MONEY AS A DEMOCRATIC MEDIUM 2.0

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PANEL I | THE GLOBAL PUBLIC-PRIVATE POWER NEXUS I

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Financialized developmental state: development banking, industrial policy and state transformation in China

Financialization is often seen as a process that weakens state-led development models and industrial polices. This paper seeks to re-examine the relations between financialization and state-led development by looking into the case of China. It examines the historical-institutional process in which the Chinese state reinvented its public banking system and refashioned itself as “financialized developmental state” which increasingly resorted to financial means (and in particular capital markets) to manage its ownership, investment and credit strategies to facilitate industrial policies. Using China's national development bank as an example, it demonstrates the mutually reinforcing effect between sovereign power and financial market in crafting hybrid forms of public banking as organizational vehicles of financialized state developmentalism. China's national development banks have facilitated capital market development and enhanced financial instruments to achieve the state's industrial development goals. It suggests that China's state-led financialization has strengthened rather than weakened the state’s industrial policy capability.

Penz, Florian

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Property, Credit, and Monetary Sabotage – An Institutionalist Framework for Conceptualizing Contemporary Capitalism

Understanding money has posed significant challenges to economic and sociological theory. This paper argues that old institutionalism – as advanced by Thorstein Veblen, John R. Commons and others in the early 20th century – still has something to offer for conceptualizing the contemporary monetary system in a power-sensitive way. Classical as well as Marxist economic theory usually approach the capitalist system by focusing on the sphere of production. In contrast, this paper builds on an understanding of capitalism as a monetary system, as put forward by scholars like Veblen or Keynes. Specifically, it outlines an institutionalist framework of contemporary capitalism, which mainly draws on Veblen’s Theory of Business Enterprise (TBE), but also resorts to related works by institutionalist scholars, such as Commons or Gardiner Means.As Veblen argued, in modern capitalism business enterprise strives for control over the community’s technological capacities and knowledge in the form of tangible and intangible assets. While the goal of “industry” is the provision of goods for the betterment of human life, “business” subordinates the serviceability of industrial output to their interests in monetary gains. Since the community’s welfare is directly related to industrial output, the subjection of industry to pecuniary profit is understood as a form of “business sabotage”. As the capitalist system evolved, in Veblen’s

terms, from a "natural economy" through "money economy" to finally, a full "credit economy", capitalist control over intangible assets has become ever more important compared to control over tangible assets. By integrating recent insights from economic sociology and post-Keynesian economics on the nature of modern credit-money, this paper offers a relation-based and power-sensitive interpretation of the contemporary monetary system, and explores new ways of business sabotage by legal means. Specifically, the suggested conceptual framework sheds light on recent phenomena of financial and monetary sabotage which could only surface in the fully-fledged credit economy of contemporary capitalism. It is argued that the infrastructure of modern credit-money has become the central locus of business' struggle for control, resonating with Veblen's view of money as a "strategic institution". Hence, in contrast to earlier stages of capitalist development, the sabotage of the monetary infrastructure itself has become essential for the capitalist quest for profit. Business sabotage today is not limited to the industrial system, but rather focused on using and restructuring the monetary infrastructure for pecuniary gains by exerting various forms of "infrastructural power". Following the footsteps of the old institutionalists, it is argued that the law occupies a key role in contemporary monetary sabotage. Legal innovations are employed in the process of private money-creation and in manipulating credit-relations for profit, thereby securing capitalist control over the monetary infrastructure. It is argued that shedding light on the "legal right to sabotage" represents an interesting perspective, adding to a power-sensitive understanding of the monetary system of today, its legal foundations, and the nature of capital itself. It also opens normative perspectives to counteract monetary sabotage by extending the democratic control of the community over the network of credit-relations, which is premised on understanding money as a public infrastructure in contast to a private tool.

Kim, Seung Woo

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Inequality, development, and economic sovereignty: The Global South, social democrats, and alternative visions of the post-war international monetary system, 1960~1964

This paper analyses how the Global South and social democrats across the Atlantic problematised the post-war international monetary system and imagined a more equitable one in the 1960s. For this purpose, it revisits the contentions by left-wing intellectuals in the debate regarding the reform of Bretton Woods, hitherto marginalised in the literature. Then it turns to the United Nations Conference on Trade and Development (UNCATD), an international organisation for less-developed countries (LDCs), as a public sphere to challenge the existing governance of the post-war world economy. In doing so, it not only questions the notion of Bretton Woods as a backbone of the post-war golden age of capitalism but also offers an alternative account of the history of Bretton Woods. One of the key issues regarding Bretton Woods was the provision of world liquidity. The Triffin dilemma, for example, claimed the vulnerability of the post-war international monetary system based on a national currency of the US dollar. As in the case of mainstream economists, the left-wing proposals for reform such as the Stamp Plan, explored possibilities of securing enough liquidity commensurate with world economic growth. In particular, they examined ways to link the international monetary system with trade and aid to facilitate efforts by developing countries for economic development. Also, they sought the creation of a new unit of reserve currency and the reform of the International Monetary System to achieve a system to serve the needs of LDCs. While

monetary authorities of the Global North marginalised these ideas, social democrats in Western Europe and economists in Latin America continued the endeavour. And UNCATD provided a permanent venue in which alternatives to Bretton Woods were to be discussed. For example, in its very first meeting in 1964, 'The case for an international commodity reserve currency' was submitted by Albert G. Hart, Nicholas Kaldor and Jan Tinbergen. This report challenged the existing paradigm for the international monetary system with a proposal to introduce primary commodities such as cocoa in the collective reserve unit, which were less restrictive than gold in providing liquidity for LDCs. It also proposed a new Bretton Woods to facilitate sustainable growth of international trade based on multilateralism, not power politics by developed countries. Based on archival materials from UNCTAD, the UK government, trade unions, and political organisations, including the Labour Party and the Fabian Society, and the Bank of England, this paper attempts to bring in accounts of left-wing politics, their intellectual network and the agency of Global South in the history of the international monetary system. It not only understands contemporary politics regarding Bretton Woods but also re-examines its cultural assumptions regarding gold (or the US dollar) as a key to the governance of the world economy, which exposed conflict of interests between the Global North and South. It also seeks to place UNCATD as an alternative institution for the governance of the world economy against Bretton Woods in the 1960s.

D'Alvia, Daniele [REMOTE]

CCLS Queen Mary University of London

Believe in Virtual Currencies? The money-tree of Pinocchio is in vogue again

This paper aims to provide a thorough analysis on why we should separate unequivocally traditional finance (TradFi) from decentralised finance (DeFi) and centralised financial entities (CeFi). This is done to preserve financial stability, and avoid serious threats to consumers' protection. As claimed by Professor Allen, both DeFI and CeFi have 'shadow financial' functions, and they constitute a direct example of shadow banking 2.0. In the last Bank for International Settlements (BIS) bulletin issued on 12 January 2023, the BIS has provided a clear view on how CeFi and DeFi can exacerbate the standard risks in TradFi. This paper builds on this understanding in order to provide decisive arguments on why crypto trading and crypto market are not like TradFi. Finance and financial services exist to support the 'common good', namely a purpose that crypto trading lacks. Crypto trading tries to emulate TradFi, but it is a complex system of finance that emulates high levered and opaque finance, namely the outcomes that society wants less of. Crypto trading is gambling where crypto traders bring money – fiat currency – into a casino or online gambling game and convert the winnings or losses back into money. To this end, the simple anecdote found in the children's fantasy novel by Italian author Carlo Collodi, 'The Adventures of Pinocchio', is self-explanatory. Almost every one of us has heard of the adventures of a wooden puppet whose lonely maker, Geppetto wishes were a real boy. Carlo Collodi tells the story of a marionette puppet who tries his best to be a good son to his father, Geppetto, so that he can be turned into a real boy by the Blue Fairy. During his adventures, Pinocchio meet the Cat and the Fox after leaving Mangiafuoco's theatre with five gold coins. The Fox claims to know Pinocchio's father Mr. Geppetto and proposes to Pinocchio to come with them to the Land of Barn Owls and thence to a 'Field of Miracles' (Campo dei Miracoli) where coins can be grown into a money tree. Pinocchio is taken to the field, where the coins are soon buried. After telling Pinocchio to leave

for a few minutes to allow the money tree time to grow, the pair dig up the coins and run away. This is not dissimilar to a recent true story concerning the collapse of a crypto-exchange, FTX. The role of the Cat and the Fox – this time – is played by FTX's founder Mr. Sam Bankman-Fried, who has caused over $8 billion customer losses. As it can be seen, CeFi and DeFi are not 'real' finance, they are 'Pinocchio Finance', a pure gambling activity that shall be regulated by gamble laws. Notwithstanding the temptation to issue lenient new rules and financial legal frameworks on CeFi and DeFI, financial regulators globally should resist such temptation to avoid the possible integration of Pinocchio Finance into real and traditional finance. Indeed, if such move is consented by the enactment of new banking regulation applicable to crypto finance, then the risk of systemic contagion would be real too. To this end, the paper argues that in order to provide individual investor protection regulation, the application of existing securities regulation to crypto finance would serve the purpose. This because the vast majority of crypto exchanges and crypto assets would simply be unable to comply with registration requirements under existing securities laws. In other words, the imposition of a de facto ban could be a first step in providing consumers with protections.

