

**A Theory of Socially Neutral Money**

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**Tero Auvinen\*****Abstract**

Despite money's tremendous capacity for self-transformation, social sciences often continue to seek monocausal explanations for the nature of money. Adopting a variant of Goodhart's law for money, this paper argues that the sociology of money should aim to develop a benchmark of socially neutral money against which the social footprint of actual monetary systems can be judged. Such socially neutral money would maximize the freedom of social agents to define, contextualize and tailor monetary relationships with the desired mixtures of meaning with minimum structural interference from established monetary social hierarchies. It is argued that the distribution of the monetary media rather than the dominant view on the nature of money determines the limits of social agency.

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**Introduction**

Particularly the last three decades have witnessed a rapid acceleration of the conceptual evolution of money. The development of new forms of monetary or near-money instruments for particularistic purposes has increased uncertainty with respect to the stability of the financial system and the long-term implications for the nature of money itself. As the perceived characteristics of commodities,

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credit, equity and state certified ‘moneyness’ continue to intermingle, it has become increasingly difficult to identify the distinctive characteristics of the social relation of money.

Yet social scientific inquiry often continues to seek monocausal explanations for the nature of money based on its specific spatial and temporal manifestations. Such analysis runs the risk of reifying historically specific or governmentally contingent forms of social relations marked by power, circumstances and chance rather than reasoned inquiry on the logical limits of the concept of money. No single theory of money is likely to capture its tremendous capacity for self-transformation. It would be a relatively straightforward exercise of sovereign authority to produce an unambiguous conceptual or functional definition of money and to enforce the limits of the chosen monetary social convention through coercion, persuasion, regulation and taxation. Forms of economic, political and social processes that could conceivably be classified as involving money would certainly still continue to exist and evolve outside the prevailing definition, and the state could regulate their scope with varying degrees of success much in the same way as contenders to the legal tender can currently be controlled via varying degrees of integration into the banking system. Despite its practical feasibility, no sovereign authority or a group of market participants that is capable of imposing its own unit of account and a dominant monetary medium is likely to voluntarily surrender some of the social benefits of money creation by transparently specifying the source and limits of its own monetary powers. Thus, it may not be an exaggeration to adopt a variant of Goodhart’s Law for money: any attempt to define money explicitly for analytical or regulatory purposes is likely to render such definitions obsolete through enhanced incentives to develop forms of money that are not captured by the prevailing definition.<sup>1</sup>

What is needed is not a less obviously obsolete description of what money is in its current historically specific or governmentally contingent capitalist manifestation as the breeding of new variants proceeds, but a model that allows the assessment of money’s impact on social relations irrespective of the specific form it

<sup>1</sup> Any possible conceptual distinction between nominal and real definitions of money does not invalidate this observation. Under appropriate regulatory regimes or incentive structures, even the same actors may have an interest in defining certain instruments as money in some occasions and as non-monetary in others.

takes. In other words, the sociology of money needs a theory of what money *should be* if it were to be consistent with a society's publicly professed ideals in other realms of social interaction – a kind of benchmark money that is neutral in terms of its impact on class, community and identity formation – against which the social footprint of actual monetary or near-money instruments can be judged. This paper develops a theory of socially neutral money from the perspective of equitable allocation of newly created monetary media through unconditional basic income (UBI). The specification of 'moneyness' – whether through an exercise of sovereign authority as suggested by the statist or a market-mediated competitive process as implied by many neoliberals and Marxists – and the monetary media which correspond to that definition are politically and socially relevant acts only insofar as they affect the subsequent opportunity structures for producing and obtaining the monetary media. While it may or may not be possible to arrive at a generic definition of money that satisfies most of the contending theoretical perspectives, the social implications of each layer of the monetary hierarchy can be analyzed through the potential asymmetries in access to the production and initial distribution of the monetary media that shape the individual opportunity structures for autonomous social agency. The following sections develop these arguments by exploring the shortcomings of the existing literature on the nature of money, the ultimate source of money's value and the preconditions for socially neutral money.

