About Current Scholarship

This page contains abstracts and links to recent scholarship on monetary design and related issues. We also welcome posts to older scholarship that should be flagged.

Please submit abstracts to Dan Rohde: editor@justmoney.org

[View all Current Scholarship]

Losing Autonomy: The Norwegian Central Bank During the Second World War

Author: Einar Lie

In the mid-twentieth century a number of central banks around the western world lost their operational autonomy and were placed under government control. The origin of these policy changes can be traced to the intellectual and political developments of the interwar era in addition to the introduction of the Bretton Woods monetary system. The Norwegian central bank offers a particularly stark example of this phenomenon: experiencing a rapid decline from its high level of autonomy in the interwar years, to a clear subordination to the government after 1945. Through an analysis of the correspondence between the main policy makers in the exiled Norwegian government and central bank management, this article contributes to the understanding of central bank autonomy by tracing the decisive factors that led to the Norwegian central bank's loss of agency..

Lie, Einar, Losing Autonomy: The Norwegian Central Bank During the Second World War (November 2019). The Economic History Review, Vol. 72, Issue 4, pp. 1363-1383, 2019.

The Capital Commons: Digital Money and Citizens' Finance in a Productive Commercial Republic

Author: Robert Hockett

All societies must address two questions where the organization of productive activity is concerned. The first is whether production will be mainly publicly managed, privately managed, or 'mixed.' The second is whether the financing of production will be mainly publicly managed, privately managed, or mixed.

In the American commercial republic, we seem more or less to have answered the 'who does production' question to our own satisfaction. From the founding era to the present, we have elected to leave production primarily, though not of course solely, ‘in private hands.’ Where the financing of production is concerned, on the other hand, we have been more ambivalent.

For the past 160 years, our financial system has operated as a public-private franchise arrangement. At the core of our franchise lie the sovereign public (the ‘public’ of our ‘republic’) and its money-modulator – the issuer and manager of its monetized full faith and credit, its ‘money’ – on the one hand, and the private sector financial institutions and markets we publicly license to allocate most of the resultant Wicksellian ‘bank money’ or ‘credit-money’ on the other hand. At the periphery of the franchise lie those institutions and markets that ‘shadow bank’ through relations with the banking core.

In recent years, developments in several distinct spaces have prompted what amounts to a broad reassessment of our hybrid financial arrangements. One such development is weariness with our system’s penchant for over-generating public credit that fuels bubbles and busts rather than production, a product of leaving our public capital – by far the greater part of investment capital – to private management. This is what the author has long called poor credit modulation.

Another ground of critique is our hybrid system’s poor record on what the author has long called credit allocation, from which modulation turns out to be inseparable. Our morbid fear of explicitly, rather than implicitly, ‘picking winners and losers’ is the culprit here. Finally, other sources of disenchantment are our system’s long-term worsening of inequality, the scandal of commercial and financial exclusion our system permits, and the promise offered by new financial technologies where ending both that and leaky monetary policy are concerned.The current Covid pandemic and recent murder of George Floyd of course underscore these sources of disillusion.

This article embraces these critiques, which the author himself has leveled continuously over the past fifteen years, argues that privately ordered production requires publicly ordered finance, and shows how to order finance publicly on a Fed balance sheet forthrightly recognized as a Citizens' Ledger. New public investments will make up the asset side of the upgraded Fed balance sheet, while a corresponding system of digital public banking through 'FedWallets' will upgrade the liability side of the same. Newly restored regional Fed functionalities ('Spreading the Fed'), an FSOC-inspired National Reconstruction and Development Council (NRDC) and its financing arm (a restored RFC), and a price-stabilizing 'People's Portfolio' round out the new system of Citizens' Finance.

In the course of its arguments, the article traces all salient consequences that flow from its complete overhaul of our system of financing production, from banking through 'shadow banking' to the capital markets. It also makes some surprising discoveries along the way. Among these is that full separation of Fed and Treasury and hence monetary and fiscal policy, itself an artifact of franchise finance and hence the false hope of separating credit modulation from credit allocation, is no longer tenable. Another is that global central bank digital currency (CBDC) development is now corroborating much of what the article argues.

Hockett, Robert C., The Capital Commons: Digital Money and Citizens' Finance in a Productive Commercial Republic (June 1, 2018). Review of Banking and Financial Law, Vol. 39, No. 345, 2019-20

Digital Currencies, Stablecoins, and the Evolving Payments Landscape

Author: Lael Brainard

Speech by Governor Lael Brainard of the Federal Reserve at The Future of Money in the Digital Age, Sponsored by the Peterson Institute for International Economics and Princeton University's Bendheim Center for Finance, Washington, D.C.

Digital Currencies, Stablecoins, and the Evolving Payments Landscape (October 16, 2019).

Book Review: Law and Macroeconomics as Mainstream

Author: Bruno Meyerhof Salama

In spite of its name, economic analysis of law is mostly unconcerned with money and markets. In a recently published book, Law and Macroeconomics: legal remedies for recessions, Professor Yair Listokin challenges this doubtful convention. He advocates "expansionary legal policies" to stimulate the economy when monetary policy reaches the zero-lower bound. This proposal is presented as a straightforward application of mainstream economic views, not a heterodox deviation. My review considers how the book's main arguments depart from established views in economic analysis of law and discusses how its applications fare in light of the Keynesian perspective that it purports to uphold. I conclude with a discussion of the book’s relevance for the current recession.

Meyerhof Salama, Bruno, Law and Macroeconomics as Mainstream. Law and Macroeconomics: Legal Remedies for Recessions. By Yair Listokin. Cambridge, Mass.: Harvard University Press. 2019. Pp. 269. (August 10, 2020). University of Toronto Law Journal, Available at SSRN: https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3671097

The People’s Ledger: How to Democratize Money and Finance the Economy

Author: Saule T. Omarova

The COVID-19 crisis forcefully underscored the urgency of digitizing sovereign money and ensuring broad access to affordable banking services. It pushed two related ideas—the issuance of “central bank digital currency” and the provision of retail deposit services by central banks—to the forefront of the public policy debate. To date, however, this debate remains fundamentally incomplete. Framed by reference to fast payments and financial inclusion, most reform proposals in this vein do not offer a coherent vision of how the act of “democratizing” access to sovereign money would—and should—change the key systemic dynamics of finance. This lack of a systemic perspective both obscures and dilutes the full transformative potential of these increasingly popular ideas.

