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THE MONETARY SYSTEM IN THE MODERNITY - SCHEMATIC ILLUSTRATION OF TWO REGIMES OF STABLE MONEY

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ABSTRACT

In this work, we try to place the process of change of the monetary system in the broader process of change of the laws that rule human society.

For this purpose, we establish a relation of species to genus between the laws of an economic phenomenon and the laws of a free or modern society.

This relation is established through the use of a methodological approach peculiar to social sciences. This approach allows to define the laws of the free society and the economic laws on the same dominion. Economic laws, in particular, apply on the same set of object with the restriction of scarcity. A monetary system is defined as a subset on the dominion of economic laws.

A free society or modern society has been defined, on the theoretic level, as a normative set in which laws do not prescribe the contents of individual actions. As far as common law relationships concern, the laws draw areas of exclusive control for each individual. Where the intervention of public authority is recognized as necessary for the care of general interests, the intervention is prearranged for what relates objectives and modalities.

On the historic level, modernity has been considered as a period during which occidental societies have looking for that normative set, or ways of life not subject to coercion.

A regime of stable money has been defined as a particular subset of this normative *habitat*.
That relation has been observed under various aspects.
In a stable money regime, for example, the general rule that debts must be settled at maturity, save the cases in which unforeseen events occur that fundamentally alter the equilibrium of the contract, is fully effective. This requires the borrower to use his normal capacity to foresee his future revenues.
Under another aspect, in a stable monetary system, arbitrary intervention on the monetary savings of an individual are not allowed.
Moreover, by preventing an individual from realizing a project that causes inflation, law effectively defines the areas of exclusive control.

In the second part of this work, we present, as exercise, a schematic illustration of two regimes of stable money: a preindustrial regime of metallic money (ideal money) and a regime of credit money with free market of currencies (denationalized money).

These illustrations have been drawn by assuming the behavior of the individuals in their respective circumstances on the basis of the likely motivations that guide them.

From both the illustrations a stable level of prices in terms of the unit of account emerges.

We point out two distinguishing features of a stable money.
In the first illustration, we point out that a stable money inserts in the exchange relations a temporal element, given by the fact that the unit of account is fixed in advance and not determined instant by instant by exchanges.
In the second illustration, we underline that a stable money is the best instrument for a reasonable economic calculus.
These characteristics contribute to make clear the meaning of the relation of species to genus that we established between a stable money regime and the laws of a free society.