The Economy and the Mechanisms of Capital

An examination of theosophical economic theories against the reality of the period from 1998 to 2026

Research paper

This material has emerged from a dialogue that combines a historical, political and economic analysis with a theosophical perspective (following Alice Bailey/D.K. and Helena Roerich). It is intended as a supplement to 'keep open' unresolved questions, not as a definitive thesis.

This material was produced in consultation with the Claude (Anthropic) model. In case of doubt, readers should verify and research each statement for themselves.

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Foreword: Approach and Method

This paper arose from a conversation that began with a historical episode – the brief, real-world prospect of a complete repayment of the US national debt under the Clinton administration – and developed from there into a more fundamental question: To what extent can the economic statements of the Tibetan (D.K., via Alice Bailey), recorded around 1950, be tested against today's economic and ecological reality?

The structure follows a deliberate methodological distinction that is maintained throughout the paper:

- Whatever D.K. (or, in the case of the Agni Yoga material: Mahatma M.) states, either verbatim or in essence, is presented for what it is – esoteric source material, not scientific findings.
- Where a testable empirical thesis can be derived from this, it is tested against available data and documented historical events – with reference to the sources.
- Where the translation of an esoteric statement into an empirical thesis is itself an act of interpretation, this is stated explicitly, rather than feigning a consensus that does not exist.

A clarification regarding the status of the source material itself belongs in this foreword, as it shapes the reader's approach to the entire paper: Theosophical statements, like all models characterised by a high degree of abstraction and limited direct falsifiability, are best understood as 'as-if' models – comparable to areas of theoretical physics (such as the many-worlds interpretation or certain approaches in string theory), which are also highly developed mathematically, yet are not empirically provable in the strict sense, and are nevertheless regarded as science. The crucial difference lies not in their comprehensibility to laypeople, but in the fact that physics has a mechanism – albeit often only theoretical – for future verification, whereas this does not generally apply to esoteric statements. This does not diminish their value as a model, but it does alter the expectations that may be placed upon them.

A second methodological stipulation concerns what has deliberately been excluded from this paper: D.K.'s normative vision of the future of the economy – the spiritualisation of money by initiated financial experts, the principle of sharing, a future global economic community, and the disappearance of national currencies. These statements are of a fundamentally different nature to the diagnostic statements otherwise addressed in this paper: they are to be assessed not against a current state of affairs, but against an indeterminate future state, and thus elude any form of confirmation or refutation within the scope of this paper. They were discussed in conversation but, for this reason, are not included in the following exposition.

I. The starting point: Clinton’s budget surpluses and the prospect of debt-free status

At the end of the Clinton administration, there existed a historically exceptional fiscal situation which is scarcely present in the public consciousness today: the real prospect that the US could pay off its entire national debt within the foreseeable future.

1. The facts

- In the 2000 financial year, the US achieved a record budget surplus of between 236 and 237 billion dollars – the third in a row.
- The Office of Management and Budget projected that the public-held national debt would be fully repaid by 2012.
- Marketable US government bonds had fallen from nearly $3.5 trillion in March 1998 to $3.0 trillion in July 2000.
- Even Alan Greenspan seriously addressed the question in congressional hearings of what should happen if the surplus continued to rise – a historically rare moment in which monetary policy was preparing for the problem of too much repayment, not too little. *(Source: Office of Management and Budget; Bureau of the Public Debt; speeches by Alan Greenspan to the Bond Market Association (2001) and to Congress)*

2. Why complete debt cancellation would not have been a neutral event

The Fed itself seriously examined what structural consequences a complete repayment of the national debt would have had. Three aspects became clear in this regard:

- Monetary policy instrument: The Fed’s portfolio of government bonds was its primary source of income (32.7 billion dollars in 2000) and, at the same time, its most important instrument for steering monetary policy. Without government bonds, the Fed would have needed new instruments.
- Global liquidity function: US government bonds are regarded as the safest asset class in the world and, as such, tie other countries to the economic success of the US. Their disappearance would have been not just a US issue, but a global one.
- Historical parallel: The US has already paid off its national debt in full once before – in 1837. A depression began in the same year. This is not proof of causality, but it does show that, historically, the disappearance of government bonds as a ‘safe haven’ has coincided with instability.

