

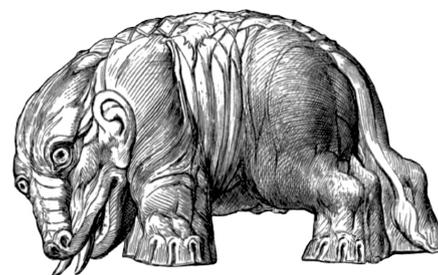
## Editorial

Axel T. Paul

Not long ago, not how to handle the massive migration to West and North European countries, but the crisis of the Euro has been considered Europe's greatest political challenge (e.g. Streeck 2015). In fact, the future of the Euro, more specifically, say, Greece's membership, and more generally the question how to reconcile so called independent and in fact highly extraordinary monetary policies with the principle of democratic decision making, is unresolved. With or without other similarly or even more urging crises, it is safe to say that Europe's monetary, and as monetary as well fundamentally political, problem will be with us for still some time to come.

The good thing, however, about the European currency crisis is, if only from a scientific point of view, that money's alleged economic and moreover political neutrality has been shown even to the broader public to be an illusion. Yet, also significant parts of the social sciences, above all economic science, long assumed – and, worse, still continue to assume – that money is, or at least should and can be, simply an economically neutral medium of exchange; that money only facilitates natural economic activities, namely market exchange, without interfering with the decisions of the actors or without disturbing the equilibrating 'laws' of the market (Lucas 1996). Inasmuch as money was or is not neutral, politicians were blamed for rocking the boat, for instance by artificially creating money and thereby inflating prices. The point here, of course, is not to generally absolve politicians from their possibly nonsensical economic policies but, on the contrary, to show that even in a smoothly running economy money, or rather the ease or difficulty with which money can be accessed, either favors or disfavors labor or capital, borrowers or creditors, the state or private actors (Kirshner 2003). Money is not a deceptive 'veil' which obscures supposedly real economic processes, but money is the medium without which the market, as we know it, would never have come into being (Heinsohn/Steiger 2000).

But it's not only economists who misunderstand the crucial role of money in the working of a market and, furthermore, the capitalist market economy. Many sociologists as well for decades either did not care about money, even when they researched economic phenomena, or, following Parsons, relegated



money to the status of an area- or system-specific media of communication (Dalziel/Higgins 2006). There can be no doubt that comparisons of power, law, money and even love illuminate certain likenesses among these ways or forms of interaction. But the existence of a plurality of mutually supplementary media of communication does not exclude the possibility that one of these media, namely money, and its corresponding system, i.e. the economy, exert a dominance in the relations and interplay of these different spheres or subsystems of society (Schimank 2015).

In fact, we, the authors of this issue and I, proceed from the premise that money is central, if not constitutive, at least for our capitalist market economy. And in this we are hardly alone. A considerable number of recent, internationally widely noted books, such as David Graeber's "Debt" (2011), Wolfgang Streeck's "Buying Time" (2014a) or Thomas Piketty's "Capital in the Twenty-First Century" (2014), and the overall renewed interest also of the economics profession in, at least from an orthodox standpoint, arcane authors like Hyman Minsky (e.g. 2008) clearly indicate that the questions and problems of a money-driven political economy are regaining center stage in the social sciences at large.

To be sure, a lot of work remains to be done – otherwise, why have this issue? First, we still need to better understand the monetary past and, since perceptions, notions, theories, themes and intellectual curiosities change over the course of time, we will always have to return to history. Second, as time passes, we will inevitably have struggles over how to best conceive of the situation we are currently in. What, for example, were the reasons for the 'Great Financial Crisis' of and since 2007/08 (see, e.g., Paul 2012, 9-44)? Third, we will always try to glimpse our future, either by extrapolating long-term trends, by gauging the impact of recent events, or by imagining not only of new forms of production, distribution and consumption, but even of money itself. This task of assessing the future of money is by definition the most difficult and speculative, since what we are talking about has not yet or at best only embryonically come into being.

Inviting the authors to contribute to this volume, I suggested three fields of interrogation. First, I proposed to inquire into the relationships between 'money's forms and functions', all the more since monetary reforms and experiments on the one hand and technological innovations on the other either explicitly aim at a decoupling of, or incidentally happen to weaken the link between, the classical three functions of money: medium of exchange, unit of account and store of value. In analyzing the entanglement of money's forms and functions, one has to take into account that money in the proper sense of the word never has been just a means of exchange. To consider a 'thing' or a sign as money, necessarily involves that there is an accounting standard to which the money 'stuff' refers. This is, or at least has historically been, the starting point, from where money attracted and accumulated its further economic and extra-economic functions (Ingham 2000; Martin 2013). The capacity to unite the different functions, and above all its ability to act as a store of value, explains the strong performance and attractiveness of our present monetary system. At the same time, however, money comes in many

different outfits and costumes, from paper cash to scriptural and electronic money to para-monies such as air-miles and loyalty points. This diversity in itself already entails issues of convertibility and coverage. Yet despite, or precisely because of these issues, in numerous spaces and with different goals, actors are experimenting with varied decouplings and recombinations of money forms and functions: from local exchange trading schemes through Bitcoin to notions of derivatives serving as a new global monetary standard (cf. Bryan/Rafferty 2006; Peacock 2014; Bjerg 2016). New limits to the power of money are supposed to open up new potentials for money to address social issues. So we need to ask: Do different forms of money really make a difference? Which problems would be solved through new special or alternative universal currencies? Can monetary functions be decoupled at will? Or is there no way back for modern societies from the once-achieved integration of all money functions into a single medium?