PANEL II | PHILOSOPHICAL APPROACHES TO MONETARY DEMOCRACY

Schmerzeck, Georg

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A Theory of Justice of Sovereign Money

Monetary systems are elementary social institutions but have rarely been studied by contemporary political philosophers. The burgeoning economic literature on monetary systems, on the other hand, is hardly ever informed by philosophical considerations. This paper aims to demonstrate that analytical political philosophy is a fruitful perspective in the study of monetary institutions. Its target is to evaluate whether sovereign money meets the requirements of John Rawls' theory of justice. Sovereign money is the alternative monetary system that garners greatest support among economists and in civil society today. Its principal divergence from the status quo is the elimination of commercial banks' participation in money creation. This monetary system is evaluated against eight requirements of Rawls's normative theory, and its contingent elements are adapted where necessary. Following Rawls's ideal theory methodologically, reasonably favorable conditions are assumed and the evaluation is restricted to institutions of the basic structure. The analysis shows the choice of a monetary system to have wide-ranging consequences on political goals ignored in conventional monetary economics. Notably, monetary systems affect public order, the political liberties, the independence of government from monied interests and a society's options for predistribution. These undertheorized linkages are discussed and propositions for increasing sovereign money's compliance with the stipulations of Rawls' theory of justice are made. A customized sovereign money system, in which monetary authority is vested with the government, is found to meet all requirements of Rawls' theory of justice and to offer attractive possibilities for furthering its progressive distributive goals. Having previously found

leading alternative monetary systems to violate basic liberties, this result establishes a presumption that sovereign money reform is a demand of Rawlsian justice.

Schreur, Valerie

University of Amsterdam

What justice requires from institutions that govern business credit allocation

One of the primary functions of banks is to fund businesses. The standard justification in economic theory for the current market-based system for allocating credit to businesses is based on a supposed higher productivity of a market-based allocation. Through market mechanisms, banks are incentivized to grant loan applications based on businesses' profit outlooks, weighed against market and credit risk. In the financial ethics literature, business credit is understood primarily in its economic function of enhancing productivity. The condition of productivity is either both necessary and sufficient for justifying bank loans to businesses (Linarelli, ; Douglas, 2016), or necessary but not sufficient, without specifying what, then, would be sufficient for justifying bank loans to businesses (Herzog, 2017; Meyer, 2018). In this paper, I challenge the productivity justification. Instead I argue in favor of a consequentialist approach beyond welfarist economic assumptions, for the allocative credit arrangement to be just. I present two closely related reasons for this: first, money is a semipublic good whose governance should, ideally, include some kind expectations towards realizing socio-democratic goals, as argued by a growing literature in philosophy of money (Omarova, 2017; Desan, 2014; Eich, 2022; Hockett and James, 2020).When money is brought into circulation for funding the needs not of an individual, but of a business actor, what that business substantially contributes to social needs is pertinent. Second, the choice whether or not to fund business activities through loans greatly affect the social world and human wellbeing. Think about the choice between funding another coal mine or not. By bringing together the practice of business debt and philosophy of finance, this paper addresses a gap in financial ethics literature on debt relations between banks and businesses, as this literature thus far is focused almost exclusively on individual citizens or households. Further, the paper adds to a growing literature in political philosophy on the democratization of finance.

Derpmann, Simon

WWU Münster University and HHU Düsseldorf

The Publicity of Commercial Money

The context of my proposed contribution is a general theory of ownership in money. My background assumption is that instances of money are inadequate – or only partially fitting – objects of private property due to money's essential public constitution. The exposition of this public constitution of money corresponds with the topic of the planned panel, because it establishes money as an object that is not within the realm of absolute private dominion, but that is liable to public regulation via democratic processes of decision-making. While there is increasing consensus across different contemporary accounts that 'money is a social relation' (Ingham 2006), recent scholarship also emphasizes the role of public institutions shaping this relation (e.g. Desan 2014 or Eich 2022). Beyond these analyses of the social structure of the organizational frameworks generating money as an institution, my contribution focuses on a narrower normative argument designed to undermine a presumed right of noninterference

derived from a claim of ownership in instances of money. My argument is that, despite the significance of commercial relations of credit and debt to monetary intermediation, instances of money still derive their status and validity from public contributions that produce a monetary infrastructure by providing an abstract unit of account and by sustaining trust in instances of money. The main challenge to this claim lies in distinguishing money from other phenomena like language, art, or science that are similarly rooted in public contributions, but that nevertheless allow for the private appropriation of concrete instantiations. My argument provides a distinct perspective on normative claims to money, because it does not only invoke that societies are affected by the organization of money,but it builds on the contribution that public institutions make to the constitution and validity of concrete instances of money. It provides an additional normative justification of democratic interferences with the organization of and disposition over commercial money. While societies may decide to reify some forms money as objects of ownership, there is no general obligation to endow holders of money and credit with the full range of proprietary entitlements.

Commentator:

Prinz, Janosch

Maastricht University

PANEL III | GREEN MONEY I

Paulsson, Alexander

Lund University

Circulation: money, ecology and crafting new spheres of exchange

In this paper, I explore the relationships between the circulation of money and the socio-ecological metabolism that is driving climate change and loss of biodiversity. Being predicated upon the exchange of labor-time, the extraction of raw materials and embodied energy, the circulation of money is ostensibly underpinning the ongoing climate crisis. While the increased interest in money in the social sciences must be seen as a welcome development, a disproportionately large share of this interest has orbited around the issuance of money –how money is made, and by whom. As the origin of money is shrouded in obscurity for most of us, this must surely be the reason why it has caught the interest of so many scholars. But beyond the abstract questions about the issuance of money is the more tangible aspect of circulation. How money is put to use and how it is circulated is central to all of us in our daily lives, yet this often not much discussed, not even in practiced-oriented studies. Interestingly, however, the circulation of money is proportionally linked to commodity exchanges as well as to the extraction of natural resources and the exploitation of workers. Because when consumers use money as a universal metric to compare prices, they tend to purchase goods produced under lax environmental lax regulations and under low labor standards. After all, as conventional money is ostensibly an artifact with universalizing properties, its borderless circulation enables commensuration processes on a world-wide scale, propelling consumption patterns that causes environmental degradation, entropic metabolic processes and ultimately climate

change.In conclusion, I expand on the possibility of re-designing money to achieve sustainable consumption patterns. By re-designing money so it only circulates in certain spheres of exchange but not others, this might lead to a new program of action, to use Latour's concept, which could encourage local production and consumption.

Michaels, Joel [REMOTE]

Yale Law School, JD 2023

Capital Regulation as Climate Policy

Federal banking regulators are grappling with how to confront the threats posed by climate change. There are increasingly loud calls for regulators to adjust the "risk-weights" used to calculate banks' minimum capital requirements based on how exposed their counterparties are to climate-related risks. This action could reduce risks to the financial system, and potentially make it less desirable for banks to lend to carbon-intensive activities. But other scholars have challenged the legality and administrability of this proposal. They argue that it is difficult to gather reliable empirical data about climate-related risks, and that any risk-weights that are not grounded in such empirical data impermissibly deviate from risk-weights' intended purpose. This paper argues that these counter-claims are wrong. It does so by challenging the widespread misconception of the nature and function of risk-weights. Risk-weights are unavoidably discretionary policy instruments. They cannot simply be set through mechanical calculations, and always reflect an implicit trade-off between limiting risks to banks (counseling setting a higher risk-weight) and enabling them to extend credit into the real economy (counseling setting a lower one). At the dawn of risk-weights, this trade-off was explicit; it is always implicit in the exercise of regulatory discretion.Further, Congress' delegation of authority to the banking regulators reflects this understanding of risk-weights. In light of the complex policy challenge of setting risk-weight, Congress gave the regulators wide discretionary authority—generally exempt from judicial review—to engage in negotiation and experimentation. Yet where Congress has disagreed with how regulators have negotiated the risk-weight trade-off, it has reversed their decisions without restricting the delegation of authority. It may well be difficult to isolate climate-related financial risks, and disentangle them from other policy priorities, in setting risk-weights. But this is no obstacle to regulatory action needed to protect the safety and soundness of the financial system.

