

## UNDERSTANDING BANK MONEY THROUGH A QUANTUM MACROECONOMIC THEORY OF CREDIT. SOME THEORETICAL CONSIDERATIONS ON MICROCREDIT

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### ABSTRACT

*Reframing risk assessments of microcredit, this paper expands on quantum macroeconomic conceptions of money, output and income to argue that production is endogenously financed.*

*Building on the works of Schmitt, Cencini and Rossi, the conceptual logic of quantum monetary theory traces the origins of a (micro)firm's finances to its consequent production. Production is then a self-sustaining system, and (micro)firms should not, in fact, dependent on worthiness decision made by banks for credit and funding.*

*With especial focus on microfinance (and microcredit specifically), the socio-economic system requires restructuring to accommodate understandings of production as endogenous and microcredit as sustainable. This includes reforming national accounting practices to accurately represent possibilities of insolvency, themselves much reduced by the recognition of production as endogenous.*

**Keywords:** *quantum-economics; theory of money emissions; economic system; financial intermediation; microcredit*

### 1. INTRODUCTION

This research addresses the shortcomings latent in present economic systems and their often-restrictive impact on potential adjustments and changes for such systems. Where these shortcomings are inherent to the socio-economic system, overcoming them requires returning to fundamentals of economic thought to understand how a transition from a conventional neoclassical foundation to a quantum macroeconomic one would remedy these issues.

Examining monetary theory, a comparative treatment of these theoretical frameworks reveals that logical inconsistencies inherent to the dominant view of such foundational concepts as money, output and production are absent from quantum macroeconomics. Building on the innovations of Schmitt, Cencini and Rossi, quantum macroeconomic theory demonstrates that production is endogenous and self-sustaining, its financing ensured in the instance of production and wage payment. The risks for financial intermediaries of (micro)financing are therefore manifestly reduced as the (micro)credit useful to a firm is generated by itself and independent from the initial capital available to it. Both these findings are confirmed by an alternative national accounting system that documents both the results of monetary flow as well as the flow itself, which would also alleviate insolvency fears that financial intermediaries might have (Desogus, 2013).

### 2. THE SCIENCE OF QUANTUM ECONOMICS

By and large, the prevalent discourse around measures of economic value assigns money with a particular value and dimensional form.

Discussing the price volatility of goods, for instance, David Ricardo (1817/1915, p. 361) concludes that "The only qualities necessary to make a measure of value a perfect one are, that it should itself have value, and that value should be itself invariable." This statement is made on the assumption of a perfectly dimensional unit of measure. Interpreting current economic exchanges of money and real goods as a