

CHARTALISM, STAGE OF BANKING, AND LIQUIDITY PREFERENCE.

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The Chartalist approach has been criticized by several authors for its lack of generality and its inconsistency. For example Rochon and Vernango contend that “modern money is chartal” but claim that money “has been credit money for a longer period” (Rochon and Vernango 2003, 66). For them, historical evidence shows that the Chartalist view concerns a special case because states were able to put their grasp on the monetary system only very recently. In addition, the authors show that sometimes private agents played an important role in the greater acceptance of state money-things. They, then, go on to argue that the Chartalist view of money is based on a monetary creation process consisting of multiplying state money. Other authors, like Davidson (1978, 1994), have joined these preoccupations by arguing that chartal money is very recent (because related to the notion of “State”), and that uncertainty and legal tender are central to the explanation of why money is demanded.

The following shows the Chartalist approach can face all this criticisms and already include them. The simple fact that a distinction between chartal and credit money shows a misunderstanding of the chartal view: chartal money is credit money in nature. All money-things are IOUs whatever their issuers (private or public). Before going further, it is, however, important to distinguish among the unit of account, money-things and IOUs. IOUs (liabilities, credit instruments) are recognition of debts issued by debtors to creditors. Money-things (monetary means of payment) are IOUs that are generally transferable and generally acceptable. The unit of account is what money-things and IOUs are denominated in. IOUs (including money-things) can be created by both the private and the public sectors. Both sectors can interact in their creation, the government copying what the private sector did and inversely. On the contrary, the unit of account is always defined by an authority.

1. What is the meaning of “Chartal”?

In their article, Rochon and Vernango seem to understand “Chartal” as synonymous with “state.” For them, credit money-things are not chartal means of payment. This actually goes against Knapp’s contention, that a private “bank-note is a chartal document” (Knapp 1924, 132), and that it is the “Chartal money of a pay-society or group which is not the State” but a “privately issued means of payment,” as long as the state does not accept it in payment (Knapp 1924, 145). If one looks at the Oxford Dictionary, the following definition of charta is given:

From the latin *charta*, or *carta* papyrus, a leaf of papyrus, paper, a paper, writing, document. Adptation from the Greek *χάρτης* a leaf of papyrus or paper. The common medieval Latin for legal writing, charter.

1. In Old English form, *carta*: Paper, letter. (Later only as Latin). *Obsolete* (1000AD).
2. A Charter. *Also used figuratively*

Knapp provides an equivalent definition when he states that Charta “can bear the sense of ticket or token” (Knapp 1924, 32).² The state, however, plays an important role in defining what is chartal. Indeed, chartal means of payment have to “be valid by law, but also must be made in a definite external form, which has previously been precisely laid down [by law]” (Knapp 1924, 132). Tokens have to be easily recognizable *via* specific characteristics defined by law, and “legal ordinance gives a use independent of [their] material” (*ibid.*, 32). Thus, “money is a creature of law” (*ibid.*, 1), and, because the state is “guardian of the law” (*ibid.*, 39), money is a creature of the state. As Keynes stated:

“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” (Keynes 1930, 4).

As we will see below this does not start with the emergence of Nation States: “this right is claimed by all modern states and has been so claimed for some four thousand years at least” (*Ibid.*, 4). Already in Babylon, the palace defined what money was. All that is necessary is that an authority defines what the law is. Therefore, it is true that chartal money is state money in the sense that the state (or more broadly an authority) defines the monetary system. However, credit money-things—privately issued means of payment—are also chartal. Chartal money means token money. In addition, once the state has defined what money is, an explanation of the acceptance of money-things (both state and private) is still to be provided.

Thus, the concept of chartal money does not refer only to state money-things. The aim of the adjective chartal is to show that, contrary to the metalist view, the acceptance of money-things (or more broadly IOUs) does not rest on the material used or on legal tender laws (Innes 1913, 406; Knapp 1924, 95; Wray 1998, 53; Goodhart 1998; Bell 2003). The capacity of an issuer “to acquire credits,”³ as Innes says, and his agreement to accept back his IOUs in payment are the factors that make his IOUs able to circulate. Stated alternatively, the acceptance of IOUs does not rest on anything else but the expected capacity of an issuer of IOUs to make the latter reflux, *i.e.* to make his IOUs scarce (relative to the demand for it). Thus:

