distorted the prices of the savings in capital.

The so-called employer contributions also distort elementary prices. They distance the salaries deemed gross from what they are in reality. The employers' representations have so far remained in favor of both. However, in primary markets (labor, capital), the freedom to choose tightly regulates the freedom to offer only under the following conditions. The hard and fast counterpart of the labor service is its full remuneration. The hard counterpart of the savings in capital service is its full remuneration, as is that of the savings in capital service.

3. The long-term trends in national average rates of profit on capital and national capital stocks are different.

Over a period of at least fifty years of a national economy where the purchasing power of low-wage earners has increased significantly, the average rate of profit on capital fluctuates. The trend around which these oscillations are inscribed is towards stability. Over the same long period, the national stock of capital is on the rise, except for the catastrophes that result in its temporary collapse.

4. The priority given to the appreciation of investments in marketable shares of capital rather than to their return stretches the relationship between the average rate of return on capital and the capital stock.

This priority ultimately makes this relationship disappear. In both politics and economics, the general interest is that of the social body. While the standardization of the publication of the rates of profit on capital is feasible, its neglect goes against the general interest.

7.5 Nation by nation, a relationship between the state of employment and the average rate of profit on capital tends to be established.

1. A high level of structural underemployment favors a high average rate of profit on capital.

A high unemployment rate compresses or even blocks the increase in the purchasing power of the greatest number of wages. The nations with the highest unemployment rate tend to be those with the highest rates of profits on turnover and capital.

In relation to exploited capital, in the sense of this designation previously stipulated ([Chapter 5](#)), a high average rate of profit does not necessarily result in a high average rate of profit, in the sense previously attributed to this word ([Chapter 6](#)). It is all the less so since the boards of directors of corporate enterprises favor self-financing through profits.

2. The decline in structural underemployment tends to lead to a decline in the average rate of profit on capital.

As full employment approaches, the brakes on increases in the purchasing power of the greatest number of wages are loosening. As a result, the average rate of profit on capital falls, then it stabilizes.

During this decline, the decline in the average rate of profit on capital is all the more possible and postponed in time as the boards of directors of enterprises in enterprises favor self-financing through profits. We are then in a configuration of the financial economy where profits are assimilated to bond interest.

3. The state of employment cannot be the sole determinant of the average rate of profit on capital.

Even if the self-financing of enterprises in enterprises is reduced to the depreciation of their fixed assets and more frequent capital increases have taken over, the rentier function of the savings placement in permanent enterprise financing makes it **impossible for the state of employment to be the sole determinant of the average rate of profit on capital**. For the reasons summarized below and too often overlooked, this function is neither parasitic nor obsolete.

4. Savings in capital provide income other than that of new work.

Within this income, there are investment-based retirement pensions that supplement or replace transfer-based pensions. This other function is such as to determine a threshold below which an average national rate of profit on capital does not fall.

Typically, we invest an increasing fraction of our income in the second half of our career and beyond. This fact increases the importance of the threshold below which the national average rate of profit on capital does not fall, even in periods of structural full employment.

5. The rentier function of permanent corporate financing can, however, contribute substantially to enough savings placed in this financing to establish structural full employment and then restore it whenever it is compromised.

Corporate governance, riveted to the satisfaction of immediate interests, evades part of its civic responsibilities, just as public power, alternately prey to visceral anti-capitalism and subjectivist capitalism, avoids its economic responsibilities. The euthanasia of pensioners by holding shares in the capital is contrary to the general interest.

6. The relationship between the state of employment and the average rate of profit on capital can be strengthened.

This reinforcement would be unachievable if there was nothing to strengthen! It is because this tendency tends to exist, even when it is totally unexploited by economic theory and policy, that the following propositions and their arguments can show that this strengthening is feasible and maintainable.

7. Of course, the self-financing of enterprises through their profits creates jobs.

But less self-financing for more profit distributed to the capital agents – more profit ([Chapter 6](#)) – **ultimately creates more jobs when, as a whole, savers invest more than the profits they received in capital increases.**

We can speak of **it as the most job-creating detour and the best controller of the level of rate of return** around which it is necessary for economic equity and efficiency that all enterprises be kept in competition.

7.6 The activation of EPCE feedback is a major act of economic policy.

1. In the abbreviation EPCE, the first and last E are the initial of the word Employment⁸⁰.

The letter **P** is the initial of **Profit**, in the unequivocal sense used above the letter **C** the initial of "**Capital**", also in the unequivocal meaning used above.

⁸⁰ Voir la définition de « emploi » dans [Wikipedia](#).

2. In times of underemployment, [the IBD feedback](#) accelerates the growth of the national capital stock.

The deterioration of employment **E** has the effect of increasing the [average rate of profit on capital](#) **P**. This increase accelerates the increase in the [national stock of capital](#) **C**. This acceleration itself has the effect of improving the state of employment **E**.

3. In periods of full employment, [the EPCE feedback](#) slows down the growth of the national capital stock.

The approach and the attainment of full employment have the effect of reducing and then stabilizing **P**. The increase in **C** tends to slow down. The risk of a deterioration in employment **E** increases – but this risk decreases if the social body anticipates it by an increase [in savings in capital](#).

4. Successive states of employment have causes other than the more or less good functioning of the [EPCE feedback](#).

The entanglement and variability in space and time of these other causes, however, leave a fatality intact. Full employment follows structural underemployment only by a fairly sharp increase in the [national capital stock](#).

5. [Self-funding through retained earnings](#) hinders the full exercise of [EPCE feedback](#).

Self-financing through retained earnings reduces and smooths the [rates of profit on capital](#). However, the latter are systemically more effective detectors than corporate profit rates. This stems from the fact that profit, [as defined here](#) is palpated, in the literal and slang sense of this verb, by those who perceive it and who are likely to perceive it.

6. Losses [Perte](#) that have been carried forward again are detrimental to the full exercise of EPCE feedback.

When, for an enterprise, the result of the financial year is a loss, *de facto* the capital has been reduced by the amount of the loss during that financial year. To act as if this were not the case is to distort the figures and, with them, the arbitrations.

7. The lack of a universal standard of [profit on capital](#) hinders the full exercise of EPCE feedback.

A market works much better when a universal system of weights and measures applies to the transactions that take place in it. In [a market economy](#), a structural defect persists in the absence of a standard [of profit on capital](#) applicable to all enterprises.

8. The introduction of capitalization rate advertising contributes to the full exercise of [EPCE feedback](#).

The publication [of capitalization rates](#) introduces more attention to the proportions of [capital](#) that finance enterprises. Its introduction, even if it results in a very slow increase in the average capitalization rate, makes the [IBD feedback](#) more active.

9. A diversified offering of variable share savings in capital contributes to the full exercise of EPCE feedback.

The abundant investment offer of [returnable shares](#) as long as their average rate of return is at the same level as that of [negotiable shares](#) increases the [national capital stock](#). In doing so, it contributes to the full exercise of IBD feedback.

10. The taxation of saving placement income and work at different rates hinders the full exercise of EPCE feedback.

For EPCE feedback to work best [in a nation](#) , the public must have **full** control over it . The taxation of saving placement income and labor at different rates erodes this control. It is then elected officials who, under the impetus of pressure groups, manipulate the uses of savings through taxation.

11. The imposition of [a tax](#) on the profits [of enterprises](#) is incompatible with equality before the taxation of saving placement income and work.

As corporate profits are the economic bases of profits, a tax system that is far too complicated is needed to enable everyone to understand and verify that [profits](#) and [Wage](#) wages are taxed equally. [Better no tax paid by enterprises on their distributed profits and income tax on all profits.](#)

12. The first condition for the full exercise of [EPCE](#) feedback is the propagation of one's will.

Nothing in the economic aspirations and rejections of society stands in the way of its acceptance of EPCE feedback. It remains to be proposed an economic policy aimed at the full exercise of this feedback, with explanations to support it.

7.7 EPCE feedback provides a permanent stimulus to the market economy.

1. The EPCE [feedback](#) is an ongoing stimulus mechanism through new savings in capital.

The revival through new savings in capital has no perverse economic effect under two conditions. No new savings in capital comes from a debt taken out in order to realize it. Enterprises raise or maintain their [capitalization rate](#) at a high level. In particular, start-up enterprises keep this rate as close as possible to 100% until they cross the threshold at which they are structurally profitable.

2. The worst that can happen because of new savings in capital is obvious.

Collectively considered underwriters lose the bulk of their stake. To the extent of this largest, the **supply-side stimulus** has degenerated into a **demand-side stimulus**, after injecting into economic activity the purchasing power lost by savers. Too many economists and politicians still pretend to be mistaken about the consequence of the revival by new [investments in capital](#) , which has been a failure: the transformation, on the basis of this share, of savings into expenses in exchange for the loss of these savings by their holders.

3. The worst that can happen because of new [savings in capital](#) is no less a blessing.

Lost [capital](#) reduces the mass of loans whose [principal](#) is unrecoverable. Savers impoverished by the loss of all or part of their [savings in capital](#) find at best little reason for consolation. The general interest nevertheless requires that the accumulation of false rights ([Jacques Rueff](#)) be restricted, which constitute irrecoverable debts. In the absence of sufficient preventive restructuring, increasingly sophisticated financial engineering makes it less and less avoidable to eliminate false rights other than through large-scale crises.

4. **Creditism** distracts from the full exercise of EPCE feedback.

Yes, say the advocates of the minimum capital per enterprise, new investments of this kind are good when only they serve as a basis for credit leverage. They consider the maximization of profits and surplus values inherent in the market economy. They push the idea of the rate of profit on capital to a level sufficient for the return to full employment or its maintenance.

5. **Centralism** distracts from the full exercise of EPCE feedback.

In economics, centralism has the cult of the power of large enterprises, preferably with several world firsts. Keeping the floodgates open to palliative and incentivizing interventions by the public authorities is part of its DNA. Remotely guided by pressure groups, these interventions are the instruments of an "economic and social engineering" in which **the EPCE withdrawal has all the less place since its full exercise is an application of the principle of subsidiarity**⁸¹.

6. **A Social Credit and centralist government apparatus is doubly inclined to hinder the EPCE feedback.**

A Social Credit and centralist financial apparatus is also doubly inclined to hinder the EPCE feedback. The removal of these obstacles may therefore prove impossible without a **profound change in political philosophy, including its economic aspect.**

7.8 The activation of the EPCE feedback reinforces the tendency towards equalization and sufficiency of the rates of profit on capital.

1. **Four devices make EPCE feedback more active.**

- The normalization of the costing of the rate of profit on capital.
- The reduction of enterprises' self-financing to their depreciation of assets and to the contribution to increases in working capital made mandatory by the legislator.
- The indication, also made mandatory, in the announcement and service of a dividend of its normalized rate.
- The production of statistics and the publication of average rates of profit on capital.

2. **Implementing these measures reinforces the tendency towards the equalization of the rates of profit on capital.**

Inflows of savings in capital where their rate of returns are highest sooner or later cause these rates of return to fall. Conversely, where the returns on savings in capital are the lowest, let alone zero, conversions and closures sooner or later have the effect of increasing these rate of returns. This convergence is becoming all the more a norm since the competition administration receives from the legislator the task of cracking down on abuses of dominant position.

⁸¹ Voir la définition de « principe de subsidiarité » dans [Wikipedia](#).

3. The adequacy of a national average rate of profit on capital varies according to the state of employment.

In a period of growing underemployment, the sufficient level of the national average rate of profit on capital is higher than what it actually is. In a period of decreasing underemployment, the sufficient level is at least equal to what this rate actually is. In periods of structural full employment, the sufficient level is equal to or lower than the effective rate.

4. The activation of the EPCE relationship has the effect that the rates of profit on capital tend to equalize around the sufficient level of their average.

The gravitation of the rates of profit on capital around their sufficient level also participates in the regulation of the prices at which firms sell (more on this point in [Chapter 11](#)).

7.9 In public finance, non-compliance with two management rules is detrimental to employment.

1. The basic problem of public finances is the same as that inherent in the finances of non-commercial associations.

Even if economists, auditors, senior civil servants and politicians were all convinced that the basic problem of public finances and that of the finances of private associations are different, the opposite would continue to be true. Here's why.

2. Households are private associations.

Let us see, then, what is valid as well in the household bursar's office as in the bursar's office of any other kind of association, provided that it is not a enterprise. It does not matter whether or not it is a foundation and whether its purpose – provided that it is not commercial – is artistic, charitable, religious, educational, electoral, environmental, recreational, scholarly, sporting, trade union.

3. For any entity, an expense is an investment when it increases fixed assets on its balance sheet, otherwise it is an expense to be included in its income statement.

Strictly speaking, a stock of consumable supplies is an economic asset. Calling only longer-term investments "fixed assets" makes it easier to keep double-entry bookkeeping. This does not detract from the fact that economic investments are stocks, called assets, and that they are uses of the financing that constitutes the stock called liabilities. A charge, on the other hand, does not increase any stock of assets.

4. The depreciation that is part of the expenses of a household as well as of any other non-commercial entity is not the same as that which is part of the expenses of enterprises.

In the expenses of enterprises there are periodic allocations for investment depreciation, often called industrial depreciation. The expenses of enterprises also include financial expenses, which include the interest due over the period in question. In the expenses of households and all other non-commercial associations that are in debt, there is in fact another kind of depreciation. The loan instalments that are due over the period in question constitute provisions for debt amortisation, interest Interest and principal repayment PrincipalDunCredit.

5. In the expenses of a non-commercial association in debt, not including debt amortisation is wrongful.

Here is a couple who are asking a bank for a loan. The bank takes stock of the couple's financial situation. It asks the government what its income and expenses are, and the maturities of current loans are included in the expenses. This is as normal as it is necessary.

6. In public finances, the most important budgetary result is given the allocation of the period to debt amortisation.

Not including in the expenses the allocation of the period to the amortisation of the debt makes it easier to camouflage an eviction effect. The chronic deficit of the largest budgetary result captures funds that could have contributed to retraining and job creation through their placement in permanent financing of enterprises (see above, starting with proposal 7.1).

7. Hence the rule: to hold the largest budgetary result with a chronic surplus.

The objection to this austerity is that job creation and the rise in labor incomes will be held back. However, the opposite will happen, all the more quickly and substantially as economic policy is focused on the full exercise of EPCE feedback and a different rule of public financial management is applied.

8. The other rule is: to make the weight of public investment oscillate according to the economic situation.

The explanation of this rule, followed by the more detailed explanation of the chronic surplus rule mentioned above, can be found in the second part of this report. A country that moves further and further away from respecting these two rules can, over time, only sink deeper into underemployment and corruption. Theory keeps him waiting and experience confirms it. Not recognizing this is undoubtedly a political mistake of the first magnitude.

Chapter 8 – Distribution

On a country-by-country basis, the highest level distribution is that of total income between saving placement income and labor income. Year after year, what is the share of overall income that the market economy tends to maximize? Is it saving placement income or income from work?

If it is that of labor income, then the increase in average labor income is not only faster than that of total saving placement income, but also even faster than that of total income.

The study of the distribution of total income, based on definitions that are acceptable in the logic of finite sets, shows which is the most important economic aggregate, country by country. It is conceptually simpler and fiscally more honest than GDP.

This objective economics handbook examines two other distributions.

One is in the next chapter, Chapter 9, the distribution of total labor income. It is more and less and less unequal. But the evidence that makes it so is not part of the doctrine in force. A power that the economic system confers on the social body is usurped.

In Chapter 11, the other distributions are, in the selling prices of the undertakings, those of common costs and contributions to the final result.

A new way of examining the problem of the latter distributions finally solves a problem of principle and identifies a general law. The problem is that of the objective exchange value of most of the services and goods sold by firms.

This general law is that of the tendency, engendered by competition when the market authorities want it, to equalize the rate of return of the same membership. Many prices then become closer to their target level.

The distribution of private wealth gradually becomes less unequal when each of the three distributions studied in chapters 8, 9 and 11 follow their normal course.

But this normal course is inherent only to the market economy in a regime of full trade, first of all both in terms of shareholders and wages.

8.1 Let us call Total income (TI) the sum of total income from savings placements and total income from labor.

The first argument below is numbered 5 because it follows the four arguments in support of proposal 2.17: only individuals and non-commercial associations receive income and save.

Total income (TI) is, by definition, equal to the sum of total income from savings placements (SPIs) and total labor income (LI).

Noting $TI = SI + LI$ does **not however** mean that it is the addition of SI to LI that **determines** RG.

1. Any variation in SI relative to TI is accompanied by a variation in the opposite direction of LI relative to TI.

If, for example, the SI goes from 15% to 10% of the GR and then goes back up to 20%, then the LI goes from 85% to 90% and then goes back down to 80% of the GR.

2. Let us call wages the total labor income (TI) and, for a moment, "profit" the total saving placement income (SI).

More profit makes fewer wages, and vice versa, on the macronomic scale of total income (TI). But this is only at the level of a country or a group of countries. A greater or lesser profit result does not always mean less or more wages on the mesonomic scale of an enterprise, or a group of enterprises. It is not by anomaly that quite often wage increases granted by an enterprise contribute to an increase in that enterprise Benefit's profits, both in absolute and relative terms. A theory of wages that does not take these realities into account is false.

8.2 The total saving placement income can be made sufficient.

1. The population and the political class of a free country want the income of a large number of adults to be able to be invested only Placement en Capital.

These adults are those who are unable or unwilling to provide work in exchange for remuneration while owning assets Patrimoine Economique that provide them with saving placement income.

2. At the forefront of the conditions under which this collective desire is economically viable is compensation for monetary erosion.

In a country with full EPCE feedback equity investments protect against monetary erosion through the distribution of free shares.

3. Let us call rents by exchange those which a patrimony of value procures, and rents by transfer those which are provided by allowances and pensions by distribution of contributions.

Annuities by transfer have the advantage and disadvantage of not mobilizing an investment patrimony. This is an advantage at the time of their establishment. This is a disadvantage because of the retraining and job creation that require new savings in capital.

4. The social body can adjust the mass of rents by exchange to its needs Rente Par Echange.

Once the full exercise of EPCE feedback is established, the average on investment estates rises above the exchange annuity requirements Rente Par Echange during periods of structural underemployment. As full employment approaches, the average yield falls to the level sufficient for the sole satisfaction of the rent needs by exchange. The two refusals mentioned in the following proposal contribute to this.

8.3 Two refusals of long-term change govern the distribution of overall income.

1. **The social body refuses to allow the rates of return on investments to rise from generation to generation.**

If this were to happen, the fact that **total income (TI)** is the sum of total saving placement income (SI) and total labor income (LI) would cause the relative share of TR in GR to decrease. However, the periods of a few quarters (or years) during which this decline is initiated inevitably lead to reactions that stop the increase in the relative share of SI in RG.

2. **The social body refuses that if the total income (TI) increases, the average income from work does not also increase.**

Common sense knows, through reasoning and experience, that it is always new **work** that makes **investments** in market activities profitable.

3. **The theory of the distribution of total income, RG, contributes to the realization of these two refusals by making them normative pivots.**

Pivot 1: **RP** should be considered potentially **sufficient**.

Pivot 2: **RT** and the average wage must be considered irremediably **insufficient**.

8.4 Total labor income (LI) is what remains of total income (TI) after total saving placement income (SI) is accumulated.

1. **Since by definition $TI = SI + LI$, one of the two proportions determines the other.**

Solution 1 : the LI / TI proportion **determines** the SI / TI proportion.

Solution 2 : the ratio of SI / TI **determines** the proportion of LI / RG.

2. **Only the second solution is consistent with what the previous proposal indicates.**

This indication is that of the two refusals by which society governs the distribution of total income (TI) over the long term. This is why LI is a **remainder, because of the insufficiency inherent in it: $LI = TI - RP$** .

3. **The methodological and policy status of the $LI = GR - \text{Equation}$ is the same as that of the **EPCE feedback**.**

This status is also the same as that of the previous proposal: **normative**.

4. **To consider that **profits** cut wages by the same amount **Wage** is correct on one condition.**

It is on a **macronomic** scale that this happens. There, the total profits contribute, together with other saving placement income, to the reduction of total labor income, including that received by **employees** other than those of the firms.

5. **The **profits** made by an enterprise, and therefore the **profits** it pays, do not necessarily reduce the **salaries** of that enterprise's staff.**

Here we are on the **mesonomic** scale. The salaries paid by an enterprise may have been and remain at the level of those of the employers who pay their staff the most. Enterprise

by enterprise, there is not necessarily more amputation of profits by any increase in the wage bill.

- 6. The macronomic proposition "total saving placement income reduces total income from work by the same amount " is correct.**

But the mesonomic proposition is false: "the profit distributed by an enterprise reduces the enterprise's payroll by the same amount".

8.5 An equation other than $LI = TI - SI$ regulates the distribution of total income.

- 1. This other equation is a rule of three.**

Its form is $A = B \text{ times } C$, each of the three terms A, B and C being a ratio between two of the three variables: $x / y = z / y \text{ times } x / z$. For example, $8 / 100 = 400 / 100 \text{ times } 8 / 400$, or $8\% = 4 \text{ times } 2\%$.

- 2. The discoverer of this application of the rule of three was, to our knowledge, the American Donaldson Brown.**

It was in 1906 or 1907. Donaldson Brown was then a close collaborator of the industrialist Peter Dupont de Nemours. **Brown's formula is none other than that of the now famous ROI and ROE**, ROI being the acronym for *Return On Investment* and ROE for *Return On Equity*.

- 3. The conventions laid down in the following three propositions are of great help in formulating and interpreting this rule of three.**

The first and third of these conventions complete what has been previously admitted about rate of return and profitability in relation to the rates of profit. The second defines the concept of productivity.

8.6 Let us call rate of return only a rate of income or margin over a stock.

- 1. In this definition, "stock" is used in its broadest economic sense.**

A stock is contrasted with a flow, as recalled in proposal 4.2. Balance sheets are stock accounts. Assets and debts of household are, among other things, stocks, whereas incomes are, among others, flows.

- 2. Let's use the letter G, for gain, to algebraically denote an investment income or margin.**

Profits are entirely income Revenu but investment Placement en Capital. Wages are also entirely income Revenu but product of labor. The custom is to call margin the difference between a flow of sales at its price-value – the turnover – and this same flow at a value-cost – a cost price of sales. What is known as added value is a margin⁸².

⁸² No income (including profit) is, in the hands of those who receive it, a margin. More generally, not every amount of a sale is a margin.

3. Margins are sometimes called contributions.

When the "cost price of sales" is the purchase cost of the commodities resold, the margin is often said to be gross⁸³. When the cost considered is direct, qualifying the margin as direct is substantial. Benefits and losses are also margins.

4. Only a ratio between a revenue or margin G and an inventory S is a rate of return R such that $R = G / S$.

It follows from this definition that no relationship between an income or a margin and a flow is rate of return.

5. -A rate of profit on capital is a ratio of the family of rates of return.

The relationship between the income of the savings invested and the value attributed to these savings is also important. Return rates are also gross margin rates on average inventory and direct margin rates on direct assets.

6. Making the family of rate of return logically homogeneous avoids misunderstandings and errors.

X says that over the long term, the rate of return of enterprises decreases. Y asserts that this tendency is, on the contrary, towards stability. Both may be right... and wrong to be wrong. When X talks about the return of enterprises, the rate he is thinking of is benefit on growth revenue while for Y the rate he is thinking of is also benefit, but on capital or assets.

7. Very famous economists have predicted the tendency of the rates of profit to fall.

Learned discussions on this point have remained unresolved because of definitions that are not definitions. The asymptotic fall in the rate of profit on sales does not exclude the stability of the rates of profit on capital.

8. In other words, an enterprise where, as is still very common, we do not force ourselves to the unequivocal use of the concept of rate of return.

The margin rate on turnover for activity A is significantly lower than for activity B. It is better to get rid of activity A, according to management, in order to increase the enterprise's rate of return. In reality, in the unequivocal sense given here to the concept of rate of return, and as often happens, it is the direct rate of return of activity A that is greater than that of activity B.

9. Many decisions, with serious consequences, particularly on employment, are taken with regard to rate of return.

Unfortunately, this does not mean that it is almost always an element of the rate of return set when this set satisfies what a definition in mathematical logic is (proposition 1.1). For both theoretical and practical purposes, however, it is necessary, otherwise economic reality is neither observed nor treated for what it is on a key point.

⁸³ But there is no universal definition of what a gross margin is, any more than a semi-net and net margin.

10. Let us make use of what the French language has bequeathed to us that is economically insightful.

In French, a rate of return refers to the annuity that is close to the value attributed to the placements in savings that provides this annuity. This reconciliation constitutes a relative value, which can always be expressed as a percentage per year. This relative value is, so to speak, the parent of rate of return in Objective Political Economy and good management.

8.7 Let us call productivity only a ratio between the monetary amounts of a sales flow and an inventory.

1. Enterprises' turnover is the monetary amounts of their sales flows.

Of these amounts, we can say that they are at their "price-value". A flow of sales by a firm is also expressible at a "value-cost", the difference between the sales at value-price and the same sales at their value-cost being a margin.

2. Investment income is a flow of sales.

Income from work is also a flow of sales, but the services that provide it are not savings placements.

3. In objective economics, only a ratio between a flow F, other than a margin, and a stock S is a productivity P such that $P = F / S$.

A productivity P measures what a stock S has produced or is likely to produce at market value, the expression of this flow F of production and this stock S being itself exclusively monetary. Productivity defined in this way measures a rotational speed.

4. A yield per physical or hourly unit is not productivity.

A yield per hectare, a turnover per square metre, a tonnage or a number of pieces per hour, etc., are not productivity in the unequivocal sense attributed to this concept by the statement: Let us call productivity only a ratio between the monetary amounts of a sales flow and a stock.

5. A rate of return is a relationship between a result and a means implemented to achieve it.

The numerator and denominator of this ratio are, of course, different depending on whether it is a question of, for example, the yield of agricultural land, an investment, such and such people in a particular activity, a boiler, an engine, etc., without an assignable limit. A turnover or added value per person employed is a rate of return.

6. The ratios between the monetary amounts in a sales flow and an inventory are a defined subset of infinite returns.

Productivity does not meet this definition whenever it refers to output per person employed.

7. A "productivity per factor of production" would exist.

Let us look at the case of a farmer who works alone. In the stock that the farmer's work employs are machines, as well as other "factors of production" such as a wage fund, because the farmer who works alone is nevertheless economically a wage-earner. How much of this

farmer's production is attributable to his status as an [employee](#)? What other shares are attributable to machinery, crop varieties, fertilizers used, the land itself, climate, etc.? ? These questions will forever remain unanswered, because any process of producing anything **never implements factors independently of each other.** [It is the combination that is productive.](#)

8. The following quotes are from recent economics textbooks.

To affirm that productivity is a "ratio between a volume or value of production and a quantity of a factor of production" reflects an acceptance. Valid for any [efficiency](#), this meaning is not a definition in the sense of this concept in the logic of finite sets. The fact that no specific properties of yields called "productivity" are specified attests to this. In this vein, to argue that "it is productivity gains that make it possible to improve the standard of living of the population" is to note that the increase in average per capita income depends on higher [yields](#). This truth does not in any way authorize the untruth of the existence of productivity by factor of production.

9. Among the fundamental questions to which economic science must provide a clear answer are the following three:

Question 1: Does one "factor of production" have a more initial ripple effect than the others so that the increase in per capita income has the minimum of perverse effects?

Question 2: Which [yield](#) is the most decisive of the level of the per capita income?

Question 3: Are the "productivity gains", implied by [labor](#), to be shared?

10. Does one "factor of production" have a more initial ripple effect than the others so that the increase in per capita income has the minimum of perverse effects?

The three preceding chapters, successively on [capital](#), [profit](#) and [employment](#), establish that this "factor of production" is [capitalization](#), the latter concept in the unequivocal sense set out at the beginning of [chapter 5](#).

11. Which yield is the most decisive of the level of the per capita income?

"Economic science" in its current state answers: this yield is that of labor. This response is also that of the boss who strives to make the work productive enough in terms of sales and margin. These sources do not guarantee that this view is the most accurate.

12. Are the "productivity gains", implied by work, to be shared?

In reality, [total labor income](#) (LI) can increase sustainably faster than [total income](#) (TI). The rest of this chapter demonstrates this. What is to be shared between the [employees](#) as such, including the self-employed, is not the [RG](#), but the [RT](#), according to the modalities indicated in the following chapter.

8.8 Let's only call [profitability](#) a rate of income or margin relative to a flow.

1. The G for [gain](#) is used again below.

It is already so in the argument for the definition of [rate of return](#) (proposition [8.6](#)). In this chapter, he continues to refer exclusively to [saving placement income](#) or [margin](#), even when it is negative.

2. Let us denote P' all profitability.

The argument of the previous proposition assigns productivity the productivity generic notation P .

3. Only a ratio between an income or a margin G and a flow F is a profitability P' such that $P' = G / F$.

Any relationship between an income or margin G and a stock S is a rate of return R such that $R = G / S$ and not a profitability P' such that $P' = G / F$.

4. The monetary amounts that determine these three ratios are themselves three.

The consequence, in addition to being algebraically obvious, $x / y = z / y$ times x / z , is economically so far-reaching that an initiation into economics that does not mention it represses essential reality.

5. The numerators, denoted G , of a rate of return and the profitability corresponding to it are the same.

The denominator S is the same for rate of return and productivity that correspond to each other. Productivity has the numerator F and the corresponding profitability has the denominator F . The application of the rule of three that is established is, with these notations: $G / S = F / S$ times G / F .

6. A good habit is to be adopted.

It consists of asking yourself the following question. As soon as a ratio has as its numerator an income, including profit, or a margin, including business profit, is it certainly or probably a rate of return or a profitability, in the absence of any indication of the denominator, both at the same time?

7. Two uses in particular should be avoided.

One is to say that a rate of profit on capital measures profitability instead of saying that it measures profitability. The other consists, conversely, in saying that a rate on the price-value or the value-cost of sales measures rate of return.

8.9 Let us call the RPP' relationship the fact that all rate of return is equal to productivity multiplied by profitability.

1. Let's generalize Brown

With:

for cost-effectiveness;

P for productivity;

P' for profitability;

G (of gain) for an amount expressed in the quantity of money of an income or a margin;

S for an amount expressed in the quantity of money of the stock that made it possible to obtain G ;

F for an amount expressed in the quantity of sales money, which is income from the property when S is an investment made by an investor

$$R = G / S$$

$$P = F / S$$

$$P' = G / F$$

2. $G/S = (F/S) \times (G/F)$.

Any rate of return R is equal to a productivity P multiplied by a profitability P' . This statement defines the RPP' relationship.

3. The RPP relationship is active at the micronomic level, that of the products sold by enterprises.

At this scale, the rate of return R , the productivity P and the profitability P' are direct, i.e. before any distribution of common costs, and, for the rate of rate of return R and the productivity P , the asset to be taken into account is also direct (the concepts of direct margin and direct asset are defined further in Chapter 11).

4. The RPP' relationship is active at the level of the mesonomy, that of the legal-entity enterprise.

At this scale, the rates of return 'R' are those of the capital and all Actif the assets of the enterprise. P productivity is the ratio of value-price (turnover) or value-cost (cost) sales to capital or assets (numerator identical in both cases). The profitability P' is that of these same sales.

5. La relation RPP' est active à l'échelle de la macronomie, celle du revenu global et de sa répartition.

Avec :

RG revenu global ;

RP revenu total des placement ;

RT revenu total du travail = ;

SDP stock des placements ;

RDP rentabilité des placements = ;

PDP productivité des placements = ;

$P'RG$ profitabilité du revenu global = ;

à l'échelle de la macronomie nationale et régionale (supranationale, infranationale) la déclinaison de la relation **RPP'** est :

$$RDP = PDP \times P'RG$$

$$RP / SDP = (RG / SDP) \times (RP / RG)$$

6. Les relations RPP' sont myriades.

C'est en milliards, voire en milliards de milliards, que se compteraient, s'il était possible de les dénombrer, les relations RPP' actives ou potentiellement actives dans l'économie d'un pays. **Cela fait penser aux synapses d'un immense système nerveux stimulant et régulant les alvéoles d'un gigantesque poumon.** Aucun dirigisme, même équipé de toute la batterie

d'ordinateurs et de bases de données que l'on voudra, ne peut être aussi régulateur et stimulateur **dès lors que des soins assez diligents sont apportés au bornage de la liberté d'offrir par la liberté de choisir**.

8.10 On a country-by-country basis, total labor income is determined by the rate of return and productivity of investments.

- 1. The determination of total labor income (LI) must be understood on a country-by-country basis.**

This geopolitical limit is a consequence of the nature of the variables of this determination. Everything that makes a population more or less skilfully industrious affects what the total per capita income is for it, this income per capita being always liable to be more or less different from one country to another.

- 2. With "=" meaning "is determined by", we have shown that $LI = TI - RP$.**

It should be remembered that it is the long-term problem of the distribution of total income that is considered here.

- 3. By definition of investment return (ROI), total saving placement income (SI) is equal to multiplying ROI by the amount of investment stock (SDP).**

$$RP = RDP \times SDP$$

As per the definition of Productivity of savings in capital (PPP):

$$SDP = TI / PDP \quad SI = RDP \times (RG / PDP)$$

- 4. Since $LI = TI - RP$:**

$$RT = TI - [RDP \times (RG / PDP)]$$

Total labor income (TA) is determined by a difference whose variables are total income (TI), return on investment (ROI) and Productivity of savings in capital (OF).

- 5. From the equation $LI = TI - [RDP \times (RG / PDP)]$ all cases of progression, stagnation and regression of the LI can be deduced.**

In particular, there is an increase in total labor income, RT, when there is simultaneously:

1) increase in GR, 2) stability in ROP, 3) increase in PDP.

8.11 The normal trend in returns on capital is one of stability.

Return on Placements: RDP

- 1. We can also talk about investment returns.**

In some contexts, rate of return rather than "return on capital" in relation to investments suggests better that the numerator of this ratio, as it is used in the distribution of total income, is only saving placement income, to the exclusion of any surplus values.

- 2. Reminder 1 (argument of proposal 8.3): the social body refuses to allow the rates of return on savings placements to rise from generation to generation.**

If this were to happen, the equality between **GR total income (TI) = total saving placement income (SI) + total labor income (LI)** would cause the relative share of LI in TI to fall sharply.

Periods of a few quarters or years when this decline has begun inexorably lead to reactions that halt the increase in the relative share of SI in RG.

- 3. Reminder 2 (argument of proposition 8.3): society refuses that if the total income (TI) increases, the total income from work (RT) does not also increase.**

Common sense knows, by reasoning and experimentally, that the increase in GR has two causes: enough new investments giving effect to new work. Both this refusal and the previous one are satisfied when the long-term trend of return on capital is one of stability.

- 4. Around its tendency towards stability, the DPR oscillates.**

Fully exercising the EPCE relationship reduces the time between the highs and lows of the ROP oscillations.

- 5. Exiting the era of polluting energy production may require an increase in the trend towards stability in DPR.**

This will be the case if the new energy mix requires, in total, much greater investments than before.

- 6. Drying up the financing of pensions through the raking of surplus values may require an increase in the trend towards stability in the DPR.**

This sweep is a cause of volatility that is detrimental to full employment and the improvement of the quality of life. If the average rate of return on equity investments proves to be too low to put an end to it, the only solution will be a structural increase in this rate.

8.12 The normal trend in productivity of savings in capital is upward.

Productivity of savings in capital: PDP

- 1. Technical innovations that have the effect of raising yields are a cause of the increase in the PDP.**

This is so well known and proven that it is not worth insisting on here. Among the techniques that increase yields are those of marketing and administration, alongside those of manufacturing.

- 2. Quality improvements contribute to the increase in the PDP.**

Competition between suppliers on a commercial basis concerns the relationship between quality and price. Quality improvements, more than proportional to the price differentials of the offers compared, raise the PDP.

- 3. Diminishing rate of returns do not *ipso facto* slow down the increase in Productivity of savings in capital.**

Diminishing rate of returns increase investments and costs. Through diversification of production and markets, but often through job destruction, quality improvements contribute to the increase in PDP.

4. Competition doesn't just drive higher yields.

It stimulates diversification and the opening of outlets as well. By means of them, new contributions to the slowing down or acceleration of the general increase in productivity are provided.

5. The desire to increase the purchasing power of wages contributes to the increase in the PDP.

The causality that the equation accounts for is known to the populations that have lived, and continue to live, the overtaking by low wages of their levels so miserable that life expectancy is greatly affected. Through this experience, these populations are disposed to the myriad of entrepreneurial initiatives that contribute to the increase in PDP.

6. The increase in PDP is sustainable over a very long period.

The multiple causes of PDP increases mean that, in countries with the highest per capita income, a sustained trend towards stability or decline in PDP is unlikely.

7. From one country to another, percentages of increase in the PDP can temporarily go more than double.

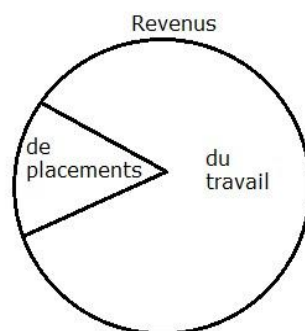
In an open economy, it cannot be expected that the PDP of a country where per capita income is currently significantly higher than in another country can ordinarily rise as much as in that other country in the take-off phase.

8. Free trade in international trade establishes and maintains the upward equalization trend of domestic PDPs.

This trend does not imply the standardization of all morals. On the contrary, too much standardization reduces the quality and variety of what human genius produces.

8.13 The normal trend in the rate of return of total income is downward.

1. The rate of return of the total income, P'RG, is by definition the share of saving placement income in the total income.



2. The trend in total income profitability (P'RG) is the result of the respective trends in return on capital (ROI) and productivity of placements in capital (PDP).

The equations:

$$rdp = pdp \times p'rg \quad p'rg = rdp / rdp \quad Pdp$$

are always satisfied by the definitions from which they proceed.

This is why the trend towards stable return on placements in capital (ROI) and the upward trend in productivity of these placements (PDP) results in a **downward trend in the profitability of total income (P'RG)**.

- 3. Expressed as a percentage, the P'RG is the 100% supplement of the total income from labor, RT, in relation to the total income, RG.**

With:

RT: Total Labor Income,

RG: Total Revenue

RP: Total Saving placement income,

since

$$(RT/RG) \times 100 = 100 - [(RP/RG) \times 100]$$

Since the percentage $(RP / RG) \times 100$ is an expression of the P'RG, it is the complement to 100 of the percentage of the LI in relation to the RG, $(RT / RG) \times 100$.

If, for example, the P'RG is 15% of the RG, the LI is 85% of the RG.

- 4. The decrease in the relative value of saving placement income (IP) relative to total income (TI) is consistent with an absolute increase in the RP.**

There may very well be, in particular, an increase in the RP, **less than proportional** to the RG. So the weight of the RP in the TI decreases, while not only does the weight of the RT in the TI increase, but also the increase in the LI is **more than proportional** to that of the RG.

The argument of the following proposition includes a numerical example.

8.14 The dynamics of the distribution of total income lend themselves to the maximization of total labor income.

RG: Total income,

RP : Total saving placement income,

RT: Total labor income = GR – PR

RDP: Investment Profitability,

PDP: Productivity of savings in capital,

P'RG : profitability of the overall income $RDP = PDP * P'RG$

When is there maximization?

Throughout this treatise, it is agreed that there is maximization of one of the terms of a relation when its increase tends to be normally greater than that of the other term or of each of the other terms.

- 5. The argument of the previous proposal demonstrates that maximizing total labor income, RT, is possible.**

This possible maximization is not only in relation to total saving placement income, RP, but also, contrary to what is often estimated today, relation to total income, RG. Its main

constraint is the adequacy of total saving placement income, RP, in order to restore or maintain full employment.