3. The question of interests

For wealthy investors, government debt is not a neutral instrument, but a reliable, virtually risk-free source of return. When the Bush administration later actually had the opportunity to buy back publicly held government bonds early, the Treasury complained that such a buyback would be too expensive – an unusual complaint that only makes sense from the perspective of bondholders, for whom ongoing interest payments are a stream of income that would be lost in the event of early repayment.

II. The lack of continuity: What caused the surpluses to disappear

The question of what brought the path to debt-free status to an end after 2001 is itself the subject of ongoing political debate – even when it comes to the mere presentation of the facts. That is part of an honest answer, not just the facts themselves.

1. A revised baseline figure

The often-cited 'surplus of 5.6 trillion dollars' never existed in that form. It was a ten-year projection based on highly optimistic assumptions, which, amongst other things, assumed no recessions, no terrorist attacks, no wars and no natural disasters – a forecast that was structurally unlikely to materialise, regardless of subsequent policy.

2. Divergent views on the causes

- Conservative think tanks (such as the Heritage Foundation) attribute only 8 per cent of the 2002 decline and less than 25 per cent of the ten-year decline to the 2001 tax cuts; they argue that the main causes were the 2001 recession and the correction of previous forecasting errors.
- The Congressional Budget Office arrived at an almost opposite assessment: the main cause was neither 11 September nor the recession, but the Bush tax cut itself.
- A later analysis, which sought to be neutral (Committee for a Responsible Federal Budget), refrained from assigning clear blame: both increases in expenditure and shortfalls in revenue explain the rise in the deficit.

Note to readers: *The Heritage Foundation, as a political actor, and its methodological approach merit a separate, in-depth examination, which this paper is unable to provide. Independent research into the role and methodology of this think tank is strongly recommended.*

3. Three documented lines of impact

- The political framing of the tax cut itself: George W. Bush justified it by arguing that the surplus was 'the people's money', not the government's – an interpretation that ran counter to the majority view of the US population. A 2001 Pew survey showed that just under twice as many Americans wanted the surplus to be used to underpin Social Security and Medicare rather than for a tax cut (37% vs. 19%); of those who considered the plan unfair, 79 per cent said that it would primarily benefit the rich. *(Source: Pew Research Centre, 2001 survey)*
- The interest rate mechanism: Budget deficits reduce national savings, which, according to Brookings analyses, lowers future national income. Greenspan

himself warned that significant increases in the deficit, leading to a rise in interest rates, would considerably undermine the benefits of tax cuts.

- War and security policy: 11 September and the subsequent wars are regarded in almost all analyses as the second key factor, regardless of how they are weighted against the tax cuts.

Regardless of the relative weighting of individual causes, the underlying mechanism is undisputedly the same across the political spectrum: a surplus that would have been used to repay debt was instead redefined as a return to taxpayers and politically enforced – with a documented bias in favour of higher incomes, against the expressed will of the majority of the population.

III. The mechanism: Unproductive capital gains from government debt

> ***Question:*** *The tax cuts for the wealthy could thus be lent to the state to service its debts, in order to generate interest income that did not stem from any productive activity.*

The cycle can be summarised in four steps: The state cuts taxes for the wealthy. The resulting loss of revenue is offset by the issue of government bonds. These bonds are predominantly purchased by precisely those parties who have the capital freed up by the tax cut. In return, these parties receive guaranteed, virtually risk-free interest – they benefit from the tax cut, lend the same money back to the state, and collect interest in return.

Not only does this return stem from no productive activity – it is structurally financed by the future tax burden of the very same majority of the population who, according to the survey data cited above, largely wanted the surplus to be used for other purposes. The interest payments are met from future tax revenues borne by the entire population, whilst bond ownership is concentrated. The cycle is therefore not only unproductive but also results in a slight redistribution from the bottom to the top.

This mechanism is a particularly direct, state-mediated form of what Thomas Piketty describes as the central dynamic of wealth concentration ($r > g$ – the return on capital grows faster than the economy as a whole): the state itself becomes a source of income for the very capital that was initially released through a prior political decision.