### **A Fool's Paradise: Some Meditation upon the Nature of Money**

Schumpeter noted that there are 'only two theories of money which deserve the name... the commodity theory and the claim theory. From their very nature they are incompatible' (quoted in Ellis 1934: 3). This theoretical bifurcation gives rise to a conceptual distinction between 'real' and 'monetary' or 'nominal' analysis of economic phenomena:

"Real Analysis proceeds from the principle that all the essential phenomena of economic life are capable of being described in terms of goods and services, of decisions about them, and of relations between them. Money enters the picture only in the modest role of a technical device that has been adopted in order to facilitate transactions. This device can

no doubt get out of order, and if it does it will indeed produce phenomena that are specifically attributable to its *modus operandi*. But so long as it functions normally, it does not affect the economic process, which behaves in the same way as it would in a barter economy: this is essentially what the concept of Neutral Money implies... Monetary Analysis... spells denial of the proposition that... the element of money is of secondary importance in the explanation of the economic process of reality... Money prices, money incomes, and saving and investment decisions bearing upon these money incomes, no longer appear as expressions – sometimes convenient, sometimes misleading, but always nonessential – of quantities of commodities and services and of exchange ratios between them: they acquire a life and importance of their own.” (Schumpeter 1954: 277-278)

According to the commodity theory money emerges spontaneously from the process of economic exchange as the most suitable commodity to facilitate exchange, or, in Marxist terminology, the ‘universal equivalent’ that is exchangeable to all other commodities. Money is seen primarily as a medium of exchange that solves the problem of double coincidence of wants afflicting unmediated barter exchange. In its original metallist manifestation the commodity theory held that the value of money derives from its metallic content that is independent of its form and nominal value as currency. As metal standards have been replaced with ‘unbacked’ fiat currencies, the commodity theory and particularly one of its most faithful exponents, neoclassical economics, has continued to conceptualize money as an “obscuring layer” (Samuelson 1973: 55) or a “veil” (Pigou 1949: 14) of the ‘real’ economic processes without elaborating on the specific mechanisms through which fiat currency obtains its value. In the famous metaphor of Milton Friedman, a helicopter drop is a perfectly feasible assumption on the origins of money when it comes to neoclassical theorizing of money’s impact on the real economy.

The claim theory – including a number of distinct but overlapping analytical approaches from chartalism to the credit and state theories of money – conceptualizes money as a token which obtains its value independently of the specific monetary media that are used to represent it. Knapp described the process through which a ‘chartal’ form of payment – deriving from the Latin word ‘charta’ for ‘ticket’ or ‘token’ (1973: viii) – obtains its value as follows:

“When we give up our coats in the cloak-room of a theatre, we receive a tin disc of a given size bearing a sign, perhaps a number. There is nothing more on it, but this ticket or mark has legal significance; it is a proof that I am entitled to demand the return of my coat. When we send letters, we affix a stamp or ticket which proves that we have by payment of

postage obtained the right to get the letter carried” (ibid: 31).

In contrast to the spontaneous market processes of the commodity theory, the claim theory draws attention to the authoritative foundations of money. In the words of Ingham, money is “a form of sovereignty, and as such it cannot be understood without reference to an authority” (2004: 12). While any form of authority could conceivably facilitate multilateral exchange by establishing ‘moneyness’ through the specification of a common unit of account, historically it has been the state that has performed such functions most effectively. A central proposition of the state theory of money involves the state’s capacity to impose a unit of account and the specific monetary media which correspond to that definition through its taxation powers. Keynes expressed this point as follows:

“The Age of Chartalist or State Money was reached when the State claimed the right to declare what thing should answer as money to the current money of account – when it claimed the right not only to enforce the dictionary but also to write the dictionary. Today all civilised money is, beyond the possibility of dispute, chartalist.” (1930: 5)

Another branch of the claim theory regards the simultaneous existence of debt as a precondition for the existence of money. According to this view, “something can only be issued *as money* if it is capable of canceling *any* debt incurred by the issuer” (Ingham 2004: 12; original emphasis). The claim theory also has a number of more specialized permutations that illustrate the challenges and tradeoffs involved in theorizing money based on specific historically contingent forms of social relations. According to the monetary circuit approach, for instance,