6. Let us illustrate numerically the dynamics of distribution when it maximizes labor income, RT.

For this numerical illustration, let us use a table containing a reminder of the meaning of the abbreviations and formulas used in this chapter:

RG: total income, RP: total income from investments, RT : Total labor income = GR – PR ROP : Investment Profitability, PDP : Investment Productivity, P'RG : profitability of the overall income $RDP = PDP * P'RG$			
	Year		% change
RDP			
PDP			
P'RG			
SDP			
RG			
RP			
RT			

7. Let us consider a period of forty years and enter four data relating to year 1:

RG: total income, RP: total income from investments, RT : Total labor income = GR – PR ROP : Investment Profitability, PDP : Productivity of savings in capital, P'RG : profitability of the overall income $RDP = PDP * P'RG$			
	Year		% change
	1		
RDP			
PDP			
P'RG			
SDP	200		
RG	300		
RP	20		
RT	280		

These data are consistent: $300 - 20 = 280$

8. Let's calculate the relative values for year 1.

RG: total income, RP: total income from investments, RT : Total labor income = GR – PR ROP : Investment Profitability, PDP : Productivity of savings in capital, P'RG : profitability of the overall income $RDP = PDP * P'RG$			
	Year		% change
	1		
RDP	10%		
PDP	1,5		
P'RG	6,7%		
SDP	200		
RG	300		
RP	20		
RT	280		

$$RDP \% = (20 / 200) \times 100;$$

$$PDP = 300 / 200 ;$$

$$P'RG \% = (20 / 300) \times 100.$$

9. Let's fill in the "Year 40" column.

RG: total income, RP: total income from investments, RT : Total labor income = GR – PR ROP : Investment Profitability, PDP : Productivity of savings in capital, P'RG : profitability of the overall income $RDP = PDP * P'RG$			
	Year		% change
	1		
RDP	10%	10%	
PDP	1,5	2	
P'RG	6,7%	5%	
SDP	200	250	
RG	300	500	
RP	20	25	
RT	280	475	

The figures for year 40 are as consistent with each other as those for year 1.

10. Let's calculate the changes from year 1 to year 40.

RG: total income, RP: total income from investments, RT : Total labor income = GR – PR ROP : Investment Profitability, PDP : Productivity of savings in capital, P'RG : profitability of the overall income $RDP = PDP * P'RG$			
	Year		% change
	1		
RDP	10%	10%	0
PDP	1,5	2	+ 33
P'RG	6,7%	5%	- 25
SDP	200	250	+ 25
RG	300	500	+ 66
RP	20	25	+25
RT	280	475	+70

In income (last three rows), the largest change is in [total labor income](#) (TA).

11. The divergent evolutions of [RT](#) and [RP](#) are experimentally verified.

In a country such as metropolitan France, the average or median wage, expressed in kilos of white bread or in the number of consultations with a general practitioner, in 1800 and 2000 respectively, is close to what the variation in the LI has been in two centuries [Revenu Total Du Travail RT](#). This positive variation is out of all proportion to what the positive variation in [the PDR over](#) the same period may have been. For this not to be the case, it would have been necessary, for example, if, for example, the average or median

wage expressed in kilos of white bread or in the number of visits to a general practitioner had been multiplied by 50, the ROP would have gone from the year 1800 to the year 2000 from 4% per year to an order of magnitude of 200% per year.

8.15 A pay-as-you-go pension only provides its beneficiaries with a substitute income because it is in reality a transfer.

1. The so-called "pay-as-you-go" pension is by transfer.

This transfer comes from the contributors and goes to the pensioners, making them a kind of life prebendaries.

2. The so-called "pay-as-you-go" pension is opposed to the so-called "capitalization" pension.

It too can be more accurately designated: retirement by exchange of the investment service for its remuneration.

3. One of the two types of pension provides its beneficiaries with income, the other an income substitute.

The kind of retirement that provides its beneficiaries with income is that by exchanging the investment service for its remuneration. The other type provides its beneficiaries with pensions that function as income, as any tax administration is led to consider in its definitions of tax bases.

4. It is by no means certain that the potential benefits of swap pensions will be less than that of transfer pensions.

But we can expect that the potential benefits of swap pensions will be out of reach without the reforms that tip over into a **full-trade economy**.

8.16 Total income is the most significant economic aggregate.

1. Let us no longer make income the "new monetary resources that allow us to consume without becoming poorer, with a constant patrimony".

This statement can be found in the economic vocabulary handbooks under the entry "**Income**". Thus the amalgamation of income proper with transfers is peddled. The income itself is in exchange for the service of a job or an investment. The contradictory term "transfer income" contributes to the repression of the **primordial distinction between trade and economic transfers**Transfert Economique⁸⁴.

2. Economic exchanges are vectors of transfers in the form of surplus values and capital losses.

Among these exchanges, in addition to those involving works of art and other rarities, are real estate and stock market transactions. For the latter, it is as if it were now written in stone on the tables of economic laws that profits are not enough to make the savings in capital of enterprises whose co-ownership securities are listed attractive. By the reforms constituted

⁸⁴ Contrary to what the above quote suggests, all or part of an income can be earned by barter. One case in which this is still commonly practiced is that of fractions of full wage, which are made up of "benefits in kind".

by the introduction of [the advertisements](#) indicated in the preceding chapters, on [capital](#) and [profit](#), the pre-eminence of [rate of return](#) over [surplus value](#) can be established.

3. To report "[primary income](#)" is only apparently in line with reality.

"Primary income", as indicated in the summary cited in this argument, is the "total income received by households in return for their productive activity" – received in the form of products from their sales of [elementary commodities](#), in reality. Making "primary income" a category would only be justified if, in truth, "secondary income" existed. The other "new monetary resources" come without exception from [transfers](#) of which any [surplus value](#) is a part.

4. The holder of a so-called "income" of solidarity or substitution is a beneficiary.

It is only by means of [the revenues proper](#) that allowances can be provided, without becoming a cause of public debt by excess of burdens on the proceeds of taxes. The transfers received by the holders of life pensions provided by a pay-as-you-go pension scheme are also allowances and not income in the strict sense.

5. "National income" is the "sum of all [primary income](#) received by households".

This is what we read in the précis as in many other textbooks, as well as on the INSEE website. In other words, "national income" is total [income](#) (GI), probably as close as it is statistically possible to estimate.

6. « National accounts – All the accounts of the nation presented in a standardized Keynesian framework. »

This emphasis is my doing. In the national accounts thus standardized, there are aggregates not only of "product" but also of "production". Let us not dwell here on what leads us to specify that "national production is opposed to domestic production", as indicated in the précis cited. It should be noted, however, that, since there is no production without a product and vice versa, one must ask ourselves to what extent the "standardized Keynesian framework" is specious.

7. What then is "production" in this context?

The quoted summary answers: "The socially organized activity intended to create goods or services usually exchanged on a market and/or obtained with the help of factors of production exchanged on a market". The "and/or", which I have just underlined, indicates where the dividing line is between "product" without [economic exchange](#) and "production" with... but not always; It is easy to get lost.

8. A "national product" aggregates with the "value added" by enterprises a monetary valuation of the "product" of the general government and of any other non-enterprise employment.

This is done by taking into account, in particular, "the services rendered by [Salarie](#) employees of national public administrations evaluated on the basis of the [wages](#) and benefits paid to them and the social contributions paid for them".

9. The very idea of valuing the "product" of general government in terms of a monetary unit is not economically relevant.

The monetary unit is that of the measure of market [exchange value](#). The output of public administrations has a [use value](#). This does not mean that it has a [economic exchange value](#). The very fact that it is not sold means that it does not have such value. Moreover, the "domestic product" of the standardised framework does not include the "product" of general government, which is aggregated only to the "national product". The general government wage bill is nevertheless a sum of [labor income](#) and, therefore, a creation [of economic exchange value](#), in other words of economic wealth (more on this point below).

10. Opaque base 100 is put into circulation.

Voters and elected officials who want to understand in what sense national accounts – "in a standardized Keynesian framework" – use the notion of "product", and what possibly differentiates it from the notion of "production", often end up giving up on it. Gross or net, a "domestic product" and a "national product" make the base 100 opaque. But, with the help of panurgism, this frame of reference is law, particularly in the form of the sovereign [GDP](#), the "gross domestic product", which came into the world in English under the name of [GDP](#) (*Global Domestic Product*).

11. The production of market wealth has only two origins.

One of these origins is the [service of labor](#), the other the service of [the investment of savings](#), when both are in return for an [income](#). Who or what creates product? A creation is a production, a production is a creation. The expressions "commodity wealth creation" and "wealth production" refer to exactly the same economic reality. The rest of human production, including that of sovereign public functions that cost money as it costs money to support a family, is **by definition** non-marketable, not only on paper but first and foremost in reality. The same is true of all natural production apart from human production⁸⁵.

12. The production of commodity wealth has only one destination.

Income [Revenu](#) and nothing but [income](#) is the common destination of the two origins of the creation of market wealth. This stems from the fact that [commodities are only exchanged for commodities](#) although this is most often by intermediary money, and on the understanding that in truth [enterprises](#) are the only entities that owe everything they own. [Neoclassical theorization](#) and macroeconomics of Keynesian origin, in order to see money [as a commodity](#) like any other (almost or completely according to the authors), cannot include, without contradiction with their subjectivist postulates, either the definition of the [commodity](#) or the distribution into [homogeneous](#) categories which is logically associated with it, nor a conception of the enterprise enslaved to what is objectively specific about this entity. More generally, they cannot, without denying themselves, bind themselves to the discipline of the logical definition of finite sets.

⁸⁵ One wonders if one has to be an economist not to see it, and then to miss what it results from strictly speaking economic.

13. One result of one of the origins and the sole destination of the creation of market wealth concerns civil servants as such.

Civil servants and other [employees](#) of the public service, as well as domestic workers, for example, **participate** alongside the [employees](#) of [the enterprises](#) and **as much as** they do in the creation of market wealth, i.e. in the **creation of [economic exchange value](#)**, in their capacity as suppliers of the [service of the labor](#) exchanged for its own money.[remuneration](#).

14. What has been the evolution of country P's contribution to the creation of economic wealth?

In view of the observations that have just been set out, the answer is obvious: the evolution of the sum, for country P, of the real income of its nationals and their non-commercial associations, on the basis of the returns on their investments alone.

15. Public charges must be capped at a percentage of [total income](#) (TI).

In order for the discussion of this ceiling, which is obviously a collective choice of great importance, to be open to all, it is better that the total of taxes be also brought closer to the [total income](#) (RG). The reality is not as close as possible when **the expression as a percentage of public debt does not also have [the total income](#) (TI) as its base 100.**

16. The sanctuarization of [GDP](#) has been backed neither by a structural remedy for mass unemployment nor by a clear theory of the [distribution of total income](#) (GR) and [labor income](#) (RT).

The sanctuarization of the GR can be backed on the one hand by a clear theorization of the normal trends in [total saving placement income](#) (SI) and [total labor income](#) (RT). On the other hand, it can be done with an employment policy based on the removal of obstacles to the full exercise of the [EPCE relationship](#).

17. Favoring overall income [among the macronomic aggregates](#) is a message sent to one's compatriots.

It is also a position that breaks with the state of mind that has produced the opaque cult of [GDP](#): "The production of economic wealth in our country is the sum of our [income](#) and that of the [investments](#) of our non-commercial associations, nothing more, nothing less".

Chapter 9 – Wages

In economics, **wage** is the generic name for all income from labor, which is itself distinct from saving placement income.

Wages are the subject of two iron laws. One Proposition 8 4 is that which determines total labor income by the distribution of total income (previous chapter). The other is also distribution, but only of total income from work.

As much as the distribution of working time is an illusion, which can only turn into the sharing of structural unemployment before contributing to its aggravation, the sharing of total labor income is a reality. The inequalities and inequalities of wage levels by professional qualification and then of individual salaries govern this sharing. The denial of this reality has, of course, its reasons for being, the first of which are the following two:

- It is impossible to fit the true determination of the prices of labor, with all its specificities, into a scheme in which all price formations are explained in the same way.
- Admit that the highest wages lower the average level of those below them contravenes such a scheme.

The invisible hand is more subtle. It introduces into the economic system levers of command that the social body can, country by country, push and pull so that marketable exchanges produce the effects it wants. But the progress that will be made by the conscious use of these levers is only achievable. As long as economic theory and policy leave this progress unaccomplished, remedies that aim to relieve the social body in order to ultimately degrade its health will come out of the Pandora's box of redistributions forced by the legislator.

9.1 Let us call wages all income from work and nothing but income from work.

- 1. Income-generating work is the work produced by an individual by means of the expenditure of his energy and time.**

This is a reminder of what is admitted in Chapter 2 about **work**, with the distinction between work-expenditure (the means) and work-work (the result).

- 2. Income from work is generically called wage in economics.**

Salaries, emoluments, wages, attendance fees, tips, salaries, and salaries are, among other things, salaries Wage. But fees, fees, freelancers are often turnover Chiffre Affaires, as are always the rents received.

- 3. Only income from work constitutes wages**

This definition excludes from wages all interest, profit and surplus value. Only individuals receive salaries.

- 4. The distinction of roles improves economic theorization and organization.**

The worker and owner, or member of the enterprise that employs him, is, on the one hand, an employee and, on the other hand, an usher. The assimilation of a social class to an

economic role is based on the atavistic idea that the practice of economic exchanges induces irremediably contradictory interests.

9.2 The status of **employee** is not economically defined by a relationship of subordination.

- 1. Historically, salaried employment has involved the subordination of the employee to the employer.**

But history is one thing; the logic of commodity exchange is another.

- 2. An employee is required to obey orders from his employer, who is economically his client.**

Either these orders are of the same nature as those placed by a customer to a supplier, or they are accompanied by injunctions of a different nature. These injunctions are made on top of that.

- 3. The purpose of the employment contract is to provide a service in exchange for a wage.**

This remains true when the employer is a public administration. A civil servant is, in his capacity as an employee, a merchant who sells the product of his work to his employer. Any other employee for profit is in the same position.

- 4. Making the relationship of subordination the criterion of the status of employee has unfortunate consequences.**

The labor market is divided into categories that fall under different regimes. This results in distortions of competition, unjustified inequalities and a proliferation of administrative complications. We must ask ourselves whether a completely decompartmentalized labor market is one of the characteristics of a deideologized economy.

- 5. The labor market is better organised if all labor remuneration is easily comparable.**

Currently, and especially in France, this is not even the case for all jobs governed by law by a relationship of subordination. This is even less so when the comparison is extended to other forms of remuneration for work, such as that of the liberal professions and self-employed people, for example.

9.3 The average hourly wage varies by country according to the total labor income of the country in question.

- 1. A national average hourly wage is the quotient of total labor income divided by a number of hours worked for remuneration.**

The variation of the divisor – the number of hours worked – has a much greater effect on the variation of the dividend – the total income from labor – than on the variation of the quotient – the average hourly wage. This is why the most important determinants of average wages, country by country, are the same as.

2. Savings investments in business finance and public investment fuel the growth of the average wage in the country where these investments are made.

However, this is because the [productivity of the national stock of investments](#) increases thanks to the implementation of techniques that improve quality/cost ratios, including in the area of public services. Moreover, any way of producing anything is, in the end, a positive or negative contribution to the evolution of the real average wage, the one measured in [purchasing power](#).

9.4 The employer's share of the contributions that are based on the wage is a [damaging fiction](#).

1. In terms of paid employment, everything that is employer is wage, just as everything that is salaried is employer.

Paid employment is an [economic exchange](#), which is **therefore always** a market, between an employer and an employee, who is also always an individual. When the employer is apparently the same individual as the employee, the exchange is in reality between the enterprise that belongs to that individual and the latter as an employee. Even if the self-employed person keeps the accounts of his enterprise and his own together, in truth these separate accounts exist. This does not imply that every employer is an enterprise. There is no such thing as non-market paid employment, but employers are not just enterprises. While all employers are bosses, everything that is employer is far from being *ipso facto* entrepreneurial.

2. Any recurring [expense](#) paid by an employer in respect of a job is an element of the wage of the worker who occupies that job.

This is rightly the rule that is followed for "benefits in kind": the provision of a service or good to an employee by his or her employer is an element of [wage](#). The employer's shares of the contributions based on wages are a supply of this kind. Pretending they were [subsidies](#) is a fiction.

3. Deemed employer contributions that are made to pay a wage are wage-related.

These contributions are part of [the whole salaries](#) – full salaries. The [cost of labor](#) is the sum of the net wage – the one that the employee receives in cash – and the indirect wage – the supplies paid for by the employer that are part of the whole wage. In both general accounting and [cost accounting](#) and management control, the personnel costs counted among the costs are full salaries, including the employer's deemed contributions.

4. The repeal of the employer's share of contributions based on wages does not change anything in net wages, on one condition.

This condition is, of course, that gross salaries are increased by the employer's deemed contributions.

5. Before this repeal, Jacqueline's wage deemed to be gross was 100.

Of these 100 deemed gross contributions, the net of employee deemed contributions is, for example, 80 and the employer deemed contributions are 30. Jacqueline is, by this

measure, encouraged to consider that her social security coverage costs her 20. In reality, it costs him 50, since the 30 deemed bosses are part of his wage.

6. After the repeal, Jacqueline's gross wage was increased to 130.

His wage net of employee contributions remains at 80 (130 minus 50). A substantial fraction of salaries loses its **usurped reputation** as a [subsidy](#).

7. The [fiction of employers' contributions](#) blocks self-regulation, because it puts the insured in a position to abuse and allow benefits to be abused.

Compulsory insurance schemes financed by a large proportion of employers' contributions are exposed to becoming and remaining structurally loss-making. The reason for this is quite simple: their beneficiaries do not realize what it costs them. A management link consubstantial with the very principle of mutualisation is untied.

8. The [fiction of employer contributions](#) provides employers with a usurped title to participate in the administration of considerable funds.

However, these funds really come only from the real contributors, who are all individuals and none of whom are an enterprise or any other kind of employer. Their administration, entrusted to [returnable joint-stock](#) enterprises, is all the more difficult to exclude as it is likely to become exemplary in the full-trade economy (on what are [returnable shares](#), see the [chapter on capital](#)).

9. Compulsory levies have one thing in common with their part consisting of taxes in the strict sense.

They are, in reality, the sole responsibility of individuals and their private non-commercial associations, regardless of the methods of their collection.

10. The [fiction of employer contributions](#) also has the disadvantage that a large number of wage comparisons and negotiations relate to lower prices.

Moreover, when there are different social security schemes, particularly between the private and public sectors, a large number of wage comparisons and negotiations relate to unequally lower prices.

9.5 Making salaries comparable within a country improves the functioning of the labor market.

1. Revenue comparisons require the use of time units.

Investment [income](#) is compared with each other over periods of the same duration. The same is true of [income from work](#) between them.

2. The period over which all labor incomes are most exactly comparable with each other is the hour.

All [wages](#) are in exchange for work [Travail Ouvrage](#), but all work that can be exchanged for wages is obtained by means [of labor time](#) – time devoted by the worker to this work. This has the effect of leading to the de facto existence of [hourly wages](#), some of which are effective and others maximum (see below).

3. The hour of work is a unit of work and not the work itself.

This applies to all human work, whether or not the person who does it derives an [income from it](#).

4. Hourly wages are for some [effective](#).

A case of effective hourly wage is one for which pay slips are established on the basis of a variable number of hours worked. Another case of effective hourly wage is the one for which pay slips are established on the basis of a monthly lump sum, in return for an effective working time to which the employee and the employer adhere. The effective hourly wage is then equal to the lump sum divided by the working time.

5. Hourly wages are for other [maximums](#).

In other cases, the wage shown on the payslips is also a lump sum, but with a minimum working time. The maximum hourly wage is then equal to the lump sum divided by the minimum duration.

6. It is frequently by annual quantities that hourly wages are most accurately calculated.

A thirteenth month or more, an annual or half-yearly profit-sharing scheme, as well as bonuses, make the gross monthly wage (including employer contributions as long as there are any) an incomplete numerator for calculating the [hourly wage](#).

7. The difference between gross and net salaries disappears when the contributions that constituted it are deducted from the employee's current account.

This solution is no longer administratively impracticable, although it can probably only be implemented in stages.

8. The [publication of hourly wages](#) and [the coefficients of the difference](#) between them improves the functioning of the labor market.

The hourly wage gap coefficients [Wage Horaire](#), both effective and maximum, which are most suitable for the uses that can be made of them are those based on the [statutory minimum hourly](#) wage. Their publicity, together with that of hourly wages, improves the functioning of the labor market for the simple reason that negotiations and other debates on wages take place with better knowledge of the facts.

9. A [statutory minimum hourly wage](#) benchmarks the comparison of wages.

This consideration would be sufficient if it were the only one in favor of the establishment, country by country, of a legal minimum hourly wage. But this minimum does not play its benchmark function well when only the lowest wages are expressed by the hour.

10. The following proposal draws attention to the fact that [hourly wage differentials](#) regulate the distribution of total labor income.

This economic law, which is one of the most fundamental, **reinforces the need** [for a legal minimum hourly wage](#). Country by country, society wants to see a change or a maintenance of the gap between the highest and lowest wages. Depending on what happens, the increase

in the minimum wage becomes **a ceiling, a floor or a standard of increase** for the mass of other labor remuneration.

9.6 Hourly wage differentials regulate the distribution of total labor income.

1. The distribution of total labor income can only be changed in one way.

Over the period and geographical area considered, nominal wage variations are or are not uniform. While uniform, hourly wage differentials have remained constant and the distribution of total labor income is stable. If nominal wage changes are not uniform, wage differentials and the distribution of total labor income change. From these observations results an **iron law, that of remuneration for work**.

2. Higher salaries than others reduce the average of those below them.

If it were otherwise, the distribution of total labor income would not be modifiable by modulating changes in nominal wages differently. And it is. An increase in the gap between the highest and lower hourly wages is necessary and sufficient for the highest wages to increase faster than total labor income in the country under consideration.

3. Salaries that are lower than others increase the average of those who are higher than them.

An increase in the gap between the lowest and higher hourly wages is necessary and sufficient for the highest wages to rise faster than the total labor income in the country under consideration.

4. A large variation in the gap between the highest salaries and the average of the others has a big effect on this average.

If 2% of hourly wages have an average 40 times higher than that of the average of the other 98% of hourly wages, at constant payroll, how much could the average of the other 98% be increased from 40 times to 20 times – thus lowering the average of the top 2% hourly wages by 50%? It is expected to increase by 41%:

98 salaries with an average of €100 = €9,800;
 2 salaries with an average of €4,000 = €8,000;
 payroll = €17,800.

The distribution of this mass would become:

2 salaries of €2,000 instead of €4,000 each = €4,000 instead of €8,000;
 Share of the payroll that can be allocated to the other 98 employees:

€17,800 - €4,000 = €13,800;

This share has increased from €9,800 to €13,800, increasing by 41%.

9.7 Governing the distribution of total labor income is the responsibility of collective subjectivity.

1. Wage inequalities encourage people to take responsibility.

In other words, inequalities in the remuneration of work encourage the assumption (the act of assuming) responsibilities, with all that it costs in general and specialized learning efforts.

2. wage gaps are limited by two refusals.

The social body rejects too little wage inequality Wage because too little would defuse incentives that it empirically finds to be necessary. He also refuses to allow the wage gap to increase, not only more and more, but also far beyond what he deems sufficient.

3. On the evolution of wage gaps, the social body shows in one way or another its approval or disapproval.

Scholarly opinion pushes for the establishment of two habits, if it admits that the total income of labor is the subject of a distribution whose natural manager is collective subjectivity. One of these habits is the periodic publicity of hourly wage differentials and their developments, the other is the repeated consultation of public opinion on the subject.

4. Collective wage bargaining, and other tariff revisions, take into account the majority opinion.

But the negotiators agree to take full account of the majority opinion on the equality and inequality of labor pay only if the prevailing doctrine of wages teaches what has just been said and what follows.

9.8 The price adjustment of supply and demand for employment is only complementary in the setting of wages.

1. More demand than offers of high-wage jobs are not a cause for reducing these wages.

This would not be the case if wage inequality came mainly from a price adjustment between demand and supply of employment. Explicit and implicit demands for high-wage jobs are always more numerous than offers, without this being a cause of reducing the gap between high and lower wages.

2. In other words, there is a shortage of managers and other employees who speak, read and write fluently in both good French and Russian.

As long as this shortage lasts, it can be expected that managers and employees who have this qualification will tend to be paid more than their counterparts who speak, read, and write fluently in only one of these languages. If such a case arises, it is one of those in which wage inequalities have as their complementary cause an adjustment by the price of supply to the demand for employment.

3. In other words, good salespeople and good accountants who are also paid.

Suppose that the recruitment of a good salesman becomes more difficult than that of a good accountant and that this circumstance puts an end to the previous equal pay. This case

is also one of those that shows that wage inequalities have as a complementary cause an adjustment by the price of supply to the demand for employment.

4. The existence of a common performance for all jobs is imaginary.

Mentioning [the productivity of labor](#) can give the illusion of this. But this is a verbal set-up and not a reality. Within a firm, [turnover](#) or value added per person employed is a quotient that lends itself, albeit within relatively narrow limits, to meaningful inter-firm comparisons. However, it is not an average around which the "productivity" specific to each person employed would be dispersed. In addition, there are the following two. Not all employers are enterprises, far from it. For many professions, there are no economic returns per person employed: justice, police, army, education, among others.

9.9 The compensation for the low wages with redistribution is a temporary solution

1. Jack and Peter are salaried employees.

Jack' wage is at the lowest level while Peter's is that of a senior executive. Now, to compensate for the relative weakness of the lowest wages, the legislator is introducing public redistribution. At first, the ratio between James' and Peter's salaries remained the same.

2. But on the other hand, the adjustment of the distribution of total labor income continues.

In the considerations taken into account for this adjustment, over time, the redistribution of the relative weakness of low wages. The narrowing of the wage gap between Jack and Peter is slowed down or replaced by its opposite.

3. The disadvantages of compensating for the low wages by redistribution last as long as this redistribution.

The costs of administering the device are one of these disadvantages. In addition, there are the perverse effects inherent in employment subsidies (next proposal).

4. Compensation for the low wages of low wages by redistribution is not an organic necessity.

It could be so if the distribution of [national labor income](#) were not adjustable by the social body by means of different rates of wage increases according to their levels.

5. The gradual repeal of redistributions motivated by low wages is possible.

This is, however, on condition that we go hand in hand with a faster rise in low wages than in high wages, until the resulting tightening is the adjustment desired by collective subjectivity.

9.10 Employment subsidies reinforce disabilities and distort particularly important prices.

1. "The best solution is to subsidize low-skilled and low-paid jobs by paying a bonus to bosses for each full-time hire."

This is what Edmund Phelps, Nobel Prize in Economics 2006, prescribed in order to no longer "exclude the least qualified from employment" as much⁸⁶. The French schemes of "lowering charges" and "employment bonus" are subsidies for the employment of "the least qualified".

2. Employment subsidies reinforce disabilities that are not inherent in the market economy.

They make the whole hourly wages less comparable and thus the adjustment of their differences by the social body more approximate.

They act as if the distribution of total income does not tend to maximize total labor income and as if the latter is not subject to another distribution.

They reduce employers' responsibilities and encourage employers to beg for more direct and indirect subsidies.

They create thresholds that increase the cost of wage increases.

They are a last resort in the face of too little job creation due to a lack of savings placed in permanent enterprise financing.

They make it more difficult to achieve a balanced budget (including public charges, annual repayment of public debts, which are entirely covered by tax revenues).

3. Low wages are particularly important prices.

Low wages, and particularly the hourly minimum wage when it exists, participate, within each national economy, in the calibration not only of higher wages, but also of many other prices. However, this benchmark is all the more approximate as there are many employment subsidies. Conversely, the less approximate this benchmark is, the better collective subjectivity resolves inequalities in labor remuneration with full knowledge of the facts.

4. The best response to job destruction is well-funded investment.

On-the-job training is most effective when its full cost is part of an ongoing investment. Subsidies for post-school training for jobs in enterprises are also a last resort in the face of too little job creation: nothing sufficient can replace the lack of savings placed in permanent enterprise financing. The opening up of new outlets is first and foremost a matter of creativity and fairly wisely calibrated funding, not of pre-existing demand.

⁸⁶ Op-ed published in *Le Figaro* on 23 June 2006.

Chapter 10 - Interest

Calling interest the price of providing credit has long been systematic. No longer calling the return on savings in capital this way is more recent and not yet systematic in economic theory. However, the clear distinction between credit and interest on the one hand, and capital and profit on the other, leads to the possibility of a general adjustment of interest rates which is most favorable to employment.

By prioritizing rates of profit on capital over interest rates as directors, this approach curbs the excessive financialization that breeds enrichment through surplus values. Consequently, it provides the market economy with a degree of systemic stability and clarity that is currently lacking — a fact evidenced by the recurrence of major financial crises.

10.1 Interest is the price paid for the provision of credit.

1. The price of providing a credit is expressed by an interest rate.

Whatever the duration of the credit, making its price easily comparable to that of another credit offer requires expressing the price in terms of an annual interest rate.

2. Saving placement incomes are either profits or interests.

The tax authorities, for audit purposes, have no difficulty in getting taxpayers to declare their saving placement income, which is on the one hand interest and on the other hand, profits.

3. A major difference between savings in capital and saving in credit is growth.

Consider two countries in the same currency area. The stocks of savings invested are about the same amount, and the weights of public charges and public investments are very similar. But in one of the two countries, the proportion of the stock of savings placed in capital is much higher than in the other. The growth of the country's economy will be higher. What is valid in this respect for two countries during the same period of time applies to one country from one period of its history to the next.

4. Partly because of this difference, a clear distinction between capital and credit and interest from profit must be made in economic theory and policy.

Conversely, anyone who considers it unfortunate that growth is fuelled more by new savings in capital than by a greater opening of the credit tap is inclined to pay little attention to this reason. The major credit providers are pushing to spread this point of view, which is favorable to increasing their importance.

10.2 Let us assume that the collective will for a high national average capitalization rate (NCCT) has been established.

1. What we call the capitalization rate is, enterprise by enterprise, a ratio of financial autonomy.

As discussed in the chapter on capital an enterprise's capitalization ratio is more important than the amount of capital.

2. What applies to an enterprise on this point applies to all enterprises domiciled in a country, whether they carry out their activities in whole or in part.

Enterprises that are more or less completely owners of other enterprises mean that, for such a group, the addition of [capital](#) and those of the [balance sheet](#) totals (assets or liabilities) are not relevant. The relationship between these two sums is no less significant of what the national average capitalization rate (NCCT) is in this country.

3. For the [CNMR](#) to rise, one national stock must increase faster than another.

The [national stock of corporate capital](#) must grow faster than the [national stock of corporate debt](#) for the CNTR to rise. If, on the other hand, it is the second of these stocks (that of debt) that increases faster than the first (that of [capital](#)), the NMCR falls.

4. Wanting a strong [CNTC](#) is the result of a choice of economic regime.

In this regime, the preference for [capital](#) over [credit](#) in corporate finance plays a major role. Under the impetus of the legislator, [commercial enterprises](#) distribute all of their periodic profits while accompanying this distribution, as a general rule, with an offer for an increase in [capital](#).

5. A characteristic of this scheme is that it is directly financed.

At the limit, all the savings invested are invested directly in [capital](#) on the one hand, and in [interest-bearing savings accounts](#) on the other.

6. Direct [funding](#) redistributes powers.

Under the direct financing system, the powers of guidance and arbitration, previously monopolized jointly by financial intermediation and the public authority, are vested in the population itself. It then exercises its governance according to what it appears to be its interests, in an economic system whose normal circuits it better understands. It makes up too little of the savings it has invested to finance job creation and to obtain a further increase in per capita income. It understands better why monetary unbridling and the stimulation of consumption are at the forefront of the means of robbing it of its economic powers.

10.3 Let us suppose that the periodical publication of the [national average rate of profit](#) (NMRT) has been introduced.

1. The numerator of the TMNP is the sum of the profits distributed by the enterprises over the period considered.

Obliging enterprises to distribute all of their profits after [employee profit-sharing](#), while subjecting these profits to tax only from those who received them, makes the numerator of the TMNP known for tax purposes.

2. The denominator of the TMNP is the sum of the exploited capital of enterprises at the beginning of the period considered.

Above, the arguments in proposals [5.7](#), [5.10](#) and [6.6](#) include a definition of the concept of [exploited capital](#). The publication of the TMNP assumes that the normalization of the [rate of profit on capital](#) is established, by means of the base 100 which constitutes the [exploited capital](#).

3. What does a commercial enterprise do when it distributes all its profits year after year?

It gives each of its shareholders the power to make individual decisions on the allocation – or lack of allocation – of more or less than their full share of the profit from the purchase of new shares. While putting itself in a position to raise its capitalization rate more quickly, and then to keep it high, it contributes to providing the social body, via savers who invest in capital, a greater role in the management of the economic system.

4. In both economics and politics, the general interest is that of the social body.

In the principles whose application makes this interest prevail in economics are the following two.

The minimum of confiscations of arbitrations directly rendered by the population, as is the case in universal suffrage.

The maximum number of comparisons of remuneration and other prices that precise obligations put within everyone's reach **without having to make any calculations**.

5. A market economy where the key rates are profit-on-capital Taux de Profit sur Capital increases the economic power of the social body.

Compared to this model, financialization Financiarisation at key interest rates Interest set by the central bank reduces the economic power of society.

10.4 Public borrowing by means of a passbook alone with interest at a rate lower than the TMNP encourages a high rate of interest.

NMCR : National Average Capitalization Rate **NPT** : National Average Rate of Profit

1. Let us call this method of financing a public treasury passbook.

The administration of this passbook is the exclusive responsibility of the Public Treasury. With the latter, individuals and private non-commercial associations create, increase, reduce and settle their deposits.

2. The rate of return on these deposits is kept below the NPRT, the national average rate of profit.

Neither they nor their remuneration provide a tax exemption.

Interest transfers to Interest the account are weekly.

The annual rate is always mentioned next to the amount of interest paid.

This rate remains variable at all times depending on whether the total deposits tend to be insufficient or excessive in relation to the borrowing needs of the public finances.

3. Investing in permanent enterprise financing is generally much more profitable.

This is in application of the collective will of a strong NMCT, in order to shorten the duration of the return to full employment.

4. The Treasury adjusts the total savings it mobilizes by varying the interest rate and the ceiling of the [passbook](#).

By these variations and on the orders of the electorate through the intermediary of the legislature, the public treasury limits the savings it mobilizes to the financing by borrowing a fraction of public expenditure.

5. No money creation is used in this method of financing public borrowing.

Capital [investments](#), in the unequivocal sense used here, also provide financing without creating money when they come from the [equity of](#) those who make them.

10.5 Interest paid to savers at rates below the MNPT encourages a high CNRT.

NMCR : [National Average Capitalization Rate](#) NPT : [National Average Rate of Profit](#).

1. The clear superiority of the TMNP over the interest rates paid to savers encourages the latter to [invest in capital](#).

This is why this superiority applies the collective will of a strong TMNC.

2. One way to ensure this superiority is to cap the interest rates paid to savers at a fraction of the TMNP.

But the first means is the full exercise of [ECPCE feedback](#), described in [Chapter 7](#).

3. Corporate financing through [bonds](#) subscribed by savers poses a problem of its own.

Maintaining its authorization, even if it is strongly regulated, pulls down the [capitalization rate](#) of the enterprise, and therefore the [TMNC](#). Moreover, financing by any kind of bond, as an alternative to a capital increase, diminishes the stimulating and regulating power of [profit](#) since the burden constituted by the interest due to bondholders reduces the profit by the same amount, whereas the most significant profit is a fixed share of the profit. For savers who contribute to corporate financing through their direct investments, the situation is clearer when they do so with enterprises that do not supplement their financing with bonds subscribed by savers.

10.6 Interest charged by enterprises at rates above the TMNP promotes a high TMNC.

NMCR : [National Average Capitalization Rate](#) NPT : [National Average Rate of Profit](#).

1. Central banks are not among the enterprises in question here.

On the other hand, any financial institution other than a central bank is included. The [interest rates](#) charged to their customers by financial institutions tend to regulate the interest charged by other enterprises to their own customers.

2. Suppose a financial institution whose outstanding loans are capped at the amount of its [capital](#).

For this institution, the return on its capital can only be close to the [TMNP](#) if the weighted average of the interest rates it charges is higher than the same [TMNP](#).

3. This financial institution participates in two ways in the increase of the TMNC.

One is the structure of its own financing; the other is because of the loans it grants to other enterprises, the relative high cost of these loans leading to a preference for capital increases.

4. This model reduces exposure to financial economic crises.

But it can only be generalized gradually, or even very gradually. Although the expansion of the financial industry, chronically faster than the growth of the rest of the economy, causes more harm than it provides benefits, too much remains thought and done as if this invasion were unstoppable.

10.7 The centralization of banking management implies a strengthening of financial regulations.

NMCR : National Average Capitalization Rate **NPT** : National Average Rate of Profit.

1. Monetary zone refers to a territory with three characteristics.

One or more nations make it up.

A currency is legal tender: no payment in this currency can be refused.

A central bank is established there.

2. The degree of centralization of monetary management is adjustable.

This degree is increased to its maximum when only the central bank is able to legally create or destroy money in the zone. In this case, the central bank is better able to contribute to the weakness of currency depreciation, while **also having** the task of contributing to the increase in the CNMC, or in the case of a plurinational currency area of the CNMTs. It is as the main means of establishing or re-establishing full employment.

3. To make the latter contribution, the central bank needs an extension of its regulatory powers.

This extension relates to interest rates, **ceilings** for the collection of savings, **floors** for loans granted by financial institutions. The indexation of these ceilings and floors to the MNPT means that they are likely to be different by country in the case of a plurinational currency zone.

4. The greatest possible increase in the CNMC(s) in a currency area requires a change in the most key rates.

When the most key rates of the economy of the currency zone become profit-on-capital, the rise in the CNMR is the subject of more attention. It is, once again, as the main means of establishing or re-establishing full employment.

5. Both for security reasons and in order to make competition more regulatory, the compartmentalization of the financial industry is necessary.

The race for surplus values and dominant positions leads to demands for their lifting. Once obtained, the same cause leads to opposition to their reinstatement. The chronic excess of public charges over the revenue from taxes pushes in the same direction.

Chapter 11 – Prices

Prices are merely as [exchange values](#) quantified in monetary terms, which make supply and demand only a secondary controller of prices. In terms of micro-economy, the emphasis made on the law of supply-and-demand and the intertwined [marginal cost theory](#) have disconnected economic science from managerial and accounting practices. In the later field, fully allocated costs and margins are the main drivers. The Objective Political Economy provides a theory of price that connects back accounting practices to forward looking of managerial decisions based on true ROI, based on actual solution on [cost of production](#), and the allocation of [common costs](#) bounded to enterprise investments.

11.1 This chapter deals only with prices, other than interest, at which enterprises sell their products.

1. The previous chapter deals with [interest](#), the price of [credit service](#).

Before that, two other chapters also deal with a price. [Profit](#) when this word refers to the remuneration of [the savings in capital](#), is the price of a service. [Wage](#) i.e. remuneration for [labor](#), are also the price of a service.

2. These prices have their own determinants and functions.

Investment returns, depending on whether they are capital [capital](#) or [credit](#), have determinants specific to the prices they constitute. Their controlling and stimulating functions are also unique to them. Remuneration for labor also has determinants specific to the prices it constitutes. In the same way, the distributive function of the latter determinants belongs only to them.

3. The non-interest prices [interest](#) at which firms sell also have their own determinants and functions.

This chapter situates these determinants and functions. In doing so, it brings to light the principle of the objective distribution of [common costs](#). The law that is discerned from this is circumventable, but it is by making many prices more arbitrary that they could be.

11.2 The immediate relationship between supply and demand governs only some of these prices.

1. [The neoclassical theory](#) of prices is a petition of principle.

Léon Walras' [Elements of Pure Political Economy](#)⁸⁷ outline the *magna carta* of the marginalist revolution, the founder of neoclassical price theory, says [Mark Blaug](#)⁸⁸. However, Walras, from the very first chapters of his book, maintains that the way in which the price of a stock is formed is valid for any price. Not only did neither he nor his successors demonstrate this, but also "the primitive analysis of facts which must precede mathematical

⁸⁷ See the reference to "Léon Walras" in [Wikiliberal](#).

⁸⁸ See the reference to "Mark Blaug" in [Wikipedia](#).

analysis", leads to the observation of the impossibility of this demonstration. The *magna carta* is a **petition of principles**.

2. Markets par excellence exist only on paper.

To postulate that all [economic exchange values](#) have more in common than being prices, and then to take this for granted without having really demonstrated it, is as wrong as any other petition of principle. This error, inadvertently (paralogism) or deliberate (sophism), leads to the conclusion that in markets some are so par excellence. The accreditation of the assumption of [supply and demand](#) as the primary controller of all prices makes stock exchanges and auction houses look more than most others to be real markets. These so-called markets par excellence have a characteristic normally absent from other markets of great importance. Unlike the [labor market](#) and the markets for most products sold by enterprises in particular, they give access to the realization of [surplus values](#), i.e. [to transfers](#) by means of exchanges.