It should be noted, however, that not all of the released capital flowed into government bonds, and the creditors of US debt are not only wealthy domestic individuals but, to a large extent, foreign central banks (particularly China and Japan at that time) and pension funds, which also manage pensions for ordinary earners. The mechanism described is therefore the dominant, but not the only, channel – which, however, links it more closely to global capital concentration rather than invalidating it.

IV. D.K.'s financial cartels: concept, origin and contemporary stakeholders

In his writings, D.K. speaks of large cartels, shareholders, banks and wealthy church organisations that resist any change that would harm their sources of income. In the original ('The Externalisation of the Hierarchy'), the passage reads:

> *The large cartels and monopolies, which held a dominant position in the decades leading up to this world war, will mobilise all their resources and strength and fight to the bitter end to assert their legally enshrined rights and secure their sources of income. They will seek by every means to prevent control over this boundless power from passing into the hands of the masses, to whom it rightfully belongs. The self-serving major shareholders, banks and wealthy church organisations will resist any change, unless it benefits them and yields greater financial gains.*
>
> *— Alice Bailey / D.K., The Externalisation of the Hierarchy*

1. Is 'cartel' used here in a technical or colloquial sense?

A cartel in the sense of competition law presupposes an explicit or tacit agreement between actors who are actually competitors, with the intention of eliminating competition – something that can be proven or refuted, and is legally actionable. The behaviour described in the original text must be distinguished from this: the wording refers to a joint response to a common threat ('will muster all means and forces'), not to prior coordination. This corresponds to what is referred to in economics as a structural interest without collusion or – to put it in Marxist terms – as a class interest without class consciousness: when a thousand actors react independently of one another to the same incentive, an effect arises that looks like concerted action without actually being one.

D.K. wrote in 1949–50 at a time when the term 'cartel' had a very concrete meaning that was prominent in the media – the international oil cartels ('Seven Sisters'), the IG Farben cartel, and the international steel and arms cartels of the interwar period, some of which continued to operate across national borders (documented, amongst other things, in the Nuremberg trials against IG Farben). The term is therefore historically understandable and appropriate in the linguistic usage of the time, but does not presuppose any collusion in the modern antitrust sense.

2. Three groups mentioned in the original – and their modern equivalents

- Cartels and monopoly companies – today most comparable to de facto oligopolies without proven collusion (e.g. credit rating agencies) as well as to players with actually documented coordination (OPEC as a textbook example of a classic cartel).

- Shareholders and banks – today: institutional investors, pension funds, central banks as the main holders of government bonds (see Chapter III).
- Wealthy church organisations – a historically specific category that is largely overlooked today. In 1949–50, institutional church assets (the Vatican Bank, large Protestant endowments in the USA) were a significant, often invisible economic factor.

3. The crucial phrase: conditional, not absolute resistance

The final sentence of the quotation deserves particular attention, as it is not a sweeping moral condemnation but a precise prediction of behaviour: resistance to change is not absolute, but is conditioned by one's own self-interest. This corresponds exactly with the findings described in Chapters II and III: Debt relief was not prevented because 'capital is evil', but because the continuation of debt served the documented self-interest of the bondholders – and the moment a change (tax cuts plus new debt) promised greater benefit than continuing to service the debt, it was not opposed but actively implemented.

V. The 'capitalist spirit' as an undercurrent

> ***Question:*** *D.K. speaks of the 'capitalist spirit', and this could refer to the basic attitude towards capital described above, held by various groups. It would therefore be more of an undercurrent in human life in general.*

This interpretation distinguishes between two things that were previously treated as virtually synonymous – 'cartel' as an external structure and 'capitalist spirit' as an internal attitude that manifests itself in structures without being identical to them. This is a categorical distinction, comparable to the distinction between an institution and a disposition, which can also occur in institutions that are formally different.

This interpretation resolves a problem that would otherwise remain unspoken: namely, that even non-capitalist actors (trade union officials managing pension fund assets, sovereign wealth funds of authoritarian regimes, even church institutions, which D.K. himself mentions) can exhibit the same behaviour as soon as they have concentrated capital at their disposal. If the 'capitalist spirit' is a general undercurrent in human life, it is not a characteristic of capitalism as an economic system, but a disposition that can arise in any system in which people have concentrated power of disposal.