“Money is at all times the liabilities issued by banking institutions which have been endorsed by the state primarily for the purpose of financing the formation of future real wealth. This money has a real extrinsic value because every holder of these liabilities has acquired a claim on the future physical wealth that results from the initial bank credit advances.” (Parguez and Seccareccia 2000: 107)

Research on the social construction of money – while perhaps not deserving the name of a separate theory of money according to Schumpeter – has sometimes been categorized into ‘macrostructural’, ‘microcultural’ and ‘macrocultural’ approaches (Mizruchi and Stearns 1994: 317; Carruthers and Babb 1996: 1559-

1560). The macrostructural view recognizes the structural constraints on social agency: "If money is power... then what is used as money and how money is used is determined by those who control economic resources in a society" (Baker 1987: 110). The microcultural view, in contrast, highlights the diversity of the social motives and contexts inherent in monetary relations. Multiple social meanings may be attached to money by its users, as

"All moneys are actually dual: they serve both general and local circuits. Indeed, this duality applies to all economic transactions. Seen from the top, economic transactions connect with broad national symbolic meanings and institutions. Seen from the bottom, however, economic transactions are highly differentiated, personalized, and local, meaningful to particular relations. No contradiction therefore exists between uniformity and diversity: they are simply two different aspects of the same transaction." (Zelizer 2000: 386)

The macrocultural approach, in turn, expands the analytical framework to the economic, political, social and cultural institutions at the macro-level under the assumption that "money works best when it can be taken for granted and its social construction is hidden" (Carruthers and Babb 1996: 1556).

### **Snapshots of an Evolving Pendulum: Shortcomings of Monocausal Theories of Money**

Much of the existing literature on the nature of money seeks to apply a monocausal explanation for a complex and constantly evolving social phenomenon. No single theory of money can explain why economic actors may sometimes behave as if money were a commodity (e.g. require weighing of gold coins before accepting them as payment), sometimes as if it were a pure token (e.g. accept 'unbacked' fiat currency as payment), and why both the proportion of people who adhere to certain conceptions of money and the degree of their confidence in the legitimacy and naturalness of their views may also evolve through time. Furthermore, as a social relation, there is little evidence to suggest that the evolution of money is a linear process tending towards some more 'advanced', legitimate, or widely accepted notion of money. In the absence of such normative convergence, it is not entirely obvious what precisely the monocausal theories of money aim to

explain and how they plan to deal with the persistent residual empirical inconsistencies.

The structural relationship between the commodity and the chartalist views on money, for instance, has resembled more of an evolving pendulum than a linear process towards a more legitimate or widely accepted form of money. Although the structural features of the pendulum may currently seem to favor the chartalist position, the timing, speed and extent of each swing to the opposite direction have historically been unpredictable. Even in the presumed heyday of the commodity theory, the 19<sup>th</sup> century international gold standard, the preferences of domestic actors with regard to the adoption of the gold standard were far from uniform and challenges to the dominant conception of money were not uncommon (e.g. Broz 1997; Carruthers and Babb 1996). Similarly, despite the recent hegemony of fiat currencies, the commodity view has not been short of influential proponents. The former French president Charles de Gaulle, for instance, regarded gold as “the unalterable fiduciary value par excellence” (quoted in Mylchreest 2006: 34). According to Alan Greenspan, the former Chairman of the Federal Reserve, “gold still represents the ultimate form of payment in the world. Germany in 1944 could buy materials during the war only with gold. Fiat money in extremis is accepted by nobody. Gold is always accepted.” (ibid.)