All coins [are] tokens and [...] the weight or composition [is] not regarded as a matter of importance. What [is] important is the name or distinguishing mark of the issuer. (Innes 1913, 382)

The value of a credit depends not on the existence of any gold or silver or other property behind it, but solely on the ‘solvency’ of the debtor, and that depends solely on whether, when the debt becomes due, he in his turn has sufficient credits on others to set off against his debts. (*Ibid.*, 393)

In 1972, Minsky contended that: “Any economic unit can emit liabilities; the only problem is to secure general acceptance for them.” (Minsky 1972, 39). *A priori*, this statement seems quite strange but this is what happens all the time in the financing and funding process. Banks and other financing institutions accept IOUs of private non-banks agents in exchange for their own IOUs that are generally transferable—“money-things.” Banks do not issue any debts “on themselves” as it is sometimes stated; banks are dealers in debts and exchange their for the one of non-banks private agents, in doing so they are at the center of the clearing system.

2. Implications

The above has several implications. One of them is that the notion of “chartality,” as Knapp put it, applies both to private and public IOUs. All IOUs are chartal because their demand rests on, first, the promise of the issuer to take it back in payment (the issuer of an IOU “is pledged by law to accept it for a payment of that amount” (Knapp 1924, 134)) and, second, on his/her capacity to get credits and so to implement his/her promise. More precisely, it is necessary to make a difference between the acceptance of IOUs (and so their capacity to circulate at low discount) and their value (their purchasing power).

The acceptance of the IOUs of non-bank private agents by banks rests on the *expected* capacity of the former to “acquire credits” (Innes 1913, 393) upon, i.e. “to force cash flows” (Minsky 1986a, 71) from, others. Stated alternatively, the acceptance of IOUs rests on the capacity of their issuers to acquire and to deliver the things their IOUs promise to deliver. Indeed, the creation of IOUs (and so money-things) is a leveraging process that provides money now for money later. Banks create IOUs that promise to deliver central bank IOUs on demand or after a period of time, non-bank IOUs promise to deliver bank money. Concerning central-bank IOUs, their acceptance rests on the expected capacity to levy taxes (the perceived ‘threat’ by the public that the government will levy taxes on them). As Innes said, the simple imposition of a tax-liability does the trick, no taxing may be necessary (Innes 1913, 398, Wray 1998a).

The *actual* capacity to acquire credits determines the value of IOUs. Indeed, money-things are debts, therefore, they must be able to reflux when required so that the relatively scarcity of money-things is preserved. For banks, the scarcity of their IOUs depends on their capacity to fulfill their promise and to deliver central bank IOUs on demand. For central bank IOUs, their value¹ depends on the capacity of the government to implement the taxes, or other obligations, their previously imposed. Therefore, in total, the value of money “is maintained by the need to make payments to banks and Treasury by debtors and taxpayers” (Minsky 1986c, 4). And, putting together the acceptance and value of bank IOUs, Minsky concluded:

“Why is ‘bank money’ accepted? [...] the answer comes in two steps: any bank dollar is convertible at par into any other bank dollar, and a significant set of units are committed to earn bank dollar in order to fulfill their obligations on debts that are owned by banks. Bank dollars are valuable because units are operating in the economy to get bank dollars so they can pay bank debt and in the process destroy bank dollars.” (Minsky 1985, 16)

The role of the reflux mechanism is, therefore, very important and directly related to the fragilization process of the financial structure. Money-things, because they are debts (promises to pay back), must reflux. If there is no reflux, there is a refinancing process that leads, at the macroeconomic level, to inflation or, at the international level, to a depreciation of the currency (Minsky 1979, 1986b). Speculative and Ponzi finance are thus prone to inflationary pressure because the reflux is either partial or nil. In addition, the lower the expected reflux, the harder it is to make an IOU acceptable and so the harder the lending conditions are for the issuers concerned.

