

# Re: Extrapolating A+B Part 1

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  - *Date:* 22 Sep 2005 17:01:36 -0700
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"Obviously the interest is taken out of circulation of the subsequent money supply loaned for productive and or consumptive reasons etc..."

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Nothing is taken out of circulation to pay interest, either subsequently or concurrently.

Think in terms that all the money in circulation arises from bank loans. The general theorem is: Loans create deposits; the repayment of loans cancel deposits. It is what economists describe as the \*pure creditary economy\*. There is the flux of loan principal from the banks, which refluxes back with loan amortization.

Plot the flux and reflux on the same chart against time. The process take place through time, hence the flux may be said to \*lead\* its reflux. See the attached illustration.

Depicted is the condition of quasi steady state, which means things may be changing but the relationship between the parameters is remaining constant. The ratios or coefficients between the parameters are remaining constant, etc. For example, if the flux doubles, the reflux doubles concurrently. In mathematical terms, we say that the rates of increase to both flux and reflux are remaining constant. Such change is depicted on plots by straight lines.

The instantaneous differential between the flux of loan principal and its reflux depicted at T1 is the rate of accumulation to account balances at T1.

The differential and therefore the volume of money is not affected by interest, which is merely the transfer payment from the account balance of one party to another for services rendered—in this case financial services.

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Re: Extrapolating A+B Part 1

- **References:**

- ◆ **Extrapolating A+B Part 1**

- ◇ From: william\_b\_ryan@xxxxxxxxxxxxx

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