

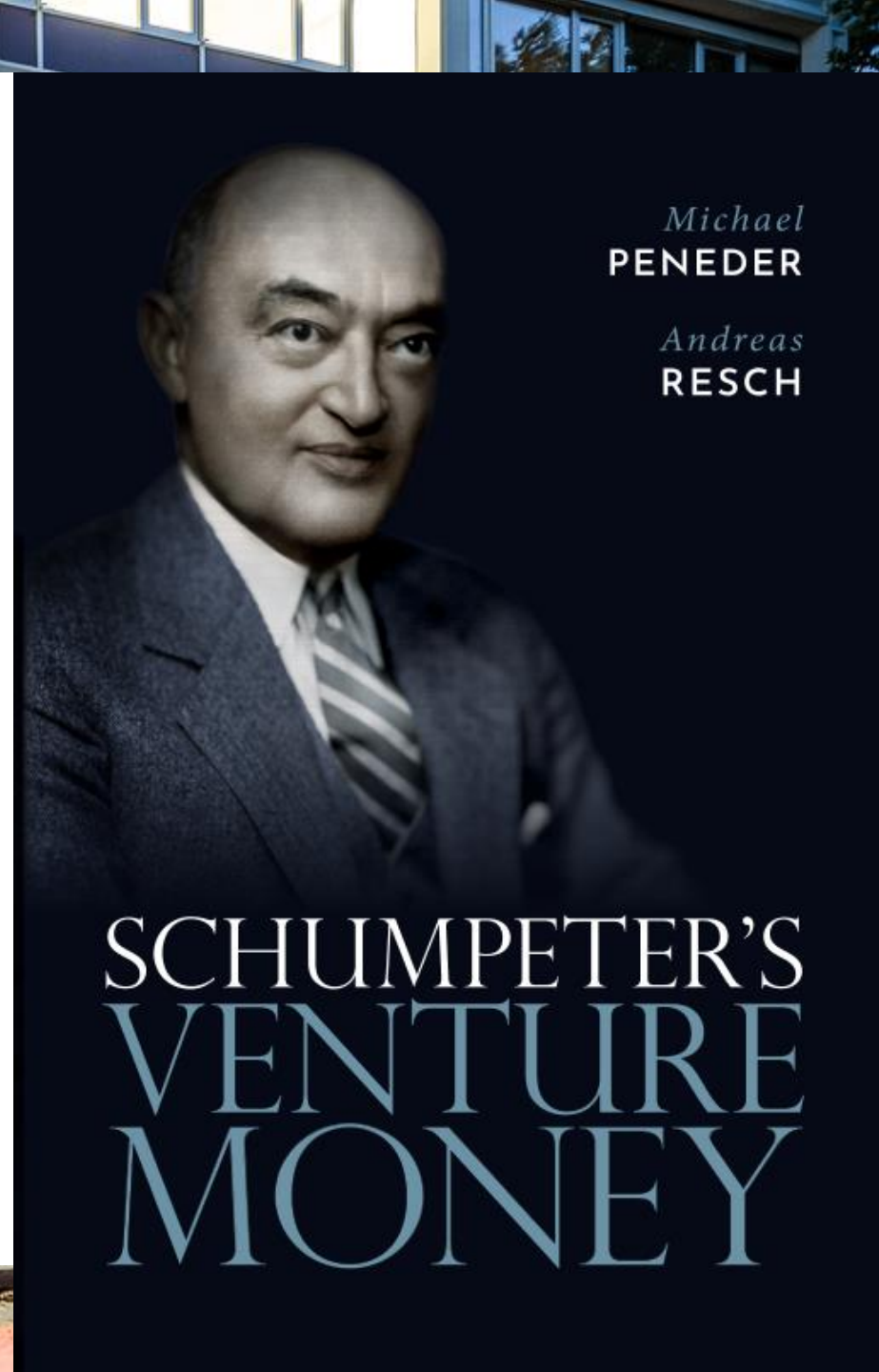
Austrian conceptions of money and the rise of digital currency

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Spontaneous order

- *Carl Menger* (1840-1921): evolutionary explanation of money as a spontaneous order of social coordination => **medium of exchange**
- **Saleability** of commodities => intrinsic advantages of precious metals
 - Durability, homogeneity, divisibility, low price fluctuations
- “*In its origin it is a **social**, and **not a state-institution**” (Menger, 1892)
 - “Money is as little and in no other sense a creature of the law than is any other social institution such as marriage or private property ... legal provisions are comprehensible only on the basis of the social nature and the social functions of the relations [they] regulate” (Schumpeter, 1954).*

Dematerialization

- *Friedrich Wieser* (1851-1926): evolution of money still in flux; characterised by a historical process of **dematerialization**
 - **Debasement** of coins => moral outrage/fraud (Aristotle, Scholastics, etc.)
 - Commodity **standard**: bank liabilities (credit, bills of exchange, paper money) convertible into gold/silver at legal rate (*Ricardo's* ingot plan, 1816)
 - **Fiat** money common since collapse of Bretton Woods in 1970s
- **Digitisation** (electronic transfer, credit cards, crypto-coins, smart contracts, etc.) is a **next logical step** in this evolution
- However ...
 - **Symbolic** representation of credit (clay tokens, bullae, etc.) long before metals and coins emerged as a medium of exchange
 - Physical/hybrid cash as a fallback option in the event of a blackout => **resilience**

Universal ledger

- *Joseph Schumpeter* (1883-1950) conceived money as
 - ... **endogenous** (=> money “ligament”)
 - ... **non-neutral** (=> finance-growth nexus)
 - ... a **claim ticket** to the social product
- **Universal ledger** of economic transactions its purest form/logical conclusion
 - “The **generalized** notion of this **current account relationship**, i.e. the idea that everyone’s economic acts are recorded on a **real or imaginary** current account, is extremely revealing and so useful for grasping the social connections and processes that make up the monetary and credit system that one could call it the **basic concept of monetary theory**” (Schumpeter 1970, p. 127)
- With **DLTs** “universal” takes on a new dimension => each node holds a **real-time copy** of the general ledger; redundancy secures the integrity of accounts.

Private currency competition

- *Ludwig Mises* (1881-1973) => **Bitcoin** as digital “gold”
- *Friedrich Hayek* (1899-1992): without state monopoly of legal tender and provided free capital flows, only the most **stable coins** (“monies”) would survive
 - “I have now no doubt whatever that private enterprise, if it had not been prevented by government, could and would long ago have provided the public with a choice of currencies, and those that prevailed in the competition would have been essentially stable in value and would have prevented both excessive stimulation of investment and the consequent periods of contraction” (Hayek, 1976)
- **Network effects** make sustained competition unlikely => fear of BigTech dominance (platforms contracting in own unit of account)

Discussion

- Lessons from intensive private experimentation/creative destruction will be absorbed into the **existing structure** of powers and rules
 - Introduction of **CBDCs** to secure/enhance
 - Public sovereignty over unit of account
 - Contestable markets for retail payments
 - Efficiency in international payments
 - **Global** coordination, FinTech **regulations**, etc.
- Private **crypto assets**
 - Specialised purposes/platform ecologies (efficiency, trust)
 - **Speculation** => enforce discipline on monetary policy

Thank you for the attention!

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