*PA*rtecipazione e *CO*nflitto
** The Open Journal of Sociopolitical Studies*
http://siba-ese.unisalento.it/index.php/paco
ISSN: 1972-7623 (print version)
ISSN: 2035-6609 (electronic version)
PACO, Issue 13(1) 2020: 409-437
DOI: 10.1285/i20356609v13i1p409

Published in March 15, 2020

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RESEARCH ARTICLE

THE NATURE OF MONEY IN A CLEARING SYSTEM
From liquidity to liquidness

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ABSTRACT:
Keynes' project for an International Clearing Union does not respond only to the economic and political needs of the particular historical moment in which it was conceived, i.e. the establishment of an international money really *complementary* to national currencies. With that project, in fact, Keynes conceives a new kind money, whose positive character is to be *un-hoardable*. The non-hoardability of the bancor raises the issue of the nature of what is commonly known as 'liquidity', and allows not only to distinguish the liquidity that is *proper* to money from liquidity in general, but also to refine the concept of liquidity in itself. And finally, it allows to think about the very possibility of other forms of *monetary complementarity*, notably at different local levels.

KEYWORDS:
Keynes, Money, Liquidity, Clearing, Complementary Currencies

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1. Introduction

> I am more attached to the comparatively simple fundamental ideas, which underlie my theory than to the particular forms in which I have embodied them, and I have no desire that the latter should be crystallised at the present stage of the debate. If the simple basic ideas can become familiar and acceptable, time and experience and the collaboration of a number of minds will discover the best way of expressing them (Keynes, 1937)

Keynes' project for an International Clearing Union (from here on, ICU) does not respond only to the economic and political needs of the particular historical moment in which it was conceived, i.e. the establishment of an international money really *complementary* to national currencies. It can also be considered both as the source of inspiration of some important projects of local complementary currencies, as well as the result of Keynes' interest to the swarm of local monetary experiments which characterized the thirties, first of all the WIR experiment. In this perspective, the historicity of the ICU project lies rather in its far-reaching theoretical importance.

With that project, in fact, Keynes conceives nothing less than new kind money, whose nature is to be *un-hoardable*, better whose characteristics make it inconvenient, hence unpreferable to hoard. With this money, different from 'the kind of money to which we are accustomed' (*General Theory* 17, III), Keynes is then also projecting, well beyond the reach of his own historical commitments, an economy which is different from 'an economy of the type to which we are accustomed' (*ibid*.), which is another name for what Keynes calls 'capitalism'.

In the following, we will identify the elements for understanding the new nature of this money in Keynes' thought, and the arguments for appreciating the novelty of the transformation implied by it.

Indeed, a kind of money conceived in order to make its hoarding inconvenient, hence "unpreferable", involves a deeper understanding of *both* the role of money and of the kind of assurance demanded to the act of hoarding. Keynes names this demand for assurance 'liquidity preference', and assigns it a central role in the (mis)functioning of capitalist economies. Nevertheless, *in no way does he absolutely identify liquidity with money*. Rather, as we will show, the kern of his work aims at giving elements for separating money and liquidity *through* a *redefinition of both*. The first attempt to embody this separation is, in fact, the ICU project. But, as we shall see at the end of this paper,

this very separation could, and even should be the ground for the institution of new forms of complementary currencies

We shall start with a problematisation of the Keynesian concept of liquidity-preference (sections 2-4). The result will be to link liquidity-preference to uncertainty as the ultimate horizon of economic action (sections 5-7). This linkage will allow us to appreciate the pretention of capitalist store-of-value money to abolish uncertainty, acting as the supreme form of liquidity, at the price however of not functioning as it ought to (sections 8-10). According to the core of Keynes' reflection on money, 'money as it ought to be', or 'money proper' is then something characterised not by liquidity (hoardability) but by *liquidness* (disappearance). *Hence,* money proper is not *properly* a *thing.* This is why its relationship with time is totally opposed to that of money as liquidity (sections 11-14). Bancor will then appear in section 15 as a first perfect embodiment of money as liquidness, and the ICU as the first of two faces of a plan aiming at separating money and liquidity, by granting *to commodities* the quality of liquidity. Section 16 concludes with the political implications of the bancor as international liquid money and with a reopening of the whole issue of liquidness, not only at the international but also at a local level.

2. The problem of hoarding: money as 'liquidity'

The fundamental and most problematic feature of capitalism for Keynes is the fact that it is a *monetary* economy (nothing wrong so far…) whose money is, however, built so as to make unlikely its proper functioning *as an economy*. Making unlikely the proper functioning of the economy, capitalist money is deeply unlikeable.

We must however be more precise: what makes it unlikeable, and responsible of the most objectionable features of the capitalistic market economy, is the way in which it fulfils its functions: not primarily the unit-of-account and means-of-exchange functions,[1] but most of all that of store of value.

The problem arising with that last function is not that money can be withheld *for some time* from circulation (on the ground of the relative stability of its purchasing power), but that it can be withheld *for an indefinite time* because its nominal value is structurally unaffected by any change. The problem for Keynes is hoarding, not the temporary withdrawal of money from circulation: if money is institutionally established as indefinitely hoardable, as capitalist money is, then the demand for it can become a 'bottomless sink' (*General Theory* 13). Here lie the roots of the insufficient *capitalist* accumulation of that

[1] 'Money of account' and 'money', according to the terminology of the *Treatise on Money*

'fresh capital equipment' (*General Theory* 4) which is key for achieving full-employment equilibrium.

The 'money muddle' does not thus simply consist in money temporarily suspending its function as a means of exchange, but in the fact that this suspension might last indefinitely, depending on practical orientations which are fundamentally devoid of any economic meaning, but which are nevertheless not devoid of influence on economic mechanisms.

Keynes emphasizes that the *practice* of hoarding rests on a *propensity* to hoard, which in turn is a strict synonym of that basic behavioral structure concerning the relationship of economic actors within the ultimate horizon of economic action, i.e. uncertainty, for which for which Keynes coins the name of *liquidity-preference*.

3. Money and liquidity: a relationship univocal, or equivocal?

How shall we understand this pure Keynesian concept? The notion of liquidity is a relatively recent one and Keynes has even been reproached for not having given a univocal and clear definition of that phenomenon, and even for having coined an allegedly 'slippery' concept of it (Hicks 1972, 789).

What if, however, the defect was not with the definition but with a hasty reading of it, and if the Keynesian notion of liquidity was then *sufficiently* univocal? Important contributions towards a clarification of the concept have already been given (Hayes 2016, Hayes 2018), on which I shall ground my further considerations. Yet, a supplement of precision is warranted, since that which is actually 'slippery' is not Keynes' conceptual apparatus but *the very phenomenon of liquidity*, especially in the way in which it is evocated by the expression of *liquidity-preference*.

