

Longing for Haute Finance in the 21st Century?

A Neo-Polanyian Approach to the Theory of Money in the Digital Age

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Abstract

This article examines the Libra project, which was announced by Facebook in 2019 as an important turning point in the development of digital currency since Bitcoin. Libra is a kind of stablecoin, and it has been identified as a global stablecoin owing to its wide-ranging impact on the dimension of global finance. Because the Libra project aims to offer a globally accessible low-cost payment system for all users, we analyse it in the research area of global finance with a qualitative approach to the history of economic theories of money and finance. In this area, Karl Polanyi's thoughts on money and finance and the interpretation by Saiag, which he called a neo-Polanyian approach, deserve attention. Taking this approach, we understand that unofficial functions of haute finance played a significant role in sustaining the international and interdependent financial system in the late 19th and early 20th centuries. In this context, although it also saved colonized and dependent regions from falling into financial crises, it was not socially helpful for them. If Libra wants to be the haute finance of our age in the real sense of serving to bring about financial inclusion, such a point should be considered. However, for the moment, existing international monetary institutions are only keen to take regulatory measures against the risk of dirty transactions. There is a substantial lacuna of publicness in the discussion, and this needs to be filled in in the near future.

Keywords: haute finance, global finance, neo-Polanyian, stablecoins, e-money

1. Introduction

1.1 Introducing the Problem

This article investigates the impacts and problems of a digital money project, the Libra project, for the theory of global finance; to accomplish this, it uses a neo-Polanyian approach ascribed to the integrated thoughts of economic theory and economic anthropology of Karl Polanyi in the 20th century. This approach deserves attention when it comes to seeking an appropriate conceptual and theoretical framework for recent practices and problems of so-called crypto-currencies. We attempt to bridge the gap in the existing literature between technical analyses of applications of blockchain for ledgers and historical analyses of money and finance.

Our assumption is that the appearance of the Libra project marks an important turning point in the history of digital money since the birth of Bitcoin (Note 1). Certainly, Bitcoin may be the most conspicuous example of denationalised money. Nevertheless, since its birth, similar but distinct kinds of digital money with crypto-technology have developed and attracted people's interest in the new possibility of payment and in the new monetary practice. These phenomena have partly been seen as an extension of local and complementary currencies. However, the potential social impact of the Libra project is exceptional, primarily in its potential size and worldwide range. These characteristics stem from its design by Facebook, which has 27 million members (Kawamura, 2020, p. 5; Note 2), together with a non-profit consortium called the Libra Association, made up of 21 founding members that are also globally known (Note 3). The Libra project certainly exceeded the level of local currency and intended to propose a convenient means of payment for cross-border transactions for the mass population in the world. In this sense, it has become a game changer (Klein, Gross, & Sandner, 2020, p. 10; Zetsche, Buckley, & Arner, 2021, p. 82).

The problem with analysing Libra partly rests on the side of economics. All possible kinds of digital money, ranging from that of bank accounts kept in ledger and shown on the internet to the group of crypto-assets in recent years, unquestionably belong to the category of money—or more exactly, of a means of payment. Thus, it is natural to

assume that crypto-assets can and should be investigated via economics. However, paradoxically, money has not always been placed at the centre of analysis in the history of market-based economic theories. In most market analyses, aside from several exceptional cases, money has been assumed only to play an intermediary role as a veil in the real economy of trades and exchanges. This viewpoint of the so-called veil of money has become problematic considering the repeated collapses of the globalised bubble of financial markets since the 1990s. It follows that the meaning of digital money delineated above must also be contextualised in this historical setting.

A noticeable exception is Modern Monetary Theory (MMT), a strongly state-oriented version of the chartalist theory of money, which refers to Bitcoin but only does so negatively (Wray, 2015, p. 80). It claims that money and currencies are driven by taxes—that is, by ultimate redemption—so that Bitcoin and similar non-legal tenders are not included in the category of money. Although this definition of money is too narrow, it needs some consideration in thinking about the role of the state in international and global finance. What is more, digital money cannot be represented only by Bitcoin nowadays.

1.2 Exploring the Importance of the Problem

The importance of dealing with the Libra project is emblematised, for example, by a swift reaction to the G7 meeting about one month after the first announcement of Libra, when finance ministers and central bankers met in France and included a discussion about this new project in their agenda. This project then further provoked international economic organisations, governments and central banks to express serious concerns about its risk and the urgent necessity for regulatory measures (Note 4). This partly explains the hardship that this project had experienced until today, where it has been forced to reduce its original plan into one that is in accordance with our existing institutional frames.

