

SSET 11 - CREDIT IS PRESENT WEALTH

Credit definition

Credit is defined as the exchange of present wealth for future wealth.

That is a definition that contains the necessary component to define it as present wealth. To identify it as such, we only have to show that it is useful and scarce,¹ that is to say, that it has value, then when exchanged for another value it generates the prices.

- *Usefulness of the credit*: it allows the debtor borrower to have present wealth of a third party without having to have “present wealth” in exchange. On the other hand, the creditor lender appreciates more to yield the availability of his present wealth than to conserve it.
- *Shortage of the credit*: given that the credit limit is the present wealth, without which it has no origin, it is evident that the credit is equivalent, at most, to the scarcity of present wealth.²

We have shown, very synthetically, that **credit is present wealth**, since it lends present utility to the parties that exchange it — in addition to being wealth by exchange itself.

Present price of the credit

It is the price that is assigned in the present to the commitment to deliver wealth present in the future³ — current value of future wealth.

Future price of credit

It is the future price assigned to credit-debt. Then, de credit-debt is that unique manifestation of wealth that involves present and future wealth that implies time.⁴

Price of time

The only thing that mediates between present wealth and future wealth is what distances the present from the future: **TIME**.

Then, **the utility that the passage of the time provides** is represented by its value-utility that generates its price. Then, the difference between value-price of present wealth and value-price of future wealth is **the value-price of time**, known as **interest**.

We have exposed, in a very simple way, our *Theory of Interest*,⁵ present in the *Subjective and Solidarity Economic Theory* (TESS). Let us see then, in future works, the importance of the currency being credit.

Carlos A. Bondone

¹ They are two simple characteristic with which Menger defines economic goods.

² It is not difficult to appreciate that the scarcer it is more expensive (less confidence). The Argentine underdevelopment finds in its main cause in that the present wealth was given in credit to the State —collectivism with the facade of capitalism.

³ This is the meaning that (rightly) is usually *prioritized* when distinguishing the characteristic of *wealth present in credit*, **the commitment** that arises from the debtor. *Although, sometimes it is done within the framework of not considering it present wealth.*

⁴ In an upcoming work we show that Savings (present wealth) = Credit.

⁵ The time and its price interest are variables dependent on wealth.