3. In the real estate market and on the stock market, the intermediaries are enterprises.

On the markets for prestigious and second-hand collections, intermediaries are also enterprises that sell a service. The prices of these services are likely to be regulated by the [profitability](#) of these enterprises. On the other hand, **the prices of the objects on which the transactions relate are governed solely or mainly by the immediate relationship between supply and demand, with no other regulation than the [sale to the highest bidder](#).**

4. On raw material markets, particularly from agriculture, mining, forestry or fisheries, inter-enterprise sales to the highest bidder are also practiced.

The prices resulting from these sales are also governed by the immediate relationship between supply and demand. They have nevertheless another controller of their level. The sellers are indeed enterprises. When the profitability of a sector made up of these enterprises proves to be significantly and durably higher than the TMNP and when entry into this sector remains open, competition from new entrants has the effect of [bringing](#) the profitability of the [TMNP closer together](#).

5. In other markets supplied by enterprises, competition tends to eliminate [sales to the highest bidder](#).

When buyers in one of these other markets can opt for one of the sellers' competing offers, less [haggling](#) becomes advantageous. The time taken by transactions is reduced, the buyers' mistrust of sellers is less, and trade can become more industrial. Enterprises that make these advantages characteristics of their offer come to be more profitable than those that focus on [selling to the highest bidder](#), where competitors have established that its abandonment succeeds.

6. The bulk of enterprises' sales are in markets where [competition](#) has eliminated [best-selling sales](#).

As a result of this elimination, the prices charged on these markets are not governed by an immediate relationship between supply and demand. Profitability then becomes, insofar as competition is organized for this purpose, more closely regulating these prices, as we will establish in the rest of this chapter.

7. The regulation by **profitability**, in the unequivocal sense recalled below, of the greatest number of prices at which firms sell, is potentially much finer than economic theory has admitted so far.

However, this **controllery law**, set out later in this chapter, only works at full capacity if **competition** between enterprises is organised for this purpose. To cite just one case here, it is under this law that the ban on commercial banks from being both "retail" and "investment" enhances the viability of the market economy much more than it undermines it.

11.3 A **legal-entity enterprise** almost always has a tree structure of enterprises in the enterprise.

1. The different types of legal-entity enterprises are well known.

The enterprises with which the sales of their suppliers (including employees and financiers) and the purchases of their customers are contracted, are for some in their own name and for others legal persons. To any contractual undertaking, because it is legally constituted, a sign is associated with a brand and, when it is a legal person, an enterprise name. It is not only "the house" with which sellers and buyers contract, but also the scope of a general management as well as the keeping of standardized general accounts.

2. The sales of a legal-entity enterprise are also, most often, those of enterprises within the enterprise.

As soon as an undertaking sells several **supplies**⁸⁹, each homogeneous class of these supplies determines the **existence of a de facto undertaking in the de jure undertaking**. This observation is fully established after showing that to these classes belong directly a fraction not only of the sales of the contract enterprise, but also of the costs and **assets** of this same enterprise. First, it should be noted that the **homogeneous classification of the supplies** of a contractual enterprise is obtained by decomposition, going from the general to the specific until the inventory is exhaustive.

3. The enterprises in the enterprise form a **tree of belongings**.

In large-scale retail trade, as in many wholesale trades, the first level of breakdown is established between departments; the second level into departments within each department; the third level into families within each department; the fourth and last level into **articles** within each family. In any other contract enterprise, whether with fewer than four levels of decomposition or with more, a complete classification of this kind is used or will become used for the automated processing of management information. These classifications describe membership trees. In the example given, the sale of an item

⁸⁹ Any supply sold is a **commodity by definition**, between the time it is offered for sale and the time it finds a buyer. Every supply sold by an enterprise always includes that of at least one service, the sale, but not necessarily that of a good. In this chapter, we use the word **supply** to refer to what enterprises sell, it being understood, but it is obvious, that enterprises do not have the exclusive right to be suppliers, particularly in terms of services exchanged for their remuneration.

increases the sales of a family, a department, a department, and the contract enterprise to which these divisions belong.

4. Enterprises as legal-entities are also of the same affiliation.

Legal-entity enterprises belong to all the enterprises with which buyers and sellers contract. It is in this sense that their belonging is the same. Each enterprise in the enterprise also has the same belonging as its sisters – and they alone. According to the above terminology given as an example, two rays of different departments are not of the same belonging, as two families of two different departments and two articles of different families. For the reasons that will be explained in the rest of this chapter, the concept of identical belonging – same belonging – allows us to identify a general law of tendency. The reduction of profitability differentials, as a result of competition, between legal-entity enterprises is only the highest level of application of this law.

5. Let us call corporate service another component of the enterprise.

At the head of an enterprise is at least one person or body that may include, in addition to holding general meetings of members, a board of directors and its chairman as well as a general management and its first-rank delegates. At least part of this head constitutes a corporate service. Accounting, controlling, personnel administration, information technology and other functions are also often specializations, at least in their centralized parts, which are assumed by the same number of corporate services. In one way or another and for different purposes (setting margin targets, calculating unit costs), corporate service costs, often seen as "structural", must be distributed.

6. Let us call a workshop a third component often present in the structure of enterprises.

A constituent part of a contractual undertaking is likely to be neither an undertaking within the undertaking, because it is not the undertaking that sells, nor corporate services by the technical nature of what it produces. It sometimes takes the form of an entire plant, divisible into homogeneous cost sections. When it is internal to an enterprise within the enterprise, its costs are completely part of the direct expenses of the enterprise of which it is a division. When it provides several enterprises in the enterprise, its costs must be distributed.

7. From the present proposal to the end of this chapter, cost accounting and management control in enterprises have been the subject of a conceptual contribution which makes them more relevant.

By means of postulates held to be demonstrated without having been demonstrated⁹⁰, petitions of principle have functioned as a general theory of the values of economic exchange. These constructions, which exclude the fact that all exchange values can only have in common that they are prices, have diverted from observation the full scope of in other words from the relation RPP¹.

⁹⁰ Alleged universal scarcity, maximization of profit elevated to the rank of imperative imposed on any contractual enterprise other than "social", in particular.

11.4 Like legal-entity enterprises, enterprises with enterprises have direct costs and generate a direct margin.

1. At this level of analysis, Let us call **the legal-entity enterprise** its parent and the **child** of each of its **sales producing divisions**.

Let's also call "parent" any child who sells several supplies to the customers of the contracting enterprise, because it is legally constituted. **The sibling children are also of direct belonging.** For example, a contract enterprise has the highest level of breakdown of its sales in sections A to G. Each of these sections has its own highest level of breakdown of its sales from subsections. Let us designate two of these subsections by the letters AA and GC:

sections A to G have the same parent and are of **the same direct affiliation**;
subsections AA and GC do not have the same parent and are therefore not of the same direct affiliation.

2. Within a legal-entity enterprise, the number of direct affiliations can be very large.

Each reference in the assortment sold is, in fact, the child of a parent, itself a child of a parent, as many times as this path of the tree structure of enterprises in the enterprise has levels.

3. The number of direct affiliations is also that of the copies of the nesting painting located on the same path.

On a copy of this table is the **turnover** of the child identifiable by a reference of the assortment – an **article** – and the turnover of the smallest group which is the parent of this child, like this with more than two children as many as necessary:

		Has	B	C
		Child 1	Child 2	Parent
2	Turnover	500	400	900

On a higher-level copy of this same table is the **turnover** of the smallest grouping, child of the most immediately large grouping which is its parent, again with as many children as necessary.

Etc., jusqu'au tableau où le plus grand regroupement est l'entreprise contractuelle, mère de l'arborescence des entreprises dans l'entreprise

4. Children and parents have direct costs.

The **direct costs** of a contractual undertaking are all of its **expenses**, as established by the general accounts. **The direct costs of a subset of a contract undertaking are those that would be waived or otherwise employed if that subset were removed.** The purchase prices of products resold as such are, among other things, direct costs. The **entire wage** of a department or department head is a direct cost of the department or department. Depreciation of fixed assets is part of some direct costs. In economics, there is no organ without direct cost.

5. The sum of the direct costs of children of the same parent is not necessarily equal to the direct costs of the parent.

On a path of belonging, the direct costs are also nested. For example, the full salaries of department heads in a department are direct costs of the department, but in these there is also the full wage of the department head. The same applies to other costs. This is why in the table below, and then in its more complete plots, in cell 3C (row 3, column C) the amount is preceded by the character "{" meaning: **this is only the sum of the amounts shown on the left on the same line and not necessarily the amount of the parent's direct costs**:

		A	B	C
		Child 1	Child 2	Parent
2	Turnover	500	400	900
3	Direct costs	300	240	{540

The amount of the parent's direct costs is either greater than the sum of the amounts of the children' direct costs, or equal, never less.

The existence of

6. direct costs determines the existence of direct margins.

A direct margin is the difference between a turnover and direct costs:

		A	B	C
		Child 1	Child 2	Parent
2	Turnover	500	400	900
3	Direct costs	300	240	{540
4	Direct margin	200	160	{360

In cell 4C (row 4, column C), the character "{" also means: **this is only the sum of the amounts shown on the left on the same line and not necessarily the amount of the parent's direct margin**. As a rule, the amount of the parent's direct margin

- Parent enterprise is less than the sum of the amounts of the children' direct margins
- Child Enterprise. This is how direct margins, often called gross margins, make the lowest level margin by successive aggregations and subtractions of costs, which is the profit or loss result of the contractual enterprise.

7. In the complete plot of the nesting table, the amount of the parent's direct costs does not appear.

It is not necessary. Let's show this by taking the example of departments and departments. Going from the general to the specific:

On the table where the parent is the contract enterprise, the children are the departments and the amounts of their direct costs are there.

On each of the tables where the parent is a department and the children the departments in that department, the amounts of the direct costs of these departments are shown.

Etc.

8. The rest of this chapter completes the nesting picture in several stages.

After a further analysis of the direct costs due to the possible existence of [internal workshops](#) supplying several centres producing sibling or cousin margins (proposal below), the next stage of construction of the nesting table takes into account the existence of [common costs](#) which generally contribute to the determination of the [direct margin](#) of the parent:

		A	B	C
		Child 1	Child 2	Parent
2	Turnover	500	400	900
3	Direct costs	300	240	{540
4	Direct margin	200	160	{360
	8	Common costs		340
	9	Direct margin (C4 – C8)		20

9. This modelling of the formation of the final result of a contractual enterprise does not take into account a reality that is nevertheless essential.

What is left aside means that only one of the three ratios of Brown's [relationship, above called RPP'](#) is estimable (lending ourselves to errors of judgment, we will recall later why): the [profitability](#) P', in this case the ratio between each of the [direct margins](#) and the [corresponding turnover](#) as in line 7 below.

		A	B	C
		Child 1	Child 2	Parent
2	Turnover	500	400	900
3	Direct costs	300	240	{540
4	Direct margin	200	160	{360
7	Direct profitability	40%	40%	{40%
	8	Common costs		340
	9	Direct margin (C4 – C8)		20

In cell 7C (row 7, column C), the character "{" means: **the relative value that follows is the weighted average (360/900) of those on the left of the same row**. In this numerical example, the direct profitability P' of the parent is 2.2% (20 in 9C / 900 in 2C).

11.5 The distribution of the direct costs of an internal workshop in proportion to physical quantities is objective.

1. Let's consider again the top of the nested table of analysis:

	Child 1	Child 2	Parent
--	---------	---------	--------

- children are the enterprises in the parent enterprise.
- A parent always has at least two children and most often more.
- A legal-entity enterprise is the parent of children who are themselves parents, etc., so that in each case the complete set of nesting paintings consists of at least three copies and, depending on the width and depth of the assortment sold, up to tens of thousands.
- Parents and children are margin-producing sections and no other division that is part of a contract venture is such a section.

		Has	B	C
		Child 1	Child 2	Parent
3	Direct costs	300	240	{540

2. The nesting table also analyses the costs of margin-producing sections:

The total direct costs of the parent are:

- at least equal to the sum of the children' direct costs;
- often greater than this sum;
- always higher than this sum when the parent is the contractual undertaking (more on this subject in the argument of the following proposition).

3. A contract enterprise is likely to have one or more internal workshops.

A factory which, within a contract enterprise, supplies products **for sale** to sister or cousin margin-producing sections (with different degrees of kinship) constitutes what we call an internal workshop, comprising, if necessary, a chain or a tree structure of workshops in the workshop.

It is customary to say that several kinds of internal workshops are laboratories, as in bakery, this place where the production of margins is done at the counter or during deliveries and not in the bakery. A maintenance service included in the organisation of a contract enterprise is not an internal workshop in the sense we give to this name:

- it does not provide anything to be sold by the contractual undertaking;
- Its economic status is the same as that of the general accounting department, or the research and development department when the latter's mission is to initiate production and not to produce what it has initiated.

4. The direct costs of an in-house workshop result in the existence of unit costs.

- If the workshop produces only one product, the unit cost of this product is, over the period in question, equal to the sum of the direct costs of the workshop divided by the quantity produced.
- If the workshop develops several products, they have in common a unit of work which is often, but not exclusively, a production time. **In this case, each of the unit costs is the result of the rule of three: (sum of direct costs / total number of units of work) x number of units of work of the product.**

5. The unit costs of a supplier shop in a margin-producing section are part of the direct costs of this section.

These unit costs are not yet full cost prices, and they are often far from being so. Nevertheless, these partial unit costs:

Ensure a full breakdown of direct internal shop costs.
participate in a conceptually accurate estimation of direct margins;
provide an objective basis for determining the truly complete cost prices, i.e. not only including all charges but also the profit of the legal-entity enterprise included.

6. The costs, whether they are of a workshop or a margin producing section or of a contract contract, are for some variable and for others fixed.

It should be remembered that we call profitability exclusively a ratio of the family of those that appear on **the following extract** of the nesting table, in lines 7 and 12:

		A	B	C
		Child 1	Child 2	Parent
2	Turnover	500	400	900
3	Direct costs	300	240	{540
4	Direct margin	200	160	{360
7	Direct profitability	40%	40%	{40%
	8	Common costs		340
	9	Direct margin (C4 – C8)		20
		If the parent enterprise is the legal-entity enterprise:		
	12	its <u>profitability</u> (C9/C2)		2,2 %

The distinction between variable and fixed costs – fixed in a range of quantities sold – makes it possible to estimate a **threshold** at which the direct margin of a child becomes positive or the final margin of the legal-entity enterprise becomes profitable. These break-even estimates obviously have their reasons for being in business management.

Unit cost prices vary all the more according to the quantities produced or sold the higher the proportion of fixed costs. These variations justify the quantitative discounts introduced in the sales tariffs, although this is according to scales that are often very expensive to estimate precisely.

11.6 Within legally incorporated enterprises, enterprises within the enterprise have common costs.

1. Let us consider again an excerpt from the nesting painting:

		A	B	C
		Child 1	Child 2	Parent
2	Turnover	500	400	900
3	Direct costs	300	240	{540
4	Direct margin	200	160	{360
	8	Common costs		340
	9	Direct margin (C4 – C8)		20

When, in such a table, the parent enterprise is legal-entity enterprise then over the period considered:

- in line 9, the direct margin is the profit or loss of that business;
- the total expenses of this enterprise – in other words, costs, including depreciation of fixed assets – are equal to the sum of the amounts in cells C3 and C8;
- This sum is the direct costs of the contractor, including all its organizational divisions, including internal workshop(s) if applicable (previous proposal).

2. Costs common to sister margin-producing sections are direct cost components of the sisters' parent.

The full salaries of the management of a (parent) margin producing department by several departments (children) are:

the costs common to children that the rays constitute;
of the direct costs of the parent that this department constitutes.

Costs that are common at one level become direct at a more aggregated level. Conversely, costs that are direct at one level become common at a less aggregated level.

3. Overhead costs are common.

This is particularly clear when the copy of the painting in question is the one in which the parent is the contractual undertaking. Consider the case of an enterprise such as:

- The administrative costs upstream of the general management are part of the common costs: general meetings, boards of directors (including directors' fees), statutory auditors.

- The costs of the Directorate-General and the possible General Secretariat are part of the [common costs](#).
- The costs of the top or the entire sales department, as well as institutional advertising and public relations budgets, are part of the [common costs](#).
- The common costs [also include](#) personnel costs and depreciation of equipment for the administrative and financial directorate, the human resources directorate and the information systems directorate (IT).

4. In forecasting management and unit cost calculations, [common costs](#) raise the problem of their distribution.

All along a chain of nested tables, from the one where the parent is the contract enterprise to one where the children are products sold by the contract enterprise, [common costs](#) are to be distributed in a cascade. At the end of the chain where the parent enterprise is the contract enterprise, the latter's profit, i.e. its direct margin, is to be divided with the common costs. In the end, these successive allocations can amount to more than 80 or 90 % of the selling prices excluding VAT of part or even the entire range, with a significant effect on competitiveness for the reasons that we will examine in the rest of this chapter.

11.7 Enterprises within the enterprise are the object of [direct investment](#), all financed in exactly the same way.

1. Let's continue to complete the nested picture.

Let us add line 1, which has been skipped until now, allocated to direct investment:

		A	B	C
		Child 1	Child 2	Parent
1	Direct investment	100	200	450
2	Turnover	500	400	900
3	Direct costs	300	240	{540
4	Direct margin	200	160	{360
7	Direct profitability	40%	40%	{40%

[Investments](#) and [assets](#) refer to the same stock, because of what a [balance sheet](#) is in economic accounting [proposal 4.6](#) While this stock is matched by another of financing, costs of all kinds are [load flows](#) ([proposal 4.2](#)).

Lines 2 through 4 are flow data. In line 7, the most significant ratio between these flows is from the P' profitability family [Profitability](#) . Distinguishing this family from that of [profitability](#) R and [productivity](#) P is in itself a progress that is accomplished by calling exclusively:

- [profitability](#) a ratio that has a [margin](#) (or [income](#)) as its numerator and a [balance sheet](#) item as its denominator – a stock: either part or all of the financial resources ([capital](#), [liabilities](#)), or part or all of the uses of these resources ([assets](#));

- **productivity** is a ratio that has a flow other than a **margin** as its numerator and a stock as its denominator;
- **profitability** a ratio that has a **margin** (or **income**) as its numerator and another flow as its denominator.

2. It makes economic sense for a stock to be at the top of the table.

The flows of **turnover**, costs and **margins** come from stocks. Balance **sheets** are stock accounts, **income statements** are flow accounts. When diagnosing the health of a legal-entity enterprise, economic logic requires that the current state and the recent past be examined: **firstly** , its **balance sheets** and, where applicable, its off-balance sheet commitments; **secondly** , its **income statements**.

3. When the parent enterprise is the **legal-entity enterprise**, the existence of **direct investments** is self-evident.

There is no **legal-entity enterprise** without a **balance sheet** that is periodically updated by the inventory of its **assets**. This is why, from its first edition, the French Commercial Code made it an obligation to establish such an inventory at the end of each financial year. It is not customary to qualify the investments of a **legal-entity enterprise** as direct, because this goes without saying: these investments belong to the contractual enterprise for which a **balance sheet** of at least an annual report is produced. They are nonetheless **direct investments** because they would be reallocated to another owner or destroyed if that contract business were to disappear.

4. An investment I by a **legally constituted** enterprise E is also likely to be a **direct investment** by several enterprises internal to E.

An example can be seen when going shopping in a large retail store. When this supermarket is a legal-entity enterprise (although its brand is possibly that of a chain of franchised stores), all its layout and all the stock of goods are part of its **assets**, in other words its **investments**. At the same time, some of these arrangements and stocks constitute direct **investments** by one of the departments. Within each department, the same applies to the departments: their **direct investments** are part of those of the department to which they belong. The stock of a product sold on one of its shelves, including any quantity in reserves, is a **direct investment** by the enterprise in the business that the sale of this product constitutes.

5. The sum of **the direct investments** of **the children** is often less than the **direct investments** of the **parent**.

This is the case whenever a **direct investment** by the parent is not also a **direct investment** by one of the children. For example, in a self-service store, the trolleys made available to customers and the checkouts are not direct investments of a department, nor of a department made up of several departments. The numerical illustration which serves as a common thread here takes this fact into account, with an amount in cell C1 (column C, row 1) that is higher than the sum of cells A1 and B1.

6. The most current value of an **investment** is its replacement cost.

But, experts in these matters will object, traditional **cost accounting** and management control as it is most practiced today take into account **investments** by including their

[depreciation](#) in the costs, in the same way as in general corporate accounting periodic depreciation of fixed assets are part of the expenses, as well as any other expenses provisions. This last point is unquestionably correct, definitively correct. However, it does not allow the perpetuation of three errors of analysis.

Firstly, [the depreciation of investments](#) are provision-toppings for the renewal of these [investments](#). Taking account of this need, which is essential in order not to overestimate final margins or underestimate cost prices, does not, however, exempt us from assessing returns on investments, in other words [profitability](#) in the sense defined above (point 1). Of two [children](#) who have the same [direct profitability](#), as in the digital illustration of the nesting table (row 7, columns A and B), only one thing guarantees that they also have the same [direct profitability](#): the replacement value of their [direct investments](#) is identical (in the digital illustration and as in reality very often, this is not the case: row 1, columns A and B).

Secondly, not all fixed investments can be amortised. This is particularly the case for land when it is not that of a quarry in operation. However, the value of these investments is part of what is, if necessary, to be taken into account when comparing [direct rates of return](#). For example, [child](#) A may require the use of a land area for completely separate storage, while [child](#) B only needs a pallet store located in the main building where all purchases and sales are made, for both A and B.

Thirdly, two sets of investments may be subject to identical depreciation allocations even though their replacement values, the basis for calculating [direct rate of return](#), are different. It depends on their weighted average amortization periods. Conversely, and for the same reason, two lots of investments may be subject to different depreciation allocations even though their replacement values are identical.

7. Depreciation and [profitability](#) are not the same thing.

Confusion is still very common. Indeed, we often hear comments such as: "This investment has been/will be amortized in so long, so it has been/will pay for itself at the end of this period". It is also a mistake in business management: it is not because a piece of [equipment](#) has been depreciated that it is without damage, that its [profitability](#) is zero or, even more so, negative!

8. Profitability [Rentabilite](#) does not express a duration.

Let F be the cumulative monetary depreciation-adjusted amount of a series of [annual dividends](#) from a [share](#) A. There comes a time when the value of A, also corrected for currency depreciation since its acquisition, is equal to F. From this equality, it does not follow that the investment constituted by the acquisition of A is amortised. It follows even less that, after this moment, it becomes superfluous for the preservation of A to procure dividends [Dividende](#). A [profitability](#) proper is a ratio between a [win](#) and a bet. When a [profitability](#) itself is on average 5 or 10% per year, this does not mean 20 or 10 years, whereas a straight-line depreciation of 5 or 10% per year is over 20 or 10 years. The famous [price earning ratio](#) (PER)⁹¹ expresses a duration instead of a [profitability](#). The smaller it is, the

⁹¹ See the definition of "Price Earning Ratio" in [Wikipedia](#).

greater the [profitability](#), at least in relation to the share price, which may be significantly higher or lower than the [exploited value of this share](#). The P/E atrophies the comparison of [the rates of return](#) expressed upside down, in the same sense as the [interest](#) rates and profit on capital of unlisted enterprises, including cooperatives. However, in all markets, [competition](#) works at its best, with comparisons that do not require calculations to be made. This is a strong argument in the examination of what is public policy in terms of financial ratios of greater use, including of course in the most speculative markets. Only [investments to be renewed](#) can be amortised. It is not in the nature of a [savings in capital](#) to be of this kind.

9. No subset of a legally constituted entity has a complete [balance sheet](#).

A complete [balance sheet](#) includes assets [Actif](#) and liabilities [Passif](#). Only [legally constituted](#) entities have one. This is because a subset of a legally constituted entity cannot be declared insolvent, i.e. filed for bankruptcy. This impossibility, which is a matter of public policy (recall of this point below), has an econometric consequence. On paper, it is always possible to match the direct assets of a subset of a legally constituted entity with liabilities of the same amount. But this exposes us to distorting reality. For example, in a newspaper kiosk, the stock at the beginning of the day of the daily newspapers on sale. The supplier of this inventory invoices by weekly statement payable at 15, 30 or 45 days, for an additional 0.5% if it is at 30 days or 0.75% if it is at 45 days. It seems to be clear that the [current assets](#) constituted by this stock are financed only by supplier credit. However, it is wrong for the following reason. A [legal-entity enterprise](#) has more or less recourse to supplier credit and any other debts depending on what the relative amount of its [capital](#) to the [liabilities](#) of its [balance sheet](#) allows. Drawing as much as possible, moderately or not at all, on the supplier credit, as on any other cash flow "facility" (discounts, overdrafts, factoring), is only determined by the relative amount of the net capital (if applicable, losses from previous years deducted) to the [liabilities](#) of its balance sheet.

10. The [direct investments](#) of children A and B are financed by the same proportion of [capital](#) and [credit](#).

When the direct rates of return of two children are:

their contributions to the [profitability of the capital](#) of the legal-entity enterprise are equal;

unequal, their contributions to the [profitability of capital](#) are in proportion to these direct rates of return: if, for example, the [direct profitability](#) of child A is twice as high as the [direct profitability](#) of child B, the contribution to the profitability of capital of [child A's legal-entity enterprise](#) is twice as high as that of child B.

11. The allocation of revenue to a due is not enforceable against a creditor.

This rule is a matter of public policy for at least two reasons⁹². It limits the contagion of misfortunes to the inevitable. It facilitates the honest contractualization of economic

⁹² Léon has not paid his last mortgage instalments as well as his last electricity and gas bills. Previously, he paid these disbursements through rent that he received. But the tenant no longer pays. A judge is seized of Léon's case. The latter, who has not hired a lawyer, pleads: "I can no longer pay these instalments because I

relations. However, on this second point, there is a flaw when the entity managed is a private non-profit association or a public authority. The former can call for [donations](#) that its announcements are allocated to a part of its works; however, the only way to guarantee that this will be the case is to create an association solely dedicated to this part. The second can oblige donations, by creating or increasing a [tax](#) that its announcements are dedicated to a new or increased expenditure; but the only way to ensure that this is the case is to create an agency which, via the public treasury, is credited with this levy and with it alone. Otherwise, there is a breach of the honesty of the economic relations between the voters (now all taxpayers) and the public authorities. Since the allocation of revenue to a due is not enforceable against a creditor, **the allocation of a supplier credit to the sole financing of what has been purchased from this supplier is an expedient and not a sound management rule.** On the other hand, increasing the [direct cost](#) of providing financial costs generated by the way in which it has been paid is good management.

11.8 Profitability, productivity and direct profitability are the same belonging.

1. The matrix of the complete table has nine or twelve rows.

Lines 10 to 12 are supplemented only on the condition indicated: in this case, the parent enterprise is the [legal-entity enterprise](#), i.e. the one with which suppliers and customers contract. When this is not the case, the parent is one of the [margin-producing units of](#) the legal-entity enterprise.

		A	B	C
		Child 1	Child 2	Parent
1	Direct investment	100	200	450
2	Turnover	500	400	900
3	Direct costs	300	240	{540
4	Direct margin	200	160	{360
5	Direct profitability R	200%	80%	20%
6	Direct productivity P	5	2	{3
7	Direct profitability P'	40%	40%	{40%
	8	Common costs		340
	9	Direct margin (C4 – C8)		20

am no longer paid the sums with which I used to." The judge began by opposing him that a way of managing his affairs was not enforceable against his creditors. In saying this, in his heart of hearts the judge once again ruminates that politicians who allocate public revenues to categories of expenditure contravene a duty that the law orders.

	If the parent enterprise is the legal-entity enterprise:	
10	its <u>profitability</u> R (C9/C1)	4,4%
11	its <u>productivity</u> P(C2/C1)	2
12	its <u>profitability</u> (C9/C2)	2,2 %

In lines 10 and 11 above, the profitability and productivity are those of the investments of this enterprise. If the latter is, for example, an enterprise whose capital is equal to 70% of the investments, i.e. **315**, then its **largest RPP'** is as follows:

9	Final margin (C4-C8)	20
10	Return on capital R (C9/315)	6,4%
11	Productivity of capital P (C2/315)	2,9
12	Profitability of sales P' (C9/C2)	2,2%

2. The profitability, productivity and profitability of legal-entity enterprises are of the same nature:

If, in the case at hand, the number of legal-entity enterprises is one million, then **on** this basis alone competition is likely to regulate, encourage and deter by a million RPP relationships. Anyone who has not seen this is exposed to misjudging the machinery that constitutes a market economy because all legal-entity enterprises of the same nationality are potentially **all** competing on the capital market through their profitability.

3. The direct profitability, direct productivity and direct profitability of the margin production centres internal to legal-entity-enterprises are in clusters of the same affiliation.

If the average number of margin production centres per legal-entity-enterprise is one thousand and the number of these enterprises is one million, then competition is likely to regulate, encourage and deter by a thousand and one million RPP relationships. This only reinforces what has been estimated above: those who have not seen this are exposed to misjudging the machinery that constitutes a market economy because all the entities recursively producing margins, positive or negative, and from the creation to the disappearance of each of them, are potentially subject to a normal level of direct profitability.

11.9 Competition is failing when it does not reduce the inequalities of direct profitability of the same belonging.

1. Unequivocal meanings help to bring out what is in reality obvious.

With:

M margin (a profit is a margin);

I of investment (fixed assets and other **investments**);

V of sales (turnover):

$$M / I = (V / I) \times (M / V)$$

$$\text{Profitability} = \text{Productivity} \times \text{Profitability}$$

RPP Relationship.

When we call profitability only a ratio of the M/I family, productivity only a ratio of the V/I family, profitability only a ratio of the M/V family, the role that the RPP relationship plays in the regulation of the prices at which firms sell becomes indisputable.

- 2. In the numerical illustration used in this chapter, the direct profitability of child 1 is very different from that of child 2.**

Children: ranges or references that produce margins and whose parent is (pastry and bakery are, for example, children of a baker and pastry chef).

		A	B	C
		Child 1	Child 2	Parent
1	Direct investment	100	200	450
2	Turnover	500	400	900
3	Direct costs	300	240	{540
4	Direct margin	200	160	{360
5	Direct profitability R	200%	80%	20%
6	Direct productivity P	5	2	{3
7	Direct profitability P'	40%	40%	{40%

The weighted average profitability of child 1 and child 2 is shown in the "Parent" column: 120%. The profitability of child 1 is 1.7 times (200/120) greater than the weighted average. The profitability of child 2 is 1.5 times (120/80) smaller than the weighted average.

In wholesale and retail trade, the

- 3. direct profitability of two items from the same family in the same department is often identical.**

This does not mean that the stock rotations that make up their direct productivity are the same. However, as soon as direct productivity is different while direct profitability is the same, direct profitability is different.

- 4. At a manufacturer of metal garden tools with universal handles, the different models of handles or metal parts are items from the same family.**

Currently, the selling prices of this manufacturer can be such that the direct profitability of these two families is the same. This does not mean that their direct rates of return are the same. The phenomenon is similar to higher and lower levels. It is not because two legal-entity enterprises have the same final profitability (same rate of profit on turnover) that they

have the same final profitability (same rate of profit on capital). Nor is it because rakes, hoes and tines that can be mounted on the same universal handles have the same direct profitability that the direct profitability of the sale of these tools is identical.

5. The figures in the previous table describe an initial situation: one in which the direct profitability of children is the same or slightly different.

The equality of direct profitability of the same ownership is often initial because in business management, the easiest ratios to budget for and exploit are profitability and not profitability.

To budget average profitability rates, knowledge of the selling prices of competitors or similar enterprises and the refinement of the income statement (e.g. operating account) are sufficient, all the more so since what this account has been over the last few years is known and has been the subject of drawings of profitability ratios Profitability (gross margin rate, semi-net margin, net margin, as long as these are evaluated in relation to turnover or a cost price of sales).

To exploit average profitability objectives, it is sufficient to use multiplying coefficients of purchase or cost prices, in other words direct costs.

In the numerical illustration, the direct cost multiplier is 1.667 (line 7 below), since a margin on turnover (on sales price) of 40% is 66.7% on cost (on purchase or cost price):

		A	B	C
		Child 1	Child 2	Parent
1	Direct investment	100	200	450
2	Turnover	500	400	900
3	Direct costs	300	240	{540
4	Direct margin	200	160	{360
7	Direct profitability P'			
	(4/2)(4/3)Multiplier	40%67%	40%67%	{40%{67%
	(2/3)	1,667	1,667	{1,667

6. Suppose mineral waters, fruit juices and soft drinks, beers, everyday wines and fine wines, all sold by the wholesale and retail trade at the same profitability – at the same mark-up rates.

The direct productivity of these items is, at the distribution stage, stock rotations. The quantities sold mean that these rotations, or productivity (capacities of 1 € or \$ etc. of stock to be produced, n € or \$ etc. of turnover per year), are unequal. The highest are those of mineral waters. The lowest are those of fine wines. The rotations of fruit juices, sodas, beers and common wines are lower than those of mineral waters, but significantly higher than those of fine wines (and spirits). As long as for all these families of items the profitability is

initially equal or very close, the profitability is inversely proportional to the productivity, by the mechanical effect of the RPP relationship. Selling mineral water is then much more profitable than selling fine wines, although it is just as profitable.

7. All the more quickly as prices are set and new beverage shops are free, profitability tends to become inversely proportional to productivity.

If, at the wholesale and retail stage, buying and selling mineral water is significantly more profitable compared to another beverage, then sooner or later a merchant increases his sales of mineral water by reducing his margin rate on this family of items. Initially, the stock turnover of this family – the main or sole constituent of its direct productivity – can be increased so much that direct profitability also increases. From this new level, an increase in the quantities sold and the margin generated in absolute value can be attempted by lowering profitability by one notch Profitabilite – the average multiplier coefficient applied to purchase prices. The freedom of supply establishes and maintains by successive attempts the dispersion of direct profitability of the same ownership by making the latter more and more inversely proportional to the corresponding productivity. Of course, some of these trials are always susceptible to poor calibration, but it is those who succeed that make the law. In the numerical illustration used here, as soon as competition influences the evolution of the direct profitability of children 1 and 2, the latter tend to become inversely proportional to their productivity. As a general rule, with the exception of obstacles to entry into competition and the comparability of offers, **the highest productivity goes hand in hand with the lowest profitability and the lowest productivity with the highest profitability.**

8. By making the profitability P' inversely proportional to the Productivite corresponding productivity P, competition sanctions the refusal to equalize the return on capital of the same systemic level.

Where the comparability of enterprises' offers to their potential customers is not hampered, the market economy is governed by a natural (logical, systemic) law of a tendency to equalize the direct profitability of the same membership. From the level of comparison at which legal-entity enterprises of the same nationality or internationality are located (European car manufacturers, North American telecommunications operators, Asian computer manufacturers, for example), this law of trend and sanction is at work. Those of these firms that are the most highly profitable are seeing competition increase in their core business. They then avoid the sanction of too large a loss of market share only by accepting a drop in their profitability, until their profitability is brought back to their sufficient level. Selling price decisions that are closer to equalizing profitability than Rentabilite profitability lower competitiveness compared to what it would be by taking the opposite side.

9. The result of the statistical checks of the tendency towards the equalization of direct rates of return of the same ownership is not in doubt.

In the manufacturing distribution sector, average margins on sales are very generally lower for products with a high stock turnover than for those that sell more slowly. In industry, these same average rates are very generally lower for the 10 to 20% of products that account for 90 to 80% of sales. The reduction by free entry into the markets of the dispersion of the profitability of legal-entity-enterprises is only one of the effects of the general law of reduction by competition of the return on capital of the same systemic level.

11.10 The most competitive distribution of direct margins, and thus of common costs, is often in proportion to direct investment.

1. The nesting board can be used for forward management.

The starting point for this use is a copy of the most aggregated table of the tree in question, based on the model of this one:

		A	B	C
		Child 1	Child 2	Parent
1	Direct investment	100	200	450
2	Turnover	500	400	900
3	Direct costs	300	240	{540
4	Direct margin	200	160	{360
5	Direct profitability R	200%	80%	20%
6	Direct productivity P	5	2	{3
7	Direct profitability P'	40%	40%	{40%
8		Common costs		340
9		Direct margin (C4 – C8)		20
		If the parent enterprise is the legal-entity enterprise:		
10		Return on capital R (C9/315)		6,35 %

2. In forecasting, the table is filled in from bottom to top.

The following are successively introduced:

a) Line 9, an amount of margin to be released.

When the parent is the legal-entity enterprise, a rate of return is first introduced online 10. Then the application of this rate to the amount of the capital (315) gives the margin to be made available (20).

At the following levels, the amount shown in line 9 is the carry-over of a direct margin of a child, this direct margin having already been budgeted at a more aggregated level.

Line 8: an amount of common costs (340).

Line 4, column C: The sum of the amounts in lines 9 and 8 (360).

Line 3: the direct costs of children (300, 240).

Line 1: direct investments by children (100, 200).

3. When the margin plus common costs is distributed in proportion to the direct investments of the children, the direct rates of return of the latter are equal.

The direct profitability objectives of the children are then inversely proportional to the corresponding productivity:

		A	B	C
		Child 1	Child 2	Parent
1	Direct investment	100	200	450
2	Turnover			
3	Direct costs	300	240	{540
4	Direct margin	200	160	{360
5	Direct profitability R	200%	80%	20%
6	Direct productivity P	5	2	{3
7	Direct profitability P'	40%	40%	{40%
	8	Common costs		340
	9	Direct margin (C4 – C8)		20
		If the parent enterprise is the legal-entity enterprise:		
	10	Return on capital R (C9/315)		6,35 %

4. Reducing the dispersion of direct rates of return of the same ownership improves competitiveness.

As a result of this reduction, profitability is lowered and raised the more Productivite productivity is higher or lower than its average (row 6, column C). **What competition tends to establish is better anticipated.** Supply is more competitive because the best-selling products are at prices that subsidize less, or not at all, the least-selling products.

5. The reduction in the dispersion of direct return on capital of the same systemic level makes the final profitability less dependent on changes in the sales structure.

In other words, a legal-entity-enterprise whose sales prices are constantly adjusted in such a way that there is as little inequality as possible in the direct return on capital of the same systemic level. **So for the profitability of this enterprise, it becomes irrelevant if the sales structure changes.** There are no longer any sales in this enterprise that massively subsidize others. The selling prices are as fair as those of two enterprises that each sell only one supply and whose profitability is equal to each other and to what is nationally necessary to restore or maintain full employment.

6. The distribution of a margin, or even only common costs, in proportion to direct investment is useless when the productivity of sister P is equal.

In such a case, the profitability R and the profitability P' of the same ownership are all in the same ratio, since by definition $R = P \times P'$. So, distributing direct investments in proportion to the same as doing it in proportion to direct costs. In the long term, the evolution of productivity P of the same affiliation is nevertheless to be monitored, as it is always likely to be affected by changes in the structure of sales, increasing where sales are concentrated and remaining stable or decreasing on the rest of the supply. Knowledge of direct investments, even "ladleful", is essential to the exercise of this surveillance, otherwise the productivity of the same membership is invaluable.

7. Some sales have direct profitability but no direct investments and therefore no direct profitability and productivity.

For example, consider how certain sales are made in the trade in medicines and spare parts, as well as in general the subscription of insurance policies. They are part of transactions carried out without tying up a direct investment by the seller, because either the seller passes on a buyer's order to another supplier, who therefore does not tie up any stock, or the nature of the service sold makes it so. Direct profitability from these transactions exists in the form of gross margin rates or commissions, these rates being applied to the amounts sold. But these profitability P' are not matched to profitability R or productivity P, until their aggregation does not reveal the immobilization of at least one investment and a relationship RPP'.

8. The distribution of the number of replenishments per item is made economically optimal by the application of a theorem.

This application optimizes the value of the average stock, and thus the productivity (of stock turnover) of an assortment: for any other distribution of the total number of restocks between items, the average stock is higher and its turnover is a little to much lower. Let be, in fact, a series of fractions N (numerator) over D (denominator). The numerators N are positive numbers and these numbers are known. In contrast, for the denominators D, only

their sum S , which is also positive, is known, and each element of this sum must itself be positive. The problem is to determine each denominator D that makes the sum of the N/D fractions minimal. This is the case when only the sum S is distributed among the D s in proportion to the ratio between the square root of each N and the sum of the square roots of the N (note: the sum of the square roots of the N and **not** the square root of the sum of the N). This theorem is proved by double derivatives, but a spreadsheet makes it possible to empirically establish by means of arbitrary numerical series that there is indeed an optimal distribution law.