Both elements are essential for both private and public IOUs. Of course the higher the expected capacity to acquire credits, the higher the acceptance of an IOU. Private agents, like banks, create IOUs that promise to deliver central bank liabilities on demand, and promise to accept theirs back as payment. Non-bank units create IOUs that promise to deliver bank liabilities and, by law, agree to accept theirs in payment. If both bank and non-bank agents cannot fulfill their promise, their IOUs become worthless. This also applies to the state: the value of state IOUs rests on the capacity of the state to levy, if necessary, the taxes it implicitly imposed when it issued its IOUs (no taxing or other method of withdrawing state IOUs from the system may ever be necessary if economic agents demand all the existing stock of IOUs and are ready to save all the new amount created). In addition, the fact that the state agrees to take back its IOUs in payment make them widely accepted if at least one

¹ And, consequently, the value of all other IOUs; central bank IOUs being at the apex at the pyramid, implying that all other IOUs are leveraged upon them (directly or indirectly).

person is indebted toward the state. If an issuer of IOUs does not make them scarce, either by removing the excess of IOUs or increasing the desired saving of other agents, they become worthless and this leads to an inflationary process.⁴ Stated alternatively, the value of the IOUs of an issuer depends on what must be done to obtain them: if there are plenty and if the issuer has few credits, his IOUs are not scarce and this is inflationary.

Second, the law, *via* legal tender law or *via* the guarantee of convertibility in the legal tender, does not guarantee the general acceptance of an IOU (i.e. its capacity to circulate at no discount) as Knapp made it very clear:

Even the bank-notes and Treasury bills would continue to be used at their face value, though their convertibility had been abolished, but, of course, only if the State maintains the position that those pieces will be received at public pay offices at their face value” (Knapp 1924, 176).

Thus, once the state has defined what the chartal means of payment are, “the value of the [things] is [still] left unconsidered” (Knapp 1924, 32). Davidson argues that the fact that “the State will enforce in lieu performance, a monetary payment for any damages to be made to the aggrieved party” (Davidson 1994, 100), and the assurance by the state of the convertibility of private IOUs in legal tender, guarantee the general acceptance of private IOUs (Davidson 1994, 104). This forgets about the fact that if a private unit defaults on its IOUs, the acceptance of them is reduced to zero in the future: the private unit cannot issue IOUs again, or its acceptance is highly diminished (stricter conditions of acceptance are set). In addition, even if the convertibility is guaranteed *at par* in legal tender, this still does not explain why agents agree to take the intrinsically worthless legal tender in payment: why do they feel less insecure by knowing that the state will give them legal tenders if the other party fail? The answer is because that they are sure that they will be able to pay back the state with it if they are indebted toward the state (whatever the payment they have to make, taxes or others). What is really important for the acceptance of an IOU is that the issuer agrees to take it back in payment, and the expected capacity of the issuer to acquire payments. If another person than the issuer accepts the latter’s IOU in payment, then its acceptability is increased; and if it is the most creditworthy issuer (usually the state) that accepts it, the IOU becomes money-things. As Davidson recognized elsewhere:

Thus as long as transactors are law abiding, the internal medium of contractual settlement is not only whatever is declared to be legal tender by the State, but also anything the State or the Central Bank undertake to accept from the public in payment of obligations or in exchange at fixed for legal tender money. (Davidson 1992, 96).

Clearly a legal tender is not necessary for the moneyness of state IOUs and some private IOUs: only state's acceptance matters. This is all the more the case the necessity of legal tender laws runs against the facts: today there are not legal tender laws in the Eurozone; before 1862 in the U.S. and 1870 in France, there were no legal tender laws. To repeat, legal tender and convertibility can be provided by the government but this is not what make the IOUs (private or public) accepted, and so not what gives them value.

A third implication of this analysis is that the transferability (acceptance) of IOUs is hierarchically determined. At the top of the pyramid are the IOUs of the most creditworthy issuer. These IOUs are at the core of the monetary system because the value of all other IOUs ultimately rests on the former. Today, the central bank liabilities are at the top of the pyramid. Below this are the liabilities of banks⁵ and banks use central bank liabilities to clear their credits/debits among each other. Below this are the non-bank liabilities issued by non-bank financial institutions and by private agents like enterprises (commercial paper, bills of exchange) or households (Mr. X's IOUs issued to bank Y). The lower we go in the pyramid, the lower the transferability of an IOU (the harder it is for an issuer to make his/her IOUs accepted). Only the generally transferable IOUs are money-things, and these are defined what IOUs the state accepts in payment. All other IOUs will be exchanged at a discount which increases with lower acceptance (Innes 1914, 155), there are not money-things. Here again legal tender as nothing to do with the existence of money-things:

What form part of the monetary system of the State? [...] Nor can legal tender be taken as the test, for in money systems there are very frequently, kinds of money which are not legal tender. (Knapp 1924, 95)

A fourth implication is that money-things are not necessary to the financing of the economy: all that is necessary is that someone is able to create "*ex-nihilo*" an IOU and that someone else is ready to accept it. Trade credit represents this case, as Davidson (1965 [1991], n. 11) recognized. This was well understood a long-time ago by Innes (1913) and is put forward again by Gardiner (2004) and Ingham (2004a): as long as creditors are ready⁶ to wait until some of their borrowers bring back IOUs of the creditors in payment, there is no need for money-things even if a money (unit of account) is still needed (Tymoigne 2003a).

