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AN INVESTIGATION OF THE SOCIAL AND CREDIT THEORY OF MONEY, FOCUSING ON THE CONTEMPORARY SITUATION OF MONETARY SOVEREIGNTY

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ABSTRACT

This paper explores the fundamental importance of sociality to monetary sovereignty, investigating the apparent contrast between the state and the market in theories of money. Sociality deserves attention given the recent increase since the 1990s of denationalised, regional and, more recently, crypto currencies, which are different from legal tender. First, we examine the classification of metalism and chartalism, that is, the commodity theory of money on one hand and the chartal theory of money on the other (Section 2). The former has been dominant in the history of economic thought, focussing on catallactics, or the function of money as a medium of exchange, while the latter lays more importance on the function of money as a means of payment and relies on literature in history and anthropology. We then concentrate on the meaning of the institution of payment and debt, with which a person can participate in the society to which he/she belongs (Section 3). People's belief in the perpetual validity of this institution is indispensable for monetary sovereignty. Further, we investigate the idea of the social credit given a hundred years ago, when the trust in this institution and the state itself was severely lacking, as an important application of the sociality of money. In conclusion, we show that sociality among people, embodied in the existence of monies and currencies, cannot be reduced to the market nor to the state.

KEYWORDS

chartalism, monetary sovereignty, means of payment, crypto currency, social credit

1. INTRODUCTION

This article investigates the validity and possible extension of the meaning of the social and credit theory of money, taking our contemporary situation of monetary sovereignty into consideration. Since the birth of the first major crypto currency, Bitcoin, in 2008, then called ‘virtual currency’, relevant literature in the social sciences has tended to classify it as a denationalised currency. The original idea is often attributed to F. A. Hayek’s 1976 treatise on the denationalisation of money. This contribution was not the only one, but we can still cull many ideas and implications, after more than 40 years, by investigating the text and its context¹.

Since the 1990s, the former block of socialist states has collapsed, and the process of globalisation has accelerated. The international system, constructed mainly with liberal, capitalistic nation-states, gradually faced the contradiction and dilemma with the reality of free markets, which exceeded the border of sovereign nation-states. Additionally, the European Union developed from the European Community with a concrete plan for realising a common currency. These were factors that accelerated the denationalisation of money. At the same time, there were attempts to indicate the importance of ‘the social and communal’ to be left behind, which seemed to have also supported the take-off of regional currencies. Parallel to these, technological developments have opened a huge area of digital transactions.

Further, more recent attempts for quasi-states utilising some crypto currency reveal a sort of dream, or ‘pure (anarchist) wish-fulfilment’ (Goodhart 1999, p. 413), of community or free area of law and order, independent of the usual state or the government. Crypto currencies seem to be a symbol of a new and independent community or republic for the planners of such attempts². It is certain that these attempts would remain a luxury hobby of wealthy people if they kept avoiding serious elaboration of their stance towards the nation-states to which they belong and towards the international frame of political and economic institutions. However, we have to perceive in it some sign of people’s more general desire to become free from our existing political and economic institutions.

Here, we investigate theories of money to explain such diversification as denationalisation, regionalisation or digitalisation of monies and currencies³ since the 1990s. In our understanding, these phenomena require clarification of the relationship between nation-states and money and the meaning of monetary sovereignty, as well as a reconsideration of the common contrast of state and market in market-centred economic theories. We consult with historical and anthropological literature in an interdisciplinary approach (Gilbert and Helleiner (ed.) 1999, Wray (ed.) 2004). It is also beneficial to consult the typology of theories and thoughts on monetary singularity and plurality (Blanc et al. 2019), but we rather focus on the unbalanced strength of the political institutions of singular money and on the possible methods of conceptually loosening it. The importance of the sociality or social aspects of money then emerges, which does not necessarily contradict with state authority. In this connection, we will briefly argue the characteristics of the modern monetary theory (MMT), which has recently been receiving much attention.

