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**-TOTAL DEBT=TOTAL MONETARY ASSET.** '08/10/17,'11/8/30  
**<GLOBAL DEBT CRISIS the BASIC MECHANISM :ZERO SUM THEOREM=ZST>**

As principle of accounting, **+surplus(-debt)=income-payment**. Applying the equation to total sum of dealings in economy society yields the title equation.

(1) **Increasing monetary assets must be simultaneously increasing debts.**

**Decreasing debts must be decreasing monetary assets.**

**Someone gain huge money, while someone gain huge losses.**

(2) Economic growth is enabled by increasing debts, then any economic growth must be finite due to finiteness of markets(demands), then **recession with debts crisis** must be inevitable by anyhow.

**CAUTION :**

Now 2008/10, the **global financial crisis** emerges at everywhere. Then the most indispensable economics concept(zero sum theorem on finance) never be discussed. It is supremely ridiculous. **Macroscopic response** of finance and real assets business and their relation never be comprehensible without **ZST**.

**[0]:The historical affairs.**

In end 3 month of 1997, author engaged in mathematical representation of economy dealing network model. The fundamental philosophy is evidently simple that

economic status could be precisely represented by **set of accounting books** which describe details of every financial dealing(**money flow with goods & stocks one**)

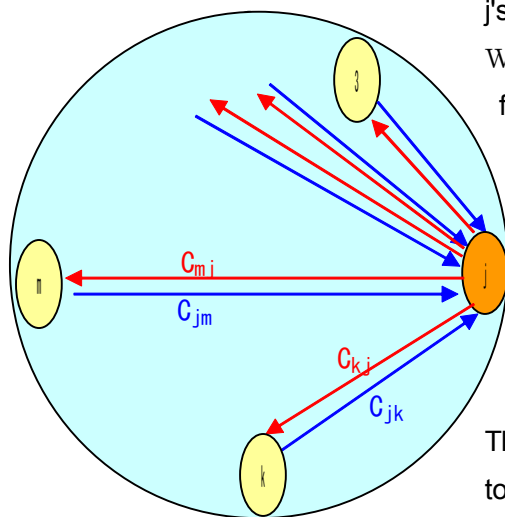
The model is to employ **economy state variables** as each trade amount(money and goods flows between two dealers and their stock assets). In the matter of course, we count up each economy actor's **years final account**. In such situations, author encountered the zero sum theorem in financial accounts, which states that **Total debt=Total monetary asset** in closed financial system. At that time, Japan had been severe in financial suffer since 1990 of the big speculation bubble. Author reported this serious fact to many authorities in domestic (and also to abroad with other informations), but has been entirely & "superficially" neglected. Note!, author had no academic economics education .

<http://www.777true.net/Firstproblem-USA.pdf> <see Appendix A1 >

**[ 1 ]: Proof of ZERO SUM THEOREM(≡ZST)<mathematical methods>:**

**① for readers familiar with mathematics.**

Let's denote N economic actors as {1,2,3,...,j,...,k,...,N}. They make dealing (sell and buy) among each other such as {money  $C_{jk}$  flows  $k \rightarrow j$ , then goods(etc) flows( $j \rightarrow k$ )} in an accounting term. Then we derive equation as for



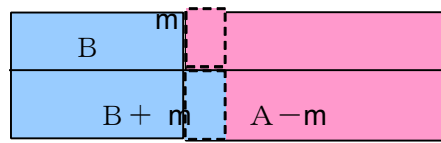
$j$ 's surplus or debt  $\equiv W_j$ .  
 $W_j = \{\text{Total income}\} - \{\text{Total payment}\}$   
 from and to {1,2,3,...,j,...,k,...,N}  
 Note that own dealing  $C_{jj}$  is cancelled in the following.  
 $W_j = \{\sum_{k=1}^N C_{jk} - \sum_{k=1}^N C_{kj}\}$ .  
 $\sum_{j=1}^N W_j = \{\sum_{j=1}^N \sum_{k=1}^N C_{jk} - \sum_{j=1}^N \sum_{k=1}^N C_{kj}\}$   
 $= 0$ . <proof end>  
 Thus total sum of **-debt** = D and total sum of **+surplus** = A (= monetary assets, money, paper wealth) is cancelled with each other. Or  $D = A$ .