Taking the debate to a qualitatively new level, this Article offers a blueprint for a comprehensive restructuring of the central bank balance sheet, as the basis for redesigning the core architecture of modern finance. Focusing on the U.S. Federal Reserve (the Fed), the Article outlines a series of structural reforms that would redefine the role of a central bank as the ultimate public platform for generating, modulating, and allocating financial resources in a democratic economy—the People’s Ledger.

On the liability side of the ledger, the Article envisions the full migration of demand deposit accounts to the Fed’s balance sheet and explores the full range of new, more direct and flexible, monetary policy tools enabled by this shift. On the asset side, it advocates a comprehensive restructuring of the Fed’s investment portfolio, which would maximize its capacity to channel credit to productive uses in the nation’s economy. This compositional overhaul of the Fed’s balance sheet would profoundly transform the operations and systemic functions of private banks, securities dealers, and other financial institutions and markets. Tracing these structural implications, the Article shows how the proposed reforms would make the financial system less complex, more stable, and more efficient in serving the long-term needs of the American people.

Omarova, Saule T., The People’s Ledger: How to Democratize Money and Finance the Economy (October 20, 2020). Cornell Legal Studies Research Paper No. 20-45

Seigniorage through Periodic Recoinage: When the Validity of Money Was Restricted in Time

Author: Roger Svensson & Andreas Westermark

A monetary system called periodic re-coinage was used during almost 200 years in large part of medieval Europe. Old coins were frequently declared invalid and had to be exchanged for new ones for an exchange fee. This system – which is equivalent to a Gesell tax – required a limited coin volume in circulation and an exchange monopoly in a geographical area. We show that such a Gesell tax works and do generate incomes for the minting authority if the tax level is sufficiently low and if the punishment for using invalid coins is sufficiently high.

Svensson, Roger and Westermark, Andreas, Seigniorage through Periodic Recoinage: When the Validity of Money Was Restricted in Time (January 26, 2020). VOX CEPR Policy Analysis, 2020

The Janus Faces of Money, Property, and Governance: Fiscal Finance, Empire, and

Race

Author: Jamee K. Moudud

This paper contributes to the literature on racial capitalism by deploying a key insight of the Law and Political Economy tradition, which is that politics acting through the law plays a constitutive role in the monetary hardwiring of economies and their property rights. By focusing on two key elements of fiscal finance, central banking and taxation, the paper shows that while the pressures of democratic self-governance created one type of hardwiring in Britain and its white dominions racialized politics created a different type in the colonies of color. In short, the particular monetary hardwiring of the colonies of color effectively "kicked away the ladder" needed for their successful socio-economic development, occluding the very different policies pursued in Britain and the dominions. This left the colonies of color in a vulnerable state at independence, providing much weaker foundations for their subsequent economic development. Given the key role played by gold in the anchoring of banknote emissions by the Bank of England (BoE) Britain's global politics of gold and silver was central to its domestic economic development. And the BoE, a private joint-stock corporation, was deeply enmeshed in the government's domestic and colonial governance policies. As with the BoE taxation systems domestically and internationally exemplified the same principle: private property was always embedded in the public sphere following different modes of governance in different historic and geographic contexts. Simply put, politics acting through the law was actively creating markets in different ways rather than protecting pre-existing and privately-created ones.

Jamee K. Moudud, The Janus Faces of Money, Property, and Governance: Fiscal Finance, Empire and Race, PERI Working Paper Series No. 524, Sept, 2020

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)
Available at: https://scholarship.law.duke.edu/lcp/vol83/iss2/2

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.

Past & Present, gtaa001

Technology v Technocracy: Fintech as a Regulatory Challenge

Author: Saule Omarova, *Cornell Law School*

This article examines fintech as a systemic force disrupting the currently dominant technocratic paradigm of financial regulation. It offers a five-part taxonomy of (i) the key

fintech-driven changes in the structure and operation of today's financial system, and (ii) the corresponding challenges these systemic shifts pose to the continuing efficacy of the regulatory enterprise as it exists today. This exercise reveals the fundamental tension at the core of the fintech problem. In the fintech era, the financial system as a whole is growing ever bigger, moving ever faster, and getting ever more complex and difficult to manage. The emerging regulatory responses to these macro-level changes, however, continue to operate primarily on the micro-level. Surveying the presently fragmented efforts to regulate fintech, this article highlights the limiting effects of the technocratic bias built into their design. Against that background, it outlines several alternative reform options that would explicitly target the core macro-structural, as opposed to micro-transactional, aspects of the fintech challenge—and do so in a more assertive, comprehensive, and normatively unified manner.

Saule T Omarova, Technology v Technocracy: Fintech as a Regulatory Challenge, *Journal of Financial Regulation*, , fjaa004, https://doi.org/10.1093/jfr/fjaa004

Corona Crisis: Lessons of the Stress Test

Author: Perry G Mehrling, *Pardee School of Global Studies, Boston University*

Perry Mehrling talks to Boston Economic Club June 3, 2020 about the Coronavirus Crisis.

The video can be accessed here: https://mymedia.bu.edu/media/Corona+CrisisA++Lessons+of+the+Stress+Test/1_pk5wohqm

---

Jim Crow Credit

Mehrsa Baradaran, ***University of California Irvine***

The New Deal created a separate and unequal credit market—high-interest, non-bank, installment lenders in black ghettos and low-cost, securitized, and revolving credit card market in the white suburbs. Organized protest against this racialized inequality was an essential but forgotten part of the civil rights movement. After protests and riots drew attention to the reality that the poor were paying more for essential consumer products than the wealthy, the nation's policymakers began to pay attention. Congress held hearings and agencies, and academics issued reports examining the economic situation. These hearings led to new federal agencies and programs, executive actions, as well as several acts of legislation. These Congressional investigations and the theories and explanations emanating from policymakers and academics were the genesis of decades of legislation aimed at supporting minority banks and other institutions. The resulting policy framework is still in effect and includes: the Community Reinvestment Act (CRA), the Community

Development Financial Institution Act (CDFIA), as well as several key provisions and mandates regarding minority banks in banking legislation. In this Article, I will argue that the foundational theoretical premise of these laws and policies is flawed. Though policymakers and scholars accurately diagnosed the root causes of the disparate credit market, the solutions did not correspond with the problem and have therefore been ineffective. These laws and policies were not aimed to address the systemic causes of the disparity but only served to treat its symptoms. The misguided focus on small community banking, minority-owned banks, and mission-oriented institutions as a response to structural inequality has been the dominant framework in banking reform.

