

The demise of money

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The voluntary revolution

Cows, shells or precious metals – the means for cultural exchange were created by Mother Nature. Once minted into coins, though, the precious metals had a human touch. This aspect finally became dominant with the introduction of paper money – from now on, people could make their own money. This «dematerialisation», entailing the abandonment of all means of exchange that had an intrinsic value, unsettled early modern monetary theorists. How was monetary stability to be guaranteed? Nowadays the international reserve currency, the US dollar, has replaced precious metals as a yardstick for the purchasing power of other currencies. As for the euro, sceptics have missed no opportunity, right up to its current recovery, to point to its steady fall. They fear that January 1st 2002, the date of the full introduction of the euro, will be seen as the end of any stable European currency.

They are right, but not in the way they expect. The lamentations of the critics have in their present form something misanthropic about them, if not indeed anachronistic. What is the point of quarrelling about something which is going to come anyway? The answer should lead us away from mere exchange rates towards a reconsideration of our conception of money. The dispute is significant, because the introduction of the euro will change Germany, more profoundly than has been made clear in the discussion so far, and in a different way. All the fundamental securities we associate with money will be undermined in the near future. And this will take place in Germany earlier than elsewhere. But the introduction of the euro as the sole currency will not cause this development, it will only accelerate it. And it is this acceleration which makes January 1st 2002 one of the most important dates in economic history. Many of the consequences of the introduction of the euro will bring profound changes for society in Germany. So it is time to explain why a country voluntarily exposes itself to such a revolution.

For the introduction of the euro is nothing less than a revolution. But whereas all historical revolutions were limited to one country, since they needed the nationalistic impetus to justify the drastic changes they brought, the introduction of what is so harmlessly called «the single currency» is a step in the opposite direction. The euro should really called the «multiple currency», but not because of the fact that it has been put together out of the former currencies of the states that are taking part in it. No; it is because the new money addresses itself to various different – partially incompatible – interests and yet still promises success. That is because it arouses an impression of neutrality by virtue of its supranational status.

Child of crisis, offspring of affluence

There is one thing the euro is said to have in common with the Deutschmark, which managed just the same economic feat: to be above all doubts, because it always seemed to operate for the benefit of the whole of the collective called Germany. The emergence of the Deutschmark out of a crisis is, however, quite a different case from that of the euro, whose conception admittedly arose in that very postwar period in which money was seen as an appropriate substitute for the discredited national idea. But its transformation into actual money, the shaping of the European currency, took place in the affluence of the economic boom of the 1980s. Children of crises and the offspring of

affluence have little in common. The former tend to be more cautious, but they are likely to fall prey to belief in authority as represented by a pure doctrine. The latter are more self-sufficient, in two different ways: on the one hand in their greater understanding of their own situation, which principally comes from their base in society, but on the other hand in their carefree, sovereign attitude to the components of economic activity. These two dispositions can be seen to perfection in the Deutschmark and the euro.

The origin of money is something one must consider if one intends to talk about its demise. One thing above all is noteworthy – where money does not come from. It does not come from the gods. There was a god of trade – Hermes or Mercury – but no god of money. It is the only commodity created by human hands which was destined to prove durable and yet was not seen as being within the sphere of the gods.

The last money

How can there ever be a demise of money? Such a demise threatens to occur when its functions are no longer required. And because the general conception of value changes. That is exactly what is happening at the moment. A fixed quantity which represents a value becomes paradoxical. That is because in a dynamic economy standstill means regression. In traditional economic theory, and especially as an equivalent fixed in money, value means zero growth. In general, in today's economies, value has to create added value. But money cannot do that unless it is employed in some productive capacity and thereby loses one of its functions, that of a preserver of value. And this process of creeping functional devaluation of money is more of a danger to the very principle of money than ordinary material inflation. Currencies can be reformed again and again, or replaced by other currencies, as long as the basic principle is recognised. But money can only be totally replaced by something which is not money at all.

