Journal of Economics and Development Studies
September 2018, Vol. 6, No. 3, pp. 107-115
ISSN: 2334-2382 (Print), 2334-2390 (Online)

Published by American Research Institute for Policy Development
DOI: 10.15640/jeds.v6n3a11
URL: https://doi.org/10.15640/jeds.v6n3a11

Economy of Social System, or General Economic Theory

Alexander Sharov[1]

"Economy of social system" is a macro-economic theory built on representation of society as a system consisted of three elements. Between elements of system there is an exchange of properties for the purpose of receiving profit and this exchange is a basis of the economic relations. Change of profit and a share of property of each element happens under certain laws and is the reason of business cycles. The laws of behavior of system stated in this theory give the chance to define future condition of system and economy in general.

Keywords: social system, property, profitability, profit, economic cycle, aggregate demand, economic formula

"Economy of social system" is a macro-economic theory built on representation of society as a system consisted of three elements. Economic science, the entire set of theories and hypotheses about production and distribution is built on banal notion of material goods (wares) as the only property disposed by a man. Material goods were produced, consumed and sold long before notion of economy was created. With formation of economic relations material goods have reserved the state of economic object or of property. Exchange of material goods for money, named 'economical', became an object in economy study. And all the history went to dead end. Notion of property on higher level, that is a base of production of all material goods, was missed. And how is the worth to ask a question: "What particular happened that economy was created and became an object of general interest? If exchange of material goods existed till the notion 'economy', till the capitalist method of production, and this exchange wasn't economic, so could it become an object of economic exchange suddenly, only from change of production volumes? Research of markets and money gave no answer about future state of economy for two hundred years. It's enough term to notice a default. It's high time to watch at material goods as at a result of exchanging 'properties' and means of their evaluation which mankind really disposes. Macro-economy should study not result but source of creation of material goods and money. As we understand which property do we really have, we'll make notion of goal of its exchange and belonging clearer, and we'll understand economy and its laws.

Material goods, as a subject of exchange and economic relations, have begat theory of economic system with two elements – home husbandries and farms. Society with two kinds of players doesn't explain majority of economic phenomena, no matter how simple they were (as profit or an economic cycle), but as a system of great number of two-kind subjects leads only to probability methods of description of its behaviour or psychology, that denies the economy of its certainty and makes it a science about social psychology with attempt of mathematic description. And all modern economic theories, hypotheses and laws containing unexpected and unpredictable external influences with nature unclear to anyone, have been loaded on this dubious base. Take each economic theory and find in it at least one condition, formed without explanation of its nature. There has been created so entangled situation with numerous reasons of change of economic situation, so that we became to explain these changes by indicators of these changes. It is already impossible to make this clear without returning to the very beginning, to the structure of society, to understanding of economy as a reflection of social processes (sociology in its modern notion doesn't suit too) occurring between certain groups of persons, whose behaviour is defined by treating their property, so that they may be reviewed as a unite element.

[1]14, Mekor Khaym apt.20, Beer Sheva, Israel, 8463616, +972527979467, Alsharov7@gmail.com

Being based on model of society as a system of three elements formed on the base of three kinds of property, and this means – behaving quite definitely, I've found an opportunity to explain all economic processes and states from position of a thought. Social system is this model. Social system is a society of humans divided to three groups (elements) regarding to property, and leading exchange of these properties with goal to raise their living standard. Economy, respectively, is a process of exchanging properties inside of system, consisted of three elements with profit as a goal, and the result is production of material goods. With absence of one element in the system we cannot review the society as a system and its relation as economic ones.

The society forms the system of three elements on the base of three kinds of property: labour, actives and resources. Labour owners, owners of actives and government administering the resources are the elements of the social system. For labour owners labour is the source of prosperity and the basic property owned. Labour owners are the basic consumers of material goods and the most numerous element of the social system. Cost of labour as a property depends on its need in exchange, its demand from owners of actives. Because that labour is the basic source of existence for its owner, so its sale is a vital necessity. Being demanded, the labour keeps its cost and provides its owner with necessary material goods. Decrease of demand for labour abates its cost and its owner's living standard. Labour owners are those selling their labour, and not those making an activity and selling results of their labour. Labour as property is guarded, until its owner keeps workability and opportunity to exchange it to material goods. For the system in whole the labour is kept and reproduced while the system itself does exist.