In analyzing the varied, but theoretically consistent response to lending inequality, this Article also challenges a long-standing banking myth that “small community banking” or “microfinance” is the answer to poverty, specifically for marginalized communities. This idea was the foundational theory of the minority banking industry, the CRA, the CDFIA, and almost every legislative response to credit inequality for the past fifty years. The premise of these laws is that that marginalized communities, having been left out of the dominant banking industry, will pool their resources and collectively lift themselves out of poverty. As such, these laws are rooted in neoliberal and libertarian concepts of banking market even as they have been championed by progressive reformers and community activists. For most policymakers, activists, and scholars, the buzzword is “community empowerment” and they have legislated accordingly. In doing so, they have avoided addressing the root causes of the problem and have shifted the responsibility of a solution to the disenfranchised communities themselves instead of devising comprehensive federal policy solutions. This Article will trace the genealogy of this legislation and offer solutions that will address the root causes of this inequality.

Baradaran, Mehrsa, Jim Crow Credit (May 29, 2019). UC Irvine Law Review, Vol. 9, 2019; University of Georgia School of Law Legal Studies Research Paper No. 2019-18. Available at SSRN: https://ssrn.com/abstract=3395876

- Share on Twitter

Private Markets, Public Options, and the Payment System

Peter Conti-Brown, University of Pennsylvania

David A. Wishnick, University of Pennsylvania

The speed at which money moves between people and businesses in the United States lags well behind international standards. Far from being a mere inconvenience, slow payment speeds create needless financial uncertainty, lead to inefficiencies across the economy, and drive demand for high-cost credit products like payday loans and overdraft protection. To speed up the payment system, the Federal Reserve has announced "FedNow" a platform due in 2023 that would operate as a public real-time payment rail, competing with a privately-run platform in the interbank payment market.

This Article analyzes the problem of slow payments and the Fed's many roles in addressing it. Against the Fed's critics, we argue that the Fed's operational involvement in the payment system holds the capacity to achieve three objectives at the heart of payment policy in the United States: to catalyze innovation, enhance access to developing payment networks, and shore up financial stability. Fed participation in the payment system and public-private competition are not troublesome bugs or unfortunate byproducts of political compromise. Rather, they represent valuable features of the Fed's hybrid, public-private system and are likely to drive faster payment development in the United States.

We also argue for an expanded use of Fed tools to achieve payment objectives well beyond FedNow, including by using the Fed's unique status as operator, market participant, regulator, and supervisor of the payment system and the private financial institutions that participate in it. These are different roles that can be harmonized for the same public policy outcome.

Conti-Brown, Peter and Wishnick, David, Private Markets, Public Options, and the Payment System (April 17, 2020). Yale Journal on Regulation, Forthcoming. Available at SSRN: https://ssrn.com/abstract=3578844

The evolution of the Offshore US-Dollar System: past, present and four possible

futures

Steffan Murau, Joe Rini & Armin Haas

Little has contributed more to the emergence of today's world of financial globalization than the setup of the international monetary system. In its current shape, it has a hierarchical structure with the US-Dollar (USD) at the top and various other monetary areas forming a multilayered periphery to it. A key feature of the system is the creation of USD offshore – a feature that in the 1950s and 60s developed in co-evolution with the Bretton Woods System and in the 1970s replaced it. Since the 2007–9 Financial Crisis, this 'Offshore US-Dollar System' has been backstopped by the Federal Reserve's network of swap lines which are extended to other key central banks. This systemic evolution may continue in the decades to come, but other systemic arrangements are possible as well and have historical precedents. This article discusses four trajectories that would lead to different setups of the international monetary system by 2040, taking into account how its hierarchical structure and the role of offshore credit money creation may evolve. In addition to a continuation of USD hegemony, we present the emergence of competing monetary blocs, the formation of an international monetary federation and the disintegration into an international monetary anarchy.

Murau, S., Rini, J., & Haas, A. (2020). The evolution of the Offshore US-Dollar System: Past, present and four possible futures. *Journal of Institutional Economics,* 1-17. doi:10.1017/S1744137420000168

The Federal Reserve Public Education Emergency Finance Facility (PEEFF): A Proposal

Gerald Epstein, University of Massachusetts Amherst

State and local finances, including for public education, have been hit hard by the COVID-19 crisis, leaving more than a $500 billion hole in their budgets. Grants from the federal government would be the best solution for these temporary fiscal problems, but, even in the best-case scenario, it is unlikely that sufficient government funds will be forthcoming. Fortunately, additional resources could be made available through the Federal Reserve System (the Fed). This paper describes how the Fed's newly created *Municipal Liquidity Facility (MLF)* can be used to provide substantial emergency assistance to the public education systems of states and cities. Although the MLF has a $500 billion lending capacity, public education would have to compete with many other institutions for this funding. This paper proposes a new special Fed facility, **The Public Education Emergency Funding Facility (PEEFF)**, which would be dedicated specifically to funding public education. To fund education, as a new innovation, this facility could buy long-term **human capital bonds** from the states at very low interest rates. By buying these bonds, the Federal Reserve could help states maintain the crucial public job of educating our children and young adults during the pandemic, rather than only bailing out Wall Street.

Epstein, Gerald. *The Federal Reserve Public Education Emergency Finance Facility (PEEFF): A Proposal.* Policy Brief, May 2020: https://www.peri.umass.edu/component/k2/item/1286-the-federal-reserve-public-education-emergency-financing-facility-peeff-a-proposal

---

Why is this Happening? with Chris Hayes: Saving the Economy with Saule Omarova

Why is this Happening? Podcast Talks with Saule Omarova

Are we doing enough to keep the economy alive through this crisis? So far, economic relief efforts have been messy, convoluted, and inequitably distributed. But while we talk about the steps taken to save the economy, we first need to know the structures in which that recovery originates. Who decides where the money goes, how are those decisions being made – and can these mechanisms be more effective? Not just in this current pandemic-induced economic contraction, but on a more permanent institutional level. How can we ensure our financial system is stable enough to weather these types of crises? After dedicating her academic career to answering these types of questions, law professor Saule Omarova joins to discuss her proposal for what that new type of institution can and should look like.