The history of real-existing socialism provides a rigorous empirical test of this thesis: there, too, new, party-affiliated elites emerged with de facto power of disposal over resources, who resisted redistribution to the rank and file just as much as Western capital owners did – the structures were different, but the undercurrent was identical. This supports the general interpretation, but at the same time shows that it is not specifically a critique of capitalism as a historical system, but rather an anthropological statement about power and self-interest, which is only particularly evident in capitalism because it abstracts power of disposal most consistently in the form of money and thus makes it easiest to concentrate.

Digression: Economy and culture as a polarity (Agni Yoga)

In Helena Roerich's diaries, the Agni Yoga cycle records a brief statement by Mahatma M. from the 1930s in response to the question of what the situation was regarding the economy as a subject: 'Economics is in everything.' To supplement this, one might envisage a two-fold division: the economy as the realm of existential necessity (food, shelter, the maintenance of the body), and culture in all its forms as its antithesis – not in the sense of a causal relationship (as with, for example, base and superstructure), but in the sense of a complementarity: Rational economic activity, where it is still possible at all, is the basis for everything cultural; only in this way is the freedom created that is necessary to be a fully realised human being.

As long as human beings must strive and labour to secure food and shelter, this universal concept of the economy remains valid, as it encompasses existential necessities. It is noteworthy that the boundary between 'existential necessity' and 'the economy in the narrower, speculative sense' is becoming increasingly blurred in the present day: In a world where land, water and food have themselves become financial assets (see Chapter VII), it is now almost impossible to distinguish between what M. was presumably still able to distinguish in the 1930s – agriculture for self-subsistence versus the economy as a system of exchange extending beyond that.

VI. The illusion of scarcity: distribution rather than scarcity, examined in the light of the 2024/25 hunger data

D.K.'s perhaps most verifiable single thesis is this: there are sufficient resources on Earth for all people; the cause of hunger and poverty is not a lack of resources, but human selfishness and unjust financial transactions that block fair distribution.

1. The core thesis holds up empirically

- The world produces enough food to feed all 8.2 billion people – indeed, it could feed more than 12 billion people.
- Nevertheless, in 2024, 673 million people went hungry for part or all of the year; another calculation puts the figure at 685.6 million undernourished people – a decrease of 112.7 million since 2005.
- Around a third of all food produced worldwide is not consumed – enough to feed billions. This directly corresponds to D.K.'s thesis on waste, which can be quantified here in concrete terms. *(Source: FAO/WFP State of Food Security and Nutrition Reports 2025; World Food Programme)*

2. Differentiation: The issue of distribution is now more nuanced than D.K. was able to capture in 1950

- In 2024, 2.3 billion people experienced moderate or severe food insecurity – 336 million more than in 2019, before the pandemic.
- In 2024, 2.6 billion people could not afford a healthy diet – an affordability problem, not an availability problem, which tends to exacerbate rather than mitigate the distribution thesis.
- Armed violence fuelled twenty food crises in 2024/25, affecting nearly 140 million people, including confirmed famines in Sudan and Gaza – whilst humanitarian spending fell and military spending rose: a reversal of priorities, almost verbatim D.K.'s 1950 point about squandering resources on warfare.
- The regional imbalance is extreme: in Africa, the proportion of the population suffering from hunger exceeded 20 per cent in 2024 (approximately 307 million people), whilst the rate in Latin America and the Caribbean fell to 5.1 per cent.
- In low-income countries, the number of people without access to a healthy diet rose from 464 million (2019) to 545 million (2024); in lower-middle-income countries (excluding India), it rose from 79 million to 869 million over the same period – a deterioration, not progress.

3. Summary assessment

The fundamental assertion – that the problem is not a lack of resources but one of distribution – can be substantiated more clearly with empirical evidence in 2024/25 than it could in 1950, because more accurate global data is available today. What D.K. could not have foreseen in 1950 is that the issue of distribution has differentiated into at least three separate, partly conflicting dynamics – global availability (resolved), affordability (unresolved, and in some respects exacerbated) and conflict-related access (acutely exacerbated by current wars).