2. RECONSIDERATION OF THE CONTRAST OF THE STATE VS THE MARKET

2.1. Two main conceptions of money and the meaning of metalism

To begin, we follow the distinction of two main conceptions to grasp money in the history of economic theories: according to the terminology of Goodhart, the commodity theory of money, or metalism/M-theory, stands against the chartal theory of money, chartalism/C-theory⁴. Goodhart explains that M-theory has been supported by many eminent economists, while C-theory, though it ‘arrayed a more motley, fringe group of economists, such as Knapp (1905) in Germany, and Mireaux (1930) in France and (most of) the post-Keynesians in the UK and USA’ (p. 408), has rather been supported by other disciplines dealing with the origin of money, such as anthropology, history and numismatics. Goodhart explains that C-theory therefore has a historically rigid foundation and can explain diverse monetary phenomena, such as the emergence of some non-national currencies, multiple currencies in one nation-state and the expansion of strong currencies beyond the boundaries of the sovereignty of a nation-state⁵. Certainly, there have been many different paper monies issued by private and public institutions, with two dominant coins of silver and gold until the 19th century (Gilbert and Helleiner 1999, p.4). Only after the creation of some ‘nationally homogeneous and standardized currency’ (Ibid., p. 6) became encouraged and central banks became established

around the beginning of the 20th century did the legitimacy and hierarchy of the authorities face inquiry. The situation with diverse monies and currencies, not a singular currency in one state, was rather normal in the broad course of history.

Goodhart further elucidates that those economic theorists who support either the metalist or commodity theory of money tend to reject the other option. Here, we check the basic meaning of M-theory, the commodity theory of money or metalism being included in this category. In a frame of reference in the history of economic theories as outlined by Schumpeter in 1954, we can see how metalism was connected to the commodity theory of money⁶. There had long been practices and theoretical discussions by scholars about metalism and anti-metalism from the age of Plato to the 19th centuries, but according to Schumpeter, it was Knapp who devised the precise terminologies of metalism and chartalism.

The commodity theory of money is denoted in two stages. First, according to Schumpeter, 'it is logically essential for money to consist of some commodity so that the exchange value or purchasing power of money is the exchange value or purchasing power of that commodity, considered independently of its monetary role' (Schumpeter 1954/1994, p. 288). In modern times, only gold and silver have normally been used, resulting in the term metalism, though any commodity (or commodities) could have been used⁷. Then, with this theoretical metalism, practical metalism was introduced as the principle of monetary policy 'that the monetary unit "should" be kept firmly linked to, and freely interchangeable with, a given quantity of some commodity' (Ibid.), supporting the institution of the gold or silver standard with the usage of gold or silver in history.

We notice that, with this takeover of Knapp's terminology, Schumpeter intends to avoid M-theory's common and favourite explanation that 'since ... the theory of money derives directly from the logically prior theory of barter, metalist theories are ... catallactic theories of money (to exchange)' (Ibid., pp. 288-289). He is critical of catallactics or the barter theory of bargaining. As the catallactic explanation was the main point used to support the commodity theory of money, we have to look into the characteristics of this catallactic thinking. In our view, there are some unconscious assumptions in M-theory related to a faithful focus on exchanges in the markets.

2.2. The contrast of the state and the market in M-theory

Market theorists were and still are used to the alternative judgement between the freedom of the market and the intervention of planning by the state. For their positive stance towards the ideal of competitive, transparent, neutral and effective markets, any intervention into or direct control of the market by any political power is one of the main causes of malfunctioning in the economy and of digression from the equilibrium. However, this distinction, approximately corresponding with the political conflict between free market and state- planning in the Cold War period, seems to hinder the main point of C-theory, that the existence and the role of the state does not necessarily contradict with the social aspects of money, which we would like to emphasise.

For M-theory, it has often been assumed that the state and social/credit theory of money are mutually opposed, according to the contrast of trust and credit toward the state, that is, toward some upper authorities on one hand and trust and credit among members of a society on the other. Hayek, a prominent market theorist, criticises the abuse of the prerogative or privilege of making money and monetary arrangements by the government, quoting Knapp (1905) as the origin of this clarification. According to Hayek, creditors began to be forced to accept legal tender because it was issued by the state. He hence asserts the liberation of such privilege to free markets, contrasting the trust for 'private money' (Hayek 1976/1990/2014, p. 48)⁸. By private money, Hayek means specific money issued by private banks under market competition, and he explains its reasonability: 'the threat of the speedy loss of their whole business if they failed to meet expectations would provide a much stronger safeguard than any that could be devised against a government monopoly' (Ibid.). In this view, people's trust and credit is directed towards the self-regulating force of market competition between private banks: supreme value is laid on market competition, independent of any political authorities in principle, even though private banks are practically and institutionally supported by the central bank and, eventually, also by the state as the supreme integrators of such institutions.

