

What is Money?

“In recent years, many economists have been reluctant to use the word ‘money’. If one is very clever, it is indeed possible to talk about monetary policy without using the word ‘money’.”

“... It is a striking fact that as economics has become more and more sophisticated, it has had less and less to say about money”

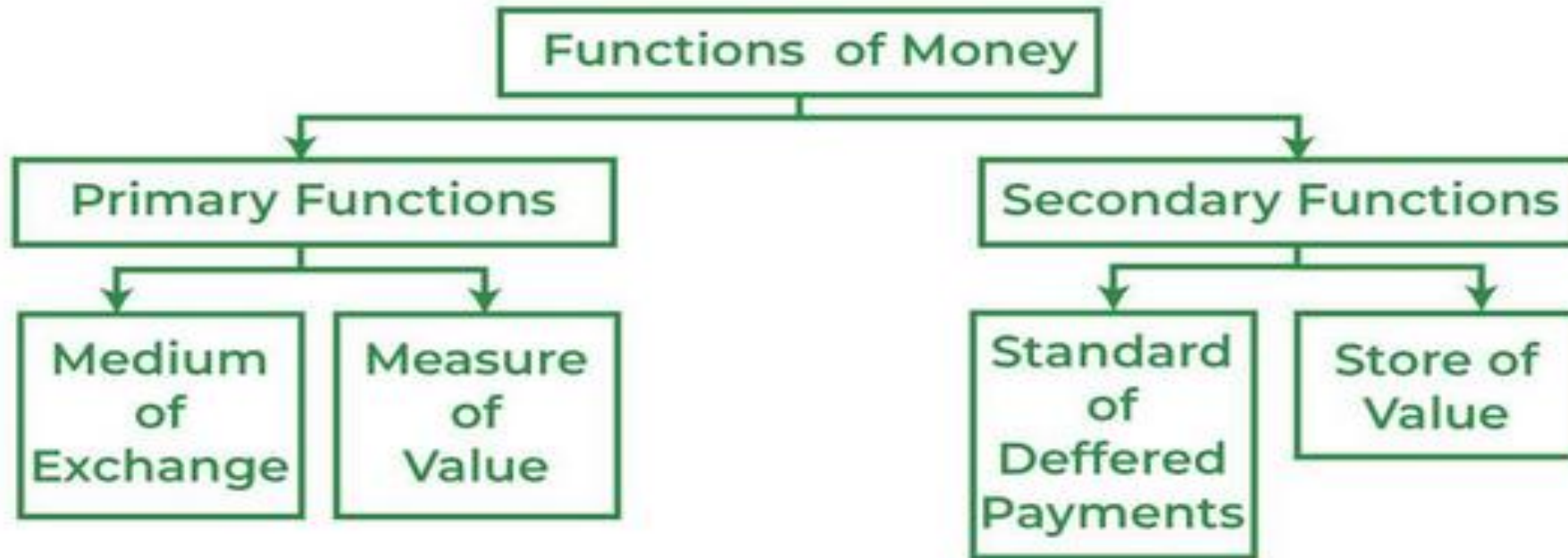
Mervyn King, *The End of Alchemy: Money, Banking and the Future of the Global Economy*, London, Little Brown, 2016, p 78.

Earthlings and Martians*



English role play suggested by Kate Rowe

The 3 (or 4) functions



Source: [Geeks for Geeks](https://www.geeksforgeeks.org/functions-of-money/), retrieved 12 September 2024.

What is money? Narrow and Broad Money



- M0 – cash (& reserves at central bank)
- M1 = M0 plus cheque accounts (sight accounts)
- M2 = M1 plus savings accounts
- M3 = M2 plus larger deposits, institutional money market funds, other larger liquid assets

The Barter Society?

Yap currency stone



STONE MONEY OF UAP, WESTERN CAROLINE ISLANDS.

(From the paper by Dr. W. H. Furness, 3rd, in Transactions, Department of Archaeology, University of Pennsylvania, Vol. I., No. 1, p. 51, Fig. 3, 1904.)

Felix Martin: [short video about Yap stones](#).



D.H. Robertson, “Anything which is widely accepted in payment for goods or in discharge of other kinds of business obligation, is called money.”

Felix Martin - money needs:

- A notion of value
- A system of accounting
- A legal framework

Money Matters – Or Does it?