You can find the episode here: https://podcasts.apple.com/us/podcast/why-is-this-happening-wi th-chris-hayes/id1382983397?i=1000473624817

The Class Politics of the Dollar System

Yakov Feygin & Dominik A. Leusder

The global dollar system has few national winners. The typical frame for understanding the US dollar is that of “exorbitant privilege.” But the role of the dollar in structuring the international financial system and defining the relationship between a hegemonic US and the rest of the world is ambiguous—as is the question of who exactly benefits from the current arrangement. Dollar primacy feeds a growing American trade deficit that shifts the country’s economy toward the accumulation of rents rather than the growth of productivity. This has contributed to a falling labor and capital share of income, and to the ballooning cost of services such as education, medical care, and rental housing. With sicknesses like these, can we say for certain that the reserve currency confers substantial benefits to the country that provides liquidity and benchmark assets denominated in that currency?

Feygin, Yakov and Leusder, Dominik. Phenomenal World May 1st, 2020: https://phenomenalworld.org/analysis/the-class-politics-of-the-dollar-system

Analyzing the Constitutional Theory of Money: Governance, Power, and Instability

Jamee K. Moudud, Sarah Lawrence College

At the heart of the constitutional theory of money is the argument that money is central to governance. This article explores the ways in which the core mechanism of the publicly undergirded monetary system, involving the incentivization and disciplining of private investors in the money creation process, creates its 'fiscal value' and generates both power struggles and possible instability in the unit of account. This twin dynamic of power and instability is intrinsic to a *longue durée* analysis of money. It is argued that since the current jural relations allocate money and power in particular ways, the basis is created for potential future political challenges to the status quo *ante*, thereby creating instability. Further, the article emphasizes the centrality of the indeterminacy criterion which is at the core of the critical legal studies (CLS) framework, and its intimate connection to Keynes's notion of uncertainty. The indeterminacy/uncertainty nexus is used to explore how currency stability is determined or undermined by expectations, power struggles, tax contestations, and broader policy frameworks. Finally, the article relates this monetary theory to the literature on state-led industrialization and shows how such a constitutional money theory of industrialization is an alternative to the New Institutionalist perspective which emphasizes the centrality

of ‘clear and well-defined’ property and contracts in order to create an ‘efficient’ economy.

MOUDUD, J. (2018). Analyzing the Constitutional Theory of Money: Governance, Power, and Instability. *Leiden Journal of International Law, 31*(2), 289-313. doi:10.1017/S0922156518000134

Tenure of Office and the Treasury: The Constitution and Control over National Financial Policy, 1787 to 1867

Aditya Bamzai, University of Virginia School of Law

The disputed scope of the President’s authority to remove subordinates in the executive branch, and to direct them in the performance of their functions, is one of the central issues of federal constitutional law. On the one hand, some argue that Article II gives the President such authority. By contrast, others claim that the Constitution allows Congress to regulate the tenure of office of executive branch officers by limiting the President’s removal power.

In the context of this debate, some have argued that financial institutions—the components of the “treasury”—were historically insulated from presidential control. They rely on early Congresses’ creation of several commissions with the Chief Justice as a member, establishment of the First and Second Banks of the United States, and use of distinct language to establish the Department of the Treasury and some of its officers. This Article shows that these claims are incorrect. Drawing on congressional and executive sources, case law, and contemporaneous treatises, this Article demonstrates that the prevailing view in the years between the Constitution’s adoption and the impeachment trial of Andrew Johnson was that financial government institutions were no different from other parts of the federal government for purposes of presidential control. The President had the constitutional authority to remove officials within the Department of the Treasury. The institutions over which presidential control was conspicuously lacking—the First and Second Banks of the United States—were generally understood to be private, rather than arms of the government, and to perform non-sovereign functions. But to the extent the Bank was understood to perform sovereign functions, its opponents argued that it did so impermissibly, using a variation of the modern argument that Congress may not delegate such functions to private entities. This Article’s exploration of these issues both bears on contemporary debates about the scope of the President’s removal power and shows how early expositors of the Constitution understood the allocation of federal government control over national financial policy.

Bamzai, Aditya, Tenure of Office and the Treasury: The Constitution and Control over National Financial Policy, 1787 to 1867 (March 24, 2020). 87 George Washington University Law Review ___ (2019). Available at SSRN: https://ssrn.com/abstract=3560196 or http://dx.doi.org/10.2139/ssrn.3560196

A. White, Banks as Utilities

Alan M. White, CUNY School of Law

Banks are creatures of the market and creatures of the state. The call to reconceive banks as public utilities requires a critical redefinition, both of banks and of public utilities. Part of that redefinition must include naming the values and ends that bank regulation ought to serve. The neoclassical economists' understanding of utility regulation is founded on the value of efficiency, and the theory of price competition and natural monopolies. In some industries, economies of scale and large capital costs result more or less inevitably in monopoly, and thus competition cannot be relied on to achieve fair and efficient pricing. The neoclassical model of bank regulation does not regard banks as utilities. Systemic risk, information problems, and the moral hazard produced by public insurance are the market failures that justify bank regulation, with the primary goal being safety and soundness. Utility regulation, going back to its Progressive Era and earlier origins, values the need for continuous and universal supply of essential infrastructure to all consumers and businesses without discrimination and at reasonable prices, and to constrain the political power of oligopoly trusts and corporations. This paper will describe a progressive utility regulation model for banking as an alternative to oligopoly with limited prudential and consumer protection regulation, the current path. I will consider the problems with the progressive model of banks as utilities, including regulatory capture. Banks as utilities, broadly conceived, should be publicly governed, to provide reliable and universal payments,

savings and credit services at social prices, and to reduce inequality of economic opportunity.

White, Alan M., Banks as Utilities (January 4, 2016). Tulane Law Review, Vol. 90, 2016. Available at SSRN: https://ssrn.com/abstract=2847815

J. Feinig, Toward a moral economy of money? Money as a creature of democracy

Jakob Feinig, Binghamton University

This paper proposes a novel approach for understanding money users' relation to monetary governance institutions. It first describes the stakes involved in monetary governance from a neo-chartalist/MMT perspective. In a second step, it discusses existing contributions on the relation between money issuer and money users, highlighting the literatures on central bank legitimacy and the social construction of money. It argues that neither allows for an analysis of the relation between monetary institutions and money users that takes the latter's knowledge seriously. It then argues that the concept of moral economy can enrich scholarly analysis. Moral economies of money are defined as collective practices in which money users articulate demands as part of an understanding of money as a public good. Finally, the paper deploys the moral economy of money perspective to reconstruct the changing relation between

institutions of monetary governance and money users since the Great Depression in the U.S. It shows how New Dealers silenced a moral economy of money, discusses fragmented moral economies after World War II, and the partial reemergence of such moral economies after the Great Financial Crisis. The paper concludes by discussing political implications and suggestions for further research.