In fact, we have experiences showing that similar contrast between the state and the society or community, though not the market, concerning the money issue was practically emphasised since the first flourish of plans and practices of non-national currencies around the interwar period in the 20th century, for which Hayek was a witness. People had to survive a period of post-catastrophe after the destruction of almost all institutions by the First World War, then the crisis caused by the Great Depression and the Second World War. In such circumstances, people were faced with destitution and, the normal confidence in the system of nation-states or the validity of legal tender could not be sustained. As a result, the whole ordinary monetary process stopped functioning. Hayek mentioned that there appeared several advocates for free money or similar plans, as ‘they (the advocates) wanted more money’⁹, or, more precisely, other money.

For example, the contrast or contradiction between the state and the society or community was endorsed by a famous attempt to issue a sort of special currency in the small town of Wörgl in Austria, which Hayek, as an Austrian contemporary economist, must have also heard about at that time. Around 1930, the mayor of this town was faced with the misery of the people¹⁰. He therefore, being aware of the idea of ‘Schwundgeld’ or shrinking money, the decline of its value over time as proposed by Silvio Gesell, and also an attempt at applying it in the Bavarian village of Schwanenkirchen, decided to issue a ticket of certification in exchange for people’s labour to construct some infrastructure in the town, which he himself had prepared. This ticket of certification of labour with declining value over time urged people to buy daily necessities, which drastically helped to recover economic circulation in Wörgl. Evidently, this ticket was a sort of local currency, defined in a different way to avoid becoming illegal with the issue of any currency different from legal tender in Austria. The mayor did not intend to revolutionarily destroy the state-based monetary system.

However, it was forbidden by the national government of Austria after less than a year over the state’s fears that this local currency in substance would disturb the functioning of legal tender and, eventually, the state’s political power and control. It might have been because Wörgl’s success in overcoming the economic crisis with the ticket of confirmation of labour attracted wide attention, including among economic theorists like I. Fisher¹¹. In any case, this example shows that the contrast between the state and the society or community is highlighted by such attempts, and the state authority would not permit the existence of anything similar to but different from legal tender. However, the distinction between society, community or market, which all stand against the state, remains ambiguous in such a concrete, non-theoretical example.

The issue of money or currency is essentially political in nature (i.e., ‘money is politics’¹²), and we have to investigate more in detail what this politics of money means. The state would not surrender the monetary prerogative, as an essential component of sovereignty, to anyone, but such sovereignty stems from the entrustment of the nation (the people) in the institution of the nation-state since the modern period. Catallactic theory and market analyses are devoid of political considerations so that we must leave these and proceed to the concept of monetary sovereignty in the political and social context. As will be examined further, the meaning of money cannot be reduced to the functioning of markets (Aglietta and Cartelier 1998/2012, p. 203) as it historically and conceptually precedes the existence of market exchange.

2.3. The conception of state power in finance: A brief look at MMT

Here we add one more point of conception that state sovereignty cannot be dissolved into the role of government. In our understanding, the mere introduction of government as one of the economic actors and of governance in the sense of intervention into consideration is not enough to clarify the meaning of the state itself as the institution for the theory of money.

For example, an inquiry by Friedman and Schwartz, two prominent market theorists, into the role of government in money¹³ explicitly demonstrates this point. It was a scrupulous argument on the possibility of leaving monetary and banking arrangements entirely to markets, and their theme was to investigate the issue of ‘competition versus government monopoly’ in the creation and control of money. Their motivation was to examine the function of government via whether and how well it could contribute to the minimisation of transaction costs to make markets and money work. They began with the introduction of the rise of ‘the theory of public choice’ and of ‘the rational expectations approach’ becoming popular since the 1980s, to show their motivation¹⁴.

As this shows, market analyses in general presume that decision-making by the government can be analysed in the same way as that of other economic subjects and agents. The government is supposed to pursue the same economic rationality, that is, the essential logic of the market. However, then the government cannot possess any unique position in the economic structure and cannot be bestowed sovereignty.

What deserves attention in this inquiry is that the authors discussed the role of money only as a medium of exchange and as a unit of account and did not take the role as a means of payment into consideration. It might have been because, for them, there seemed to be no difference between the actions of payment and exchange.