A report published by two members of the International Monetary Fund (IMF; Adrian & Mancini-Griffoli, 2019), together with another study published a few months later by the same authors (G7 Working Group on Stablecoins, 2019), has become an important frame of reference, although the former claimed to have been institutionally independent. These reports typically show the defensive attitude of existing authorities of monetary institutions, but they still contain important analyses. For a similar reason, we also look into reports of the European Central Bank (ECB, 2012, 2015) and Bullmann, Klemm and Pinna (2019) dealing with digital money. We find that simply indicating the danger of Libra in the regulatory dimension would miss the point.

The point is that our existing international institutions, including the IMF, mainly stem from the Bretton Woods period and have long been conscious of the contradiction between international and global governance. As was metaphorically stated, they must undertake global governance without global government (Stiglitz, 2002). Especially since the 1990s, there have been lively discussions on the problems of global finance in the research field of international relations and global political economy (Dombrowski, 1998; Helleiner, 2000). However, as Stiglitz precisely indicated, international institutions are also responsible for the problems caused by this contradiction. We also have to see their limitations or at least place them in their historical context to evaluate their activities.

According to Libra's official statement, it has succeeded in offering a new type of payment system that intends to meet the needs of 'a reliable and interoperable payment system that can deliver on the promise of "the internet of money"' (Diem Association, 2020, p. 5). Libra coins were defined there as a set of stablecoins for this payment system, consisting of both single-currency stablecoins, such as US dollar stablecoins (USD) and EURO stablecoins (EUR), and of a basket of these. They have the Libra Reserve to preserve the value of Libra coins over time. This definition cannot be understood without the knowledge of 'stablecoins' and requires some investigation of their relation to the international and global dimensions of money and finance.

The Libra whitepaper optimistically stated that '[t]he Libra network is designed to be a globally accessible and low-cost payment system—a complement to, not a replacement for, domestic currencies' (Diem Association, 2020, p. 10). It then compared this to the Special Drawing Rights (SDR) by the IMF, showing their willingness to gain control via central banks and international organisations 'under the guidance of the Association's main supervisory authority, the Swiss Financial Market Supervisory Authority' (Diem Association, 2020, p. 11). In fact, the whitepaper explained that they did collaborate with regulators, central bankers and other various stakeholders in the world for their regulatory framework. However, this aspect needs some detailed examination.

1.3 Relevant Scholarship, Hypotheses and Their Correspondence to Research Design

For our analysis of the ongoing Libra project, there lies some difficulty in obtaining detailed information, for example, in terms of the cause and discussion of how the original idea came about or how the change has been carried on. Hence, we constrain ourselves to the idea and intention shown officially in the whitepaper, which reveals

the intention of its designers (Diem Association, 2020). We inquire into the whitepaper version 2.0 that the Libra Association (now the Diem Association) published online in April 2020—a revised version of the first one (1.0) published in June 2019 (Note 5).

From the abundant technical literature on Libra and similar digital money, we have identified and analysed a few articles that include at least some historical perspective (Fuchita, 2020; Kawamura, 2020; Lipton, Sardon, Schär, & Schüpbach, 2020; Sangbec, 2019; Zetzsche et al., 2021). So far, most investigations we have found have been conducted by authors from monetary institutions focussing on practical research interests. An exceptional in-depth investigation with a radical appraisal of Libra as the first rethinking attempt at global monetary arrangements since the Nixon Shock (Zetzsche et al., 2021, p. 112) also analysed it from a regulatory perspective. We basically share this starting point but investigate it in a different way.

To clarify the problems of global finance, we focus on the thought of Karl Polanyi (Note 6), who explored the problems around the establishment of liberal international institutions of politics and economy. We do need historical, qualitative analysis for our most recent problems of digital money (Note 7), but as Dombrowsky (1998) explained, this is not enough. ‘Although the scholars who first explored global finance (e.g. Bagehot, Feis and Polanyi) often spoke to issues familiar to contemporary international affairs students, the depth and breadth of their analyses did not match our current oeuvre’ (Dombrowski, 1998, p. 24).

This statement could be re-read for our age. In this sense, a neo-Polanyian approach, a term originally used by Saiag (2014), deserves considerable attention. With the help of this approach, we examine our hypothesis that Polanyi’s concept of *haute finance*, meaning roughly ‘high finance’, gives wide implications, although the article only mentioned its role briefly (Saiag, 2014, p. 562). Looked at historically, *haute finance* was gradually replaced by a hierarchical system of central and private banks. Considering this idea, we inspect how far the Libra project could possibly acquire a position comparable to that of *haute finance* with a technically new idea of ledger technology and with its unique relationship to the sovereignty of many nation states.

We argue that the Libra project certainly has the potential to broaden the possibility of offering a new means of finance with the intention to play some ‘public’ role in assuring access to this means of payment for those who had not had one before. However, we also assert that the traditional contradiction of international and global finance continues with the Libra project. Despite its considerably different appearance, the problem of conflicting sovereignty has continued. This attempt can hopefully give some message of warning against our current situation, where many seek only to suppress such attempts with regulatory measures and to promote only state-based ones.