The question we have to put in order to further clarifying the phenomenon that lies before Keynes' eyes is the following: to what extent does the expression of 'liquidity-preference' indicate a preference for the holding *of money*? In other words, are money and liquidity *univocally* and strictly *synonyms*? In the case they were not, would we be allowed to conclude that the *capitalist* identity between money and liquidity is at least *equivocal* and possibly based on a misunderstanding? The fact that Keynes sometimes assumes the identification between money and liquidity as a feature of the economy *we are accustomed to,* does not mean that for Keynes himself this identification goes without problems.

On the contrary, in his article of 1937 'The general theory of employment', which is his first response to the critiques made against the *General Theory*, we can find the conundrum made explicit in the form of a plain question: "why should anyone outside a lunatic asylum wish to use money" *itself* as a store of value? The fact that capitalism is marked by this enigmatic identification between money and liquidity means that we have to accept it, when at stake is the description of its (mal)functioning, but also that we must face it *with a view to solving the enigma*. Especially if the solution of the enigma should show that the 'King's Highway' for overcoming capitalism (or, as Keynes prefers to say, for 'getting rid of many of the objectionable features of capitalism', *General Theory* 16, IV) is *monetary reform*.

Insofar as monetary reform appears to be crucial for the entire theoretical work of Keynes, then it becomes clear why the ICU is the 'final chapter' of a 30-years *theoretical* work (Cedrini-Fantacci 2019)

In the economy we are accustomed to (and which hence we *believe* to know, whereas our being-accustomed to it tends to hide from us its essential structure) the relationship between liquidity and money is not clear. Capitalism, as Keynes intends it, lives of a slippery equivocation, which monetary reform is called upon to resolve. To establish a money capable of such a resolution is the fil rouge of his entire theoretical and political story. It is also the deep meaning, theoretical as well as political, of the ICU project, since, as we shall see, it is the project of *separating* money and liquidity by reforming the former *without pretending to abolish the preference for the latter*.

The problem is for Keynes not liquidity as such, but its identification with money.

4. Preference explains liquidity, not vice-versa

This remark allows us to come back to our main point. Liquidity is an ambiguous phenomenon, bound to remain ambiguous as long as we take liquidity-preference as a self-evident notion. Keynes, who introduces it systematically in economic discourse, is perfectly aware of that, and he knows that, insofar as we do not see this apparent evidence as an actual opacity, all criticism to capitalism will tend to remain on the surface, and to coincide with the criticism to hoarding, as it is the case with Silvio Gesell.

Now, as counterintuitive as it may seem, the understanding of the expression 'liquidity-preference' has to start from 'preference', and not from 'liquidity'. This means that the psychological, 'subjective', structure of the *preference* determines the nature of the *object* of the preference, hence constituting the criterion for its greater or lesser adequacy *as such an object*.

Were the liquidity-preference well grasped in its very structure, it would appear that money *proper* is not the elective adequate object of that preference.

In order to understand the structure of liquidity, we must try to point out as clearly as possible the preference for it. To do this, we can rely on the line of reasoning of Keynes' 1937 article. Here Keynes tries to refocus the theoretical look towards the problematic kern of *General Theory*, which to his eyes the critics had all missed, to a greater or lesser extent. Let us resume his main argument as follows: liquidity is crucial because it has to do with uncertainty.

5. Liquidity and uncertainty

Far deeper than by every risk aversion, economic life is dominated by an aversion *to uncertainty*, i.e., to put it bluntly, by the reluctance (the fear) to accept the basic rule of the economic game. Notwithstanding its apparently active feature, the liquidity-preference is in reality a reactive and elusive behaviour. Being an aversion against uncertainty, it is the "photographical negative" of the fundamental mainspring of economic activity: animal spirits (Hayes 2016, 8). As the latter has to do with investment, i.e. with the *spending* of money without any certainty of a sufficient return, the former has to do with the *hoarding* of it.

Both these attitudes are dealing with money, but also with something which calculation cannot deal with, but which we cannot all the way dismiss as simply irrational. Since they represent, respectively, the aversion and the propensity *to risk*, they have to do with *probability*. However, for Keynes, probability has to do with a *fundamental uncertainty*, hence not only with our probability calculations but also with the confidence that we can put on them.

For humans uncertainty is fundamental because it stems from their exposure to time, i.e. to the fact that our present decisions depend on how we manage to anticipate their future effects. From here stems for Keynes the relevance of long-term expectations on present decisions, as well as with the impossibility to reduce them entirely to calculable probabilities.

As the problem of economic action is that future is fundamentally uncertain, the investment decision of today depends on long-term expectations. The specific answer that capitalism chooses to give to the influence of long-term expectations on present decisions passes through the peculiar 'liquidity' that holds sway on financial markets, i.e. the prompt convertibility of an asset into 'money'. This notion of 'liquidity' makes money an *eminently* 'liquid' form of wealth possession, but at the same time something that risks

not to work *as money proper*. This is the fundamental Keynesian insight that underlies chapter 12 of *General Theory* (see Amato 2017).

Insofar as a *description* of capitalism is at stake, Keynes cannot but accept (even if putting it always into brackets) this notion of 'liquidity', as well as the *identification* between money and liquidity implied by it. When instead he criticises capitalism, the phenomenon of the liquidity-preference becomes central in view of a *separation* between money and liquidity.

6. Liquidity-preference and the depressive danger of money hoarding

In chapter 13, V of *General Theory* we read the following passage:

> The concept of hoarding may be regarded as a first approximation to the concept of liquidity preference. Indeed if we were to substitute 'propensity to hoard' for 'hoarding', it would come to substantially the same thing.

In this passage, Keynes endeavours to explicitly link the *fact* of hoarding to an *attitude*, the propensity to hoard, which is 'ethic' in the sense that it indicates a behaviour, a conduct. The propensity determines the fact. This, however, does not mean that only one single object should univocally correspond to the fact. Many of the problems that Keynes discusses in the abovementioned paragraph subsist 'so long as we mean by 'hoarding' the actual holding of cash'[2]. It makes then sense to ask the following questions: given the propensity to hoard, what happens to be eminently hoardable in capitalism? What instead ought to become economically hoardable if capitalism should be 'amended of its worst defects'[3]?

The answer to the second question is: *not* money, and it gives us a hint for the answer to the first question. To the extent that, in the economy we are accustomed to the elective object of hoarding is precisely 'money', what happens is the phenomena that Keynes describes in *General Theory* 16.

[2] The whole passage goes like this: 'But if we mean by 'hoarding' an actual increase in cash-holding, it is an incomplete idea—and seriously misleading if it causes us to think of 'hoarding' and 'not-hoarding' as simple alternatives. For the decision to hoard is not taken absolutely or without regard to the advantages offered for parting with liquidity; —it results from a balancing of advantages, and we have, therefore, to know what lies in the other scale. Moreover it is impossible for the actual amount of hoarding to change as a result of decisions on the part of the public, so long as we mean by 'hoarding' the actual holding of cash'.

[3] J. M. Keynes, *General Theory*, cit., chapt. 16 and chapt. 24, *passim*.