At least three considerations that are relevant to the contemporary debate on the nature of money arise from the position exemplified by the comments of de Gaulle and Greenspan. First, it is instructive to note how de Gaulle and Greenspan are not concerned about the specific abstract unit of account that according to an influential branch of the chartalist position would define gold’s ‘moneyness’. Although the comments do not preclude the possibility that a money of account is “logically anterior to money’s forms and functions” (Ingham 2004: 6), in extremis, it is the monetary medium that is seen as limiting an authority’s capacity to define a unit of account rather than the other way round. Hence the state’s – or some other dominant authority’s – capacity to create alternative monetary realities is highly asymmetric: while concentrated power may often be able to create temporary monetary hierarchies through its own selective acceptance of different types of claims, it is quite another thing to reduce the attractiveness of other

forms of monetary media that have historically retained their role and value irrespective of specific economic and political power structures. Second, if some of the leading authorities doubt their capacity to achieve the best possible “working fiction of a monetary standard” (Mirowski 1991: 579) without gold, how much faith should others have in such pursuits? The relevant issue here is not whether gold indeed constitutes some natural benchmark towards which all monetary systems eventually gravitate in the absence of particularistic intervention, but the profound and legitimate divergence of opinion with regard to the nature of money regardless of the prevailing historically specific or governmentally contingent forms of monetary relations. Third, even actors with relatively clear impressions of what money in their view is seem to be capable of accommodating or promoting alternative conceptions of money for prolonged periods of time whenever it serves their economic, political or social interests to do so. The parallel existence of different conceptualizations of money and different notions of the top monetary media hence constitutes an integral part of the Weberian economic “struggle of man against man” in which money is “primarily a weapon” (Weber 1978: 108). These observations do not, of course, diminish the utility of any specific theory of money in capturing some aspects of money’s multiple potential manifestations. They do, however, illustrate the futility of the attempt to construct a positivist, monocausal definition of the social relation of money.

Sometimes the striving for a monocausal theory of money may also lead to a loss of explanatory powers in a model’s core field of competence. The central proposition of the credit theory of money – the issuance of money *as* debt – for instance, misses a crucial feature of modern credit money – the issuance of money *against* debt. Whether modern money constitutes debt remains a matter of controversy, but it can hardly be disputed that most of it enters into circulation only against a borrower’s promise to repay, i.e. against another interest-bearing credit instrument or IOU. This practice places the private banking system in the position of a monopoly supplier of the dominant monetary medium, the monetary counterpart of its own credit, which is introduced into circulation only if a sufficiently creditworthy customer is willing to commit to the repayment of another IOU that not only ‘cancels’ the bank’s original liability but also pays inter-

est. The implications go to the heart of the nature of modern credit money. In the case of government spending, money – whether conceptualized as credit or commodity – enters into circulation without a commitment from the end-users to repay with interest. Modern neo-chartalism formulates this point as follows:

“Governments issue money to buy what they need; they tax to generate a demand for that money; and then they accept the money in payment of the tax... If the government wants to, it can let the population trade the money for interest-earning government bonds, but the government never *needs* to borrow its own money from the public. Taxes and bonds, therefore, have nothing to do with financing a government’s spending. They necessarily *follow* spending rather than precede it.” (Wray 2000: 62; original emphasis)

In the case of the private banking system, on the other hand, the introduction of interest-bearing liabilities into circulation in conjunction with money creation is non-discretionary. According to the credit theory of money, money gets its value from the issuers’ commitment to accept their own money in settlement of debts. Yet if the issuance of money automatically involves the creation of borrower IOUs that exceed the value of the money that is put into circulation, the issuers can gradually increase their control over economic activity within a given monetary space that effectively lacks a permanent money supply. Thus, the price of membership in a given debt-based monetary space, far from providing a neutral solution to the problem of double coincidence of wants, approaches infinite for a substantial portion of its members in the form of interest payments on unrepayable loans. The conceptualization of money *as* debt does not capture this crucial insight, which is independent of the specific form of money as long as money is issued *against* interest-bearing debt.