Debucquois, Claire

FNRS

Co-Authors: Gabriela Junqueira, University of São Paulo (USP)

Climate Debt for Carbon Credit: The Law and Political Economy of Green Bonds in Brazil

Green finance pledges abound. They are politically considered a cornerstone of the transformation towards a low-carbon future. Yet for every announcement of net-zero commitment, there is a press report revealing how ostensibly green funds sustain the fossil fuel industry or damage biodiversity and livelihoods across the globe. How to ensure the ability of climate regulation to redirect financial resources towards sustainable activities at the global scale, while achieving a fair transition? This requires clarifying how legal regimes shape green finance and energy value chains, and how taxonomies direct financial resources towards sustainable activities, according to which criteria (i.e. in consideration of what costs and

benefits, and accounting for whose rights and interests) and with which distributive effects. We conduct this inquiry in the case of Brazil's Ferrogrão, a railway line connecting the grain-producing state of Mato Grosso with the port of Miritituba in the state of Pará. The line is being fast-tracked as an alternative to the BR-163 highway and is funded by climate bonds: it has been green-lighted by the Climate Bonds Initiative based on its promise to decrease road transport. Important issues arise. First, the project is pushed by several agribusinesses with a record of land use conversion. Second, the railway crosses protected areas and indigenous land in the Amazon region, which is of utmost importance for biodiversity, water cycles, and the climate. Third, the project causes multiple legal challenges since it contravenes Brazilian (i.a. constitutional) and international law. Finally, while Brazil's development bank BNDES is the main investor in the project, several foreign banks and financial institutions are involved, raising crucial questions about new dependencies (notably in the form of green debt) and de-risking strategies (shielding private actors while burdening public ones).We apply the Law and Political Economy framework transnationally and dialogue with scholars working on the role of law in global value chains. We map the relevant, overlapping legal regimes (local, national, regional and transnational) and analyze how the different actors use them to their advantage. We examine how law creates new forms of green, financial property, and establishes conditions for their exchange; how it recognizes and protects certain costs, benefits, rights and interests above others; and how it co-constitutes value through governance and regulatory structuresBrazil's current government has signaled its willingness to resume its socio-ecological commitment, notably by protecting the rainforest, renewing the composition of public institutions, and announcing green bonds to be issued by the Treasury. Yet in view of the observations above and recent allegations of green bonds fraud (e.g. by meat giant JBS), there is reason to worry that these latter tools will fail to meet their sustainability goals, and may even undermine them. Our study brings to the fore the legal framing of green finance, highlights its effects on the ground, and draws causal relationships between the money and the carbon—as well as other, social and ecological impact. Ultimately, we suggest openings for the legal reconfiguration of green finance towards effective and equitable climate action.

Pforr, Tobias [REMOTE]

European University Institute

Memories of the Great Financial Crisis and how central banks approach climate change: The strange divergence between Fed and ECB

This paper aims to study and understand the apparent policy differences between the Fed and ECB when it comes to climate change. The starting point of this paper is to consider that the ECB's and the Fed's response to the Great Financial Crisis (GFC) were roughly comparable: Both reduced interest rates to around 0%, both provided substantial liquidity support and takeover-guarantees for the recapitalization - or outright nationalisation - of major commercial banks, and both provided unprecedented liquidity support for asset prices and tried to incentivise portfolio rebalancing via Quantitative Easing. Even though climate change has been identified by many commentators (BIS, IMF, UN, IPCC etc.) as a source that could lead to a crisis of similar proportions as the GFC, the ECB has taken a markedly different public position from the Fed, with the ECB taking the stance that "we must incorporate climate change into everything we do" (Lagarde, 2022) whereas the Fed's position is that "we are not, and will not be, a climate policymaker" (Powell, 2023). The paper attempts to explain the underlying rationales for this divergence, in particular whether the Fed and ECB ultimately

drew different lessons from their respective policy responses to the GFC or whether the difference reflects different political contexts in Europe and the US.

PANEL IV | THE GLOBAL PUBLIC-PRIVATE POWER NEXUS II

Merlo, Stefano

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Transnational Republicanism in the Economic and Monetary Union

By mirroring the ethos of the Stability and Growth Pact, the ECB's new Transmission Policy Instrument fundamentally raises the stakes of EMU macroeconomic governance. The ECB will now look to what happens in the Council before deciding how much support to give to a Member State with financial problems. The risk of a Member State's losing monetary support as a result of a political decision by the Council– raises a key question: how should economic and monetary relations among Member States and between them and the European Central Bank be organised, so that any influence and interference in their economic and financial policies is not seen as dominating? This paper suggests that 'transnational republicanism' offers a convincing answer to this question though a conceptual analysis of domination and its application to the EMU framework. First, it conceptualises the minimisation of dominating relationships at the international-level as a struggle between different institutional strategies. Second, it reconstructs how different institutional frameworks of macroeconomic governance tried to manage this tension and, third identifies which institutional configuration should manage it at the current juncture. In particular, it assigns a key role to citizens' democratic participation in the rebalancing of the EMU architechture of macroeconomic governance.

Ryan, John

Independent Scholar

Geopolitical Influence of the Dollar and the rise of Renminbi

For decades, the use of the US Dollar has been dominant in international trade. As a result, the US Dollar has probably been the closest thing to a true global currency that the world has ever seen. But there are gradual changes on the horizon. The potential geopolitical implications of a US Dollar decline are immense. At the same time, it is not clear whether any other currency could come near to obtaining the same status that the US Dollar has built up over decades. A multipolar system may be the more likely outcome.If the US Dollar declined, the US would lose its privileged (seigniorage) position and with that the ability to achieve permanently higher returns on foreign assets than the returns paid to foreigners who invest in the US. So as the reign of the US Dollar as the world reserve currency is being threatened, the shift in international trade is going to have massive implications for the US economy. The long-term problem is debt unsustainability. The medium-term economic problem: slow recovery in aftermath of the 2007-08 financial crisis. The short-term problem is political: Fiscal Cliff, Debt Ceiling, Federal Government Shutdown deadlines, reemergence of Donald Trump as a presidential candidate.The Dollar – and to a lesser extent the Euro – are already deeply ingrained within the existing international trade and monetary systems. Signs of the Euro

becoming rival reserve currency to the US Dollar have never quite taken hold consistently. The international monetary system may well be transformed – but probably not into a Renminbi-led system. Indeed, not even China expects the age of Renminbi diplomacy to arrive anytime soon. As was the case with the British pound in the interwar period, a currency can remain globally dominant even after its issuing country loses its economic, financial, and geopolitical hegemony. Renminbi-denominated finance is nowhere near ready to compete with – let alone rival – US Dollar finance. The Chinese economy and with that the Renminbi, are facing some serious headwinds. After years of speculation of a housing bubble, China's property market is facing some major setbacks. Chinese builders have lost about $55 billion in share value since the start of 2022, house prices are dropping, and apartment sales have slumped for a consecutive thirteen months. As a result, China is facing a real estate crisis that is threatening its broader economy and making investors cautious. There is a huge asymmetry in the world right now between the financial system that remains euro-dollar centered and the new multipolarity of power, trade and economic activity. Nothing that has been said above should be taken to mean that a dollar-centered international monetary system will endure. Far from it, there are many sound reasons, ranging from the political to the economic, why a multipolar system is desirable.Desire, however, is not enough. Nor is it enough to hope that the foundations of dollar supremacy are so fragile that it is only a question of time and of another shock or two to the world political and economic order for those foundations to come tumbling down. On the contrary, those foundations are strong, which means that any attempts to elevate rival currencies to a position where they can challenge dollar supremacy must start by recognizing the reason why its foundations do remain relatively strong.

Comelli, Martino

Central European University

The impact of welfare on household debt

This article aims to advance the theoretical understanding of how welfare affects household needs and willingness to take on debt across OECD countries. Previous sociological literature has attempted to explain indebtedness through the quantity of welfare spending, by searching for a tradeoff between the lack of welfare and the increase of household debt. Based on the "life cycle" hypothesis, according to which people take on debt when they are younger and pay it off as they age, this paper argues that divergence in household debt across countries is a function of the welfare state's orientation toward old-age provisions and the insider/outsider cleavage in the labor market. A welfare state that is generous toward the youth, facilitates the possibility for people to plan ahead in life and, by stabilizing financial expectations, makes people less risk averse. Higher debt ratios are more common in Northern countries as social protection is more extensive; while in continental countries, where welfare benefits are narrower and tend to target the already employed and the elderly, people are more risk-averse toward debt. The proposed theory is supported by an illustrative empirical analysis using data from the OECD SOCX, the Comparative Welfare Entitlements Dataset (CWED2) and the ECRI statistical package.