However, it is the very aspect of money as a means of payment for which the sovereignty of the state matters: the monetary process of minting and weighting coins or the institution of money 'was made into a pillar of the sovereign state' (Goodhart 1998, p. 413, Huber 2017, pp. 35-56), with the money being utilised initially as a means of payment for uses such as wergild, bride price and religious occasions.

Further, this is the very point of emphasis of the MMT, which advocates C-theory. For example, L. Randall Wray, one of the main theorists of MMT, claims that 'the sovereign government alone has the power to determine which money of account it will recognize for official accounts....Further, the sovereign government imposes tax liabilities (as well as fines and fees) in its money of account, and decides how these liabilities can be paid—that is, it decides what it will accept in payment so that taxpayers can fulfill their obligations....Most modern sovereign governments make payments in their own currency and require tax payments in the same currency' (Wray 2015, pp. 43-44). In MMT, 'the main purpose of the tax system is to "drive" the currency' (Ibid., p. 5).

In this sense, the sovereign government or the state is not only an actor to take each concrete policy measure, including monetary ones, but rather the integral institutional body itself, trying to exercise the power of domination through finance by its legal tender, that is, issuing it and withdrawing it from circulation after letting the economic activities of the people work freely and productively. MMT in substance points to this inability of M-theory to grasp the meaning of state sovereignty.

We do not agree with MMT any further because it does not lay much importance on the diversification of monies and currencies, including crypto currencies. For example, to the question of whether Bitcoins are money, MMT explicitly answers negatively. For MMT, money means only something that can be used for obligatory payments, or, in short, for tax payments. MMT purports that people do not 'need Bitcoins to make any obligatory payments. And no Bitcoin issuer is required to take them back. Bitcoins are not redeemable' (Ibid., p. 139). In this way, MMT excludes any currencies, communal, social, regional, digital or crypto, that are different from legal tender. MMT takes this stance because it, together with the idea of tax itself as a driving force, proposes a 'job guarantee' system by the government for all those who are in the nation-state: According MMT, it is only the state, neither private citizens nor enterprises, that rescues people in suffering, unemployment in the depression, for example.

In this sense, MMT's view of the state strangely resonates with the tendency of M-theory to emphasise the contrast between the state and society, despite MMT's explicit reliance on C-theory. We focus instead on the complementarity of the state and society and separated meanings of society and community from the market in the next section.

3. MONETARY SOVEREIGNTY FOR SOCIETY AND FOR SOCIAL CREDIT

3.1. The meaning of charta or token as a means of payment reconsidered

According to Schumpeter (1954), theoretical and practical chartalism are defined only indirectly as the corresponding negatives of theoretical and practical metalism. However, originally, Knapp defined the term chartal as follows; 'Our means of payment..., whether coins or warrants, possess the...qualities; they are pay-tokens, or tickets used as means of payment....It is only necessary that we recognize this sign-bearing object as a legal non-pensatory means of payment. Perhaps the Latin word "Charta" can bear the sense of ticket or token' (Knapp 1905/1924, p. 32). Hence, money is just a means of payment without any intrinsic value. As we already discussed in the previous section, C-theory has firm historical and anthropological examples of the existence of such means of payment.

Graeber further gives us a concise explanation, focussing on the concept of debt and attributing the starting point of genealogy to this work by Knapp (1905)¹⁵. Admittedly, Graeber's stance in principle was to accept both M-theory

and C-theory to have existed in history. He states, mentioning an article by the economic anthropologist K. Hart in the 1980s on the 'two sides of coin', 'Thus money is almost always something hovering between a commodity and a debt-token. This is probably why coins... still sit in our heads as the quintessential form of money....the relation between the two was a matter of constant political contestation' (Graeber 2011, p. 75).

With this reserve, Graeber unequivocally lays more importance on C-theory, the approach which he found heretical, showing the relation of money as a means of payment to the concept of debt. He introduces Knapp's argument that money 'arose not as a medium of exchange but as a unit of account (and secondarily, means of payment), specifically, as a way of assessing and levying tax payments' (Graeber 2009, p. 110). Money is a way of managing debt. He summarises that 'money did not arise from individual actors trying to maximize their material advantage, but rather from public institutions aiming to calculate and manage social obligations: that money arises, in effect, from debt' (Ibid.). This leads to Graeber's view that the origin of money is the bond of debt¹⁶.