Jakob Feinig (2020) Toward a moral economy of money? Money as a creature of democracy, Journal of Cultural Economy, DOI: 10.1080/17530350.2020.1729223

Public Purpose Finance: The Government's Role as Lender

Nadav Orian Peer, University of Colorado Law School

This Article explores the workings of Public Purpose Finance, and its role within the U.S. political economy. "Public Purpose Finance" (PPF) refers to the broad range of institutions through which the government extends credit to private borrowers in sectors like housing, education, agriculture and small business. At a total of $10 trillion, PPF roughly equals the entire U.S. corporate bond market, and is around one half of the U.S. Gross national debt (2018 figures). The Article begins by surveying and quantifying the scope of PPF. It then demonstrates that PPF enjoys a considerable degree of insulation from the federal budgetary process. The heart of the Article is an attempt to explain the political logic behind the off-budget treatment that PPF enjoys. In a nutshell, while ordinary budget spending is ultimately funded through taxes levied across the tax base, government lending is funded through loan repayment by the borrowers themselves (A model formalizing these claims is available in the Appendix). This off-budget treatment makes PPF a powerful tool for upward mobility, but it also creates a democratic deficit, and has long been a driver of racial inequality. A key theme of the Article is the need to maintain the off-budget treatment, while developing alternative modes of political participation. Government lending, like the budget, should become a key tool for society to formulate its economic agenda.

Orian Peer, Nadav, Public Purpose Finance: The Government's Role as Lender (April 13, 2020). Law and Contemporary Problems, Vol. 83, No. 1, 2020. Available at https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3575046

Central Bank Digital Currencies: The New Era of Modern-day Banking

Benjamin Geva, Osgoode Hall Law School of York University

An internal report submitted in March to the Committee on Payments and Market Infrastructures (CPMI) of the Bank for

International Settlements (BIS), presents an initial analysis of Central Bank Digital Currency (CBDC). What You Need To Know:

- The report poses no immediate legal implications.
- Lawyers and policy makers ought to be prepared to engage in discussions which lead to decision making as to such developments as well as to address the developments as they arise.
- The introduction of a CBDC in one jurisdiction could adversely affect others. Central banks that have introduced or are seeking to introduce a CBDC should consider cross-border issues.
- Central banks and other authorities should continue their broad monitoring of digital innovation, keep reviewing how their own operations could be affected and continue to engage with each other closely.

Niepelt, Dirk, "Digital money and central bank digital currency: An executive summary for Benjamin Geva. "Central Bank Digital Currencies: The New Era of Mondern-day Banking" *37:3 Nat. B. L. Rev 25-27* (2018)
Available at: http://works.bepress.com/benjamin_geva/117

Digital money and central bank digital currency: An

executive summary for policymakers

Dirk Niepelt, University of Bern

Central banks already issue digital money, but only to a select group of financial institutions. Central bank digital currency would extend this to households and firms. This column examines the proposal for such currency and assesses the opportunities and risks. It argues that while preparations for the launch of Libra have not proceeded according to plan, it has become clear that for central banks, maintaining the status quo is not an option.

Niepelt, Dirk, "Digital money and central bank digital currency: An executive summary for policymakers", Vox, CEPR Policy Portal (03 February 2020). Available at: https://voxeu.org/article/digital-money-and-central-bank-digital-currency-executive-summary

---

Financial Aspects of the COVID Crisis

Erik Gerding and Nadav Orian Peer

Financial Aspects of the COVID Crisis was a community teach-in in CU Law, held online on March 24, 2020. The teach-in includes presentations by Erik Gerding and Nadav Orian Peer, followed by a discussion with viewers. The main topics addressed were:

- The macroeconomic toolkit, and the unique challenges presented by COVID;
- The Federal Reserve's emergency support of the financial sector, and its historic expansion to businesses, firms and municipalities;
- The unprecedented relief package (which just passed today, March 27);
- Cashflow disruptions, and legal issues around forbearance, contracts, and bankruptcy law;
- Issues to address when the dust settles: in financial regulation, and in the social safety net.

You can find the full video of the teach-in here: https://www.youtube.com/watch?v=q2hOe9Qr-BE

[Recall This Buck I]: Chris Desan on Making Money

Recall this Book Podcast Talks with Christine Desan

Recall This Book is a podcast exploring important books on a pressing topic. Each episode focuses on a contemporary problem or event and zeroes in on a book or books that shed light on it. We look backwards to see into the future: we can understand things about the future by choosing texts that shed a sideways light on our present situation, and attempt to shake up the terms of present debate by showing how a topic was approached in earlier times when a different version of this question had come up before. We aim to have lively barstool discussions—a warm but involved and potentially argumentative hashing out of the best way to think through difficult present-day issues. We bring on writers to talk about their own books, or scholars to talk about the books that are helping them navigate best the world in which we live.

This is the first of several RTB episodes about the history of money. We are ranging from the earliest forms of labor IOUs to the modern world of bitcoin and electronically distributed value. Our idea is that forms matter, and matter in ways that those who profit from those forms often strive to keep hidden. Today, we begin by focusing on the rise of capitalism, the Bank of England, and how an explosion of liquidity changed everything.

This is the first of several RTB episodes about the history of money. We are ranging from the earliest forms of labor IOUs to the modern world of bitcoin and electronically distributed value. Our idea is that forms matter, and matter in ways that those who profit from those forms often strive to keep hidden. Today, we begin by focusing on the rise of capitalism, the Bank of England, and how an explosion of liquidity changed everything.

We are lucky to do so with Christine Desan of Harvard Law School, who recently published *Making Money: Coin, Currency,* *and the Coming of Capitalism* (Oxford University Press, 2014). She is also managing editor of JustMoney.org, a website that explores money as a critical site of governance. Desan's research explores money as a legal and political project. Her approach opens economic orthodoxy to question by widening the focus on money as an instrument, to examine the institutions and agreements through which resources are mobilized and tracked, by means of money. In doing so, she shows that particular forms of money, and the markets within which they circulate, are neither natural or inevitable.

You can find the episode here: https://recallthisbook.org/2020/03/20/23-recall-this-buck-i-chris-desan-on-making-money-ef-jp/

Are Central Banks Impotent?

Adair Turner and Paul Tucker

As the coronavirus pandemic spreads, two economics heavyweights debate the proposition. Replies will be updated in real time.

