Current Scholarship

The Key to Value: The Debate over Commensurability in Neoclassical and Credit Approaches to Money

Author: Christine Desan

Neoclassical and credit approaches to money represent dramatically different theories of value. For many within the neoclassical tradition, the market exists as a conceptual enterprise — a place where independent agents compare and rank real goods, exchanging them afterwards to in accord with their preferences. That theory reflects a particular approach to value, identifying it as a pre-existing quality ranked by individual choice. The theory also generates a particular approach to money, assuming that a term of measurement naturally imports commensurability into evaluation.

By contrast, public credit approaches suggest that creating commensurability in a world heterogeneous in so many aspects is a profound challenge. Modern political communities have responded by substantiating value in a unit that is cognizable to all: they issue credit tokens that can be set off against widely shared public obligations. That means, first, that value cognizable in money follows rather than pre-exists market activity: it is produced as individuals use credit money as a medium. Second, because value is produced as people use money, the character of that money matters: its nature as credit carries with it an allocative bias. Both governments and private lenders (banks) advance credit in order to spend selectively: they create a credit medium by providing credit to some people relative to others. According to the way money is created, definitionally we might say, individuals will not be equally situated in the process that generates prices. Decisions about value are made in the wake of that fact. The essay closes by contrasting the democratic visions at stake in neoclassical and public credit approaches to value. That exercises suggests that, if the public credit approach better describes money and market, their potential can only be realized by promoting rather than assuming equality.

Christine Desan, The Key to Value: The Debate over Commensurability in Neoclassical and Credit Approaches to Money, 83 *Law and Contemporary Problems* 1-22 (2020)
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Just Published: Finance and Society, Vol. 6, No. 1

Author: Editors, *Finance and Society*

The editors of *Finance and Society* are pleased to announce the publication of vol. 6, no. 1 (2020).

The issue includes an article by Photis Lysandrou on financialisation and circuit theory, an essay by Daniel Tischer on Facebook's Libra currency proposal, and a special forum on critical macro-finance.

The forum is guest-edited by Sahil Jai Dutta, Ruben Kremers, Fabian Pape, and Johannes Petry, and features contributions from Bruno Bonizzi, Daniela Gabor, Annina Kaltenbrunner, Samuel Knafo, Steffen Murau, and Tobias Pforr.

The full issue is available here.

Colonialism’s Currency: Money, State and First Nations in Canada, 1820-1950

Author: Brian Gettler

Money, often portrayed as a straightforward representation of market value, is also a political force, a technology for remaking space and population. This was especially true in nineteenth- and twentieth-century Canada, where money – in many forms – provided an effective means of disseminating colonial social values, laying claim to national space, and disciplining colonized peoples.

Colonialism’s Currency analyzes the historical experiences and interactions of three distinct First Nations – the Wendat of Wendake, the Innu of Mashteuiatsh, and the Moose Factory Cree – with monetary forms and practices created by colonial powers. Whether treaty payments and welfare provisions such as the paper vouchers favoured by the Department of Indian Affairs, the Canadian Dominion’s standardized paper notes, or the “made beaver” (the Hudson’s Bay Company’s money of account), each monetary form allowed the state to communicate and enforce political, economic, and cultural sovereignty over Indigenous peoples and their lands. Surveying a range of historical cases, Brian Gettler shows how currency simultaneously placed First Nations beyond the bounds of settler society while justifying colonial interventions in their communities.

Testifying to the destructive and the legitimizing power of money, Colonialism’s Currency is an intriguing exploration of the complex relationship between First Nations and the state.

Brian Gettler, Colonialism’s Currency: Money, State and First Nations in Canada, 1820-1950 (McGill-Queen’s University Press, 2020).

Inside the Black Box: Credibility and Situational Power of Central Banks

Author: Ayca Zayim

Despite the consensus that the power of finance constraints central banks under financial globalization, the variation in their autonomy from market forces at the micro level of monetary policymaking remains underexplored. This article demonstrates that credibility endows central banks with situational power to make monetary policy decisions that involve less sacrifice of economic growth to price stability. Based on the comparative analysis of the policy decisions of central banks in two emerging economies, South Africa and Turkey, during 2013–2014, I show that this policy space stems from central banks’ capacity to successfully influence market expectations. The argument relies on public texts and over 130 interviews with central bankers in South Africa and Turkey and financiers in Johannesburg, Istanbul and London. The findings contribute to literature on central bank credibility and communication by exploring how credibility functions and creates room for central banks to maneuver through influencing contingent and performative expectations.

