

Breaking the Walls Surrounding Money

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My name is Anne Kervers. Today I present my research on money. I will quickly provide you with some background to give you a better understanding. This research is ignited by the following observation: technologies and other means to transition towards a more sustainable world are widely available, yet we are facing an existential climate crisis today. Why aren't these sustainability measures not implemented? An important reason is a lack of money. Imagine that sustainability transitions had been profitable, there wouldn't be a climate crisis today. Instead of looking what might be wrong with the technologies, I decided to look into money itself. I don't claim money is the sole reason for climate breakdown, merely that to sincerely act on the climate crisis we need to introduce other designs of money too.

However, it's difficult to have this discussion today because the topic of money is surrounded by walls of assumptions. In my presentation I will first describe these walls, then argue why they need to be brought down and subsequently give some suggestions on how to do this.

1. One of the most fundamental assumptions of mainstream economics is that money is neutral. The European Central Bank claims that "The neutrality of money is a widely accepted and empirically validated proposition in the economic profession" (2011, *Monetary Policy*). It seems as if money exists a priori to human society. Money appears to be like rain: whether you like the way it works or not, it's a fact of life that you can't do anything about it.
2. In reality, money is more like technology than nature. It resembles bikes more than it resembles rain. Money can be designed in many ways, and different designs of money have different corresponding arrangements of price and return. Just like the type of bike to a certain extent affects your ride. Yet the image of money as natural persists. The origin of money is rarely discussed in economic programmes, the history of forms of money and their effects on society is rarely discussed and commercial banks refer to themselves as financial intermediaries. The hegemonic design of money today doesn't even have a name. It has become the only money imaginable.

3. What does the hegemonic design of money look like? First, the design of a money is to a large extent defined by how money is created and how it's distributed. The euro, dollar and almost all other national currencies may have different names, they all adhere to this same design. Let's call this design of money 'conventional money' for now. It's the money we all use day in day out. Conventional money largely consists of bank deposits, which are interest bearing debt created by commercial banks. More than 95% of new money is created as bank deposits today.
4. So conventional money has become an implicit assumption. Without knowing, we continuously accept the terms and conditions of conventional money. We don't account for the choice for conventional money in economic theories, in government policies or business models. But assumptions function like walls constraining the grid through which you can perceive reality. You hit a wall, and it seems it's a dead end. Subsequently potential solutions can't be accessed. Today there is an existential urgency to break these walls surrounding money. It's the climate crisis.
5. Introducing other designs of money is a leverage point in transitioning to a sustainable economy. I argue that the design of money affects what sort of economic activity is more or less likely to take place. Design of conventional money complicates implementing sustainability transitions. I will list four reasons here.
 - A. Commercial banks are profit driven. Therefore they create money for that which generates the highest return. In the market the price of a good approaches its exchange value. Goods and services that are self-contained and homogenous fit the market logic best and therefore generate high economic return. Sustainability transitions don't fit the logic of the market, and therefore can't be financed through creation of money.
 - B. Conventional money on the basis of profitability drives commodification. This means focusing on the crop only, all other forms of life, relations and entanglements related become waste, usually indicated as 'externalities'. This generates the highest financial return on the market, but it strews the planet with ruins as well (Tsing 2015). Besides from not allocating financial resources to sustainability transitions, design of conventional money drives unsustainable use of the natural world.
 - C. Money creation based on profitability also privileges commodity-based solutions that technology offers, and eschews solutions that are abundantly available. An example of a different design of money to solve this issue is the following: Instead of using quantitative easing to float assets of stock-listed companies and increase inequality, public money creation, which is basically what quantitative easing is, can

be employed to bring newly created money into circulation by financing planting trees.

- D. Conventional money is designed such that commercial banks only create the face value of a loan. To pay interest the borrower is obliged to grow the borrowed sum of money. In a monetary system with a dominant role for conventional money, interest put an endless growth imperative on society. This endless growth, in turn, becomes sickness in a closed system such as planet Earth and it means we are in competition with each other over money.
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- 6. Conventional money is designed to facilitate or privilege distribution by the market, instead of government or commons. Maybe we are moving past market fundamentalism, it's logic is still embedded in the money we use each day, and this constrains how it can be employed.
 - 7. Chantal Mouffe defines political questions as questions that require making a decision between conflicting alternatives. I argue that design of money is a political question as well. To be able to act on the climate crisis with lucidity, we need to consciously decide what design of money is used best.
 - 8. So, we need to unmute money. I think academia can take its role by acknowledging, teaching and researching the following three:
 - A. make a taxonomy of designs of money by researching the history of designs of money, and the effects of these designs on societies
 - B. the current practice of money creation and how this procedure of money creation affects the lack of money for sustainability transitions.
 - C. monetary ecosystems. The contemporary situation with a single currency is historically exceptional. An important step is to develop economic models dealing with multiple currencies.

References

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