Labor buyer is the second element in the social system – owners of actives. They consider actives and capital invested to production, as well as to other profitable active, as source of their welfare. Owners of actives form requirement to labor on the base of their actives. The cost of actives themselves is defined by profit they bring to their owners. Labor consists the basic share in the combined demand and the significant share in production's expenses. Owners of actives are interested in growth of labor owners' salary to demand expanding, and in salary decrease to increase profitability of actives. Two motives, opposite one to another, create economic oscillations. High profitability of the production causes owners of actives to expand it, that increases expenses for salary and percentage of profit is decreased, and as income of production ceases to satisfy an owner of actives, it increases productivity and reduces expenses for salary, and demand of owners of labor for material goods is decreased. Such oscillations could bear periodical and predictable manner, if no influence of resources' cost and change of productivity. Government is the third element of the social system. Cost of resources is defined by share of government. There are nature resources and resources of power, those ones created by the government itself on tax collections, but for comprehension of social system resources' division to species isn't required. For creation and extraction of resources the government involves owners of actives and of labor, and expenses the state budget. Cost of resources is defined by sum of collected taxes and by number of resources themselves disposed by the government. The government defines types of produced resources, expenses on them and with this it establishes norms of its consumption for owners of labor and of actives.

Labor, actives and resources exist in each society, and their belonging to diverse owners creates the necessity of exchange that bears economic manner. Formation of the system is process of property distribution between people, when one of properties becomes the basic source of human existence. People owning one property consist a group or an element in the system. Their attitude to property defines their behavior in interests of their own property. Thus, their motives in economic exchange coincide completely, that gives an opportunity to see the social system as a combination of three elements at all, having reduced uncertainty of system's behavior to minimum. Representation of economy of a social system, denied of uncertainty, doesn't require study of separated man's psychology, theory of games and complicate mathematical apparatus, with this it gives an opportunity to manage economy and to understand its state. Of course, for this it's necessary to introduce a new economic terminology and concepts that hadn't existed before. If my several definitions will seem you as familiar, don't hurry with conclusions, their meanings are able not to correspond your notion about them, and they'll deny you of an opportunity to understand my theory.

Economy, or economic relations, has started after formation of social system, when exchange of properties instead of material goods, was formed. And these relations are built not on a need to produce more material goods, but on wish to get great profit. The basic question of macro-economy remained unclear, what's profit and how is it created in scale of the entire state, or in my case – in a social system?

Economic interest, like the economy itself, is created only when profit comes. And this becomes possible only in three-element system, when the system is capable to increase production of material goods in the process of exchanging properties between elements. Uniting three kinds of property in production allows the system to produce any number of material goods without presence of money (gold) or wares. Possibilities of actives, resources and labor, and also degree of their participation in exchange, will define how much growth of production would be bigger. Limit of system's possibility in production of material goods is restricted with productivity only. And productivity in short-term perspective is defined by elements' property. In middle-term perspective productivity is restricted with degree of property isolation between elements. And in long-term perspective system isn't restricted, productivity can grow without end under the complete distribution of properties between elements. Money produced in each amount by a social system, don't define possibility of its growth. It's enough for men-of-property to truce about exchange. Each of participants in exchange gives other participants the obligation to grant his property for a part of future material goods. In reality everything occurs by means of money as the most agreeable obligations. The government issues money and sells them to owners of actives, these ones employ labor owners to produce material goods on their equipment. In process of production money are distributed between the elements and are provided with material goods. Emission increases number of material goods though emossion money have no cost.

Inasmuch as one element in the system is an emittent, anolther one is a debtor, and third one is a producer, so the system is capable to create debts to itself and produce material goods for them. Distribution of property allows the system to be self-sufficient in enlargement of production and its profit. The profit (for the system in whole) is an additional debt obligation invested into enlargement or modernization of production by actives' owners. From all elements of the system only actives' owners are capable to play role of investors, and only in the social system of the three elements it's capable to make profit, and it means – economic relations can be created only in it. Exchange of material goods doesn't make profit for the system in whole, no matter how would you look for it there. Orthodox economy sees economic relations in exchanging material goods and it suits to micro-economy, but for macro-economy it's useless deed. Only in exchange of elements' properties we can find macro-economic profit and increase in consumption of material goods in whole. And micro-economy studies distribution of this profit and of material goods inside of each object. And who else doesn't understand relation between macro-economy and micro-economy? But meanwhile labor, resources and actives haven't been revised as property till now, whose exchange creates profit and material goods; economical thought hasn't been changed since times of Adam Smith.