Myles, Jamieson G.

University of Oxford

Accommodating Agriculture within U.S. Capitalism: Cotton, Cooperatives, and Intermediate Credit in the Early Twentieth Century

What became of agrarian calls for monetary reform and a "cooperative commonwealth" between the late nineteenth century "Populist moment" and the New Deal? To answer this question, this paper explores the political economy of farm credit by analyzing federal government involvement in medium-term (or intermediate) trade credit and its implications for farmer-run cooperative marketing associations (CMAs) in the raw cotton sector. To that end, the paper relies on the qualitative analysis of a rich collection of primary sources from the U.S. Treasury, the Federal Reserve, and the papers of Eugene Meyer. Furthermore, it endeavors to situate the twin issues of intermediate credit and organizational innovation in the agricultural sector within the context of financial and monetary reform and federal state development. The paper argues that Progressive Era financial reforms failed to provide CMAs with the working capital they needed to manage the distribution of cotton over the annual production cycle. In the wake of WWI, however, this was overcome when government agents began providing cotton CMAs with intermediate trade credit to enable them to assume the logistical and financial role that European merchants had long played in bringing the fiber to world markets. The Depression of 1920-21 bolstered support for this measure among members of a broad-based political coalition because many actors expected it to neutralize agrarian discontent and stabilize commodity prices, consumer demand, and the U.S. banking system. Subsequently, influential financial actors suggested liberalizing Federal Reserve discount window eligibility rules for medium-term commodity credits, but southern cotton and western livestock producers insisted on creating an auxiliary central bank empowered to monetize intermediate agricultural debt under their control. The Federal Intermediate Credit Banks created in 1923 ostensibly paved the way for the expansion of corporate-style CMAs and provided the monetary flexibility agrarians had demanded since the nineteenth century. However, because these institutions relied on a conceptualization of trade and production credit as two discrete forms of working capital, the intermediate credit system failed to eliminate the structural dominance that merchant credit chains continued to assert in the Cotton South before the New Deal.

PANEL V | THE FUTURE OF CENTRAL BANK MONEY

Hess, Simon

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Regulating Central Bank Digital Currencies: Towards a Conceptual Framework

Due to technological change and the rise of private digital currencies more and more central banks investigate the possibility of issuing their own Central Bank Digital Currency (CBDC). This paper develops a conceptual framework, which shows how the issuance of CBDC and the provision of access can be regulated. For this purpose, theoretical CBDC designs and existing jurisdictions from around the world are considered. The framework points out that the regulation of CBDC encompasses two components: on the one hand, the regulation of the legal form of CBDC. On the other hand, the level of obligation, which indicates how legally binding the issuance and provision of access is for the central bank and potentially involved

third parties. Besides, this paper discusses the pros and cons of different regulatory options to find out how CBDC should be regulated. It concludes that only a right to CBDC for everyone is non-discriminatory and therefore favorable in the view of consumers. Furthermore, it is favorable to let third parties provide access to CBDC since this potentially increases competition and reduces operational duties for the central bank. While payment service providers are more suitable as third parties for CBDC stored on a central ledger, technical service providers are for CBDC stored on a distributed ledger.

Huber, Joseph

Professor emeritus of economic sociology, Martin Luther University, Halle-Wittenberg, Germany

The Monetary Turning Point. From Bank Money to Central Bank Digital Currency (CBDC)

In modern times, the money supply has experienced three turning points and the fourth is currently underway. Broadly speaking, the late 17th and 18th centuries saw the rise of unregulated paper money, issued by both banks and governments. Towards the mid-19th to the early 20th centuries this was followed by the note monopoly of national central banks in Europe, while in America, prior to the Fed's foundation, U.S. Treasury notes acquired importance. The later 19th and the 20th centuries were marked by the rising tide of bank money, that is, book money in the sense of transferable account balances. The 21st century is now on its way to becoming the age of digital currencies using digital tokens. Monetary turning points occur when the dominant money of the time poses problems that cannot be solved within the given framework, and a new type of money emerges that offers some solution or increased efficiency such as lower costs of production and handling, improved ease of use, and faster transferability. So far, incumbent monies were less convenient or less accepted, or circulated at lower use frequency, or were more expensive to provide and handle than the respective new challengers (metal coins > paper notes > account balances > digital tokens). Bank money regime past its zenith Today, bank money is by far the dominant type of money. However, the bank money regime has proven time and again to be inherently unstable and prone to crisis, fraught with problems that can be overcome neither from within nor through ever more regulation. Another tidal change in the money system is overdue. Bank money may well persist for a longer period of time, albeit gradually declining in importance.The future belongs to digital money, for it is technologically superior to book money. Central bank digital currency (CBDC), as a successor to central-bank cash with great technical potential, and private digital currencies (stablecoins or unbacked) are vying to succeed bank money as the dominant type of money. CBDC is likely to emerge from this as the winner, because CBDC is superior to private cryptos by virtue of being safe-stock base money and legal tender, in fact sovereign money in many countries. More-over, ensuring monetary sovereignty requires regaining monetary control and the ability to implement high-transmission monetary policy. Repercussions of CBDC on the functioning of the monetary system and policy To what extent expectations for CBDC are met depends on the design principles of CBDC as well as an adequate understanding of how the pending recomposition of the money supply impacts the potentials of credit, banking, monetary as well as fiscal policy, without overstating neither benefits nor real or perceived problems. A few selected aspects of this would be addressed. The proposed contribution to the conference is based on content from my book 'The Monetary Turning Point', to be published by palgrave macmillan in Q1 2023. The German-language version 'Zeitenwende des Geldsystems' has been published by Metropolis, July 2022.

Kumhof, Michael

Bank of England

Co-Authors: Rosa Lastra, Queen Mary University of London; Will Bateman, Australian National University; Saule Omarova, Cornell Law School; Simon Gleeson, Clifford Chance; Jason Allen, University of Tasmania School of Law

Central Bank Money: Liability, Asset, or Equity of the Nation?

Central bank money is conventionally classified as a liability of the central bank and of the consolidated public sector. We argue that this practice is irreconcilable with the legal underpinnings of fiat money systems, and that central bank money should instead be classified as a hybrid category of 'social equity' that reflects both its function as a public good and its proximity to corporate equity in several legal dimensions, including non-defaultability. This matters for assessments of the sustainability of sovereign debt burdens and of annual budgets, and assessments of the desirability or otherwise of central bank digital currencies.

PANEL VI | RE-MAKING MONEY FOR A SUSTAINABLE FUTURE

Gelleri, Christian

Technical University of Applied Sciences Würzburg-Schweinfurt

Creating Monetary Collaborating Spaces

Complementary currencies have spread to many places around the world at the beginning of the 21st century. Creating sustainable economic cycles and short transport routes are often the goals of introducing them. Due to their manageability, regional currencies can be embedded in debates of regional economics and sustainability. Above all, they are suitable for democratic experiments that can show in real environments whether currency designs work as examples of collaborative communities and research. One of these monetary experiments is the climate bonus, which is linked to the local currency Chiemgauer. The research path goes into the daily routine of a real laboratory to find out which methods would be effective enough to deliver carbon savings. The climate bonus creates a monetary network where people can try out new behaviors in a protected space. As a result, three years after the initiation of the project, carbon reductions are above expectations. Building on previous work, an approach is presented that introduces a strategy for municipalities and cities to determine greenhouse gas balances and offset them through the emission of climate-friendly complementary currencies. The currency, referred to as a climate bonus, both reduces CO_2 in the money creation process and also minimizes rebooting effects normally associated with money creation. The results of the local experiments shed light on how monetary systems could be made more sustainable.

