About Roundtables

Our roundtables provide the opportunity for a short, concentrated discussion of a particular design innovation or controversy. Projected topics include banks and money creation, state public banking, postal banking, the Libra currency project (Zuck Bucks), and open access Federal Reserve Accounts. An invited contribution from a key player or knowledgeable commentator kicks off the discussion with an entry that sets out the topic. We publish solicited responses by people with a variety of perspectives. We welcome your suggestions for topics and participants. Please send them to Dan Rohde, editor@justmoney.org.

View All Roundtables

Monetary Policy in the European Union

Monetary Policy in the European Union
Prompt for Discussion

Contributors: Annelise Riles, Marco Goldoni, Joana Mendes, Jens van’t Klooster, Brigitte Young, Jamee Moudud, Jeremy Leaman, Sebastian Diessner, Agnieszka Smolenska and Will Bateman

The European Central Bank played an important and powerful role in the management of the eurocrisis. Today, in the midst of the COVID-19 pandemic, the ECB once more emerges as a crucial actor. With its Pandemic Emergency Purchase Programme it is taking decisive steps to address the fallout from the crisis – not only attempting to safeguard financial stability, but also to prevent massive unemployment. As the ECB becomes an indispensable actor in crisis management, as its private and public sector bond purchase programmes become ever more far-reaching and larger in volume, it attracts more and more attention. A vibrant debate amongst legal and economic experts and with civil society actors confronts ECB practice with important questions of legality, democracy and policy.

Questions of legality include the following: Is the ECB still acting within its mandate? Can quantitative easing programmes – such as the public sector purchase programme or the pandemic emergency purchase programme – be qualified as monetary policy measures; or are they really economic policy measures that remain within the competence of member states? Is the ECB acting in violation of the prohibition of monetary financing (Art. 123 TFEU) when it purchases public sector bonds in such large quantities and with the aim of ameliorating refinancing conditions of member states? Is the ECB pursuing with its crisis measures the primary objective of price stability (as mandated by Art. 127 TFEU) or are the ECB’s policy decisions not only informed, but guided by other – secondary – objectives? These questions have been at the heart of two
constitutional complaints before the German Federal Constitutional Court (FCC) against two ECB quantitative easing programmes (OMT and PSPP) which triggered a confrontation between the FCC (doubting the legality of the programmes) and the Court of Justice of the European Union (adopting a quite lenient standard of review and confirming their legality).

Apart from debates of legality, questions of legitimacy, democracy and social justice take center stage: Given that the ECB is such a powerful actor and given the distributive consequences of its policy measures, shouldn’t it be subject to greater democratic control? Should monetary policy be democratized? What would it mean to democratize ECB policy? Here, too, views are divided. They are divided as concerns the empirics – the effects of QE programmes on social inequality, the actions of corporations and capital concentration. They are also divided as concerns democracy and democratization: Should central bank independence from politics be safeguarded and in return monetary policy powers be reined in and subjected to strict judicial review (this appears to be the view of the FCC)? Or should the conduct of monetary policy – in recognition that monetary policy cannot be neatly separated from non-monetary economic policy – be “politicized” and become more transparent and inclusive.

Finally, policy considerations are heatedly debated: If the ECB has such powerful policy instruments at its disposal, might it/must it employ them to address pressing public concerns such as climate change, social inequality and structural imbalances between member states? Suggestions for the (re-)deployment of monetary policy abound: to selectively support green industry; to engage in more outright monetary financing to support the budgets of member states; to start a programme of peoples’ QE, *inter alia* to promote social cohesion. Yet, can monetary policy make up for the “design flaws” of European monetary union with its separation of monetary policy (as an exclusive EU competence) from
fiscal/economic policy (remaining largely a competence of the member states)? Can “more money” – even if directed with precision towards social objectives – be a solution to the current existential crises or does it fuel a growth spiral that is co-responsible for the social and ecological crises we are in?