Perhaps the most diverse of the ‘snapshot’ theories of money, the micro-cultural view entailing nearly infinite potential for the social variability of the meaning of money, largely overlooks the role of the prevailing power structures in shaping the social meanings of money and fails to apply its findings to the intertemporal evolution of the dominant notions of money. Structural political and economic power shapes the opportunity structures for the formation of social relations and guides the evolution of the dominant conceptualizations of money. Hence the fact that local currencies, for instance, “have been viewed as a coun-

terweight to global capitalism... as an important tool of local economic development... and as a vital means of ‘community-building’” (Dodd 2005: 560) may well have more to do with the prevailing economic and political power structures than some innate propensity of these communities to experiment with peripheral and often isolated monetary spaces. Furthermore, the same logic of the cross-sectional variation in the social meaning of money applies, perhaps even more forcefully, to intertemporal variation in the dominant patterns of monetary relations. Both the dominant monetary manifestation of a specific kind of social relation and its degree of dominance over alternative forms of monetarily mediated social relations evolve through time. While multiple meanings of money may co-exist in the collective consciousness indefinitely, some of them are likely to be more dominant than others at each point in time. The capacity for such profound self-transformation through evolving politics, economics and psychology implies that money as a social relation is hardly reducible to an apolitical, stationary set of monetary functions from which social actors can tailor the most appropriate monetary instruments for each social context. The positivist quest for a single definition of money may therefore be interpreted as a symptom of misidentifying the problem: the lack of a generic definition of money does not entail a failure of research, but the success of politics.

### **Measuring the Social Footprint of Money: A Matter of Distribution**

The positivist penchant for monocausal theorization of the forms of social relations which each historically contingent power structure has attempted to dub ‘monetary’ has diverted attention away from both the logical limits of the concept of money and normative analysis of what money should be if it were to be consistent with the society’s publicly professed ideals in other realms of social interaction. The corresponding policy problem involves two conceptually distinct dimensions: the selection of the specific combination of technical functions from the universe of social relations regarded as ‘monetary’ and the identification of the logical and practical preconditions for performing all of and nothing but the selected combination of functions. Perhaps nowhere else is the neglect of particu-

larly the latter question as obvious as in the alleged separation of distributional considerations from some of the technical functions of money.

Distribution is logically endogenous to money's function as a medium of exchange. In order to perform its function as a medium of exchange, money must be where the exchange is taking place – physically or symbolically. If money is to neutralize personal relations (Heinemann 1987) or to act as a “generalised medium of communication” (Luhmann 1973, 1988; quoted in Schrader 1994: 13), the monetary media which allegedly perform such functions must be available to every individual who has the capacity and the willingness to engage in multilateral exchange in real terms without preconditions that would affect the nature of the exchange. Whenever disparities exist between the rules governing the allocation of the actual goods and services that are to be exchanged in the market and the distribution of the monetary media that regulate the access to and the cost of multilateral exchange, the form of exchange that money mediates diverges from the multilateral exchange of goods and services. The prevailing practice of forcing the members of the monetary space to borrow into existence the bulk of the money supply against interest-bearing debt, for instance, effectively eliminates the possibility of neutral multilateral barter of goods and services: it is the rules governing the issuance and circulation of the “value of things without the things themselves” (Simmel 1978: 121) – the price of the socially constructed gatekeeper for social interaction involving some of the technical functions of money – which determines each individual's ability and willingness to engage in multilateral exchange rather than their capacity in real terms to do so.

The closest feasible monetary approximation of the logic of undistorted multilateral exchange might involve either the issuance of the monetary IOUs at each transaction on a mutual credit basis or the debt- and interest-free delivery of the monetary media to the members of the monetary space who would spend them into circulation. Even in the latter case distribution would remain intimately linked to money's role as a medium of exchange. For the sake of the argument, suppose that after a number of transactions which all members of the monetary space recognize as perfectly neutral and legitimate one individual ends up holding all of the community's money supply. Under such circumstances money may

have ceased to perform its function as a medium of exchange for the overwhelming majority of transactions. The community as a whole may have a normative preference for maintaining money's function as a store of value at any cost in terms of its capacity to act as a medium of exchange<sup>2</sup>, but one would expect to find evidence of a conscious choice for such a preference in the social contract establishing the monetary system as the gatekeeper for social interaction involving some of the technical functions of money. Furthermore, such a social contract would merely establish the possibility of successive monetized market transactions to extinguish much of money's function as a medium of exchange: it is the specific combination of money's functions that is evolving as a result of changing distributional patterns rather than the mere allocation of the monetary media within some hypothetical fixed set of functions. If the community has *some* preference for money to act as a medium of exchange, distribution is endogenous to money's 'technical' functions.