What is more, money is seen as a calculative tool for social obligation. The indebtedness to someone is social in itself, but it must be accounted or calculated quantitatively for payment¹⁷. From the perspective of the state theory of money, we can see that the state created money and arranged monetary processes as a means of balancing moral accounts¹⁸.

On the other hand, from the perspective of the social and credit theory of money, it is significant that each payment does not mean the end of social relations but rather the confirmation of a payer's belonging to some community. Here, the focus is on the meaning of payments for the community to which a payer belongs, or for collective humanity. Hart explains that money is memory and a 'memory bank' in the sense that it is 'a store allowing individuals to keep track of those exchanges they wish to calculate and a source of economic memory for the community....In this sense, one of money's chief functions is remembering' (Hart 2009, p. 100)¹⁹. Graeber adds that it is 'a way of keeping track of the exchanges which we enter into with the rest of humanity' (Graeber 2009, p. 109), quoting Hart and providing a footnote that the very word money was derived from memory, the temple of Juno Moneta or the goddess of memory and mother of the muses.

The social and credit theory of money emphasises this point. The social aspect of money does not oppose the state theory of money but rather is complementary to it. Money as a means of payment is accepted only because each person in a transaction believes, maybe unconsciously, that others will also accept it. In order to maintain such chains of belief or collective belief (Orléan 2004) in the longer run, however, the existence of the state power to authorise it has played a considerable role. Furthermore, if such chains of belief connect the people in question to the markets in which they participate, such markets turn out to be dependent on state power. Graeber concludes that the dichotomy of the market and the state is false: 'States created markets. Markets require states. Neither could continue without the other, at least, in anything like the forms we would recognize today' (Graeber 2011, p. 71). In this way, the roles of the society, markets and the state seem to be complementary. However, we must emphasise again that the mutual dependence between people in the formation of such chains of belief cannot be reduced to the market equilibrium. In order to clarify this point, we have to elaborate the function of money as a means of payment connected with another function of money, as a medium of storing value to be used as social credit.

3.2. The focus on the aspect of means of payment in crypto currencies

Before going further into the conceptual consideration of social credit, we make a small detour and pay attention to the fact that recent increases in digital transactions have also strengthened the shift of the focus on money as the means of payment, apart from that of exchange. For example, the authors of a Fintech report from the International Monetary Fund published in July 2019 focus on digital money as a means of payment. They show keen interest in the upcoming birth of Libra²⁰, a kind of crypto money planned by the social networking service Facebook and classified as digital money employed for payment now and in the near future²¹.

In the report, the authors emphasise that emerging, new means of payment urge economists to reconsider the social implication of payments. It is all the more remarkable because their main suggestion is that central banks should play a role in this unstable situation:

'Economists beware! Payments are not just the act of extinguishing a debt. They are...an interaction between people—a fundamentally social experience. If two people use the same payment method, a third is more likely to join. And, yes, payments can be fun, more fun, at least, in e-money and i-money than in paper bills. Emojis, messages, and photos, or perhaps a customer rating, cannot be sent with a mere debit card payment!' (Adrian and Mancini-Griffoli 2019, p. 8).

The only thing to remember here is that the checking mechanism of block-chain technology in itself requires the existence of other past transactions, so that no single transaction can be completed only between the two parties in question, even with crypto currencies²². Taking this into consideration, we can re-read the meaning of the statement, 'If two people use the same payment method, a third is more likely to join'. It implies that there should be some common reference for the payment when there are two people completing a transaction, so that further participants could possibly join. Such an aspect is not new but essential for the belief in the use of any money²³.

The authors optimistically indicate that payments are becoming much more surrounded by tools of sociality for networking effects, messages, photos and emojis. We do not need to exclude the possibility of such 'instrumental' sociality of networking between equal subjects. However, we would like to emphasise a more historical, old-fashioned kind of sociality and communality, that is, one that presupposes unequal power between parties. It is the sociality related to our consciousness of personal indebtedness to others, which can be given back by the action of payment. It is the sociality related to the transfer of power to social governments, though not necessarily those of nation-states. These kinds of sociality are the main conceptual constituent of 'trust' to others and the indispensable element of any money and currency, even digital or cryptographic currency.