**Total sum of Debts = Total sum of Surplus(money). <zero sum theorem≡ZST>**

- ☞: {1,2,3,..,j,...,N} must be a **closed dealing system**.
- ☞: Money unit must be unified in international system.
- ☞: each economic actor could be also a collective one such as foreign nations.  
 For example, a trading is export(sell) and inport(buy).

**② for readers not familiar with mathematics.**

(1) In any dealing between two dealers, sum of both their currency assets never increase nor decrease.



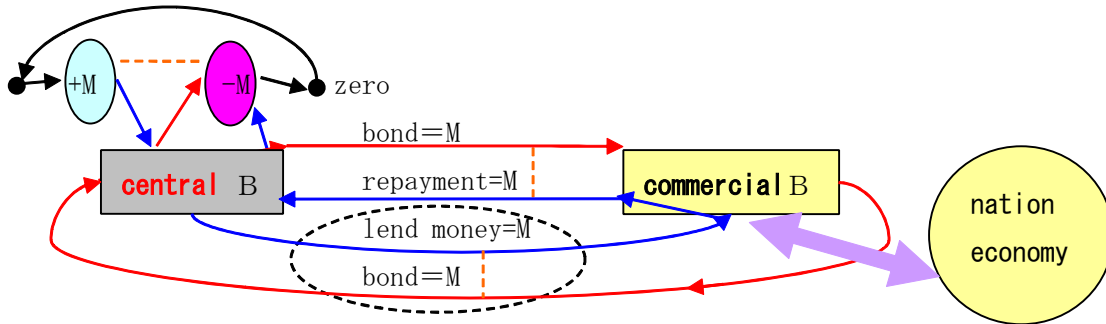
$S = A + B = (A - m) + (B + m)$ . Decreasing of A is accurately increasing of B.

(2) Hence also the total sum of each dealers never increase nor decrease.

Its value must be constant in time. Then the value must be zero. Because there is singularity in central bank where cash is printed from nothing.

(3) To tell from very beginning, **authorized money +M** is printed with their own debt **-M** by **national central bank**. Thus the total of money must be zero. Currency M must be returned to the bank someday to be vanished. See following paragraph.