Barinaga, Ester

Lund University

Greening monies: Re-making money for a sustainable future

A variety of complementary monies are being implemented as socio-technical instruments to move individuals into action and ignite ecological collaboration. Their starting point is the recognition that we have never been modern; that human society and nature, the economy and the environment, have never been separate spheres. Modernism may have conceptualised them as distinct fields, organising the sciences in separate faculties, experts in independent groups, policy resolutions in distinct agencies. Yet, what the climate predicament tells us with apocalyptic strength is that nature and society go hand in hand, that the natural environment is indistinguishable enmeshed in the economic and political fabric of communities, and that we therefore need to heed nature in the way we organise our societies. Attending such insight, some monetary entrepreneurs attempt to embed nature into socioeconomic practice by articulating the environment into the very rules making and governing money. The presentation will look into three complementary monies designed to infrastructure a healthier relationship between Nature and Society. Each of them is designed and governed to deal with their own specific environmental predicament – that is, the monetary configurations have been made greener. Conversely, each of them induces individuals and communities to care for their natural environment – in other words, these are monetary assemblages that nudge individual agency and collective action towards green behaviour. Hence the double meaning intended in the presentation’s title: Money has been made green; it, in turn, greens the behaviour of its users. In each of the three complementary monies studied investigated – Turuta, Vilawatt, and Plastic Bank –, we will be able to recognise a money that is both constituted by, and constituting of, an economy committed to the stewardship of nature. Each following its own organising principle – the commons, local state, and the market –, the three monetary assemblages transform actions of care for nature into monetary tokens, and then organise the larger infrastructure so that those tokens can be transferred across persons and exchanged for goods and services. The designs of their monetary architectures line-up actors, ideas, interests, and materials so as to make a difference on the individual motive of action – from pure gain to care for nature – and thus on the capacity to organise collectively towards respecting and caring for Nature. The difference between the principles organizing these monies does however differently shape their strategy, and capacity, to mobilize for global transformation.

Cattelan, Valentino

Birmingham City University

The lesson from the Ukrainian crisis: on the social nature of money and the rise of a global humanitarian crypto-currency

The Ukrainian crisis has prompted a global reaction in support of the victims of the war. The core argument of this paper is that this humanitarian reaction has given rise to a global community backed by values of freedom, democracy and solidarity whose identity can be described in terms of "global money". Going beyond the limits of national currencies and domestic monetary regulation within state jurisdictions, this (complementary) global money has found alternative instruments of fund channelling in support of Ukrainian people. As a relevant example the paper will refer to the booking of accommodations through the AirBnB platform as alternative method of resource transfer. Elaborating on issues related to alternative currency, the concept of "global money" will be later applied to interpret the current rise of cryptcurrencies in our global society as further evidence of the social nature of money in relation to a community engagement beyond the boundaries of national systems of

monetary governance. To conclude a proposal for a "global humanitarian cryptocurrency" will be advanced as a potential innovative asset on which the global community can invest to guarantee global values of sustainability, peace and solidarity.

Commentator:

Latsch, Kathrin

monneta gGmbH

PANEL VII | BOUNDARIES OF THE STATE: BAILOUTS, DERISKING, AND PUBLIC MONEY

Eich, Stefan

Georgetown University/Institute for Advanced Study (IAS)

Keynes and the Politics of Uncertainty

The “derisking state” has by now emerged as the key aspirational agent of the energy transition. But what is the concept of “risk” involved in de-risking? This paper shifts attention to some of the fundamental conceptual questions involved by assessing the politics of uncertainty under financial capitalism. I begin by placing demands for de-risking in the context of the seminal distinction between risk and uncertainty, often associated with the thought of Frank Knight. From this perspective, “de-risking” entails not so much a reduction in risk but rather a transformation of uncertainty into risk. Building on this initial insight the paper then dives deeper into the politics of this risk transformation by developing an account of de-risking as a demand for calculability, usually on the part of private investors. The state is in this context called upon as the primary agent that can turn uncertainty into calculable risk.The paper then further complicates this argument by turning to the seminal role of uncertainty in Keynes’s thought, tracing its contentious evolution from the Treatise on Probability (1921) to its eventual deployment in the General Theory (1936). Having initially set out a seminal interpretation of probability as a relation of formal logic, Keynes revised and refined his conception of uncertainty several time, not least in response to a decisive challenge by Frank Ramsey who proposed a more subjectivist approach to probability that Keynes partially resisted and partially accommodated by turning instead to the crucial role of conventions in making decisions in the face of uncertainty. Despite these philosophical shifts Keynes held on to his skepticism about the powers of probability calculus. As he put it in 1937 “The calculus of probability, tho mention of it was kept in the background, was supposed to be capable of reducing uncertainty to the same calculable status as that of certainty itself; …Actually, however, we have, as a rule, only the vaguest idea of any but the most direct consequences of our acts.” And yet decisions have to be made. According to Keynes, three improvised, haphazard devices do much of the necessary work in this context: (1) The assumption that the future is much like the present (past experience notwithstanding). (2) The assumption that existing opinions accurately reflect future prospects. (3) Most importantly, in light of the futility of individual judgment we turn to conventional judgment. This is the mimetic logic of the Keynesian beauty contest: Rather than judging for ourselves, “we endeavor to conform

with the behavior of the majority or the average." Conventions consequently acquire a pivotal role for Keynes as the embodiments of average opinion. As a result, much of what otherwise passes for an actuarial assessment of risks is for Keynes instead based on tacit conventions that act as coordination devices. This raises profound questions—largely unanswered by Keynes himself—about how such conventions should be shaped and how the state can best intervene in the realm of conventional judgment. Such a framing can be productively translated back into debates about de-risking. Keynes's perspective allows us to see de-risking as a calculative tool that serves as a self-fulfilling convention. This is de-risking as a privatized machine of world making. The stakes in the de-risking debate are thus not "merely" over the distribution of resources and public subsidies but they extend to the very conception and shape of the future.

Downey, Leah [REMOTE]

University of Cambridge

What's Wrong with Derisking? Climate, Finance, and Democracy

States face a pressing choice: how to pay for the green transition? The dominant contemporary approach to steering private finance in most developed western nations is rather hands off. It involves the state avoiding picking winners and losers by delegating the responsibility of financial resource allocation to private financial market actors. When the state does intervene in this process it does so under the auspices of ameliorating market failures and largely by appeal to the interests of private financial actors. This is what some have come to call the derisking approach to public policymaking. In what follows, I argue that there are good democratic reasons for the state to move beyond an approach to macrofinancial public policy that is limited to derisking and instead embrace an approach to macrofinancial public policy that articulates explicitly political aims for public policy and engages a wide variety of policy tools for seeking those aims. I call this the strong and visible state. The paper has three parts. In Part I, I aim to establish analytical clarity around what derisking is, exactly. This starts with outlining taxonomy of public policy more generally before placing derisking within that framework. Part II offers a normative assessment of both derisking as a public policy tool and what I refer to as a derisking policy regime—an approach to policymaking that is dominated by the derisking approach. In this section I argue that a derisking policy regime impedes a democratic system of government by empowering the few, in this case in the form of private finance, over and above the wishes of the many. Finally, Part III outlines what I suggest is a preferable approach to policymaking—the strong and visible state—in which the state clearly articulates its aims and preferences and is empowered to deploy a wide variety of policy tools in pursuit of those aims, including incentivizing policies, coercive policies and action policies.

Martijn Konings

University of Sydney

Contradictions of the Bailout State

The need for bailouts is often depicted as a symptom of how incoherent neoliberalism is. However, such dismissive interpretations fail to recognize how the reliance on bailout logics has allowed policymakers to navigate dilemmas that had previously seem intractable – which

is what drove the transformation of bailout policies from spectacular public rescues in the 1980s to the far more systemically significant drip-feed bailout logic of low interest rates and quantitative easing in the present. The Covid-19 crisis has made clear just how central the logic of bailouts has become to the way contemporary Western societies work – they have become the go-to option for dealing with the destabilizing effects of major shocks, even when the source is external to the economic system. At the same time, we are seeing the contradictions of this model of economic governance. Those contradictions appear as an intensification of tensions that had already become visible since the Global Financial Crisis, when financial authorities increasingly perceived the limitations of their policy toolkit. This paper maps the trajectory of the rise of the bailout state and it takes the measure of its current contradictions.