From this chapter we could extract a provocative and useful definition of capitalism: the economic regime in which people get accustomed to *believe* that capital is productive, whereas it simply has 'a yield over the course of its life in excess of its original cost'. There is however another passage in the chapter, which is more relevant to our present purposes. It is the passage in which Keynes defines the decision not to buy today without fixing a later date, i.e. the decision of saving *money*, as the decision to prefer a form of wealth which is *abstract* precisely because it presents itself as an absolute potentiality– *absolute* because *indeterminate*:

> The trouble arises, therefore, because the act of saving implies, not a substitution for present consumption of some specific additional consumption […], but a desire for 'wealth' as such, that is for a potentiality of consuming an unspecified article at an unspecified time (*General Theory* 16).

'Being abstract' coincides here with 'being indeterminate', i.e. with the fact that the time and the object of consumptions remain unspecified. This *monetary* abstraction, which concretizes the pre-eminence of the store-of-value function of capitalist money, has nevertheless an actual depressing effect on the *real* economy:

> since the expectation of consumption is the only *raison d'être* of employment, there should be nothing paradoxical in the conclusion that a diminished propensity to consume has *cet. par*. a depressing effect on employment (*Ibid*.).

The expectation of a depressed future consumption depresses present investment, hence employment. This is what Keynes says about domestic economies. But he uses the same argument when introducing the notion of an 'obligation of the creditor' in the background documents of the ICU:

> A country finding itself in a creditor position *against the rest of the world as a whole* should enter into an arrangement not to allow this credit balance so long as it chooses to hold it, to exercise a contractionist pressure against world economy and, by repercussion, against the economy of the creditor country itself. [Italics are mine]

The same concept is taken up in another passage, with reference to the 'liquidity' of credit balances:

> Credit balances […] represent those resources which a country voluntarily chooses to leave idle. They represent a *potentiality* of purchasing power, which it is entitled to use *at any time*. [Italics are mine].

This is the reason why, once implemented,

> the Clearing Union must also seek to discourage creditor countries from leaving unused large *liquid* balances which ought to be devoted to some positive purpose. For excessive credit balances necessarily create excessive debit balances for some other party. In recognizing that the creditor as well as the debtor may be responsible for a want of balance, the proposed institution *would be breaking new ground* [italics are mine].

We will come back to this issue later. For the time being, we can note the following: wherever, and whenever, new ground shall *not* be broken, the 'liquidity' of foreign credit balances coincides with their *potentiality to remain unused for an indefinite time*. This is why Hayes is right when he states that 'the mercantilist desire to accumulate foreign exchange reserves including gold – a policy entirely unavailable to the world as a whole – is the international equivalent of the domestic propensity to hoard' (Hayes 2016, 13). It is precisely against the unbalancing effects of this potentiality, i.e. of this *power*, as well as against this very notion of 'liquidity', that Keynes has conceived a money whose fundamental feature is not liquidity anymore.

7. 'Liquidity' as an antisocial fetish

I say 'power' advisedly, because money as 'liquidity', i.e. as based on the possibility of an indeterminate non-use, necessarily introduces asymmetrical power relationships between economic agents, namely between those who hold money and those who do not hold it but need it.

The way and the extent to which money can or cannot be *systemically* held by someone to the detriment of someone else, i.e. the extent to which money tends to coincide with 'liquidity', determines the existence, the form and the weight of the asymmetry.

Inversely, the 'liquidity' of assets, i.e. their prompt convertibility into cash, is in reality an 'antisocial fetish' (*General Theory* 13), whose effect is precisely to introduce a conflict between those who hoard money and those who would borrow money.

All these conflicts and asymmetries are in Keynes' eyes the structural features of capitalism rather than distortions of it: capitalism is a system in which 'booms carry within them the seeds of their own destruction' precisely because of the way in which money

is used, and even more unused and misused. The 1937 article quoted above is very instructive since there Keynes defends the very intuitive kern of his theory rather than a particular aspect of it. At the heart of this kern lies liquidity.

We can say in general that, in a monetary economy, liquidity plays a central role because the relevant economic decisions have to be made in a regime of uncertainty. It remains however to be seen how liquidity is *historically* built in order to address uncertainty.

Just so we go back to things which are well known, but which perhaps are not sufficiently taken into due consideration, let us remember again that for Keynes 'uncertain' and 'improbable' are never the same. This is what he states clearly in the first footnote to chapter 12 of *General Theory*, in which he reminds his *Treatise on Probability* (chapter 6, on 'The weight of arguments'), and what he emphasises once again in 1937 article:

> By 'uncertain' knowledge, let me explain, I do not mean merely to distinguish what is known for certain from what is only probable. The game of roulette is not subject, in this sense, to uncertainty; nor is the prospect of a Victory bond being drawn. Or, again, the expectation of life is only slightly uncertain. Even the weather is only moderately uncertain. The sense in which I am using the term is that in which the prospect of a European war is uncertain, or the price of copper and the rate of interest twenty years hence, or the obsolescence of a new invention, or the position of private wealth-owners in the social system in 1970. About these matters there is no scientific basis on which to form any calculable probability whatever. We simply do not know.

8. The complementarity between liquidity-preference and animal spirits, and the capitalist perversion of the liquidity-preference

There are two possible attitudes responding to this *structural* cognitive deficit, which are somewhat opposing but in another sense complementary: animal spirits and liquidity-preference. Both of them respond to the description of economic action under uncertainty given by Keynes just after having stated that 'we simply do not know':

> Nevertheless, the necessity for action and for decision compels us as practical men to do our best to overlook this awkward fact and to behave exactly as we should if we had behind us a good Benthamite calculation of a series of prospective advantages and disadvantages, each multiplied by its appropriate probability, waiting to be summed.

Animal spirits disregard the 'awkward fact' by *transcending it*. Liquidity-preference disregards it by trying *to escape it*, and seeking refuge in 'something' having (or *apparently having*) the features of a *certain* form of wealth-storage. In a capitalist regime, that 'something' happens to coincide with money. It is by this very coincidence that money becomes 'the money we are accustomed to'. Insofar as money as we know it is liquidity, the liquidity-preference unfolds itself as the propensity to hoard *money*. But on what grounds?

9. Theoretical origins of a pragmatic habit: the neutralisation of future and the neutrality of money

The money which we are accustomed to on practical grounds is also 'money as we know it': a reified theorem, built on the basis of theories of money.

Indeed, the theory of money that underlies capitalistic money is the 'classic' one, as Keynes reminds us (Keynes 1937). For this theory, the function of money as a unit of account and its function as store of value *can be blithely coupled*.

This is done by that theory, Keynes says, 'without a smile in the face', precisely because it has already implicitly accepted a practical normalisation of the relationship between present and future: a dogmatic convention stipulating continuity until proven otherwise, hence the fact that future is certainly only probable, *but not uncertain*. This is why, Keynes adds, the use of money as a store of value should appear an 'insane use to which to put it', insofar as 'it is a recognised characteristic of money as a store of wealth that it is barren; whereas practically every other form of storing wealth yields some interest or profit' (Keynes 1937).