Not entirely unlike some of its more positivist social scientific disciplinary peers, sociology has often focused on the romanticized notion of monetized barter exchange involving monetary media of unspecific origin and distributional patterns deemed to fall outside the purview of sociological analysis without identifying the analytical preconditions for such a situation to emerge or the intimate interconnection between the excluded variables and the research problem. Money can never be neutral in terms of universal agreement on the specific combination of functions that it is performing at each point in time – even in any imaginary 'formal' sense that a long tradition of sociologists have used as an intellectual disguise for positivism. The selection of the 'neutral' combination of potentially contradictory technical functions for money is a thoroughly political process, whether or not explicitly recognized as such. The nature of any potential decision which might permit politics to end and 'monetary' analysis to begin – or the politics of the social construction of money to graduate into politics of the management of money – is contractual: a result of a social agreement to treat the inbuilt economic, political and social biases of the prevailing forms of money as 'neutral'. It has been argued throughout this paper that such social agreement has never ex-

<sup>2</sup> It is debatable whether a social relation which excludes a significant number of individuals from monetized market exchange – no matter how neutral or legitimate the process leading into such a situation might be – should be referred to as money.

isted, is unlikely to ever exist, and any appearance of such has more often than not been preceded by and associated with coercion rather than 'trust' in the universal optimality of the selected combination of money's functions. Consequently, the best that monetary analysis based on the assumption of autonomous, consenting agents can strive for is to identify the conditions under which autonomous agents might either be indifferent between belonging to different types of monetary spaces or, particularly in the case of forced membership, possess the maximum amount of freedom to construct the most meaningful social relationships involving some of the technical functions of money. While any specific monetary system may introduce distinct types of distortions to the logic of multilateral exchange, the economic, political and social effects of such distortions are channeled through the distribution of the monetary media. Even in the hypothetical case of a genuinely neutral medium of exchange – perfectly mimicking the incentive structures for the multilateral exchange of goods and services in real terms – distribution would remain intimately related to the medium of exchange function of money with profound implications for other potential functions of money. The monetary system's social footprint – the extent to which money shapes rather than merely reflects social relations – will thus manifest itself through the distribution of the monetary media irrespective of the prevailing notions of money. Rendering the cyclical confidence game of money neutral through a social contract to recognize a specific combination of monetary functions as 'neutral' – or perhaps non-neutral but inevitable for pragmatic reasons to facilitate monetized market exchange – would require first and foremost a theory of distribution independent of the specific forms that the monetary media may take.

### **Towards a Theory of Socially Neutral Money: Equitable Distribution as a Facilitator of Social Agency**

A sociologically relevant theory of money must thus address at least two concerns: what distinguishes money from the universe of all conceivable forms and combinations of social relations and how the production and distribution of the monetary media should be governed to minimize social externalities. The first

question can be reformulated as follows: how much influence can a monetary system have on social relations before it becomes misleading to describe it as money? In comparison, due to their pervasive social externalities, it would hardly be appropriate to analyze slavery primarily in terms of its impact on the employment rate of ethnic minorities or to regard colonialism primarily as a free trade policy. In both cases it would be factually incorrect to deny the possibility of analyzing these phenomena in terms of the chosen variables, yet the relevance of such analytical frameworks would undoubtedly be questioned. The functions that are most commonly associated with money – medium of exchange, unit of account and store of value – can be performed in any combination by an infinite set of technical arrangements, which can have widely different social implications. None of the existing theories of money adequately engages a crucial question that would go a long way towards a sociologically relevant definition of money: under what conditions does ‘moneyness’ dominate other forms of social relationships that could be better described by some other adjective than ‘monetary’?

In order to minimize the social distortions introduced by any given monetary system, access to the existing and newly produced monetary media should follow as closely as possible the community’s rules and norms governing other realms of social interaction. An individual’s capacity for autonomous social agency is maximized when the monetary system exerts minimal influence on her freedom to construct social relationships involving some of the technical functions of money. In a community that values the autonomy of each individual as an end itself, such freedom would entail distributing newly created monetary media equally among the members of the monetary space – a form of UBI, albeit in a rather narrow sense as the size and the timing of the payments would depend on the chosen monetary conventions and policies.