3.3. The meaning of sociality in social credit: The power of people to be together

Here we explore sociality shown as the collective power to utilise credit for people's sake. It is sociality as the power of the people to be together and store their social value. We examine the plan of social and real credit in the UK around the interwar period, by C. H. Douglas and the Guild Socialists close to him, as a guide. Here we can find the social aspect of money, one that makes a community's credit-power effective.

Admittedly, Douglas and the Guild Socialists sought the realisation of alternative (guild) socialistic or communistic state systems of politics and economy, and their attempts were against, or at least contrasting with, the state or the government in question at that time (Hutchinson and Burkitt 1997). However, it does not matter for us now to see whether and how it was planned to make a whole revolution²⁴. As is evident, the creation of credit or of endogenous money is in principle independent of the power and authority to decide and issue currency as a unit of account and as a means of payment. However, Douglas and the Guild Socialists noticed that banks and financial institutions in reality had often been on the side of the state and proposed the idea of reconsidering the nation's (people's) sovereignty around credit and money, in opposition to the vested interests of the state and financial institutions.

For social credit theorists, money was seen again as a 'ticket system', which granted the right to participate in the economy, like railway tickets to take a train. They noticed that money could take the form of credit convertible into cash and that credit was the driving force as the capacity to pay money. Then they classified it into the two categories of 'financial credit' and 'real credit'. According to Douglas, real credit was 'the effective reserve of energy belonging to the community' and the potential capacity of the community to deliver goods and services as demanded. It was constituted of natural resources and the 'common cultural heritage' of communities and regions. Here, cultural heritage refers to the results of labour, skills, knowledge, inventions and technological innovations that have been produced communally through past generations²⁵.

In contrast, financial credit is defined as the ability to deliver or pay money as and when demanded. It is designed to set in motion and direct real credit, but normally it is administered by the banking system and financial institutions for the purposes of private profit. Douglas and the Guild Socialists argued that new money should not be created as 'debt' by private interest but rather as 'credit' on behalf of the community as a whole (Hutchinson et al. 2002, p.129). Indeed, their main target of criticism was the private bank's credit-creating function, or 'the present system of unregulated currency and credit, administered in their own interests by international groups of financiers and super industrialists' (Douglas 1919, p.369). Douglas thought that 'the potential real wealth of society is communal in origin, and should therefore be subject to the control of the entire community' (Hutchinson and Burkitt 1997, pp.

40-41). Financial credit should also be seen as communal property, not a vested interest of financial institutions, and be a device through which the real credit of the community can be utilised. They sought this end as the socialisation of credit-power:

'We are not accusing the Financial Power of malignant hostility to society, though its effects are such as to make the charge plausible. The effect is inherent in the separation of Real Credit from Financial Credit...And the chief purpose of the present Scheme is to restore to the community the full use of Financial Credit as a necessary instrument towards the full use of its Real Credit' (Douglas 1919, p. 166).

The idea of social credit planned on the foundation of cultural heritage of respective communities and regions, which could be accessed by everyone within them, is essential here. It came to support the proposal of a universal national dividend, a non-work-related, non-means-tested income, to every individual composing the community, including those who had been excluded from the trade unions, such as woman, the unemployed, agricultural labourers, non-unionised workers and outworkers of all kinds. Each individual is a 'tenant for life' of the cultural heritage handed down through the generations (Hutchinson and Burkitt 1997, p. 61). According to this idea, the national dividend should be distributed as a form of 'Treasury Notes' directly issued by the government or the local authorities. These notes are a ticket that guarantees the individual the ability to participate in the economy.

It is clear that the social credit scheme is a critique of 'labourism', which is a dominant ideology that money should be the confirmation of individual labour or effort. The originality lies in the criticism of the doctrine that only labour and employment entitle an individual to life. The refusal of the right to a national dividend necessarily leads to a denial of 'the social nature of the heritage of civilization' (Ibid., 57). In this case, we can find more thick or substantive sociality or communality of money than recent new currencies show.

Given such an idea of social credit and sociality in general, we can come back to the concept of monetary sovereignty. In our political and economic institutions of nation-states since the modern era, we have entrusted sovereignty around our money to the state, which gives legitimacy to the state to authorise money and to integrate banking and financial institutions. With this entrustment, we can concentrate on market activities and also on the economic theory of market analysis in our ordinary life. However, once such entrustment becomes doubted and endangered as a result of, for example, crisis, we can come back to the fundamental principle that the sovereignty originally lies in people or society.