While the ECB currently addresses some of these questions in its Strategy Review 2020, we wish to join the debate with this roundtable. Our aim is, ideally, to forge a transatlantic debate. We hope to address common concerns raised by central bank monetary policy and in particular quantitative easing – once considered unconventional monetary policy and today widely used by the ECB, the Fed and other central banks around the world. We also want to identify the specificities of ECB monetary policy that result from the particular institutional design of the European monetary union when compared, for example, to the United States system of government.

Contributions

Coming soon.
The recently enacted CARES Act has exposed glaring problems in the U.S. system of money and payments. Delayed stimulus payments are costly for struggling families and for the economy as a whole. Unfortunately, the United States has one of the slowest payment systems in the developed world. On top of that, millions of Americans don’t have bank accounts. They must receive their stimulus dollars as physical checks, which are slow to arrive and often costly to convert into cash.

Growing awareness of these systemic defects has stimulated
renewed interest in public sector solutions. When Democrats in the U.S. House of Representatives released their proposed stimulus legislation in March, they included a provision giving people the option to receive their stimulus as “Digital Dollars” through a new system of “FedAccounts” maintained at the Federal Reserve. While this provision didn’t make it into the ultimate legislation, Senator Sherrod Brown, ranking member on the Senate Banking Committee, later introduced separate legislation “to allow everyone to set up a digital dollar wallet, called a FedAccount.” Maxine Waters, chair of the House Financial Services Committee, did the same. And Representatives Rashida Tlaib and Pramila Jayapal included similar language in recently proposed legislation.

These proposals intersect with and complement proposals to implement postal banking as a way of serving un- and underbanked households. As these debates unfold in the United States, other central banks, including the Bank of China, are preparing to release their own central bank digital currencies (CBDCs) in the coming months.

In this roundtable, we invite participants to comment on these public-sector initiatives and what they mean for the future of money. Should the Federal Reserve issue a digital dollar, available to the general public? What problem would it solve or mitigate, and what new problems and risks would it create? Should central bank digital currencies take the form of “accounts” or should they try to emulate digital “tokens”? Can and should a FedAccount program be linked to or even merged with a postal banking initiative? Does maintaining the U.S. dollar’s status as the dominant global currency hinge on launching a digital dollar?
Contributions

October 16, 2020
Central Bank Digital Currency: the hidden agenda
Leonidas Zelmanovitz, Liberty Fund
Bruno Meyerhof Salama, UC Berkeley Law School

October 7, 2020
On Equity within Public-Sector Banking Initiatives
Abbye Atkinson, Berkeley Law

September 28, 2020
The Inclusive Value Ledger: A Public Platform for Digital Dollars, Digital Payments, and Digital Public Banking
Robert Hockett, Cornell Law School

September 1, 2020
Designing Financial Services for People with Low and Uncertain Income
James McAndrews, TNB USA Inc., and the Wharton Financial Institutions Center

August 27, 2020
What to Do While Waiting for Fed Accounts
Sarah Bloom Raskin, Duke University

August 18, 2020
How to Fix the Covid Stimulus Payment Problem: Accounts, Information, and Infrastructure
Aaron Klein, Brookings Institution

August 10, 2020
FedAccounts: Digital Dollars
Morgan Ricks, Vanderbilt University
John Crawford, University of California Hastings College of the Law
Lev Menand, Columbia Law School
In several historic moments of banking or monetary reform, issues of race were inextricably tied to issues of money. The legacy of institutional segregation continues today. More crucially, the history of money, credit, and banking is implicated in ongoing exclusion and exploitation of vulnerable communities.

Scholars in several fields have explored how the institution of enslavement has shaped American capitalism, monetary debates, credit markets, and banking. Enslavement and its long shadow caused stark and ongoing wealth distortion. The Constitution marked slaves as “articles of commerce” and financial ledgers tracked “property in man” as assets, credit, debt, and monetary value. Between 1820 and the Civil War, banks across the south issued notes with images of slaves...
printed on the money. The Union won the bloody ground battle thanks to war generals Grant and Sherman, but it also, and perhaps more importantly won the currency war thanks to President Lincoln, Treasury Secretary Salmon P. Chase, and the Supreme Court of the United States. Lincoln’s “greenbacks,” backed by the full faith and credit of the US Treasury (but not backed by gold) enabled the Union victory. In turn, the success of the Union army fortified the new currency. The success of the new fiat currency and the Union soldiers were inextricably linked.

