TESS 12 – **THE ORIGIN of CURRENCY**

The *Currency theory*, of the ***Subjective and Solidarity Economic Theory*** (SSET), in tune with the classic definition of "currency", defines the currency as a means of exchange of common use. The SSET emphasizes that its **value-price** is used as a unit of measurement in the economic calculation, different of considering to the currency as a unit of measurement. The "additional" functions that are assigned to it, such as conserving value, are related to any manifestation of wealth-wealth equal subjective value.

Our *Currency theory* classifies its different types like this: MONEY: present wealth currency (gold, silver, bitcoin,...) and CURRENCY-CREDIT: it is a credit-debt that is used as currency.

The classification that we made of the currency implies very serious consequences in the theory of the currency, especially in its origin, according to the conditions it requires.

Menger, with his usual simplicity, clarity and forcefulness, defines the essential characteristic of a commonly used means of exchange, without which it cannot be considered currency: rapid marketability, which implicitly does not assume loss between its value-purchase price (reception) and that of its sale (delivery). Which in turn implies two things: 1) that "almost" is not earned or lost in your purchase, does not authorize you to say that it is not wealth, the fact that it has a price implies underlying subjective value, origin of its price; and 2) that it be present wealth, that is, that it has present value (that in its exchange will originate the currency prices). [1]

The spontaneous origin of the currency had its historical account in Menger, does not authorize to support the *Mises regression theorem* (Menger would have rejected). [2] Adopting a basket of different riches (Hayek), as currency, implies considering a new manifestation of wealth, without previous existence as a basket-currency. For theoretical purposes (practical non-technical), it is irrelevant if physical gold circulates and a certificate of deposit.

Then, we focus on the origin of the CURRENCY-CREDIT: which can be regular (gold standard) or irregular (paper currency).

ORIGIN OF CURRENCY-CREDIT-REGULAR (gold standard)

Debt at sight (that is, its holder decides its expiration for cancellation) cancelable in specific present wealth (gold). The origin of this currency requires: 1) the presence of a DEBTOR, who is willing to receive present wealth in exchange for such PAY-DEBT; 2) the presence of a CREDITOR willing to deliver present wealth in exchange for the PAY-DEBT; 3) the market gives you currency value (commonly used exchange rate), that is: have present value (be present wealth). It is easy to deduce that, a DEBTOR that merits market confidence, may be the origin of regular-credit-currency, whether or not the State. Thus, ***having credit implies having present wealth***.

ORIGIN OF THE CURRENCY-CREDIT-IRREGULAR (paper currency: PC)

Debt at sight (that is, your holder decides its expiration for cancellation) NOT cancelable in specific present wealth. The origin of this currency requires imply: 1) the presence of a DEBTOR

[1] It has surprised me so that students of distinguished teachers of the Austrian School maintain that a credit-debt is not present wealth that is why they do not assign the character of wealth to the credit currency. Perhaps it is what is shown when they teach that currency comes from nothing (Mises), and that it will only become wealth with its subsequent exchange? In ***Theory of Economic Relativity*** (TRE), we have shown the character of mere paper at the time of printing, BUT being considered as currency-credit by the market (forced course through), has present value.

[2] It could be suggested that Mises intended to say that the currency must be present wealth to be constituted as such (Hayek's basket of goods), a suggestion that loses consistency when it says that banks generate money from nothing

who is willing to receive present wealth in exchange for such PAY-DEBT; 2) the presence of a CREDITOR willing to deliver present wealth in exchange for the PAYMENT-DEBT (the current holder of that "promissory note"); 3) the market gives you the currency value (common use exchange rate). It follows that, a DEBTOR that merits market confidence, may be the origin of irregular-credit-currency. BUT, the final non-materialization (cancellation of the "promissory note") tells us that no economic agent can be a DEBTOR in this type of currency. [3] Let us see then, what is the true origin of the CURRENCY PAPER, more in cases where the State does not have confidence.

FORCED COURSE: the State has not competitor to issue (being the DEBTOR of the PC), since it replaces the final materialization with the **monopoly of the state force**, which exercises imposing **cancellation power** to the PC, that is, the holder of the PC cancels its Debts delivered to your creditor, or by delivery perform similar operations to cash (because it does not assume personal debt). That is, the debt of the individual was legally canceled (LAW OF FORCED COURSE), but economically, nobody delivered present wealth, other than credit, to materialize the final act of cancellation of all debt.

In other words, conscious the "inventors of the PC" of that: a) it is a received credit (debt), and b) therefore it does not cancel but rather it assumes debt; they solve the question by *replacing the final materialization of all credit-debt by the RIGOR OF LAW*. That is the rigor of the law allows you to achieve the requirement of common use.

ECONOMIC CONSEQUENCES OF THE PC

In the ***Subjective and Solidarity Economic Theory*** (SSET) it is easy to identify the consequences of the PM, as it replaces the *natural logical causality of the exchange*: the relative values determine the relative prices [$v_{\$(q)} \rightarrow P_{\$(q)}$], by the *factual causality of exchange*, prices allow to measure the relative values [$P_{\$(q)} \rightarrow v_{\$(q)}$].

That is, the PC **allows** the State to reverse the natural logical causality of the exchange, which enables it to control the price of the currency, [4] with the consequences indicated in the ***Subjective and Solidarity Economic Theory*** (economic cycles are explained with price control).

ESSENTIAL: the State can fix the price of the PC, [5] but not its relative value, which is always subjectively determined by the market. The mismatch between natural relative values, and those altered by price control, is eliminated by the organism of the capitalist system through crises, which for this reason become recurrent and necessary. [6]

THE ORIGIN OF THE CURRENCY IS ALWAYS THE MARKET, if it does not accept it as a means of exchange of common use, it is not currency, BUT such condition can be fulfilled by IMPOSITION of a "human fallible" law, which alters the order of the natural laws of the economy, with the consequences indicated, which come together in economic inefficiency and inequity.[7] [8]

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[3] In the pampa Argentina the cattlemen circulated an irregular-currency-credit of tin coin, supported by the symbol of guarantee of the brand of their cattle.
[4] In the TESS it is equal to or equivalent to the monetary interest rate.
[5] Which implies "controlling the general level of monetary prices (inflation)", given that: $P_{\$(q)} = 1 / P_{q(\$)}$.
[6] It is essential to note this, as we have been educated in the belief that prices are always set by the market, this arises from not perceiving what is not seen (the most difficult but essential to understand), the relative values that give rise to them .
[7] That is, harming the economically less fit.
[8] This is origin of the "entrepreneurs" who benefit from failures of the State, and in connivance with the governments of the day.