9. The optimal distribution of a total number of orders among the items in the same assortment is an application of the theorem indicated above.

The number of fractions is equal to the number of items. For each item, the numerator N is the product of its quantity sold (or consumed) by the [unit cost](#) (the purchase price). S is the total number of orders. The ratio of the square root of N to the sum of the square roots of the N is the distribution key of S , article by article⁹³.

10. To calculate, on the basis of a margin objective, unit prices that tend to equalize the [direct rates of return](#) of these items, it is sufficient to use the ratio between the square root of N and the sum of the square roots of N .

For each [item](#), the absolute margin to be assigned to it is equal to this ratio applied to the total margin, also in absolute value. Thus, the items with the highest turnover ([productivity](#)) are those to which the lowest sales margin rates ([profitability](#)) are assigned and, conversely, the items with the lowest turnover are those to which the highest sales margin rates are assigned. It can then be verified experimentally that the prices calculated in this way are those that competition tends to form. In other words, we verify experimentally that these prices are those that [tend to equalize profitability](#) ([productivity](#) times [profitability](#)) item by item.

11. Instead of using the square root of each N , the product of the quantity sold (or consumed) by the unit cost (the purchase price), we can also use the power of 0.5 of this amount, which is mathematically equivalent.

By making this power an exponent e (with $e = 1$), the [profitability](#), i.e. in this case the margin rates on the selling price, are identical while the competition tends to disperse them – with, as already noted, the smallest [profitability](#) for items with the largest stock turnover, as a general rule. With $e = 0.1$, on the contrary, we obtain profitability that is considerably more dispersed than the competition tends to make them. It is most often with e between

⁹³ [Wilson's model \(the formula\)](#), which is all the more a great classic in manuals on inventory management and operational research because its graphic representation is spectacular (see [page 7 of this document](#)), has as its mathematical foundation the theorem that has just been stated, without its designers and then its users having realized it to our knowledge. This can be deduced algebraically. It should be noted that in terms of supplies and stocks, the notions of acquisition cost and cost of ownership lend themselves to mismanagement, and more broadly to economic reasoning. In the case of a quantity discount, reconciling the lower cost of acquisition with the additional cost of ownership does **not** indicate which is the most **cost-effective** solution. The latter is, in fact, the one that provides the best margin return on invested stock. Far fewer circumstances than are generally accepted justify a slowdown in stock turnover, in other words productivity. Just-in-time is often a remedy that consists of curing a headache by cutting off the head, with the resulting commercial and environmental damage.

0.6 and 0.8 that we obtain the price line closest to that which competition tends to prevail. And it is also, more often than not, with $e = 0.5$ that we obtain the price line that best anticipates future price decreases on the best-selling items. This would not exist if competition did not tend to equalize the direct profitability of the same membership⁹⁴.

12. The "pure and perfect competition" of neoclassical theory is unachievable.

Strengthening the trend towards equalization of direct rates of return of the same membership is achievable.

11.11 The prices at which an enterprise sells are sufficient when, for that enterprise, the direct return on capital of the same systemic level is equal.

1. Let us place ourselves in an economy where the level of the MTNP, the average rate of profit on capital, which is sufficient to establish or maintain full employment, is known.

This is the case if the conditions for the full exercise of the EPCE feedback have been met for several years.

2. Let us consider three groups of legal-entity-enterprises, according to the level of their profitability over the previous seven years.

In the first group, the level of profitability is significantly lower than the level of the TMNP. In the second group, the level of profitability is significantly higher than that of the TMNP. In the third group, the level of profitability is of the same order of magnitude as the level of the TMNP.

3. The price level at which the enterprises in the third group sell is sufficient.

But this is not sufficient to establish the dispersion of direct rates of return of the same affiliation in each of the enterprises in the third group.

⁹⁴ What is fully demonstrated is the law of tendency towards the equalization of **all** direct rates of return of the same membership, as long as the comparability of remuneration of the same category (wages, dividends, interest) is freed from obstacles to competition) and other prizes. This ranges from the sectors of entrepreneurial activity to the products sold individually to their end buyers. A people who want the full exercise of this law has chosen capitalism to maximize labor incomes, under the constraint of saving placement income sufficient for structural full employment, rather than the mercantilism of surplus value which can and does not want to contribute to less structural underemployment than by reducing the lowest wages. By agreeing on this preference, the people of the said people are working effectively for the establishment of more commutative and distributive justice. As long as he does not take the economic means of this efficiency, how could it be that he does not dissipate too much of his energy in illusions that lead him to despair of his elected representatives and, sooner or later, of his own sovereignty? Where are the other treatments he has at his disposal to reduce the damage that businessmanship inflicts? Education, of course, but on condition that it does not consider the market economy to be fatally mercantilist, as almost all our citizens do when the question "what is an enterprise in general?" is put to them. The prevalent answer is indeed of the kind "an organ whose aim is the maximization of profit and surplus value", just as the prevalent answer to the question "what does the market economy naturally maximize?" is of the same barrel.

4. Within a legal-entity-enterprise, persistent inequalities in direct profitability of the same ownership indicate that the least profitable sales are subsidized by the most profitable sales.

As a general rule, comparisons of the profitability of the same affiliation do not indicate these internal subsidies, nor do they allow them to be quantified. **The smaller the subsidies, the closer prices are to their sufficient levels.**

5. Loss of outlets can be avoided by voluntarily reducing inequalities in direct profitability of the same membership.

In a regime of massive subsidization of underprofitable sales by over-profitable sales on supply open to competition, the latter sooner or later has the effect of reducing over-profitability. **It may then be too late to raise the profitability of the sales that have been subsidized. This trap is all the more formidable as the most profitable margin production is often the least profitable.** A general management, failing to commit itself to practising and having practised within the enterprise the distinction between profitability and profitability, is exposed to doing in good faith the opposite of what would be the healthiest: investing more in the least profitable but most profitable margin production, extricating itself from the most profitable but least profitable sales after having sought to make them more profitable.

6. The evolution of its sales structure becomes indifferent to an enterprise that manages to equalize its direct profitability from the same ownership.

Whether the customer base of such an enterprise increases or decreases its purchases on a particular section of its offer has no effect on the profitability of the entire offer. This is one of the main conditions under which enterprises make the highest level of their social contribution.

7. Entrepreneurship that wants to be fair, without integrating into its management the conditions under which an enterprise's prices are sufficient, relies too much on its good feelings.

An enterprise that is verbally managed to make as much profit as possible may in fact be managed, year after year, to achieve as closely as possible the final result objective established by its general management at the beginning of its process of budgetary decisions and setting objectives. If in this enterprise, the slightest dispersion that brings its sales prices closer to their sufficient levels is allowed, then its management is likely to prove to be fairer for everyone (customers, employees, shareholders in capital) than where the banners of the "social and solidarity economy" and "fair trade" fly at the bow and stern of the ship.

11.12 All prices, including wages and profits, have in common only that they are economic exchange values.

1. In all markets, including the labor market, trade is by definition marketable.

The prices at which these exchanges are regulated can be said to be both market and economic exchange values, it being understood that the whole of these exchanges is a defined subset of social exchanges. The economy is not limited to what is related to these exchanges because some of their terms (money, goods) are massively transferred.

2. Labor remuneration has its own determinants.

Chapters 8 and 9 above, respectively on the distribution (at the highest level, country by country) and on wages (all remuneration for work), set out what these determinants normally are, for the most part. The price adjustment between the supply and demand of jobs **is not** the main determinant of labor compensation. On the other hand, an economic law that a people gains from voluntarily making work is that of sharing the total income of labor through the distribution key that constitutes wage equality and inequality.

3. Investment remuneration has its own determinants.

Chapters 6 and 10 above, respectively on profit (firm profits) and interest (when their key rate is profit), explain what these determinants are. The price adjustment between supply and demand for investments **is not** the main determinant of investment returns.

4. Ricardo was the first to derive the concept of economic scarcity from the general notion of scarcity.

From the fourth to the sixth paragraph of section 1 of his chapter 1, *On Value*, of *On The Principles of Political Economy, and Taxation*, Ricardo wrote (below in italics):

There are some commodities, the value of which is determined by their scarcity alone. No labor can increase the quantity of such commodities, and therefore their value cannot be lowered by an increased supply. Some rare statues and pictures, scarce books and coins, wines of peculiar quality, which can be made only from grapes grown on a particular soil, of which there is a very limited quantity, are all of this description. Their value is wholly independent of the quantity of labor originally necessary to produce them, and varies with the varying wealth and inclinations of those who are desirous to possess them.

These commodities, however, form a very small part of the mass of commodities who are daily exchanged on the market. By far the greatest part of those commodities which are the objects of desire, are procured by labor; and they may be multiplied, not in one country alone, but in many, almost without any assignable limit, if we are disposed to bestow the labor necessary to obtain them.

In speaking then of commodities, of their exchangeable value, and of the laws which regulate their relative prices, we mean always such commodities only as can be increased in quantity by the exertion of human industry, and on the production of which competition operates without restraint.

5. A commodity is economically scarce when it cannot, permanently or temporarily, be produced at will by human industry.

Land space, and more generally real estate, as soon as it is put up for sale and expropriated for compensation by the police, is a scarce commodity with considerable social importance and economic benefits. Other resources that cause economic scarcity include, of course, in addition to valuable Peters, minerals and fossil fuels. Their operations create and maintain manna at the expense of the buyers of the products derived from these resources: who nowadays has never heard of oil rent and has never seen several times some of its effects?

- 6. The price formation of a large number of commodities sold by enterprises is, unless there are obstacles to competition, brought back to its sufficient level by equalizing the return on capital of the same systemic level.**

At these sufficient levels, the price formation of a large number of commodities purchased from firms are in proportion to the quantities of labor and investment. The political lesson to be drawn from this is undeniable. The organization of savings placement markets and those on which enterprises sell must have the effect of removing the obstacles to the equalization of the profitability of the same membership.

- 7. To attribute scarcity as the cause of all commodity exchange value and the adjustment between supply and demand as the universal instrument of its determination is pseudo-scientific.**

David Ricardo was right to add to the distinction between use value and exchange value, identified by Adam Smith, the observation of the difference between scarce commodities and commodities that can be reproduced at will by human industry. The neoclassicists have circumvented both of these distinctions, thinking that they are thus advancing political economy, but unfortunately without seeing that their subjectivist mathematization distances them from true economic science. The latter does not contravene any verifiable reality when it teaches that all prices expressed in a quantity of money have nothing more in common than that they are commodity exchange values.

Chapter 12 – Money

At the pediment of the theorization presented in [chapter 1](#) to [chapter 11](#) is logically "the economy of full trade". However, in this last chapter, it remains to dismantle the very unrealistic.

The reader will be pleased to note that the currencies considered in this chapter are only those that are [legal tender](#).

Even in times of increasing misguidance in monetary management, two obvious facts remain, even if their neglect has become universal:

A legal tender [Monnaie Cours Legal](#) without a legal and political basis cannot be possible. Economic [exchanges](#) and [transfers](#), including [savings placements](#) among these exchanges, and whose [taxes](#) among these transfers, which would no longer have legal tender as their instruments, **would become so much less convenient to practice that, sooner or later, these instruments would be re-established.**

12.1 As an empirical instrument and one that can only remain so, money is served.

1. Currencies are instruments.

Currencies⁹⁵, both in their metallic (coins, ingots) and fiduciary (notes) and scriptural (bank accounts) forms, are **instruments**:

- for [economic exchanges](#) and [transfers](#): on the one hand, exchanges of [commodities for commodities](#) by intermediary money⁹⁶, on the other hand, transfers of purchasing power (donations, taxes, legacies, thefts) as an alternative or complementary to the transfers of other objects that have a economic exchange value;
- **for measuring economic exchange values**, an expression strictly synonymous with [economic exchange values](#), and therefore as such an instrument of measurement of prices in the economic sense of this word – [prices](#), including those of individual supplies of labor services [Travail Ouvrage](#) and [investments](#) in exchange for their remuneration;⁹⁷
- **for storing purchasing power**, this reserve function being all the more poorly fulfilled because, over time, the monetary unit quickly loses its exchange value through nominal price increases that are referred to as inflation (from the Latin, by English, *inflatio* : inflation), but which nevertheless constitute a

⁹⁵ More colloquially it says **money**, a word that in this use has a rich palette of slang synonyms: wheat, embers, flouze, fric, galette, grisbi, rushes, maille, sorrel, pèpètes, pèze, picaillon, pognon, ronds, sou, thune, clover (*Le Robert*, entry Argent, II).

⁹⁶ The expression "exchange of commodities for commodities" gives a fairly complete account of an elementary economic reality when, as recalled at the end of the next point, only are the services of labour and investment provided in exchange for their respective remuneration expressly recognized as commodities. See [Chapter 2](#) where it is also explained why [currencies are not commodities](#).

⁹⁷ On the fact that economic exchanges, in other words [market exchanges](#), are a finite subset of social exchanges, see [Introduction to the Definite Economy / Delimiting the Field](#).

monetary depreciation, generalized or niche (real estate and other investments).

2. There is no orthodoxy in monetary matters.

This statement is from Jacques Rueff⁹⁸:

*"Contrary to what laymen believe, **there is no orthodoxy in monetary matters**. A large number of systems can be conceived, which are distinguished by their own virtues. It is only in relation to the ends that are assigned to society that one of them can appear preferable to the others. "*⁹⁹

Three paragraphs later, Rueff explains:

*"The **extreme types** of monetary systems are: the '**realist**', where each unit of money has as its counterpart in the balance sheet of the issuing institution an asset that can be sold on the market for an equal value, and the '**nominalist**', where money is only a sign empty of substance. It is **between these two models** that **all the systems** that have been, are or will be in force are scaled. »*

Paul Fabra, in *The Best System for Getting Rid of Gold*, notes that "*a monetary system being by destination empirical in nature, it can never be entirely rational*¹⁰⁰" and concludes one of his analyses with: "*In a rational monetary system, the sign is as abstract as possible but the value it represents is as real as possible.*¹⁰¹ ".

⁹⁸ Jacques Rueff: see wikiliberal.org.

⁹⁹ Monetary Regulation and the Institutional Problem of Money, first published in 1953 in the *Revue d'économie politique*, section VIII – The Institutional Problem of Money, first paragraph. The following quotation from Jacques Rueff is the fifth paragraph of the same text.

¹⁰⁰ The best system for getting rid of gold is the title of chapter 13 of the *Essay on the Rehabilitation of Political Economy* entitled *Anticapitalism* (15 chapters). The phrase quoted is found under the subtitle *Qu'est-ce que l'étalon or?*, page 280 of the Arthaud edition (1974), page 334 of the Champs Flammarion edition (1979).

¹⁰¹ Page 290 in Arthaud, page 345 in Champs Flammarion, where this sentence, underlined by its italics, is the last of a paragraph of which the first half is as follows:

"In this day and age, the idea that the reference to gold is a relic of the past is firmly anchored in most minds. Those who support it [...] draw from an indisputable fact a consequence that is foreign to it. I will call this reasoning "Professor Triffin's illusion" because it was the famous Yale University professor who made the most systematic exposition of it, consisting in "proving" that gold will be gradually eliminated from the international monetary system in the same way and for the same reasons as it has already been in the monetary circulation of each country. The indisputable fact on which Professor Triffin relies is that men are using more and more abstract instruments of payment. Metal money was gradually replaced by banknotes, then fiat money ceded most of the ground to scriptural money with the generalization of payments by set of entries and the more frequent use, for current expenses, of credit cards. This evolution has certainly not yet come to an end. It clearly reflects a progress in economic rationality. But this same rationality requires [...] that the principle of equality be respected in exchange. Now, how can we expect exchange to become value for value if the instrument through which it normally operates does not have an objectively determined value? »

The "objectively determined value" that Fabra referred to is a fixed price, between a very close high and low, of a "quantum of the commodity chosen as a standard". In favor of such a pegging to the conditions that were fulfilled from 1870 to 1914, there is a great reduction in the fluctuation of exchange rates, which has all the more repercussions since international trade is a major provider of jobs and enrichment. However, this is not the only way to achieve less currency depreciation and, in so doing, less monetary disturbance of prices, in any case gradually anchored to those of them which are the minimum hourly wages of the countries from which what is sold comes. By refuge in real estate ownership in particular, the leakage of investments most exposed

3. A currency inspires all the more confidence when anchored to strong economic policy points.

It is also in this sense¹⁰² that, as [Jacques Rueff](#) has said many times, [money is served](#). To the extent that a country is able to maintain or re-establish economic policy strengths as quickly as possible as if by an innate mentality, protection against inflation, deflation and imported recessions of financial origin is raised to its highest level in that country. The history of people, even in its most difficult to recognize underground courses, means that some countries are more apt than others to economic practices that bring to the highest level the protection just mentioned and that protectionism in the **sense attributed to this word in economics** does not provide.

4. The highest level of monetary protection depends only in part on the governance of the market economy.

What is the burden of military spending for the country in question and its allies, both in [terms of investments](#) and [expenses](#)? And what is the weight of prestige spending? These and other burdens, including those of so-called social transfers, can be so high that they have become an abundant source of currency depreciation – as far as military spending is concerned, the greatest wars have administered the most resounding examples¹⁰³. The prevention of these risks depends only, subsidiarily or very subsidiarily, on international agreements on good practices in the governance of the common good of the whole of humanity, which is the market economy.

5. The calibration of [economic exchange values](#) by economic policy strengths cannot be excluded.

The highest protection against inflation, deflation, and imported financial recessions is also contingent on exchange rate manipulation, which disrupts transcontinental and intercontinental trade flows. But succeeding in overcoming this obstacle is possible where, from one monetary zone to another, economic exchange values become calibrated by policies all endowed with the seven strong points that the proposals to be followed review. In the case of a monetary area common to several nations, such as those that are part of the euro area, it is all these nations whose economic policies must have these strengths.

6. Achieving such a convergence can only be very laborious.

Will giving each of the currencies most used in international trade a fixed price for the same product of human labor prove to be less laborious?¹⁰⁴ In terms of [economic exchanges](#) and [transfers](#), the duration of the emergence of a change of guiding ideas is likely to be

to currency depreciation is a loss in the healthiest financing of job creation, a penalty aggravated by the increase in housing costs resulting from these losses.

¹⁰² [Fabra](#): "The 'objectivists' think, according to Jacques Rueff's strong expression, that [money is served](#), in the sense that its demand is and must be subordinated to the impulses of economic life. The 'subjectivists' are inclined, like Keynes, to see in money an 'elixir' that should be injected into the economic body in order to stimulate its activity" (page 295, Arthaud, page 352, Champs Flammarion).

¹⁰³ And the lavish spending of Louis XIV at Versailles, unrelated to the genesis and course of the French Revolution? The Concorde, the liner France and the Plan Calculus, unrelated to the mediocrity of the economic results of the Fifth Republic, since the 1970s and until now? Etc.

¹⁰⁴ For more on this subject, read the entirety of chapter 13 of [Paul Fabra](#) (work cited above) or chapter 11 of *Capital for Profit* (1991, Rowman & Littlefield Publishers, Maryland) bearing in mind that the author stated: "I now consider the English version (which incorporates some changes) to be the more authoritative."

counted in generations, for many because of the affects that reason struggles enormously to reduce in everything related to money.

12.2 Growth linked primarily to direct equity investments is a strong point.

A country that manages to achieve the growth of the overall per capita income is, with the incessant creation of as many jobs as the population wants, in any economic situation linked **primarily** to direct investments in capital , has a strong point.

12.3 The growth linked secondly to compliance with two rules for the management of public levies is a strong point.

A nation which, not being in the grip of a war that threatens its existence, manages to ensure that the growth of the overall per capita income and the incessant creation of as many jobs as the population desires is linked, **secondly**, to the respect of levy has a strong point in its economy – secondly: after the implementation of a permanent stimulus ensured by the removal of the obstacles to the full exercise of EPCE feedback, it being understood that in the activation of EPCE feedback is what is dealt with in Chapter 10 on the subject of interest.

12.4 The full wage exchange and the assumed distribution of total labor income are two strong points.

The reforms that consist in eliminating the fiction of employers' contributions, with all that this implies in terms of institutional consequences, establish full wage exchange.

The official recognition of the fact that it is the responsibility of collective subjectivity to regulate the distribution of total labor income by maintaining and changing wage equality and inequality implies that the purchasing power¹⁰⁵ of the lower wages of labor can and must be maintained higher or equal to that of the highest.

Un pays qui procède à ces réformes et qui accède à cette reconnaissance dote son économie de deux points forts.

12.5 The activation of the trend towards the equalization of the profitability of the same membership is a strong point.

Return on capital of the same systemic level: chapter 11.

1. Let's consider two countries, A and B.

In both A and B, entrepreneurial activity is, let's admit it, divided into twelve sectors. In A, the average profitability of four of the twelve sectors is three times higher than that of the other eight sectors. In B, there are also four sectors at the top of the ranking and in order of

¹⁰⁵ | Growth | The growth in the purchasing power of an income is not only about the quantity of services and goods that can be purchased. It continues to exist when it is only about the quality of the services and goods that can be purchased.

| Decay | Wherever the decrease in quantities consumed is an increase in quality of life, long live this degrowth!

decreasing profitability, but their average profitability is only one and a half times greater than that of the other eight sectors.

2. B has an advantage over A in its most profitable sectors.

As the most profitable sectors in B are less profitable than in A, export outlets in these sectors are more open and domestic outlets are less exposed to the best quality/price ratios of foreign competitors.

3. B also has an advantage over A in its least profitable sectors.

In B, the least profitable sectors are more profitable than in A, because more effort is made than in A to raise them. In A, average profitability, all sectors combined, is more difficult to raise and maintain at its sufficient level at full employment. In B, the proportion of under-profitable firms is lower than in A. In A, the resistance of the entrepreneurial fabric to times of economic downturn is weaker than in B.

4. With a per capita income that is more or less the same in A as in B, life is cheaper and the need for pensions by transfer is lower in B than in A.

The differences in the direct rates of return (a concept defined in the previous chapter) of services and goods, depending on whether they are the most or least purchased, are smaller in B than in A. As a result, life is cheaper in B than in A. The need for pensions by transfer is less in B than in A, for two reasons: first, in the stock of capital, the proportion that returns to savers is greater; second, the sum of profits is higher than it would be if the rates of profit on capital of enterprises were more dispersed around their average than they are. as can be demonstrated algebraically.

12.6 The exchange rates between currencies A, B, etc. vary all the more slowly as in countries or currency zones A, B, etc. The five strengths are established.

Reminder: the currencies in question are only those that are legal tender.

In the five strong points of economic policy, three come close to full economic exchange.

The growth engine of direct investments in capital increases only works at full capacity through **full shareholder exchange**. The repeal of employer contributions – the truth pay slip – establishes the full exchange of wages. The competition that reduces inequalities in profitability makes **full exchange between enterprises and their customers more frequent**. The stabilisation of exchange rates from one currency to another is a step in the same direction.

5. We can speak of a complete exchange as well as a full exchange.

The shareholder exchange is only complete under its own conditions. The same applies not only to the wage exchange, but also to the exchange between the enterprise and its customers. Public opinion has never wanted to depart from the notion of **fair prices**. This is one of the points on which objective economics shows that it is right. Complete exchanges give back to individuals, through their cumulative qualities as workers, agents and customers, powers of arbitration and impetus that entrepreneurship and civil service tend to erode, as history proves.

6. Full economic exchange is compatible with several political philosophies.

Liberty, equality (equity), fraternity (solidarity) are each a dominant part of a political philosophy. Objective Political Economy is compatible with many of these philosophies, as are so many other forms of knowledge, such as the uses of the rule of three, the hydraulic piston and binary calculus.

Part III – Major economic policy guidelines

As long as an economy suffers from structural underemployment, public over-indebtedness, and widening labor income inequality—even if only one of these ills persists—systemic reforms are necessary. When well-designed, these reforms gradually form a coherent framework that restores health to economic growth, competition, the methods and level of public taxation, shareholder structures, wage systems, pensions, privatizations, and the societal provisioning of social welfare services as collective economic securities (a function misleadingly labeled as "social" as if to conceal its true nature as a form of collective capital management).

The growth in question is that of the power of [exchange](#) and economic [transfers](#) of individuals. Its definitive raison d'être is to increase the of services and goods, resulting from sales on the one hand, and of a public nature on the other. To think of such growth according to a contrary model is socially and ecologically absurd. The desire to reduce inequalities in no way exempts us from having to first contribute to managing the **mechanics** of inequality. by [first](#), linking development and growth to [savings in capital](#), and [second](#), to link growth to . . . to ensure that no direction or disposition contravenes that course of action. At the level of a nation or a group of nations or of many other geographical areas, **an economic policy concentrates the public authorities and private initiatives on the essentials in this area only if it stipulates by which actions the incessant revival of growth must be ensured** – by what permanent actions, therefore¹⁰⁶.

A regenerative therapy can be administered, but in contrast to two atavisms, one statist, the other employer, with the keys to blocking and unblocking systemic economic transformations spread over these camps, which in many countries are encroaching a lot. As long as the statist and the employers oppose it by tacit agreement, the **full shareholder exchange**, in other words the complete shareholder exchange, will not come into force.

The repeal of full wage exchange is part of the regenerative therapy that helps to free up public over-indebtedness. Here again, as long as by tacit agreement between the employers, the employees' unions and the public authorities oppose it, however statism, and whatever the reluctance of the public authorities and the employees' unions on this point, the [full wage exchange](#), in other words the complete wage exchange [Wages Entiers](#), will not be implemented either.

Economic policy guidelines

The [assumed sharing](#) of [total labor income](#), through wage equality and inequality, has been repressed, since the 1970s and up to the present. This assumption (in the sense that

¹⁰⁶ In any matter whatsoever, a policy which does not concentrate on the essential or which considers as essential what is ultimately only incidental usurps its claim to be in truth more a policy than a jumble of expedients. "You are taking us from expedient to expedient instead of focusing, and focusing us, on what is in reality the main one with regard to the general interest!": this reproach made to managers and their advisors is equivalent to blame.

we speak, for example, of the assumption of a risk) is no less fundamental both in terms of [commutative justice](#) and economic efficiency.

Reducing so-called [pay-as-you-go pensions](#) (as if to hide the fact that in reality they are transferred [Transfert Economique](#)) to a single points-based system will contribute very substantially to greater economic equity and individual freedom.

Excessive nationalisation, a scourge inevitably infected by chronic public deficits, has **economic subsidiarities** as its antidotes. It is not inevitable that the economic security systems themselves are reduced to a mere scoundrel, just as putting an end to structural "social" deficits can only be achieved through monopolies or oligopolies exploited by listed groups.

The fourteen prescribed economic policies set out and argued below are relatively quick to review. But how can we accurately characterize their whole? We only let ourselves be thrown out of smoke and mirrors for the time, it is true that it is sometimes long, to start deploring it bitterly or even desperately...

Public opinion will follow as more and more economists teach that full trade, i.e., complete economic trade, not only exists conceptually, but is highly favorable to full employment and, on top of that, has other social virtues. However, until this conversion, which may only begin very slowly, a verdict must be presented to public opinion. It concerns a characteristic that sums up the political project of the full-trade economy.

The economy of direct financing will only prevail when it is fully traded. Conversely, the economy of full trade will only become the norm by granting [savers](#) a complete economic vote, a right that the ideology and techniques of modern finance have too largely confiscated. On the one hand, enterprises organized into enterprises of all kinds and sizes, whose "[equity](#)" (more precisely, permanent financing) comes entirely or mainly from [capital](#) (and not from [quasi-capital](#) mean that subscribing or not to their increase, proposed at the same time as the payment of dividends [Dividende](#), is the expression of economic suffrage. On the other hand, public debt financed exclusively by [savings accounts](#), the outstanding amount of which is intended only for this purpose, also gives society the economic power to change the relative shares of investments as it sees fit, depending on whether they are public or private. On the last point as on the previous one, the political class is, so to speak, the boss, and it will remain so, being all the less inclined to promote direct funding because public opinion does not aspire to it, for lack of professors and publicists who argue that this is one of its major interests.

Five main principles

A nation binds itself to what is most constantly necessary and healthy in economics by applying five precepts:

- 1) First, link development & growth to direct investment in new [capital](#).
- 2) Secondly, link development & growth to public levies, governed by two commonly agreed rules.
- 3) Adjust the scale of public investment according to the economic climate.

- 4) Maintain the key budgetary balance in a [state of chronic surplus](#).
- 5) Break the link between growth and competitiveness on the one hand, and the precaritization of employment and reduction of labor costs on the other.

The primacy given to these precepts constitutes a rigor. A nation that, for whatever reason, fails to comply with them condemns itself to the accumulation of disparate tactics and corrupt expedients that serve as economic policy. The latter tends to be what, in this art, is likely to become positively and durably appreciated by public opinion only if three preferences that complement each other determine it: the preference for the general interest to the detriment of sectional interests, the preference for the essential to the detriment of the accessory, the preference for the structural to the detriment of the ephemeral and the sensational.

Aspirations for greater economic equity without a sustained effort of conceptual rigour and political vigour push to the bottomless wells of ever more compassion that does not remedy the causes to be reduced.

Always austerity in economic administration at all levels consists for many in refusing to do or to continue to do. But the lavish or harmful character of a refusal or an acceptance is only relative to at least one of the constitutive precepts of the policy to which one adheres. The shortcoming of a power that sees itself as too little "pedagogical" is that of its politics. And the zero point of convincing the defense of a government course of action is: there is no other way.

What is a candidate preparing for election or appointment to a high office when he campaigns with his arms full of intentions, but with a vague and often incoherent mind about the principles that will guide him once elected or appointed? He reduces his ability to make the general interest prevail over the individual interest, including his own. He is undermining what his authority will be.

From an electorate, little or badly trained in discerning the general interest in the maze full of perverse effects of the economy, inevitably emerges a body of elected officials in its image. The political responsibilities of the teaching bodies are considerable.

Better administration, or as one wishes to manage better, as well as better training, without recourse to more rigorous designations and more vigorous rules, quickly reaches its limits. Sufficiently elaborated that its basic doctrine is composed of [initial proposals of economic science](#) and major orientations of economic policy, [Objective Political Economy](#), or objective economy for short, is a reservoir from which to draw rigour and vigour. What do those most inclined to reject the offer of this exploitation intend to preserve?

1. [First, link development and growth to direct investments in new capital.](#)

- 1) **If linking development first** to a specific action is good policy, then it is also good to link [employment](#) to this same action.

The social treatment of unemployment is an illusion if it takes the place of employment policy. The latter only completely absorbs structural unemployment if it is a development policy.

2) **Growth and employment are consequences, as are** competitiveness and the general state of the economy.

More competitiveness and a better overall state of the economy go hand in hand with more growth and job creation. Growth, employment, competitiveness and the general state of the economy are interdependent and have common determinants.

3) **In these common determinants**, neither the rigour of analysis nor the vigour of action allows us to exclude that there is one that is more important than the others in all places and at all times.

The "circularity of [economic exchanges](#) does not justify the pitiful parable of the chicken and the egg."¹⁰⁷.

4) **The most decisive cause is necessarily rooted in the primordial reality** that the system of [economic exchanges](#) establishes, in terms of employment, growth and competitiveness.

Let's take a step back and see. **New [elementary commodities](#)** are constantly being injected into the economic system¹⁰⁸. Paid [work](#) services are included, as are business working capital [investment](#) services. To obtain as much paid work as full employment requires, these placements must be sufficient. This is economically essential.

5) Voters who do not **trust** the essentials make elected officials who evade them. Let's give ourselves over to an experiment.

"To what is it more relevant to link the best state of the economy first and definitively?" Let's ask this question around us and also look for the answer in broadcasts and other publications. When there is an answer, what is it worth? Is it the vague product of vague judgments? Does it suppose that the problem has been solved? What does it reveal about our mentalities?

6) An individual P, or a non-profit association A, invests [money](#). This investment is direct when no intermediary (a mutual fund for example) interposes itself between P or A and entity E, which makes it an element of its financing and which will ensure its [remuneration](#), as well as its repayment if necessary.

¹⁰⁷ Paul Fabra, *Refounding Political Economy*, Chapter 6, Last Section. "Faced with the complexity of economic phenomena, modern economists often resort to the easy parable of the chicken and the egg. What is the cause and what is the effect? The circularity of the exchange provides them with an additional, and apparently peremptory, argument for refusing to answer. (... : ...) **What characterizes modern political economy is its renunciation, open or concealed as the case may be, of the principle of causality.** This last underline is my doing, as it is obvious that the renunciation identified by Fabra plays a decisive role in the inability to peg a stable framework of economic policy.

¹⁰⁸ Even in times of non-expansion, including in the depths of the worst recessions.

P, or A, subscribes to the [capital](#) increase or the issue of [bonds](#) of a financial institution. It is a direct investment. P, or A, is placed in a savings account managed by an intermediary, or even by a cascade of intermediaries. It is not a direct investment.

7) **Financial [intermediation](#) increases the risk of systemic crisis.** The greater the share of financial institutions in the financing of the economy, the higher this risk.

Well-designed and strictly enforced, regulation of the financial industry reduces this risk. But, collectively, relying too much on it is unwise. However, this is all the more true given that there is a decline in the share of [direct savings placements](#) in the financing of enterprises and public debt.

8) **The extension of the practice of [direct financing](#) is technically possible.** This is one of the consequences of the intensive use of telematic means by legal persons, private and public, as well as individuals.

This significantly reduces the cost of a direct relationship between an organization and a large number of potential and active subscribers. The techniques that can be used for this purpose make relationships more continuously interactive.

9) **A society that makes extensive use of [direct investing](#) increases its economic power.** One of them is that of the arbitrations that, in a longer circuit, [financial intermediation](#) captures. Another of these powers is that of managing the share of its income allocated to financial investments with better knowledge of the facts.

In this respect, the convergence of individual interests with the general interest is obvious. However, it is only raised to its highest level through the collective recognition of an undeniable reality: **the insufficiency of the money invested in [working capital of enterprises](#) slows down the creation of sustainable jobs.**

10) **Direct [investments](#) do not create money.** As a result, these investments are not a cause of currency depreciation.

A [public levy](#) (taxes + loans) that no longer increases as a proportion of [total income](#) is also no longer a cause of currency depreciation. The smaller the depreciation, the easier it is for anyone to build a portfolio of direct investments, the basis, or all, of which has two qualities: it is low-risk and its return is positive, despite the currency depreciation. In addition, and this is not negligible, this portfolio is transferable to the heirs of its owner.

11) **Thanks to my savings in capital, I participate in the creation of [capital](#).** This contribution is an [investment in new capital](#).

I subscribe to a capital increase. This contribution is also an investment in new capital. I sell shares. The investment of their buyer(s) never constitutes new capital.

12) **The market cap has increased.** The investment flow [of new listed capital](#) may not have changed from before.

The [market cap](#) has declined. This does not mean that there has been a net destruction of [the capital exploited](#) by the enterprise whose title to the property is listed on the stock exchange.

13) **Contributions of new capital** increase the national capital stock. At the same time, this stock is constantly affected by losses.

The redirection of the savings thus lost to consumption participates in the creative destruction. This is on one condition: savings must be invested in capital again ; this is necessary so that destruction, often through obsolescence, goes hand in hand with creation. It is also necessary, in abundance, for this creation to be solidly financed.

14) **One advantage is undeniable. Growth**, which is mainly fuelled by savings invested in new capital , is only supplemented by public levies (taxes + loans).

In order not to see this as an advantage, we must overlook three certainties: the persistent inflation of the public levy suffocates growth; the structure of its financing conditions the solidity of an enterprise; the subset that most creates and destroys stable jobs is that of small and medium-sized enterprises.

15) **One objection does not hold.** The conditions under which people's savings would be massively attracted by the investment of capital could not be met.

This will remain true as long as the remuneration, **security** and **settlement** of capital investments have not been substantially improved. The objection of conditions being too unattractive would only hold if this improvement were forever unfeasible. This is not the case.

16) **Direct investments** limits speculative bubbles.

Speculative bubbles are obviously **all the more devastating** because they are massive. And they are all the more so **because credit** Credit **contributes to their growth**. When, moreover, this credit is itself massively instilled by money creation, full employment more often than underemployment is at the end of a path so undermined that it becomes impossible to achieve it in the long term. This is why it is necessary to clear this path through reforms.

17) **Popularizing what capital shares are** Capital Social **does not present any difficulty**. However, this popularization is impartial on a condition that is not commonly respected today.

Some of these shares are negotiable and others returnable. Only negotiables have a liquidation value that is varied by offers to sell and purchase requests. There is less casino economy if the advertising of the exploited value per share is introduced. **The relative proportion of investments in returnable shares is extendable, provided that it is accepted that the remuneration of these investments must exist, but that it is also attractive.**

18) **What makes** savings in capital **more or less well treated also lends itself to their popularization**. For this to be effective, we must not consider usual practices as inviolable, including in tax matters, of course.

In addition, there are two other innovations, in the current state of economic discourse. One concerns the "first": "should job creation be ensured **first**... ». The other concerns the

"direct": "... by your [direct investments](#) in new shares of capital? ». Both help to dispel denials of reality and feasibility.

19) **Holding Enterprise Structures move the initial capital provider away from the end use of investments.** Through this distance, *ad hoc bodies* are capturing power to their advantage and laying the groundwork for endogamous and robotic finance.

This endogamy and robotization are problematic. Such recordings should not be encouraged. It is even less desirable that they be systematized. The legislator can effectively oppose this, by establishing and gradually increasing the proportions of [capital](#) held directly by individuals. The services of investment advisors, who practice this profession in complete independence, have their *raison d'être*. But pretending that these services can be provided for free opens the door to scams. There is no shortage of convincing arguments in favor of [direct investments](#), managed by means of new communication techniques and duly supervised by the legislator who ensures that they are countered.

20) A **population**, when its quality of life is severely damaged by the lack of jobs, expects first and foremost that this lack be remedied. It then hopes that this remedy will be compatible with a range of variations in the weight of the [public levy](#) that suits it.

The remedy exists. The possibility of making it more active through the full remuneration of the [share savings in capital](#) is a reality. Even if the reluctance to use it persists, because it disturbs ways of seeing and doing, it will continue to exist.

21) **In other words, a country** where, over the last twenty years, economic growth has been so weak that structural unemployment has increased. But now permanent stimulus through direct savings placements is finally becoming a deliberate practice.

This is done through the reforms described below – *Cleaning up the capital market*, guidelines 6 to 10. Twenty years after the entry into force of these changes, in the financing of enterprises: 1) the total loans, in absolute value, have remained constant, 2) the share of capital has increased significantly.

22) **While the latter increase** was quite substantial, the growth rate rose and the unemployment rate fell. It is so certain that it is necessary to draw brutal conclusions.

A government which considers itself competent in general economics shows that it is mistaken as to what is most elementary and less doubtful in this matter if it refuses, or if it does not occur to it, to link growth and employment primarily to [direct investments](#) in new [capital](#). The citizens of a country whose government is making this mistake are doing no better than it is if they refrain from demanding more and more insistence from it an economic policy which makes it a rule to link growth and employment first to direct investments in new capital.

23) **The crucial law of economic policy**, set out here by Guideline 1, contributes to the objectification of economic policy decisions, thus strengthening the social body.

Whether within a nation or in international relations, the enslavement of the subjectivity of some by the subjectivity of others narrows the field of effective freedoms and fuels violence. More objectivity has the opposite effect. A government that believes it is working towards greater social cohesion and international understanding without strengthening

common objectivity is deluding itself. Awareness of the crucial law of good economic policy is, in itself, a constructive step forward. The ideas which lead to the rejection or degradation of this law, which is precise, in order to indulge in the ease of imprecise formulations, are fantasies, either by the methodological subjectivism from which they proceed even when they have been given the reputation of being the products of an authentic science, or else by the fears which they turn into reactions of self-defense.

2. Secondly, to link growth to the public levy, which is subject by common agreement to two rules.

1) **The public levy is the sum of taxes and new public debts.** Securities acquired through insurance premiums and pension contributions are excluded.

Some of these acquisitions are part of the compulsory levies. Subscriptions to public debt securities may also be part of the compulsory levies. **Public levies and compulsory levies are nevertheless two different realities** and therefore, in good econometrics, two distinct aggregates.