The war over slavery was also a war over the future of the economy, the nature of property rights, and the essentiality of value. By issuing fiat currency, Lincoln opened up a debate about how elastic the money supply might be. Fiat money transparently based money’s worth on the federal government’s determination to take it for value. As Keynes said of legal tender—“the state claimed the right not only to enforce the dictionary but to write it!” Scholars in this roundtable will discuss how those crucial debates affected modern theories about money and value.

The scholars in this roundtable will also discuss the ongoing effects of slavery, Jim Crow, housing segregation, and employment discrimination on the modern economy. In America, each rung on the ladder toward prosperity consisted of bank credit—even more so in the 20th century when homeownership became synonymous with both mortgage credit and prosperity. For Blacks and others, the path toward wealth was closed. It was closed by segregation, government policies, and by realities of finance. In this roundtable, we have invited pre-eminent scholars whose work illuminates core issues at the intersection of money and race. We have asked them to respond to a few questions: How did slavery shape the US monetary,
credit, and banking system? How did the economic system and monetary forms shape racial dynamics? What aspects of the modern economic system are influenced by America’s racial history? How has America’s racial history affected theories of capital, money, or debt? What do you think current debates about the history of capitalism reveal about the future of the field?

Contributions

September 25, 2020

How Did Redlining Make Money?
K-Sue Park, Georgetown Law

July 28, 2020

Currency, Colonialism, and Monetary History from Below
Peter James Hudson, University of California, Los Angeles

July 17, 2020

Finance and Violence
Michael Ralph, New York University

June 15, 2020

Debt and the Underdevelopment of Black America
Destin Jenkins, University of Chicago

June 8, 2020

Money is productive, and racist institutions create money
David M. P. Freund, University of Maryland

May 28, 2020

Money and the Limits to Self Making
Michael O’Malley, George Mason University

May 19, 2020
Commercial banks are, indisputably, at the center of credit allocation in virtually all modern economies. Astonishingly, however, it remains controversial exactly how banks expand the money supply.

According to one view, banks operate as intermediaries who
move money from savers to borrowers. The basic idea is that banks extend the monetary base by lending out of accumulated funds in a reiterative way. In round 1: a bank takes a deposit, sets aside a reserve, lends on the money; round 2 – the money lands in another bank, that bank sets aside a reserve, lends on the money; round 3 – the process repeats. Money’s operation is effectively multiplied in the economy because banks transmit funds constantly from (passive) savers to (active) borrowers, thus distributing money across those hands. The system works because savers, who are content to leave their funds alone, are unlikely to demand more than the (respective) reserve amounts back from any round. Banks balance their flow of funds over time as borrowers repay their loans.

According to another view, commercial banking activity amounts to “money creation” rather than the pooling and transmission of existing funds. Banks fund the loans they make by issuing deposits (or promises-to-pay in the official unit of account) that are treated by the wider community as money, not only as credit. They have, in effect, immediate purchasing power. The constraint on banks’ lending capacity is not the sum of previously accumulated funds, but the banks’ ability to clear obligations owed to other banks against obligations demanded from other banks. That activity depends on national payments systems coordinated and stabilized by central banks.