Irrespective of whether the money supply is conceptualized as a stock of the most tradable commodity or abstract purchasing power giving rise to the “virtual wealth” (Soddy 1926) of the community – an imaginary form of wealth over and above the total value of the community’s real assets, which persists as long as a sufficient number of people do not try to convert their money holdings into real assets – access to newly created money cannot be monopolized by any single ac-

tor or group of actors if the monetary system is to maintain its social neutrality. As Schumpeter noted, all forms of money are ultimately backed by “the only final means of payment, the consumers’ good” (1954: 321). Asymmetric access to newly created monetary media would entail unequal access to monetized market exchange irrespective of each individual’s ability and willingness to engage in such exchange in real terms. Once specific media have been designated as ‘monetary’ – or the gatekeeper media for social interaction involving some of the technical functions of money – social neutrality requires that newly created monetary media are equally distributed among the members of the monetary space. Any non-egalitarian initial allocation of the monetary media would redistribute capacity for autonomous social agency *before* any of the technical functions of money have been fulfilled through monetized market exchange, producing pre-market inequalities that would violate the social contract establishing the monetary media as neutral facilitators of social relations involving some of the technical functions of money.

As was noted earlier, insistence on the primacy of the store of value function of money over its role as a medium of exchange is a logically coherent position, albeit potentially requiring enhanced transparency of its underlying assumptions on the nature of desirable social institutions. If some redistribution is nonetheless to be undertaken to enhance money’s capacity to perform its function as a medium of exchange, several technical arrangements could achieve such an objective. One of the simplest arrangements, with intriguing implications for the entire economic system, would involve the combination of issuing all newly created money debt- and interest-free through UBI and instituting a corresponding demurrage tax on money. In its most conservative form the amount of newly created money distributed into the economy through UBI would be precisely matched by an equal tax on the existing monetary balances. If, for example, newly created money corresponding to 6% of the value of the existing money supply is annually distributed to the economy through UBI, a tax of 6% per year, charged sufficiently frequently to enable smooth circulation of the currency, would be adopted to maintain the money supply stable. In order to accommodate a growing economy’s need for additional monetary balances, the value of the newly cre-

ated money distributed through UBI might have to slightly exceed the tax on money, e.g. an annual UBI of 9% of the money supply and a 6% tax on money for a non-inflationary<sup>3</sup> money supply growth requirement of 3%.

The idea of a negative interest rate – or a demurrage charge – on money is often traced back to the work of the German economist Silvio Gesell (e.g. 1958). In the original Gesellian scheme the tax on money was to be implemented by periodically attaching stamps sold by the monetary authority to currency notes to maintain their face value. With the current information technology and reduced use of cash the implementation would be simpler, as most of the tax could be deducted directly from bank account balances and the discounting of notes could be done automatically at the time of payment based on each note's issue date. Everyone would have some guaranteed capacity to take advantage of the 'trust' and 'neutrality' embodied in the social institution of money as a medium of exchange and, provided that the demurrage tax is applied to all monetary and possibly near-money instruments, the incidence of the demurrage tax might fall mainly on the relatively privileged who would already have had ample opportunity to monetize their share of the real claims to neutral multilateral market exchange.<sup>4</sup> The amount of the periodic redistribution would reflect the community's preferences with respect to the relative importance of the store of value and the medium of exchange functions of money<sup>5</sup> – and potentially a wide range of eco-

<sup>3</sup> Whatever one may think of the desirability or effectiveness of discretionary monetary policy, the proposed combination of demurrage tax and debt- and interest-free money creation through UBI is potentially a much *more* effective tool in controlling inflation or preventing the potential economic or social side effects of credit contraction than the tools currently available to central banks to restrict or to encourage private credit creation. Instead of trying to indirectly influence profit-maximizing credit creation by the commercial banking system, the relevant monetary authority could control the precise quantities of money that would quite literally be put into people's pockets at each point in time as well as the precise quantity of the 'reflux' of money from the demurrage tax.