Before the formation of the system, the concept of profit didn't exist, though the society had production, money and concept of debts. Material goods were the goal of production, money were gold that didn't required to be provided with goods to keep its cost. And debts didn't exceed amount of gold in society. Return gold as a means of exchange and it may not be spoken about profit.

Formation of the system is a process of change of production goal from providing with material goods to profit. Formula of ware production (or circulation) in non-formed system looks as 'goods – money – goods'. The goal of such society is production and consumption of material goods, and money serve as means of ware exchange. For the formed system, and it can be considered as the first law of economy, formula of goods' production is converted to formula of money circulation or production of profit, and looks as 'money – goods – money'. And the matter is not that I start revision of permanently repeating cycles of goods-money exchange, starting from money, there's nothing new in this. The matter is that money in the beginning of formula aren't merely money, but money in sum with new debt obligations. And we get formula of profit: '(money + debts) – (goods) – (money + profit)'. Debts in the beginning of formula turn to profit in the end, and the system achieves its goal – profit. The profit increases demand, and the demand is stimulated by enlargement of production of material goods and new debt obligations. The first law of economy works for permanent growth of debts and profit, and for this amount of elements' property should grow permanently in exchange. Growth of production isn't directed in favor of one element, because enlargement of production keeps its significance only with growth of combined demand, i.e. property of all systems' elements should grow. Owners of actives should produce only those goods that should be sold to get a profit. The profit in the social system is an indicator of usefulness of material goods. It becomes evident from the formula of profit, that keeping of the indispensable cost of money means equality of profit and debts, and if new debt obligations won't be invested into production or the production will be reduced, so the cost of money will be decreased. With this the system will lose profit and stimulus to create new debts. Because those new debt obligations (future profit) are distributed between elements in the process of exchanging properties not always in indispensable proportions, so the shares of elements' property are changed. On profit's share of actives' owners manner of investments will depend.

Actives' owners will compensate reducing of profit share with growth of productivity. Change in productivity changes distribution of profit shares between elements. And if to understand the mechanism of distribution of system's profit and change of elements' shares in system's common property, so we can forecast system's economical state.

To provide exchange with elements' properties liberty of this exchange in owner's interests, represented by markets, is necessary. Formation of the system is realization of three conditions: 1 – creation and development of three kinds of property (resources, actives, labour), 2 – presence of opportunity and of liberty to exchange it (market), and 3 – presence of exchange means (money and debt obligations). Liberty of exchanging properties means keeping of material interest of owners in the exchange. Though with this possibility of reduction of property of one or some elements in the exchange process isn't excluded. Even if the property of one element can be reduced or not to grow while property of other element is growing, his high interest in exchange may not be changed.

In non-formed system material goods are exchanged, in formed system material goods are means of payment for participation in exchange of elements' property. Each element receives a part of profit as material goods for participation in production. No wonder that after formation of social system production development is significantly accelerated in comparison with non-formed system. Economy of a social system is system exchange with growing consumption and debts.

In non-formed system correlation of 'properties' found in one hands for production, has no significance, they aren't even divided, their cost isn't defined, and it means – need of property in production isn't associated with economic purposefulness. Change of shares in property doesn't change producer's interest, because he is interested in material goods instead of profit. Productivity isn't a means for profit increase too, cost of labour and resources isn't defined. No unemployment, need in material goods makes the producer to involve all available resources and labour in production. The basic value in the society is power that defines amount of labour and resources owned by a man.

Economy of social system doesn't depend on measures of the system, on history of its formation, geography and presence of natural resources. Behaviour of systems is defined by correlation of shares of its elements and distribution of property, occurring according to the same absolute laws with no exception. Difference in economies of various systems comes to difference of shares of its elements and relations (exchange of properties), and it should consist an object of economic researches.