4. CONCLUSION

This article investigates the meaning of the social and credit theory of money, taking our contemporary diverse situation around monetary sovereignty into consideration. We first examine the contrast of metalism or the commodity theory of money (M-theory) with chartalism or the chartal theory of money (C-theory), mainly in reference to precursory literature in history and anthropology. Most economic literature has relied on the contrast of the state and the market and views the function of money as a medium of exchange. However, from the perspective of C-theory, another function of money as a means of payment becomes much more important for understanding social implications and also social aspects of debt. With this perspective, it becomes unnecessary to highlight the opposition of the state and society too much. The idea of social credit has turned out to be suitable for analysing diverse monetary phenomena and currencies different from legal tender, including crypto currencies, as a recently emerging means of payment. Having investigated social aspects of monies and currencies, we conclude that the sociality among people embodied in the existence of monies and currencies cannot be reduced to the market nor to the state.

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ENDNOTES

¹ One of us recently made an investigation into the context of Austrian schools (Nakayama 2018).

² For example, an attempt since 2008 by libertarian members of the Sea-Steadying Institute to make self-governing, floating cities, taking the environmental sustainability of the sea into consideration, was planned to procure necessary infrastructure by getting crowdfunding via crypto currency <https://www.seasteading.org/> (last accessed on the 31st December 2019). One of the main promoters of this idea is P. Friedman, a grandson of Milton Friedman. In 2017, the organisation concluded an agreement with the Polynesian government to form one of these cities in the Polynesian Sea by 2020; the attempt was aborted within a year. Another attempt has been made to form the 'free republic' of Liberland near Serbia, utilising crypto currency <https://liberland.org/en/> (last accessed on the 31st December 2019). The planners first announced the acceptance of Bitcoin as a national currency before deciding to create a new, different crypto currency; however, this has not been clearly viewable on their site until now.

³ The term money is wider in the meaning than the term currency: the former includes the function of money as storage of value, while the latter includes only the function as a medium of exchange and a means of payment.

⁴ Goodhart (1998) classifies the two theories as M-theory and C-theory, implying metalism and chartalism, following the orthography of Schumpeter (1954). We use more common terms metalism and chartalism here.

⁵ Additionally, Goodhart discusses, in the latter half of the article, that the theory of optimal currency area (OCA) could not sufficiently analyse the spatial domain of money or the boundary of the sovereignty of nation-states because OCA just follows the reasoning of transaction cost minimisation. Goodhart insists on the indispensable meaning of state sovereignty to discuss monetary issues in this way.

⁶ This part remains unfinished by Schumpeter and was reshaped later by the editor so that some confusions and unsuitable terminologies are included in the text. Rosselli (2012, p. 1353) indicates that Schumpeter was not certain whether to identify metalism with the commodity theory of money. Here we discuss Schumpeter's idea, following his logical reasoning.

⁷ Schumpeter adds that it was the case, though the term 'was not strictly correct' (Schumpeter 1954/1994, p. 288).

⁸ Hayek was not explicit on whether to support M-theory, but at least he was true to the Austrian School of Economics, the founder of which, Carl Menger, was one of the typical advocates of commodity theory of money.

⁹ Hayek mentioned Silvio Gesell as an agitators for a free money and paralleled the plan of Major C. H. Douglas, H. Rittershausen and Henry Meulen (Hayek 1976/1990/2014, p. 14).

¹⁰ There are several precursory works about this attempt, and Broer (2013) gives us a detailed description and analysis. We would like to express our sincere gratitude to the Unterguggenberger Institute in Wörgl for instructing the literature. In 2018 a documentary film, *The Money Maker: The Experiment of Michael Unterguggenberger* (*Der Geldmacher: das Experiment von Michael Unterguggenberger*), was broadcast in ORF in Austria in December of 2018. We were able to watch it via YouTube in 2019.

¹¹ Fisher wrote an article in 1933 on stamp scrip using, the examples of Wörgl and Schwanenkirchen as a measure against the economic crisis in the US (Fisher 1934, p.134).

¹² In the documentary film on Mr. Unterguggenberger, this was stated by someone in the Austrian government.

¹³ Friedman and Schwartz's (1987) article is included in an anthology of Schwartz with the theme of historical perspective, which seems to be the most far-reaching attempt to come close to the interdisciplinary method.