The optimism that developing countries can experience financial inclusion would do harm if they accepted the project without considering its social effects. The dichotomy of advanced economies and emerging market economies (Boar, Holden, & Wadsworth, 2020, p. 5) would not be sufficient. A more detailed analysis of the effects and impacts of new global monetary arrangements that takes a critical geopolitical perspective is necessary. Although some concrete analysis is needed, we constrain ourselves to describing the general points of the problems.

2. Method

We take the methodology of analysing the precursory literatures of two separate research areas—that of Libra and similar digital money and the analysis of Polanyi’s thoughts on money and finance. As might be evident, one is generally reticent, if it is present, in the consideration of history and the history of thoughts, while the other has not taken much, if any, interest in the most recent development of digital technology. However, we can extract a common point of reference from both groups of literature to fill the gap between them. In both studies, we find some sort of distanced view from state sovereignty for monetary and financial practices. This is the key point of the analysis, and still, our foundation is more related to the latter group of literature.

2.1 The First Prerequisite: A Neo-Polanyian Approach

Here, we ascertain the conceptual assumptions of our historical method. Saiag (2014, p. 560) attempted to integrate John Commons’ concept of debt into the framework of Polanyi’s work on money. This attempt placed these two authors, Commons and Polanyi, in the genealogy of the chartalist tradition, drawing attention to the former’s takeover from Georg Friedrich Knapp, the founder of the chartalist theory of money. Knapp (1905/1924) saw the nominality of debt or of the unit of value as a necessary premise for the birth of money, and he explained that ‘money is a means of payment, but not necessarily a material one’ (p. 19). This emphasis is implicative for the distinction between physical and non-physical—or eventually digital—money (Note 8).

It deserves attention that Knapp’s emphasis on the power of the state to decide and change the means of payment did not contradict the social aspects of money. He examined legal procedures that were necessary when the state declared

the introduction of a new means of payment: Legal practitioners should describe the new means of payment for immediate recognition, settle a new name and define its quantitative relation to the previous unit. Knapp (1905/1924) defined the state only as ‘the public pay community’ (p. 134) and allowed for theoretical room for banknotes to become money of the state. He admitted that there were different and diverse kinds of payments—not only public payments for and from the state but also private payments among people as a private pay community.

Saiag utilised Polanyi’s conceptual findings to emphasise the function of money as a means of payment of debts and its meaning for society: Debts or liabilities are engendered from social life, and money is used to account for and settle them. This is how money involves society as a whole. Saiag (2014) then put forth his ‘neo-Polanyian approach’ (p. 572), mentioning the main originality in Polanyi’s distinction of two different levels of abstraction of money—that is, money as a concept and money as a set of instruments and practices.

In this article, we roughly follow the line of the neo-Polanyian approach outlined above except for some potential reservations. Whereas Saiag (2014) saw the concept of money as stable over time, we see it as prospectively changeable, like the monetary instruments, practices and institutions he observed as ‘constantly evolving with society itself’ (Saiag, 2014, p. 574). Even if Saiag (2014)’s distinction can still be valid and useful in the age of digital money, the concept of money seems to have gained more and deeper influence from monetary instruments, practices and institutions. With this reservation, we look cautiously into the sociality embodied in Libra (Note 9).

Here, we add an important assumption as to why we take Polanyi’s standpoint in analysing globalised cross-border finance, which is also in accordance with Stiglitz (2002) or Helleiner (2000): As clarified in these sources, Polanyi had always been on the side of lately developing countries, for example, German-speaking countries in opposition to Great Britain in the 19th century or the non-Western countries in opposition to the West in the latter half of the 20th century (Note 10). This standpoint is important in grasping our situation that there are about 17 million people, mainly in developing countries, who are unbanked, meaning that they do not have access to any bank, and they have been waiting for financial inclusion (Kawamura, 2020, p. 14).

2.2 The Second Prerequisite: Analysing the Libra Project

2.2.1 Prehistory 1: The Idea of a System of Cross-Border Payment on the Internet Platform

Following all precursory literature, we basically adopt the understanding that the originality of the Libra project lies in the unique integration of stablecoins for the settlement of payment. Hence, we examine the birth and development of stablecoins, relying on the first group of literature shown in the previous subsection. However, before looking into stablecoins, the report by ECB (2012), a transnational monetary institution within the European Union, deserves attention for the reasons outlined below.