Government in social systems possesses with unconditional authority, accepted by the entire society. And resources are the base for this unconditional authority. Resources, found in the disposal of the entire society, are administered by governments accredited for this. It is meant that they administer them in interests of the entire society, but in reality resources are an instrument of government's authority over the society. The more resources are in government's disposal, the more significant is its authority. Resources are necessary for production of material goods, but this doesn't mean that the need in resources always corresponds to supply. Governments don't consume resources but define which resources are to be produced, in which amount and at which price. That leads to in-correspondence in demand and supply of resources. Production of material goods is coerced to get acclimatized to those resources disposed by the system. Thus, the resources define the production and living standard in the system. And often presence of resources forms traditions of production that inhibits its development. Either deficiency or surplus of resources always increases the cost of production, deficiency resource grows in its price, and surplus of the resource is always overspending of budget means for its creation (if for defined production low price for defined resource increases profit, so for the system in whole these are additional expenses). Increasing government's expenses on military needs increases tax collections and profits of arms' fabricators.

For the system resources are complicatedly regulated property, on which demand by labor owners and actives has lesser influence. Production is defined by resources more often than production defines government's resource policy. And this is associated with that the exploiting resources doesn't make profit and efficiency of their exploit doesn't bother the government.

Question of economic administration of social system by the government comes to forecasting need in resources and their prices. Actives consist the production base of a social system on which depends level of production and productivity. Actives bring profit to their owners and this is their basic destination. Actives that don't participate in economic exchange don't bring profit, just like labor, but they keep their cost. The cost of actives is defined by their productivity, and value – by profit they bring.

Diverse combinations of shares of elements' properties create the entire diversity of social system or of their states. Combination of properties can be either balanced or non-balanced. Balanced one is correlation of elements' properties, corresponding to productivity. Balanced state of the properties is confirmed by interest and opportunity of all elements in the social system to enlarge its participation in economical exchange. Violation of the balanced state can occur only with change of productivity or of exchange conditions.

If owners of actives and labor are capable to guard balance of their shares in accordance with productivity in limits between high profitability of actives and high amount of production, so the government in its aspiration to increase its share of property, permanently violates the balance in system. While acting like significant mass of property, resources change the economic exchange, influencing distribution of profit among elements. But non-balanced system doesn't mean that it had lost its stability and would be destroyed. The system just achieves the state of stability while changing the balance of property, responding on new conditions of exchange and excluding part of property from circulation, or adding it in aspiration to 'hold the balance' (correspondence between productivity and share of elements). Not supply and demand of goods should interest the macro-economy, but correspondence between shares of productivity elements that would provide all system's elements with a share of profit, that satisfies them. Fulfilling the conditions of the balanced state provides the correspondence between supply and demand. Deviation from the state of balance is inevitable under system's development, but the system regains its stability, responding on changes and changing shares of elements. In its capability to change the properties' correlation, viability of system is displayed. While the system is formed on aspiration of each element to increase its property not only at the expense of production growth, but also at the expense of other elements, so the system will always change the property balance, and, consequently, this circumstance prevents the system from remaining in the balanced state for prolonged time, but to deviate from it permanently. For a representative of one element only the property of other elements as the source of his prosperity is evident, moreover that the official economy had given no clear answer to the nature of 'peoples' wealth'.

How occurs the change of properties between elements during the production process? For actives' owners labor and resources are domains of expenses, and if they grow in the process of exchange, so the profit of actives' owners is decreased. And here choice comes between actives' owners, either to reduce expenses, or to increase effectivity of production (productivity). Growth of resources' share occurs due to keeping taxes higher by a government, growth of labor's share – due to enlargement of production and growth of salary. Besides, each element in the system tends to increase its share of property, and actives' owners agree with this if their profit grows or isn't decreased. Due to change of elements' shares the system starts making oscillations or economic cycles. Let us assume that the system is found in the state of complete productivity and high income level of actives' owners. When an income business attracting investments, is in actives' owner's hand, its enlargement is inevitable. Enlargement of production, and we tell about the entire system, leads to increase of employment and growth of labor's share. And whilst production is enlarged, need in resources grows, and jointly with growth of labor's share its taxation and cost of resources themselves. Shares of labor and government grow jointly. Profitability of actives is reduced, but growth of production amount compensates it. Generally, this state is named 'economical rise'. And such enlargement of production is continued while decreasing of production's profitability is compensated by an amount, or shares of labor and resources won't exceed the meaning, under which actives' profit starts to fall. In such situation actives' owners reduce production, and expenses for labor and resources are reduced with it together. And this state of system is called 'economic decrease'. But with this profitability doesn't grow, and actives' owners invest into productivity, that additionally leads to reduction of expenses for labor and resources. As profitability of resources grows, the system renews economical rise. This is brief description of the economic exchange. Now we introduce the concept of economic potential to explain changeability of economic cycles. It should be marked that each system won't completely activate all the property in the exchange, no matter on which stage of its development it was found. By physical (technical), economic or social conditions, the property out of exchange will always be found in the system, being its potential. Potential is system's property not activated in the exchange but capable to it. Calculation of potential can be made on money mass not activated in the exchange. We are mostly interested in each element's economical interest, constantly changing, that excludes the state of unchangeable profit. In accordance with change in interest of active owners as a production-managing element, potential of the system is changed. The presence of potential enables to get profit more than sum of investment. And active owners enlarge production and realize system's potential.