Here we begin to uncover the roots of the ambiguity of liquidity in a capitalistic sense. The reason of this ambiguity is that classical economy can abstract uncertainty away, but it cannot abolish it. Uncertainty is repressed *from theory*, but in such a way that the repressed returns *in practice* in the form of sharp and unexpected shifts in the confidence we have in our methods of forecasting the future under the rule of the convention. Moreover, because actors regulating their behaviour on the behaviour of the others are principally attentive to these shifts, capitalistic money becomes a perfect 'refugium incertorum'. This is why the answer to the question why, precisely in a capitalistic economy, 'should anyone outside a lunatic asylum wish to use money as a store of wealth?', is:

> Because, partly on reasonable and partly on instinctive grounds, our desire to hold Money as a store of wealth is a barometer of the degree of our distrust of our own calculations and conventions concerning the future. Even though this feeling about Money is itself conventional or instinctive, it operates, so to speak, at a deeper level of our motivation. It takes charge at the moments when the higher, more precarious conventions have weakened. The possession of actual money lulls our disquietude; and the premium which we require to make us part with money is the measure of the degree of our disquietude.

This possession may certainly lull our disquietude, but it cannot really abolish it, mostly because it is precisely the holding of money as a store of wealth that makes the volume of investment 'fluctuate widely from time to time'. To the extent that the liquidity-preference seeks to avoid the unavoidable, it creates more uncertainty for the system as a whole than it spares to individual money holders.

Of course, says Keynes at this point of his argument, IF the future 'was calculable and not subject to sudden changes', THEN the schedule of liquidity-preference would be reasonably flat and inelastic. In THIS case, the implicit assumption in Say's law would be made explicit: money is neutral; hence, whoever has produced something can sell it because whoever has money wants to use it for buying. 'La monnaie ne chôme pas',[4] because money, notwithstanding its store-of-value function, is perfectly neutral.

10. Keynes' *reductio ad absurdum* and the positive relationship between uncertainty and liquidity

The hypothesis made by Keynes serves as a counterfactual, i.e. as the hypothesis for an *argumentum ad absurdum*: Say's law, which implies that all accumulated money will be *sooner or later* spent, i.e. 'decumulated', applies only in a world *without uncertainty*.

We can imagine two ways for avoiding the "weight" of fundamental uncertainty for economic conduct. The firs way is mainstream, the second heterodox.

[4] « Il est bon de remarquer qu'un produit terminé offre, dès cet instant, un débouché à d'autres produits pour tout le montant de sa valeur. En effet, lorsque le dernier producteur a terminé un produit, son plus grand désir est de le vendre, pour que la valeur de ce produit ne chôme pas entre ses mans. Mais il n'est pas moins empressé de se défaire de l'argent que lui procure sa vente, pour que la valeur de l'argent ne chôme pas non plus. Or, on ne peut se défaire de son argent qu'en demandant à acheter un produit quelconque. On voit donc que le fait seul de la formation d'un produit ouvre, dès l'instant même, un débouché à d'autres produits. » J.-B. Say, *Traité d'économie politique*, 1803, p. 141-142.

Mainstream: we can make the hypothesis (h1) that uncertainty is fully calculable, so that every state of the world has its quantified probability. In this perspective, the link between present and future would be in a sense stabilized. In financial terms, the term structure of all the rates of interest would become calculable, liquidity should not serve anymore any reasonable purpose, and Say could hold sway.

In reality, as the whole 12th chapter of the *General Theory* tells us, the only hypothesis that we can make is not on calculability in itself but on the confidence that we put on our probability calculations. And, as financial crises teach to us, *this* confidence lasts until… it does not. Uncertainty of time can be only temporarily "abolished" by a convention, the force of which is in reality beyond control. Hence, the convention aiming at repressing the fundamental uncertainty generates and feeds a fundamental *disquietude*. And in the financial world money *as liquidity* responds precisely to that fundamental disquietude which lies behind any convention and repression, and on which financial markets are built.

Heterodox: as the strategy of abolishing the fundamental uncertainty reveals itself unfeasible, we could then be tempted to take *by law* from money the characteristic of liquidity. *If* (h2) money could be deprived of the feature of liquidity, i.e. if money ceased to be hoardable by the imposition of artificial carrying costs, *then* the conditions postulated by Say should apply, and nothing more could hinder the achievement of a stable full-employment equilibrium. *If* we can make sure that it would not be possible to demand money as a sedative against uncertainty, the demand for money would univocally be tied up to spending. All is well that ends well.

However, if it is true that h2 refers itself to institutional decisions about money, exactly as hp1, hp2 *has no power* on uncertainty. The mere fact of depriving money of the feature of being a store of value does not make the future calculable; hence, it does not remove neither uncertainty nor the fear of it, *nor the need of a sedative*.

We can abolish uncertainty neither by calculation, nor by decree. Here lies the impasse. But it is precisely in this impasse that the lieu stands out in which the *preference* for liquidity takes root: this lieu is the fundamental uncertainty itself: the inextirpable human exposure to the future and the imperfect knowledge of it.

The aporetic structure of uncertainty tells us a twofold tale: first, that the fundamental feature of liquidity is not to abolish uncertainty but *at most* to *ease* it; second, that money, if it has to be *money proper*, can*not* fulfil the task which is *appropriate* to demand to liquidity, if it has to be *liquidity proper*. Let us analyze this step by step rather than jumping to the conclusions.

Hayes has no hesitation in coming straight to the point: 'Liquidity has value only because the future is unknown, and its value increases with our fear of what may happen

that we cannot prevent or insure against' (Hayes 2016, 9). The lieu in which the liquidity-preference takes root is the *irremediable* uncertainty of the future – irremediable in the precise sense that it is not entirely remediable with the help of calculation, nor is it acceptable as such, i.e. without some form of "insurance" against it.

Exactly because calculation has a prominent role in economic choice, it is worth taking into account that it knows a priori bounds. These a priori bounds are the reason why the 'optimism which relentlessly discounts the profits of future time, its eternally impending risk' (Bloch 1953, 456), which makes capitalism an arrangement for the systematic postponing of payments, i.e. a system intrinsically in search of a perpetual source of refinancing (lender of last resort, 'Greenspan put' or QE), has no *raison d'être*.

Nevertheless, this 'optimism' is implicitly assumed as a convention for the calculation of the prospective yields of assets and as such is both the basis for the *functioning* of financial markets and the reason of their intrinsic instability.

The inconsistency of the assumptions implicitly made by 'organized investment markets' allows Keynes to distance himself from the definition of liquidity as the convertibility of assets into money, hence, in a tautological way, of money into money, by showing in one fell swoop its technical impossibility and its social unacceptability.

'Liquidity' as convertibility of assets into money is for Keynes an 'anti-social fetish' simply because it does not exist for the community as a whole. However, this insight does not push him to *deny* the physiological need for liquidity as the legitimate counterpoise of the exposure to time, hence to uncertainty, which investments imply. What is at stake is then the possibility of a separation between money and liquidity, capable of granting them both their *proper function*. But then, what should we say about money *proper*?

