

SSET 28 – CURRENCY is PRESENT WEALTH ¹

*“Currency is the only thing that competition would not reduce,
Since its appeal is based on retaining it “famine”*

Friedrich A. Hayek

In this work we refer to the currency like economic good (\$) and its *subjective value relative to wealth* [$v_{\$(q)}$], not to its function as an economic unit of measure [$v^u_{\$(q)}$].

We will demonstrate that the currency, whatever its forms, is WEALTH, and PRESENTE, for this purpose we deploy the necessary theoretical tools:

- *Fallible man*: which he suffers by needs.
- *Economic goods*, useful and scarce things that meet human needs, they can be present or future.
- *Wealth*: value (subjective) that the human being assigns to economic goods.
- *The economic exchange*: it is an act between parties, through which each participant gives a manifestation of wealth in exchange for another manifestation of wealth that he considers of greater value. It follows that: **there is no economic exchange of a thing that is not wealth present in the act of exchange.**
- *Exchange types*: there are essentially two types of exchanges ²

Counted: it is the Exchange of present economic goods.

Credit: is the exchange of present economic goods for future economic goods (economic goods that will be present in the future). ³

- *Current (subjective) value of a credit*: it is the *present value* that is assigned to the future value of an economic good. The difference between the current value (*CV*) and the future value (*FV*) is the economic time (*n*), the value of which is the interest (*i*). ⁴

From the foregoing we deduce that:

1°) In each act of exchange only present wealth is exchanged.

2°) Economic goods exchanged may be present in the act of exchange, or in the future.

3°) Wealth is subjective value of economic goods.

¹ Work dedicated especially to my dear friend Manuel Polavieja, because it was inspired by one of many epistolary exchanges we have. If this work serves science, thanks Manuel.

² Not forgetting leasing and other instrument ...

³ As we have discussed in SSET 11 – [Credit is present wealth](#).

⁴ The financial mathematics helps us calculate: $CV = FV / (1+i)^n$.

4°) Future economic goods acquire the character of present wealth through their current value.

5°) Being present wealth, revealed through the *CV* of a future economic goods, allows it to be exchange for the value of a present economic good — **origin of the credit**.

We now consider the exchange with currency, while all economic theories (except ours) explicitly or implicitly consider currency is not wealth.⁵

The currency is present wealth

According to the above, the currency is the wealth present par excellence in the exchanges, that is to say: **THE CURRENCY IS PRESENT WEALTH**.⁶

So where does the idea of the existence of currency that is not wealth come from? It arises, and is taught in the cloisters, from theories that support that: currency *is not wealth*, that it *is not present wealth*, that it *is virtual*, that ...

What are the foundations of theories that deny the character of (present) wealth to the currency? The answer is in two central aspects:

- They consider “economically neutral” to the act of exchanging wealth, that implies wealth of equal value is exchanged. Then, **the currency only serves to exchange, which has no value**. In other words, the exchange does not satisfy a need, or it does so from abundance (not scarcity).
- They are supported by the exchange of the quantities of economic goods, not securities. Which implies that they have built economic theory based on the **theory of objective value** (*quantities* \equiv *prices*), and not on the **theory of subjective value** (*values* \rightarrow *prices*).⁷

As noted, only **currency theories** arising from the **theory of objective value** (quantities of economics goods exchanged \equiv prices) may NOT consider currency as present wealth.⁸ On the contrary, the *Subjective and Solidarity Economic Theory* (SSET), based on the **theory of subjective value** (wealth), has allowed us to demonstrate that **currency is not only wealth but is present**, whatever its type.^{9 10}

NOTE: Hayek’s quotation is eloquent ratification of this work.

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⁵ Currency-gold would be wealth as gold which implies that its function as a medium of exchange does not add value.

⁶ *I am willing to welcome, with nothing in return, all the currency “that not to be present wealth” that exists.*

⁷ That “Austrian” economists hold that currency is not wealth implies “recognition” of objective value.

⁸ The **objective currency theory** is one of the most damaging consequences of what J.S. Mill said, and S. Jevons ratified: *“a bad theory of value implies a bad economic theory”*.

⁹ I must say that I myself have encountered the custom of referring to present wealth under the term present economic good. I hope this paper will be strong enough to clarify.

¹⁰ Technical clarifications: if the *CV* is equal to the present value, it implies the presence of a present economic good ($i = 0$), is $CV = 0$ implies that there is no future economic good: $FV = 0$ — everything is deduced from $CV = FV / (1+i)$.