2) Lier premièrement la croissance aux placements directs d'épargne en capital implique de réduire ou de stabiliser le prélèvement public. Réduire, quand le surendettement et d'autres dérives ont rendu ce prélèvement exponentiel ; stabiliser, lorsque l'accès au plein-emploi est (de nouveau) dégagé.

Lorsque réduire s'impose, **n'attendre la sortie de crise que de cette réduction n'est souvent ni nécessaire, ni suffisant.** Ce n'est pas nécessaire tant qu'il y a de l'épargne à placer, ou à déplacer, en capital. Ce n'est pas suffisant quand cela détourne de l'élimination des obstacles à ces placements et déplacements.

3) Un gouvernement dans l'obligation de réduire le prélèvement public a le devoir d'expliquer avant et pendant qu'il agit dans ce sens. Mais ce devoir est l'un des plus difficiles à remplir, particulièrement dans un pays où la mentalité dominante a conduit au surendettement exponentiel.

L'explication porte, en effet, sur ce qu'est une économie nationale en bon état. L'action se concentre d'abord, répétons-le, sur la levée des entraves aux placements directs d'épargne en capital. La préparation qui place une nation en situation de réussir cet exercice peut se révéler très longue, tout en étant ponctuée de rebondissements contradictoires.

4) **La réduction du prélèvement public n'est réussie qu'en valeur relative de la somme des revenus du travail et des placements.** C'est pourquoi cette réussite est d'autant plus probable que la relance par les placements directs d'épargne en capital est activée prioritairement s'il s'avère qu'elle est entravée.

La négligence de cette possibilité de relance a ses raisons d'être. Ne pas bousculer des dévolutions de pouvoirs est l'une d'elles. L'intermédiation financière renforce des pouvoirs et en affaiblit d'autres. Il en va de même de l'autofinancement par les bénéfices non distribués.

5) « La création d'emplois doit-elle être d'abord assurée par vos placements directs en nouvelles parts de capital ? » Un référendum portant sur cette question vise l'obtention d'un mandat délivré par le suffrage universel à ses élus.

Si le oui l'emporte largement, l'ordre est donné de **ne plus faire d'un surcroît de prélèvement public qu'un moyen temporaire et complémentaire de relance**. D'autant plus que des sondages confirment que ce oui reste nettement majoritaire ; les gouvernements successifs sont enclins à s'en tenir à la gestion générale habituelle de ce prélèvement. Mais la question posée est-elle trop technique ou trop insidieuse pour pouvoir être soumise au suffrage universel ?

6) « **D'abord** » et « premièrement » ne signifient pas « exclusivement ». Et « deuxièmement » — lier deuxièmement la croissance au prélèvement public soumis de commun accord... — ne signifie ni « accessoirement » ni « facultativement ».

Faire comme si l'emploi ne dépendait pas d'abord d'une action collective ciblée est un déni de réalité. Que cette action doive concerner la naissance et la croissance d'entreprises est une évidence. Que son premier point d'application soit le financement de ces naissances et croissances relève du bon sens. Que ce financement ne se fasse, subsidiairement, que par du crédit paraît à première vue difficile à rendre consensuel. Mais où veut-on en venir ? **S'il s'agit de parvenir au plus grand nombre possible d'emplois à durée indéterminée, il est plus probable d'atteindre cet objectif par du financement des entreprises, lui-même principalement à durée indéterminée** — principalement par du capital, subsidiairement, répétons-le, par du crédit.

7) Un prélèvement public à la dérive n'a-t-il pas forcément pour cause une entente économique nationale défaillante ? N'en va-t-il pas de même s'il existe plus de chômage que dans un pays voisin ?

Les partis politiques et les syndicats, en parvenant à se mettre d'accord sur ce qu'est principalement une économie nationale en bon état, adressent à l'ensemble du pays une prescription d'entente. Cette prescription est alors susceptible d'être rendue plus pertinente grâce aux discussions publiques de ce qu'elle exige. L'aptitude au plein-emploi d'un pays où règne la liberté du travail, et la maîtrise par ce pays de son prélèvement public, sont si substantiellement interdépendantes, bienfaitrices et collectives, qu'il est **calamiteux de les vouloir idéologiquement estampillées**.

8) La liberté du travail implique la liberté d'entreprendre. L'exposition au déficit d'emplois à durée indéterminée est inhérente à ces libertés qui n'en font qu'une.

La maîtrise du prélèvement public réduit cette exposition en laissant davantage de financement privé s'adonner à la naissance et à la croissance d'entreprises, dans un environnement fiscal que cette maîtrise permet de stabiliser, voire d'alléger préalablement. La création d'emplois résultant de ce surcroît de financement participe en retour à cette maîtrise. Cette dernière peut, cependant, avoir été tellement perdue qu'il est impossible de la recouvrer sans rendre d'abord plus attractif le financement de la naissance et la croissance d'entreprises.

9) **Prenons assez de recul, et cela devient évident**. La liberté du travail expose le moins possible au manque de travail, à deux conditions.

L'une est à la charge des entreprises : le versement de dividendes en moyenne nettement plus élevés que les taux d'intérêt des livrets d'épargne. L'autre est à la charge de la puissance publique : la maîtrise du prélèvement qu'elle opère. **Les deux sont sous la coupe de l'entente nationale et, en Europe, sous le dénominateur commun aux ententes nationales.** La liberté du travail fait partie de ces ententes, bien qu'il soit incertain que l'élimination de l'exposition au manque de travail par l'abrogation de cette liberté n'ait plus de militants. Doutons également que la flexibilisation de l'emploi et la sécurisation des parcours professionnels soient en vérité le « premièrement » et le « deuxièmement » de la réduction de cette exposition. Les continuelles augmentations de cette flexibilisation et de cette sécurisation ne sont pas plus tenables que celles du prélèvement public, alors que celles du stock de capital et des wages le sont. La France restera hantée par la peur de son déclin tant qu'un nombre significatif de ses économistes, éditorialistes, politiciens et syndicalistes les plus en vue ne lui fera pas obstinément part des **deux conditions de pleine jouissance de la liberté du travail** et d'explications intelligentes liées à **leur interdépendance**¹⁰⁹. Si cela est fait, cette doctrine de la croissance vertueuse sera aussi une contribution au renforcement par l'Europe de son élan fédérateur.

10) Les deux règles de gestion du prélèvement public ont respectivement pour objet les investissements publics et le résultat budgétaire le plus important. L'une et l'autre de ces règles font l'objet des deux sections suivantes.

3. Faire varier le poids des investissements publics en fonction de la conjoncture.

11) Tant en gestion privée que publique, un nouvel investissement augmente l'inventaire des propriétés de l'entité considérée. Une charge, qu'elle soit récurrente ou nouvelle, n'a pas cet effet.

La règle relative aux résultats budgétaires, prescription suivante, concerne **exclusivement** les produits et les charges publics, étant entendu que dans ces dernières sont incluses les dotations périodiques à l'amortissement de l'endettement lui aussi public¹¹⁰.

¹⁰⁹ Dans la partie Science économique du présent ouvrage, le chapitre sur le wage traite de la répartition du revenu total du travail. La clé de cette répartition est l'inégalité des rémunérations du travail. Ne pas le reconnaître, en défendant l'idée doublement fausse que les wages, comme tous les prix, sont principalement régis par la loi de l'offre et de la demande, est un déni de réalité. L'entente nationale qui réfute ce déni en le remplaçant par le constat que **les hauts wages réduisent ceux qui leur sont inférieurs**, et que **les bas wages augmentent ceux qui leurs sont supérieurs**, confirme qu'il existe un partage inévitable et reconnaît objectivement la **nécessité de l'instauration d'un wage minimum national**.

¹¹⁰ La désignation « charge(s) de fonctionnement » a l'inconvénient d'inciter à croire que rien de relatif aux investissements n'est à faire figurer dans les charges. Généralement, la ventilation des charges la plus pertinente est par nature de coût. Dans toutes les gestions, des frais financiers sont toujours susceptibles d'être l'une de ces ventilations — l'un des postes de charge. Mais en matière d'amortissements, l'argumentation de la prescription suivante, sur les résultats budgétaires, rappelle une différence, fort importante quant à la vérité des comptes, entre la gestion d'une entreprise et celle de toute autres entité, collectivité publique et ménage compris.

12) **À l'échelle des économies nationales, la base 100 la plus significative est le total des revenus avant impôts.** Les poids dont il est question ici s'apprécient par rapport à ce total, dont le PIB fait fonction d'une manière approximative.

Les revenus de placements sont la part la plus petite de ce total et ceux du travail la plus grande, dès lors que suffisamment de croissance a eu cet effet, comme l'expose le chapitre La répartition. Mais, si cet effet et une autre répartition — celle du revenu total du travail, exposée dans le chapitre Le wage —, sont tenus hors de ce que la politique économique et la gestion des finances publiques d'une nation prennent en compte, il devient inévitable que, dans cette nation, prolifèrent des redistributions publiques qui vont à l'encontre de ce qui rend justes et fastes les distributions par les revenus proprement dits¹¹¹.

13) **La dépense publique est constituée de charges et d'investissements.** Seuls les investissements d'une entité, rappelons-le, augmentent les propriétés — le patrimoine — de celle-ci.

Rappelons également que l'amortissement des emprunts publics, à savoir le remboursement du principal et l'acquittement des intérêts, fait partie intégralement des charges publiques. Cet amortissement, postérieur à la souscription de l'emprunt, n'enlève rien à son effet d'éviction immédiate : les emprunts publics font au moment de leur souscription autant en moins de placements dans le financement des investissements privés, avec la baisse de la contribution de ces derniers à la croissance et à la création d'emplois.

14) Tant que la relance permanente par de nouveaux placements en capital reste entravée, la priorité en matière de croissance est la levée de ces entraves. Celles-ci persistent tant que la pleine rémunération du placement en capital n'a pas été instaurée.

Comment procéder à cette instauration est exposé au chapitre suivant, à rebours de la croyance en la viabilité systémique du capitalisme avec le minimum de capital, le maximum d'autofinancement, les cotisations patronales — cette fiction qui contribue à crédibiliser la revendication perpétuelle d'une baisse du coût du travail —, l'embrouillamini hautement toxique des produits financiers dérivés, la création monétaire pour repousser à plus tard les assomptions de responsabilité. Bien que les réformes prescrites dans les chapitres à suivre soient curatives, elles n'empêchent cependant pas que, comme avant d'être faites, surviennent des périodes pendant lesquelles le chômage remonte à nouveau.

¹¹¹ Revenus proprement dits donc, par définitions qui en soient vraiment, avant tout transfert et exclusivement par la voie des échanges marchands. Comment la répartition du revenu global est-elle réglée par le système établi au moyen de ces échanges ? Que règlent, pour leur part, les inégalités de rémunération du travail ? Les économistes qui répondent le plus justement à ces questions offrent aux partis et aux personnalités politiques une compétence indispensable à la pertinence de leur doctrine économique. Que le corps électoral reste durablement indifférent à ces réponses et à ce qu'elles impliquent n'est pas crédible. Ce qui rend l'économie de marché systématiquement faste ne peut être repoussé que par ceux qui la jugent vouée à la ruine, quelle que soit la manière de la pratiquer. Pour les autres, qu'ils se posent la question suivante : la science économique doit-elle élucider le partage du revenu global entre ses deux composants et le partage régi par les inégalités de wage ? N'est-ce pas indispensable afin de ne pas se méprendre sur ce qui fait qu'une économie de marché est bien réglée ? Le gouvernement d'une nation est-il économiquement compétent si sa doctrine est entachée d'une telle méprise ?

15) Une augmentation temporaire du poids des investissements publics participe au raccourcissement des périodes de remontée du chômage. Alors, malgré l'épargne mobilisée par le financement de cette augmentation temporaire, la [relance permanente](#) évoquée ci-dessus accélère la décrue du chômage.

Car l'épargne et ses fractions placées en titres d'emprunt et de capital sont élastiques. Elles le sont d'autant plus que les rémunérations et les sécurités de ces placements sont poussées aux niveaux qui les rendent honnêtement attractives, tout en étant faiblement exposées à des pertes. Elles le sont aussi d'autant plus que l'élimination du surpoids des charges publiques a fait disparaître l'anticipation de l'augmentation du poids des impôts.

16) Le basculement dans la décrue du chômage rend possible la baisse conjoncturelle du poids des investissements publics. User de cette possibilité est de bonne politique économique pour la raison suivante.

La prospérité d'un pays atteint son apogée en évitant aussi bien l'atrophie que l'hypertrophie des prestations publiques, considérées globalement et par catégorie de prestation (d'où des arbitrages attestant que gouverner et légiférer n'ont rien d'une sinécure). En période de décrue du chômage, la baisse du poids des investissements publics contribue à éviter l'hypertrophie des prestations de l'État. En période de plein-emploi, la stabilisation de ce même poids participe à l'évitement de leur atrophie.

17) De la fluctuation du poids des investissements publics en fonction de la conjoncture résulte la stabilité structurelle de ce poids. Explicitement assumée et effectivement obtenue, une telle stabilité est un facteur de confiance dans la solidité d'une économie nationale.

En complément de la relance permanente par des [placements directs en nouveau capital](#), cette stabilité au long cours rend plus supportables les allègements et les refus d'alourdissement des charges publiques, autre contribution majeure à l'évitement de l'hypertrophie des prestations et du prélèvement publics. Cette stabilité doit cependant être assurée à un assez haut niveau pour éliminer les retards les plus préjudiciables et prévenir, par ordre décroissant d'utilité publique, l'accumulation d'autres. L'étatisme et l'individualisme, quand ils sont élevés à la hauteur d'un impératif catégorique, chaussent leurs pieds d'argile d'irréalisme.

18) Vouloir l'oscillation contracyclique du poids des investissements publics est une option fondamentale de politique économique. La classe politique d'une nation est d'autant plus poussée à la faire sienne que l'opinion publique le lui demande.

La cause de l'inaptitude de personnalités politiques à faire émerger dans l'opinion publique de nettes majorités concernant les options techniques majeures de politique économique, n'a rien de mystérieuse. Leurs discours sont trop évasifs et leurs vues trop peu convaincantes tant sur ce qu'est une économie nationale en bon état que sur la dynamique qui la fait telle.

Aucune campagne de communication n'est à même de pallier le manque de concepts clairement définis et de résolutions mal ajustées.

4. Maintain the largest fiscal result with chronic surplus.

19) **Chroniquement, en la matière : au moins quatre fois, durant sept années consécutives.** L'information budgétaire, au service de l'intérêt général, devant être compréhensible pour tous les électeurs, il s'agit d'utiliser des conventions principales simples à expliquer et impartiales.

Les septennats mobiles (une année de moins et une année de plus au millésime suivant), sans un seul retournement de conjoncture, ne deviendront peut-être jamais les plus fréquents. Cependant, si cela devait arriver, il y aurait lieu d'en tenir compte en remplaçant, par exemple, les septennats par des décennies, les montants des produits budgétaires (recettes fiscales pour l'essentiel) et d'une plus ou moins grande partie des charges budgétaires variant dans des sens et des volumes différents selon la conjoncture. Un allongement — ou un raccourcissement à des quinquennats — ne changerait rien au fait que, pour un résultat comptable économiquement significatif, « chroniquement » ne signifie pas « toujours ». Les [entreprises](#), les familles et les associations privées non commerciales ne doivent pas être constamment déficitaires. La règle dont il est ici question concerne les agrégations d'une catégorie d'organes publics de même nationalité. Ce niveau n'introduit pas une exception. Dans l'énoncé de la règle, « chroniquement excédentaire » ne signifie pas « jamais déficitaire ».

20) Il n'y a pas d'entreprise dans le périmètre budgétairement bien tracé de cette catégorie d'organes publics et leurs agrégations nationales ne sont pas elles-mêmes des entreprises¹¹². L'assimilation du produit des impôts à des ventes de services fait fi de la distinction entre un [transfert de valeur d'échange marchand](#) — ce qu'est un [impôt](#) ou une [subvention](#) — et les [échanges marchands](#) dont les ventes des entreprises et les revenus proprement dits sont des contreparties¹¹³.

Quant à l'affirmation d'une différence radicale du meilleur et du pire économiques pour une nation, à raison de ses finances publiques d'une part, et pour une association privée non commerciale d'autre part, elle est en vérité injustifiable : il y faut au moins une pétition de principe ou un amalgame objectivement irrecevable. En revanche, voir ce que ce meilleur et ce pire ont de radicalement semblable prémunit contre les tentations d'abus de bien public : « ne fais pas à ce bien ce que tu ne désires pas que leurs économes fassent aux

¹¹² Dans ce périmètre et selon une typologie du droit public français, il n'y a pas d'Établissement Public Industriel et Commercial (EPIC) mais il y a, outre les instances parlementaires et l'administration tant centrale que territoriale, les Établissements Publics [à Caractère] Administratif (EP[C]A), soit un organigramme du Léviathan au regard duquel sont légers ceux des plus grandes entreprises privées.

¹¹³ A) Impôts, ventes, dons volontaires et vols ; ces deux autres sortes de transferts n'en ont pas moins en commun d'être comptablement des crédits pour les entités qui en perçoivent le produit, d'où la judicieuse appellation générique de « produits » et la déplorable utilisation de « revenus » au lieu de « produits », qui n'est qu'un confusionnisme anglicisme. B) Tout emploi public rémunéré est marchand, comme tout autre emploi rémunéré. L'abolition effective de l'échange marchand à raison du travail rémunéré est irréalisable. À une prohibition officielle de l'économie de marché succède inévitablement, tôt ou tard, le rétablissement non moins officiel d'une économie de marché. C) L'élimination de la dictature des marchés financiers par des réformes dont celles qui touchent à la gestion générale du prélèvement public participe à la transformation d'une économie de marché en une autre. Mais à quand une politique budgétaire dont l'exposé des motifs ait plus de souffle ? Montrons qu'en cette matière, à la croisée de plusieurs problématiques, il y a de quoi insuffler à la nation une grande ambition, bonne pour elle et les unions dont elle est membre.

associations susdites (les familles en faisant partie) ». Les finances publiques sont bien davantage que des accessoires de la politique élevée à l'art de faire société, dans la paix et la prospérité.

21) L'amortissement d'un emprunt est constitué d'échéances qui, une fois honorées, feront que la totalité des intérêts et du remboursement du principal aura été payée au prêteur. Alors qu'en gestion d'entreprise seuls les intérêts sont des charges, ailleurs le remboursement du principal constitue également une charge, et pas seulement une sortie de trésorerie, pour les raisons résumées ci-après.

Les écritures d'amortissement **d'immobilisation** passées en comptabilité générale n'ont lieu d'être qu'en gestion d'entreprise. Elles sont à la fois des constats de dépréciation et des provisions de renouvellement d'équipement. Elles comportent une augmentation à due concurrence des charges. Elles sont impératives, parce qu'en leur absence, le résultat serait surestimé du montant de la dépréciation, et la provision que cette dernière rend nécessaire ne serait pas constituée¹¹⁴. Ailleurs qu'en gestion d'entreprise, augmenter les charges des amortissements d'immobilisation dégrade la pertinence du compte de résultat ; il est admis que sans un constat en comptabilité générale d'amortissement de cette sorte, rien n'empêche d'en introduire dans des estimations de prix de revient. Les budgets annuels les plus pertinents des familles et des associations caritatives, sportives et confessionnelles, entre autres, comportent deux sous-totaux et la différence entre le premier et le second : A) produits, B) charges, C) excédent ou déficit, selon que la différence entre A et B est positive ou négative. Dans les charges, il y a bien de l'amortissement, mais seulement d'emprunt. **Le plus décisif est cerné, et c'est bien plus clair que de faire comme si l'entité à gérer était une entreprise**. Une entreprise est un organe vendable. Aucun autre organe social en tant que tel ne l'est. Ne pas tenir compte de cette différence engendre un déni de réalité.

22) **En finances publiques aussi, le résultat le plus important est la différence entre les produits et les charges.** Les produits sont, comme partout ailleurs, à l'exclusion de tout emprunt (même sans intérêt). Les charges, comportant l'amortissement d'emprunts, sont à l'exclusion de tout investissement mais aussi, contrairement à ce qui est de rigueur dans l'entreprise, de tout amortissement d'immobilisation¹¹⁵.

Partout une tranche de l'endettement devient du surendettement quand, pour quelque raison que ce soit, l'endettement déjà contracté n'est plus amortissable sans emprunter de

¹¹⁴ Que cette provision soit ensuite bien administrée, c'est une autre affaire. Trop d'entreprises ayant dûment amorti leurs immobilisations se trouvent dans l'impossibilité d'autofinancer une part substantielle de leur modernisation.

¹¹⁵ En France, la loi organique relative aux lois de finance (LOLF du 1er août 2001) prescrit la publication annuelle de trois résultats au titre de la consolidation du budget général, des budgets annexes et des comptes spéciaux : le « résultat budgétaire », le « résultat en comptabilité générale de l'exercice » et le « résultat en trésorerie présenté dans le tableau de financement ». Le « résultat budgétaire » est le solde des dépenses effectivement décaissées et des recettes effectivement encaissées : comptabilité de caisse seulement, telle qu'un relevé de banque montre en quoi elle consiste. Le « résultat en comptabilité générale » est la différence entre les produits et les charges de l'exercice « au moment du service fait », à raison même de produits qui n'ont pas été recouverts et de charges qui n'ont pas été payées pendant l'exercice. Faire que ce dernier résultat devienne et reste complètement conforme à la définition à laquelle cette note est rattachée, ne fait pas sombrer dans un abîme de complexité administrative.

nouveau, et ce à une hauteur qui rend de moins en moins évitable un total des charges supérieur à celui des produits. Une part chroniquement croissante des produits absorbée par l'amortissement de la dette est un symptôme de surendettement. C'est pourquoi le résultat budgétaire tel qu'il vient d'être défini est le plus important. Quand il est déficitaire, il alourdit les charges à venir et il rapproche du surendettement (ou bien il l'aggrave). Quand il est excédentaire, il est affectable à l'allègement de la dette publique et, ce faisant, de la charge future que constitue l'amortissement de cette dette. Une famille, ou toute autre association non commerciale, évite mieux le surendettement ou en sort plus facilement si elle y est entrée en connaissant quelle est la différence entre ses produits et ses charges (amortissement de ses emprunts compris), ainsi que la manière dont évolue cette différence en proportion des produits. **Il en va de même de toute nation, à raison de ses finances publiques**, la France étant l'une de celles dont les gouvernants et les hauts fonctionnaires se dispensent de mettre leurs concitoyens face à la réalité que constitue, année après année, le résultat budgétaire et les grands postes de charges publiques en pourcentage des produits — le prélèvement fiscal est de loin leur plus grande part —, et non pas du montage statistique qu'est le PIB, dont la base 100 est aujourd'hui la plus utilisée parce qu'il semble, à tort, ne pas y en avoir de plus appropriée¹¹⁶.

23) Il est souhaitable que le sens des expressions « résultat budgétaire », « déficit budgétaire » et « excédent budgétaire », utilisées à propos des finances publiques, devienne univoque. Ne doutons pas qu'il y faudra beaucoup de persévérance, mais mesurons aussi ce qu'implique le renoncement à cette avancée apparemment mineure.

Qui juge vrai un concept dont la définition est le produit d'un effort d'élimination d'erreurs et d'insuffisances d'observation, vise une victoire collective sur ce qui éloigne de cette vérité et de son usage. L'inexistence d'une définition vraie du résultat budgétaire en finances publiques est inconcevable, comme l'est celle d'une définition vraie des revenus entre autres réalités économiques primordiales. À la vérité et à l'efficacité est consubstantiellement lié de l'univoque, là où de l'équivoque en éloigne. Dans nos manuels et nos lois, plusieurs définitions du résultat budgétaire en finances publiques, sans verdict sur celle qui est jugée être la plus appropriée, nous rendent plus incompetents et non pas plus intelligents. N'ayons pas la pusillanimité de répugner à dire vrai et à considérer plus important ce à quoi nous tenons, en notre âme et conscience, au risque d'avoir à répudier une croyance mal placée. Au courage politique, il faut le support du courage intellectuel. Les seuls résultats, excédents et déficits budgétaires dont il est ci-après question, sont ceux définis ci-devant (premier paragraphe du point 4).

24) **Les années où il y a déficit budgétaire, le montant des emprunts dépasse celui des investissements.** Certes, par puisement dans une réserve ou vente de biens publics, ce dépassement peut être réduit ou évité, mais ce qui suit s'impose naturellement.

¹¹⁶ Gouvernants et fonctionnaires français, que n'indisposent pas encore les annonces à l'opinion publique des déficits de la Sécurité sociale, sans qu'il soit précisé si ces différences négatives sont entre les entrées et les sorties de trésorerie ou entre les produits et les charges. S'il s'agit des premières, pourquoi les secondes sont-elles passées sous silence ? Pour cacher le fait que la gestion générale de la Sécurité sociale, dont le budget est fort lourd, est gravement défailante ?

Hors d'un effacement du surendettement (début du second paragraphe du point 4), soit par abandon volontaire ou forcé de créances, soit par de la dépréciation monétaire (inflation généralisée ou nichée, dévaluation), soit par ces deux moyens, pour en arriver à ce que les emprunts ne dépassent pas chroniquement les investissements, il faut que les résultats budgétaires deviennent chroniquement excédentaires. S'ils ne sont que chroniquement équilibrés, ils révèlent trois éminentes faiblesses : ils ne permettent pas de sortir du surendettement résultant du dépassement chronique des emprunts sur les investissements, à cause de résultats budgétaires trop fréquemment et lourdement déficitaires ; ils rendent moins sûrs que s'ils étaient excédentaires les placements directs sur [livret du trésor public](#) placements chroniquement dédiés du fait des résultats budgétaires, eux-mêmes chroniquement excédentaires au financement sans intermédiation bancaire des investissements publics ; ils laissent la classe politique trop en mesure de se montrer prodigue et manipulatrice, aux frais de la collectivité ; trop asservie à l'industrie financière ; pas assez prédisposée à la baisse asymptotique — telle celle de la vitesse d'un train durant une procédure normale de freinage — du poids du prélèvement fiscal (plus à ce sujet en 8).

25) L'augmentation du PIB plus rapide que celle du stock des dettes publiques ne fait pas sortir du surendettement public. Certes, ce différentiel d'augmentation allège la proportion de la dette souveraine par rapport au PIB, mais ce n'est pas par un pourcentage que doivent respecter tous les pays pour devenir monétairement vertueux que se constate exactement la sortie du surendettement public d'une nation ou l'évitement de son entrée dans ce surendettement qui, devenu structurel, la condamne à l'acquittement systématique de la totalité des charges publiques par davantage d'emprunts que d'investissements — où sont les bons arguments macroéconomiques et politiques du bienfait du surendettement **structurel** d'une nation à raison de ses finances publiques ?

L'allègement du poids de la dette souveraine par rapport au total des revenus — par approximation, le PIB — contribue moins à la croissance qu'une perspective fiable de sortie du surendettement ou d'évitement de l'entrée en surendettement. Il s'agit là d'un cercle vertueux. Cette perspective rend la population plus assurée de la solidité de l'économie nationale. La marche des affaires s'en trouve plus soutenue, même pendant ses ralentissements conjoncturels. Les consolidations des finances publiques et de la croissance sont plus précoces et plus fortes. Une loi cardinale d'économie politique s'énonce en une phrase : **la contribution du résultat budgétaire à la croissance est au plus haut quand ce résultat est chroniquement excédentaire, moindre quand il est chroniquement équilibré, de plus en plus négative quand il est chroniquement de plus en plus déficitaire**, toutes choses égales par ailleurs en matière d'investissements publics.

26) Davantage de baisse des charges publiques que de hausse du prélèvement fiscal freine moins la croissance que l'inverse. Ce « davantage » donne à espérer une baisse du poids du prélèvement fiscal ; l'inverse donne à craindre une hausse du poids des charges publiques.

Un parti politique et un gouvernement qui ne se prononcent pas sur la trajectoire à long terme du poids du prélèvement fiscal se dérobent à l'un de leurs devoirs d'État. Cette trajectoire se révélera forcément avoir été à la hausse, à la stabilité ou à la baisse. Il n'y a que des résultats budgétaires chroniquement excédentaires qui, sans se livrer à une

spéculation hasardeuse et après sortie du surendettement, donnent le moyen d'une baisse asymptotique du poids du prélèvement fiscal – telle, comme déjà indiqué, la baisse de la vitesse pendant le freinage normal d'un train. Lorsque ce moyen a été obtenu grâce à davantage de baisse de charges publiques que de hausse du prélèvement fiscal, un dispositif de **justice politique au long cours** devient plus aisément actionnable : poursuite de **l'ajustement du prélèvement fiscal aux charges publiques jugées, de manière contradictoire, les plus indispensables et les moins corruptrices**. Qui est partisan de cet ajustement ne reste cohérent avec ce choix qu'en étant aussi partisan de résultats budgétaires chroniquement excédentaires, non seulement parce que ces résultats procurent le moyen de cet ajustement, mais aussi parce que l'effort d'obtention de ces résultats inscrit la fiscalité et les charges publiques dans une dynamique qui les orientent vers moins d'actions invasives et d'assistance invalidante. Qui, comme la plupart des écologues et des écologistes, ne veut pas faire entrer dans ses vues normatives cet ajustement et le résultat budgétaire tenu chroniquement excédentaire, ne se fait-il pas, somme toute et généralement à son corps défendant, partisan d'une politique du pire ?

27) **Les charges comportent des subventions octroyées.** Alors que les subventions publiques en participation à des investissements privés sont des charges publiques, les subventions octroyées par une administration publique à une autre administration publique — une mairie par exemple, au moyen d'une participation à un investissement public — ne sont pas des charges mais des investissements **nouveaux**, l'amortissement d'emprunt étant une charge léguée à cause de dépenses **passées** qui, au moment où elles ont été effectuées, ont déjà participé à l'effet situé par la loi cardinale énoncée ci-dessus (point 7, second paragraphe, dernière phrase) et continuent à le faire à raison de cet amortissement.

Moyennant l'alourdissement des charges publiques, l'allègement des cotisations patronales comme, plus largement, l'allègement du « coût du travail » (des wages entiers, en fait) est de la subvention publique. Cette dernière fait camper les entrepreneurs, la jugeant faste, dans l'affirmation d'un « oui à l'allègement des charges publiques et à la liberté d'entreprendre, pourvu que les subventions publiques aux entreprises et aux autres employeurs privés soient maintenues » et d'un « non à la reconnaissance que ces subventionnements attisent l'étatisme ». Et tout ça mis dans le paquet des dépenses publiques « sociales » ! Réduire et supprimer des subventions publiques qui ont pour destinataires des entreprises et d'autres employeurs est une bonne politique économique, mais en déliant également les entraves aux placements directs d'épargne en augmentations de capital ou en s'abstenant de les rétablir. Un autre moyen d'améliorer le résultat budgétaire est de réduire puis de supprimer des incitations fiscales, en commençant par celles qui provoquent des hausses ou des baisses artificielles de prix. Il convient aussi d'étriller les crédits d'impôt à raison de dons mis en partie à la charge de la collectivité, au lieu de les laisser entièrement privés, ces déductions étant instaurées en s'asseyant sur ce qu'a de particulièrement corrupteur ce type de subventionnement : les associations autorisées à user de cette aide mentent lorsqu'elles nient que la portion déductible de l'impôt de ces dons est une subvention publique. La profusion de fictions fiscales et marchandes crée une société qui fuit la vérité et l'honneur économiques. Plus ce mal gagne, plus de francs ralliements à la réduction des charges publiques et des incitations fiscales les plus corruptrices contribuent à le faire reculer.

28) Deux autres grands moyens d'abaissement et de stabilisation du poids des charges publiques sont, d'une part, l'abolition de la [fiction des cotisations patronales](#) et, d'autre part, des privatisations. Ces moyens, même ajoutés aux deux précédents, ne dispensent en aucune façon des changements d'organigramme ainsi que des modifications de statut et de procédure qui sont sources d'économies.

Les conformismes ambiants détournent de l'abolition de la [fiction des cotisations patronales](#) et de la privatisation. C'est pourquoi nous avons jugé préférable de consacrer à cette abolition la première de nos orientations majeures sur les wages, puis la dernière orientation aux privatisations.

29) **La priorité à la croissance rend plus tolérable la baisse asymptotique de la masse des charges publiques.** Deux préconisations précédentes concernent cette priorité – priorité dont les raisons d'être les plus décisives sont sociales et environnementales, mais qui, si elle n'est pas administrée avec assez de sagacité, enferme les nations dans le triangle calamiteux de la sur-[financiarisation](#), de la [surconsommation](#) et du sous-emploi.

L'une de ces préconisations est la [règle de l'oscillation contra cyclique du poids des investissements publics](#) autour d'une tendance à la stabilité d'un assez haut niveau pour éliminer les retards les plus préjudiciables et prévenir par ordre décroissant d'utilité publique l'accumulation de nouveaux retards. L'autre préconisation est la [relance permanente par les placements directs en capital](#). Comment instaurer cette relance doit être rappelé (rappelé car les analyses qui en déclinent la systémique sont exposées dans la partie *Science économique*). La baisse de la masse des charges publiques devient plus tolérable par ceux qu'elle affecte si le sous-emploi est en recul, parce que ce « comment » a été mis en œuvre, comme la baisse du prélèvement fiscal devient elle aussi plus tolérable par ceux qu'elle inquiète à la même condition. Gouvernants et candidats à le devenir prennent un risque quand, connaissant ce « comment », ils le jugent inadéquat parce qu'il dérange les idées fédératrices de leurs soutiens. Alors leurs concurrents, ayant eu vent de ce jugement, font une bonne affaire en le dénonçant avec des arguments mûrement choisis, afin que leur bon sens et leur hauteur de vue fassent mouche dans l'opinion publique. La probabilité de cette survenance est accrue par les enseignants qui expliquent et accréditent le procédé d'activation de la croissance prescrit au chapitre suivant et les deux règles d'encadrement de la politique budgétaire ici exposées. Les éditorialistes qui se prononcent en faveur de ces accréditations, et y reviennent dès que l'actualité leur en donne l'occasion, œuvrent dans le même sens.

30) Ramener les charges publiques et les modalités du prélèvement fiscal à celles qui sont les plus indispensables et les moins corruptrices est largement une affaire de mentalité collective. Les économistes et les politiques ont, à cet égard, une grande responsabilité : après avoir au besoin renoncé à l'imaginaire primat de la demande sur l'offre, qu'ils se prononcent clairement sur les rapports les plus certains et déterminants entre les investissements, la fiscalité, les économies en tout domaine et le meilleur état de l'économie.

Le chemin le plus sûr vers ce meilleur état ne passe pas par les marais du foisonnement fiscal, du laxisme budgétaire, de la surabondance monétaire et des distinctions incomplètement assumées. Depuis 1950, les deux derniers cycles de changement de cap de

la mentalité économique semblent bien avoir été trentenaires : aux glorieuses *a posteriori* ont succédé les captieuses, gonflant le surendettement public et la sur-[financiarisation](#) puis déprimant l'emploi. Si, passé 2040, il se révèle que depuis environ 2010 ces gonflements puis cette dépression ont progressivement été stoppés, et le déclin de la [surconsommation](#) solidement amorcé, la reconnaissance suivante n'aura pu qu'y aider considérablement. La règle du résultat budgétaire chroniquement excédentaire et la règle de la variation du poids des investissements publics en fonction de la conjoncture contribuent à établir une politique économique meilleure productrice de prospérité et de qualité de vie qu'auparavant, tout en étant réductrice d'inégalités attentatoires à la cohésion sociale, grâce à ce qui l'oriente sur deux répartitions, dont l'ignorance ou la négation rend économiquement incompetents, aussi bien des dirigeants syndicaux et des hauts fonctionnaires, que des gouvernements et des partis politiques : la [répartition du revenu global](#) maximisant le [revenu total du travail](#) ; la [répartition](#) de ce dernier par la clé des égalités et inégalités de wages (voir dans la partie *Science économique* [La répartition](#) et [Le wage](#). Amender les modalités du prélèvement fiscal et du plafonnement des charges publiques à l'éclairage d'une économie politique qui passe à côté de la réalité de ces répartitions, condamne à des conservations et des modifications inappropriées au plein exercice de la vitalité industrielle du corps social et décevantes pour ceux qui perçoivent qu'il est grand temps de « changer de logiciel ».

5. Development, growth and competitiveness should not be tied to job insecurity and lower labor costs.

Nous commettons une faute politique quand nous lions, même subsidiairement, la croissance et la compétitivité¹¹⁷ de l'économie d'un pays à la précarisation de l'emploi ou à la baisse du coût du travail. Il y a trois raisons, toutes décisives, à cela :

1) La précarisation de l'emploi s'aggrave et se résorbe selon l'évolution de l'état général de l'économie nationale. Or, pour rendre cette évolution favorable, il y a un premier et un deuxième.

Le **premier** est une augmentation du stock de capital¹¹⁸ tantôt nettement plus forte que celle du stock des dettes des entreprises, tantôt au moins égale. Tout aussi nécessaire, le **deuxième** est l'application de commun accord et au long cours de deux règles de gestion générale du prélèvement public.

¹¹⁷ | Compétitivité | Appelons T le total mondial des exportations, P la part de ce total en provenance du territoire national. La **compétitivité de l'économie nationale** a augmenté, est restée stable ou a baissé selon que la part relative P/T a augmenté, est restée stable ou a baissé. La **compétitivité d'une entreprise** se définit semblablement, avec le total T du marché sur lequel l'entreprise vend et la part P de ce marché que les ventes de l'entreprise constituent.

¹¹⁸ Si, dans une déclaration fiscale, se trouve la mention « Acquisition de parts de capital », ce dont il s'agit sera généralement jugé clair. Seules les sociétés commerciales et civiles (immobilières, foncières, professionnelles) ont un capital. **Tout placement en bourse n'est pas toujours en capital**, notamment du fait des obligations cotées, et **tout placement en capital n'est pas forcément en bourse non plus qu'en actions négociables**. La distinction entre parts de capital, ou actions, selon qu'elles sont négociables ou restituables, reste à vulgariser et mieux exploiter bien qu'elle soit largement pratiquée (société anonyme ou à responsabilité limitée *versus* société coopérative à capital variable, notamment). La distinction entre capital et quasi-capital est encore moins connue, bien que fort importante.

Un poète a prévenu : « L'Art est long et le Temps est court. »¹¹⁹. Nous affuterons notre stratégie économique en nous concentrant sur ce « premièrement » et ce « deuxièmement ». À l'aune du temps long, bien des menées apparaîtront, à coup sûr, comme des poussées de fièvre idéologique ne remédiant pas à leurs causes. Ces dernières décennies, le cap mis sur un maximum de création de valeur pour l'actionnaire et d'incessants emprunts publics pour boucler les fins de mois (ce qui est typique du surendettement) ont, entre autres, été les effets de ces poussées.

Tous les emplois rémunérés sont des échanges marchands, bien qu'ils ne se limitent jamais à n'être que ça. Depuis la nuit des temps, il est qu'apparemment avisé de toujours acheter au moins cher et de vendre au plus cher. Si ce tropisme, désastreux pour l'environnement et dommageable à la qualité de la vie sociale, justifie encore les positions que prennent les syndicats d'entrepreneurs et les groupements d'économistes les plus influents, il est grand temps qu'ils cessent de faire passer pour de la modernité de bon aloi des dérives qui ont fait un retour en force à partir des années 1980 et provoqué une réplique sévère de la grande dépression des années 1930, à peine plus de trois quarts de siècle après.

L'illusion de la compétitivité recouvrée par de la baisse du coût du travail, comme par de la dépréciation monétaire, masque le fait qui conduit à l'entretenir. Un précepte de la sagesse marchande prescrit : « Vendre des produits qui ne reviendront pas, à des clients qui reviendront ». Le fait, à ce jour encore masqué, est l'application trop peu capitalisée de ce précepte. Ce trop peu, par les étroitesse de fonds de roulement qui en résultent, rend les échéances souvent si stressantes que la baisse du coût du travail devient une obsession apaisante. Ce n'est pas alors davantage de crédits, surtout à court terme, qui desserre durablement l'étreinte. Il y faut la thérapie systémique du « premièrement » et du « deuxièmement ».