VII. Beyond distribution: the destruction of physical resources and its financialisation

> ***Question:*** *Since we are dealing with resources, we should also consider here – something that was almost unthinkable in 1950 – the destruction of nature, desertification and the shortage of drinking water.*

Here, D.K.'s purely distributional thesis must be qualified, which makes the analysis more honest without refuting it: in the case of land and fresh water, the question of distribution is compounded by a genuine, partly irreversible physical scarcity that did not yet exist in this structural form in 1950.

1. Desertification and land degradation

- According to the European Commission's World Atlas of Desertification, more than 75 per cent of the Earth's land area is already degraded; more than 90 per cent could be degraded by 2050.
- Land degradation has accelerated to 30 to 35 times the historical rate (UN estimate).
- Around one million square kilometres of healthy, productive land are degraded every year; up to half of all grasslands – around half of the world's land area – are already degraded or at risk.
- Drought, land degradation and desertification cost the global community an estimated 878 billion US dollars annually.

2. Drinking water: from 'crisis' to 'bankruptcy'

A UN report from January 2026 declared the onset of an era of 'global water bankruptcy' – characterised by chronic groundwater depletion, water over-allocation, land and soil degradation, deforestation and pollution, exacerbated by global warming. The terms 'water-scarce' and 'water crisis' no longer accurately reflect the current reality in many places: this is a post-crisis state, characterised by irreversible losses of natural water capital, with an inability to return to historical baseline levels.

- Around 2.2 billion people lack safely managed drinking water, 3.5 billion lack safe sanitation, and almost 4 billion experience acute water scarcity for at least one month a year.
- More than half of the world's major lakes have lost water since the early 1990s – affecting around a quarter of the world's population who depend directly on them.
- The world loses 324 billion cubic metres of freshwater annually – enough to meet the needs of 280 million people – due to worsening droughts and unsustainable land and water use practices.

- The amount of renewable water available per capita has fallen by a further 7 per cent over the last decade; in North Africa, per capita freshwater availability is already among the lowest in the world, whilst water withdrawals there have risen by 16 per cent over the past ten years. *(Source: United Nations University (INWEH), Global Water Bankruptcy Report, January 2026; FAO AQUASTAT 2025; World Bank Global Water Monitoring Report 2025; UNCCD Desertification and Drought Day Factsheet 2025)*

3. Where the simple distribution theory holds true – and where it no longer does

Agriculture accounts for around 70 per cent of global freshwater withdrawals – a significant proportion of which is not used to ensure food security for the 673 million people suffering from hunger, but rather for export-oriented agriculture, fodder cultivation for meat production in wealthy countries, or water-intensive cash crops. This is where D.K.'s line of argument extends further: physical scarcity itself is partly a consequence of how the remaining resources are used, not merely a fact of nature. At the same time, unlike with food, the problem with land and water is no longer merely the distribution of what is actually a sufficient supply, but in part their irreversible destruction.

4. The financialisation of land and water as the modern-day equivalent of D.K.'s 'unjust financial transactions'

Land grabbing as a financial investment, not merely for food security: agricultural investment funds increased tenfold between 2005 and 2018; by 2023, 960 active funds specialising in food and agricultural assets were managing over 150 billion dollars. Even oil companies such as Shell have set aside over $450 million for the purchase of land for carbon offsetting. As a result, in the UK, an influx of investment from pension funds and private wealth led to a doubling of arable land prices between 2010 and 2015.

The link to water is clearly documented: an analysis of 39 countries found that, between 2005 and 2015, investors specifically acquired land with preferential access to surface water or groundwater, which exacerbated water scarcity and led to competition for water in 67 per cent of cases. 'Water grabbing' is on the rise, even in drought-stricken parts of Latin America.

Water is now traded on the stock exchange just like oil or gold: in 2020, water futures contracts were introduced in the US, based on the Nasdaq Veles California Water Index. The historic reference case is Chile, where the privatisation of water was introduced as early as the 1980s under the Pinochet dictatorship – since then, water rights have been able to be bought, sold or leased without state control, which is regarded as a key factor in the country's current water scarcity.