[*Socio-Economic Review*, mwaa011, 17 March 2020]

The Money Doctors of Seventeenth Century Naples

Author: Francois R. Velde

A collection of texts printed in early seventeenth-century Naples exemplifies the intersection between economic history and the history of thought. A slowly worsening monetary situation led authorities, unsure of what they could and should do, to solicit diagnostics and cures. The unfolding debate is challenging to analyze: participants viewed events through the lenses of their background, training, and interest. Merchant experts competed with university graduates and technical officials. These texts offer us a rich but contradictory set of observations and interpretations in what constitutes an early attempt at applied economic analysis and policy advice.

[Capitalism: A Journal of History and Economics, Vol. 1(2): 405-455]

The ECB and € E-Banknotes

Author: Corinne Zellweger-Gutknecht, Benjamin Geva, Seraina N. Gruenewald

The modern monetary system is controlled by the state and yet linked to private deposit banking. Monetary value held in deposits with commercial banks is known as 'commercial bank money' (CoBM). Monetary value held in deposits with the central bank – as well as banknotes issued by the central bank – is called 'central bank money' (CeBM). Under this scheme, central banks thus issue two forms of central bank money: cash for the retail sector and balances in traditional reserve accounts for wholesale purposes (reserves). However, for several years now, and most recently in particular against the background of private actors commencing to issue private digital currencies, a growing number of central banks have also been investigating the possibility and implications of issuing a digital form CeBM for the general public: central bank digital currency (CBDC), also known as retail CBDC (rCBDC).

Zellweger-Gutknecht, Corinne and Geva, Benjamin and Gruenewald, Seraina Neva, The ECB and € E-Banknotes (August 1, 2020). Osgoode Legal Studies Research Paper

The ‘Kansas City’ Approach to Modern Money Theory

Author: L. Randall Wray

Modern money theory (MMT) synthesizes several traditions from heterodox economics. Its focus is on describing monetary and fiscal operations in nations that issue a sovereign currency. As such, it applies Georg Friedrich Knapp’s state money approach (chartalism), also adopted by John Maynard Keynes in his Treatise on Money. MMT emphasizes the difference between a sovereign currency issuer and a sovereign currency user with respect to issues such as fiscal and monetary policy space, ability to make all payments as they come due, credit worthiness, and insolvency. Following A. Mitchell Innes, however, MMT acknowledges some similarities between sovereign and non-sovereign issues of liabilities, and hence integrates a credit theory of money (or, “endogenous money theory,” as it is usually termed by post-Keynesians) with state money theory. MMT uses this integration in policy analysis to address issues such as exchange rate regimes, full employment policy, financial and economic stability, and the current challenges facing modern economies: rising inequality, climate change, aging of the population, tendency toward secular stagnation, and uneven development. This paper will focus on the development of the “Kansas City” approach to MMT at the University of Missouri–Kansas City (UMKC) and the Levy Economics Institute of Bard College.

ERN History of Economics eJournal, Vol. 15 No. 31, available here.

‘Funk Money’: The End of Empires, The Expansion of Tax Havens, and Decolonization as an Economic and Financial Event

Author: Vanessa Ogle

This article explores the question of what happened to European assets in the process of decolonization. It argues that decolonization created a money panic of sorts that led white settlers, businessmen, and officials to seek to liquidate assets they owned and move funds out of the colonial world. Instead of being repatriated to metropolitan countries with high tax rates and exchange controls, money moved to tax havens. Decolonization thus provided an important share of early postwar tax haven business in a period when tax havens and offshore finance expanded during the 1950s and 1960s. In turn, the withdrawal of Euro-American investments from the decolonizing world set the stage for the politics of development and modernization in the coming decades. Ironically, the outflow of funds during decolonization and the subsequent return of some funds in restructured form as investments by multinational and other companies soon caused difficulties in newly independent developing countries. Companies soon found ways to rebook profits to have occurred in a tax haven rather than in the developing world, thus depriving low-income countries from tax revenue. The withdrawal of Euro-American investments from the colonial world during decolonization moreover had implications for the growth of portfolio investment, as funds removed from colonies were often invested through a tax haven onwards in US securities. All in all, decolonization was an economic and financial event that is only beginning to emerge in full detail.

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