11. Money as it ought to be

If the separation between money and liquidity makes sense, then their *confusion* does not have any reasonable economic meaning: in other words, insofar as money serves as a 'shield' against uncertainty, it runs the risk of not functioning as money proper.

We can actually put the question of money proper only if we cast into doubt the apparent univocity of money. And indeed, at the heart of the Keynesian interpretation of 'money as we know it' lies the possibility of thinking a different kind of money, *positively* characterised *by not being liquidity*.

This does not mean that the operation of separating money and liquidity is an easy thing. This is the very meaning of the criticism made by Keynes (in *General Theory* 23) to

the argument of Gesell: his proposal to create artificial carrying costs for capitalistic money, in the form of negative interest rates, certainly deprives money of its 'liquidity', but does not generate ipso facto the desired transformation of capitalistic money into 'people's money'.

Gesell's theory is for Keynes 'only half a theory of the rate of interest', hence of capitalistic money:

> having given the reason why the money-rate of interest unlike most commodity rates of interest cannot be negative, he altogether overlooks the need of an explanation why the money-rate of interest is positive, and he fails to explain why the money-rate of interest is not governed (as the classical school maintains) by the standard set by the yield on productive capital. This is because the notion of liquidity preference had escaped him. He has constructed only half a theory of the rate of interest.

In present times, negative interest rates, based precisely on the Gesellian 'half-theory' of the rate of interest[5], have proven to be insufficient to escape the liquidity trap. The reason is simple: focusing on a technique for removing *liquidity* from money, Gesell (and possibly the ECB) have overlooked the liquidity-preference as such, and its deep 'ethical' roots:

> He [Gesell] was unaware that money [better: 'money as we know it'] was not unique in having a liquidity-premium attached to it, but differed only in degree from many other articles, deriving its importance from having a *greater* liquidity-premium than any other article. Thus if currency notes were to be deprived of their liquidity-premium by the stamping system, a long series of substitutes would step into their shoes.

In order to get money proper, i.e. money as it ought to be, it is not sufficient to remove liquidity from money, but also to preserve liquidity in its proper function.

12. Money proper is not a thing

In the ICU project, Keynes has been able to make the most of the healthy part of Gesell's theory and its recommendations against *liquidity*, exactly because he had developed the 'missing part' of it, i.e. the concept of liquidity-*preference*. The result of this

[5] Negative interest rates have been recently 'mainstreamed' by the ECB, with an explicit reference to Gesell (Coeuré 2014), precisely in order to give liquidity to the financial markets.

completion is not the practical abolition of liquidity but the conceptual (yet rich of practical consequences) separation of liquidity and money.

The difficulties of such a separation are nevertheless to be seen with precision. In the 1937 article, Keynes still minimises the effects that the propensity to hoard has on the velocity of circulation, and rather he insists on its effects on the rate of interest.

The fact however remains: Keynes' interpretation of liquidity-preference as a fundamental structure of economic action under uncertainty is precisely what allows him to link the hoarding of money in capitalism to the very possibility of a *liquidity trap*, in which no increase in the rate of interest can divert 'uncertain and disquiet' economic actors from a cumulative practice of hoarding.

In fact, wherever the transactions-motive does not predominate and the 'principle of disquietude' enunciated by Keynes holds sway, the demand for money could absorb any increase of the quantity offered. This what Keynes states in *General Theory* 13 in a passage that we have in part already quoted:

> money is a bottomless sink for purchasing power, when the demand for it increases, since there is no value for it at which demand is diverted—as in the case of other rent-factors—so as to slop over into a demand *for other things*.

We put the last part of the quote in italics because, in the economy of our discourse, this well-known sentence can sound, and should be heard, in a different way. Keynes says: the purchasing power of money can be indefinitely absorbed by hoarding, insofar as the demand for money does *never* slop over into a demand for other *things*. Surely, this is what happens with capitalistic money. But what if 'other things' became just as interesting from the viewpoint of hoarding, and at the same time money *ceased* to be *a thing,* precisely because its only possible use becomes its *cession,* and its systematic cession makes it *disappear*?

That money *is not a thing,* is a fact Keynes is well aware of at least since 1923. In a quasi-parenthetical sentence of his *Tract on Monetary Reform* (which, in previous version of the essay should have nevertheless be put at the incipit)[6], he states it as clearly as possible:

> It is not easy, it seems, for men to apprehend that their money is a mere intermediary, without significance in itself, which flows from one hand to another, is received and is

[6] I owe to L. Fantacci this information, which is retrievable in the preparatory notes for the essay, which he consulted in Cambridge in Keynes Papers.

> dispensed, and disappears when its work is done from the sum of a nation's wealth. (Keynes 1923, 124)

The money that Keynes evokes in 1923 is the same money that he concretely proposes in 1944. As it is best suited for the definition of 1923, bancor has some chance to overcome the ordinary problems of understanding evoked at the beginning of the quote.

A money that disappears when its work[7] is done, i.e. a money which properly *is* when it *ceases to be*, can be anything but… a 'thing'. Hence, it cannot be the proper object of hoarding, assuming that 'hoarding' has the economic meaning of the precautionary holding of some-*thing*. IF hoarding, better the propensity to hoard, better the liquidity-preference, has to have an economic meaning, THEN money, *if it is money proper* according the definition above, cannot be the appropriate object of that preference.

It is on this basis that the 'lexical operation' announced in the title ('from liquidity to liquidness') becomes conceptually relevant and phenomenologically legitimate. Even though the denotation of money's proper character with the noun 'liquidness' cannot rest on a true Keynesian philology, all Keynes' thoughts on money and liquidity led us to take this step. These very thoughts induced us to detect in his theoretical discourse the need of a separation between money and liquidity, and to interpret the ICU project as a first, but not certainly the only possible, attempt to re-form money by institutionally separating these two economic realities.

The phenomenon that the definition of 1923 puts in evidence is *disappearance* as a *positive* feature of *money proper*. It is in virtue of this positivisation of disappearance that hoarding can appear as an improper use of money.

The bancor embodies operationally this positivisation: the operational rules set for ICU participants are meant to induce them to converge towards equilibrium symmetrically both as debtors and creditors, so that all credit balances in bancor *reduce* themselves systematically through their *spending*, contributing to the *absorption* of debit imbalances in bancor. On the real side, all participants are thus 'encouraged' to play the trade game exactly because they cannot rely upon its indefinite suspension thanks to the hoarding of credit accounts.

For the sake of clarity, it should be stressed that, by its very design, the bancor is a fully *endogenous money*. It comes to light as a pure 'money of account' (to keep the same terminology of Keynes' *Treatise on Money*), allowing to write balance-sheet entries in the ICU, when *bilateral* debt-credit relations arise, but it disappears as 'money' by

[7] It is worth noting here that 'work' has the same Indo-European root than the Greek word 'ergon', from which Aristoteles coins the word 'energheia', 'to be at work', as the highest expression of the 'reality' of 'things'.

being used as a *means of payment* of the aforementioned debts, and namely thanks to the ICU, in a *multilateral* way. Its resemblance with the neoclassical 'general equivalent', i.e. an already existing commodity subsequently raised to the status of a *means of exchange*, for the sake of the 'fluidization' of a 'market' in which equilibrium prices have already been obtained as relative prices, i.e. without passing through any monetary mechanism, is then a mere appearance. The bancor is a money which 'appears and disappears', more precisely is created and destroyed. It is done and undone, and not by a central and external authority, but following the rhythm of the real exchanges, and of the financial relations necessarily arousing from them, *precisely because the bancor is not a pure means of exchange*. It does not preexist to these relations; it does not 'survive' to them.

