

## THE IMPORTANCE OF EDUCATION FINANCIAL - CONFIDENCE IN THE CURRENCY. LITERATURE REVIEW

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### **Abstract**

*The trust should not be understood only as a determining factor in the occurrence and of the development of the currency. The trust is an essential element for the proper functioning of the entire society. The confidence strengthens social cohesion and leverage the applicability of the democratic mechanisms. The trust has a value that is inversely proportional with the size of the Community. How is it, then, that speak of confidence at national level and, more recently, at European level?.*

*We propose that through this study we make a connection with the literature to show the importance of the currency trust for society.*

**Keywords:** financial education, currency, currency trust, currency issuer.

**Classification JEL:** E50, E52

### **1. Introduction**

The term 'currency' has its roots in the Latin verb "monere", which means "to warn". The first Romanian coins were beaten in a workshop adjacent to the temple of Junon - Moneta on Capitol.

Traditionally, the Currency II are recognized three major functions, none with reference to the social or political [1]:

a. *the unit of account (the standard value)*. It is a function that may be delimited by the means of payment and which, many times, may take a certain psychological inertia. For example, there are still many who speak in French francs, although coins of this type there is no more, and payments shall be made in euro.

b. *the means of payment (intermediate trade)*. Is the function of the representative of the currency, which has a monopoly to play this role. Although the currency has replaced barter, it may continue to exist, if the seller agent needs the good offered in the counterpart of the purchaser and (only) if recognizes a value or a quantity equivalent goods sold (double match the desires).

c. *value reserve tool*. By reserving the value is understood the capacity that an instrument, financial or other, has as a bearer of the purchasing power over time. Different assets can play the role of reserve value, without necessarily keeping the same value. Even coins are not infallible, for though a 20-euro note, for example, will always have the value of 20 euros, under the influence of inflation, its purchasing power can withstand substantial variations.

Currently, the issue of the currency is the central bank's or, in some countries, the currency board's attribution. The Monetary Council is an authority that issues banknotes and coins, covered 100% in the foreign currency (called anchor) and fully convertible, at a fixed exchange rate. A monetary council allows stable exchange rates to be maintained against the anchor currency or gold and holds low-risk assets in the form of reserves: bonds and other assets denominated in the anchor currency.

Starting with 1991, the idea of this form of monetary organization was implemented. Thus, in 1991, Argentina stabilized its currency under such a system. This solution was used in the context of an annual inflation rate of 2000%, and the anchor currency was the US dollar, covering 100% of its assets denominated in dollars. In 1992, Estonia and Lithuania also adopted monetary councils, using the US dollar (Lithuania) and the German mark (Estonia) as the anchor currency. Success has also been recorded in this respect by Bulgaria, which used the German mark as the anchor currency.

Despite international developments, especially the emergence of the euro, it is still

considered that the currency has been and remains an attribute of sovereignty, "meaning power," as Robert Harrod said.

## 2. The connection between the suvernitare and currency

At present, there is a general acceptance of relationarii the currency of national sovereignty. Drawing the borders, so the external territorial limits, represents a decisive act for the marking of individual membership in the Community. Thus, the nations, delimitandu to each other, firm, de facto, the sovereignty of each. However, there are opinions which never says that there was, indeed, total sovereignty. Therefore, it can be assumed that the national sovereignty, in the European states, has always been relative and limited by the pressure which they exert on each of these countries, the body of the whole of Europe. From such a point of view, the total sovereignty is a utopia, seated at the head of the constitutional texts. In fact, on each national state presses the other European peoples, which was a lot limits free behavior of each of them - by threats with the wars and retaliation.

That's why, it is interesting to see how the currency is perceived as an instrument of sovereignty, since, by definition, it has a universal vocation, representing a system of abstract rules, whose implementation is, in principle, unlimited. The sovereignty is a concept that expresses the possession of a higher powers, at the highest level ("sovereign"), and defines the ultimate power recognized state, involving the exclusive right to its competence with respect to the national territory and on the independence in the international order, where there is limited only by their own assignments. The term "national sovereignty" is attributed to the abbot about Emmanuel Joseph Sieyès (1748-1836), and signifies a nation's sovereignty belonging to different from the popular, assigned to him Montesquieu (1689-1755).

In a classic acceptiune the definition developed by Jean Bodin, "the sovereignty is absolute power and perpetuate a German, which latinii call majestatem ... The sovereignty is not limited, nor in the power, nor the content, not in time" [2].

The causes of the evolution of the concept of sovereignty, the definition of Bodin up to its current form are, in the opinion of Krasner, the number of four, characterized by the analyst that ways to compromise and which is European Union on the privileged position of "club of winners":

- interstate conventions;
- international treaties (contracts)
- coercion;  
imposition.