We open this roundtable to proponents of each approach to banking. We invite them to argue their case, to respond to one another, and to elaborate the implications that their view has on matters including the definition of money, the role of private capital accumulation, the relationship of commercial banks to central banks, and the behavior of the money supply.
The financial strains brought by the coronavirus outbreak feel strangely reminiscent of 2008, and yet, markedly different. In the United States, at the writing of this prompt, the S&P 500 has crashed 25%, and the federal funds target rate is once again moving towards the zero bound. The treasury securities market is in disarray, and the Federal Reserve is set to increase its repo lending by over one trillion. In Washington, the administration’s insistence that concerns were overblown is now replaced with negotiations over the size and shape of a stimulus package. “I don’t want to use the b-word”, said a senior administration official about plans to support distressed industries, like airlines. The b-word is, of course, bailout.
So far, so 2008. But the monetary dynamics we are witnessing in the time of corona also take us into new territory. The proximate cause of the crisis past came from within the financial system itself: the housing credit bubble and abuses in subprime lending. The corona crisis, on the other hand, emerges from a material threat to human health. Where the 2008 crisis revealed the vulnerabilities of financial globalization, the corona crisis is disrupting the global production system, upending supply chains, and threatening shortages in essential inventories.

We wonder about the extent to which the policy arsenal of 2008 can contain the dislocations currently occurring, and what, exactly, stimulating consumer demand means when the consumer herself is in quarantine. Moreover, the crisis response to the corona crisis is taking place within an institutional setting that was itself reshaped by the 2008 crisis reforms. As corona strains unfold, it remains to be seen whether the promise of financial resilience will be borne out, or whether fundamental design flaws left in place will frustrate reformers’ efforts.

In this Special Edition Roundtable, JM invites contributors to provide live analysis of money in the time of corona, here in the U.S., and around the world.

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Contributions

June 29, 2020
**Roundtable Wrap-up**
Sannoy Das, Harvard Law School

May 21, 2020
**Human Capital Bonds and Federal Reserve Support for Public Education: The Public Education Emergency Finance Facility (PEEFF)**
Gerald Epstein, University of Massachusetts Amherst

May 12, 2020
**The Fed Should Bail Out Low-Income Tenants and Not Just Banks and Landlords**
Duncan Kennedy, Harvard Law School

April 29, 2020
**Getting to Know a Brave New Fed**
Oscar Perry Abello, Next City

April 10, 2020
**The Problem with Shareholder Bailouts isn’t Moral Hazard, but Undermining State Capacity**
Carolyn Sissoko, University of the West of England

April 2, 2020
**Crises, Bailouts, and the Case for a National Investment Authority**
Saule Omarova, Cornell Law School

March 31, 2020
Why the US Congress Gives Dollars to the Fed
Jens van ‘t Klooster, KU Leuven and University of Amsterdam

March 26, 2020
A Fire Sale in the US Treasury Market: What the Coronavirus Crisis Teaches us About the Fundamental Instability of our Current Financial Structure
Carolyn Sissoko, University of the West of England

March 25, 2020
The Democratic Digital Dollar: A ‘Treasury Direct’ Option
Robert Hockett, Cornell Law School

March 22, 2020
Derivative Failures
James McAndrews, TNB USA Inc. and Wharton Financial Institutions Center

March 20, 2020
The Case for Free Money (a real Libra)
Katharina Pistor, Columbia Law School

March 19, 2020
The Monetary/Fiscal Divide is Still Getting in Our Way
Leah Downey, Edmond J. Safra Center for Ethics at Harvard University

March 18, 2020
Is Monetary System as Systemic and International as Coronavirus?
Elham Saeidinezad, UCLA Department of Economics
March 17, 2020
Here We Go Again? Not Really
Dan Awrey, Cornell Law School

March 16, 2020
Repo in the Time of Corona
Nadav Orian Peer, Colorado Law

March 16, 2020
Beyond Pathogenic Politics
Jamee K. Moudud, Sarah Lawrence College

March 15, 2020
Economic and Financial Responses to the Coronavirus
James McAndrews, TNB USA Inc. and Wharton Financial Institutions Center

Virtual Currencies and the State
Virtual Currencies and the State

Prompt for Discussion

Contributors: Bill Maurer, Lev Menand, Lana Swartz, J.S. Nelson, Benjamin Geva, Hilary Allen, David Golumbia, Finn Brunton, Gili Vidan, Marcelo De Castro Cunha Filho, Susan Silbey, John Haskell, Nathan Tankus, Katharina Pistor, and Joseph Sommer