Next, I recommended examining what I call the 'politics of money'. Politics of money encompass much more than just the monetary policies deployed by central banks. Rather, what is at stake is the relationship between money and politics in general, and money and democracy in particular. As already noticed, monetary policies always have distributive implications that usually go largely unrecognized by the larger public. Democratically even more challenging is the increasing constriction of the political space by high public debt loads, or their at least their discursive framing (Streeck 2014b). Meanwhile, the most recent and still lurking financial crisis laid bare the limits to the power of monetary policy: central banks have long lost their monopoly over the creation of money, and despite, or rather because of, the present policies of easy money, a key problem for monetary authorities will be how to avoid asset price inflation and over-indebtedness of the economy as a whole. But meanwhile, for avoiding deflation, central banks have been forced to face the severely limited power of their weapon-of-choice: lowering interest rates. No wonder, then, that proposals for a reinvigoration of central banks, or inversely their eventual abolition, for more, less or 'simply' other regulation of our currency order abound (cf. Borio 2011; Goodhart 2011; Bowman et al. 2013; Fisher 2015). But while policy reform may prove to be a question of survival for a functioning market, it is highly unclear whether any of the existing proposals could actually resolve the structural contradictions between financialized capitalism and democracy. It goes without saying that the future of the Euro is a case in point, but the Euro is by no means the only example for money's inherently political nature.

Finally, I suggested that the authors reflect on the 'utopian and dystopian ideas' which are related to money, its reform, its abolition or relativization. Yet, it is hardly certain that the political and technical problems surrounding money can be resolved. On the contrary, it is quite sure that our present monetary system (and its problems) will be with us for some time to come. And it would be hard to deny that capitalism systematically produces and reproduces extreme forms of social inequality, sometimes exerts a force even as coercive as physical violence, and periodically engenders severe recessions which not only diminish wealth, but also threaten to undermine the ties

which keep societies together. Even without crises, money alters the quality of our social relations, our values and morals, our emotional lives, and of nature itself. It can easily be shown, for example, how the limits of what can be bought and sold are expanding, or that social recognition is increasingly measured in monetary success. No wonder, then, that many analyses highlight the alienating, corrupting, standardizing and destructive powers of money (e.g. Satz 2010; Sandel 2012). On the other hand, money has always been and still is a liberating and socializing medium: It opens up spaces for choice and stimulates and even permits the development of individuality. It undermines assigned roles and breaks apart social hierarchies. Money itself may not buy happiness or love, but it allows us to pursue happiness individually. And it is socially progressive as well. Today's globalized capitalist society of money, with its sociocultural heterogeneity, cannot be integrated by any common morality. Rather it is money which allows strangers to interact peacefully. In sum, money is a socially and morally ambivalent medium. Thus, it is crucial to imagine and ask what a continued monetarization, or, alternatively, a partial demonetization, of society would mean (cf. Dodd 2014, 273-311). Which spaces would new or different monies open? What would be lost, what gained, if we could shake off money, or if we failed to do so? If we presently live in a society of money, what would a post-monetary society look like?

These are the questions I invited the contributors to deal with. However, the authors were not obliged to concentrate on and in fact did not stick to one field of interrogation only. They were and felt free to attack any or all of them at once or to tackle what they deem to be the most striking aspects of money's future and future monies. Nevertheless, and incidentally, I had the impression that the articles of this issue can in fact be ordered with reference to my tripartite scheme. **Philipp Degens's** contribution deals with some ideas and experiments to decouple different functions of money or at least to favor one of them. The author examines local currencies and shows that, instead or rather beyond of being economic tools, their main purpose rests in their ability to enhance social contacts. In contrast, the articles by **Elena Esposito** on the one hand and **Dick Bryan, Michael Rafferty** and **Bruno Tinel** on the other deal with two different political strategies in reaction to the Great Financial Crisis. Esposito assesses the diverging attitudes of European and American policy makers that are involved in seemingly similar unorthodox measures of monetary policy, whereas Bryan, Rafferty and Tinel argue that recent developments in financial markets and policies aim at using (labor) households as an anchor of finance (or rather value) in the 'real' world. Lastly the contributions by **Philip Mader** and **Bill Maurer** treat the utopian or dystopian potentials of intentional changes in the political economy of money. Mader investigates the negative, the exploitative and repressive, aspects of financial inclusion and the digitization of money. Maurer, on the other hand, examines the possible impact of the blockchain technology to revolutionize the economy as double-entry bookkeeping did 500 years ago.