First, although the discussion is brief, the ECB (2012) report gave some explanation of Facebook Credits (FB; Facebook’s virtual currency) in the section on virtual currency schemes with unidirectional flow. It explained that Facebook Credits were introduced in 2009 ‘to allow users to buy virtual goods in any application on the Facebook platform’ (ECB, 2012, p. 14). The members of Facebook could buy some particular virtual currency at a specific exchange rate—for example, in Facebook’s case, $FB\ 1 = USD\ 0.10$ using a daily exchange rate—but they could not convert back to US dollars. It looked like a voucher system within a small community, but the Facebook community as such was already quite ‘omnipresent’ (ECB, 2012, p. 11) at that time. The report also introduced the announcement of Facebook updating the payments product to ‘convert all prices and balances that were quoted in Facebook Credits into local currency amounts’ (ECB, 2012, p. 14). Although Libra’s attempt was not realised in time (Note 11), we recognise that the Libra project had been deliberated on for years—since at least 2009—when Bitcoin was invented.

Second, to a considerable extent, the characterisation of electronic money (e-money) was given based on an older report by the ECB from 1998. We know that in the 1990s, there was not yet a common currency in the European Union, and the European Monetary Institute, established in 1994, had been conducting research on the possibility of some cross-border measure of payment in EU countries. There would have been discussion that such a possible common measure of payment should be rigorously planned and controlled to avoid violating the status of legal tender of each EU country. Those who had elaborated on such a measure of payment must have noticed that cross-border or cross-national payment could become simple, if the traders had a common measure of payment that they could use to smoothly settle and complete their transactions on the internet, beyond any control of each country’s monetary institutions. On the one hand, that would be welcome because such convenience would encourage the people to increase transactions and vitalise the economy within the European Union. On the other, it would be unwelcome because it would increase the risk of murky transactions. They should also have worried that

such a measure would rapidly extend beyond the range of EU countries once devised and would widen the possibility of a denationalised digital currency tremendously. To this extent, the future of e-money and digital money in general could already potentially have been foreseeable.

2.2.2 Prehistory 2: The Development of Stablecoins

According to a report from 2019 by some members of the ECB, seven years after the report described above, there were at least 54 stablecoins, about half of which were operational (Bullmann et al., 2019, p. 31). We follow the view of this precursory work that the historical development of stablecoins is about 10 years long. This was when Bitcoin and similar digital currencies considerably increased their presence not only as a means of payment but also as an option in financial assets for investment and speculation (Note 12). The volatility of these virtual currencies had gradually become a serious bottleneck, and the desperate need for price stability certainly accelerated the development of stablecoins, a device equipped with some stabilisation tools (e.g. Sangbec, 2019, pp. 29–30; Note 13).

We find two ways to attain stability important: The first way is to form a pegged system with a legal tender of some developed countries (US dollar, Euro, etc.), and the second way is the idea to form a basket, a kind of portfolio. As to the former, according to Lipton et al. (2020), it began with Tether, a US dollar–pegged stablecoin founded in October 2014 under the name Realcoin and then changed in 2015 (Note 14), where the token was supposed to be backed 100% by liquid reserves (Note 15). In principle, the basic idea of stability relies on trust in the US dollar, not on the issuing company of Tether Limited.

As to the idea of a basket, the notion of Tradecoin created by MIT in 2018 seems to have contributed much to the birth of Libra in that ‘multiple “sponsors” formed a consortium where they could tokenize their assets and build a system of digital cash on the top of that’ (Lipton et al., 2020, p. 3). In this case, the asset pool of the consortium members plays double roles in the stability and safekeeping of Tradecoins: Each consortium member’s commitment, symbolised in the amount of Tradecoins they have, is fully backed by some bank as an actual asset base, and their total amount of asset pool acquires considerable stability for retail users of Tradecoins. Here, we see that a new idea of stability gained from the collectiveness appeared, and this has been carried over into the idea of the Libra Reserve (Note 16).

We find Lipton et al. (2020) especially important in ascribing the origin of stablecoins to WIR, a local currency in Switzerland in the 1930s. Although WIR was certainly not generated with crypto-technology and has often been understood merely as one of the complementary currencies in the interwar period, WIR definitively showed the intention of solidarity of a community different from the nation state with its name (Lipton et al., 2020, p. 1). We investigate its meaning in a historical context.

3. Results

Examining the related literature, we confirm that ‘Libra is a wake-up call for all who have so far seen the data and financial economies as separate spheres and for all who still see the issuance of currency as a unique function of the state and central banks’ (Zetzsche et al., 2021, p. 83). We also confirm that Libra intends to become ‘the vehicle of an effeminate cosmopolitanism which [would sap] the strength of virile nations’ (Polanyi, 1944/2001, p. 11), which was one of the understandings of haute finance in Polanyi’s time. However, the Libra project in itself does not assure that this vehicle will be socially helpful for all the users. We argue for these results here.