A final important implication concerns the unit of account. The setting of the unit of account has always been the privilege of a powerful authority, and, actually, it cannot be otherwise (Ingham 2000, 2004b). By determining the unit of account, the authority also has the privilege, if necessary, to determine the IOUs at the top of the pyramid. The Babylonian

Palace and the Egyptian kings did not issue any money-things. The recording of debts on clay tablets or papyrus (non transferable credit instrument) held in the temple and palace was enough. Later, monetary taxes appeared (instead of taxes in goods and services) and the first public authority money-things were created in the form of encased clay tablets that could circulate (Wray 1998, 51-52, n. 29; Henry 2004).

3. Hierarchic liabilities and unit of account during history.

In the history of the world, a public authority⁷ has always managed to be at the top of the pyramid of means of payment⁸ and to define the unit of account. This is so, either because the authority was at the center of economic life or powerful enough to impose taxes, or, if not the case, because it could issue IOUs with high intrinsic value or make an alliance with the most powerful private issuers. Ultimately, if a public authority could not impose, when desired, its IOUs at the top of the pyramid, it disappeared or its authority was greatly diminished. Babylon in 3000 BC probably represents the first case: the palace was at the center of economic activity and the internal accounting record of these activities led to the creation of a unit of account in barley and silver (Hudson, 2004). Later, as the power of the palace grew, it was able to impose a tribute on conquered regions that were out of its sphere of economic dominance. At the same time, the palace imposed a unit of account and the method of redeeming debts toward the palace (mainly in barley at the beginning (Wray 1998, 51)). In Egypt, a religious central authority emerged from the division of labor inside tribes and became powerful enough to fix a unit of account and imposed taxes in others members of the tribes (Henry 2004). Around 650BC, the powerful king of Lydia stamped the first coins. Pheidon used electrum not primarily to make them accepted but as a ceremonial purpose (like special coins today). The payment of mercenaries was also easier in this form. Indeed mercenaries were not bound by the power of the king of Lydia and thus cared about the intrinsic value of coins (Wray 1998, Innes 1913).

During the Middle Ages, the global political instability and the myriad of small centers of power made the central authorities less powerful. The acceptability of their debts was sometimes very diminished and inflation was soaring each time wars, famines and plagues occurred (Innes 1914, 160). In this case, gold coins helped the financing of the spending of the king; either for current spending at national and international levels or for the payment of mercenaries to pursue wars. The local value of the gold coins was, however, not defined by the content of gold but proclaimed by the king at a face value superior to the intrinsic value.⁸ In addition to being able to stamp and proclaim the face value of their own coins, the most

powerful seigniors could also define the unit of account. Some of these units of account were largely used inside and outside the territory of dominance of their creators because of the recognize power of the latter—this power including the capacity to enforce taxes, fines, fees, tributes, etc. (Ingham 2004a, 190-191). Of course, outside the territory of dominance of their issuers, the value of money-things could fall to their gold content.

Finally, a central authority could always manage to be at the top by making an alliance with the most powerful private bankers or merchants. The creation of central banks usually reflected this. For example, the creation of the Bank of England in 1694, was a way to give creditworthiness to the government, whose tallies were selling at a 60% discount, after the King had default on his obligations (Gardiner 2004, 143; Innes 1914, 157-158).

Of course, the private sector also developed its own IOUs and techniques of recording debts. Very early, merchants develop the bill of exchange before the existence of any banks. The first function of banks was just to record debts and match debits and credits, their activity did not lead to the creation of money-things (Ingham 2004a; Innes 1913; Polanyi 1957). Finally, as Commons and Keynes already argued, the interaction between the public and private sectors has been crucial during history (Tymoigne 2003b; Ingham 2004a). We have already seen why above for the ‘public sector,’ but the ‘private sector’ also profited from this interaction: the integration of the central authority in the giro of private banks multiplied the acceptability of their IOUs. Without the state agreement to accept some private IOUs in payment, the private IOUs would never have been as widely accepted as they are today. The monetization of bills of exchange was a long process that involved both social conflicts and compromises (Gardiner, 2004; Ingham 2004a).