On October 10th, 2019, the SEC brought suit against Telegram, asserting that its $1.7 billion offering of Gram “tokens” violated federal securities laws. The same week, five large investors including Visa, Mastercard, Stripe, eBay, and Mercado Pago pulled out of Facebook’s virtual currency Libra, apparently taken aback by the fierce criticism leveled at Libra by politicians and regulators. These events were striking, occurring as they did against a baseline of official inaction, ambivalence, or accommodation of virtual currencies. It is an opportune moment to ask: What are virtual currencies – money, securities, or speculative assets? How do they relate to modern political communities and to the financial architecture that those states support? Why at this moment have governments chosen to crack down on virtual currencies?

The movement towards virtual currencies took off in 2008, when an anonymous person or group introduced Bitcoin. In the decade that followed, Etherium, Peercoin, and others offered similar products: digital assets created and maintained by a decentralized set of participants that can be traded for goods
and services. Many users praised virtual currencies on the ground that they eliminated the role of law, the government, and/or the financial industry. According to the Bitcoin model, rules intended to operate mechanically control the production of virtual currencies and limit the quantity of virtual currency ultimately created. Exchange occurs according to a technology that Marco Iansite and Karim Lakhani describe as “an open, distributed ledger that can record transactions between two parties efficiently and in a verifiable and permanent way.” (Harvard Business Review, 18 January 2017.) The same description suggests the theory underlying virtual currencies: as a community of independent users opts in and confirms the transfer of digital assets, it makes unnecessary both public payment systems and commercial banks as financial agents.

Within the virtual currency family, differences in technology, industry location, and ideology have emerged. While Libra claims the mantle of virtual currencies, for example, it does not use a blockchain nor, at least in its initial version, a decentralized network of users to confirm transfers. See FT Alphaville. And rather than aiming at avoiding governmental oversight, it offers a vision of financial inclusion.

In this roundtable, we invite participants to comment on the questions recently raised by the difficulties faced by Telegram and Libra. What are virtual currencies and how do they relate to public moneys? What is the theory of value that virtual currencies offer and are those theories supported historically? Are these monetary systems that are working outside the state— or payments systems derivative of state power? How do the differences between Libra and more traditional cryptocurrencies explain the governmental response? Are virtual currencies meant to fix problems with the current monetary or payments systems, and if so, what
problems? Or are virtual currencies meant to evade those systems?

Contributions

July 3, 2020
*Why Do We Keep Taking the Cryptocurrency/Blockchain Scam Seriously?*
David Golumbia, Virginia Commonwealth University

June 12, 2020
*Decentralization: The Rise of a Hazardous Spec*
Gili Vidan, Harvard University

April 28, 2020
*Virtual Money at the Edge-of-State*
Finn Brunton, NYU Steinhardt School

April 22, 2020
*Payment in Virtual Currency*
Benjamin Geva, Osgoode Hall Law School of York University

April 15, 2020
*What lies behind the apparent trust in cryptocurrencies?*
Marcelo de Castro Filho, Massachusetts Institute of Technology
Susan Silbey, Massachusetts Institute of Technology

April 9, 2020
*Virtual Currency (in the Shadows of the Money Markets)*
John Haskell, The University of Manchester
Nathan Tankus, The Modern Money Network
March 31, 2020
The Case for Cryptocurrencies as a New Category of Regulated Non-Sovereign Fiat Currency
J.S. Nelson, Villanova Law School

March 11, 2020
How is Private Money Possible?
Joseph Sommer

March 4, 2020
Starbucks, Libra, and the Boring Future of Money
Lana Swartz, University of Virginia

February 26, 2020
Cryptocurrencies as Privately-Issued Moneys
Hilary J. Allen, American University Washington College of Law

February 20, 2020
Money at the Zero Lower Bound
Bill Maurer, University of California, Irvine

February 14, 2020
Regulate Virtual Currencies as Currency
Lev Menand, Columbia Law School