Mercantilists
Wealth



Smith – wealth comes from goods and services – all commodities can be money

Keynesian/heterodox economists
Money has real consequences – short to medium term

Monetarists (Lucas)
Money is neutral

Aglietta & Orléan: primary social institution

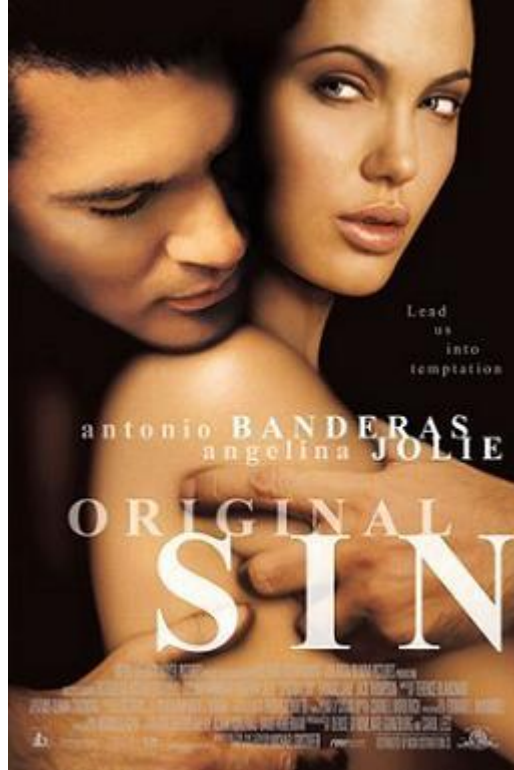
La Monnaie entre VIOLENCE et CONFIANCE (2002)

Money mediates class struggle

But it is essential for exchange to occur

A key social bond (*lien social*)

Are you an original sinner?



Not all money is good money! Gresham's law "legally overvalued currency will tend to drive out undervalued currency" OR good money drives out bad money"

\$ € £ ¥ SFR

What about?



Felix Martin

- Money vital to social stability
- Freedom
- Can allow social mobility



"the best way to destroy the capitalist system [is] to debauch the currency."

Characteristics of “good money”

- Stability
 - Ease of use
 - Help growth
-
- What are the objectives of the Federal Reserve?

Trust: How is the value of money guaranteed?

- Legal tender – how is it established and guaranteed
- Government use (taxes and payments)
- No counterfeiting 😞
- Bank regulation – regulation of deposit-taking institutions
Most money in our society is created by bank lending

But... everyone wants easy money

- Debasing gold – since the Romans 😊



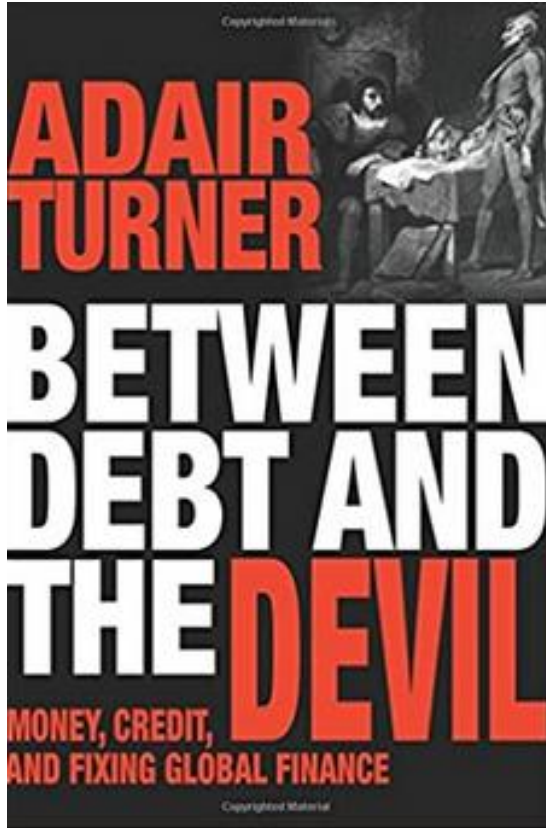
Financial speculation



Money growth and credit are vital to economic growth

Housing and consumer credit are new – but have been essential to present-day society.

Adair Turner, *Between Debt and the Devil*, 2015



“There are no perfect markets, and there can be no perfect planner...

“... irrational equity markets can still produce socially useful by-products: the NASDAQ boom and bust left us with the companies of the Internet.”

Policy should seek to limit divergence of markets from social optimality

Margin Call: “Bits of paper” & “Fat cats and starving dogs”



<https://www.youtube.com/watch?v=LtFyP0qy9XU>

Yuval Harari: Money is the best story ever told



Money is the best story ever told | Yuval Noah Harari and Lex
Fridman

https://www.youtube.com/watch?v=y9v7d6_lg2c