Bancor's endogenously programmed and induced *disappearance* is the way in which it *does its work*. We can daresay that the whole system is preordained to produce an *eclipse* of money.[8]

13. What becomes liquidity if we name money *liquidness*?

That new kind of money which is bancor is demanded to flow, to pass, to disappear in circulation and *as* circulation (Amato 2015, Amato-Fantacci 2014)[9]. In this sense, we could double the conceptual operation of separating liquidity and money with a lexical operation, assigning to money the feature of *liquidness* and using the term *liquidity* to designate the intertemporal stability of value of an economic *good* with respect to changes in the state of long-term expectation. The further advantage of such a distinction is that 'liquidity' as 'convertibility of assets into money' would finally appear as it is: an insufficient and problematic notion.

Nonetheless is this spurious conception of liquidity that constitutes the basis of the operation of financial markets and underlies their criticism by Keynes, as we can read it in *General Theory* 12. Without going into too much detail (see, again, Amato 2017), two aspects of the question stand out.

[8] Indeed, the Indo-European root of 'eclipse'is $*leik^w$, i.e. a root which gives the Latin words *linquere* (to leave), but also *liquere* (to let loose, to leak), whence the adjective *liquidus* (liquid). The same root gives also the German *Anleihe*, meaning 'loan'.

[9] The disappearing of money as Keynes conceives it and to which the ICU aims does not pass through interdiction, but through the introduction of rules for the use of money *such that* money tends to disappears as money. In this sense, in Anglo-Saxon languages the suffix -ness (German -nis) appears more adequate to the phenomenon it has to show, as it suggest the idea of a *softer mobility* than the suffix –ity (German –heit)

The first has to do with common usage. Since the end of the 19th century, 'liquidity' has become in financial language the name denoting not so much the *quality* of *being actually* liquid as, rather, the *potentiality* of *becoming* 'liquid'. A thing or an asset has 'liquidity' when it can *easily be converted into* 'money', i.e. when it is *susceptible* of being made exactly (*as* 'liquid' *as)* money. We will see the second aspect in the next section.

14. Time and money

However, this way to characterize 'liquidity' affects (and is affected by) the historically determined way in which we are accustomed to see money. If 'liquidity' is the *potentiality* of being converted into money, what about money itself? According to this view of 'liquidity', money itself, and as such, cannot enjoy this property but in a self-referential, tautological way. In this perspective, money would be that *unique* being whose potentiality *coincides* with its actuality ('unum ens primi ordinis […] in quo sunt idem essentia et potentia et actus')[10]. In other words, this 'first order and unique being' cannot be but the *actus purus*, i.e. the theological intellectual God of Saint Thomas, whose primary characteristic is to always and fully *be*. 'Being' meaning '*being untouched by the accidents of time'*.

Here we see the ultimate consequences, as well as the theological provenience, of this untenable view of liquidity.

First, in this perspective money (as we know it) reveals itself as exactly the opposite of what *it ought to be*. Money as 'self-referential liquidity' loses its primary *proper* characteristic, which its penchant to *pass,* gaining in return the doubtful quality of becoming 'eternal'. The 'root of all evil' in this perspective is neither money, nor the love for money as such, but this shift, better this *very slip* in the meaning of money.

Second, what gets lost in this perspective is the difference between money and 'what it will procure', i.e. goods. With the consequence that the 'liquidity' of money tends to coincide with the Hayekian 'moneyness' of goods, i.e. with something that reaches tautologically its maximum as the moneyness of money. This means, however, that money and goods are put on a continuous plan, which admits degrees *but not differences*. The problem with 'money as we know it' lies exactly here: when money is called on to be moneyness' tautological form, hence the *prototype* of wealth, it can become an obstacle to the accumulation of *real* wealth through work and investment.

[10] Petrus di Falco, *Quaestiones disputatae ordinariae,* ed. Gondras, Louvain-Paris 1968.

Here we find here the root of Keynes' criticism to monetary saving, as we can read it in the already quoted passage of *General Theory* 16. The trouble with money saving arises

> because the act of saving implies, not a substitution for present consumption of some specific additional consumption […], but a *desire for 'wealth' as such*, that is for a *potentiality* of consuming an *unspecified* article at an *unspecified* time (italics mine).

'Money' as a perfect intemporal store of value, is the perfect 'object' for the desire of such a 'wealth'. A desire which, as a particular case of the Buridan's Ass, is in the end the *desire not to desire*, i.e. to be exempted from the *obligation to choose*: a formal exemption whose real effect is to potentially depress the value of any other object, hence real economic activity.

The tendency of money as liquidness to timely disappear is the opposite of the timelessness which characterises the accumulation of money as liquidity. Not only that: by contrasting the identification of money with liquidity, and ultimately *with a thing*, money as liquidness is also wholly without prejudice to the possibility of a true, precautionary hoarding of some-*thing*, thus also restoring the difference between money and goods.

Money as liquidness ceases to be the anti-social fetish of the theo-logical 'actus purus' of Saint Thomas, but only in order to rigorously become the socio-logical 'actus purus' described by Simmel in his *Philosophy of Money*:

> There is no more striking symbol of the completely dynamic character of the world than that of money. The meaning of money lies in the fact that it will be given away. When money stands still, it is no longer money according to its specific value and significance. The effect that it occasionally exerts in a state of repose arises out of an anticipation of its further motion. Money is nothing but the vehicle for a movement in which everything else that is not in motion is completely extinguished. It is, as it were, an *actus purus*; it lives in continuous self-alienation from any given point and thus forms the counterpart and direct negation of all being in itself (Simmel 1900, 517).

15. Money, and liquidity, as they ought to be: the two sides of Keynes proposal at Bretton Woods

We have now all the elements required for turning our minds to the project of the ICU and to interpret it as a first embodiment of the notion, 'in Keynes even if not for Keynes',

of money as liquidness, i.e. as *readiness to pass*. And also for evaluating the whole significance of removing liquidity from money, also through the Gesell-clause, without abolishing liquidity tout court.

In this sense, the ICU project, which concerns money and payments, has to be coupled with another project, concerning commodities and the stabilisation of their intertemporal value.