The potential plays the role of additional investments from system's internal reserves that enables actives' owners to keep profitability under growth of production and growth of labor and actives' share for prolonged time. The realization of potential on the stage of economic rise assists to its multiplication. And difference in potential's dimension in each new cycle influences the change of time of the cycle itself.

Enlargement of production and growth of additional investments, including realization of potential, occur simultaneously. But the complete realization of potential is impossible because that growth of labor and resources' cost prevails over realization of potential. And profit of actives achieves its minimal value earlier than the complete realization of potential. All actives and resources of the system aren't exploited in the exchange, therefore level of unemployment doesn't reach the zero value. And because that profit of actives defines not only variable expenses for labor, but also conditionally permanent expenses on resources, so the brink of profitability is defined by resources' cost. All expenses for labor are compensated by growth of aggregate demand that cannot be said about resources that have always defined interest of irrevocable losses and share not participating in exchange. Hence, resources define system's minimal potential. Not tending to save defines the change in stages of the economic cycle, which is impossible to be defined, but minimal potential and resources.

Economy of social sphere is described by a formula:

CC= V + D + A + R
WhereRisresources.
V isproperty of labor owners, salary excluding taxes (cost of production or its expensefor salary).
A isactives (cost)
D isinvestments (new obligations for debts).
CC isaggregate demand.

Graphic depiction of economic cycle and economic formula considering changein productivity will look as follows (Figure 1):