4. Stage of banking and chartalism

Minsky argue that depending on the economic time and economic condition money was mainly exogenous or mainly endogenous (Minsky 1991, 208). This can be explained in several ways. First, following Moore (1996) or Chick (1986), one could say that money was exogenous because the central bank did not exist or refused to act as lender of last resort. This is not a satisfying answer because it explains only why reserves (i.e. central bank IOUs) were exogenous. The need for lender of last resort intervention emerged from the fact that other IOUs leveraged on reserve were created endogenously without consideration for the actual amount of reserve. A second explanation comes from the fact that, at certain period of time, most of the money supply was provided by the government, there were no private banking or

financial systems. In this case, this “second meaning of exogeneity requires that profit seeking activity be removed from financial markets and institutions (Minsky 1991, 212). This may satisfy period like Babylon and Egypt in 3000BC or some periods of the Middle Age. However, even in the latter case, merchants, profit-seeker agents could still write letters of exchange for the need to finance their economic activity. In the end, therefore, there will always be some sort of IOUs created endogenously for the needs of economic activity by the private sector as long as there are some profit-led activities.

Some authors have argued that the endogeneity of the money supply by the banking system is institutionally based because it depends either on the existence of a central bank acting as lender of last resort (Moore 1996), or on the development of the banking system (Chicks 1986), or on the existence of financial innovations (Minsky 1975a, 76). Among all of them, the last one is the correct one in the sense that if there are no private financial instruments then they cannot be created on demand by the private sector. The first two are not correct, because financial instruments responding to the needs of economic development were created far before central bank exist, and because the first role of banks was not to lend but to record and settle debts, *i.e.* practice staple finance (Polanyi 1957).

5. Is money exogenous in the Chartalist approach?

From the very beginning of monetary history (at least 3000 BC), public and private money-things have been credit instruments. The main difference between public authority IOUs and other IOUs is that a *sovereign*¹⁰ authority does not promise to convert its debts into higher form of IOUs. The government only promises to take back the IOUs it issued as a means of payment of taxes and other debts imposed on people. The demand for public authority IOUs is, therefore, imposed by the public authority on the people it has a power over. There is an exogenous creation of money.

On the other side, private IOUs are created in the financing process of economic activity and so the demand for these is the natural result of the working of the economy: their creation is endogenous.¹¹ Rochon and Vernango argue that the Chartalist view assumed that the creation of private IOUs rests on a multiplicative process: banks have to wait to have central bank liabilities to be able to create their own liabilities. Their conclusion rests on the

assumption that “to leverage” means “to multiply”. This is not what “leveraging” means: to leverage means “to promise to pay” or “to promise to deliver.”²

To simplify, one can say that the creation of private IOUs implies a direct (for banks) or indirect (for non-banks) promise to supply central bank IOUs on demand. Bank and non-banks cannot create central bank IOUs and this implies that, by creating IOUs without possessing enough central bank money-things, they leverage their position: they have a short position in central bank liabilities. This situation is usually the case for banks:

“A bank is not a money lender that first acquires and then places funds. [...] a bank first lends or invests and then ‘finds’ the cash to cover whatever cash drains arise” (Minsky 1975b, 154).

The same happen for non-banks units. They issue IOUs knowing that they are short today in the IOUs they promise to deliver (usually bank money¹²).

6. Chartal approach and liquidity preference

Rochon and Vernango seem to argue that the liquidity preference theory and Chartalist approaches are incompatible by assuming that, in the liquidity preference theory, it is uncertainty, rather than the issuers’ capacity to make IOUs scarce, that determines the value of money. In fact, it can be shown that the two approaches are compatible as authors like Minsky have already done. Indeed, as it is well known, money does not earn any interest incomes, the only return on money comes from its implicit yield l which is the highest of all assets *if money-things reflux*. Otherwise, if IOUs that are transferable are not paid back,¹² there is inflation and so the liquidity premium of money goes down and thus with it, the implicit yield obtained from holding money-things.