This is what Luca Fantacci shows in an essay judiciously entitled *Reconciling money and goods* (Fantacci 2017), using very detailed first-hand historical arguments. Here it is worth touching briefly on the main points of that essay. First, in the eyes of Keynes the institution of a buffer stock programme for the normalisation of the prices of commodities was the only effective remedy against the intrinsic volatility of commodity markets that are so crucial and strategical for geopolitical equilibria. Second, this systematic reduction of volatility of prices and of their long-term expectations had the explicit purpose of *giving liquidity*, in a proper sense, to *real* stocks. Third, the ICU and bancor should have been explicitly employed as means for the implementation of the buffer stock programme. And finally in Keynes' mind both ICU and Commodity control were the two sides of the same 'coin'.

This quote of Fantacci should result particularly revealing:

> The establishment of international buffer stocks was explicitly conceived by Keynes as a way to allow the stocks of raw material and foodstuffs of producing countries to be 'permanently liquid' (CWK 27: 129). On the other hand, the imposition of charges on surplus balances within the Clearing Union may be seen as a way to avoid the accumulation of liquid stocks of international money. Together the two plans can be seen as a way of *reducing the liquidity of money and enhancing the liquidity of commodities* [italics mine], so as to discourage the accumulation of idle monetary balances and to encourage the accumulation of stocks of actual goods. They are, in Keynes's own view, complementary proposals: "The underlying principle of the Clearing Union and the financing of staple primary products dovetail together in a perfect manner" (CWK 27: 147).

The implementation of international 'ever-normal granaries' for all sorts of commodities would have allowed stocks of commodities as alternatives for the holding of surpluses precisely because they would have embodied the positive notion of *liquidity* which Keynes constantly endeavoured to establish. To be even more precise: the coupling of the two programmes for which he speaks of a 'perfect dovetailing', consists in the fact that it is their *simultaneous* operation that strengthens them, thus making operational that very separation between money and liquidity which, vice versa, 'money we are accustomed to' cannot but obliterate.

International money is deprived of any ‘calming function’ since its modus operandi, based on treating creditors and debtors symmetrically, ensures that whoever has credit balances has not only the necessity but also *the convenience* to find some form of spending it. And the *spending of last resort* of active balances consists, in Keynes overall design, precisely in the purchase of commodities whose price is stabilised not only by the smooth operation of the managers of the buffer stocks, but also by the fact that the ‘normalised’ surpluses *are actually purchased* by the holders of active balances *in bancor*. In other words, active balances in bancor are *liquid in the sense of liquidness* because they are wholly *spendable*, and they are wholly spendable because they can in the last resort purchase goods, not assets, which are made permanently *liquid in the sense of liquidity* also because of the fact that they can be purchased in bancor.

This dovetailing has its own harmony, hence a sort of ‘beauty’. A beauty that Harrod does not miss:

> It is a further beauty of the scheme that by centralizing the finance of the various commodity controls (and, if possible, linking it to that of the Clearing Union) it secures that purchases during the depression release what is for the time being ‘new’ money, not money withdrawn from incomes elsewhere. This infusion of new money is precisely what is needed, to combat depression, and I do not believe that any other practical way has ever been suggested of securing an infusion of like magnitude (T 247/9: 100). (quoted in Fantacci 2017, 22)

It is in this way that the harmony between autonomy of domestic policies and international free trade, which Keynes strongly supported in *General Theory* 24, can be achieved:

> If nations can learn to provide themselves with full employment by their domestic policy […], there would still be room for the international division of labour and for international lending in appropriate conditions. But there would no longer be a pressing motive why one country need force its wares on another or repulse the offerings of its neighbour, *not because this was necessary to enable it to pay for what it wished to purchase*, but with the express object of upsetting the equilibrium of payments so as to develop a balance of trade in its own favour. International trade would cease to be what it is, namely, a desperate expedient to maintain employment at home by forcing sales on foreign markets and restricting purchases, which, if successful, *will merely shift the problem of unemployment to the neighbour which is worsted in the struggle*, but a willing and unimpeded exchange of goods and services in conditions of mutual advantage.

What really makes the difference is the conception of an international money that is not a source of pressures on domestic economies, because of the need of an internal adjustment of external imbalances, but, instead, an international money conceived to have in its proper functioning all the elements needed for the reabsorption of imbalances. From that standpoint, as Keynes reminds us, bancor *is really breaking new ground*: to the extent that it overcomes any propensity whatsoever to hoard money by construction, it prevents any pressure of international economy to domestic economies.

At another level, i.e. at a local level, this same logic underlies the functioning of sardex as the unit of account of a local clearing circuit. Being a unit pegged to the euro but not convertible into it, the problem of the “liquidity” of the positive sardex balances is a real problem, which finds a solution 1. in the obligation for each participant business to make available for the whole circuit an amount of goods and services representing at least five times the amount of the overdraft facility granted, and 2. In the commitment of sardex management to use its own account in order make available for the whole circuit a sufficient amount of goods that are “liquid” in the sense that they represent intermediate goods for all businesses.

The strength of the ICU project, as well as of its local implementation, is that they do not try to overcome the propensity to hoard money through the mere imposition of artificial carrying costs on it (in the case of sardex the Gesell-clause is not applied), but that they put in place a circuit where money itself changes its nature. The liquidness of money (which is the ‘sunny side’ of its non-hoardability) is not only likely but also likeable, thanks to the presence of a *preferable* alternative for hoarding, provided by the liquidity of commodities whose value is made certain by the very operation of the accumulation mechanisms that international/local money itself helps to enhance[11].

At the international level, even after the dismissal of the ICU project, the backing provided by commodities will never cease to attract economists’ interest: ‘in 1964 Nicholas Kaldor, supported by Hart and Tinbergen and following the earlier work by Keynes, Hayek and the two Grahams, drew up and presented to UNCTAD a blueprint for an international commodity reserve currency (Hart *et al.* 1964)’.[12]

[11] May I be allowed to make a ‘Polanyian’ remark: commodities are what is nearest to ‘land’ in the sense of Polanyi. Preserving them from the vagaries of a speculative market makes them something different from a simple ware, exactly as international money loses the possibility of being a ware simply because it constructed as a ‘non-thing’. To the extent that land and money would cease to be wares on the international market, inside domestic economies work could in its turn cease to be treated as a cost to be reduced with a view of the adjustment of external imbalances.

[12] Hayes 2016

16. Money, payment, and peace

Money as liquidness demands the design of circuits capable of making its circulation both probable and preferable. The present crisis and its cure through 'liquidity injections' have shown the extent to which the absence of efficient transmission channels can transform such injections in a corresponding increase of the hoarding of 'money'.[13]

With the ICU Keynes proposed a solution for the international economy, but his suggestion should be taken up also for domestic and local economies. This is clearly the case of Sardex (see Littera, Sartori, Dini and Antoniadis 2017; Lucarelli and Gobbi, 2016; Dini, Motta and Sartori, 2016). The source of inspiration for the sardex' founders has been , by their own admission, the ICU, as well as the former historical experiment of a local clearing house for businesses, allowing multilateral exchanges, the WIR Circuit (of which Keynes was probably aware). Through an accurate design of the network of businesses and the rule of inconvertibility, the 'normal' balance sheet of the sardex participants gravitates around zero, which implies that the sardex as a local currency does not enjoy of the property of 'liquidity' but that it *fully enjoys* of the property of liquidness.