Much more modest, or less daring, than the aforementioned contributions to this volume, my essay, on the one hand, aims at introducing or presenting some basic features and problems of our contemporary (Western) political

economy of money to those readers of this journal who might not be that familiar with economic affairs and, on the other hand and similar and complementary to Degens, at pondering the possibilities and limits of two different, more or less radical, monetary reforms. Of course, there is no need to read my piece before approaching any other of the texts of this volume, I tried, however, to indirectly relate these contributions to one another by locating at which point of our monetary order they intervene.

Yet, an intervention is not necessarily a political statement. I would rather say that, without – impossibly – being politically neutral, the thrust or general tenor of the articles in this issue is analytical and not normative. As has been shown, however, theory, not least monetary and finance theory, is everything but practically without consequences (cf. MacKenzie 2006). Yet, which effects it brings forth cannot be predicted. Critique might be instrumentalized to improve efficiency or thwart breakdown, apologies might result in distrust and avoidance, descriptions might turn into prescriptions. And it cannot be otherwise, since already the way we assume, wish or fear our future to be inescapably also shapes the events to come, and be it only by trying to avoid other possible futures (cf. Esposito 2011, 18-36). Yet, even if monetary theorists are involuntarily part of the ‘project’ of shaping money’s future, understanding money’s role in designing the future is already a challenging task. And the best I can hope for is that the contributions which follow help to make some progress in that direction.

## References

- Borio, C. (2011) Central Banking Post-Crisis: What Compass for Uncharted Waters? *BIS Working Papers* 353.
- Bowman A. et al. (2013) Central Bank-Led Capitalism? In: *Seattle University Law Review* 36 (2): 455-487.
- Bryan, D., Rafferty, M. (2006) Financial Derivatives: The New Gold? In: *Competition and Change* 10 (3): 265-282.
- Dalziel, P.; Higgins, J. (2006) Pareto, Parsons, and the Boundary between Economics and Sociology. In: *American Journal of Economics and Sociology* 65 (1): 109-126.
- Dodd, N. (2014) *The Social Life of Money*. Princeton: Princeton University Press.
- Esposito, E. (2011) *The Future of Futures: The Time of Money in Financing and Society*. Cheltenham: Edward Elgar.
- Fisher, St. (2015) Central Bank Independence. *Herbert Stein Memorial Lecture*. National Economists Club, Washington, D.C. <http://www.federalreserve.gov/newsevents/speech/fischer20151104a.htm> (03.11.16).
- Goodhart, Ch. (2011) The Changing Role of Central Banks. In: *Financial History Review* 18 (2): 135-154.
- Graeber, D. (2011) *Debt: The First 5000 Years*. New York: Melville House.
- Heinsohn, G.; Steiger, O. (2000) The Property Theory of Interest and Money. In: Smithin, J. (ed.) *What is Money?* London: Routledge: 67-100.

- Ingham, G. (2000) *Babylonian Madness: On the Historical and Sociological Origins of Money*. In: Smithin, J. (ed.) *What is Money?* London: Routledge: 16-41.
- Kirshner, J. (2003) Money is Politics. In: *Review of International Political Economy* 10 (4): 645-660.
- Lucas, R. (1996) Nobel Lecture: Monetary Neutrality. In: *Journal of Political Economy* 104 (4): 661-682.
- MacKenzie, Donald (2006) *An Engine, not a Camera: How Financial Models Shape Markets*. Cambridge: MIT Press.
- Martin, F. (2013) *Money: The Unauthorised Biography*. London: Bodley Head.
- Minsky, H. (2008) *Stabilizing an Unstable Economy*. New York: McGraw-Hill.
- Ole Bjerg (2016) How is Bitcoin Money? In: *Theory, Culture & Society* 33 (1): 53-72.
- Paul, A. T. (2012) *Die Gesellschaft des Geldes: Entwurf einer monetären Theorie der Moderne*. Wiesbaden: Springer VS.
- Peacock, M. (2014) Complementary Currencies: History, Theory, Prospects. In: *Local Economy* 29 (6/7): 708-722.
- Piketty, Th. (2014) *Capital in the Twenty-First Century*. Cambridge: Harvard University Press.
- Sandel, M. J. (2012) *What Money Can't Buy: The Moral Limits of Markets*. New York: Farrar, Strauss and Giroux.
- Satz, D. (2010) *Why Some Things Should Not Be for Sale: The Moral Limits of Markets*. Oxford: Oxford University Press.
- Schimank, U. (2015) Modernity as a Functionally Differentiated Capitalist Society: A General Theoretical Model. In: *European Journal of Social Theory* 18: 413-430.
- Streeck, W. (2014a) *Buying Time: The Delayed Crisis of Democratic Capitalism*. London: Verso.
- Streeck, W. (2014b) The Politics of Public Debt: Neoliberalism, Capitalist Development, and the Restructuring of the State. In: *German Economic Review* 15: 143-165.
- Streeck, W. (2015) Why the Euro Divides Europe. In: *New Left Review* 25: 5-26.