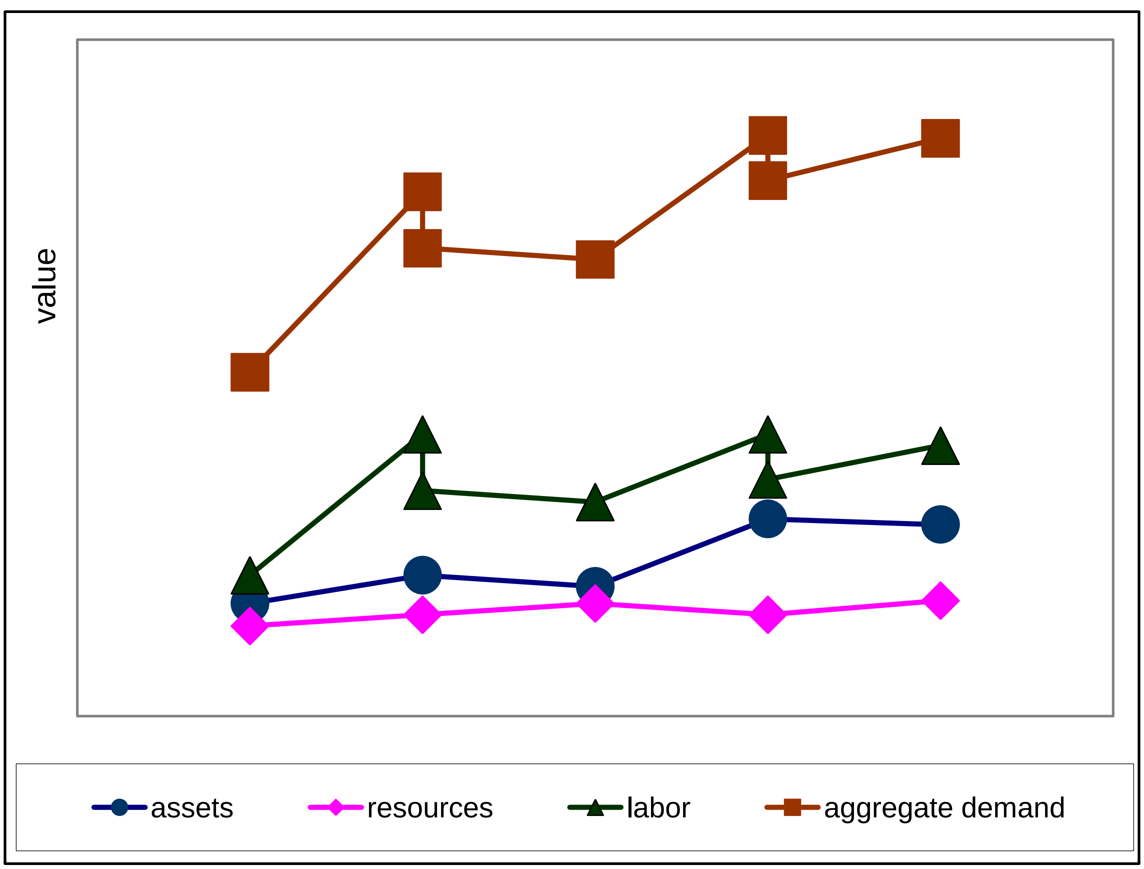

Figure 1Graphic depiction of economic cycle

All property in the formula reckons only property during exchange, potential in the aggregate demand isn't reckoned. The economic formula in terms of money will correspond to balance of property reckoning the potential. The labor potential will not be high in comparison with potential of actives and resources, reasoned by insignificant accumulation of money by labor owners. And it's incorrect to reckon the possible level of income of non-working labor owners, because that it is formed at the expense of potential of actives and resources. Growth of employment can significantly increase the aggregate demand, but only at the expense of potential of actives and resources. Actives' owners won't enlarge the unprofitable production to increase employment, and it's impossible to realize actives' potential under low profitability. Thus, resources remain the only property of the system capable to influence the employment. Decrease of resources' cost not only increases actives' profitability, but also the aggregate demand. Logics of salary control's supporters are based on assumption about tendency to save, growing with growth of income. But households or labor owners neither accumulate capital under growth of salary nor do they start to spend more to hold the aggregate demand under decrease of incomes. Labor owners don't invest their means, and if they accumulate them, so for future consumption only. But actives' owners with growth of taxes lose profit and reduce actives in exchange, and labor owners decrease consumption and instead of smooth economic growth the system faces sharp fall of employment. Minimal potential grows, and only the government responses for this. Decrease of volumes of production and accumulation of potential cause the natural inflation – number of goods falls relatively to money mass. And the government responses on this with additional emission, that much more increases the potential of system and inflation.

Each social system, due to difference of actives, resources and labor, and also found on different stages of the economic cycle, has different needs in them. All these differences make economic exchange between social systems profitable, uniting and completing properties, absent in each separate system. Exchanging properties between systems makes them open ones. Open systems are capable to unite elements, but completely open systems don't exist. Uniting resources of some systems already means the united government, and this is already not open systems but united system. And displacing actives and labor from system to system isn't complete. And while we are talking about different systems, so we can discuss only grade of their openness.

Economic formula of opened social system will look as follows:

$$CC \pm CCv = V + D + R + A \pm Vv \pm Dv \pm Rv \pm Av$$

Where Vv is external volume of production.

Dv – are external investments

Rv – external resources

CCv – external aggregate demand

Av – external actives.

Completion and reduction of properties at the expense of other systems can restore balance between elements or disturb it much more. And all the same opened systems, unlike closed ones, have the opportunity to accelerate their development, having raised the aggregate demand and/or having increased your share of actives. Openness of systems leads to formation of one of two basic types of systems: systems with developed actives and systems with developed resources. Such systems complete one another, systems with developed actives imports the aggregate demand and resources, systems with developed resources import material goods.

Import of aggregate demand is analogous to realization of potential or of growth of debt obligations in the system. But the open state of the system may lead to reflux of capitals to systems with low-cost labor and resources, and this will reduce aggregate demand. Developed systems prefer exchanging their material goods to resources that reduces resources' cost and increases the aggregate demand. System restricting development of its actives, develops actives of other systems at the expense of its resources.