That is not to say that the euro is not money. It is the last new money before the demise of money. The apparent continuity of the principle makes the euro's unintentionally revolutionary activity all the easier. In fact, though, it plays the role of the doubloon in «Moby Dick»: it is a promise, because it claims to represent a value that corresponds to the performance of a service. But the effects of that service are unpredictable, because the doubloon only rewards one tiny aspect within a large context: the sighting of the white whale. The consequences which the performance of that service may have cannot be expressed as a monetary value.

The consequences of the legend of the Deutschmark

For half a century, and even more since 1990, the Germans have lived with the legend of the Deutschmark. That has considerably eased the preparations for the conversion to the euro in Germany. There are admittedly fears of losses, but Germany has had no negative experiences with currency changes. Even the «Rentenmark», which in the autumn of 1923 put an end to the great inflation, was – in contrast to most currency changes that have occurred since then – a success. It is to that phenomenon that the Deutschmark owes its high degree of acceptance – and now the euro is to profit from that short German tradition.

The ideal of stability which our politicians have formulated for the new currency makes use of those experiences. But it is extraordinary that in Germany such concerns have a specific historical basis, whereas in states which in view of their experiences over the last five decades ought by rights to have more cause to keep an eye on the preservation of purchasing power, this argument is irrelevant. In the rest of Europe, people believe in a range of possible futures. But the Germans reduce the future to one single alternative: good money or bad money.

Accordingly, it is only in Germany that the euro's loss of value against the US dollar has caused such hysterical reactions. It might seem as though Gresham's law, that bad money drives out good money, is about to be proved anew in the changeover from the Deutschmark to the euro. But it is important to free oneself from a purely value-orientated view of money. For the monetary revolution brought about by the euro does not merely involve a division into bad money and good, which could be fixed according to what a unit of the new currency was to be worth in respect of a unit of the old, and vice versa. Gresham formulated his law with medieval and early modern monetary fraud in mind. The reduction of the precious metal content in newly minted coins led to the old money being hoarded by its possessors, so that the new, bad coins were soon the only ones in circulation. But that theory, however attractive it may seem, dates back to pre-modern times – to an archaic period of economic activity, in which the possessor of money could say, with Fafner, the dragon that guards the hoard in Wagner's «Ring of the Nibelungs»: «I lie here and possess. Let me sleep.»

The opportunity

What is the opportunity the euro offers? It has the ability to lead us on to a new level of monetary abstraction which corresponds to the transformed sense of values in our economy and may thus rightly be called the «new economy». Again and again during the last two years there have been criticisms that the euro banknotes and coins have been delivered too late, so that no one could get to know the new money. These criticisms would be justified if it were only a question of continuity. But it is a question of revolution. The more foreign the new money remains, the more revolutionary will be its effect.

The «single currency» will bring in its wake a diversification of forms of investment, a rearrangement of wealth, which benefits those economic structures that are subsumed under the term «new economy». Confidence in money (guaranteed by the state) will decrease in favour of confidence in capital (guaranteed by the business world). That gives the conception of capitalism a new emphasis which Marx intended to make its central problem, but which he placed too early in his concept of the natural stages of economic development: distribution. For the purpose of money is to circulate. And the same will have to be true of capital when it takes over individual monetary functions and becomes the successor to money.

Of the functions of money, we have mentioned exchange, preservation of value, and its use as a unit of accounting. Up till now, capital has at best been able to fulfil the function of preservation of value. But at the forefront of all capital involvement lay the multiplication of value, a function money has never fulfilled except in times of deflation. Thus capital, whose *raison d'être* is growth, proves to be the right vehicle for a transformed concept of value. The merging of money and capital will change both concepts, but will change money to such an extent that it will be possible to speak of its demise. Capital must become fungible. And that is no longer in principle a problem, thanks to the complete restructuring of stock-exchange dealing during the past decade. Money, by contrast, should free itself from the principle of stability and be regarded on its own merits as an investment.