(4)  $0 = +M - M$ . <accomplishing zero takes **time delay**>

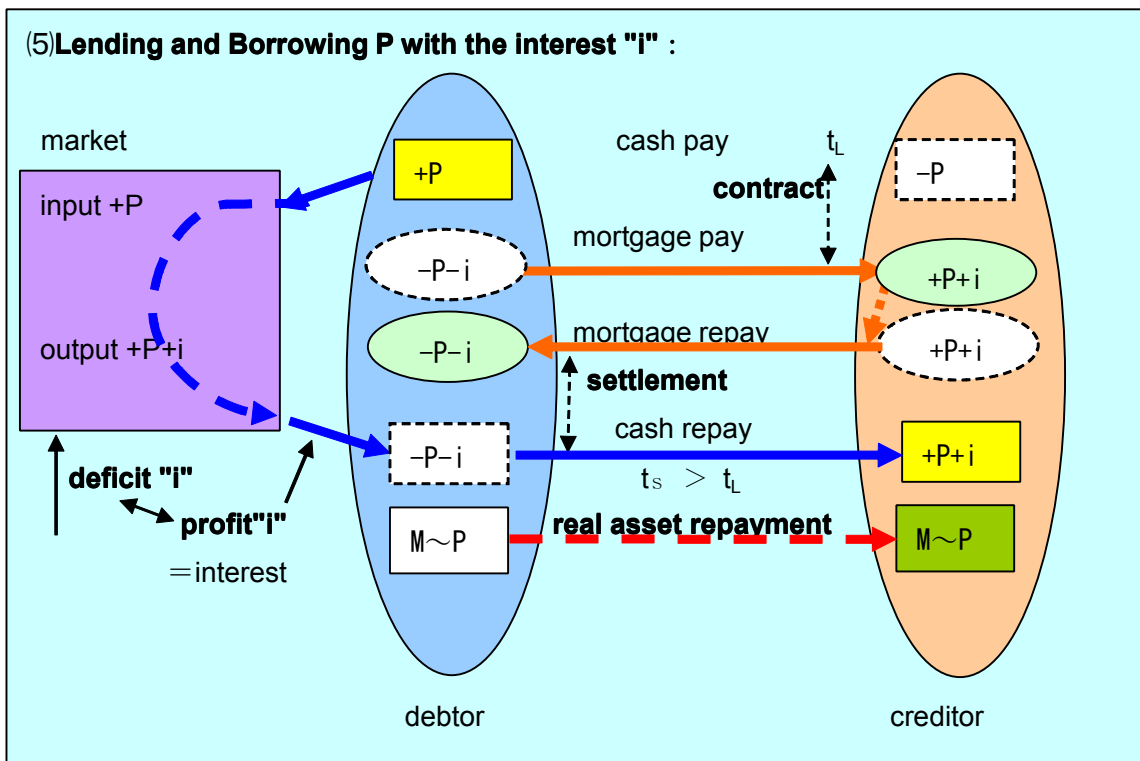


- A cash flow is initiated by printing money  $+M$  with making own debt  $-M$ .
- Then central bank is to lend  $+M$  to commercial one with bond  $-M$ .
- After profitable dealing with nation economy, commercial bank is to repay  $+M$  to central one with drawing bond  $-M$ .
- Finally central bank is to cancel  $+M$  with own debt  $-M$ .

Thus any stage of dealing, there is relation  $0 = +M(\text{borrow, sell}) - M(\text{buy, lend})$ .

This is the essence of ZST.

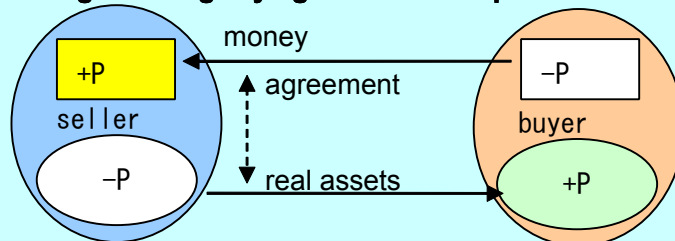
(5) **Lending and Borrowing P with the interest "i" :**



**[2]:Someone gain profit,while someone lose.**

**<<Equivalent trade and non equivalent speculating one>>**

① primitive "one stage dealing" by agreement on equivalent worth:

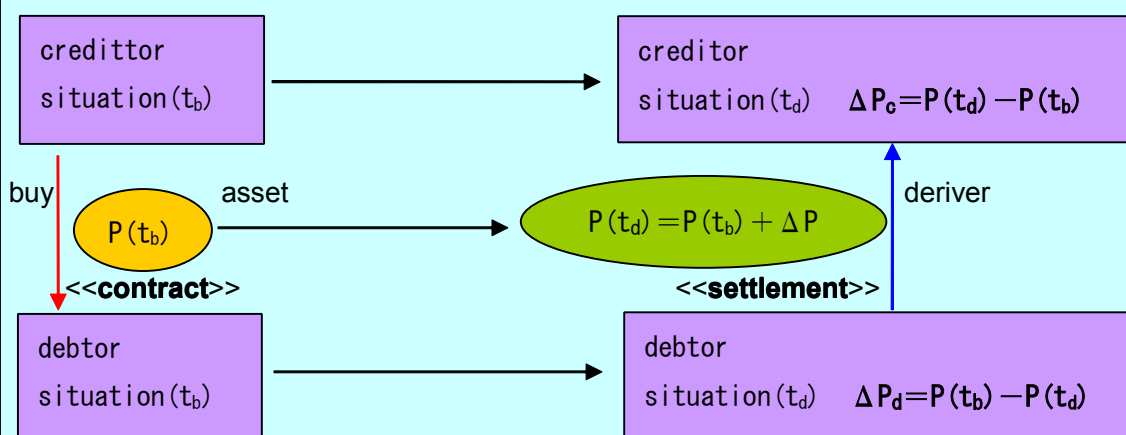


Note that primitive(real time) dealing is **one stage decision process**.While so called **future trade**,there is two stage of **contract and settlement**.Buyer lost money P,but gain real asset P,while seller lost real asset P,but gain money P,thus total asset of both of them are invariant for the time being .

② **Future Dealing ~ Hedge Trade(two stage):**

Tragedy & comedy of two stage trades are due to situation variation during fist (contract,buying) and second stages(settlement,delivering).In trades,there are two factors of **nominal price** written in paper and assets **current price** such as {commodity,goods,real estate ; stock,mortgage,...,}of **price up & down possibility** and paper nominal assets of {bond,credit card} of **default possibility of debtor**.

**Then price variation  $\Delta P$  during the two stage becomes direct gain or loss,**



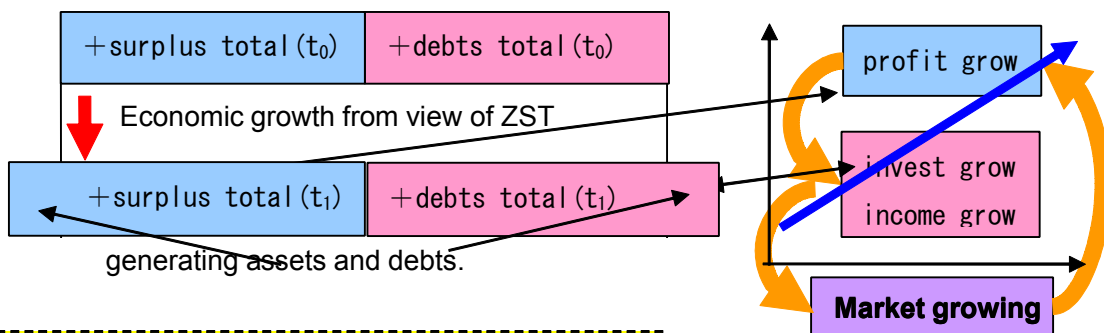
$\Delta P_c + \Delta P_d = 0$ . <zero sum theorem>.

*In any dealing, someone gain profit, someone lose. Their  $\pm$ gain cancell with each other*

**[ 3 ]:Economic Growth and Recession from view of ZST:**

**①Economic growth never be without increasing debts:**

(1)**Economic growth** is that of **profit and investment**. Ordinary wealth is **current assets** plus **real assets**. Then economic growth without increasing current assets is not normal, so **econoic growth must increase money, which enforce simuleta-  
neously increasing debt by ZST**. Actually economic growth is considered as expanding market size (expanding demands and supply). Therefore it always need **prior investment** to make goods etc. **The prior investment is nothing without debts** (or issuing new stocks) **in bussiness or household**. To save fund is two ways, to make **debt** or **new stock**. The world biggest market USA is simluetaneously **the worst debt nation**. It is a matter of course.