Wansleben , Leon

Max Planck Institute for the Study of Societies

Two Juxtaposed Worlds of Public Money: Modern Fiscal Institutions and the Rise of Financial Security States

This paper engages with the proliferation of public interventions into financial systems from the vantage point of fiscal sociology. I discern a particular conception of “public money” in the tradition of fiscal sociology, which is tied to the genealogy of modern fiscal states. I then show that a significant share of contemporary state interventions does not fall into this category of public money. My main objective is to expose fundamental misalignments between the two conceptions of public money, and to define an agenda for sociologists to work on reforming fiscal norms and institutions to democratize the public monies of financial security states. Fiscal sociology has by and large focused on taxation and social transfers as its privileged objects of research. This has led to a specific understanding of public money, rendered accountable in budgets, and of its underlying fiscal politics: a process in which citizens struggle and (fail to) achieve fragile settlements over entitlements and obligations. A rich literature in this tradition has shown how certain notions of obligation and sacrifice on the one hand, and of deservingness and social rights on the other, have accompanied the rise of particular tax and welfare systems. To be sure, sociologists have also paid attention to unaddressed injustices, systemic crises, and political attacks on the respective “social contracts”. However, the idea that citizens struggle over the (re-)distribution of public monies through the language of fiscal politics, through budgeting procedures, and the state’s respective institutions (like social insurance vehicles) has rarely been questioned. In the second part of the paper, I therefore confront fiscal sociology with the massive expansion in financial policies, particularly after 2008. There exists a longer discussion on credit policies and their importance for “mortgage Keynesianism” and the US’s “hidden welfare state”. However, I show through descriptive statistics and a review of existing studies that the use of financial policies has become a much broader and general phenomenon. From Europe to Japan, we have seen the adoption of aggressive quantitative easing by central banks, the creation of special support vehicles like “bad banks”, and issuances of loan guarantees on unprecedented scales. The third part of the paper then synthesizes these empirical developments, theorizes them, and uses fiscal sociologists’ concept of “social contract” as a point of contrast. I argue that the respective trends indicate the rise of financial security states - entities concerned with de-risking and maintaining financial relations as relations of indebtedness, promised returns, and expected realizations of market value that increasingly define capitalism today. As an actor

intervening into, and exploiting the internal logics of, financial relations, financial security states differ from tax-and-welfare states in systematic ways. They thrive on their capacity to postpone, and attach uncertainty to, the ultimate settlement of obligations. Accordingly, the status of fiscal commitments and the precise redistributive implications are left open and are usually not transparent. In the final part of the talk, I then discuss the profound challenges of this constellation for sociologists as well as democratic publics. I thus argue that part of the future work for sociologists is to develop a vocabulary that can translate financial policies into new relational categories and to suggest ways of reforming budgeting institutions.

Commentator:

Tellmann, Ute

TU Darmstadt

PANEL VIII | GREEN MONEY II

Kervers, Anne

University of Amsterdam

Common ground on money creation for researching its link with the Paris Agreement

Article 2.1(c) of the Paris Agreement calls for and establishes a new objective for all countries to make finance flows consistent with low-carbon and climate-resilient development pathways (UNFCCC 2015). Today, there is a growing consensus that the institutional design of money creation in the EMU impedes the transition called for in the Paris Agreement (Campiglio 2016, Pettifor 2017). “The world’s 60 largest banks alone provided US$4.6 trillion in fossil fuel financing in the six years since the adoption of the Paris Agreement, with no sign of decline” (Kirsch et al. 2022: 3). While the loanable funds theory remains influential, amongst others indicated by The Sveriges Riksbank Prize in Economic Sciences in Memory of Alfred Nobel 2022, scholars such as Desan (2014, 2017, 2022), Feinig (2022), Eich (2022) and Konings (2018) show that money is not a veil but a political instrument. Theorising the power of money benefits from a delineated concept of money and money creation. The financial sector’s operations are characterised by fuzziness and complexity, such as the unstable definition of money. This paper contributes to the discussion by providing common ground on the term money creation. Although money creation functions according to a wider set of parameters, which are relevant for the relation between money creation and climate change mitigation, the literature largely limits its explanation to double-entry bookkeeping (McLeay et al. 2014A, Werner 2014, Stellinga et el. 2021, Campiglio 2016). In addition, the share of finance that can be attributed to money creation needs to be separated from other financial instruments, such as underwriting and bond issuance. An analysis of the balance sheet of a Dutch commercial bank will provide further empirical insight in the separation between money creation and other financial instruments. The absence of policy to evaluate money creation shows money is still assumed to be “simply a veil over economic transactions” (Pettifor 2017: 2). Demonstrating the meticulously constructed regulatory and legal framework that governs money creation shows us that we should not abstract from money. This as a first step in exposing its political dimensions and contribute to a normative understanding of money,

which will be followed by theorising and evaluating the legitimacy of the power that money dealers receive from their selective control over liquidity allocation.

Haas, Armin

Global Climate Forum (GCF)

Co-Authors: Steffen Murau, GCF; Andrei Guter-Sandhu, University of Bath

Monetary Architecture and the Green Transition

How to finance the Green Transition towards net-zero carbon emissions remains an open question. The literature either operates within a market-failure paradigm that calls for carbon taxes or cap-and-trade to help markets correct themselves, or via war finance analogies that offer a ‘triad’ of state intervention possibilities: taxation, treasury borrowing, and central bank money creation. These frameworks often lack a thorough conceptualisation of endogenous credit money creation, for instance when resorting to loanable funds theory, and disregard the systemic and procedural dimensions of financing the Green Transition. We propose that ‘monetary architecture’, which perceives the monetary and financial system as a constantly evolving and historically specific hierarchical web of interlocking balance sheets, offers a more comprehensive framework to conceptualize the systemic and procedural financing challenges. Using the US as a case study, we draw implications of a systemic financing view while emphasizing a division of labor between ‘firefighting’ institutions such as the Federal Reserve and the Treasury, and ‘workhorse’ institutions such as off-balance-sheet fiscal agencies, commercial banks, and shadow banks. We argue further that financing the Green Transition must undergo three ideal-typical phases—initial balance sheet expansion, long-term funding, and possibly final contraction—that require diligent macro-financial management to avoid financial instability.

Deyris, Jérôme

Université Paris Nanterre

Co-Authors: Emanuele Campiglio (University of Bologna) ; Davide Romelli (Trinity College of Dublin)

Warning words in a warming world: Central bank communication and climate change

In modern financialized capitalist economies, central bank communication plays an important role. On the one hand, the speeches of central bankers are immediately and thoroughly scrutinized by the markets for indications of what the future might hold. Central banks even seek out these self-fulfilling prophecy effects through forward guidance to anchor expectations. On the other hand, central bankers' communication is a crucial part of their accountability. It allows them to explain their decisions to the citizens who have delegated the conduct of monetary policy to them. In this context, this paper aim is to explore the communication of central banks with regard to climate change, which seems to be becoming a new defining subject for 21st century central banking. How do central banks justify this greening in their discourses? When did they start to address the issue of climate change? Is this trend global or differentiated? Our paper seeks to answer these questions, and makes three main contributions to the literature. First, we build a new database of central bank speeches covering over 31,049 speeches for 131 countries and 144 institutions for the period

1986-2021 . This is roughly double the largest traditionally used data source (proposed by the Bank for International Settlements), thanks to a collection effort combining systematic webscrapping of central bank sites as well as occasional access to archives. Our original database allows us to correct important biases. Indeed, the BIS (i) does not collect speeches from some central banks (e.g. Bangladesh) (ii) suffers from gaps in the temporal coverage of some countries (e.g. Argentina) and (iii) systematically excludes speeches that were not published in English. Second, we use Natural Language Processing techniques to explore this corpus in order to understand when, through which institutions, and in what ways the topic of climate change has appeared in central bank communications. First, we use a newly created dictionary of key expressions related to climate change to show the (differentiated) rise of this topic across countries. While the speech of Carney (2015) is widely regarded as the starting point, we show how forgotten predecessors, notably in Southeast Asian central banks, had already explored the issue extensively during the previous decade. We also highlight the heterogeneity of this trend: in 2021, the Eurosystem and Southeast Asia talk about climate change four times as much as the United States, Eastern Europe, or African and Middle Eastern countries. Second, we use Structural Topic Modelling to highlight the variety of topics addressed by the 1,912 speeches that mention the issue of climate change at least once. These speeches cover topics as diverse as financial stability, growth or monetary policy, but also financial innovation, payment systems or the agricultural sector. We are also able to quantify the evolution of these topics over time. We thus show how 'promotional' and proactive discourses (focused on supporting green finance and sustainable development) have progressively given way to 'prudential' and defensive discourses (focused on financial climate risks and their management for regulators and financial actors). We finally study communication drivers and find that institutional dimensions - most prominently, the degree of involvement of central banks in financial supervision - is more significant in explaining climate-related communication than exposure to physical and transition risks

Johnstone, Injy

University of Oxford

Net-Zero as a New Norm at Financial Institutions: Trends in Standardisation and Disclosure