¹⁴ The theories of public choice and rational expectations clarify that activities in public and political areas could also be similarly analysed under the assumption of the profit maximisation and cost minimisation of responsible actors.

¹⁵ Graeber's (2009, p. 110) article can be seen as a short version of his voluminous work *Debt* (2011), and it is certain that he summarises the issue here to some extent. He puts some emphasis on the importance of Karl Polanyi. In fact, Polanyi investigates the semantics or meanings of money in the perspective of comparative market analysis and describes many examples of payment of debt in history to show how it can be done in the absence of exchange (Polanyi 1957/1968, pp. 197 -203). On the other hand, in *Debt* (Graeber 2011, p. 54-55), Graeber cautiously argues Keynes' stance on M-theory and C-theory, mentioning Keynes' treatise on money.

¹⁶ Graeber ascribes this view to Michael Innes, who wrote about it as early as in 1913 (2009, p. 11). There is a volume to be devoted to Innes (Wray 2004) in which the C-theory of money is much discussed.

¹⁷ In this sense, Graeber criticises those who attribute the idea of debt to the fact that everyone is born in a society and hence with a set of obligations. He believes that the view of society as a single totality is imaginary. This is a criticism of the primordial concept of debt as argued by Aglietta, Orléan, Théret, etc. (Graeber 2009, pp. 117-121, 2011, pp. 56-62).

¹⁸ Graeber compares money to the ideal of justice for the state (Graeber 2009, p. 111).

¹⁹ Interestingly, the recent block-chain technology for the confirmation of transactions by crypto currencies clarifies that 'money is memory' once again. Hart (2009) describes that the monetary procedure has been becoming 'less on a face-to-face basis than as bits on a screen' (Hart 2009, p. 100). It is not explicit whether he refers to crypto currency with this statement.

²⁰ The date of publication of this report was close to one meeting of finance minister and central bankers of G7 (held in Chantilly, France), and they concluded that currencies like Libra could be included in the financial system only with the highest regulatory standard. The views shown in this report do not necessarily represent the formal views of IMF, as is explicitly stated, but such a report with international authority has influence on the general atmosphere toward (or rather against) Libra and other non-national monies, drawing the attention of the public.

²¹ They classify five categories of money as a means of payment: (1) central bank money, (2) crypto currency, (3) b-money, which currently is issued by banks, (4) electronic money or e-money, offered by new private sector providers, and (5) i-money, short for investment money, issued by private investment funds. (1) and (3) are money in our common and traditional sense, but (1) possibly includes the central bank digital currency (CBDC), and (3) is commercial bank deposits with their fixed value redemption backstopped by the government. (2), (4) and (5) are characterised as emerging new players, and Libra is placed in (5) as a tangible example.

²² Even the original idea of the founder of Bitcoin was to enable two parties to transact directly without any third party (Nakayama 2018).

²³ Supiot explains this as follows: 'Money can...never be absorbed into a standard economic analysis. This is because, in order to fulfil its function of...means of payment, it must necessarily establish a community of contracting parties who believe in its value' (Supiot 2007, p. 96).

²⁴ Actually, their plan was not directly for revolution either. It was utilised for the Draft Scheme for the mining industry in 1920, known as the Douglas Credit Scheme (Douglas 1921). Since around that time, Douglas with his cooperative planner, A. R. Orage, began to use the term social credit separately from financial credit as a kind of credit that is privately controlled, and their plan gradually became to develop the social credit movement.

²⁵ 'The early Victorian political economists agreed in ascribing all "values" to three essentials: land, labour, and capital. But it is rapidly receiving recognition that, while there might be a rough truth in this argument during the centuries prior to the industrial revolution consequent upon the inventive period of the Renaissance, and culminating in the steam engine, the spinning-jenny, and so forth; there is now a fourth factor in wealth production, the multiplying power of which far exceeds that of the other three, and which may be expressed in the words of Mr. Thorstein Veblen as the "progress in the industrial arts". Quite clearly no one person can be said to have a monopoly share in this; it is the legacy of countless numbers of men and women, many of whose names are forgotten and the majority of whom are dead. And since it is a cultural legacy, it seems difficult to deny that the general community, as a whole, and not by any qualification of land, labour or capital, are the proper legatees' (Douglas 1924, pp. 56-57).