<sup>4</sup> Incidentally, imposing a tax on money could also make a practical contribution to the ongoing debate on the nature of money by helping to clarify the distinction between money and other types of financial instruments. The more frequent the transactions between money and a certain type of financial instrument under the enhanced incentives for such transactions to avoid the periodic tax on money, the more likely the financial instrument in question is to constitute money or near-money. Hence the coverage of the tax could be gradually expanded to different types of financial instruments to achieve the desired economic, political, social, ecological or 'technical' effects.

<sup>5</sup> In the long-term the monetary system cannot significantly deviate from the natural laws which govern the physical reality that money is supposed measure, suggesting that the size of the demurrage tax on money and the associated redistribution might have to be

conomic, political, social, ecological or 'technical' objectives which are beyond the scope of this paper. Irrespective of what the choice regarding the potential redistribution would be, any sociologically relevant inquiry into the 'nature', 'concept', 'definition', 'theory' or any other cognitively compartmentalized dimension of money must recognize the logical preconditions for the fulfillment of the chosen combination of potentially contradictory monetary functions.

The suggested benchmark for social neutrality does not imply homogeneity. Every type of monetary system favors certain types of transactions and forms of social interaction over others, and it is ultimately the task of the democratic process to determine the number and nature of the monetary spaces in any given polity. The aim is to maximize each individual's capacity to tailor monetarily mediated social relations with the desired mixtures of meaning by eliminating from each monetary system features that are not directly relevant to the selected combinations of money's functions. The relevant criterion for submitting oneself to the division of labor in a given monetary system becomes the meaning that one can derive from the interactions with other members of the monetary space rather than the coercive need to compete against others resulting from the extra-monetary features of debt-based monetary spaces.

The benchmark for socially neutral money thus refocuses the attention of social scientific inquiry on money from the post-Methodenstreit neglect, neutralization and positivist obsession with monocausal conceptual refinement back to its own intellectual home turf by analyzing social relations through the concrete experience of actual social agents. While the presumably enhanced conceptual sophistication of money following the cross-breeding of various monetary and near-money instruments may be obvious only to a relatively small group of specialists who are often not in the losing end of such developments, the social implications of even the plain vanilla credit money may be abundantly clear to monetarily less sophisticated social actors. With a socially neutral initial distribution of the monetary media and the abolition of the private banking system's privileged access to state money at the top of the monetary hierarchy, financial innovation would be likely to become more of the 'tin disc' variety as outlined by Knapp as opposed to the present breeding of 'financial weapons of mass destruction' as the

substantial enough to reduce the relative attractiveness of the store of value function of money to the level of physical goods.

legendary investor Warren Buffet called derivative instruments. Irrespective of whether the proposals briefly outlined here prove to be the most suitable practical approximation, the definition of socially neutral money is not an abstract intellectual exercise, but a precondition for a more detailed and relevant sociological analysis of money: if the initial allocation of the monetary media is not socially neutral, more detailed situational analysis of the social roles, meanings and functions of money will merely reproduce the structural biases of the actual system of allocation.

### **Concluding Remarks**

There are no technical reasons why the conceptual ambiguities and paradoxes of money should inhibit research on the social footprint of each historically specific or governmentally contingent monetary system. Socially neutral money would maximize each individual's capacity to select the most meaningful forms of monetary relationships for each social context. As there is little reason to assume that the monetary adaptation of Goodhart's law will lose its applicability in the foreseeable future, any analysis of the social consequences of different types of monetary systems cannot ignore distributional considerations. In Weberian terminology, as money may always remain a "weapon" in the economic "battle of man against man", the insight that can be gained from a purely technical analysis of the latest hardware in such a social arms race is clearly limited. What matters the most is not the technical evolution of the social weapon of money, but the changes in social relations that the use of such weapons may bring about. It is not obvious why the more socially oriented social sciences should rely on any other discipline for methodology or conceptual guidance in developing and articulating such analysis.

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