The sovereignty remains, however, a concept eminently linked to the state.

The participation of the member-states to the European construction was that the basis of the adaptation of the sovereignty of the overriding international interdependentelor and those arising from the development of the European organizations established by the Member States - and not a legal approach of limiting the national sovereignty. In the development of a European company appeared new topics, which could be solved better only at European level, and the states could no longer provide efficient solutions to solve these problems, which became possible only through a joint effort. Sharing the attributes of sovereignty interdependence which do not affect, thus, the primary element of sovereignty, i.e. the internal organization of the decision making process, but rather to improve control over the various critical aspects. One of the most useful tools has proved to be the single currency euro.

The single European currency has led not to diminish national sovereignty, but to strengthen the sovereignty of the Community and to the formation of the collective identity of the EU.

### 3. Currency functions from the perspective of money trust

If it has the role of forming collective identities, the currency must be able to generate feelings of trust, proximity and recognition in the symbols and values it illustrates. Michel Aglietta and André Orléan define, in their book *Monnaie souveraine* (Michel Aglietta, André Orléan, at *Monnaie souveraine* p. 329), two dimensions of human trust at the level of the currency. The first refers to the possibility of joining a type of formality, in which the weakness can be offset by a form of power; The second refers to the symbolic formalization that offers a possible expression of the threat of shortages. Both variants, of psychological substantiation, actually put the relationship of the individual with society. Under these conditions, we are at the Antibrige of modern economic theory, for the subject is society, and individuals are pseudo-subjects. An important point in supporting this explanation (why currency means trust) originates in the theory of unconscious, so of the scientific treatment of desire and the imagination.

The currency, as a payment instrument, fulfils two great functions at the social level: expression of debt and expression of guarantee. By opening the possibility of a payment, so of life, the currency makes it possible to survive in terms of the lack of elements of animal existence. The guarantee function of the coin is intended to create hierarchical social binders, so as to lead to the creation of values as foundations of the unformed natural, animal community. This community, see later society, is the holder of the authority (not the individual) because only she can get this phenomenon. The currency issuer is the one that launches and supportings the circulation of debt and hope in its liquidation.

Thus, the anthropological approach, through the complex interpretation of the bonds (binders), debt and guarantee, is away by the conception, the broader the widespread, whereby the currency is explained only as a symbolic means, easier to handle and easier to Transported than goods, which subsequently becomes the sophistication of financial formulas, a global price calibration system. That's why Jacques Birouste (apud Michel Aglietta, André Orléan, op. cit., pp. 338-340) advances the hypothesis that, when the currency is present in the commercial act, it is not necessarily a technique designed to facilitate the exchange of objects but rather as a opportunity for the introduction of indispensable references of a Facey society by its own totality, so that the trade act makes a positive sense of social construction and the production of common values..

The currency would be a community spirit, because that would be the connection to the ideal of the whole individual and social, respectively. As a result, the currency plays the role of leverage for subjective dynamics (in both its dimensions, intimate and group): by paying in currency, whichever form, monetary function gives the opportunity to balance between reality and integration into the sovereign unit of Warranty. The currency is also a very human way to hope. It is not, however, the mere hope of obtaining the objects that would cover the shortcomings felt (in this case, it is no longer about the currency, but of wealth). Hope through currency is, anthropologically speaking, individual and social integration.

The approach to anthropology is a good starting point in the analysis of institutional theorists, opposed to realist / metalist approaches. The realistic concept (defined as the metalist in the older formulas) states that the currency draws its value from its guarantee (the intrinsic value of the metal or the production that is the subject of trade as a whole). In this line, the emergence of the coin is explained by the initiative of the private sector, in order to overcome the transaction costs.

At the opposite end there is the institutionalist conception, which states that value is not intrinsic, but results from the organization of exchanges through the coin, and the guarantee belongs to a collective authority that may be in the form of a group of private agents, aiming to become a state.

Naturally, trust has no relevance to realists, since they consider the currency to be neutral. Moreover, the realistic theory is based on understanding the economy as a sum of incentive contracts between private agents, and trust is not contractual. Trust makes sense in the institutional approach, expressing the unconditional acceptance (by individuals) of the currency. Since this acceptance is not "natural", it can be disturbed or destroyed in times of monetary crisis.