Enshrined into Article 2(1)(c) of the Paris Agreement is the aim to make ‘financial flows consistent with a pathway towards low greenhouse gas emission’. Seven years on from its signing, there are increasing signs that the seed planted in Article 2(1)(c) is blossoming into a new legal norm of aligning financial flows with the Paris Agreement. Evidence of this trend toward ‘legalisation’ is best demonstrated in two areas affecting financial institutions: standardisation and disclosure. To illustrate this, this article sketches developments in each area before charting the future course of Net-Zero norm diffusion in the global financial sector. As trends in both areas reveal, there is an increasing shift from voluntary to mandatory approaches in the Net-Zero regulatory landscape. Similarly, although such developments are principally focused in several financial ‘hotspots’ the ramifications extend far beyond their borders and are truly global. In terms of standardisation, there is growing high-level convergence on what Net-Zero aligned finance means: including the necessary elements of setting a Net-Zero target and having a Net-Zero plan. In this sense, the newly launched ISO Net-Zero Guiding Principles, amongst others, help to showcase Net-Zero standardisation and what it means for financial institutions. As the paper illustrates, given that the concept of ‘financed emissions’ has now come to the fore of standardisation processes, there is growing

pressure on financial institutions to account for their Scope 3 emissions and ensure the environmental integrity of any offsets claimed. In terms of disclosure, while emissions reduction plans and other ESG developments were voluntarily released in a range of sustainability or annual reports, we are now seeing mandatory disclosure in a number of jurisdictions. As case studies from the US, EU and the UK reveal, the scope of disclosure also goes significantly further than many voluntary ones do at present. The paper reveals that mandatory disclosure creates a double-edged sword. It offers financial institutions the opportunity to be more transparent as to their risks and assets and makes for a level playing field amongst major financial markets. Yet at the same time, there are legal risks on the horizon, for example, from incomplete or misleading corporate disclosures. While the scope of mandatory disclosures differs somewhat depending on the sector involved, there already emerging best practice disclosure for financial institutions. By exploring what Net-Zero as a new norm looks like in the context of financial institutions this paper underscores their critical role in achieving the Paris Agreement. As a result, it stresses the importance of the financial institutions also employing the same ambition ratchet mechanisms as the jurisdictions they operate within. While it is evident that financial institutions have some way to go before Net-Zero is a new norm intrinsic to their practice, there is strong evidence to suggest its internalisation has begun. It is therefore clear that a range of financial institutions play a role in enhancing the standardisation and disclosure norms necessary for a Net-Zero future.

PANEL IX | WHAT ARE COMPLEMENTARY CURRENCIES GOOD FOR? INTERCONNECTING PRACTICAL USES, TRANSFORMATION MOTIVES AND LEGAL CHALLENGES

Gómez, Georgina M.

Erasmus University Rotterdam, The Netherlands

The social differentiation and institutionalisation of monetary circuits: a case study of a remote location in Argentina

Community currencies are parallel exchange systems formed by civil society groups around the world, often locally, to perform monetary functions in ways that mainstream money cannot, such as keeping money circulating locally or rewarding volunteer work or providing liquidity in cash-poor areas so that households can meet their needs. Unless costless exchange mechanisms are available or economic agents accept the conversion costs, monetary plurality compels money users to learn how to navigate diverse standards of value assessment, different sets of income and expense prospects, and various saving and borrowing possibilities. It also appears that monetary plurality does not affect all money users in the same way and some studies have disclosed that there are qualitative differences in the ways that various income strata use, access, and negotiate the different functionalities of money. The stable articulation between a single currency, its users and specific purposes of exchange is known as currency or monetary circuits. That is, the institutionalisation of economic processes in a Polanyian sense. The aim of this study is to analyse the process by which currency circuits become integrated. How do different groups of agents learn to recognise, access, use and adapt currencies in a territory of monetary plurality? How do these interactions come together into stable patterns that structure local exchanges? The research

was structured as a case study of the remote region of Viedma – Carmen de Patagones in Argentina (population 80000 inhabitants). The area was selected because of its remoteness (about 800 km from Buenos Aires) and consequent limited economic integration with the rest of the country, allowing for localised institutional developments. At the time of fieldwork (2013), the area hosted three currency circuits in circulation at the same time: the peso (national), the dollar (international currency), and a community currency (set up by a civil society group in several locations with a total of 5000 active participants). It had not been researched before. Primary data was collected by employing open ended interviews with representative social leaders, community organisers and members of the local council. In order to access households that used all three currencies, fieldwork subsequently focused on the marketplaces where community currency circulated and this indirectly biased the sample towards the more vulnerable and excluded groups of the population. It implemented extended survey questionnaires with heads of households, followed by three focus groups in three locations (two in cities and one in rural town). Although it was not specifically designed in that way, the sample reflects a gender bias because 90% of the users were women that defined themselves as “home-makers” or “house-wives”, doing unpaid care work in the households. The findings showed that differentiated patterns of earning and spending by currency; the various currencies are allocated separate meanings depending on how they were earned and entered the household. This differentiation between currency circuits is stable across the sample, and results in different availabilities and velocity of circulation per use in the area. In turn, money is saved only if it has a specific allocated expense (for example a social event needs to be paid for).

Blanc, Jérôme/Bruno Théret

Sciences Po Lyon - UMR Triangle, France

Introducing transformative money. How currency schemes can be implemented as drivers for change

This paper proposal develops the concept of transformative money. It especially draws on a conceptual framework that is under construction to embrace the diversity of money that can be observed in a great variety of situations and societies. This framework distinguishes three types of monetary plurality: institutional, transitory and transformative. The institutional plurality of money refers to the stable arrangement that includes various forms of means of payment and units of account, within the sovereign monetary system. The transitory plurality includes means of payment and/or units of account used or issued during crises, particularly in order to face shortages of money or high levels of inflation: here notably appear dollarisation processes. What is put centre stage here is yet the third category, namely the transformative monetary plurality. In this case, various forms of money are issued and used as voluntary drivers for a transformation of the monetary compromise. The latter refers to the set of rules on the unit of account, monetization, transactions payment and balance settlements. Those rules entail a certain power balance between categories of actors, especially between creditors and debtors. The monetary compromise, consequently, momentarily solves tensions between categories of actors with divergent interests. Transformative money refers to projects that take a monetary form and aim at changing this balance of power for various motives. For example, European convertible local currencies promote local sustainable economies; their Brazilian counterpart rather promote financial inclusion and communities empowerment; FinTechs developing digital currencies seek to

disrupt the payment system so as to dominate new markets for payment services; municipal or provincial currencies promote a kind of federalised monetary systems with a re-organisation of monetary powers, etc. The extant monetary system is thus contested by practical experiences that tend to submit it to this transformation perspective. That is to say that those moneys express an ethical futurity, i.e. a vision of the future actualized in the present: they are built to perform a desired future, whose conception is the matter of the organisations or the collectives at the origin of the project. In other terms, this transformative part of monetary plurality aims at altering the political project that underlies the extant monetary system, by stimulating the advent of specific social values. To become effective, the transformative project should be made visible, so that the adoption of the related currencies may deviate from the ordinary optimising rationality by embracing motives out of the scope of purely economic efficiency. The paper intends to build the concept of transformative money by accounting for a variety of experiences, especially related to alternative currencies. The latter developed since the years 1980s. Usually issued by non-bank and non-state organisations, they include mutual credit systems such as LETS (local exchange and trading systems), time banking, inconvertible local currencies (such as the Argentinean Trueque) or convertible local currencies (such as the French Eusko, the German Chiemgauer or the U.S. BerkShares), but also mutual credit systems designed for small and medium businesses, or even a set of cryptocurrencies with effective uses in payments (for a mapping of experiences before the emergence of cryptos. Many of them are thought by their promoters as the implementation of a democratic right to create new forms of money.

Gimigliano, Gabriella

Business and Law Department, University of Siena

Complementary currencies: a real challenge to the EU internal market for money and finance? A legal standpoint

Complementary currencies represent a long-standing monetary experience in Europe and beyond. They may take different structures but they all aim to support growth, struggle with social and territorial inequality, taking either a local or a global dimension. Therefore, they may perform a critical role in the current phase. In fact, the sovereign debts crisis, the global financial stress and the covid-19 emergency, have exacerbated the individual and community over-indebtedness. This may trigger off household and State collapse in addition to widen social and regional inequalities. In the European Union (EU) framework, the Banking Union, the Capital Market Union, the harmonization for payment services as well as the sustainability regulatory package form the "financial sword" to tackle with the post-crises strategy. However, none of them mention complementary currency schemes. Why? One might think of complementary currencies as a bottom-up monetary process that falls beyond the institutional framework belonging to the freedom of contract of the private parties and the businesses. On the contrary, one might argue that this is a clear-cut choice to ignore CC as a monetary phenomenon that could jeopardize the territorial and institutional cohesion as well as the singleness of the legal currency. In order to make a choice between the two options, this paper aims to investigate the complementary currency schemes from a juridical and judicial standpoint with a view of assessing what they are in legal terms, the institutional limits they meet at the EU level and the regulatory concerns they raise.