Money is usually defined as a default-free asset. This definition is not appropriate (at least not in the absolute sense) because money is debt. If banks default on their debts, the value of their money-things (IOUs) goes down (unless the government protects their value). If the state (or the authority at the top of the pyramid) cannot collect the taxes it imposed, or, more broadly, receive payments in any other ways, then there is hyperinflation and its IOUs become worthless. Indeed, a failure of the state to acquire credits affects all the agents that issued IOUs on the basis of the promise to pay (directly or not) central bank money. A situation of hyperinflation is a situation in which the center of the monetary system does not hold.

² The online *Oxford English Dictionary* gives the following definition of “to leverage”: “to speculate or cause to speculate financially on borrowed capital expecting profits made to be greater than the interest payable.”

All this shows that liquidity preference theory and Chartalist approach are compatible. The demand for money-things rests on their capacity to transfer financial and purchasing power from the present to the future and this ultimately rests, because money-things are debts, on the capacity of their issuers to make them scarce. For the private sector money-things, this means the capacity of the issuers of money-things to make profit, for the government, this implies the capacity to collect taxes and to manage the difficulty to get state-money things. Both capacities are uncertain: the private issuer are not sure to be able to make profit and, in a lower degree for well-developed economic system, the capacity of the state to collect taxes is also uncertain.

7. Conclusion

There is no reason to assume that the Chartal or Token or Creditary approach of money is inconsistent with the Post Keynesian school of thought. Uncertainty implies that economic units want to keep in stock some liquid assets. The most liquid assets are the money-things but their liquidity depends, among other things (institutional factors and convention being to of them), on their scarcity.

Endnotes

- 1- The author is a Ph.D. candidate at the University of Missouri-Kansas City. He thanks Stephanie A. Bell, Paul Davidson, John F. Henry, Warren B. Mosler, L. Randall Wray.
- 2- Davidson (private correspondence) would argue that this is not the definition of chartal used by Keynes. However, the latter explicitly endorsed Knapp's definition by using the word "ticket" and by arguing that it does not refer only to Nation States (see following quote), and implicitly endorsed Knapp's analysis by being the commissioner of the translation of Knapp's book.
- 3- "To acquire credits" does not mean "to get bank loans", it means the capacity of the issuer to "force cash flows" in his favor as Minsky put it.
- 4- Assuming that IOUs were created for productive purposes in the first place.
- 5- If the government protects the nominal value of some private IOUs by accepting them *at par* in payment of taxes, or by guaranteeing a one-to-one convertibility with its top IOUs, or by protecting the nominal value of some private IOUs (like a FDIC scheme) then, those IOUs could also be considered to be at the top: there are money-things. For the last two cases, the value of private IOUs is backed by the value of the top state IOUs (the *valuta* money-things: those that the state uses to make payments), which themselves rest on the state capacity to acquire taxes. However, one important characteristic of a sovereign government is that it does not promise to convert its IOUs in a higher form of IOUs. In this sense, the *valuta* IOUs are at 'the top of the top.'
- 6- Because their own creditors are ready to do so too.
- 7- The word "State" may be inappropriate to express what is implied because nations are a new phenomenon in the history of the world. Seigniors, kings, religious authorities are public or central authorities.
- 8- Again, no monetary means of payment may be necessary and, in Babylon, there was none at the beginning.
- 9- The coins did not need to have any number stamped on them to define their value. All what was required is a proclamation by the king of the value at which he would accept back his coins in payment. Sometimes, kings tried to fight inflation by decreasing the price of the precious metal used (high price of gold or silver was supposed to be the cause of inflation) and issuing coins with a face value inferior

- to the precious metal content. Innes (1913, 1914) shows well that this did not work: coins disappeared from circulation and the price of precious metals still went up.
- 10- A government that is not sovereign is, among other characteristics, one that promises to convert into gold or into another currency.
 - 11- If the government is actively involved in the financing of economic activity then it is also true for the government IOUs.
 - 12- All kinds of things can be promised to be delivered. The law (even the legal tender laws) does not impose what should be delivered. Thus, a third party IOUs at the same level or lower in the pyramid can satisfy the creditors (all depends toward whom they are themselves indebted and of the quality of the IOUs proposed in payment).
 - 13- And were previously created in accordance with the amount of goods and services available.

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