The analogy of structure between ICU and sardex, as well as the economic grounds for it, are fully recognized by Lucarelli and Gobbi (2016). First of all, they highlight the following:

> Keynes's way out of the problem of liquidity did not merely involve a change in policy but required radical reform aimed at removing the principle of liquidity as the primary cornerstone of the financial system. It is a question here of stripping money of its function as a store of value. Keynes showed all the disasters that could result from a financial system based on the principle of liquidity in his *General Theory* but went on in the 1940s to plan an alternative financial system based on a very different principle, namely clearing. The model of an International Clearing Union (ICU) put forward by Keynes to design a new international monetary system for the post-war world remains the primary point of reference for any institutional arrangement aimed at facilitating balanced trade. Keynes conceived a system where there is no means of payment at all and money is a pure unit of account. […]There is no advantage to being a creditor within the clearing union. A sort of interest rate is paid not only by debtors but also by creditors. Hoarding is discouraged. Having a positive bancor balance allows a creditor country to sell more than it could otherwise. Symmetrically, having a negative bancor balance allows a debtor country to buy more that it could otherwise. The symmetrical distribution of charges between creditors and debtors induces the balances of all the countries to converge on zero. Clearing systems have been adopted not only for international, but also for local

[13] A first attempt to think in this direction is (Amato et al 2017)

> trade. In this case, the local currency acts as a pure unit of account used to denominate and to compensate debt and credit among businesses. ” (Lucarelli and Gobbi 2016, 5-6)

Then, they apply their remarks to local mutual credit schemes, like sardex:

> Complementary currencies based on the clearing principle appear better able to cope with change than other currency systems. In other words, they are resilient, especially if they are able to create and ensure an environment conductive to constructive economic and social interaction with no imposition of top-down procedures. A local clearing union can be imagined as a multilateral credit sys- tem comprising three categories of participants: businesses, individuals and non- profit organisations. The aim of the system, as shown in the following section on the Sardex, is to allow systematic interaction between these categories of economic and social actors while preserving both the specific freedom of each individual actor and the sustainability of the system as a whole. This kind of complementary currency is therefore designed to meet different needs: communities seek adequate means of payment tailored to their specific economic and social needs; businesses are interested in innovative instruments capable of supporting economic exchanges; government bodies can decentralise their social policies by involving non-profit organisations and promoting the free involvement of citizens in financing them. There is no advantage to being a creditor within the clearing union. Hoarding is discouraged. Having a positive balance in the complementary currency allows a creditor to sell more than it could otherwise. Symmetrically, having a negative balance allows a debtor to buy more than it could otherwise. The symmetric distribution of charges between creditors and debtors helps the balances of all firms to converge on zero. In this situation, which can be regarded as an equilibrium, all the debts are paid and all the money is spent. Convergence on equilibrium is prompted by the disincentive to accumulation in complementary currency. The manager of the local clearing union can in fact use the negative tax on credit as a lever of economic policy to discourage hoarding and increase expenditure on consumption and investment, especially in periods of crisis.” (Lucarelli and Gobbi 2016, 9)

The case of sardex is a success case, but not the only conceivable. What should, and could be done, is to build currencies and hence monetary policies leveraging on the velocity of circulation of money rather than on its quantity.

This means that ‘targeted currencies’, i.e. monies whose circulation is *designed* to be geographically and/or functionally restricted, could be made *complementary* to an international money of the nature of bancor, and at the same time compatible with credit policies aiming at sustaining real investments. Some leads to follow up:

Firstly, the DigiPay4Growth programme[14], financed by the EU, envisages the establishment of local currencies issued as means of payments of the local public sector, automatically convertible into euro at a given date, but authorised to circulate on a voluntary basis in a given territory before this date. The positive effect on the velocity of circulation passes through the reduction of the delays of payments, and on the temporary restriction of the payment community to the local community.

Secondly, the "common project" of the Italian Ministry of Justice, which aims to address the problem of the growing amount of uncollectibles involved in bankruptcy procedures. "The project entails a new form of articulation between money and credit, which overturns the traditional logic of liquidation by transforming creditors of bankruptcy procedures, passively waiting to be paid, into active operators, capable of sustaining demand. This goal is pursued by converting part of their credits into purchasing power that can be immediately spent in the auctions for the assets of bankrupt companies, thereby increasing the efficiency of bankruptcy procedures, accelerating the reallocation of assets and maximising the satisfaction of creditors" (Amato-Fantacci 2016). By giving liquidity to uncollectibles, and by targeting this freshly created liquidness to the purchase of the goods put into auction, the project gives liquidity to that specific market, countering the trend to deflation.

Finally, there is a third issue which deserves attention: the 'appeasement function' of a money which is not built on anti-social premises.

At a local level, the aim of 're-socialising the economy' is in most of the cases at the core projects of local currencies. Building on mutual credit and confidence, the sardex project not only serves locals businesses by financing the working capital of the members and by smoothing the management of their cash flows, but in contributes actively to the building/strengthening of a local business community. Putting cooperation before competition, a local currency acts as fa competitive factor for the community as a whole.

At the international level, the radical transmutation of international money into a money which is complementary to domestic currencies would exert in itself an influence in domestic economies, contributing to the appeasement of commercial relations between countries, which the liquidity crisis of 2008 has severely jeopardised. Even in this perspective, the ICU project can give some clues.

In almost all drafts of the project, Keynes presents the ICU as a 'a measure of Financial Disarmament', turning out to be 'very mild in comparison with the measures of Military Disarmament, which it is to be hoped the world may be asked to accept'.

[14] https://cordis.europa.eu/project/rcn/191828/factsheet/it

The idea is simple: what has been until now misused as an instrument of pressure can be transmuted into a means of 'understanding' and 'détente'. Yet, in order to be accomplished, this transmutation requires a reform in the field of monetary institutions, finally endowing international commerce with an adequate means of *payment*, hence with a money designed to pay, i.e. literally to *make peace* among debtors and creditors, to *appease* their relationship.

In order to appease international relations current accounts must tend to equilibrium, as all laissez-faire, liberal, theories have always stated. This implies that the quantity of international money should tend to zero, i.e. that money should be instituted in order to be able to disappear. This is for Keynes the unsolved problem of international trade:

The problem of maintaining equilibrium in the balance of payments between countries has never been solved, since methods of barter gave way to the use of money and bills of exchange. ... [T]he failure to solve this problem has been a major cause of impoverishment and social discontent and even of wars and revolutions. CWK (XXV, p. 27)

This much-needed new form of money should be capable of helping the transformation of what has proved historically to be a war machine into a potentially highly cooperative mechanism, thus making the above-mentioned complementarity between domestic an international economic activity fully operational.

The way proposed by Keynes has not been followed, but the problem it was meant to solve remains, not only unsolved but also worsened. Should we then represent to ourselves QE as an 'appeasement' policy carried out through the perpetual accumulation of armaments? Now more than ever the alternative becomes crucial between perpetual peace and a truce constantly in need of a tinkering at the margins.

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