High share of actives requires significant investments into productivity that provides high tempo of development of such systems in comparison with resource systems. Difference between developed-actives' systems and resource systems will rise while keeping exchange of material values to resources. But transfer of capital and actives into resource systems with cheap labor and resources, and thus – with higher profit, will make economies of systems closer. Problem is that systems rich with resources may have high living standard and labor cost under low productivity that denies the system of investment attractiveness, and motive of resource systems to increase productivity and share of the actives will be insignificant. And system's need itself in increasing actives' share is not evident, no one made evaluation with elements' share yet.

Government of resource system will support this state of system, under which share of resources will be high to keep its power. High cost of resources increases 'economy' of resource systems. But rise in economy with growth of resources' cost will be provisory, because resources' high cost will stimulate systems with developed actives, and search for opportunity either to reduce resources' consumption or to raise prices on material goods they produce. Evaluation of system's economic development may be produced according to economic formula as sum of elements' shares:$1 = V/CC + A/ CC + R/ CC$

Correlation of shares characterizes economic level of system's development. Additional value of productivity will enable to define system's deviation from the state of balance, its potential and future state.Productivity (real) is relation between number of material values and amount of labor. For the system virtual productivity may be evaluated according to actives' share. Comparison between real productivity and virtual one will show system's deviation from the state of balance. Evaluation of system's state in the formula of elements' sharesmay be quite informative. Actives' share A/CC may be interpreted as virtual productivity, it grows under reducing of production or raising productivity. Growth of actives' share A/CC and of labor share V/CC speaks about that the system is on the stage of expanding productivity and realization of the potential. Growth of actives' share A/CC and decrease of labor share V/CC speaks about that the system is on the stage of productivity growth and accumulation of potential. Decrease of actives' share A/CC and growth of labor share V/CC speaks about that the system reduces its productivity and potential. Decrease of actives' share A/CC and of labor share V/CC speaks about that the system increases consumption of resources on the background of potential's decrease. Evaluation of elements' shares not only enables differentiation of systems one from another, but also understanding the stage of system's economic cycle.

Relation between actives' cost and labor cost is technic or absolute productivity: A/V. Absolute productivity doesn't reckon volume of material values' production, but gives enough exact value to opportunities of production. Some words about money. Money provide exchange of elements' properties, Natural exchange of material values is quite possible in every society, but exchange of elements' properties and evaluation of moneyless shares are impossible. But existing of money as it is doesn't create a social system. Money provide exchanging properties between elements and even stimulate it while acting as debt obligations, but they don't influence separation of properties. In modern social systems money aren't attached to gold but reflect debt obligations. Money mass grows together with growth of human wish to possess with more material values. Additional debt obligations are a component of money circulation, while providing realization of the first economic law. Its fulfillment means investments of new debt obligations into production in order to fulfill condition of money provision with material values, of keeping their cost and creating profit. When this law isn't fulfilled, the first law of economy isn't fulfilled too, money is devaluated, and the system gets no profit. Violation of the economic exchange takes place, if debt obligations are created by each element of the system for itself. If a government, actives' or labor owners implement money emission for its consumption and don't create debt obligations to another element, so investments to production become optional. As gold digging doesn't require from a digger to create production of material goods which he can acquire in exchange on his gold. But, as he gives gold that he doesn't intend to spend to personal consumption to producer's share, so economic law starts working. The concept itself of a debt obligation means a duty of one owner to another. An ideal creditor from three elements of social system is the government – it is associated with production at the least, it neither accomplishes the first law of economy nor creates profit. But it is capable to enforce a debt obligation with money as a resource with warranty of their solvency. If to allow actives' owners to manage the creation, if either issuing securities or crypto-currency with obligatory money supply, so this will lead to inflation. Even creation by actives' owners with purpose of investment will have low efficiency. It is difficult to control investments of such debt obligations into production, and their supply with goods is laid on actives' owners themselves (issuers). The entire produced goods will correspond to measure of issuing by a producer, analogous to issuing for government's production of resources. The Great Depression is a bright example for no-control issuing by actives' owners. Each violation of profit's formula influences the economic exchange. If you have a question about purposefulness or consequences of certain economic decisions, and exchange in money circulation, define their influence on the first law of economy and understand consequences of these decisions.