3.1 Analysis of Global Finance in the Neo-Polanyian Approach

3.1.1 Freeing Token Money from the State-Oriented View

First, we place Polanyi’s idea of money in the genealogy of the chartalist theory of money—the view of money as token—but modify its genealogy to the extent that it does not necessarily presuppose any strong authority of the state. Initially, Polanyi (1944/2001) dealt with money as a fictitious (not natural) commodity and analysed the mechanism of the increasing and ultimately fatal instability of international financial markets, focussing mainly on the period of the gold standard. Later, he investigated the institutionalisation of different money uses as an attempt at economic anthropology (see his posthumous writings; cf. Polanyi, 1968, 1977). Throughout his writings, Polanyi grasped money consistently in a most general way as countable tokens as follows:

[N]o difference is... made between barley money, gold money or paper money. To confuse the basic problem of money with that of token money is a source of frequent misunderstandings. Tokens, as such, are no novelty—fiction and abstraction belong to the original endowment of man. (Polanyi, 1968, p. 176; Note 17)

This point was also discussed by Saiag (2014, p. 573) with the genealogy of the chartalist theory of Innes, Keynes,

Knapp, Ingham and Wray. However, we would rather avoid a too narrowly state-oriented view, shown typically in Wray (1998), a representative of MMT. Wray (1998) identified the chartalist approach with the “‘taxes-drive-money” view’ (p. 18), relying on Abba Lerner’s idea of functional finance, which makes his view restricted enough to exclude the plurality of money and currencies. Lerner (1943/1983, p. 39)’s idea of functional finance stressed the elimination of economic insecurity, endowing the state with a full range of discretion on finance. Following Lerner, Wray (1998, p. 75) saw money as ‘a creature of the state’ (Lerner, 1947). Seeing the misery that had been evident since 1929, Lerner (1947) argued that the government should make its spending to meet the requirement to prevent depressions and maintain the value of money ‘by virtue of its power to create or destroy money by fiat and its power to take money away from people by taxation’ (p. 314). In contrast to this view, Polanyi was more prudent in evaluating the power of the state because he saw the interwar period as the collapse of an interdependent economic system with the gold standard. He stated:

Currency had become the pivot of national politics. Under a modern money economy nobody could fail to experience daily the shrinking or expanding of the financial yardstick; ... But such awareness was inseparable from the recognition that the foundations of the currency might depend upon political factors outside the national boundaries. Thus the social *bouleversement* which shook confidence in the inherent stability of the monetary medium shattered also the naïve concept of financial sovereignty in an interdependent economy. (Polanyi, 1944/2001, pp. 25–26)

Between the last third of the 19th and the first third of the 20th centuries, haute finance sustained the system as an outcome of the pursuit of self-interest for maximal gains. Haute finance was ‘an activating center of bankers’ participation in syndicates and consortia, investment groups, foreign loans, financial controls, or other transactions of an ambitious scope’ (Polanyi, 1944/2001, p. 12), independently in touch with all the governments and closely connected with central banks in a most elastic way; this was the case even though respective national centres of banks of issue and stock exchange were considerably complicated with ‘an infinite variety of national groups and personalities, each with its peculiar type of prestige and standing, authority and loyalty, its assets of money and contact, of patronage and social aura’ (p. 11). We see that the activities of haute finance relativised the power and financial sovereignty of the nation states in question; hence, it worked successfully.

3.1.2 The Perspective of Developing Countries

As to the global dimension, we especially focus on the unofficial functions of this haute finance in so-called backward, colonial and semi-colonial regions. Polanyi mentioned the building process of railroads by the Great Power of Western nation states with capital investments in the Balkans, Anatolia, Syria, Persia, Egypt, Morocco and China, and he explained how haute finance could save both these regions and suzerain countries from falling into catastrophe caused by financial difficulties. The activities of haute finance were far from humane philanthropy; instead, they represented merely cruel business, including wholesale bribing of backward administrations or underhanded means of gaining ends. Haute finance could represent itself only unofficially, which was convenient in these cases; in contrast, the Debt Commission was an official organ of European public law. Polanyi (1944/2001) emphasised the role of haute finance: ‘[I]t was precisely in this amphibious capacity that it was able to bridge the gap between the political and the economic organisation of the age’ (p. 15). However, this does not mean that Polanyi evaluated this phenomenon only positively. With the whole analysis in his representative book, Polanyi emphasised that any too rapid change into a market society might bring misery and degradation to the society in question, although it might be economically beneficial (Note 18). With the example of building railroads above, we can imagine that it would also have benefitted the people around the regions, but at the same time, it would have modified their ways of living to a considerable extent, so that irresponsible judgement of the positive influence would better be avoided. What is more, as Saiag (2014) explained, the function of money as a means of payment of debts or liabilities is to unite people in social life. If the building process of railroads, including loans, was only related to the approach of top-level administrations of backward regions outside of the needs of ordinary people, with the force of its suzerain power, the arrangements of haute finance would still not touch the social lives of ordinary people.

The social meaning of money and debts will not change even with the use of digital and crypto-currencies. If the Libra project seeks to serve the financial inclusion of the 17 million people in the world without access to any banks, such a viewpoint has to be considered in some way.