Commentator:

Cattelan, Valentino

Birmingham City University

PANEL X | MONETARY SOVEREIGNTY AND CENTRAL BANK INDEPENDENCE

Goldmann, Matthias

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Central Bank Independence 2.0: Same but Different

Central bank independence is as old as central banking, but the rationale provided to justify it has changed profoundly with each politico-economic paradigm shift. On the basis of a survey of past justifications, the paper argues that the most recent paradigm shift requires a new justification for a recalibrated version of central bank independence. A private ownership structure gave central banks some independence during the 18th and 19th centuries. It served the purpose of safeguarding the value of money against fiscal encroachment. A paradigm change took place in the aftermath of WWI, when many states shifted from elite democracy to mass democracy, placing new socio-economic demands on the political system. In the context of the economic challenges at the time, the role of central banks in credit development became better understood. This gave rise to a technocratic understanding of central bank independence, which was often not guaranteed by law. (Formalized independence as in case of the Reichsbank only served foreign creditors.) After WWII, the technocratic approach to macroeconomic policy-making became widespread. Even though some central banks lost their formal legal independence, the basis of their power was technocratic. The question of central bank independence emerged again in the crisis of Keynesian-inspired economics in the 1970s and the simultaneous microeconomic revolution. It gave rise to the well-known public choice-based justification of "time inconsistency" as a reason for central bank independence. The success of this model is, however, disputed. In the current crisis period, the "time inconsistency" rationale for central bank independence has lost its persuasive power. In a nutshell, a model based on the idea of equilibrium no longer has predictive qualities if exogenous shocks in the form of multiple crises become the rule, rather than the exception. A more interventionist, discretionary, coordinated monetary policy for crisis moderation has become an attractive alternative. This raises the question whether there is still any space for central bank independence under the new monetary policy settlement. While price stability no longer provides a satisfactory justification, there are different, democratic reasons that suggest a recalibrated version of central bank independence. This version focuses on the current state of democratic constitutionalism. It is characterized by power increases of the executive; frictions in the public sphere, including fake news; and a trend towards authoritarianism in many jurisdictions worldwide. Independent central banks open an important avenue for separating power within an all-powerful executive branch of government. Their democratic control could be enhanced by laying the definition of central bank policy objectives in the hands of more legitimate bodies, i.e. parliaments or governments. The implementation of such policies, though not entirely

apolitical, requires a high degree of technical and informational integrity, which suggests placing it in the hands of independent bodies. This new justification of central bank independence might sound counterintuitive, as many scholars would claim that central banks need to be politicized and democratized in the first place. However, such theories seemingly suffer from a romanticized idea of constitutional democracy, which in fact has entered a deep crisis in a postindustrial, globalized world. Recognizing these fault lines, I suggest that democratic money requires not only its politicization, but also its selective depoliticization. Independent central banks are certainly the worst imaginable institutions for this job – except for all the others.

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How should a central bank be organized?

Many commentators agree that something is wrong with the current organization of central banks. However, there seems to be hardly any consensus about what to do about it. Proposals for how a central bank (CB) should be organized differ when it comes to: (i) governance, (ii) objectives, (iii) means. Among commentators focusing on (i) governance, some argue that CB independence should be strengthened further. Others argue that the main problem with CBs is their strong independence which enables unelected bureaucrats to abuse their power; to solve this, they propose to democratize CBs. Among commentators focusing on (ii) the objectives, some argue that CBs focus too much on inflation and ignore other variables such as asset prizes, growth, the environment etc. Others argue that the problem is that we expect too much from CBs, they cannot solve all problems and should therefore have more narrow and realistic targets. A third category of commentators argue that there are no problems at all with (i) or (ii), the main problem is (iii): the CB's toolbox. Some argue that CBs lack efficient tools to reach their targets, others that the toolbox is too wide and contains tools with problematic side effects.In this paper, I single out the most promising combinations of different answers to the three questions (i), (ii) and (iii) above. I argue that the four most promising proposals are: (1) Very strong independence, stable inflation as the only target and a very narrow toolbox. With strong independence, the objectives and tools have to be narrowly defined to avoid abuse and democratic problems. This is not only proposed by monetarists, it is also proposed by quite radical monetary reformists such as McMillan (2014). (2) Strong independence, a superordinate inflation target that is flexible so the CB can promote other values in the short run, in combination with an efficient toolbox to reach the target that can be used by officials without risks for abuse. This is the position most similar to the ideal behind the current organization of CBs. It is also similar to the "sovereign money" proposal by Huber (2017); he proposes that CBs should be independent and impartial in the same way as courts, but be given a better toolbox than today. (3) Mild independence, a broad set of objectives where the inflation target is seen as on par with other equally important targets, a bunch of new monetary policy tools. This is similar to Omarova's (2021) proposal. The CB in the US has an employment target that is on par with the inflation target. But they lack efficient policy tools for achieving this. (4) No independence, flexible targets decided by politicians, and flexible tools decided by politicians. In other words: the CB is subordinated to fiscal policy. Politicians are free to use the CBs capabilities as they wish without built-in limitations. This is similar to proposals by adherents of Modern Monetary Theory. In the last part of the paper, I compare and evaluate the drawbacks and benefits of these four proposals.

My conclusion is that given plausible background assumptions about human behavior and democracy, the best road to go for is (2) above. I also argue that through defining suitable subordinated targets for a CB and through giving a CB efficient and suitable means to reach all of its targets (for example a CBDC in combination with new innovative ways of issuing and programming money), adherents of (1), (3) and (4) can get almost everything they value through choosing alternative (2).

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The effectiveness of monetary policy in the context of central bank independence in developing countries: Evidence from Morocco

The objective of independent central banks is to ensure price stability to achieve macroeconomic stability, because controlling inflation depends on the effect of monetary policy on activity. So central banks have two mandates. They act on the interest rate based on the economic situation. To ensure price stability, most developed and developing countries have made their central banks independent and transparent. Independence strengthens the credibility of monetary authorities and makes monetary policy in this context more effective. To verify the effectiveness of monetary policy within the framework of the independence of the central bank, we mobilized a SVAR model for the Moroccan case. The study covers two separate periods on a quarterly basis (1994 to 2005 and 2006 to 2020) to take account of the effective implementation of independence. The results imply an efficient transmission of monetary policy, and we conclude that the framework of independence is a good solution to conduct monetary policy for BAM

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Monetary Sovereignty, Federal Governance Structures and the Challenge of Constitutional Pluralism

Monetary sovereignty is usually considered an attribute of states. It is a necessary – but not a sufficient – prerequisite of monetary sovereignty for states to have a central bank that can formulate an independent monetary policy. Yet monetary sovereignty is relative and hierarchical, as the growth of international finance has considerably restricted the policy space of many central banks around the globe. In this narrative, decentralized units of governance (such as the states in the U.S. or member states of the euro area) of necessity lack monetary sovereignty. This is a critical issue for those wishing to make central banks more democratically responsive. My contribution seeks first of all to propose a typology of the kinds of measures taken to attenuate this lack of monetary sovereignty for decentralized units of governance. In times of crisis, it is nevertheless common for central banks to seek to safeguard the financial health of decentralized units of governance. In recent times, the COVID-19 pandemic prompted the U.S. Federal Reserve to come to the rescue of state and local governments. A similar practice has existed for a longer time at the European Central Bank, which has sought to ensure financial viability of euro area Member States throughout the euro crisis as well as during the recent pandemic, as a lender of last resort for euro area

governments. In certain circumstances, the federal structures of central banking itself can further complicate the picture. In the euro area, for example, monetary policy-making has not fully been centralized. In times of emergency, the national central banks of the member states of the euro area – which usually implement monetary policy decisions made at the centralized level by the ECB – retain some policy discretion. In times of emergency, national central banks retain authority to provide emergency liquidity assistance to the domestic banking system, for example. The contribution discusses the value of constitutional pluralism in the quest of decentralized units of governance for greater monetary sovereignty. It applies specifically in the context of central banks that are institutionally at least partly decentralized, as are the Federal Reserve and the European Central Bank. A recent judgment of the German Federal Constitutional Court suggested that the German Bundesbank owed loyalty first to the German constitution, and only second to the commandments of the European Central Bank. The judgment can be read as defending the kernel of a form of monetary pluralism: decentralized monetary authorities may, on occasion, deviate from the monetary policy set by the centralized, federal level of monetary governance. Such is the core implication of constitutional pluralism. The contribution defends the proposition that such a pluralism of monetary authorities can be an avenue to enhance the monetary sovereignty of decentralized units of governance, as well as an alternative to complementary currencies.