Reproduction of goods provides cost of money found in exchange, expansion of production provides cost of new debt obligations. Decrease of production devaluates money, creates inflation, expansion of production of material values without growth of money mass increases their cost. Respectively, money cost falls or rises depending on intensity of exchange between system's elements.

To support the permanent money cost, money mass should grow or be reduced together with production of material values. But because that material values are primary and growth of money mass overcomes the growth of productivity, and reduction of money mass is impossible, so the money will always be cheaper with development of production from one economic cycle to other.

Issuing and increase of productivity aren't directly associated with necessity to activate additional property in exchange, that is, they come out of exchange and increase the potential. This circumstance defines influence of money on economy only as potential and by means of it. Accumulation of potential is a result of aspiration of actives' owners to profit, and already implementation of potential is accompanied with increasing of exchanging elements' properties.

Money is one of resources in government's hands, and cost of one of numerous resources can't have any essential effect on economy. Money cannot become the basic instrument for managing economy, no matter how you didn't want it. Percentage of money cost, established by the government, for management of actives' owners' investment preferences – is a kind of tax for future profit, whose effect on economy isn't differed from any other tax. Buying money from the government doesn't warrant their securing with production, but deliberately decreases investments' profitableness, independently from their orientation. Buying money from the government by actives' owners during the period of implementation of potential, less affects the investments' profit than under its accumulation, just like growth of taxes. That explains swift growth of government's share during the period of economic rise.

That one what we used to perceive system's state on the peak of production growth as the most prosperous, is in reality the state with maximal deviation from the point of balance and with minimal potential, under which further expansion of production without loss of profit is impossible. The system loses its economic stability only if it leaves the frames of potential. Potential's dimension from zero to such value, under which potential cannot be implemented into aggregate demand, may be considered as frames. Zero potential threatens to system with impossibility of further expansion of production or increasing of productivity that occurs under compulsory securing of money with gold only. In modern social system achieving of 'zero potential' doesn't occur. Actives' owners will create the potential as the base for profit, if not by new debt obligations, so either by reduction of production or by increase of productivity. Deficiency of potential is dangerous only because that it is changed with its sharp accumulation, and, as rule, this is reduction of production and inflation associated with it. Excessive increase of potential leads to decrease of aggregate demand, under which starts irreversible reduction of exchange. Actives and resources withdrawn from circulation, just like labor, bring no profit that means – lose their value. With this, potential becomes incapable to be completely implemented due to inflation. Surplus of money mass, corresponding to property withdrawn from circulation, is devaluated, while provoking prolonged inflation. Property which wasn't used in circulation becomes 'financial zero'. Labor owner without work doesn't influence the aggregate demand, consequently, he brings neither profit to actives' owners nor taxes to government. Actives, not used for production, won't create material values, and under low aggregate demand production will be unprofitable. All actives withdrawn from circulation aren't already used because of low aggregate demand, and labor owners cannot produce material goods for themselves because of absence of actives. The system is 'stuck' on the lower level of consumption, of aggregate demand and production, accepting stable state, completely withdrawing significant share of labor, actives and resources from circulation. And such reduction of production doesn't return the system to lower productivity, that is, the system isn't returned to its previous state, it loses part of property, found outside of the system, and without any opportunity to form own property. For the beginning of economic rise profitability of actives withdrawn from circulation should rise either at the expense of lowering of resources' cost, or at the expense of labor cost. The system is coerced to change the correlation of elements' potentials' shares in favor of actives. Labor in this balance becomes the most vulnerable. Lowering of its cost restrains growth of aggregate demand. Such state of system is named depression. Lowering of resources' cost is a solution to leaving the depression. And if more exactly – reduction of government's share in favor of labor. With which, aggregate demand without social cataclysms grows. Labor for this should have a potential, like other elements in the system. And this is possible if labor owners will get unconditional basic income or unemployment benefits that would increase aggregate demand, preventing the system to be stuck on the lower level of exchange. Idea to revise the economy of social system as a three-elemental model would be incomplete, if I didn't mention the possibility to build the mathematical model of economy. A physical pendulum with variable gravity center is an image for the mathematical model of a social system.