

# Positive Interest Rates, Economic Instability and Servitude

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## Background

My interests: Laws as forerunner to Christ;

Technical approach to Christian Economics - competitive approach.

Discovering new things in the ancient scriptures.

Bible admonishes us no to lend money at interest. Can we rationalise this?

## Parable

### The Parable of the Unmerciful Servant: Matthew 18:21-19:12

21 Then Peter came to Jesus and asked, Lord, how many times shall I forgive my brother or sister who sins against me? Up to seven times?

22 Jesus answered, I tell you, not seven times, but seventy-seven times.[a]

23 Therefore, the kingdom of heaven is like a king who wanted to settle accounts with his servants. 24 As he began the settlement, a man who owed him ten thousand bags of gold[b] was brought to him. 25 Since he was not able to pay, the master ordered that he and his wife and his children and all that he had be sold to repay the debt.

26 At this the servant fell on his knees before him. Be patient with me, he begged, and I will pay back everything. 27 The servant's master took pity on him, canceled the debt and let him go.

28 But when that servant went out, he found one of his fellow servants who owed him a hundred silver coins. He grabbed him and began to choke him. Pay back what you owe me! he demanded.



# Model

Main lender and then rest of economy.

A borrower has to generate surpluses to repay debt.

Surplus: the margin between their income and expenditure has to equal the debt (principal plus interest).

However, this margin must be 'reflected' in another agent(s) expenditure exceeding their income.

This means that this other agent must obtain a loan of equal amount.

# Aggregate Debt

So aggregate debt does not decrease - but increases at the rate of interest.

There is an aggregate problem and an interpersonal volatility problem: surpluses need to be generated by whosoever the debtors are.

The identify of these debtors will continually change/ shift. This also means that net incomes (over expenditures) will also need to change continuously.

## Key Assumptions

- Main lender (or small amount) but no involvement in labour market.
- Borrower's need to source surplus from other agents.
- No wealth

## Key insights

Debt is never extinguished without debt forgiveness. It grows monotonically and deterministic (always upwards at rate of interest).

It moves from person to person; as does the need to generate a surplus.

In contrast, economic growth is stochastic (uncertain) and must be limited to some extent.

Danger of economic downturn - but growth will significantly reduce problem.

Interest rates exacerbate underlying issue

# Servitude

## Alternative/ direct Repayment

Borrower could seek to repay main lender directly. But in parable there is instant servitude. Why?

## Repayment leads to servitude

Repayment would require a bilateral deal in the labour market between debtor(s) and a Central Lender.

However, there is no market here. A wage can be set arbitrarily low, which is slavery!



## Conclusion

My model considers the macroeconomic impact of positive interest rates associated with debt.

A simple and coherent model highlighting the problems that interest rates can cause (or exacerbate) instability

There is also a link to bondage. This is something that God wants his people to avoid.