

## SSET 23 - THEORY of SAVINGS and CREDIT

### Saving

The saving ( $q_a$ ), in any temporary space, is the residual of all the generated wealth ( $q_g$ ) less the destroyed wealth ( $q_d$ ). Thus, the stock of wealth saved ( $q_a$ ) is, in any temporary space, equivalent to the present and total ( $q_t$ ) wealth, then:

$$q_a = q_t$$

### Credit

Considering *credit* as the *exchange of wealth over time*, or *inter temporal exchange of wealth*,<sup>1</sup> whose *price is interest*,<sup>2</sup> we deduce that all present wealth is equivalent to the credit that is given to the future ( $q_c$ ).<sup>3</sup> This implies that:

$$q_c = q_t$$

**Saving = present wealth = credit**

It is deduced then:

$$q_a = q_t = q_c$$

### Composition of the credit

The present-total wealth (Asset) can have two different credit destinations: available to their owners (Capital), or to debtors (Debt). Basis of the double patrimonial accounting entry as equality between the composition and ownership of wealth:  $A = P + C$ .<sup>4</sup>

Thus, we can graphically represent saving and credit as a single flow in the typical symmetry of wealth relative to itself,<sup>5</sup> with marginal utility of the decreasing saving ( $U_a$ ), and ascending of the credit ( $U_c$ ), as it is exchange.<sup>6</sup>

Like all symmetry of marginal utilities of a relative wealth to itself, the *Point  $I_N$*  of natural intersection is determined in the average ( $5q_N$ ) of the total wealth ( $10q$ ). *Point  $I_N$*  where the marginal utility of saving is equal to that of the credit ( $U_a = U_c$ ), determining the Evolutionary Medium Point (EMP) for the credit, where  $I_e = 2$ .

Since  $U_c$  represents total credit ( $q_c$ ), we can identify  $q_P$  as the credit granted to third parties, as it is the liability of these, being the residual capital-credit itself ( $q_K$ ).<sup>7</sup>

<sup>1</sup> Regardless of whether it is intrapersonal credit (own capital) or interpersonal credit (credit to third parties).

<sup>2</sup> Definition of interest: as the price of economic time of our Theory of interest (TER, SSET, etc.).

<sup>3</sup> This approach allows us to appreciate how time (and its price the interest) manifests itself economically through wealth — the first is variable dependent of the second.

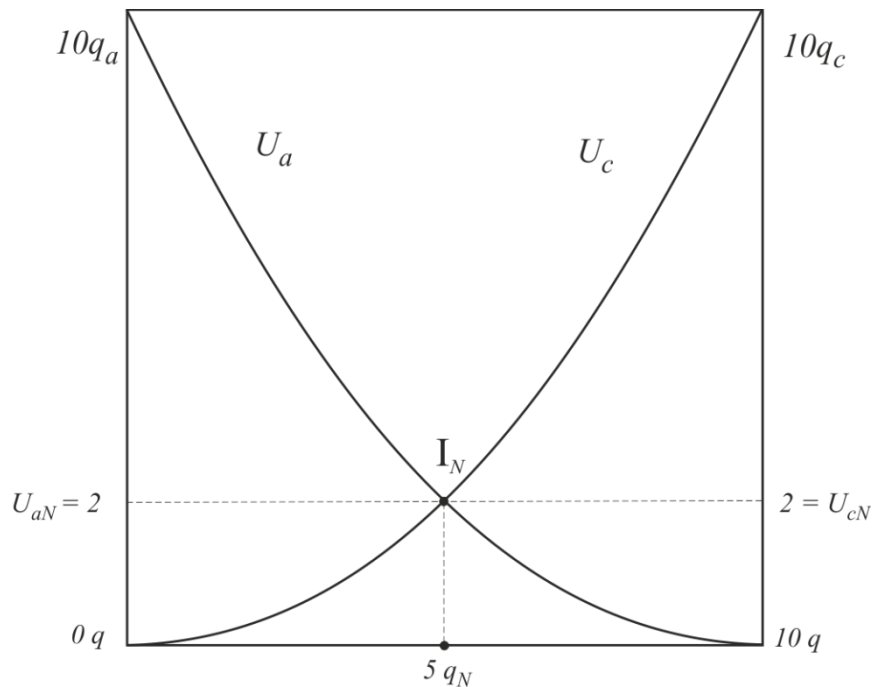
<sup>4</sup> This allows double-entry accounting to be seen as a powerful tool for economic analysis, as Mises clearly points out.

<sup>5</sup> If this is to refer to the unfortunate equality  $S = I$ , of the current theories, very weak favor have been made to economic theory. Since our first work, Theory of Economic Relativity (TER - 2006), and with greater precision in subsequent ones, we have shown that: necessarily  $S \neq I$ . What does not exist is credit without prior saving; as they are necessarily equal, the quote would be: there is no saving that is not credit or vice versa, otherwise there are no exist present wealth and/or future.

<sup>6</sup> According to the *Efficient and Equitable Economic Evolution* (E<sup>4</sup>); Cap. VII of Subjective and Solidarity Economic Theory (SSET).

<sup>7</sup>  $q_t = q_c = q_K + q_P$ .

### Savings = Credit



With  $q_P$  to the left of  $5q$  we will be in  $U_c < U_a$ , the trend of  $q_P$  will be to the right until they are equal in Point I. With  $q_P$  to the right of  $5q$  we will be in that  $U_a < U_c$ , the trend of  $q_P$  will be to the left until reaching Point I.<sup>8</sup>

#### Finance system.

The equality  $q_a = q_c$  is a severe blow to the economic theories —support financial systems such as those in force—<sup>9</sup> when they argue that: *the financial system (monetary authority with paper-currency, fractional system, etc.) generates: “cheap currency” or “currency from nothing”*. *The holders of present wealth are those who grant credit to the financial system, debtor of first instance.*<sup>10</sup>

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<sup>8</sup> In a collectivist economy  $q_P$  not exist, then the economic calculation becomes complicated (Mises?). We will present work to the effect.

<sup>9</sup> We are demonstrated double accounting, physical and currency-monetary, in [Theory of Economic Relativity](#) and subsequent works.

<sup>10</sup> The origin and limit of the credit is always the present wealth stock. It is impossible extend credit beyond the present wealth — this is denied in the currency theories that advocate: cheap currency, virtual or emerged from nothing.