Turner, Adair and Tucker, Paul. "Are Central Banks Impotent?" *Prospect* 23 Mar. 2020: https://www.prospectmagazine.co.uk/magazine/are-central-banks-now-impotent-coronavirus-pandemic-monetary-policy-economy

Liminalities, Vol. 15, Issue 3: Money on the Left

Edited by Andrés Bernal with editorial assistance by Richard Farrell

This special issue of Liminalities invites cohosts of the *Money on the Left Podcast*, Scott Ferguson (University of South Florida), William Saas (Louisiana State University), and Maxximilian Seijo (University of California, Santa Barbara) to reflect and expand upon their work, both in producing the podcast and in developing the Modern Money Network: Humanities Division as a center for progressive and humanistic political economic epistemologies. Original essays by Saas, Seijo, and Ferguson—framed and punctuated by clips, transcriptions, and images from the Money on the Left podcast—outline the ambitions of the MMNHD project; articulate its unique historiographic perspective; and probe its aesthetic horizons, respectively. An original video essay by Seijo mobilizes the MMNHD perspective to critique what he calls "cinema's fascist unconscious," exemplified by a particularly striking scene in Quentin Tarantino's *Inglorious Basterds* (2009). Taken together, the essays and artifacts included in this special issue stand not only as compelling examples of collaborative, transmedia scholarship. They also lend essential voice to a more affirming and hopeful vision of the political future.

Liminalities: A Journal of Performance Studies, volume 15, issue 3 (2019), Ed. Andrés Bernal (2019)

Understanding technological change in global finance through infrastructures:

Introduction to Review of International Political Economy Special Issue ‘The Changing Technological Infrastructures of Global Finance’

Authors: Nick Bernards & Malcolm Campbell-Verduyn

Amid escalating claims about the promises and perils of emergent financial technologies (fintech), critical investigation of the extent to which specific technological changes in global finance are truly ‘disruptive’ is sorely needed. Yet, IPE has engaged little with the growing focus on fintech in popular and regulatory debates, as well as in Social Studies of Finance (SSF). This article and accompanying special issue foreground ‘infrastructures’ as a heuristic for injecting nuance into debates on the emergence, limits and implications of technological changes in global finance while bringing IPE into conversation with perspectives on fintech in cognate literatures. Building on insights developed in Science and Technology Studies (STS), we argue that tracing the ways in which infrastructures enabling financial markets to operate are assembled out of multiple old and new socio-technical devices offers productive avenues for addressing key questions arising from several entanglements underpinning technological change. The findings of contributions to this special issue are linked to two key themes in debates on the impacts of technological change: financial inclusion and financial stability. Further avenues are proposed for examining the infrastructures in which technological change occurs in global finance and beyond, while fostering on-going dialogues between IPE, STS and SSF.

Nick Bernards & Malcolm Campbell-Verduyn (2019) Understanding technological change in global finance through infrastructures, Review of International Political Economy, 26:5, 773-789, DOI: 10.1080/09692290.2019.1625420

Senate Testimony of Katharina Pistor, Examining Facebook's Proposed Cryptocurrency and Its Impact on Consumers, Investors, and the American Financial System

Author: Katharina Pistor

In this testimony before Congress' Committee on Financial Services, Katharina Pistor examines Facebook's proposed global

cryptocurrency, Libra, and its impacts on consumers, investors, and
the American financial system.

TESTIMONY OF KATHARINA PISTOR, PROFESSOR OF LAW, COLUMBIA UNIVERSITY, BEFORE THE COMMITTEE ON FINANCIAL SERVICES, U.S. HOUSE OF REPRESENTATIVES, JULY 17, 2019

https://financialservices.house.gov/uploadedfiles/hhrg-116-ba00-wstate-pistork-20190717.pdf

---

The Democratic Digital Dollar: A Digital Savings & Payments Platform for Fully Inclusive State, Local, and National Money & Banking Systems

Author: Robert Hockett

Many national and subnational units of government see a need for more inclusive
money, payment, and retail banking systems for the capture, storage, and transfer of

spendable value among their constituents. Existing and still proliferating payments
platforms, most provided by for-profit private sector entities, exclude too many people, and
extract too much value in the form of needless transaction charges and other rents, to be
up to the task of efficiently affording this essential commercial and financial utility to the
full public on sensible terms. This Article sketches a smart-device-accessible platform—
the 'Digital Dollar Platform Plan'—which, thanks to new payment technologies, can easily
be put in to place and administered by any unit or level of government with a view to
supplying this critical commercial and financial infrastructure to all of its constituents.

Hockett, Robert. *The Democratic Digital Dollar: A Digital Savings & Payments Platform for Fully Inclusive State, Local, and National Money & Banking Systems*, Harvard Business Law Review Volume 10 (February 18, 2020). Available at: https://www.hblr.org/wp-content/uploads/sites/18/2020/02/The-Democratic-Digital-Dollar_HBLR_FINAL.pdf

---

Promises All the Way Down: A Primer on the Money View

Author: Elham Saeidinezhad

It has long been tempting for economists to imagine “the economy” as a giant machine for producing and distributing “value.” Finance, on this view, is just the part of the device that takes the output that is not consumed by end-users (the “savings”) and redirects it back to the productive parts of the machine (as “investment”). Our financial system is an ornate series of mechanisms to collect the value we’ve saved up and invest it into producing yet more value. Financial products of all sorts—including money itself—are just the form that value takes when it is in the transition from savings to investment. What matters is the “real” economy—where the money is the veil, and the things of value are produced and distributed.

What if this were exactly backwards? What if money and finance were understood not as the residuum of past economic activity—as a thing among other things—but rather as the way humans manage ongoing relationships between each other in a world of fundamental uncertainty? These are the sorts of questions asked by the economist Perry Mehrling (and Hyman Minsky before him). These inquiries provided a framework that has allowed him to answer many of the issues that mystify neoclassical economics.

Saeidinezhad, Elham. “Promises All the Way Down: A Primer on the Money View,” Law & Political Economy, February 28, 2020, Accessible at: https://lpeblog.org/2020/02/28/promises-all-the-way-down-a-primer-on-the-money-view/#more-3296

The Monetary Basis of Bank Supervision

Author: Lev Menand

Administrative agencies typically operate at arm’s length from the institutions they regulate, making rules and then enforcing them after the fact. Banks are different: they are not just regulated, they’re supervised. Special government agencies examine banks and tell bankers what to do, not only when bankers break bright-line rules, but whenever the agencies believe bankers are engaged in “unsafe and unsound practices.” Supervisors’ authority to identify and address these practices is so extensive that oversight mostly proceeds through confidential agency actions and rarely leads to litigation. As a result, supervision has received little attention from legal academics, even though it plays a critical role in our monetary architecture and its failure to fill that role was one of the reasons that the 2008 financial crisis was so severe.