A notable political backlash shows that the problem is also recognised at an institutional level: In 2024, US Senator Elizabeth Warren and Member of Congress Ro Khanna reintroduced a bill aimed at banning the trading of water and water rights on commodity futures markets, arguing that this would incentivise passive investors to buy farmland solely for the water rights attached to it – with the risk of physical water hoarding and artificial price increases. As early as 2020, the UN Special Rapporteur on the human right to clean drinking water expressed alarm at the treatment of water as if it were gold or oil on Wall Street. *(Source: IPES-Food, An invisible crisis: New dimensions of land grabbing (2025); PNAS, Global land and water grabbing; Senator Warren / Rep. Khanna, Future of Water Act (2024))*

5. Context

These three developments – agricultural land as an asset class, the targeted acquisition of water-rich areas, and water as a commodity – together form a very concrete modern-day counterpart to D.K.'s 'unjust financial transactions that block fair distribution'. The difference compared to 1950: back then, capital was primarily interested in production (factories, raw materials, trade monopolies); today, a growing proportion is directly interested in the resource base itself, regardless of its productive use – which increasingly intertwines the question of distribution with that of physical scarcity, rather than keeping them separate as in the past.

VIII. Current Policy: The Heritage Foundation's Programme for the Current US Government

The Heritage Foundation's programme serves as a contemporary point of reference on the issue of organised economic lobbying (Chapter IV), the implementation of which is being closely monitored under the current US administration.

1. What Project 2025 is

It consists of a policy document containing concrete proposals for the restructuring of the federal government, a personnel database for recommending and vetting loyal staff, and a set of proposed executive orders. The central document, 'Mandate for Leadership', runs to over 900 pages and contains detailed plans for the reorganisation, downsizing or dissolution of several federal agencies. The overarching aim is the centralisation of presidential power and far-reaching conservative changes in government, culture, energy, the economy and healthcare. The Heritage Foundation has played a central role in shaping Republican policy since the 1980s.

2. Implementation status (February 2026)

- A tracker by the Centre for Progressive Reform / Governing for Impact records 283 out of 532 recommended measures as having been initiated or completed – 53 per cent of the domestic administrative agenda within twelve months of taking office. *(Source: Centre for Progressive Reform / Governing for Impact, Project 2025 Executive Action Tracker, as at February 2026)*
- An independent, crowd-sourced tracking project, as well as trackers run by interest groups and trade unions, arrive at a similar figure: around half of the targets set out in the 920-page document.
- Examples of implementation include: increased fossil fuel extraction on public land; the weakening of federal agencies responsible for national parks and forests; the repeal of protective measures for Alaska's land and waters; the restriction of environmental assessments; and the undermining of the Endangered Species Act.
- In the area of reproductive health: according to the document, the aim is to bring an end to virtually all the US government's efforts to promote equality, including the collection of data that would allow progress to be monitored.

3. Political distancing and its implementation

During the election campaign, the incumbent president distanced himself from the programme due to its enormous unpopularity among voters; nevertheless, the administration has implemented many of its ideas. The Heritage Foundation is now following up with a shorter successor programme for 2026 (internally known as 'Heritage 2.0') comprising nine policy agendas, including, as a top priority, containing the Chinese

Communist Party and building a 'China-resistant economy'. A spokesperson officially stated that all political and personnel decisions now rest with the President and his team, and that there is "no Project 2026" – a formulation that effectively confirms the close link to the government whilst rhetorically denying it. *(Source: 19th News, December 2025; Centre for Western Priorities, January 2026; Newsweek; NOTUS)*

> ***Note to readers:*** *The assessment of the degree of implementation (e.g. the 53 per cent figure) comes from organisations with a discernible political orientation; the individual measures on which it is based are documented, but their overall classification remains subject to politically contested interpretation. The interpretation of this chapter and its relationship to the preceding chapters is deliberately left to the readers.*

Concluding remarks: An open question

Sound economic management – if it is still possible at all – is the foundation of all cultural life. Only in this way can the freedom be created that is necessary to be a fully realised human being. In this sense, the drama of the billions living in destitution and starvation, as documented in the preceding chapters, constitutes, in the theosophical sense, a life devoid of progress – not as a moral reproach to those affected, but as a structural observation: a life deprived of the fundamental condition under which, in the theosophical understanding, anything could develop at all.

The question remains as to how the 'Greater Life' accepts this state of affairs in the long term. Human beings are endowed with free will; they therefore bear the responsibility.

This question is deliberately left unanswered here, but is kept in the state of uncertainty in which it was posed.