### **3. Forms of currency from the perspective of confidence**

Trust can have two major forms: methodical and hierarchical (Michel Aglietta, André Orléan, *La monnaie entre violence et confiance*, pp. 104-106). Methodical confidence is based on routine or tradition, coming out of the rehearsal of acts that lead the exchanges to the end, and private debts to regulation. This type of trust expresses a security dimension through joint adhesion to explicit rules. Eampote be understood as a fixture of landmarks and roles in which private agencies fits. This trust is inserted into market practices through the repetition of business relations: respect for the word given in financial transactions, club mentalities that creates mutual insurance, acceptance of the prudential rules on the organized markets. At the same time, this form of trust does not matter too much in front of the rivalries of power and money. The currency expresses and the economic operations of the State, which act on the basis of a different logic, that of sovereignty: the legitimate power to transfer, withdraw and spend in the name of guardianship protection, through the public power of the members of society. There is, therefore, the hierarchical trust, which the political authority is printing to the currency. The attributes of this confidence depend on the principle of legitimacy (religious or democratic) of the political authority. The history of the coin is thus closely linked to the multiseular process that led to the emergence of democratic nations. The hierarchical trust is today, as yesterday, supported by symbols of origin, on the trust currency, the sovereignty scepter.

Hierarchical trust is superior to the methodical one, because the political authority over the currency has the power to change the rules, but this power is not arbitrary. The sovereignty of any nation is, as we have seen, limited by that of other nations, even though private goods are crossing the geographical boundaries. In addition, monetary regulation changes as historical oscillations, the flow and the reflux of internationalization of exchanges. For a long time it has been thought that monetary abstraction is a consequence of the evolution of individual values. Simmel [6] shows, however, that monetary abstraction has in fact led to the abstraction of the individual. The rational human person, freed from any other social bond outside the voluntary exchange, has become a universal value. The welfare of the individual is a duty internalized in personal reason and, as a result, an ethical attitude. This results in a form of trust, the ethical, capable of blocking the exercise of political authority over the currency. In order to be ethically legitimate, monetary policy bodies have to comply with a monetary order designed to underpin the state monetary regulatory exercise.

Trust should not only be understood as a determining factor in the emergence and evolution of the currency. Trust is an indispensable element for the good functioning of the country. Trust strengthens social cohesion and streamlines the applicability of democratic mechanisms[7]. Trust has a value inversely proportional to the size of the community. How is it, then, that national confidence is spoken, and more recently at European level? In industrialized societies, the study of currency and money transactions is an essential indicator for determining the degree of trust.

Geoffrey Ingham [8]. militates, for a better understanding of the phenomenon, for a "money sociology", which states that "the currency is socially produced, accepted by convention, supported by trust and has social and cultural consequences". Furthermore, the currency is, in itself, a social relationship, independent of the production and exchange process. In a famous book, Viviana Zeliger [9] shows that citizens in the United States, where the commercial spirit is a rule that is part of the values of the whole society, reacts in the event of a crisis or imminent danger (for example, announcing the price increase at oil), as in the less wealthy countries. In other words, the implications of the alleged logic currency are not to be found in reality. The money is the only pure cultural creation "Energy efficiency", which has been unlawfully material support, no longer than a pure symbol - a currency symbol worth as marked on it, as well as the support from which it is made. Such an approach may not lead to the confidence than necessary, since all trade and most valuable reserves shall be lodged in the money, so in symbols. This Trust lead, however, to the collective consciousness? If yes, we can support such a role for the single European currency?

## CONCLUSIONS

Are there any voices (Charles Gave, *Cest révolte? Non, Sire, c ' est une révolution. L ' intelligence prend le pouvoir*, pp. 141-152) which considers that the euro is neither in tune with the current times, nor with the European space-an unfortunate creation of specialists, in an attempt to impose their will on the markets. For Eurosceptics, the single currency is a anachronism, where you are cut from your feet or hands, to fit, however you are, in the already stretched sheets... However, it cannot be denied that the euro is the first stage of the construction of a European state, but, for detractors, it is, rather, "a solution that seeks a problem and a currency in search of a State" (Charles Gave, *Cest révolte? Non, Sire, c ' est une révolution. L ' intelligence prend le pouvoir*, pp. 148). On the other hand, statistical evidence, such as the conclusions of the Standard Eurobarometer, shows that the euro is not even a bed where, in order to sleep comfortably, citizens must start to "adjust" as dimensions of împartasite values. Europeans generally give the impression of feeling comfortable with the idea of Europe.

They perceive the identity of the European Union as a fact, what is probably the most important achievement of the construction of the EU. Of course, this guideline is, mainly, rather moderate and, rather, the nature of the economy. The first step seems to be made. The Euro is a new currency. History shows us that the currency cannot be separated neither political nor of anthropology, and prove Eurobarometrele already support front of their currency of the Europeans.

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