3.1.3 The Attempts of Complementary Currencies in the Interwar Period: The Origin of Stablecoins

According to Lipton et al. (2020), we find some hints in the birth and practice of WIR currency (CHW), the origin of stablecoins. This was a kind of local currency system founded in Switzerland in 1934 by several Swiss entrepreneurs

to provide credit for each other because funding through the traditional banking system had become increasingly difficult to secure (Sahakian, 2014, p. 7). The participating companies in the WIR system accepted a certain amount of CHW at a rate of 1:1 to CHF or Swiss legal tender and apply for an interest-free loan. In this sense, the side of CHW also gained the benefit of some stability from the authorised, normal monetary system. Taking the idea of ‘free money’ by Silvio Gesell and some ideal of local solidarity into consideration, WIR was an example of a complementary currency system of credit and has since been appreciated for its stabilising effect on the normal monetary system (Sahakian, 2014, p. 9).

Although Switzerland was not a backward region in the interwar period, in the time after the Great Depression, the role of haute finance no longer functioned. The ‘final breakdown had begun’ (Polanyi, 1944/2001, p. 25) in the sense that the affluent United States could not endure the negative effects of instability of European currencies. Consequently, the whole world—including European countries—started to suffer from the devastating influences of the Great Depression. It was also at this time that not only WIR but also many similar attempts at complementary currencies were made, such as the one in Wörgl in Austria, in which a famous economist, Fisher, who had explored possibilities of monetary measures with stamp scrips (Fisher 1934), became interested (Nakayama & Kuwata, 2020, p. 92). What attracts our attention here is that Fisher then proposed the Chicago Plan in two years (Note 19), arguing the advantage of a currency that is 100% backed by the central bank money, especially in times of banking crises. This economist concluded that local, complementary currencies should be excluded, confronting the emergency of international economy with the monetary sovereignty of each nation state. This kind of judgement was typical in that it has been repeatedly broached by economists and monetary institutions until now; below, we discuss the Central Bank Digital Currency (CBDC) as a typical example of this.

3.2 *Mutual Disguise of Compliance to the Publicness?*

3.2.1 Haunted by the Great Depression: A Defensive Attitude against Global Stablecoins

Since the appearance of the Libra project, formal authorities of international monetary institutions have devotedly warned against the global systemic risk and of similar financial services offered by big tech firms, indicating the possible danger that ‘central banks could lose monetary policy control’ (Adrian & Mancini-Griffoli, 2019, p. 9). The challenge or threat to monetary sovereignty was explicitly stated, as well as the possibly ‘significant adverse effects, both domestically and internationally, on the transmission of monetary policy, as well as financial stability, in addition to cross-jurisdictional efforts to combat monetary laundering and terrorist financing’ (G7 Working Group on Stablecoins, 2019, p. iii). With Libra, stablecoins have been raised onto the stage of mainstream financial institutions, beyond the level of local community currencies, and they have the status of ‘global stablecoins’ (G7 Working Group on Stablecoins, 2019, p. 2).

Returning to the points of argument on e-money by international monetary institutions, we see that fixed relations to legal tenders have gradually acquired a different meaning in the development of stablecoins. When the ECB (2012) report was published, much attention was paid to distinguishing e-money from virtual currency to critically highlight the risk of the latter—mainly Bitcoin. E-money was seen as safe and unproblematic under the definition of ‘monetary value as represented by a claim on the issuer, which is stored electronically; issued on receipt of funds of an amount not less in value than the monetary value issued; and accepted as a means of payment by undertakings other than the issuer’ (ECB, 2012, p. 16). Its possible risks, such as the potential disruption of the storage system, were seen to be only operational (ECB, 2012, pp. 16-17).

The report by two IMF members after the announcement of Libra, including the possibility of a basket of pegged units of account in the definition of e-money, explicitly mentioned stablecoins as an increasingly popular form of e-money, but took a cautionary tone. This report highlighted still hidden but logically evident contradictions and conflicts between stablecoins and the authority of formal monetary institutions of the states. It saw stablecoins as an insecure threat to cash and bank deposits involving several types of risk, including liquidity, default, the market and the foreign exchange rate. The report then argued the necessity for improvement of the CBDC or some variants of it (Adrian & Mancini-Griffoli, 2019, p. 6).

This view is in line with the other report (G7 Working Group on Stablecoins, 2019), and the interest in CBDC seems to be shared by many recent studies on digital money. Proponents stress that ‘CBDCs can enable central banks to regain control over money creation and to be the sole issuer[s] of money’ (Klein et al., 2020, p. 14), referring without hesitation to the Chicago Plan of the 1930s to show its advantage as a 100% backstop. It seems that the recent development of CBDC is haunted by the Great Depression of the interwar period.