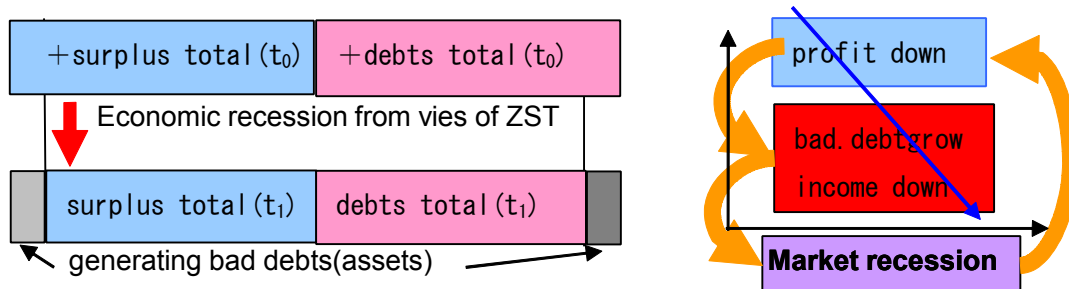


**(2)Economic dynamics is positive feedback:**

Profits are caused by market growing. Once profits had grown, then they accelate investment to resopond market growing. Such mechanism is called positive feed back where **results accelate cause**.

**②economic recession never be without debts crisis:**

Though as it is, increasing **demands is always finite**, thus growing market is to necessalily enconter **recession** someday. Then profits go down, which enforce balance sheet worse to yeild **bad debts**. Consequently consuming is to decrease. This is also positive feedback called **spiral down**. The size of debts crisis entirely depend on market one. Thus USA debt crunch at this time is biggest.



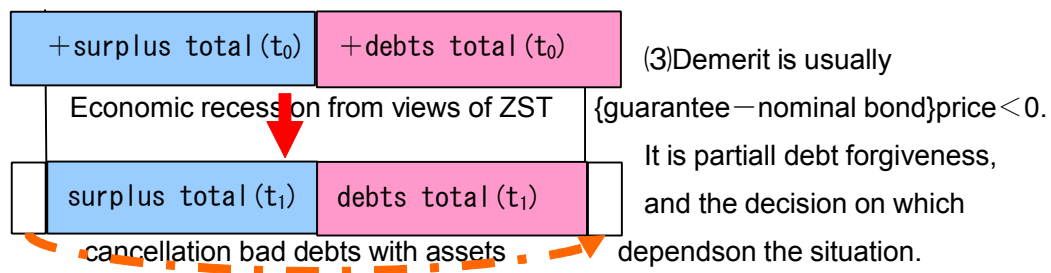
**[ 4 ]:How to settle DEBT CRISIS from view of ZST:**

**① the most primitive principle:collateral recovering by guarantee trade.**

Creditor's bond should be paid by debtor's asset of guarantee.

(1)This is fundametal way of **collateral recovery of creditor and debtor.**

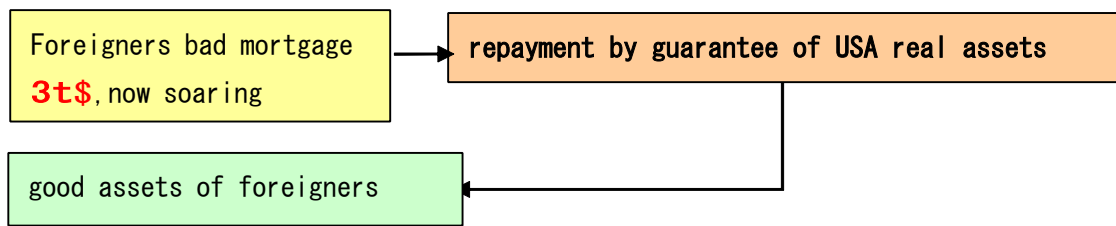
(2)This is also a **cancellation between surplus and debts** in **ZST** balance sheet.



**☞:a repayment way on residence mortgage default of subprime loan(SL) :**

SL had been sold as price rising mortgage for innocent poor class peoples.  
 SL has been sold foreigners by national corporation of Freddie Maq & Funny May.  
Thus both debtors and creditors were decieved by nation USA. They are **huge frauds, unprecedented nation crime in human history**.By anyhow,as for SL,there are tremendous bad reputations at anywhere.

An idea is that USA should repay foreigner not by any papers,but by **the rich real USA assets**. Once the contraction had been accomplished,then they could save worth assurance of the bonds.



