

Title: Payment of wages as monetary creation

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ABSTRACT

In addition to capitalistic relationships, there is a source of macroeconomic instability due to macro monetary mismanagement. In my opinion, inflation and unemployment are the outcomes of badly designed money payments system.

In fact, orthodox view of money payments comes from the traditional analysis of commodity money. According to this, commodity money payments are relative exchanges where money is the valuable counterpart of real products.

Logically the use of bank money is quite difficult, not to say impossible, to explain from this perspective. In contrast to this approach, following B. Schmitt and A. Cencini, in this paper I will show that money is a vehicular tool which does not need to be valuable itself to perfectly fulfill the role of medium of exchange and unit of account. Then, money payments do not belong to the category of relative exchanges but to that of creation-destructions of income. That is, in each payment there is only one product which is either produced or sold by means of a monetary transaction. In this theoretical framework, the payment of wages is the only payment that does not need the existence of a previous income. The payment of wages transforms money (nominal) into income (real).