Libra's positive attitude towards CBDC seems to add fuel to the aversion to Libra. The Libra project claims to endorse the development of CBDCs, stating that 'these CBDCs could be directly integrated with the Libra network' (Diem Association, 2020, p. 11). In this way, the applicable single-currency stablecoin could be replaced with the CBDC, 'removing the need for Libra Networks to manage the associated reserves [and] thus reducing credit and custody risk' (Diem Association, 2020, p. 11). The more Libra attempts to cooperate with existing monetary institutions, the more authorities apprehend threats against Libra's authority and against the sovereignty of legal tender. The intention to be haute finance in the 21st century or the quasi-public institution of arrangements for global finance does not seem to be readily accepted.

3.2.2 Is It Not Money?

One more point is that crypto-technology seems to have become a common tool for digital money during the development of stablecoins. Increasing attention has been paid to the claims for some value, even when fixed, than to the object-based means of payment as an immediate settlement of the payment. This implies deviation of interest from the crypto-currency as a money object like Bitcoin, with the corresponding shift of naming from crypto-currency to crypto-asset. Lipton et al. (2020) referred to a statement of the Bank for International Settlements (BIS) to the effect that 'stablecoins have many of the features of cryptoassets but seek to stabilize the price of the "coin" by linking its value to that of a pool of assets' (Lipton et al., 2020, p. 4). They even proposed a new definition of stablecoins as 'an independent internet project aiming to provide accurate and up-to-date information about banking services in European countries and their dependent territories in order to help potential investors to find a bank satisfying their requirements' (p. 5). The deviation corresponds to the shift of attention to the function of money from the means of payment to the storage of value. It now matters how or by whom—whether the government or some private institutions—the value of the claim is fixed; the redemption should be guaranteed or backstopped.

It is certain that the private backstops of stablecoins may not always be reliable enough for the public statement of their intentions. For example, the list of e-money institutions (EMIs)—where an EMI is defined as an undertaking that has been authorised to issue e-money—in Europe includes more than 400 such institutions in more than 20 countries (Note 20). By implication, e-money is explicitly defined as the storage of value, mainly or exclusively for investors. Such a stance would ironically contribute to the justification of the importance of CBDCs as the only reliable measure for public purposes.

The point is that the monetary authorities of the state have continuously been of the opinion that money, whether digital or not, should hold all the functions as the unit of exchange, the measure of payment, the unit of account and the storage of value. Hence, Libra—and stablecoins in general—as a digital unit of value and means of payment should be defined as neither money nor currency. It might be possible to propose a novel definition of stablecoins wherein '[i]t is not a form of currency' (Lipton et al., 2020, p. 5), apart from other forms of money. However, it suffices to remind us of the distinction between all-purpose and special-purpose money in Polanyi's conception (Polanyi, 1968, p. 178). Money can be defined much more generally than how the state authority would define it.

4. Discussion

Our objective was to examine whether the Libra project has had the intention to play a role in the haute finance of the 21st century with a neo-Polanyian approach, using the qualitative method of the history of the theory of money and finance. In fact, the Libra project can be compared to haute finance, which played an official and indispensable role in sustaining international and interdependent economic systems in the late 19th and early 20th centuries. This was the time of colonialism by the Great Powers with the international financial system of the gold standard, and haute finance made a bridge between political and economic actors—as well as national and international interests—both of suzerain countries and backward regions. However, from the perspective of debt relations to unite the people in question socially, it turned out that haute finance contributed only to the top administration of backward regions. In this sense, via the widely prevailing use of smartphones and other mobile communication devices in developing countries, the Libra project can possibly enable many unbanked people to gain easy access to finance and credit. It has the potential to meet their needs, but it might also be destructive for society if it is used without understanding its characteristics and side effects.

Because the Libra project has not yet been developed on a wide scale into newly emerging market countries, we could not look into the details of real practices and activities. For the moment, the defensive attitudes of existing national and international monetary institutions seem to prevent researchers and practitioners from open discussions for further development of global stablecoins, including Libra. Recently, many technical studies and practices have been directed almost exclusively towards the development of CBDCs. In some sense, both the Libra project and the existing international monetary authorities have mutually been disguising compliance to the publicness of global

finance, not knowing how to attain the financial inclusion of those in emerging market countries in a different way from the traditional plundering approach of colonialism. We have recently seen the limitation of the Bretton Woods system of international finance and international transactions in general, so we have to examine some more details related to this period. For example, we referred to SDR for comparison with Libra, but we could not investigate these rights in detail, as another in-depth historical and theoretical analysis would be needed for this comparison.

In June 2021, we were surprised by the announcement that Bitcoin would become El Salvador's legal tender. It is all the more surprising when we consider that the original intention of Bitcoin's creator was to make an effective measure of payment for internet transactions that was independent of the trust of existing financial institutions. It has started the operation, and there are many other cases of newly emerging countries adopting some digital currency. Further investigation focusing on such recent and concrete practices and on their meanings on the concept and theories of money is needed.

