

CONTENTS

<i>List of exhibits</i>	<i>xi</i>
<i>List of boxes</i>	<i>xiii</i>
Introductory remarks	1
1 The theory of money: basic concepts, part I	7
1.1 <i>Introduction</i>	7
1.1.1 On the nature, creation, and distribution of money	7
1.1.2 On money and prices	9
1.1.3 On inflation, growth, and financial and economic crises	10
1.2 <i>Can we do without money?</i>	10
1.2.1 Religious organizations	12
1.2.2 Firms: the invisible, visible, and vanishing hand	13
1.2.3 Post-scarcity societies	14
1.3 <i>Money, markets, and value</i>	16
1.3.1 Economic and financial instability	16
1.3.2 The Quantity Theory of Money	21
1.3.3 Capitalists, wage earners, and money	22
1.3.4 Are free markets really self-regulating?	23
1.3.5 Local and global interactions and their role in determining prices	23
1.3.6 Asset pricing in financial markets	25
1.3.7 Pricing goods and services in competitive markets	26
1.3.8 Value and the segmentation of the economy	27
<i>Notes</i>	28
<i>References</i>	29

2	The theory of money: basic concepts part II	31
	2.1 <i>Do we need a theory of money?</i> 31	
	2.2 <i>Operationalism and theories of money</i> 32	
	2.3 <i>The concept of stock-flow consistency</i> 35	
	2.4 <i>Money and macroeconomics</i> 35	
	2.5 <i>A framework for understanding theories of money</i> 39	
	2.5.1 The nature of money 39	
	2.5.2 The creation of money 40	
	2.5.3 The distribution (or allocation) of money 40	
	2.5.4 How money is accepted, how it acquires value, and how its value changes over time 40	
	Notes 41	
	References 42	
3	What is money?	43
	3.1 <i>Some brief remarks on money throughout history</i> 43	
	3.1.1 Barter 44	
	3.1.2 Commodity money 45	
	3.1.3 Coins 46	
	3.1.4 The emergence of a banking system and credit 49	
	3.1.5 Paper money / banknotes 50	
	3.1.6 Paper money becomes fiat money 51	
	3.1.7 Bank deposits / credit money 53	
	3.2 <i>Alternative forms of money</i> 59	
	3.2.1 Near-money and the shadow banking system 60	
	3.2.2 Digital currencies 61	
	3.2.3 Local (alternative) currencies 64	
	3.3 <i>So just what is money? Metallists and Chartalists</i> 66	
	Notes 70	
	References 71	
4	Modelling money	73
	4.1 <i>Modelling coins</i> 74	
	4.2 <i>Modelling fiat money</i> 78	
	Notes 81	
	References 81	
5	How money is created	83
	5.1 <i>The question of money generation</i> 83	
	5.2 <i>Creating traditional forms of money</i> 86	
	5.2.1 Metals and other commodities as money 86	
	5.2.2 Minting coins 87	

5.2.3	Printing banknotes	89
5.2.4	Issuing letters of credit	91
5.3	<i>The creation of bank deposits and the multiplier</i>	92
5.3.1	The verticalist theory of money: banks as intermediaries	93
5.3.2	The multiplier	95
5.4	<i>The creation of bank deposits and endogenous money generation</i>	98
5.4.1	The horizontalist theory of money: endogenous money generation	100
5.4.2	The nature and function of reserves	101
5.5	<i>Nonconventional ways central banks can create money</i>	102
5.6	<i>Other ways to create money</i>	104
5.6.1	Private credit	104
5.6.2	Creating digital cash	105
5.6.3	Creating private digital currencies	105
5.6.4	Creating state-issued digital currencies	106
	<i>Appendix 5.A The equations of the multiplier</i>	107
	<i>Notes</i>	107
	<i>References</i>	108
6	How money acquires value and how that value changes over time	110
6.1	<i>How money gains acceptance</i>	110
6.2	<i>How money acquires value</i>	114
6.3	<i>How the value of money changes: the elusive concept of inflation</i>	116
6.4	<i>Chartalism and the State Theory of Money</i>	120
	<i>Appendix 6.A An overview of differential geometry</i>	121
	<i>Notes</i>	123
	<i>References</i>	124
7	Money: how it's distributed	125
7.1	<i>The question of the distribution of money</i>	125
7.1.1	The allocation of money	126
7.1.2	Assets and liabilities	127
7.1.3	Financing the state	129
7.1.4	The distribution of coins	129
7.1.5	The allocation of banknotes	130
7.1.6	The allocation of reserves	131
7.1.7	The "distribution" (opening) of bank deposits	132
7.2	<i>Who gets the (new) money?</i>	135
7.2.1	Conventional ways to distribute (new) money	135
7.2.2	Unconventional ways to distribute (new) money: QE, QEP, HM, FM TDBs	136

7.3	<i>Persuading the sceptics: loans and bank deposits</i>	138
7.4	<i>Closing considerations on the role of commercial banks in allocating money</i>	141
	<i>Notes</i>	143
	<i>References</i>	144
8	Money and the economy	146
8.1	<i>Money and classical economic theory</i>	146
8.2	<i>The Theory of the Circuit of Money</i>	149
8.2.1	Classical Circuitism	149
8.2.2	The changing landscape of borrowing	153
8.2.3	Circuitism revisited	157
8.3	<i>Puzzles: the declining velocity of money and missing inflation</i>	160
8.4	<i>Money and complexity</i>	164
8.4.1	Economic growth in advanced societies	165
8.4.2	How do we measure economic output?	165
8.4.3	Macroeconomics in the age of complexity	168
8.5	<i>Economic and financial instabilities</i>	169
8.6	<i>Modern Money Theory</i>	170
8.7	<i>Stock-Flow Consistent models</i>	172
	<i>Notes</i>	174
	<i>References</i>	175
	Concluding remarks	178
	<i>Index</i>	181