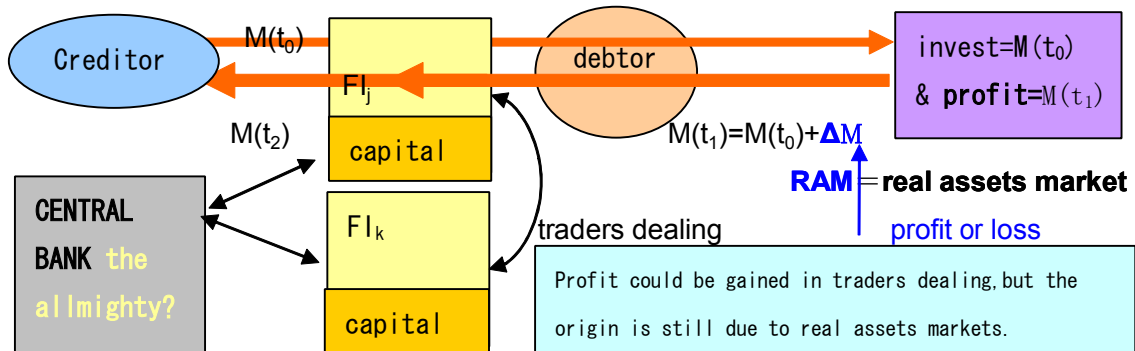
**② The strategy prolonging bad status quo.**

Additional lending preventing default is make debt more rise.Otherwise are **transfering debts** to others as bonds aquisition.Stronger finance Co would become agent of debtors by **merger and aquisition**.Especially **government** and **central bank** are likely to become **final debtors**, who also likely to take **inflation strategy** to decrease effective debts by printing money without worth resevation in the **sovereign crisis**. <continue to [6]>.

**[5]: Financial business destiny is collateral with economic growing or recession:**

Financial sector is indispensable in economy system, however **they never create substantial wealth** (except service charge in connecting creditor and debtor). Consequently they are parasite with **real assets markets (RAM)** in good time, and with **government (tax)** in bad time.

**(1) Only growing flow could make survival of financial institution (= FI):**

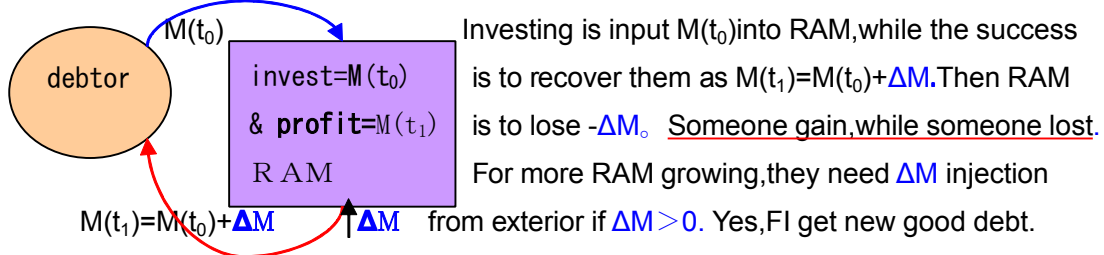


After all, FI only does flow money right to left and left to right. Their work is to find debtor and creditor to combine them for making money flow.

Their destiny depends essentially only on result of real asset markets of  **$\Delta M$  profit making possibility = economic growth.**

Financial institutions are essentially **parasite** with **real assets market profits** which is destined to decline at **market saturation**. Without real assets markets profits growing, once FI had collapsed, self-revival of destroyed FI is impossible.

**(2) Investment and generation of new debts ( debts cascade chain in RAM growing):**



If  $\Delta M < 0$ , yes, FI gets new bad debt. Thus a growing increase debts with asset.

☞: some part of  $M(t_0)$  is equivalent to real asset (capital) except full disposition.

## [ 6 ]:Problems of Bailout plan on US Financial Institutions :

### ①Summary of current situation:

(1)total bad mortgage is estimated about 3t\$ far bigger than 0.75t\$ bailout.