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Notes

Note 1. The author made an investigation on it (Nakayama 2018). For the moment, we do not imply much difference in the usage of the terms 'money' and 'currency'. However, the usage of the term 'coin' with Bitcoin is rather strange. In the history of money, the term 'coin' had been associated with actual, physical coins. Bitcoin should have been named either Bitcash or Bitmoney. But recently there are virtual currencies of these names, other than Bitcoin (Lipton et al., 2020, p. 3).

Note 2. This is in sharp contrast to Bitcoin, which is largely owned by a limited number of people. Among all Bitcoin investors, only 0.6% (about 150 000 people) own 86% of the total amount, and about 2100 people are investors of more than 1 billion yen (Kado, 2019, p. 70).

Note 3. The 21 founding members included technology firms (e.g. Spotify, Uber), companies for telecommunication (e.g. Vodafone), blockchain companies (e.g. Coinbase, Anchorage) and other types of organisations (Brühl, 2020, p. 55; Zetzsche et al., 2021, p. 85).

Note 4. Brühl (2020, p. 54) referred to the warnings of the Chair of Federal Reserve System and Swiss Financial Market Supervisory Authority (FINMA), and Lipton et al. (2020, p. 8) introduced the reactions of the Swiss FINMA, a proposed Act (Managed Stablecoins and Securities Act of 2019) in the United States and the European Central Bank (ECB).

Note 5. Zetzsche et al. (2021) took the stance to 'note differences between Libra 1.0 and Libra 2.0 as necessary' (p. 83) and made a detailed analysis of the first version. Taking this contribution in consideration, we focus on the second version here.

Note 6. Stiglitz wrote the foreword for the new version of Polanyi's book (Polanyi 1944/2001, pp. vii–xvii). Dombrowski and Helleiner analysed Polanyi's thought.

Note 7. We once investigated the problem of Bitcoin in consideration of the thought of F. A. Hayek, a contemporary of Polanyi, and of the Austrian School of economics (Nakayama 2018).

Note 8. In contrast, the giro payment or transfer payment with the former Giro bank at Hamburg already started in 1619 (Knapp, 1905/1924, p. 145).

Note 9. Nakayama and Kuwata (2020) mentioned the sociality of Libra but did not explore it in detail.

Note 10. This standpoint was adopted by world-systems analysts like Giovanni Arrighi and Immanuel Wallerstein (Nakayama, 2020).

Note 11. Facebook had announced that this update would start in July 2012 (ECB, 2012, p. 14); the report was published in October 2012, so readers could see it was not realised.

Note 12. In Japan, for example, where people's behaviour towards such a new type of money and currencies tends to be risk averse, Bitcoin became accepted as an option of a means of payment around 2018 at some popular discount shops. In addition, surprisingly, we could see commercial promotion of Bitcoin on TV as an option for speculation and asset making around that time.

Note 13. Sometimes, 'managed coins' or algorithmically stabilised value coins are also included in the category of

stablecoins (Adrian & Mancini-Griffoli, 2019, p. 4).

Note 14. Its technological foundation is said to have already been set up in Mastercoin as a precursory project (Lipton et al., 2020, p. 2). Sangbec (2019) explained that there was also small amount of Tether pegged with the Euro (EURT; Sangbec, 2019, p. 45).

Note 15. This was announced, but there was a simultaneous discussion of doubts and supports (Lipton et al., 2020, p. 2).

Note 16. Some also indicated the volatility of the Libra exchange rate, 'as the value of Libra is linked to a basket of fiat currencies and the reserve will not be actively managed' (Brühl, 2020, p. 55).

Note 17. Polanyi (1968) found it meaningless to concern the various money uses of 'payment, standard, and means of exchange' (p. 177), as these are 'distinctions originally developed by classical economists' (p. 177); instead, he relied on an anthropological perspective to examine primitive money.

Note 18. Nakayama (2020, pp. 233-235) briefly analysed this point.

Note 19. For a discussion of some detail on the Chicago Plan, see Fisher (1936/2009) and Tavlas (2020, pp. 1-9).

Note 20. It shows a table of numbers of electronic money institutions in Europe. In July 2021, the numbers were as follows: Cyprus, 11; Czech Republic, 4; Denmark, 2; Estonia, 2; Finland, 1; France, 17; Germany, 10; Gibraltar, 4; Greece, 3; Hungary, 2; Iceland, 2; Ireland, 17; Italy, 10; Latvia, 4; Liechtenstein, 5; Lithuania, 69; Luxembourg, 10; Malta, 20; Netherlands, 8; Norway, 5; Poland, 1; Portugal, 1; Romania, 2; Slovenia, 2; Spain, 9; Sweden, 5; and United Kingdom, 235 (<https://thebanks.eu/emis>).

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