2) Les vraies lois économiques de l'emploi et de ses prix restent exclues des doctrines qui font le plus autorité, en notre pays comme ailleurs dans le monde. Notre peu d'empressement à la concentration de nos efforts sur la thérapie du « premièrement » et du « deuxièmement » vient beaucoup de là.

La relation principale entre l'état actuel et l'état futur de l'emploi passe par les bénéfices distribués en échange des mises en capital pour le financement permanent des entreprises. Mais les conditions de plein exercice de cette [relation](#) sont contraires aux atavismes qui scellent nos préjugés. C'est pourtant quand elles sont entièrement satisfaites que l'augmentation du stock national de capital entraîne l'augmentation nécessaire du stock d'emplois pérennes.

Quant aux prix de l'emploi, c'est-à-dire aux wages, toutes sortes de rémunération du travail comprises, ils continuent à faire l'objet de deux mystifications. Leurs inégalités proviendraient de déterminants qui régiraient la formation de tous les prix. En réalité, ces inégalités ont pour spécificité d'être des clés de répartition du revenu total du travail. Par ces clés, le corps social est en mesure de participer au paramétrage de l'économie. La

¹¹⁹ Baudelaire, dernier vers de la première strophe du onzième poème des *Fleurs du mal*, *Le Guignon* — autrement dit la guigne, la malchance, la poisse.

manière la plus juste de gérer collectivement les rémunérations du travail, nation par nation, prend appui sur cette reconnaissance. Toujours plus de redistribution via les finances publiques dédouane des responsabilités, bureaucratise à l'excès, n'élimine pas les inégalités destructrices de cohésion sociale. Assumer la répartition du revenu total du travail par les égalités et inégalités de wages rend la renonciation à ce toujours plus recevable.

Les wages, officiellement qualifiés de bruts, d'où résultent les nets après soustraction des cotisations officiellement réputées salariales, seraient les prix du travail. Les additions à ces bruts des cotisations officiellement réputées patronales détermineraient les coûts du travail. Ces coûts seraient comprimés à la base de la pyramide des frais de personnel afin d'améliorer la compétitivité. En vérité, les officialisations dont il vient d'être question sont des jeux de langage mensongers. Le prix et le coût du travail ne font évidemment qu'un : le wage entier, autrement dit complet, celui qui, après entrée en vigueur du déversement des cotisations patronales dans les cotisations salariales, deviendra le brut. Car en fait, les cotisations patronales sont salariales, entièrement salariales... comme le wage complet est aussi entièrement patronal !

Oui, réformons le marché du travail, mais d'abord par l'abolition de la [fiction des cotisations patronales](#). Alors ce marché sera enfin régulé par ses véritables prix, devenus plus aisément et exactement comparables. Dans la foulée, ceci va avec cela, réorganisons le financement et la gestion des protections économiques dites sociales, où les employeurs, en tant que tels, usurpent le patronage qu'ils s'y sont taillés et où se brassent des sommes d'argent colossales tout en fournissant une grande quantité d'emplois directs et indirects. Dès l'abolition officielle de la [fiction des cotisations patronales](#), la demande de la baisse du coût du travail apparaîtra au grand jour pour ce qu'elle est : celle d'un délestage en charges publiques d'une partie du prix du travail, au mépris de ce qu'y perdent d'indispensables autorégulations mutualistes. Au mépris également, d'une manière tout aussi pernicieuse, de la difficulté accrue d'établir le plus important résultat budgétaire chroniquement excédentaire, celui dont le « deuxièmement » explique ce qu'il est et pourquoi cet excédent, plus souvent que du déficit, peut et doit aller de pair avec un haut niveau d'investissements publics des explications qui sont autant d'éléments d'instruction civique destinés à mieux éclairer les électeurs sur ce qu'ils ont à juger.

3) Lier la croissance et la compétitivité à la précarisation de l'emploi et à la baisse du coût du travail contrevient à l'émergence d'une volonté collective. Quoi qu'en disent les détracteurs de toute forme d'économie de marché, l'une est la plus appropriée à la maximisation du revenu total du travail sous contrainte de la suffisance, au regard de l'état de l'emploi notamment, du rendement moyen du placement en capital¹²⁰.

Sur le point crucial de la répartition générale des revenus, il ne restait somme toute à la théorie économique qu'à bien expliquer la maximisation, dont l'entrée en vigueur est devenue manifeste, rétrospectivement, à partir de la première révolution industrielle. C'est maintenant chose faite, grâce à [la règle de trois la plus universelle qui régit les échanges marchands](#). Il est dans la nature du revenu total des placements de pouvoir être suffisant,

¹²⁰ Tant que le sous-emploi structurel progresse, élévation de plus en plus prononcée du rendement moyen du placement en capital ; dès que le plein-emploi structurel se rapproche, baisse asymptotique de ce même rendement.

et dans celle du revenu total du travail de ne jamais l'être. D'une façon certaine, **la maximisation du revenu total du travail se peut et se doit.**

Ce n'est, cependant, qu'à toute une série de conditions que la volonté de cette maximisation est la plus efficace. Les investissements sont au premier rang de ces conditions. Ils démultiplient d'autant plus l'activité économique qu'ils sont financés au mieux. Le meilleur financement des investissements publics se fait au moyen des livrets dûment rémunérés du trésor public, détenus par un grand nombre de particuliers et par des associations non commerciales, ne servant qu'exceptionnellement à compléter les impôts pour payer les charges de l'exercice budgétaire en cours. Le meilleur financement des investissements des entreprises est par émissions de parts de capital, ce qui n'est attrayant et équitable que si ces parts rapportent du dividende quand il y a du bénéfice.

Le déploiement de ces financements n'a rien d'une sinécure. La flexibilisation du marché du travail, élevée au rang d'une panacée, réduit l'efficacité de l'introduction dans le bien commun de la maximisation du revenu total du travail. Il en va de même du déversement en charge publique d'une partie des wages complets du secteur privé. Un autre grossissement va dans le même sens, avec les chutes qu'il provoque ou rend plus lourdes : celui de l'industrie bancaire alimentée par les entreprises de tous secteurs d'activité insuffisamment capitalisées, par les surendettements publics massifs et par le dopage monétaire encore plus massif afin d'éviter de la déflation, mais moyennant de l'inflation nichée qui gonfle des bulles spéculatives dont l'un des effets les plus préjudiciables est l'augmentation des prix immobiliers, loyers compris, plus rapide que celle du revenu total du travail.

La stratégie du premièrement et du deuxièmement est grosse de davantage de bienfaits qu'il en apparaît à son premier examen. Des appareils et des corporations n'y verront pas moins, vite et justement, des atteintes à leurs pouvoirs, au point de se dépenser beaucoup afin qu'elle ne soit jamais non seulement appliquée mais même académiquement étudiée.

4) En attelant mieux nos idées économiques à nos aspirations civiques et inversement, nous œuvrons obstinément. « Pour soulever un poids si lourd, / Sisyphe, il faudrait ton courage ! / Bien qu'on ait du cœur à l'ouvrage, / L'Art est long et le Temps est court¹²¹ ». En attelant mieux nos idées, nous œuvrons tant à l'essor de notre prospérité qu'à la pacification du monde par la victoire de la coalition des nations démocratiques. Pour cet accomplissement herculéen, cette coalition devra, de haute lutte tant en son sein qu'avec ses adversaires, satisfaire les aspirations des peuples qui la constituent pour enfin parvenir à extirper les monnaies des arsenaux d'armes offensives et défensives, ce qu'elles sont depuis Crésus au moins.

Tout esprit voit la nécessité de cette conquête, après avoir assez profondément et indépendamment réfléchi aux conditions durables du commerce international équitable, de l'assainissement de l'environnement prescrit par les écologues et de plus en plus nécessaire, de la paix entre les nations et à l'intérieur de chacune. *Si vis pacem, para bellum*, « si tu veux la paix, prépare la guerre ». Préparons et faisons la guerre sur tous les fronts où il nous faut lutter de façon cohérente pour éviter les victoires à la Pyrrhus, telles celles de la finance à

¹²¹ Baudelaire, *Le Guignon*, première strophe

base de titrisations, dérivés, cotations en continu, surendettements publics et dopages monétaires. Faisons la richesse moins arrogante et la pauvreté moins frustrante. Hissons nous les uns les autres à l'approbation de la stratégie économique et géopolitique du « premièrement » et du « deuxièmement », afin que des gouvernements qui la mettent continument en œuvre deviennent moins improbables.

Cleaning up the capital market

So long as [surplus-value capitalism](#) continues to prevail over [Yield Capitalism](#), four actions to clean up the capital market are required:

- 1) Introduce three advertisements and two series of statistical analysis on profitability and enterprise financing.
- 2) Reduce the rate of tax paid by enterprises on their distributed profits until this rate is zero.
- 3) Establish quasi-capital ceilings and then gradually lower them.
- 4) Disaggregate and prevent concentrations that stand in the way of equalizing the profitability of the same systemic level.

The social utility and systemic solidity of the capital market require two advances in the general organization of this market. One is to generalize the full distribution of profits, after employee profit-sharing: the full shareholder exchange. The other takes advantage of the lower costs of data capture, processing and dissemination to increase the holding of registered shares by individuals and private non-commercial associations.

The fight against unemployment is based on the valorization of [Yield Capitalism](#) to the detriment of [surplus value capitalism](#). Both of these forms of capitalism configure the dominant mentalities differently, in terms of entrepreneurship and patrimonial assets, as well as wages and taxes, in particular.

6. Implement three advertisements and two sets of statistical analysis on profitability and enterprise financing.

- 1) **Faire de la VEPA, [valeur exploitée par action](#), une obligation de publicité.** Cette valeur est le quotient de la division du [capital, réserves et report à nouveau compris](#), par le nombre de [parts sociales](#), autrement dit par le nombre d'actions¹²².

Françoise et François achètent des [actions négociables](#) de la société S. Ces parts ont été détenues, depuis leur émission, par au moins un précédent actionnaire. Le prix d'achat est de 70 € par action. Combien de ces 70 € sont exploités par la société S ? Peut-être d'assez à très nettement moins ou plus que la VEPA.

Le concept de [capital exploité](#) vaut tant pour les [actions négociables](#) que pour les [actions restituables](#), coopératives comprises. Pour les actions cotées en bourse, la VEPA participe à l'assainissement du marché en constituant la base de calcul du [rendement](#) de leurs détentions, ce rendement devenant alors exactement **comparable** avec celui des actions négociables non cotées comme avec celui des [actions restituables](#)¹²³.

¹²² Il reste encore idéologiquement tabou de dire que certaines parts de capital sont des actions. Passons outre.

¹²³ Ce rendement, en l'occurrence une [rentabilité](#), est distinct de toute [plus-value](#) ou moins-value. La rentabilité d'un loyer pour le loueur d'un bien immobilier ou mobilier est distincte de l'éventuelle plus-value ou moins-value que procure la vente du bien, laquelle vente mettra fin à ce gain — à cette rente au sens premier du mot.

- 2) **Faire du TADD, taux annuel de dividende, le pendant du TAEG, taux annuel effectif global d'un crédit.** Comme la base 100 du TAEG est le principal du prêt, la base 100 du TADD est la VEPA (voir ci-dessus).

Le TAEG, institué par une directive européenne, figure désormais sur les publicités et offres préalables de crédit. Les dividendes resteront annoncés et servis sans indication d'un taux de rentabilité, tant que la publicité du TADD n'aura pas été, elle aussi, rendue obligatoire. La comparabilité des offres de crédit importe, d'où le TAEG. La comparabilité des rentabilités des placements en capital social importe tout autant, afin de pourvoir notamment à la coexistence et au concours de ces placements, selon qu'ils sont en actions négociables ouvrant droit à la réalisation d'une plus-value en cas de cession, ou bien en actions restituables n'ouvrant pas ce droit, mais elles aussi susceptibles d'être protégées contre l'érosion monétaire, au moyen de la distribution gratuite de parts sociales suite à une réévaluation de bilan.

- 3) **Faire du NTDC, nouveau taux de capitalisation, une publicité à laquelle toute société commerciale ou civile¹²⁴ doit procéder.** Les bilans d'ouverture d'exercice synthétisent les situations financières des entreprises à ces dates.

D'ouverture d'exercice en ouverture d'exercice, la situation financière d'une entreprise est nouvelle, même si elle est sans grand changement par rapport au précédent début d'exercice. Dans ce qui caractérise cette situation, il y a notamment le rapport entre la situation nette, autrement dit le haut de bilan côté passif, et le total du passif, somme de la situation nette et de toutes les dettes¹²⁵. **C'est ce rapport que nous appelons taux de capitalisation.**

Aucune valeur absolue n'est significative de la structure du financement d'une entreprise. C'est pourquoi la publicité du montant du capital n'est pas significative. Elle le devient bien davantage, pour les créanciers et tous les autres fournisseurs dont les actionnaires et les salariés, quand elle est accompagnée de la publicité du nouveau taux de capitalisation.

- 4) **Les TADD se prêtent à leur analyse statistique.** N'entrons pas ici dans la spécification d'une telle analyse mais notons que deux de ses résultats peuvent et doivent être 1) ce qui est appelé, au chapitre 10 des propositions premières de science économique, le Taux Moyen National de Profit, TMNP, 2) son évolution dans le temps, corrélée à la variation du taux de chômage.

Ces deux résultats, et d'autres totalement ou partiellement de même source, font partie de ce qu'une bonne politique économique ordonne de rendre ou de continuer à rendre public, en veillant à ce que les médias répercutent cette information, tant qu'elle est jugée trop spécialisée pour être portée à la connaissance du grand public. S'en abstenir est systématiquement fautif. Cette abstention signifie, en effet, l'absence de volonté de faire jouer au plus important taux de profit, le TADD, son plein rôle de : 1) stimulateur et orienteur des placements d'épargne en capital ; 2) de régulateur des prix auxquels les entreprises vendent, ces prix n'étant des actes de justice commutative que lorsqu'ils ont pour effet de réduire

¹²⁴ Sociétés civiles immobilières, agricoles, professionnelles, notamment en droit français des sociétés.

¹²⁵ Dont les dettes par émission d'obligations.

constamment les rentabilités de même appartenance¹²⁶. L'entrepreneuriat, quand il déconseille l'activation de ces stimulations, orientations et régulations, ne tient compte que de ses intérêts et habitudes. L'intérêt général commande d'autant plus de passer outre que, ce faisant, la marche générale des affaires en vient à être mieux assurée et le niveau de chômage structurel plus bas.

- 5) Les NTDC se prêtent à leur analyse statistique. N'entrons pas ici dans la spécification d'une telle analyse, mais notons que deux de ses résultats peuvent et doivent être : 1) ce qui est appelé, au chapitre 10 des propositions premières de science économique, le Taux Moyen National de Capitalisation, TMNC, 2) son évolution dans le temps, elle aussi corrélée à la variation du taux de chômage.

Ces macro-résultats font également partie de ce qu'une bonne politique économique ordonne de rendre ou de continuer à rendre public, en veillant à ce que les médias répercutent cette information, tant qu'elle est jugée trop spécialisée pour être portée à la connaissance du grand public. Là aussi, ne pas faire usage de ce moyen de politique économique est systématiquement fautif. Une élévation du stock national de capital plus faible que celle de l'endettement des entreprises est non seulement financièrement dangereuse, mais aussi défavorable à l'élévation du stock d'emplois durables. Les syndicats de salariés sont davantage au service de leurs adhérents que de leurs éventuels partis pris idéologiques quand ils poussent à l'élévation du taux moyen national de capitalisation, avec d'autant moins d'aversion pour la hausse de la masse des dividendes que la masse des frais financiers des entreprises s'en trouvera réduite et la masse des wages, d'abord non pénalisée, augmentera encore plus vite que celle des revenus de placement¹²⁷.

7. Progressively reduce the tax rate on enterprise distributed profits until it is eliminated.

- 6) It is a question of dividends here, not of surplus value. An economist, modern finance expert, researcher, and university professor, publicly stated in the early 2010s¹²⁸ :

« Deuxième raison, c'est que depuis plus de quinze ans maintenant, sur les marchés financiers, il y a cette espèce de diktat qui voudrait qu'une entreprise qui ne rapporterait pas 15 % de rendement sur actions par an serait une entreprise qui ne vaut pas grand-chose. Lorsque vous avez des liquidités monétaires qui circulent sur la planète, pourquoi voudriez-vous qu'elles aillent s'investir dans l'économie réelle, chez nous, dans nos PME par exemple, alors que sur les marchés financiers, elles ont des rendements de 15 % par an ?? En fait, si l'on regarde de plus près, les rendements sont même beaucoup plus importants : il y a ce que l'on appelle l'effet de levier, c'est à-dire ce que vous pouvez gagner avec un apport en capital faible et en empruntant de

¹²⁶ Dans la partie Science économique, le chapitre 11, Les prix, établit la normalité de cette réduction permanente en économie de marché, participant ainsi à la démonstration que cette économie est, à certaines conditions, un instrument très perfectionné de justice commutative.

¹²⁷ Chapitre 8, La répartition

¹²⁸ Cet économiste est Français ; l'intervention dont est extrait le paragraphe reproduit sans aucune altération ou omission, a été prononcée en français.

l'argent. L'effet de levier est encore bien supérieur à 15 %. Vous avez des effets de levier de 100, 150 % : c'est énorme ! »

Ne pas s'y laisser prendre s'impose. Le rendement d'un placement est une chose, le financement de ce placement et la plus-value ou moins-value à la liquidation du même placement en sont deux autres.

Certes, le mixage de ces trois choses rapporte énormément, le cas échéant. Il n'empêche que ce mixage n'autorise en aucune façon à proférer des contrevérités. Quels sont les portefeuilles d'actions qui ont rapporté ces dix dernières années un dividende moyen de 15 % l'an ? Quels sont également ceux qui, sur la même période, ont procuré un dividende moyen de 6 à 9 % l'an ? Le diktat des 15 % et davantage a des motifs on ne peut plus manifestes. Par rapport au capital et par an, un excédent brut d'exploitation de 15 % ou plus du capital et une distribution de dividendes de 3 à 5 % laissent une marge qui permet au top management d'obtenir du conseil d'administration de très hautes rémunérations. De plus, ceci aide cela, la dissolution des parts relatives de propriété est plus facile à éviter ou à limiter au moyen de l'autofinancement par les bénéfices non distribués. Cela fait deux contraventions à la normalité économique, dissimulées par l'ingénierie financière au service de l'extension du capitalisme de plus-value par l'éradication du capitalisme de rendement¹²⁹.

- 7) **Soit E une entreprise constituée en société.** Dans ce qui suit, ce qui vaut pour E vaut pour toutes les entreprises constituées en société, y compris pour celles dont le capital est entièrement constitué d'actions restituables (coopératives comprises, donc).

¹²⁹ L'extension du capitalisme de plus-value au détriment du capitalisme de rendement a égaré Peter Manent quand, autour de l'an 2000, il a invité ses étudiants de l'Institut d'études politiques de Paris à se rappeler « comment l'accroissement prodigieux de la capitalisation boursière semblait ces dernières années en voie de reconstituer cette classe des rentiers que les progrès de l'industrie et de la démocratie paraissaient avoir condamnée » (*Cours familier de philosophie politique*, Gallimard collection Tel, p. 69). Ce fut une contribution au colportage de l'amalgame de la rente à la plus-value. L'accroissement de la capitalisation boursière est produit, et en retour produit, de la spéculation destructrice de bien commun. Cette spéculation, surajoutée par des fonds de pension à la spéculation dont la contribution sociale est positive (en tendant simultanément à avoir un rendement de père de famille et de veuve de Carpentras), procure de la rente à des gens arrivés au terme de l'exercice à plein temps d'une activité professionnelle. La croyance que « les progrès de l'industrie et de la démocratie » ont pour effet d'éradiquer la « classe des rentiers » appartient entièrement à la pseudoscience économique, pour trois raisons :

I/ L'économie politique ne peut être objective que moyennant le remplacement de la distinction de classes sociales par celle de rôles, le même individu, et à plus forte raison le même ménage, assurant plusieurs rôles que l'impartialité n'autorise pas à désirer que l'un soit sacrifié au bénéfice de l'autre (par exemple, un salarié et actionnaire ne doit pas normalement percevoir pour chacun de ces titres des rémunérations qui se compensent, non plus qu'à voir ses prérogatives réduites ou augmentées dans l'un de ces rôles à cause de l'autre rôle).

II/ Chacun de ces rôles est un moyen d'exercice de la démocratie économique.

III/ Dans toutes les catégories socioprofessionnelles, des patrimoines trop faiblement constitués de placements en parts de capital qui rapportent des dividendes, à savoir de la rente proprement dite, desservent « les progrès de l'industrie et de la démocratie ». La démocratie, au moyen de deux faits :

le choix de tel placement plutôt que de tel autre est le pendant économique de la voix exprimée dans les élections au suffrage universel ;

aux placements en parts de capital sont attachés des droits de vote, droits dont il est tout à fait logique que, même en milieu coopératif où le nombre de parts par sociétaire est statutairement plafonné, l'un possède n fois plus de parts qu'un autre a n fois plus de voix que cet autre.

Le TADD, taux annuel de dividende tel que ci-dessus défini n'est que l'une des deux valeurs relatives les plus importantes en matière de distribution de bénéfices aux détenteurs de parts de capital. L'autre est la part du bénéfice distribué par rapport au bénéfice total.

Disons de cette part qu'elle est le TIDD, taux interne de dividende : bénéfice distribué aux détenteurs de parts de capital par rapport au bénéfice total.

- 8) **Ces deux taux sont d'autant plus calamiteux qu'ils s'approchent de zéro.** Or le contraire est souvent soutenu aujourd'hui quand E est une société par actions négociables et que les perspectives de plus-value de cession de ces actions sont positives.

Il y a beaucoup d'objections à la préférence pour le capitalisme de plus-value au détriment du capitalisme de rendement. Mettons-en ici deux en avant : le capitalisme de plus-value ne peut pas être universel ; les technostructures qui jouent la carte de la plus-value au détriment du rendement privilégient leurs intérêts en couvrant d'un voile pseudo rationnel un mode économiquement immature de gestion d'entreprise.

- 9) **La raison principale pour laquelle le capitalisme de plus-value ne peut pas être universel est expérimentalement établie.** Avec l'extension de ce capitalisme vient l'alternative compensatrice du secteur, gauchement appelé en France, de « l'économie sociale et solidaire ».

Ce n'est pas pour autant que prévaut spontanément, dans ce secteur, la reconnaissance que les dividendes sont des contreparties, équitables dans leur principe, du placement d'épargne en parts de capital. De même, ce n'est pas spontanément que la restitution dans de brefs délais aux sociétaires qui le demandent d'une partie ou de la totalité de leur mise de fonds est assumée. En outre, l'épargne ainsi placée n'est éthiquement gérée qu'en comportant une protection au moins partielle contre l'érosion monétaire par des distributions d'actions gratuites aux sociétaires.

- 10) **L'autofinancement par bénéfices non distribués est dans son principe économiquement immature.** Pour n'importe quelle entreprise E constituée en société, il est de fait ou statutairement admis que ses dirigeants ont ou n'ont pas à forcer la main des apporteurs en capital.

L'autofinancement par bénéfices non distribués force la main des apporteurs de capital en leur tenant implicitement ce propos : « Si après cette distribution, rien ne reste dans le pot commun, il faudra émettre de nouvelles parts de capital afin de pourvoir au développement de l'entreprise et à ses inévitables reconversions, plus ou moins complètes ». En conséquence de cette ligne de conduite, les actionnaires actuels et potentiels perçoivent moins concrètement la rentabilité de ce placement. Or l'argent non distribué appartient aux actionnaires qui, s'ils en touchent toute la part leur revenant, sont dans l'ensemble plus disposés à remettre au pot.

- 11) Le prix moyen effectif, année après année, du placement en capital est le taux annuel de dividende, et non pas une abstraction statistique. Or voici qu'aujourd'hui, encore plus qu'auparavant, il reste très couramment admis que ce prix soit arbitrairement minoré par les conseils d'administration.

Comme dans le réel économique, il existe des [wages entiers](#) — somme du traitement net et de toutes les cotisations dont chaque wage est l'assiette, cotisations artificiellement dites patronales comprises —, ainsi que des [dividendes entiers](#). Tenir à l'arrière-plan les [wages entiers](#) entrave une régulation économiquement logique. Parallèlement, tenir à l'arrière-plan les dividendes entiers entrave la régulation des [stocks nationaux de capital](#) afin de les porter aux niveaux requis par le plein-emploi [chapitre 7 – L'emploi](#).

- 12) Tant que les [dividendes entiers](#) ne seront pas plus usuels que les dividendes arbitrairement minorés, relever les taux de bénéfices distribués aux placeurs en capital n'exigera pas une hausse générale des marges des entreprises. Ce relèvement-là n'exigera donc pas une pression à la baisse sur le niveau général des wages réels (pouvoir d'achat), au contraire de ce que fait inévitablement le sous-emploi structurel croissant.

En revanche, on ne voit pas comment ce relèvement pourrait se produire, dans bien des pays, principalement par empirisme. Les distinctions généralistes entre [capitalisme de plus-value](#) et [capitalisme de rendement](#), dividendes partiels et dividendes entiers, échanges pléniers et échanges arbitraires¹³⁰, sont des points de repère d'action. Sans eux, c'est comme faire la morale à un moteur qui fonctionne mal qu'on essaye de rendre l'économie plus normale.

- 13) **Qu'entraîne une baisse du taux d'impôt payé par les entreprises sur leurs bénéfices ?** L'une des conséquences les moins négligeables est la réduction d'une rentrée fiscale.

Dans une économie nationale en bon état, les recettes fiscales couvrent la totalité des charges publiques, amortissements de la dette compris¹³¹. Jusqu'à ce que le vrai résultat budgétaire, différence entre les recettes et les charges publiques, soit de nouveau structurellement excédentaire, la réduction d'une rentrée fiscale est en règle générale à compenser par l'augmentation d'une autre. Une politique budgétaire qui n'a pas pour but [l'excédent chronique des recettes sur les charges](#) dans l'ensemble du secteur public non marchand infantilise les citoyens, car tout compte fait, à long terme, davantage de prospérité pour tout un chacun dépend de l'atteinte de ce but¹³².

¹³⁰ Arbitraires sur le marché du travail par les cotisations patronales, arbitraires sur le marché du capital pour autofinancement par [bénéfices non distribués](#), arbitraires sur les marchés où les entreprises font leurs ventes et leurs marges par moult procédés de promotion commerciale (dont les cadeaux, qui n'en sont pas) et de plus en plus jusqu'à présent partout avec des prix de moins en moins comparables. Davantage de vraie concurrence, exclusivement dans un contexte de mondialisation, est très douteux, surtout en régime de taux de change volatils et de priorité donnée à la [plus-value](#) sur le [rendement](#).

¹³¹ Ces amortissements sont les intérêts à payer aux prêteurs augmentés des remboursements de principal emprunté. Quand les recettes fiscales couvrent la totalité des charges publiques, amortissements de la dette y compris, le nouvel endettement public ne sert plus qu'au financement des investissements publics. En matière de finances publiques, comme dans la gestion d'une association privée, quel que soit son but, la compression des charges ne passe pas nécessairement par la diminution des investissements. En théorie et en pratique, la distinction entre charges et investissements est aussi fondamentale que celle, plus large, entre flux et stocks. Un élu qui dit « Il faut que nous réduisions les dépenses publiques, donc que nous en passions, pour un temps, par de moindres investissements publics » tient un propos fallacieux.

¹³² Atteindre ce but en focalisant l'action publique sur la majorité la moins fortunée pour ce qui est du « davantage de prospérité » ? Et, ou d'abord, en renforçant les secours publics aux plus démunis ? Le resserrement de la [fourchette](#) entre les plus hauts et les plus bas wages nets d'impôt sur le revenu, ainsi qu'entre les plus hautes et les plus basses [retraites par répartition](#) également nettes d'impôt sur le revenu, ne

- 14) Tant que les entreprises sont assujetties au paiement d'un impôt sur leurs bénéfices, est-il judicieux que ce soit au même taux selon qu'il s'agit des bénéfices distribués ou non distribués ? Inciter à la distribution du moins possible des bénéfices des entreprises, ou au contraire du plus possible, est un choix essentiel de politique économique, à cause des régulations et des stimulations qui s'en trouve entravées ou libérées.

Les tenants du « moins possible » sont souvent partisans d'une imposition payée par les entreprises sur leurs bénéfices à un taux **majoré** pour le bénéfice **distribué** et **minoré** pour le bénéfice **non distribué**. Les tenants du « plus possible » font le choix inverse d'un taux **minoré pour la tranche distribuée**, et **majoré pour la tranche non distribuée**. Aujourd'hui, parmi ceux qui se prononcent clairement en faveur de l'une ou l'autre de ces options, les tenants du moins possible de bénéfice distribué sont de loin les **plus** nombreux, bien que pour des motifs divergents.

- 15) **Quels sont les arguments des tenants du moins possible de bénéfices distribués aux actionnaires ?** Les bénéfices non distribués aux actionnaires sont une source d'autofinancement s'ajoutant aux amortissements d'actifs et aux abondements de provisions obligatoires ou exceptionnelles.

Parmi les tenants du moins possible de bénéfices distribués, les uns le font surtout parce qu'il leur paraît que c'est socialement juste : selon eux, « l'enrichissement en dormant » est plus à contrarier qu'à favoriser, les bénéfices des entreprises ne devenant à leurs yeux moralement positifs que s'ils participent le plus vite possible au financement d'investissements et de créations d'emploi. Pour d'autres, l'option du plus possible d'autofinancement par les bénéfices non distribués s'impose parce qu'il est dans la logique de la maximisation de la plus-value tout en réduisant, ou en évitant, la dilution des parts relatives de copropriété des sociétés non coopératives ¹³³. S'ajoute à cela que l'autofinancement par les bénéfices non distribués ouvre une large fenêtre à la bonification des plus hautes rémunérations de l'encadrement dirigeant : « Grâce à nous, l'excédent brut d'exploitation après dotations aux amortissements d'actifs est monté (va monter) à 15 % du capital, ce qui, compte tenu de dividendes à hauteur de 3 à 5 % de la même base, dégage un résultat après impôt du double au moins, résultat sur lequel une part substantielle nous

ressort pas de ce qu'il incombe à une politique budgétaire de produire. L'élévation plus rapide de la prospérité de la majorité la moins fortunée que celle de la minorité la plus fortunée s'obtient mieux en sériant les responsabilités naturelles des différents rôles économiques qu'en croyant ou laissant croire qu'il suffit de prendre aux plus fortunés pour le redistribuer aux moins fortunés. Or cette croyance, réelle ou feinte, joue un grand rôle dans l'accréditation par l'opinion publique du principe même du paiement par les entreprises d'un impôt sur leurs bénéfices. Cet assujettissement n'en est pas moins contreproductif, alors qu'il est à distinguer du prélèvement fiscal entre les mains des titulaires de revenus de la propriété, faute de quoi trop peu d'efforts sont faits pour sérier les rôles économiques — ceux des entreprises comme ceux des particuliers et d'associations privées non commerciales qui 8placent en capital des entreprises sont notamment différents. L'accréditation par l'opinion publique du principe même du paiement par les entreprises d'un impôt sur leurs bénéfices reculera quand il sera devenu courant d'expliquer pourquoi cette pratique nuit au plein-emploi, n'accroissant que de façon illusoire les fonds publics allouables aux secours des plus démunis et à d'autres œuvres d'enrichissement collectif.

¹³³ La fraction du capital fournie par un seul sociétaire à une coopérative est statutairement plafonnée, généralement sous la forme d'un nombre maximum de parts par sociétaire.

revient »... cqfd ! — cette argumentation est également utilisable quand la société est coopérative.

- 16) **Quels sont les arguments des tenants du plus possible de bénéfices distribués aux actionnaires ?** Ce sont les considérations qui conduisent à la préférence pour le capitalisme de rendement, par distinction d'avec la priorité donnée à la plus-value, inévitablement créditiste afin d'alimenter notamment les développements et les acquisitions d'entreprises par effet de levier¹³⁴.

Tous les économistes s'accordent justement à considérer que les wages et les taux d'intérêt sont des prix. En revanche, encore peu nombreux sont ceux qui voient également un prix dans un taux de dividendes — ce taux, par rapport au capital dont les dividendes rémunèrent la fourniture et procurent en échange son rendement effectif. Ne pas reconnaître ce qui est pourtant on ne peut plus factuel, évite de constater une anomalie très lourde de conséquences : le prix du placement en capital est aujourd'hui administré, forcé ; il n'est pas aussi fluctuant que doivent l'être les impulsions en entrée et en sortie d'un régulateur systémique ; il fait un prétendu capitalisme dont les taux directeurs sont d'intérêt et non pas de profit, ce qui en soi est contradictoire¹³⁵. Car les conseils d'administration s'entendent tacitement pour maintenir les dividendes à des niveaux et selon des lissages cohérents avec la théorisation qu'ils accréditent. Or dans cette théorisation, il y a le plus possible de gain dès lors qu'il passe à portée de main, en conséquence de quoi il n'y a pas le profit ramené à son statut de terme d'un échange marchand et alimentant les régulations EPCE et RPP' du générateur de richesse économique.

- 17) **À quelles conditions les actions d'épargner et de placer sont-elles des prérogatives que la société civile exerce librement ?** N'apportons ici que la réponse fiscale, non sans toutefois d'abord noter que : 1) tout montant d'épargne placée participe au moins autant au soutien de l'activité économique que le même montant alloué par son propriétaire à un achat d'un produit de consommation ou d'équipement ; 2) l'exercice par les particuliers et les fondations (entre autres associations à but non commercial) de leurs prérogatives d'épargnants et de placeurs relève d'une liberté d'autant plus manipulée par la puissance publique que le législateur a cru bon d'instaurer des bonifications et des pénalisations fiscales qui, outre leurs coûts de gestion, déforment inégalement ce que ces placements rapportent *in fine*, contribuant de la sorte à rendre encore plus arbitraire le prix dont le précédent paragraphe fait état.

Quand le barème d'imposition des revenus est le même selon que ces revenus sont du travail ou de placement, des considérations fiscales interviennent d'autant moins dans les

¹³⁴ Un leveraged buyout, LBO, consiste à financer une large fraction du rachat d'une entreprise par de l'endettement bancaire ou obligataire. Les intérêts et les remboursements du principal de cet endettement sont alors ponctionnés sur la trésorerie de l'entreprise rachetée. Avec les nombreux équivalents à des fins boursières et les surendettements publics, la survenance de crises financières engendrant des crises économiques est rendue inéluctable. Ce sont ces crises qui régulent le libéralisme créditiste, mais moyennant des dégâts sociaux.

¹³⁵ Il n'y a vraiment capitalisme que lorsque la fraction des ressources financières des entreprises (de leurs passifs, donc) constituée par des mises en capital est généralement supérieure à celle du crédit sous toutes ses formes (obligations comprises). Or la contrepartie logique de ces mises est la distribution de profits alors que la rémunération du service du crédit est assurée par l'acquittement d'intérêts. En vrai capitalisme, le grand taux directeur est normalement de profit et non pas d'intérêt. En créditisme, c'est le contraire.

décisions de placement prises par les particuliers et les associations privées non commerciales que le barème en vigueur n'est plus qu'un seul taux (*flat tax*). Réduire le taux de l'impôt payé par les entreprises sur leurs bénéfices, et à plus forte raison en arriver à supprimer cet impôt, est compensable par davantage de recette fiscale provenant de l'impôt sur les [revenus de placement](#).

- 18) En réalité, l'impôt payé par les entreprises sur leurs bénéfices n'est pas durablement à la charge des entreprises. En effet, si cet impôt est par exemple du tiers ou du quart des bénéfices, que se passe-t-il ?

Les objectifs de bénéfice après acquittement de cet impôt sont couplés à leurs équivalents avant acquittement, ces derniers étant plus élevés du tiers ou du quart que les objectifs nets d'impôt. Les marges plus en amont de l'atteinte de cet objectif (donc, les coûts et les prix de vente) sont calibrées de telle façon qu'elles permettent d'atteindre cet objectif. Au final, et d'autant plus rapidement que l'entreprise est bien gérée, tout se passe comme si les entreprises refacturaient à leur clientèle tous les impôts auxquels elles sont assujetties. Les entreprises n'étant pas à vrai dire des sujets fiscaux, les exempter du paiement d'un impôt sur leurs bénéfices ne fait qu'éliminer un faux-semblant, une fiction qui a été fiscalement commode, mais s'est révélée contrevenir à l'intérêt général en contribuant à faire croire que ce que les entreprises paient au Trésor public soulage d'autant les citoyens, ce qui est faux, tout en incitant nombre d'entre eux à demander toujours plus de prises en charge par les finances publiques.

- 19) Un [rescrit fiscal](#)¹³⁶ sur l'imposition des bénéfices des entreprises est adressable à la société civile : les pouvoirs publics s'engagent à supprimer et à maintenir l'[imposition des bénéfices](#) des entreprises, par une procédure que la prudence commande de ne pas assortir immédiatement d'un calendrier complet.

Au fur et à mesure que le taux de l'impôt payé par les entreprises sur leurs bénéfices distribués est baissé, jusqu'à devenir nul, le taux de ce même impôt perçu par les entreprises sur les [bénéfices non distribués](#) est relevé, jusqu'à devenir complètement confiscatoire en étant porté à 100 % pour les bénéfices après abondements exonérés de tout impôt aux réserves obligatoires. Parallèlement, le taux de l'impôt sur les revenus que constituent les bénéfices distribués est progressivement ajusté de telle façon qu'il soit au final le même que celui de la fiscalité des revenus du travail. Mais ce dispositif, surtout parvenu à son terme, contrevient au libre exercice d'un droit de propriété, ne manquera-t-on pas d'objecter. Il faudra alors rappeler, au besoin *ad nauseam*, que :

→ Les seuls propriétaires des [bénéfices](#) des sociétés commerciales (en droit ou de fait) sont leurs [actionnaires](#)¹³⁷.

¹³⁶ Voir la définition de « rescrit fiscal » sur le [site des impôts](#).

¹³⁷ Rappelons que nous appelons « actionnaire » tout détenteur d'une [part de capital](#) (social, parce qu'il est celui d'une société), que cette part donne ou non accès, au moment de sa liquidation, à de la plus-value (la seule compensation de l'érosion monétaire par des distributions d'actions gratuites n'est pas de la plus-value) selon qu'elles sont négociables ou restituables (coopératives, mutuelles : en droit français, sociétés à personnel (sociétaires) et capital variable).

- Dans le financement des entreprises, l'augmentation de la proportion de capital, et donc la baisse de la proportion de crédits, sera favorisée¹³⁸ ; ce qui, joint à une hausse du stock national de capital, aura un effet positif sur l'emploi grâce à un meilleur fonctionnement de la rétroaction EPCE.
- Le commerce interentreprises usera moins de longs délais de paiement, ce qui rapprochera davantage d'une économie au comptant, laquelle est mieux immunisée contre la propagation des difficultés de trésorerie et des dépôts de bilan. Pour l'emploi, ce n'est pas négligeable du tout.
- Par le rescrit fiscal dont la teneur vient d'être résumée, la souveraineté populaire et la puissance publique disposent du levier qui leur permet d'enclencher la transition du créditisme de plus-value, inévitablement dispensateur de sous-emploi, vers le capitalisme de rendement, plus apte au plein-emploi — capitalisme dont les coopératives font naturellement partie en économie libre, concurremment avec les autres statuts entrepreneuriaux.

8. Establish quasi-capital ceilings and then gradually lower them.

- 1) Nous appelons quasi-capital un financement permanent d'entreprise ne provenant pas directement d'au moins un épargnant. Cet énoncé n'est toutefois une définition recevable en logique des ensembles finis qu'à deux conditions.

L'une est d'admettre que n'est « permanent » que ce qui dure jusqu'à la fin (voir proposition première 5.2). L'autre condition est de convenir aussi de n'appeler « épargnants » que des individus, des familles, des fondations et d'autres associations à but non commercial.

- 2) Alors il devient évident que du financement permanent d'entreprise ne revient pas au même selon qu'il est fourni soit par des épargnants proprement dits, soit par d'autres entités. Quand l'une de ces entités devient détentrice de parts de capital (*capital*), moins de pouvoirs d'impulsion et d'arbitrage sont exercés par les épargnants proprement dits, comme indiqué dans l'argumentation de la proposition 5.5.
- 3) Pour contrer les confiscations de pouvoir et les réductions de concurrence au moyen du quasi-capital, il faut des dispositions qui restreignent l'usage de ce mode endogame de financement permanent. Une société composée de sociétés ne doit plus être vue comme étant systématiquement équivalente à une société dont les actionnaires sont des individus, des familles, des fondations et d'autres associations privées à but non commercial.

