Endogenous Money within Sraffian framework and its implication for SME in Argentina

Abstract
This paper presents endogenous channels of the monetary policy within a Sraffian framework. Within it, one of the distributive variables is exogenous to the system.
In our case, we say that the interest rate is set by the central bank at the level it wishes. The banks play a central role in the system because they are credit driven institutions, in the sense that loans make deposits rather than reverse.
In a modern economy the quantity of loans is determined by banks borrowers, not by banks. In other words, banks are price setters and quantity takers in both their retail loan and their deposit markets. Loans and deposit are demand determined, hence no economic units can have an excess of supply money.
On the other hand, the central bank doesn't determine exogenously a fixed quantity of money, on the contrary, it determine the short term interest rate. This mean, the CB set the price at which money is supplied. This view is compared to the Quantity Theory of Money (QTM). After a description of QTM, we show how this theory evolved through time to finally collapse in the 1970s.
We show like the real word works really different as the former theory suggests and then we describe the function of the banks and central banks on the modern age. This paper proposes that QTM cannot describe the operation of the whole banking system and their relation with the Central Bank, the government and industries.
After this theoretical detour, we make an empirical analysis about the credit market of Argentina and credit access of SMEs. We analyze the last ten years of monetary policy focusing on the influence over SMEs in order to show how a regulated credit market improves endogenous credit channels and its impact on the real economy.
In the end we conclude that the process of growth beginning after the crisis (2001) suffers an external constraint with deeper implication over industries and their development. Privates banks are not exempt of this constrain.
The authors consider that a good comprehension about the monetary system focusing in the role of banks, can improve the success of monetary policy and its impact on SMEs.

Introduction
Monetarists say issuance of money rise prices and there are not real effects over the economy. The point is that grow in the monetary base become grow on demand in the short run. This rise demand over the output and hence prices grow up.
Three important things we need to remark:
-It is necessary that every single person spend his money. But they need buy goods to generate grow in prices.
-The economy must be in full employment for that demand exceeds output.
-There is a stable bank multiplier.
If we accept these assumptions, we can accept a relation between monetary base and prices.
Notwithstanding, even if we accept this relation, we can´t deduce causality from M to P. In a capitalist economy, we always can see a rise in M when prices grow. But we can´t deduce that the last one is a result from the former.
If you print money and people spend, and there is capacity, there should be no inflation, but lower unemployment. Also, as people spend, firms tend to adjust capacity to demand. So

the capacity limit is endogenous. The limit that most economies encounter is the balance of payments.
QTM suggests that the bank will not print more money than needed. Nevertheless, something accepted by any central bank that follows an interest rate rule, since they lend any amount at that rate of interest.
If we look any central bank and we ask to the chairman how the central bank works, we obtain the next answer:
CB can fix an interest rate and then print an amount of money consistent with that interest rate. But, the CB can´t control M. In other words, it can´t forbid to the banks give loans to the public. On the contrary, CB need assure all the money that the banks need to avoid a collapse in the payment system (Alan R. Holmes).

Methods

A central proposition in research on the role that banks play in the transmission mechanism is that deposits constitute the supply of loanable funds, act as the driving force of bank lending.
This paper makes a comparison between what the theory (QTM) says and what actually happens. We obtain empirical relevance through the Modern Monetary Theory (MMT). Many post-Keynesian authors defend endogenous money like a new theory more close to empirical facts.

Results

Argentina needs an articulation between policies aimed at "real sector" and "financial sector" of the economy.
The financial system may be inefficient in its function to "allocate resources". The mechanisms that dominate their distribution does not guarantee that these are directed to higher priority activities, such as those sectors that contribute to productive development that could mitigate the systemic problems of the external sector.
Central bank is required to allocate resources to those sectors where private banking is not enough.