This fact is a kernel of the crisis at this time and shall be mentioned later.

(2)Before long,credit card,bussiness,etc defaults would emerge.

(3)**Essentially without real assets market growing,finance sector never be revival.**

Now(08/10/05)in USA,many financial institutions encounter difficulty of short term fund saving by **credit crunch** of no lending money by mutual incredibility.Big Co as Bear sterns(08/3),Lehman brother(08/9),AIG(08/9),WAMU(08/9),etc bankrupted.So many consider any institution may be dangerous.Bailout on Wallstreet may be stopgap resucue as **status quo prolonging treatment.**

(4)10 cold years of Japan financial recession since 1990 could not have recovered by own power at last,but by external factor such as big growing of China.

**As USA had been outstanding world leading economy size,so none nation in the world seems to be helpful for.**In the past,main market growing in the world,which drove simuletaneously world good economy,always had been that of USA.Subprime was the last so aggressive method to induce own declining.

A **market size**(profit size necessary for repaying bad debts)never be grwoing without introducing **exterior debts or capital injection.**

(5)Route of USA current situation may be mere a **bad status quo prolonging treatment.**They would gradually become weakened to death at someday.Above all,the fatal failure is having lost world nation's trust on USA. Dealing with USA would be decreased as time goes on into **\$ crash in the nation bond.**

(6)Goverment excess buying bad assets would weaken budget ability of own,only by which, final bailout on poverty people could realize .**People's daily Livelihood (consuming) is to save "minimum fundamental stable market size".**

(7)In any dealing,someone gain profit,someone lost.Their  $\pm$ gain cancell with each other.People should care not on the hudge deficits,but on huge gains of someone.The deficits in livelyhood should be payed back by such them. 3t\$ or more deficits is also gain of someone.Who is someone ?.



**② The strategy prolonging bad status quo.**

Otherwise are taking over debts by others as guarantee acquisition. Stronger finance Co would become agent of debtors by **merger and acquisition**. Especially **government** and **central bank** are likely to become **final debtors**, who also likely to take **inflation strategy** to decrease effective debts.

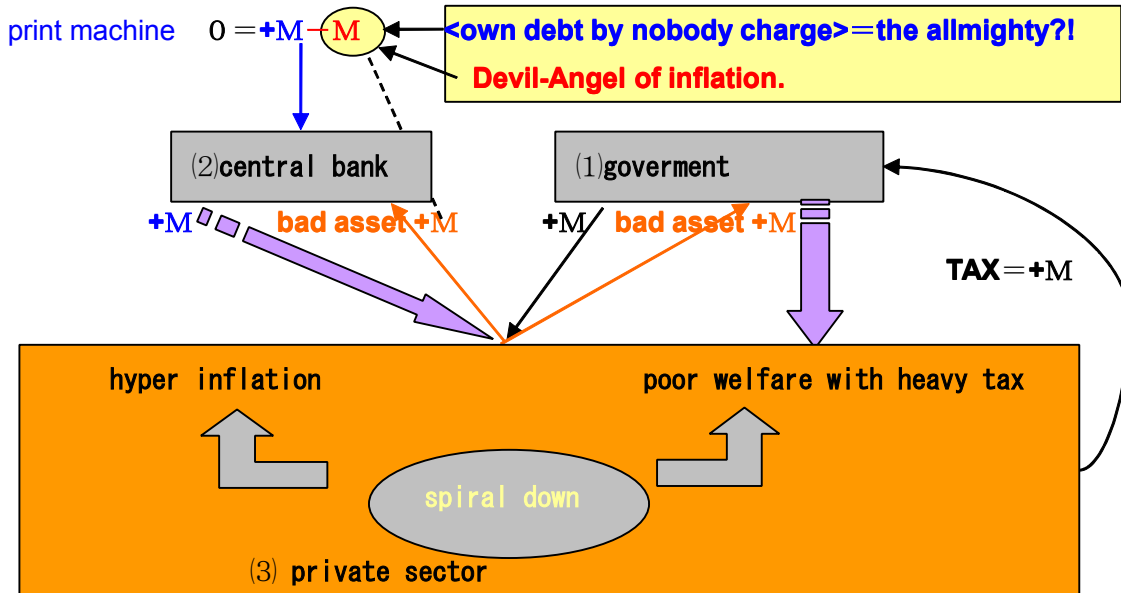
After all, what they are to do is (1) stopgap rescue as **status quo prolonging treatment**, or time delay of final settlement of the problems, or (2) their **intention of prolonging bad status quo**. A ruler is likely to conserve the status quo.