¹³⁸ Françoise et François sont actionnaires. Depuis la délivrance à la société civile du rescrit fiscal sur l'imposition des bénéfices des entreprises, ils touchent nettement plus de dividendes qu'avant, y compris en rémunération du placement en parts de capital de sociétés coopératives. De plus, la fourniture de dividendes est : 1) enfin accompagnée de l'indication d'un taux de rendement, équivalent en matière de mise en capital du TAEG en matière de crédit (voir 2.2.1) ; 2) de plus en plus souvent assortie d'une offre de souscription à une augmentation du capital. L'amélioration du rendement moyen du portefeuille d'actions de Françoise et François ne peut avoir pour conséquences que : 1) une plus grande proportion de placements en actions dans le patrimoine de Françoise et François ; 2) une facilité sensiblement accrue pour les sociétés commerciales, qu'elles soient par ailleurs agricoles, industrielles ou tertiaires, à mobiliser du capital et à créer des emplois durables ; 3) un recul du mercantilisme de plus-value par montée en puissance du capitalisme de rendement.

La différenciation est introduite quand le législateur assume la fixation de plafonds de quasi capital, par grands secteurs d'activité mais sans distinction de taille d'entreprise.

- 4) **L'endogamie par les sociétés de sociétés est réductible par l'abaissement progressif des plafonds de quasi-capital.** Ce que l'échange des mises en capital contre leur rémunération périodique rapporte au bien commun, quand l'une des deux parties est un épargnant proprement dit, s'en trouve accru.

Proportionnellement, plus il y a de droits de vote aux assemblées générales des entreprises en société détenus par les primo fournisseurs de capital, plus la population pèse davantage sur la composition des conseils d'administration et les orientations prises par ces entreprises. Quand les bénéfices, après abondements aux réserves obligatoires et intéressements des salariés, sont entièrement distribués aux actionnaires et qu'en même temps des augmentations de capital sont ouvertes, un vote de confiance supplémentaire est ajouté : son score est la quotité de l'augmentation de capital souscrite par les sociétaires qui ont touché les dividendes.

- 5) Par de moins en moins de quasi-capital, pays par pays la relation autorégulatrice entre le stock de capital et le stock d'emplois est renforcée, jusqu'à faire finalement du plein-emploi la norme et du sous-emploi l'exception temporaire.

On ne peut pas reprocher au patronat de ne pas être spontanément partisan de ce faire, réducteur de ses prérogatives. Mais c'est au service de l'intérêt général qu'œuvrent les gouvernements des nations où, notamment en matière économique, cet intérêt est assez clairement discerné par la majorité des électeurs.

9. Disaggregating and preventing mergers that impede the equalization of return on capital of the same systemic level.

- 1) Une entreprise qui dans son offre réduit volontairement la dispersion des rentabilités directes de même appartenance rapproche ses prix de vente de leurs niveaux suffisants. Comment s'apprécient ces rentabilités, qui ne sont qu'exceptionnellement des taux de marge sur chiffre d'affaires ou valeur ajoutée, et pourquoi la réduction délibérée de leur dispersion anticipe ce que la concurrence tend à établir, est exposé au chapitre 11 des propositions premières de science économique.

La rentabilité d'une entreprise juridiquement constituée est à son niveau suffisant quand sa hauteur est celle que requiert, aujourd'hui, dans le pays considéré, le rétablissement ou le maintien du plein-emploi par la rétroaction EPCE.

- 2) Pour qu'un monopole établi par le législateur vende ses fournitures au plus près de leurs prix suffisants, son autorité de tutelle ne doit pas seulement l'astreindre à dégager une rentabilité suffisante. Elle doit également veiller à ce qu'au sein de cette entreprise, l'égalisation des rentabilités directes de même appartenance soit en permanence recherchée.

Une autre condition est que l'emploi soit, dans un tel monopole, aux mêmes conditions que celles qui sont en vigueur chez la plupart des autres employeurs, par le biais de contrats

de travail qui comportent les mêmes engagements réciproques, notamment en matière de [wages entiers](#).

- 3) Supposons que les activités A et B soient exercées, pour la première fois, par une même entreprise E, [juridiquement constituée](#). La [rentabilité](#) de E reste comparable à celle de n'importe quelle autre [entreprise juridiquement constituée](#), y compris pour les monopoles établis par le législateur.

Mais la nouvelle activité A, pourtant nettement moins [profitable](#) que la nouvelle activité B, se révèle être la plus rentable des deux. Par altération de ses barèmes de prix de vente ainsi que par d'autres mesures, l'entreprise E s'ouvre la possibilité de réduire la rentabilité de l'activité A et d'augmenter celle de B. Ce faisant, E deviendra plus compétitive sur A tout en réduisant puis en éliminant le [subventionnement](#) de B par A.

- 4) Dans les pratiques constitutives de dumping, il y a celles qui consistent à vendre nettement au-dessous ou au-dessus des [prix de revient complets](#) (marge de profit incluse) qui égalisent les rentabilités directes de même appartenance. Dès lors que le cumul d'activités ou de débouchés met une entreprise en mesure d'entretenir durablement des dispersions de rentabilités directes de même appartenance, l'autorisation de ce cumul contrevient à la régulation des prix par la concurrence.

Les ententes qui ont pour objet (ou moyen) les compensations de rentabilités de même appartenance, réduisent la [concurrence](#). Les autorités de marché et les corps législatifs qui font de l'égalisation des rentabilités de même appartenance une norme de l'économie de plein échange l'admettent.

- 5) Au premier rang des [concentrations](#) les plus nocives se trouve le modèle dit de [banque universelle](#). L'agrégation à l'activité de « banque de détail » de l'activité de « banque d'investissement » n'a de sens que pour obtenir de l'ensemble une contribution à l'intérêt général supérieure à celle que l'interdiction du cumul de ces deux activités procure.

Il en va de même de l'agrégation à l'activité « banque de détail » d'un autre métier tel que celui d'assureur ou, inversement, de l'agrégation à une compagnie d'assurance, à une chaîne de magasins d'une banque ou d'un établissement de crédit :

- Si c'est pour faire produire à l'ensemble une rentabilité supérieure à la rentabilité moyenne qui serait celle de ces activités quand le législateur les rend non cumulables, ce ne peut être que par du dumping institutionnalisé en faisant obstruction à la loi de marché de la [tendance à l'égalisation des rentabilités directes de même appartenance](#).
- Avec la recherche de profits très élevés au moyen des cumuls de métiers propres à la [banque universelle](#), viennent inévitablement le brouillage des risques et l'opacité organisationnelle qui résultent d'une gouvernance calamiteuse¹³⁹.

¹³⁹ « Brouillage des risques » et « opacité organisationnelle » sont deux expressions utilisées par Armand Hatchuel, professeur à Mines Paris Tech, dans sa chronique publiée par *Le Monde* du mardi 15 juillet 2014 *BNP Paribas, la débâcle de la gouvernance*.

- Il est particulièrement inconséquent de laisser un réseau de banques coopératives se faire coiffer par un holding coté en bourse, afin de faire de ce réseau (son propre holding compris) une [banque universelle](#).

6) Les déconcentrations entrepreneuriales participent à la déconcentration de la propriété des entreprises, et ce faisant à une répartition moins inégalitaire des patrimoines. Pour les mêmes raisons, il en va de même des blocages de concentrations entrepreneuriales pour cause d'entrave à [l'égalisation des rentabilités de même appartenance](#).

L'action précédente — [établir des plafonds de quasi-capital puis les abaisser progressivement](#) — va dans le même sens.

7) **La fiscalité n'est pas le moyen le plus approprié pour déconcentrer la détention de [parts de capital](#)**. Et il semble bien que cela vaille particulièrement pour la fiscalité progressive et l'imposition sur la fortune.

En tout état de cause, les meilleures études de ce problème de politique économique ne peuvent être que celles qui confrontent au moins un scénario de réduction de la concentration des patrimoines par des mesures fiscales à un scénario visant à obtenir le même résultat par des mesures organiques d'instauration du plein échange sur les marchés primaires — actionnariat, voir ci-dessus, salariat, chapitre suivant — et sur les marchés où les entreprises vendent à leurs clients. Mais cette confrontation est d'autant plus difficile à bien mener quand les scénarios fiscaux sont établis à la lumière d'une économie politique et le scénario du plein échange à la lumière d'une autre.

Cleaning up the labor market

Voir dans la baisse du coût du travail des salariés les moins bien rémunérés plus d'avantages que d'inconvénients fait partie des expédients qui repoussent l'adoption de trois réformes qui sont, elles, foncièrement saines et cohérentes :

- abroger la [fiction des cotisations patronales](#) ;
- assumer le [partage](#) du [revenu total du travail](#) par les [écarts de wages](#) ;
- ramener les [retraites par transfert](#) à un système unique par points.

Le [plein échange salarial](#) procède du même état d'esprit que le plein échange actionnarial. L'un et l'autre font progresser vers davantage d'objectivité des prix finaux (ceux auxquels les entreprises vendent à leurs clients) tout en réduisant des abus de pouvoir. La population et, par elle, les marchés arbitrent en meilleure connaissance de cause. La société s'en porte mieux.

Les courants d'analyse économique aujourd'hui classiques (les plus enseignés) ont détourné de vérités primordiales. L'une des plus importantes est que, pays par pays, voire dans certaines nations région par région, le [revenu total du travail](#) fait l'objet d'une [répartition](#) :

- réglée par les égalités et les inégalités de wages ;
- régie par la [volonté collective](#) pour autant que cette prérogative ne lui soit pas confisquée.

L'exercice de cette prérogative, par des négociations périodiques au cours desquelles personne ne nie plus que les rémunérations du travail les plus hautes réduisent celles qui leur sont inférieures, rend contradictoire et contre-productif de s'en remettre à la redistribution pour corriger la distribution. Là où cette dernière paraît encore, ou de nouveau, mal réglée, c'est le réglage de la distribution (actuellement dite primaire par les économètres) qu'il convient de réviser d'abord.

Un peuple devenu conscient de toutes les prérogatives principales que le système des [échanges économiques](#) pléniers lui confère apprend à en faire un usage favorable à ses intérêts, lesquels ne sont ceux ni d'une oligarchie ni d'une bureaucratie ni d'une quelconque catégorie socioprofessionnelle. Le principe de l'impôt proportionnel aux revenus du contribuable ne contrevient à l'article XIII de la *Déclaration des droits de l'homme* de 1789 qu'au regard des théorisations erronées de la répartition des revenus tant [générale \(de placement vs du travail\)](#) que [propre aux revenus du travail](#).

10. Repeal the fiction of employer contributions.

[Jacques Bichot](#) est l'auteur, et [Arnaud Robinet](#) le coauteur, des extraits ¹⁴⁰ que l'argumentation suivante comporte, en développement de ce que la proposition première de science économique 9.4 résume : [La part patronale des cotisations qui ont pour assiette du wage est une fiction dommageable](#).

1) **Keynes a jugé que l'or monétaire est devenu définitivement une « relique barbare ».** Quoi qu'il en soit, les cotisations patronales sont plus assurément encore une relique barbare :

« C'est le travailleur qui s'assure contre le risque d'avoir à payer des soins onéreux, pas l'entreprise ou l'administration. Nous allons le constater pour chacune des branches de la sécurité sociale : l'existence de cotisations en partie salariales et en partie patronales est une subsistance du passé. Cette relique n'a plus aucune utilité, plus aucun sens, et elle engendre de sérieux problèmes. En particulier, elle rend problématique le fonctionnement du marché du travail et dissimule aux salariés le véritable prix qu'ils sont amenés à payer pour leur protection sociale. Le passage de l'État providence à de véritables assurances sociales inclut donc la suppression des cotisations patronales. »¹⁴¹.

¹⁴⁰ Tous ces extraits sont tirés de *La mort de l'État providence : vive les assurances sociales !*, de [Jacques Bichot](#) et Arnaud Robinet, éd. Manitoba / Les Belles Lettres, Paris, 2013, 178 pages, chapitre *La fiche de paie vérité*, p. 59 à 70, puis plus avant dans le présent ouvrage, chapitre *Retraites : passage à un système unique par points pour une plus grande justice sociale*, p. 135 à 151. Une fois ce livre lu et surtout à la lumière d'articles antérieurs et postérieurs de [Jacques Bichot](#), il apparaît qu'un autre titrage aurait mieux rendu compte de la teneur du propos : **La faillite contagieuse de l'État providence : vive les sécurités économiques !** Les parts patronales des cotisations qui ont pour assiette des wages sont une fiction qui éloigne d'autant plus du plein échange qu'elles portent sur des sommes considérables (dont la partie allant aux pensions de retraite par transfert contribue lourdement à moins de liberté et de responsabilisation qu'après **reconstruction** du système afin de le faire foncièrement équitable et financièrement insubmersible, ce qui n'a rien d'inconciliable à condition de sortir du carré de la redistribution économique mal pensée).

¹⁴¹ Premier paragraphe du chapitre *La fiche de paie vérité*, page 59. La première phrase du paragraphe suivant est : « Cette opération peut être réalisée très simplement, sans modifier ni le coût du travail pour l'employeur, ni le wage net, ni les ressources des caisses de sécurité sociale. »

2) **Les sécurités économiques ont une histoire¹⁴² dont la connaissance ne dispense pas de l'analyse logique de ce qu'est en réalité la teneur de la rémunération du travail.** Cette rémunération aurait, en règle générale, forcément une part patronale et une part salariale. Sa part patronale serait celle que le travailleur ne perçoit pas en argent. Mais il ne s'agit là que d'un jeu de mot. Tout ce que la rémunération du travail comporte de fait — tout ce qui fait partie du « coût du travail », autrement dit tout ce qui est un élément de la masse salariale telle que le constate la comptabilité générale de l'employeur — est de ce fait salarial, entièrement salarial, car relatif au wage, tous éléments compris.

« La première raison pour laquelle [les] cotisations patronales doivent être supprimées est que leur existence brouille notre perception de réalités économiques très importantes. À commencer par la rémunération des salariés : est-ce le wage net, le wage brut, ou le wage super-brut (somme du wage brut et des cotisations patronales) ? Beaucoup de salariés pensent que c'est leur wage net, ce qui est versé en fin de mois sur leur compte en banque. Le contrat de travail, lui, fixe le wage brut, sur lequel les cotisations salariales sont retenues à la source par l'employeur [...] »¹⁴³

3) **Tout ce qui entre dans le périmètre de la rémunération du travail est entièrement salarial et patronal :** salarial puisque relatif au wage, patronal puisque relatif à un contrat d'échange dans lequel l'employeur est partie prenante.

« Si le salarié recevait sur son compte en banque la totalité de son wage super-brut et payait directement la totalité des cotisations d'assurances sociales qui lui incombent (somme des actuelles parts salariales et patronales), le résultat ne serait-il pas exactement le même ? Le paiement s'effectuerait généralement par prélèvement automatique, comme pour de nombreuses factures récurrentes [...] ; il serait clair que la rémunération du travail, c'est le wage super-brut, et que le travailleur paie l'intégralité des cotisations sociales. »¹⁴⁴

4) Par la fiction des parts dites patronales des cotisations en réalité entièrement salariales, les employeurs s'octroient un pouvoir. Ils participent à la gestion d'organismes dont les dépenses sont en réalité couvertes ou bien par les seuls salariés, ou bien complémentirement par les contribuables, tout en pratiquant « *une stratégie visant à faire intervenir les pouvoirs publics pour neutraliser* » le plus possible les augmentations de wage brut qu'ils accordent :

« La technique de neutralisation est simple : remplacer des cotisations patronales par des impôts dont le produit ira à la sécurité sociale. Il est alors possible d'augmenter le wage brut, objet des négociations entre employeurs et employés, plus que le superbrut

¹⁴² [Jacques Bichot](#) et Arnaud Robinet donnent un excellent aperçu de cette histoire, dans les deux passages respectivement titrés *Le paternalisme patronal, ancêtre de la sécurité sociale* et *Les cotisations patronales, survivance d'un passé révolu*, du bas de la page 59 jusqu'en haut de la page 63. D'aussi loin qu'il y a des traces écrites de ce qu'ont été les contrats de domesticité, il ressort que les fournitures en nature de la part de l'employeur (nourriture, logement, voire vêtements) ont constitué une partie de la charge patronale en exécution du contrat de travail, avec pour le patron la tentation toujours présente de considérer que cette partie est un don alors qu'elle est en échange économique des services fournis par l'employé.

¹⁴³ Page 63, sous le titre Les cotisations patronales, miroir déformant de notre vision des choses.

¹⁴⁴ Page 63.

(coût du travail), charge à l'État de ponctionner davantage le wage net pour financer l'État providence. Si les pouvoirs publics tombent dans le panneau [...], l'impopularité retombe sur les gouvernants plutôt que sur les patrons. »¹⁴⁵

5) Par la fiction des parts dites patronales, les syndicats de salariés repoussent le **tarissement d'une source de conflits**. Le peu d'empressement des syndicats d'entrepreneurs pour l'abrogation de cette fiction n'en est que moins perspicace :

« L'existence de cotisations patronales incite les syndicats à réclamer toujours plus de prestations sociales, financées par ces cotisations, car ils peuvent faire croire à leurs adhérents et autres salariés que c'est le bon moyen pour obtenir davantage des employeurs. La croyance selon laquelle le travailleur paye les cotisations employeur, et l'entreprise les cotisations employeur, est assez forte ; elle repose sur un fait très visible : dans l'immédiat, le lendemain d'une hausse de cotisation patronale [...], le wage net ne change pas, le coût supplémentaire est entièrement à la charge des entreprises. Cela se voit comme le nez au milieu de la figure.

« Ce qui ne se voit pas, c'est ce qui vient après : la résistance renforcée qu'opposent les dirigeants d'entreprise aux demandes d'augmentations du wage brut. Les études économétriques réalisées sur ce phénomène montrent qu'il faut à peu près deux ans pour effacer l'avantage initialement obtenu par les salariés du fait qu'une augmentation de cotisation soit patronale plutôt que salariale. Le bénéfice, pour les salariés, est donc tout à fait temporaire. En revanche, les dégâts pour tout le monde sont considérables : deux années d'escarmouches, de conflits de travail, de mécontentement des salariés qui n'obtiennent pas les augmentations auxquelles ils estiment avoir droit. On voudrait souffler sur la lutte des classes qu'on ne s'y prendrait pas autrement. Et tout cela parce que les pouvoirs publics laissent en place un système antédiluvien qui donne l'impression aux salariés que leur rémunération se limite au wage net, ou à la limite au wage brut, très inférieur au coût de leur travail pour l'employeur, le wage super-brut, qui est leur véritable rémunération ! »¹⁴⁶

6) La fiction des cotisations patronales bloque une autorégulation car elle met les assurés en position d'abuser et de laisser abuser de prestations. Ce faisant, elle est une cause d'abus de la part de fournisseurs de prestations.

Les régimes d'assurance, quand ils sont financés par une part importante de cotisations patronales, sont exposés à devenir et rester structurellement déficitaires. La raison en est fort simple. Leurs bénéficiaires ne se rendent pas compte de ce qui leur en coûte. Un indispensable lien de gestion, pourtant consubstantiel au principe même de la mutualisation, n'est pas noué.

Par les cotisations patronales comme par le tiers payant quand il est pratiqué de telle façon que l'assuré n'est plus l'ordonnateur du règlement du montant total de la facture — montant qu'alors il ignore de plus en plus souvent —, les fournisseurs de soins médicaux et

¹⁴⁵ Page 65, dernier paragraphe du passage titré Les cotisations patronales, portes d'entrée de regrettables stratégies.

¹⁴⁶ Pages 69 et 70, deux premiers paragraphes du passage titré Éviter les conflits sociaux stériles.

paramédicaux, laboratoires pharmaceutiques compris, sont également poussés à ne pas nouer un lien économique avec leurs clients quand ils sont des particuliers assurés. Tout se passe alors comme si dans leurs responsabilités n'entraînait pas de faire au mieux sur le rapport qualité / prix de leurs fournitures. Des abus de prescriptions en résultent inévitablement, de même que des rémunérations et des bénéfices échappant largement à leur régulation par comparaison avec ce qu'il en est dans d'autres activités dont l'organisation économique fait que le qui paie quoi est plus clair.

7) Administrativement, une simplification suffit à la suppression des parts patronales.

Là où il y avait une telle part, le montant reconnu être à la charge du salarié est augmenté à due concurrence et la colonne « Part patronale » enlevée des bulletins de paie :

« Techniquement, le principe du remplacement des cotisations patronales par des cotisations salariales est très simple. Soit par exemple un wage brut de 2 500 €, donnant lieu à des cotisations patronales au taux de 40 % (soit 1 000 €), et à des cotisations salariales au taux de 20 % (soit 500 €). Le wage net s'élève à 2 000 € et le super-brut à 3 500 €. Les caisses de sécurité sociale, de retraite complémentaire et de chômage perçoivent la différence, soit 1 500 €. Pour obtenir le même résultat en supprimant les cotisations patronales, il suffit de porter le wage brut au niveau du super-brut, soit 3 500 €, et de fixer le taux de cotisation (salariale, évidemment) à 42,86 %. »¹⁴⁷

« Dès lors il apparaîtrait clairement, indubitablement, que les cotisations sociales (devenues exclusivement salariales) sont le paiement par le travailleur des assurances sociales dont il profite, le wage brut (égal au super-brut actuel) apparaîtrait tout aussi clairement comme étant la rémunération du salarié, et donc le prix du travail aussi bien pour le vendeur que pour l'acheteur. »¹⁴⁸

8) La fourniture de sécurités économiques est réorientée par la réforme de « la fiche de paie vérité ». L'esprit de la loi commune en cette matière devient celui que [Jacques Bichot](#) et Arnaud Robinet résument ainsi :

« Rien de tel pour désamorcer les conflits stériles que de faire la vérité, ce qui met les acteurs du jeu économique en face de leurs responsabilités. Les travailleurs veulent davantage de protection sociale ? Très bien, c'est comme s'ils voulaient des logements plus confortables, ou des voitures plus sophistiquées, ou des cours de piano : à eux de modifier la répartition de leur budget en fonction de leurs préférences ; ce n'est pas l'affaire des employeurs. [...] Que le législateur ne maintienne pas les ménages dans une sorte de tutelle, qu'il ne les gât pas de protection sociale en leur faisant croire qu'ils peuvent avoir le beurre et l'argent du beurre [...]. Ce mensonge empoisonne les relations entre les salariés et la direction, il faut en sortir, et le moyen d'en sortir est simple, c'est la fiche de paie vérité. »¹⁴⁹

¹⁴⁷ Page 66, premier paragraphe du passage titré Comment se passer de cotisations patronales ?
42,86 % du wage entier (1 500 / 3 500) = 75 % du net de cotisations (1 500 / 2 000)

¹⁴⁸ Page 69.

¹⁴⁹ Page 70, dernier paragraphe du chapitre *La fiche de paie vérité*.

9) Alors que le plein échange salarial a pour instrument le wage complet, le plein échange actionnarial ¹⁵⁰ a pour instrument le dividende complet. L'instauration concomitante de ces deux instruments change la dévolution des pouvoirs économiques, étendant par l'abolition de privilèges patronaux et étatiques la responsabilisation des titulaires de revenus.¹⁵¹

À une condition supplémentaire, ce changement fait basculer dans un régime économique beaucoup plus apte :

- au plein emploi,
- à l'immunisation contre l'inflation et la déflation,
- à l'élévation de la qualité de vie de l'ensemble de la population.

La condition supplémentaire — mais primordiale quand l'aggravation d'année en année de l'endettement public est devenue la cause majeure d'un haut niveau structurel de chômage — est l'application de ??.

11. Assume the sharing of total labour income through wage gaps.

En matière d'échanges économiques, revenu du travail et « rémunération du travail » désignent la même contrepartie, cette dernière s'entendant parts patronales incluses tant qu'il y en a¹⁵².

- 1) **Entre fournisseur et client, les relations normales sont de subordination réciproque.** Un contrat de travail ne fait pas exception, pourvu qu'il respecte ce qu'est en vérité un échange économique¹⁵³.

¹⁵⁰ Les parts du capital d'une coopérative ou d'une mutuelle sont de fait des actions, mais restituables au lieu d'être négociables. Le plein échange actionnarial n'est entièrement établi que s'il est pratiqué dans toutes les entreprises constituées en société, coopératives et mutuelles comprises.

¹⁵¹ L'ensemble des titulaires de revenus proprement dits a pour éléments les individus qui tirent un revenu de leur travail, les mêmes et d'autres individus qui tirent un revenu de leurs placements, les associations publiques et privées, familiales comprises, toutes à but non commercial, dont les fondations, qui elles aussi tirent un revenu de leurs placements. Aucune entreprise ne fait partie de cet ensemble. Les rentes viagères de retraites par répartition sont assimilables à des revenus, bien qu'elles n'en soient pas, car c'est par transferts du produit de cotisations qu'elles sont servies, ces cotisations n'étant pas des contributions à la création d'emplois comme le sont des souscriptions à des augmentations de capital.

¹⁵² Toute peine mérite wage, dit-on. Littéralement parlant, ce n'est pas vrai pour deux raisons : ce qui s'échange contre un wage est le service fourni par un individu au moyen de la peine qu'il en a prise, et non la peine elle-même. Tous les services qu'un individu se donne la peine de fournir ne sont pas en échange d'un wage et il arrive souvent que ce soit des services de cette sorte qui se révèlent être les plus précieux. Entre une économie politique qui néglige ces faits et une autre qui en tient explicitement compte, une rupture conceptuelle est amorcée. Tout au long des parcours théoriques respectifs de ces deux économies distinctes, cette rupture ne peut que devenir plus prononcée, particulièrement quand il s'agit des rémunérations constitutives des revenus proprement dits.

¹⁵³ Un « modèle social » qui a pour piliers l'artifice du lien de subordination, la fiction des cotisations patronales et la progressivité des « prélèvements obligatoires » au lieu de leur proportionnalité par rapport aux revenus, ne peut que se révéler à la longue bourré d'effets pervers, parce que contrevenant trop, non seulement à des réalités économiques élémentaires, mais aussi à la déclinaison complète de l'égalité politique par la contribution aux charges communes « répartie également, entre les citoyens, à raison de leurs facultés », dernier élément de phrase de l'article 13 de la *Déclaration des droits de l'homme et du citoyen* du 26 août 1789. Quand ce « également » est interprété comme voulant dire « à taux progressifs » et non pas à taux identiques pour tous, la volonté exprimée est celle du maintien ou du renforcement du rapport de forces entre les plus et les moins fortunés, quitte à ce que des ségrégations s'en trouvent renforcées.

C'est seulement en droit que le [lien de subordination](#) de l'employé à l'employeur fait des [wages](#) un sous-ensemble des rémunérations du travail. Dès qu'il y a un revenu du travail, il y a wage économiquement parlant, quelle que soit la dénomination de cette rémunération¹⁵⁴. Bien que, dans le cas du revenu du travail du propriétaire d'une entreprise en nom personnel, il n'y ait manifestement pas subordination d'une personne à une autre, physique ou morale, ce revenu est en réalité une [charge](#) de cette entreprise, y compris quand ce propriétaire se dit ou est dit être un « travailleur indépendant » ou un « autoentrepreneur ».

- 2) Trois grandeurs structurent les [revenus du travail](#). Cela vaut dans tout pays et de façon permanente.

L'une est la [rémunération médiane du travail](#). Par définition de ce qu'est une médiane en statistique, les revenus du travail inférieurs ou égaux à la rémunération médiane sont aussi nombreux que ceux qui lui sont supérieurs. En statistiques économiques nationales et sectorielles, les difficultés de son estimation n'empêchent pas qu'elle existe.

- 3) **Le pouvoir d'achat que procure la [rémunération médiane du travail](#) est appelé à croître.** C'est l'un des points sur lesquels un consensus sur le volet salarial d'une politique économique doit prendre appui.

Plus largement, un consensus, tant sur la question salariale que sur les autres volets d'une politique économique, n'est solidement établi qu'en étant fondé sur la théorisation, expérimentalement vérifiée, des répartitions principales de flux que la pratique des [échanges marchands](#) tend à établir. C'est pourquoi ce qui suit repose notamment sur la teneur du [chapitre 8](#)¹⁵⁵.

- 4) La hausse du pouvoir d'achat des rémunérations du travail est à la charge des employeurs. La dynamique de cette hausse est, bien entendu, conditionnelle.

Pour engendrer la hausse du [pouvoir d'achat](#) des rémunérations du travail, il faut un courant d'innovations techniques assez vaste et continu pour élever la productivité moyenne des investissements. Certes, ce ne sont pas souvent les employeurs en tant que tels qui sont les inventeurs de ces innovations. Mais ce sont eux qui leur ouvrent leurs débouchés, via leur gestion financière, y compris ailleurs qu'en entreprise, ainsi que dans l'ensemble du secteur public. C'est potentiellement tous les employeurs et non pas seulement les entrepreneurs avec, actuellement, encore, soit dit au passage, leur tendance à considérer exagérément que la « création de richesse » est l'apanage du secteur marchand

¹⁵⁴ Appointements, cachets, commissions, droits d'auteur, émoluments, gages, gueltes, jetons de présence, piges, pourboires, primes, rétributions, soldes, traitements, vacations. Les « notes d'honoraires » et les « relevés » de même, sont en réalité des factures constitutives d'un chiffre d'affaires dont une partie seulement sera allouée à la rémunération du travail.

¹⁵⁵ Les répartitions principales de flux inhérentes à la pratique des [échanges marchands](#) sont au nombre de trois : la [répartition du revenu global](#) (chapitre 8), la [répartition du revenu total du travail](#) (chapitre 9), la répartition au sein des entreprises entre les centres de production de marge de même appartenance de la rémunération du capital et des coûts qui leur sont [communs](#) (chapitre 11). Les inégalités entre les patrimoines privés varient à la longue pour beaucoup en fonction de ces trois répartitions.

— en fait, tout emploi rémunéré participe à l'incessante création de valeur d'échange économique.

- 5) **Une autre grandeur qui structure les revenus salariaux est la rémunération minimale du travail**. Une proportion importante d'emplois qui, aujourd'hui en France, ne procurent à ceux qui les occupent que, ou guère plus que, la rémunération horaire minimale du travail, a toujours existé et continuera à exister.

Dès lors qu'il y a croissance du pouvoir d'achat de la rémunération médiane du travail nommée C1, la croissance du pouvoir d'achat de la rémunération minimale du travail appelée C2 est susceptible d'être inférieure, égale ou supérieure à C1. Ceux qui estiment que le plein emploi s'obtient par l'infériorité de C2 par rapport à C1 n'ont pas compris qu'il est lourdement contreproductif de lier la croissance et la compétitivité à la précarisation de l'emploi et à la baisse du coût du travail¹⁵⁶.

- 6) La troisième grandeur qui structure les revenus salariaux est la série des écarts de rémunération du travail. Entre chaque rémunération du travail et la rémunération médiane, l'écart est négatif, nul, ou positif.

Ces écarts peuvent être vus de deux façons. Ou bien ils sont considérés comme étant la conséquence d'une loi économique commune à la formation de tous les prix, rendant tout aussi inévitables les rémunérations différentes du travail que les chertés différentes d'aliments, de vêtements et de logements. Dans ce cas, l'assomption (l'action d'assumer) nation par nation du partage du revenu total du travail serait incongrue : le futur des tentatives d'altération de ce partage serait celui du château de sable face à la marée montante, propulsée par la loi économique qui serait commune à la formation de tous les prix.

- 7) **Ou bien les écarts entre les rémunérations du travail ont une fonction qui leur est propre**. C'est la thèse ici soutenue : les spécificités des revenus du travail rendent possible et bienfaitrice l'assomption par le corps social du partage de leur total.

Cette possibilité et ce bienfait sont nichés au cœur de l'économie de marché, ce régime général dont ils accroissent considérablement l'acceptabilité... ce qui ne convient pas à quiconque a décidé de tenir le libéralisme économique, ou bien pour antisocial, ou bien condamné à être asocial pour exister pleinement.

- 8) **Ce qui est susceptible d'arriver chez tout employeur de plus d'un salarié révèle l'existence d'une possibilité**. Aussi bien la rémunération minimale que la rémunération médiane et l'écart entre les plus hautes et les plus basses rémunérations sont à tout instant modifiables, que ce

¹⁵⁶ Ajoutons ici qu'estimer un plus grand écart entre la rémunération médiane et la rémunération minimale du travail serait juste : 1) si le champ d'action de la loi de l'offre et de la demande était aussi étendu qu'il est traditionnel de le croire ; 2) si c'était le plus souvent en achetant au moins cher et en vendant au plus cher qu'une entreprise se viabilise ; 3) si la compétitivité durable des entreprises exportatrices était principalement dépendante de la rémunération minimale du travail à laquelle ces entreprises ont accès ; 4) si la baisse des plus faibles rémunérations du travail pouvait entraîner une reprise des investissements ; 5) si en cas de chômage les secours conçus et gérés afin de ne pas devenir des substituts durables et les formations sur le tas ne pouvaient pas améliorer sensiblement l'employabilité de ceux qui peinent le plus à se faire embaucher.

soit avec ou sans changement du poids de la masse salariale dans le total des [charges](#) de l'employeur.

C'est généralement une fois par an que sont prises les décisions d'augmentations, de gels ou de diminutions des rémunérations du travail (diminutions car il y a fréquemment des intéressements variables en sus du « wage de base »). Quand la décision est la même pour tous les [salariés](#), des moins aux plus rémunérés, les écarts au sein de cette masse salariale restent inchangés. Quand les décisions sont différentes par sous-ensemble de postes de travail, des écarts sont modifiés. Surtout vue sur longue et très longue période, la possibilité de l'assomption du partage de la masse salariale ne fait aucun doute.

- 9) Les égalités et les inégalités de rémunération du travail sont des [clés de répartition des masses salariales](#). La possibilité décrite au point précédent est révélatrice de l'existence d'une authentique loi économique.

Les [wages](#) sont des [prix](#) dont les rapports entre eux restent [modifiables par le corps social](#). Certes, ces modifications ne peuvent pas être brutales, faute de quoi elles réduisent trop vite des incitations ou elles renforcent trop imprudemment des dissuasions. Mais aussi, l'enchaînement année après année de ces modifications permet de poursuivre les infléchissements qui seront perçus, collectivement, comme heureux et « décents » en matière d'égalités et d'inégalités des revenus du travail. L'augmentation de la répartition des revenus nationaux du travail par la modulation des [écarts de wage](#) est l'un des traitements majeurs de « la question sociale ».

- 10) **Le poids d'une masse salariale nationale n'est pas modifiable par la puissance publique.** Une telle masse n'étant rien d'autre que le [revenu total du travail](#), son poids le plus significatif s'entend par rapport au [total national des revenus](#), y compris ceux procurés par [des placements](#).

Que ce soit ou non au titre d'une « politique des revenus », les forçages afin d'alourdir ce poids finissent tous par échouer. Ou bien le forçage est celui du niveau nominal des bas wages et, par élévation générale du niveau des prix, il n'en résulte pas une augmentation durable du pouvoir d'achat ; ou bien le forçage est, par plafonnement réglementaire, des [revenus des placements](#), et l'incitation à [l'acquisition de parts de capital](#) est trop affaiblie pour que la création et la reconversion d'emplois ne s'en trouvent pas elles-mêmes trop affaiblies (avec pour conséquence que l'augmentation du pouvoir d'achat primaire, celui que les [revenus](#) procurent, en soit freinée, bloquée ou renversée en son contraire).

- 11) **L'élévation du pouvoir d'achat de la [rémunération médiane du travail](#) est à la portée de chaque nation.** Mais pas à celle de ses gouvernements, qui prétendent la fournir à la nation, sans que cette dernière ne soit en mesure de se la procurer.

Dans ce grand ouvrage de génie civil, le « modèle social » est susceptible de devenir une cause d'échec. Il suffit qu'il soit bâti sur des dispositifs économiquement malsains. Alors une refondation s'impose. Que les partenaires sociaux et les pouvoirs publics assument complètement le partage du revenu du travail par la réduction des [écarts de wages](#) là où ils sont jugés très majoritairement indécents ne suffit pas à cette refondation. Mais il porte sur un point central qu'aucun argument de bon aloi n'autorise à faire comme s'il était subsidiaire

ou hors sujet : la distribution des revenus du travail par groupes de qualification professionnelle. Se tromper à son sujet est d'autant plus redoutable qu'il en résulte trop de recours à la redistribution qui gonflent le prélèvement public au point de le rendre étouffant.

12) Les hautes rémunérations du travail amputent celles qui leur sont inférieures. Par rapport à l'acceptation commune de cette vérité, les techniques à employer par les partenaires sociaux et les pouvoirs publics sont secondaires pour en arriver à ce que la société civile tout entière assume consciemment la répartition du revenu total du travail par les écarts de wage, là où elle juge bienfaisant de les réduire ou de les accroître¹⁵⁷.

L'amputation par les hautes rémunérations du travail des revenus – eux aussi du travail – qui leur sont inférieurs est non seulement inévitable mais aussi nécessaire. Mais pourquoi faire comme si cette amputation n'existait pas ? C'est contribuer à la rendre, en quelques générations, de plus en plus calamiteuse puisque, d'un écart croissant entre les plus hauts et les plus bas wages, les victimes sont forcément plus nombreuses, bien plus nombreuses que les bénéficiaires. C'est s'obstiner à défendre des privilèges par un déni de réalité : quoiqu'on fasse, les hautes rémunérations du travail abaissent le pouvoir d'achat des rémunérations qui leur sont inférieures.

12. To reduce pensions by transfer to a single points-based system.

Jacques Bichot est l'auteur des extraits suivants, tous tirés du chapitre *Retraites : passage à un système unique par points pour une plus grande justice sociale* de *La mort de l'État providence / Vive les assurances sociales !* (2013, Manitoba / Les Belles Lettres)¹⁵⁸. Qu'en matière de retraites dites par répartition, pour ne pas trop mettre en avant le fait qu'elles sont par transfert, un système unique soit préférable à une floraison de régimes spéciaux autour d'un régime général ne fait plus mystère. C'est à coup sûr plus équitable et potentiellement bien plus économe en frais de gestion. Dire de ce système unique qu'il doit être « par points » n'est cependant assez précis que s'il est spécifié, comme le fait explicitement M. Bichot, qu'il lui faut être un système de retraite à la carte, avec neutralité actuarielle, pour des raisons dont l'une des moins négligeables est la certitude de son **équilibre financier**.

1) « Inéquitables et liberticides annuités, ou l'injustice du système

« Les systèmes dits " par annuités " font jouer un rôle important à la durée d'assurance. De plus, dans beaucoup de pays (France, États-Unis, Canada, etc.) un rôle

¹⁵⁷ Ces techniques doivent être non fiscales. C'est la maîtrise par le corps social de la distribution des parts du revenu total du travail qu'il s'agit d'accroître, autant que besoin en abolissant sa confiscation par une bureaucratie sur laquelle les titulaires des plus hautes rémunérations du travail finissent forcément par avoir la haute main. La redistribution, surtout en la poussant vers un dispositif d'impôt négatif, ne peut avoir pour effet que de participer à cette confiscation et de faire de la fiscalité un outil dont la complexité obscurcit les rapports économiques et réduit la hausse de tous les revenus du travail, en commençant par les plus faibles. Tenter de corriger par la redistribution ce que la distribution comporte de manifestement mal fait est tout autant économiquement que politiquement attentatoire à l'intérêt général.