This Article provides the first scholarly account of bank supervision, how it functions and why it exists. It argues that legislators gave government agencies the power to control various aspects of bank operations because Congress understood banks to be government instrumentalities augmenting the money supply on behalf of the state. Supervisors’ mandate—to prevent unsafe and unsound banking—is a monetary one. The “unsafe and unsound” standard authorizes officials to address practices that jeopardize the bank money system by undermining a bank’s ability to redeem its notes and deposits in cash on demand. In recent decades, scholars and practitioners have lost sight of this meaning, obscuring the monetary nature of bank liabilities and reducing safety and soundness to a vague platitude.

Today, just twelve years since 2008, we are facing a renewed episode of “de-supervision.” Recent agency appointees have questioned the legitimacy of supervisory oversight, proposing to convert supervision into something akin to notice-and-comment rulemaking. This Article rejects their arguments, showing why agencies that coordinate the activities of government instrumentalities like banks do not fit neatly within traditional administrative law frameworks. Supervision is better understood as one of the terms and conditions of the banking franchise than as a form of administrative lawmaking restricting private liberty. Supervision has become so contested since the 1990s because changes to our monetary architecture have allowed unsupervised nonbanks to compete with banks and banks to engage in nonmonetary commercial activities. Structural reforms are needed to restore a stable equilibrium.

Menand, Lev, The Monetary Basis of Bank Supervision (October 17, 2019). Available at SSRN: https://ssrn.com/abstract=3421232 or http://dx.doi.org/10.2139/ssrn.3421232

Bad Money

Author: Dan Awrey

Money is, always and everywhere, a legal phenomenon. In the United States, the vast majority of the money supply consists of monetary liabilities – contractually enforceable promises – issued by commercial banks and money market funds. These private financial institutions are subject to highly sophisticated public regulatory frameworks designed, in part, to enhance the credibility of these promises. These regulatory frameworks thus give banks and money market funds an enormous comparative advantage in the issuance of monetary liabilities, transforming otherwise risky legal claims into so-called "safe assets" – good money. Despite this advantage, recent years have witnessed an explosion in the number and variety of financial institutions seeking to issue monetary liabilities. This new breed of monetary institutions includes peer-to-peer payment platforms such as PayPal and aspiring stablecoin issuers such as Facebook's Libra Association. The defining feature of these new monetary institutions is that they seek to issue money outside the perimeter of conventional bank and money market fund regulation. This paper represents the first comprehensive examination of the antiquated patchwork of state regulatory frameworks that currently, or might soon, govern these new institutions. It finds that these frameworks are characterized by significant heterogeneity and often fail to meaningfully enhance the credibility of the promises that these institutions make to the holders of their monetary liabilities. Put bluntly: these institutions are issuing bad money. This paper therefore proposes a National Money Act designed to strengthen and harmonize the regulatory frameworks governing these new institutions and promote a more level competitive playing field.

Awrey, Dan, Bad Money (February 5, 2020). Available at SSRN: https://ssrn.com/abstract=3532681or http://dx.doi.org/10.2139/ssrn.3532681

Senate Testimony of Mehrsa Baradaran on Cryptocurrency & Financial Inclusion

Author: Mehrsa Baradaran

In this testimony before the Senate Committee on Banking, Housing and Community Affairs, Mehrsa Baradaran provides perspective on the cryptocurrency industry's ambitions with regard to financial inclusion for low income Americas as well as its place in the banking regulatory landscape.

TESTIMONY OF MEHRSA BARADARAN, PROFESSOR OF LAW, UNIVERSITY OF CALIFORNIA IRVINE SCHOOL OF LAW, BEFORE THE UNITED STATES SENATE COMMITTEE ON BANKING, HOUSING AND COMMUNITY AFFAIRS, JULY 30, 2019

Available at: https://www.banking.senate.gov/imo/media/doc/Baradaran%20Testimony%207-30-19.pdf

Bank Supervision, the Great Depression, and the Creation of the New Deal

Authors: Sean Vanatta and Peter Conti-Brown

The banking crises of 1930-1933 created the Great Depression and with it the momentum that remade American politics with the election of Franklin Roosevelt in 1932. Pivotal to Roosevelt's political success was the banking holiday of 1933, an event that restarted the financial system and became a keystone of 20th century political and financial history. In the conventional contemporaneous and historical narrative of these events the holiday represents the apotheosis of high politics and presidential power. Such accounts, however, say virtually nothing about what happened during the holiday itself. We reinterpret the banking crises of the 1930s—before and after Roosevelt's election—through the lens of bank supervision, an institutional arrangement whereby government actors structure private markets in direct, visceral, haphazard, technocratic, political, disciplined, and arbitrary ways. This reinterpretation illustrates how the union of FDR's inimitable political skills with the technocracy of bank supervision became key to the solving the banking crisis, jumpstarting the New Deal, and bringing the country back from the brink. Placing supervision at the center of this period of economic, political, and financial transition provides key insights into the exercise of government power, including the relationship between and among legitimacy, legality, politics, finance, and—perhaps especially—what it means for a government official to exercise discretion within a broad legislative mandate. This new approach, we argue, can provide an example of other reinterpretations of political history, from the New

Deal and beyond, as an act of onsite government power, interacting with but defined only partially by law and politics.

Conti-Brown, Peter and Vanatta, Sean, Bank Supervision, the Great Depression, and the Creation of the New Deal (February 14, 2020). Available at SSRN: https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3538411

Monetary Policy and the Top One Percent: Evidence from a Century of Modern Economic History

Authors: Mehdi El Herradi and Aurélien Leroy

This paper examines the distributional implications of monetary pol-icy from a long-run perspective with data spanning a century of modern economic history in 12 advanced economies between 1920 and 2015. We employ two complementary empirical methodologies for estimating the dynamic responses of the top 1% income share to a monetary policy shock: vector auto-regressions and local projections. We notably exploit the implications of the macroeconomic policy trilemma to identify exogenous variations in monetary conditions. The obtained results indicate that ex-pansionary monetary policy strongly increases the share of national income held by the top one percent. Our findings also suggest that this effect is arguably driven by higher asset prices, and holds irrespective of the state of the economy.