The strategy of prolonging bad status quo is to **invite bigger crisis in future**.

Now let's analysis those validities in the below.

- ① Above affairs is to **freeze debts** until good time emerge in future. It is that stronger finance institution buy bad debts of bankrupt and hold them for the time being and expect recovery in future by **turning good state**.
- ② Hence holding bad assets for long time shall cause institution finance bad. The interval goes longer, the situation goes worse.
- ④ They would request more stronger institution to take over bad debts again.

**⑤ The events sequence in case of strongest institutions:**



**(1) Bad assets into government:**

It need budget cutting which results **poor welfare** for people.

**(2) Bad assets into central bank:**

It need cash printing which results **hyper inflation** for people.

(3) There would be spiral down possibility in feed back process (**final sovereign crisis**).

**[ 7 ]:Summary and the sujestions :**

① As for Credit Default Swapp **58T\$**:<Bank for International Settlement>.

US government budget=2.8t\$(2007). USA GDP= 13.2t\$.

USA household debts= 13.8t\$(2007).

houuse mortgage= 11t\$.→ **the estimated bad debts= 3~5t\$ > 2.8t\$.**

It is evidently impossible to buy all the bad debts by goverment,so what to do ?,  
FRB entirely would be printing out \$ s to stopgap resucue for the CDSs.

② **USA(the world) could not help to encounter 2ndary the 1929 great depression.**

Economy in captitalism is **a dynamic of positive feedback** which enhance cause by result, so once the sytem with unprecedental debt turned down in vicisious cycle,it would go down toward a bottom,in which the system would become different as before.

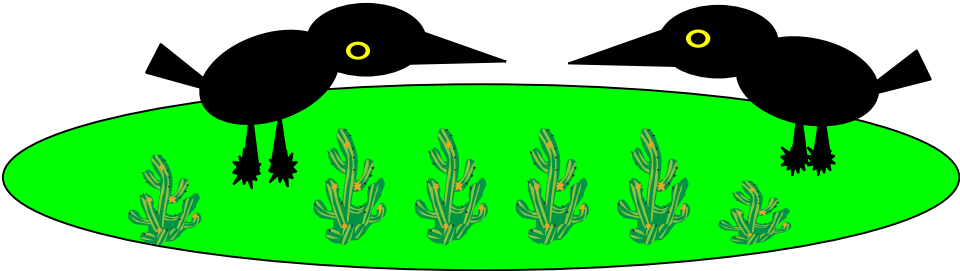
③ People could live with together by sufficient total foods supply for the time being.However,if **the global climate change crisis**(CCC=☠)accelated its further intensity,even the assurance would become dangerous.

④ **Returning to old good cheap days with all together may be not so bad,**

since,could you answer which is more happy life in now or in old days ?.

Forget now,forget now,.....,since those have been the worst fatal illusions ☠ !!.

♪♪♪



\* This version was little corrected in '11/8/30,but most of those are as it was in '08/10/17..  
After **Sovereign Crisis** in semi final stage of financial crisis is mentioned in anohtre paper.  
After all,once nation had become crippled debtor,by **positive feedback**,budget cutting policy would cause more decline of the domestic econmy to the dead end=**DEFAULT**, of which **infulence** could not help to become simuletaneously global. A global **whole resetting** would be evadable. A new world order by **gold standard** is told a method.