¹⁵⁸ P. 135 à 151. Le chapitre dont des extraits sont cités comporte huit sections. Les extraits retenus dans la présente argumentation sont tirés des quatre premières sections et placés sous leurs titres d'origine. Les titres des quatre autres sections sont (5) *La souplesse des points : réponse au besoin du quotidien* (6) *Les points, meilleurs amis des couples* (7) *Comment passer des annuités aux points ? Le timing* (8) *Sans technique, le timing n'est rien !*

très important est joué par le " wage de référence " : la pension est proportionnelle à cette grandeur. En France, un salarié du privé disposant à l'âge légal de la durée d'assurance requise pour avoir le " taux plein " perçoit comme pension la moitié de ce wage de référence, égal à la moyenne des wages sous plafond réévalués des 25 meilleures années ; pour les fonctionnaires, c'est le wage moyen (sans les primes, mais aussi sans plafond) des six derniers mois, et le " taux plein " est 75 % ; pour les autres régimes spéciaux, c'est aussi le wage de fin de carrière¹⁵⁹ avec généralement un taux plein de 75 %. En Belgique, toutes les années sont prises en compte (dans la limite de 45) et les wages retenus sont plafonnés (51 000 € en 2012, contre 37 000 € en France). Il existe une très grande variété de formules selon les pays. »

« La durée d'assurance intervient de plusieurs manières, selon les pays. Souvent, on multiplie le wage de référence par le nombre d'années d'assurance, et on divise par une durée estimée " normale ", par exemple 45 ans en Belgique, 41 ans en France pour les assurés nés en 1952 (la valeur de ce paramètre dépend de l'année de naissance). Le calcul du wage de référence sur un certain nombre de " meilleures années ", ou en éliminant un certain nombre ou pourcentage de " mauvaises années " (États-Unis, Canada) est généralement justifié par le souci de gommer les incidents de carrière (des années où les revenus ont été médiocres). En revanche, dans le mode de calcul belge, comme dans les systèmes par points, une mauvaise année se répercute forcément sur le résultat final. »

« Faut-il être d'accord avec ceux qui affirment que cet effacement des mauvaises années dans certains régimes par annuités, auquel s'ajoute la possibilité de faire compter comme durée d'assurance des périodes de chômage, de maladie, de service militaire, de congés de maternité ou de congés parentaux, etc., est très " solidaire ", tandis que les points seraient impitoyables pour les faibles ? Certainement pas. Un salarié français doté d'une compétence recherchée, s'il est bien organisé, peut faire volontairement 25 années pleines, pour obtenir un wage de référence maximal, et 16 ou 17 autres en travaillant juste le minimum (par exemple deux ou trois mois) pour gagner dans l'année les 7 600 € qui lui font valider quatre trimestres : il aura la même pension du régime général que celui qui se sera donné à fond 41 ou 42 ans. En revanche, la personne qui n'a pas un bagage suffisant pour maîtriser son parcours professionnel sera obligée de travailler toute sa vie un maximum, au voisinage du SMIC, parce qu'elle n'aura pas la possibilité de mettre de côté de quoi prendre six ou huit mois de congés tous les trois ans. Ce sont en fait les plus doués, ou ceux qui ont de la fortune personnelle, qui peuvent optimiser leur gestion de carrière de façon à tirer un maximum des dispositions prévues, théoriquement, pour les malchanceux et les plus modestes. »

« Par ailleurs, considérons deux cas de figure : Luc a choisi de travailler 30 ans à raison de 60 heures par semaine, puis de s'arrêter pour se mettre à peindre et à aider bénévolement une ONG ; Robert a préféré faire tranquillement ses 35 heures

¹⁵⁹ Note 1, p. 136 du livre cité. Par exemple, à la SNCF c'est le wage du dernier mois, y compris les primes et gratifications, à condition que l'agent ait atteint cet échelon depuis au moins six mois.

*hebdomadaires pendant 41 ou 42 ans. Supposons que leurs gains horaires soient à peu près les mêmes. Luc aura consacré plus de 80 000 heures de sa vie à son activité professionnelle, au lieu de 65 000 pour Robert : n'est-ce pas Luc qui aura le plus cotisé pour les retraités et contribué en argent à l'investissement dans la jeunesse ? Pourtant, Luc devra attendre cinq années de plus que Robert pour liquider sa pension au taux plein, sauf à accepter une forte décote. Il n'est équitable que Luc soit pénalisé par rapport à Robert ni dans la législation actuelle, qui prend les cotisations vieillesse comme base des droits à pension, ni dans le cadre législatif respectueux des réalités économiques que nous proposons. Disons-le tout net : **la prise en compte de la durée d'assurance est une formule bureaucratique foncièrement inéquitable**¹⁶⁰. »*

« C'est aussi un mode de calcul attentatoire aux libertés individuelles. Pour que chacun soit libre d'organiser sa vie comme il l'entend, dès lors que cela ne cause aucun tort à autrui, il faut que nos lois ne pénalisent pas certains comportements pour la seule raison qu'ils déplaisent à une majorité parlementaire pour une raison idéologique, ou qu'ils n'ont pas été imaginés lors du processus législatif. Ce manque d'imagination est plus courant qu'on ne l'imagine : la retraite a été conçue en occupant un emploi stable, travaillant à temps plein sans dépasser la durée légale du travail. Ce manque d'imagination du législateur explique une partie de la pénalisation subie par les femmes, certains travailleurs indépendants, et les originaux comme Luc. »

« Quant à l'idéologie sous-jacente à la méthode des annuités, quelle est-elle ? Inciter les gens à être " normaux ", à se conformer à l'idée d'une " bonne vie " qu'ont certains hommes politiques, hauts fonctionnaires, dirigeants syndicaux ou leaders d'opinion : pas d'excès de zèle, du temps libre par petits morceaux pour regarder la télévision, prendre l'apéro et se promener dans les zones piétonnières. Sans rien avoir contre ce mode de vie " pépère ", on peut légitimement, au pays de la liberté et de l'égalité, refuser que soient discriminés ceux qui conçoivent l'existence autrement. »

« Les points constituent justement le moyen de conférer aux assurés sociaux une liberté responsable. Ils permettent à chacun d'organiser sa vie comme il l'entend, dès lors que ce n'est pas aux crochets d'autrui ou en lui causant du tort. »

2) « La retraite par points pour une plus grande flexibilité de gestion

« Il existe une grande variété de retraites par points. En Allemagne, les points sont énormes : un travailleur percevant le wage moyen obtient un point par an. En Suède, ils sont minuscules : chaque couronne (l'unité monétaire de ce royaume, qui vaut approximativement un dixième d'euro) cotisée donne droit à un point, ce qui conduit le salarié moyen à engranger chaque année 40 000 à 50 000 points (dits " couronnes ") sur son " compte notionnel " (dénomination du compte de points dans ce pays). En France, le point ARRCO est obtenu pour environ 19 € de cotisation, si bien que le salarié moyen voit son "relevé de points" augmenter d'une centaine de points par an. »

« Cette différence relative à la taille des points n'a guère d'importance ; la diversité des formules utilisées pour convertir le point en rente viagère lors de la liquidation de

¹⁶⁰ Note DM — La mise en caractères gras est de mon fait.

la pension en a davantage. L'Allemagne et la Suède utilisent des formules qui tirent vers le bas la valeur de service du point (ou " coefficient de conversion en rente ", comme disent les Suédois) si le rapport entre le nombre des cotisants et celui des retraités diminue. C'est la mise en œuvre, même si la formule est un peu compliquée en Suède, d'un principe simple : en [retraite par] répartition, on distribue équitablement les cotisations qui viennent de rentrer ; donc s'il rentre 100 milliards d'euros au titre des cotisations de l'année n , et s'il y a 2 milliards de points à servir, chaque point donne droit à 50 € pour cette année n . »¹⁶¹

« Il est possible d'utiliser les points pour gérer un système à prestations définies, dans lequel le taux de cotisation (plutôt que la valeur de service du point) sert de variable d'ajustement. Mais le choix des points accompagne plus logiquement celui d'un régime à cotisations définies, où le taux de cotisation est fixé au niveau jugé correct pour ne pas être injuste vis-à-vis des travailleurs, pour éviter de les exploiter au profit des retraités ; dans un tel régime, les augmentations de ce taux restent rarissimes. »¹⁶².

3) Les points doivent être de vrais droits¹⁶³

« Les points doivent être un moyen de répartir entre les retraités le fruit d'un prélèvement raisonnable sur l'ensemble des actifs. Pour qu'il en aille ainsi, il convient de fixer un taux de prélèvement équitable au regard de ce que les actifs ont reçu de leurs aînés, et donc de ne pas considérer ce taux comme une variable d'ajustement. Une fois admis ce principe d'un régime à " cotisations définies ", la répartition est très simple : si le nombre des points détenus par les retraités est N et si le montant à répartir en un an est R , chaque point doit procurer à son détenteur retraité une annuité égale à R/N . »

4) « Retraite à la carte avec neutralité actuarielle : le choix de la responsabilisation

« Ce principe très simple a néanmoins besoin d'être explicité en tenant compte des différences d'âge à la liquidation. En effet, si une personne détenant x points choisit de liquider sa pension à l'âge $A + 1$ plutôt qu'à l'âge A , il la percevra une année de moins : il est normal que chaque point fournisse alors des arrérages (montant mensuel ou annuel de la pension) plus élevés que si cette personne avait liquidé à l'âge A . Un point est comme un capital que l'on aliène pour percevoir une rente viagère : le calcul des arrérages, effectué par les actuaires (les professionnels qui effectuent les calculs où interviennent statistiques et probabilités), fait jouer un rôle clé à l'espérance de vie de la personne, et donc à son âge. En gros, si l'on renonce à une année de perception de la pension en liquidant un an plus tard, il est normal de percevoir en compensation davantage pour chaque année des arrérages plus élevés. Et de même, si quelqu'un liquide une année plus tôt, ajoutant ainsi un an à la durée de sa pension, il est normal

¹⁶¹ Note DM — Le paragraphe suivant est le troisième après celui qui vient d'être cité.

¹⁶² Note DM — Saut du paragraphe suivant, dont la première phrase dit l'objet : « Hélas, les partenaires sociaux français gèrent les régimes complémentaires en jouant sans assez de retenue sur le taux de cotisation, comme on l'a vu en 2013. »

¹⁶³ Note DM — Le paragraphe suivant est le troisième et dernier de cette section.

qu'il perçoive moins chaque année. Quel pourcentage en plus ou en moins, c'est aux actuaires de le calculer. »

« Concrètement, ces professionnels fournissent les " coefficients actuariels " par lesquels il faut multiplier le montant de la pension en cas de liquidation à un âge " pivot " si la liquidation a lieu plus tôt ou plus tard que cet âge. Le coefficient actuariel est inférieur à l'unité si le départ en retraite a lieu avant l'âge pivot, et supérieur à un si la liquidation est postérieure à cet âge pivot.¹⁶⁴

*« Pour un régime pratiquant la retraite à la carte avec neutralité actuarielle, il importe peu que son adhérente Manuella liquide plus tôt ou plus tard. Cette personne peut donc prendre la décision qui lui convient sans léser ni le régime, ni elle-même, ni aucun des adhérents au régime. S'il est nécessaire de réagir à l'augmentation de l'espérance de vie, les gestionnaires du régime n'ont nul besoin de relever un âge légal ou deux âges légaux dans le but de contraindre les adhérents à retarder leur départ en retraite : il leur suffit d'augmenter l'âge pivot. C'est alors à chaque adhérent de faire son choix : rester en activité plus longtemps ou se contenter d'arrérages moindres. **Pour maintenir le régime en équilibre financier, aucune contrainte n'est nécessaire, la liberté des adhérents est respectée – mais quelle que soit la décision prise par chacun d'eux, le résultat, à savoir l'équilibre du régime, sera atteint.**¹⁶⁵*

Liberating civil society

It is not only the public authorities that are able to corset a country. In addition to the fact that many traditions have the same power, certain modernizations, real or pretended, also have it. In economics, the priority given to [surplus-value capitalism](#) over [Yield Capitalism](#) does not only have the harmful effect of extending the addiction to casino finance. It leads us to not, or no longer, to see that [restitutable shares](#) are good instruments of the market economy and political freedom, in particular so that two possibilities do not remain relegated to the catch-all of impossibilities:

- 1) [Open up privatizations to](#) returnable joint-stock [enterprises](#).
- 2) To continue to the end the denationalization of the marketable supplies of [economic security](#).

La seconde de ces possibilités n'est acceptable par l'opinion publique que si l'ouverture de privatisations à des sociétés par [actions restituables](#) a été expérimentée avec succès dans des fournitures dont la population préfère qu'elles soient tenues à l'écart des tentations et des dérives du [capitalisme de plus-value](#).

¹⁶⁴ Note DM — Saut de trois paragraphes.

¹⁶⁵ Note DM — Ces mises en caractères gras sont de mon fait. Le paragraphe suivant résume (là aussi la mise en caractères gras est de mon fait) : « **La retraite à la carte avec neutralité actuarielle (...) met chacun devant ses responsabilités, c'est-à-dire en position de choisir mais avec l'obligation d'assumer les conséquences du choix effectué. Au-delà des aspects techniques, il s'agit d'une attitude philosophique : le choix de la liberté responsable et de l'équité par opposition aux contraintes bureaucratiques et à l'attribution de privilèges pour les uns et de pénalisations pour les autres que l'on observe dans le système français actuel.** » Mais aussi le reste du chapitre est à lire et, de la page 135 à la page 151, tout ce chapitre à relire *in extenso*.

Qu'advierait-il si au lieu de parler de sécurité sociale aussi souvent qu'il nous a été inculqué de le faire, l'usage se répandait d'être plus réaliste en parlant de sécurité économique ? Les démystifications que ce changement obligerait à fournir contribuerait à faire comprendre et aimer la version de l'économie de marché qui maximise le bien commun.

Une Europe qui aurait cette version dans les valeurs qui la cimentent tournerait le dos à la mondialisation ploutocratique. Sa prospérité et son rayonnement en seraient accrus, et non diminués comme la pensée néolibérale et bien des vulgates hétérodoxes inclinent à le prédire.

13. Opening up privatizations to returnable joint-stock companies.

- 1) Les privatisations dont il s'agit sont celles d'activités commerciales ou de nature à être faites telles sans aliénation d'un pouvoir régalien. La fourniture de secours et de sécurités économiques n'est pas un pouvoir régalien, avec ce que cela sous-entend d'exclusivités, dont celle de l'usage de la violence par la force publique.

Des monopoles de vente de services ou de biens sont privatisables sans qu'il soit besoin d'y mettre fin. Certes tout un courant de doctrines soutient le contraire. Mais c'est en excluant de ses vues que le législateur a le pouvoir de contraindre une entreprise à laquelle l'exploitation d'un monopole a été confiée de **ne pas** :

- accorder à son personnel de privilèges par rapport à ce que sont les règles de droit commun salarial ;
- allouer une part de ses bénéfices à son autofinancement ;
- être chroniquement sur-rentable ou sous-rentable pour ses actionnaires ;
- se dispenser de la réduction de ses écarts de rentabilités internes de même appartenance ;
- sans cesse reporter, le cas échéant, la baisse dans son capital de la proportion de quasi-capital.

- 2) Les réformes du marché du capital, quand elles sont celles ici préconisées, ont pour effet d'ouvrir les privatisations et les restructurations d'entreprises à des sociétés par actions restituables. Cet effet n'apparaît clairement, cependant, qu'en ayant présente à l'esprit toute la teneur des chapitres 3, 5, 6, 7, 11.

Ouvrir aux sociétés par actions restituables n'implique pas de fermer aux sociétés par actions négociables. Aux conseils d'administration des unes et des autres de faire valoir les caractéristiques de leurs offres respectives auprès de la puissance publique et de l'opinion, étant entendu que l'objectivité commande de tenir bien clair ce qui est spécifique aux apports en capital, selon qu'ils sont restituables et négociables, seuls ces dernières octroyant des **parts de copropriété** dont la liquidation est susceptible de fournir des augmentations de **patrimoine privé** par plus-value latente ou réalisée.

- 3) Une privatisation auprès d'une société par actions toutes restituables reste une propriété collective. La personne morale qui détient cette propriété a des sociétaires, mais ces derniers ne sont pas copropriétaires : en cas de dissolution de cette personne morale et si

tout compte fait sa situation nette finale est positive, les statuts prévoient obligatoirement que son dernier acte de gestion doit être le don de ce reste à une autre personne morale.

Des questions de grande importance s'en trouvent posées. Entre deux propriétés d'entreprise, dont l'une est exercée par la puissance publique et l'autre par une société par actions restituables, quelle est la plus authentiquement collective ? La moins facilement captable par une oligarchie ou une bureaucratie ? La plus ouverte à la participation de tout citoyen moyennant un faible placement minimal en capital dûment rémunéré ? La plus apte à contribuer à ce que la population, y compris pour sa plus grosse part qui est inévitablement la moins fortunée, en vienne à disposer d'autant de capital qualité retraite qu'elle en éprouve le besoin ? La plus extensive du bien commun tout en étant la moins réductrice de liberté et de responsabilité individuelles ?

14. To continue to the end the denationalization of marketable supplies of economic security.

- 1) Les secours économiques sont une chose, les sécurités économiques en sont une autre. C'est la manière de les fournir qui les distingue.

Les secours économiques sont fournis par des transferts de pouvoir d'achat et parfois d'autres droits. Les sécurités économiques sont fournies, principalement ou complètement, par des échanges de primes ou de cotisations contre des prestations, en ayant alors toujours recours à la mutualisation actuarielle¹⁶⁶.

- 2) Un instrument de résistance à la privatisation complète des fournitures de sécurités économiques est l'adjectif « social ». L'affaire est loin de n'être qu'une manière de dire.

Aussi bien en théorie qu'en pratique, l'art de faire société est plus clair quand il est admis que n'importe quelle sécurité économique n'est en réalité ni plus ni moins sociale que l'ensemble des échanges économiques. Semblablement, n'importe quel secours économique n'est ni plus ni moins social que beaucoup d'autres transferts, dont ceux opérés, entre autres, par un système de retraite à la carte avec neutralité actuarielle le secteur public n'a pas l'exclusivité des services rendus au public et à la société.

- 3) **Pour mieux assurer la fourniture de soins médicaux et de logements à loyers modérés, il faut du capital.** De même, pour mieux assurer la fourniture de sécurités économiques, il faut du capital, faute de quoi l'autonomie de cette fourniture se révèle impossible à établir puis à pérenniser.

Plus précisément, il faut du capital. Encore plus précisément, c'est du capital par actions restituables qui, en matière de sécurités économiques, d'accès des moins fortunés au logement confortable et d'autres commodités vitales, fait le mieux l'affaire car il procure une propriété collective.

- 4) Privatiser de cette façon les sécurisations économiques rendues obligatoires par le législateur contribue à l'assainissement de la pratique des échanges et des transferts

¹⁶⁶ Mutualisation actuarielle : répartition d'un coût probable évalué au moyen de tables de probabilités établies par des actuaires.

économiques. C'est à cause de ce que la complète mise en œuvre de cette réforme exige d'une part, et rend plus facile d'autre part.

- Elle exige notamment de désagréger et bloquer les concentrations qui font obstacle à l'égalisation des rentabilités de même appartenance ; d'abroger la fiction des cotisations patronales; de ramener les retraites par transfert à un système unique par points.
 - Elle rend plus facile de lier la croissance premièrement aux placements directs en capital, deuxièmement au prélèvement public soumis de commun accord à deux règles.
 - Elle réduit l'étendue des pouvoirs de la haute finance tant privée que publique et la vulnérabilité aux crises d'origine financière.

Conclusion

The freedom of offer regulated by the freedom of choice is a fundamental rule of societal life. It is this principle that, in a democracy, governs the devolution of political power. It will also deliver the full measure of its economic benefits when four main conditions are met:

- 1) The removal of obstacles to the [EPCE feedback](#) ([Chapter 7](#)) will result in full employment arising from new and incessant capital placements, which will, at best, reduce, or at worst, maintain the proportion of [credit](#) in corporate financing
- 2) The maximization of [total labor income](#) through the [RPP'](#) relation ([Chapter 8](#)) will have replaced, in the prevailing mindset, the supposed inevitability of [maximization of profits](#) and [maximization of surplus value](#).
- 3) The distribution of [total labor income](#) by [collective subjectivity](#) ([Chapter 9](#)) will govern the evolution of [wage disparities](#) by openly acknowledging that higher labor remunerations reduce those that are lower, whatever one does about it.
- 4) [Competition](#), once focused on comparability without calculation ([Chapter 11](#)), will more effectively reduce inequalities in [return on equity](#) within the same systemic level, bringing selling prices closer to an objective sum of costs, among which is the cost of remunerating [placements in capital](#).

Making the final exchange between enterprises and their customers more equitable requires the establishment of [full wage exchange](#) and full shareholder exchange. Helping to increase the number of non-confiscatory economic exchanges is reason enough to pioneer full trade. But there is also great good news to be taken into consideration: this system is by design the best able to **provide the social body with full control over full employment and the evolution of income and wealth inequalities.**

Achieving greater fairness in the final exchange between enterprises and their customers necessitates the implementation of two core mechanisms: full wage exchange and full shareholder exchange. The objective of expanding non-confiscatory economic activity provides sufficient justification for pioneering the objective political economy. Furthermore, its profound political advantage must be recognized: by design, this system is uniquely capable of granting society definitive control over full employment and the dynamics of income and wealth inequality.

Appendixes

Original documents

The Objective Political Economy originated from the seminal work of Dominique Michaut, *“Précis d'économie objective, contribution à la réorientation de l'économie politique”*, published by [Brokelis](#).

A reformatted PDF version of this book is available on the SysFeat web site at: <https://political-economy.sysfeat.com/resources/precis-d-economie-objective.pdf>

The Objective Political Economy is also available as a PDF document at : <https://www.political-economy.sysfeat.com/resources/Formal-Ontology-of-Economics.pdf>

Peter Drucker: What Is a Business?

[Peter F. Drucker](#)

*Management: Tasks, Responsibilities, Practices*¹⁶⁷ beginning of the chapter 6, *What Is a Business?*

1. Business Created and Managed by People, Not by Forces

The Sears story shows that a business enterprise is created and managed by people and not by forces. Economic forces set limits to what management can do. They create opportunities for management's action. But they do not by themselves determine what a business is or what it does. Nothing could be sillier than the oft-repeated assertion that “management only adapts the business to the forces of the market.” Management not only has to find these forces, it has to create them. It took a Julius Rosenwald seventy-five years ago to make Sears into a business enterprise, and a General Wood twenty-five years later to change its basic nature and thus insure its growth and success during the Depression and World War II. Now another management generation will have to make new decisions that will determine whether Sears is going to continue to prosper or to decline, to survive or eventually to perish. And that is true of every business.

2. The Fallacy of [Profit Maximization](#)

Another conclusion is that a business cannot be defined or explained in terms of profit. Asked what a business is, the typical businessman is likely answer, “An organization to make a profit.” The typical economist is likely to give the same answer. This answer is not only false, it is irrelevant.

The prevailing economic theory of business enterprise and behavior, the maximization of profit—which is simply a complicated way of dear-may adequately explain how Richard Sears operated. But it cannot explain how Sears Roebuck or any other business enterprise

¹⁶⁷ First edition in 1974 by William Heinemann Ltd. This book is now available in digital format.

operates, nor how it should operate. The concept of profit maximization is, in fact, meaningless.

Contemporary economists realize this; but they try to salvage the theorem. Joel Dean, one of the most brilliant and fruitful of contemporary business economists, still maintains the theorem as such. But this is how he defines it:

“Economic theory makes a fundamental assumption that maximizing profits is the basic objective of every firm. But in recent years, profit maximization has been extensively qualified by theorists to refer to the long run; to refer to management’s rather than to owners’ income; to include non-financial income such as increased V leisure for high-strung executives and more congenial relations between executive levels within the firm; and to make allowance for special considerations such as restraining competition, maintaining management control, warding off wage demands, and forestalling anti-trust suits. The concept has become so general and hazy that it seems to encompass most of men’s aims in life.

“This trend reflects a growing realization by theorists that many firms, and particularly the big ones, do not operate on the principle of profit maximizing in terms of marginal costs and revenues¹⁶⁸”

A concept that has “become so general and hazy that it seems to encompass most of men’s aims in life” is not a concept. It is another way of saying, “I don’t know and I don’t understand.” A theorem that can be maintained only when qualified out of existence has surely ceased to have meaning or usefulness.

The danger in the concept of [profit maximization](#) is that it makes profitability appear a myth. Anyone observing the discrepancy between the theory of profit maximization and the reality, as portrayed by Joël Dean, would be justified in concluding that profitability does not matter-the conclusion actually reached by John Kenneth Galbraith in *The New Industrial State*¹⁶⁹.

3. Profit: An Objective Condition of Economic Activity, Not Its Rationale

Profit and profitability are, however, crucial-for society even more than for the individual business. Yet profitability is not the purpose of but a limiting factor on business enterprise and business activity. Profit is not the explanation, cause, or rationale of business behavior and business decisions, but the test of their validity. If archangels instead of businessmen sat in directors’ chairs, they would still have to be concerned with profitability, despite their total lack of personal interest in making profits. This applies with equal force to those far from angelic individuals, the commissars who run Soviet Russia’s business enterprises, and who have to run their businesses on a higher profit margin than the wicked capitalists of the West.

The first test of any business is not the maximization of profit but the achievement of sufficient profit to cover the risks of economic loss.

¹⁶⁸ *Managerial Economics* (Prentice-Hall, 1951), p. 28

¹⁶⁹ Houghton Mifflin, 1967

4. Invented by the [Neo] Classical Economists, the Profit Motive and its Offspring
Maximization of Profits Are Irrelevant to the Purpose of a Business and the Job of

Managing a Business

The root of the confusion is the mistaken belief that the motive of a person—the so-called profit motive of the businessman—is an explanation of his behavior or his guide to right action. Whether there is such a thing as a profit motive at all is highly doubtful. It was invented by the classical economists to explain the economic reality which their theory of static equilibrium could not explain. There has never been any evidence for the existence of the profit motive. We have long since found the true explanation of the phenomena of economic change and growth which the profit motive was first put forth to explain.

It is irrelevant for an understanding of business behavior, profit, and profitability whether there is a profit motive or not. That Jim Smith is in business to make a profit concerns only him and the Recording Angel. It does not tell us what Jim Smith does and how he performs.

We do not learn anything about the work of a prospector hunting for uranium in the Nevada desert by being told that he is trying to make his fortune. We do not learn anything about the work of a heart specialist by being told that he is trying to make a livelihood, or even that he is trying to benefit humanity. The profit motive and its offspring maximization of profits are just as irrelevant to the function of a business, the purpose of a business and the job of managing a business

5. Largely Responsible for the Worse Mistakes of Public Policy

In fact, the concept is worse than irrelevant: it does harm. It is a major cause for the misunderstanding of the nature of profit in our society and for the deep-seated hostility to profit which are among the most dangerous diseases of an industrial society. It is largely responsible for the worst mistakes of public policy—in this country as well as in Western Europe— which are squarely based on the failure to understand the nature, function, and purpose of business enterprise. And it is in large part responsible for the prevailing belief that there is an inherent contradiction between profit and an enterprise's ability to make a social contribution. Actually, an enterprise can make a social contribution only if it is highly profitable. To put it crudely, a bankrupt enterprise is not likely to be a good enterprise to work for, or likely to be a good neighbor and a desirable member of the community—no matter what some sociologists of today seem to believe to the contrary.

6. The Purpose of a Business Enterprise

To know what a business is we have to start with its *purpose*. Its purpose must lie outside of the business itself. In fact, it must lie in society since business enterprise is an organ of society. There is only one valid definition of business purpose: *to create a customer*.

Markets are not created by God, nature, or economic forces but by businessmen. The want a business satisfies may have been felt by the customer before he was offered the means of satisfying it. Like food in a famine, it may have dominated the customer's life and filled all his until the action of businessmen converted it into effective demand. Only then is there a customer and a market. The want may have been unfelt by the potential customer; no one

knew that he wanted a Xerox machine or a computer until these became available. There may have been no want at all until business action created it-by innovation, by credit, by advertising, or by salesmanship. In every case, it is business action that creates the customer.

It is the customer who determines what a business is. It is the customer alone whose willingness to pay for a good or for a service converts economic resources into wealth, things into commodities. What the business thinks it produces is not of first importance-especially not to the future of the business and to its success. The typical engineering definition of quality is something that is hard to do, is complicated, and costs a lot of money! But that isn't quality; it's incompetency. What the customer thinks he is buying, what he considers value, is decisive-it determines what a business is, what it produces, and whether it will prosper. And what the customer buys and considers value is never a product. It is always Utility, that is, what a product or service does for him. And what is value for the customer is, as we shall see (in Chapter 7), anything but obvious.

The customer is the foundation of a business and keeps it in existence. He alone gives employment. To supply the wants and needs of a consumer, society entrusts wealth producing resources to the business enterprise.

The advantages of **Yield Capitalism**

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When it comes to [investing](#) in [capital units](#), either the offer of [sur-plus value](#) or the offer of [return of investment](#) takes precedence. What is better?

According to mainstream doctrine, the ideal way to finance the development of an enterprise would be [self-financing](#), which is now almost systematically presented as preferable to the distribution of [profits](#). Paying out the bulk of the net gains for the year in the form of dividends, and then generally carrying out a capital increase in order to invest or even just to strengthen [working capital](#), would be a more expensive, less practical solution, without systemic interest.

This opinion may have tax justifications. If the taxation of capital gains is less onerous than that of dividends, it is understandable that shareholders as well as the enterprise's managers and their advisors tend to favor self-financing as a means of increasing equity. And this impetus is accentuated if, as has been proposed in France, the rate of tax paid by enterprises on their profits becomes higher for the bracket that is distributed in dividends than for the one that is not. Let us therefore reason as if the legislator and the Ministry of Finance did not give in to the sirens that encourage elected officials and senior government officials to favour a biased vision of economic rationality through taxation. Reality dictates that [surplus-value capitalism](#) concerns only a subset of commercial corporations. [Yield Capitalism](#) is applicable to all enterprises, including all cooperatives and mutual societies with a commercial vocation. The general interest requires us to recognize the existence of two dynamics of equity financing for enterprises.

The constitution of reserves, in preference to the increase in capital, is certainly a more accommodating solution in the event of a subsequent reversal of fortune. The amputation of capital is an operation that involves more formalities than the clearance of a loss by

drawing on reserves. But isn't a loss a serious circumstance, which deserves the full attention of shareholders, even if it is not worrying in the short term? It is not a question of advocating a kind of fundamentalism that excludes any constitution of reserves, in addition to those that are already compulsory. However, an elementary truth should no longer be as commonly ignored as it is. Any financial year that ends with a real loss, even a relatively small one, actually results in a decrease in the capital used, all reserves included.

In any case, it would be healthy for shareholders to have the choice between reinvesting their share of the profit in the same company, or in another, or using it for operations of a different nature (consumption, donations), it is their business and their civic responsibility. Well-treated shareholders are generally loyal, and if they are solicited they are happy to reinvest the amount of their dividends or more in the company that provided them with this source of income. But this new savings placement must be a truly free act, carried out in a personal way rather than decided en bloc by a board of directors and a general meeting. The motto of the French Republic includes, first of all, the word "liberty".

This freedom is very conducive to efficiency. Indeed, a significant amount of competition is required for the economy to function properly. It is therefore desirable that the capital market be an open market, i.e. that Mrs. Smith be free to reinvest in company Y the coupon paid by company X. The systematic use of the reserve of most of the profit is an obstacle to this healthy competition.

The casino economy is a makeshift solution.

In addition, pension funds are major investors in equities. No one, except speculators who happen to be part of their management teams, has an interest in these investors being fickle shareholders, devoting an excessive part of their activity to selling and buying securities. A quarter of a century ago, liberal economists called for the development of pension funds because at that time they constituted stable shareholders, exerting the influence of "good fathers" on the companies in which they were shareholders. Today, the turnover period of their portfolio is around one year, with each share being sold on average twelve months after being purchased. Is this what we need for funded pensions? Certainly not!

The [return](#) constitutes a real [income](#) that provides the [shareholder](#) with the means to buy services and goods in exchange for those that his contributions have helped to produce. Through his own provision of services, the capital placement saver really acts as a producer, like the workers. The same is not true in the case of capital gains, which can be shown quite easily that they are not the creation of purchasing power, but transfers between agents who have had divergent expectations or who are subject to different constraints. The offer of return from the company that is responsible for procuring it is honest in principle. The offer of added value is a prospect to be realized by a third party, which reduces it to the rank of promises that only commit those who believe in it. The transformation of our modernity into a vast gambling hall where we rely on capital gains to make a fortune makes us enter the future reluctantly.

In a sole proprietorship enterprise, it is in the owner's best interest to closely monitor the return on his savings in capital. Let's take a step back. Apart from the fact that a major asset of Yield Capitalism is that it is universal, the most conspicuous weakness of the priority given

to surplus value to the detriment of yield is systemic. Economic analysis, of the type provided in this book, shows, in fact, that yield capitalism is structurally capable of full employment, whereas [surplus value capitalism](#), which is necessarily exposed to very unequal capture, is not.

Glossary

Centralism

The concentration of the greatest possible number of means of decision and control into the smallest number of organizational entities.

Economic Liberalism

Economic Liberalism, also called, Free-Market Capitalism, is the application of the general rule of private enterprise ownership under the constraint—established by the legislature and upheld by other market authorities—of sufficient [competition](#) to ensure price regulation, and more broadly, the comparability of market offerings.

As with political liberalism, the opposite of economic liberalism is centralism.

Economism

Economism is the interpretation and explanation of behaviors that favors economic methods and theories. More precisely, within the framework of onto-political-economics:

- The configuration and subordination of social life by what the relations of production and commodity exchange make of it. This echoes one of Marx's most fundamental theses.
- The domination of the presumed pursuit of maximum pleasure for minimum pain in all human behavior. This echoes a foundation of the neoclassical theory of economic acts, as derived from Jevons, among others.

Through a boundless extension of the field of economics, economism strips the science of economics of its specific object. Economism is to economic science and policy what scientism is to science and moralism is to morality.

About

Paul Fabra

Paul Fabra, a law graduate of the Institut d'études politiques in Paris, began his career as a journalist at the weekly *L'Entreprise* (1953) and *La Vie française* (1954-61). He continued it at the daily newspaper *Le Monde* (1961-93).

Responsible for the weekly supplement *Le Monde de l'économie* (1967-84). Contributor to various French and foreign magazines, including the *Wall Street Journal*. Editorialist, attached to the editor-in-chief of the newspaper *Le Monde* (1984-93). A columnist for the newspaper *Les Echos* (1993-2009) Paul Fabra received the Jacques Rueff Prize (1979) and was made a Knight of the Legion of Honour (1985).

Paul Fabra published his first weekly column in March 1985 in *Le Monde* and then, from April 1993, *Les Echos*. The last of these regular columns in the latter newspaper was published on December 8, 2009.

His main book is "Capital for Profit", which main ideas has contributed as the foundation of the FOOE.

"This book aims at nothing less than a reversal of the perspective of current economic thought. Contemporary society is still analyzed according to the abstract models proposed at the end of the nineteenth century by neo-liberal economists. Their artificial constructions today form the basis of the doctrine taught under the name of economic science in all the universities of the West. These economists have been called hedonists because, for them, the origin of value was to be found in need or, if one prefers, in the desire for consumption, which led them to posit the axiom – on which our modern "consumer society" is based – that, in exchange, "the main fact is demand and the incidental fact supply" (Léon Walras, 1874).

This principle is contrary to the requirements of our time. It is collapsing under the blows of events. Conceptually, it is completely opposed to the tradition of the English classical school which, with the great David Ricardo, founded political economy at the beginning of the nineteenth century, by taking up and "criticizing" the ideas expressed by Adam Smith in 1776 in *The Wealth of Nations*. / What has been striking in the history of economic thought since then is, apart from a few partial discoveries, its regressive character, which makes us think of what happened to physics and biology as long as scientists did not return "to the very sources of knowledge" (Jacques Monod).

It is in the name of the theory of labour-value, taken up by Marx but misinterpreted by him (he made labour the "substance" of value), that the Marxist explanation of profit (and wages) is rejected here. It should not be surprising that the same arguments make it possible to refute the marginalism of the neo-liberals, because the latter, by repudiating the Ricardian heritage, have in turn fallen back into the traps set by Adam Smith's pre-scientific thought. It is from top to bottom that political economy must be revised, otherwise it will be difficult

to prevent society from yielding to the temptation of imaginary solutions: the Revolution or its opposite, the counter-Revolution. “

Dominique Michaut

After studying economics (Paris Assas) and continuing education in business administration techniques, Dominique Michaut worked as a management consultant in the distribution and agri-food sector, then with industrial groups and IT service companies. From 1978 to 2008, he assembled a set of initial proposals for economics. In 2014, he created the website lecodemain.net (“L’économie demain”).

In 2017, he published his “[Précis d'économie objective](#)”, from which is drawn the popularization of the main theses of strictly defined economics, the subject of this book. (See [Dominique Michaut - Babelio](#)).

Dominique Michaut has provided formal foundations to Paul Fabra’s renewed political economy. A major one is the bridge provided between macro-economy and micro-economy through a new analytical framework.

1. The Fundamental Concept: A New Analytical Framework

Dominique Michaut introduces equimanagement as both an investigative instrument and an operational tool. His central contribution is the systematic reintroduction of the dimension of savings in capital at all stages of business management, from pricing to commercial strategy. This corrects a truncated view of the firm.

2. The Diagnosis: The Neglect of Capital and its Consequences

The Firm as a "Condensed Set of Markets": Before being a production unit, the firm is fundamentally a nexus of market exchanges (capital market at its founding, labour market, supplier markets). The Accounting Betrayal: Modern analytical accounting, obsessed with flows (costs and revenues), has sidelined the crucial notion of profitability (profit relative to invested capital) in favor of a narrow view of sales margins.

A Foundational Drift: This drift is exacerbated by the harmful influence of national accounting (designed for a wartime economy and ignoring capital) on commercial accounting, leading to a fatal "divorce" between flow accounts (income statement) and patrimonial accounts (balance sheet).

3. The Technical Solution: A New Method for Cost Calculation

The technical starting point is solving the problem of allocating common (indirect) costs. Michaut proposes a revolutionary method:

Rule: Allocate indirect costs in proportion to the direct investments made for each product or production center.

Justification: This cost share represents a "rent" that each activity pays for the share of assets (capital) it uses.

Objective: This method is the only one that does not distort the calculation of product profitability (profit/invested capital), which is the decisive ratio, far more important than the sales margin.

4. The Philosophical and Strategic Scope: Beyond Technique

A Liberation from Statuses: By considering the employee as an "internal supplier," the approach reveals the potential of the market economy to transcend the hierarchical and subordinate framework of labour law.

A New Management Principle: Equimanagement leads to abandoning the false principle of short-term profit maximization. It pushes managers to anticipate market action, which tends to equalize profit rates.

The Ultimate Goal: By focusing on the profitability of invested capital, the firm better ensures its long-term sustainability and fairly serves the interests of all its stakeholders (shareholders, employees, and clients).

5. In summary, Dominique Michaut's contribution is threefold:

- **Conceptual:** He provides a vision of the firm as an aggregate of markets where capital is central.
- **Technical:** He provides a coherent accounting method (cost allocation via investment) for measuring true performance.
- **Strategic:** He offers an alternative to short-term management, refocusing the firm on its long-term capital health.

Antoine Lonjon

With over three decades of experience in Enterprise Architecture (EA), systems engineering, and model-driven methodologies, Antoine Lonjon is recognized internationally as a thought leader in shaping the future of enterprise transformation frameworks. His unique perspective is rooted in a foundational insight: system architecture and economics share the same ontological foundations.

This conviction was sparked during his studies in micro- and macroeconomics at the University Paris-Dauphine in the 1980s. While intrigued by concepts like indifference curves, he felt a sense of intellectual incompleteness with neoclassical models. This feeling was validated by a wise teaching assistant who introduced him to the work of Paul Fabra, revealing a powerful alternative centered on the core concept of economic exchange.

In parallel, throughout his career, Antoine's work on the foundational models of system and enterprise architecture was converging on a similar principle. While contributing to key international standards like UML, BPMN, UAF, he identified economic exchange as a critical form of interaction for any enterprise. Before founding SysFEAT, he served as Chief Innovation Officer at MEGA International, where he led advanced research in ontology-driven modeling and AI-assisted design, solidifying his crucial realization that these two disciplines must inform one another.

SysFEAT is the embodiment of this insight. Its mission is to provide a unified yet modular framework where systems thinking and economic principles systematically enrich each other.

At SysFEAT, Antoine brings his strategic vision and technical depth to help organizations design, govern, and transform with confidence. A passionate advocate of systemic thinking, he combines academic rigor with hands-on experience to bridge systems thinking, economic insight, and engineering rigor. His ultimate goal is to empower organizations worldwide to navigate complexity and build purposeful, agile, and sustainable enterprises.