El Herradi, Mehdi and Leroy, Aurélien, Monetary Policy and the Top One Percent: Evidence from a Century of Modern Economic History (April 29, 2019). De Nederlandsche Bank Working Paper No. 632 (2019). Available at SSRN: https://ssrn.com/abstract=3379740 or http://dx.doi.org/10.2139/ssrn.3379740

Financial History, Historical Analysis, and the New History of Finance Capital

Author: Barry Eichengreen
The traditional way of starting an essay on the history of capitalism is by not defining the term. The practice is regrettable, since it elides multiple definitions of which two most obviously stand out. For Karl Marx, the essence of capitalism was the separation of labor from the means of production, the concentration of the latter in the hands of the capitalist class, and the development of a political superstructure to secure property rights. For Milton Friedman, who positioned himself as the Marxist's mid-twentieth-century bête noire, capitalism was synonymous with markets and their association with private property and voluntary exchange. The Marxian portrait lends itself to a characterization of the

economic system as unequal, exploitative, and unstable, whether due to a falling rate of profit or, in its twenty-first-century variant, an ever-increasing concentration of wealth and power in the hands of the 1 percent. Friedman and his followers, on the other hand, see unregulated market exchange as expressing freedom of choice, as a vehicle of opportunity and self-improvement, and as a mechanism for competing away inefficiencies.

Eichengreen, Barry. “Financial History, Historical Analysis, and the New History of Finance Capital.” *Capitalism: A Journal of History and Economics* 1, no. 1 (2019): 20-58. doi:10.1353/cap.2019.0003.

Money Creation in Fiat and Digital Currency Systems

Authors: Marco Gross and Christoph Siebenbrunner
To support the understanding that banks’ debt issuance means money creation, while centralized nonbank financial institutions’ and decentralized bond market intermediary lending does not, the paper aims to convey two related points: First, the notion of money creation as a result of banks’ loan creation is compatible with the notion of liquid funding needs in a multi-bank system, in which liquid fund (reserve) transfers across banks happen naturally. Second, interest rate-based monetary policy has a bearing on macroeconomic dynamics precisely due to that multi-bank structure. It would lose its impact in the hypothetical case that only one

("singular") commercial bank would exist. We link our discussion to the emergence and design of central bank digital currencies (CBDC), with a special focus on how loans would be granted in a CBDC world.

Marco Gross and Christoph Siebenbrunner, Money Creation in Fiat and Digital Currency Systems, International Monetary Fund Working Paper No. 19/285 (Dec, 2019).

Available at: https://www.imf.org/en/Publications/WP/Issues/2019/12/20/Money-Creation-in-Fiat-and-Digital-Currency-Systems-48843

Payment vs. Funding: The Law of Reflux for Today

Author: Perry G. Mehrling

The analytical tension in post-Keynesian thought between the theory of endogenous (credit) money and the theory of liquidity preference, brought to our attention by Dow and Dow (1989), can be viewed through the lens of the money view (Mehrling 2013) as a particular case of the balance between the elasticity of payment and the discipline of funding. Further, updating Fullarton's 1844 "law of reflux" for the modern condition of financial globalization and marketbased credit, the same money view lens offers a critical entry point into Tobin's fateful 1963 intervention "Commercial Banks as Creators of 'Money'" which established post-war orthodoxy, and also to the challenge offered by so-called Modern Money Theory.

Perry G. Mehrling, Institute for New Economic Thinking, Working Paper No. 113 (January 28, 2020), Available at: https://www.ineteconomics.org/uploads/papers/WP_113-Mehrling-Payment-vs-Funding.pdf

Click here for a related blog post by the same author.

Workers, Unions and Payment in Kind: The Fight for Real Wages in Britain, 1820–1914

Author: Christopher Frank

Despite the dramatic expansion of consumer culture from the beginning of the eighteenth century onwards and the developments in retailing, advertising and credit relationships in the nineteenth and twentieth centuries, there were a significant number of working families in Britain who were not fully free to consume as they chose.

These employees were paid in truck, or in goods rather than currency. This book will explore and analyse the changing ways that truck and workplace deductions were experienced by different groups in British society, arguing that it was far more common than has previously been acknowledged. This analysis brings to light issues of class and gender; the discourse of free trade, popular politics and protest; the development of the trade union movement; and the use of the legal system as an instrument for bringing about social and legal change.

Christopher Frank, *Workers, Unions and Payment in Kind: The Fight for Real Wages in Britain, 1820–1914* (New York: Routledge, 2020).

Available at: https://www.crcpress.com/Workers-Unions-and-Payment-in-Kind-The-Fight-for-Real-Wages-in-Britain/Frank/p/book/9781138121065

Bagehot's Giant Bubble Failure

Author: Andrew Odlyzko

Walter Bagehot is remembered today primarily as a proponent of the doctrine of lender of last resort, in which central banks pump money into the economy to ameliorate the damage from a financial crisis. But none of the growing number of publications about him appear to investigate in depth whether, as the editor of "The Economist," he warned his readers about the bubble that collapsed in the famous Overend crash of 1866. This paper shows that while Bagehot did express serious misgivings about that bubble in its early stages, he did not understand just how large it was, and he did not succeed in penetrating the depths of "financial engineering" that concealed the ugly reality that led to the crisis. Since none of the other prominent observers of the time appear to have done better, this may not have been a giant failure, but it was a failure to identify a giant bubble. It suggests we should not expect regulators to be able to detect bubbles in the future.

Odlyzko, Andrew, Bagehot's Giant Bubble Failure (August 30, 2019). Available at SSRN: https://ssrn.com/abstract=3445450 or http://dx.doi.org/10.2139/ssrn.3445450

Banks are not intermediaries of loanable funds – facts, theory and evidence

Authors: Zoltan Jakab and Michael Kumhof
In the loanable funds model, banks are modelled as resource-trading intermediaries that receive deposits of physical resources from savers before lending them to borrowers. In the financing model, banks are modelled as financial intermediaries whose loans are funded by ex-nihilo creation of ledger-entry deposits that facilitate payments among nonbanks. The financing model predicts larger and faster changes in bank lending and greater real effects of financial shocks. Aggregate bank balance sheets exhibit very high volatility, as

predicted by financing models. Alternative explanations of volatility in physical savings, net securities purchases or asset valuations have almost no support in the data.

Zoltan Jakab and Michael Kumhof. (2019) *Banks are not intermediaries of loanable funds – facts, theory and evidence*. Bank of England Staff Working Paper No. 761. Available at: https://www.bankofengland.co.uk/working-paper/2018/banks-are-not-intermediaries-of-loanable-funds-facts-theory-and-evidence