Two conceptions of the nature of money: clarifying differences between MMT and money theories sponsored by social positioning theory

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Abstract:
The focus of this note is the nature of money and related issues. Its objective is simply to clarify the more significant differences on these matters between the conceptions of proponents of modern money theory (MMT) and those of contributors to social positioning theory.[1]

1. Introduction

What is money? Two sorts of answer to this question can be found in the modern literature. One locates money's nature in the organising structure of human communities, the other in intrinsic properties of particular (money) items (like commodities, debts, precious metals and so on). If accounts of money that draw on *social positioning theory* are instances of the former, a currently very popular and seemingly increasingly influential version of the latter takes the form of *modern money theory* (MMT). Notably, however, whilst contributors to social positioning theory have regularly concerned themselves with elaborating explicitly a conception of money's nature, proponents of MMT rarely address the matter explicitly; mostly the notions entertained must be inferred from monetary assessments and policy proposals and the like.

An exception to the latter, though, is provided by the writings of Randall Wray, a central contributor to MMT; and Wray (2022) has produced a new book on money in which the topic is again addressed head on. As Wray observes it is difficult to have confidence that claims about monetary policy are coherent if we do not first understand the nature of what is being talked about. I agree with Wray on this, albeit defending a different conception drawing on social positioning theory.

Here I take the publication of Wray's new book as affording an opportunity to contrast (I intend constructively) the two accounts of money in question. This, I stress, is not a review of the book; Wray is concerned there with all aspects of MMT's theorising and deals with money's nature mostly in its first chapter. My concern, in contrast, is not even with MMT *per se* but with understanding the nature of money. But to this end it is, I believe, informative and useful for progress to identify the conception of money's nature presupposed by MMT proponents and to contrast it with another *prima facie* very

[1] For helpful comments on an earlier draft, I am grateful to Jamie Morgan, Stephen Pratten and Roy Rotheim.

different conception that appears to be sufficiently explanatorily adequate to serve as a relevant comparator.

To anticipate the argument, although the term money is not always used consistently by proponents of MMT, the dominant and essential claim is that money is debt/credit; the credit theory of money is accepted. For those working within social positioning theory, in contrast, money is never debt *per se* and debt may not figure in money constitution at all. Briefly put, whereas for proponents of MMT the involvement of debt is *both necessary and sufficient* for money constitution, for proponents of social positioning theory its involvement is *neither.* Perhaps somewhat surprisingly, however, it turns out that, despite these differences, MMT's main monetary assessments and policy proposals, if correct at all, remain so even if, in place of the credit theory of money, MMT rested instead on the sort of account of money defended by contributors to social positioning theory. In other words, although MMT's policy arguments make use of the credit theory of money they do not depend on the latter theory *essentially*.

This paper, then, is not in any way intended as a critique of MMT's main monetary analyses or policy stances but at most provides an implicit questioning of its reliance on the credit theory of money. To the extent that the credit theory is inadequate (see Lawson 2019a, chapter 6) this paper might even be interpreted as providing support for MMT in suggesting that this particular money theory can be discarded without loss in terms of policy positions. However, here I do not seek to critique the credit theory, or MMT's reliance on it. My purpose, rather, is simply to use the opportunity provided by Wray's book to elucidate where differences in reasoning about money in the two projects or theories, MMT and social positioning theory, lie and how they arise.

I have already attempted this sort of task elsewhere (see Lawson, 2019b). In doing so I employed an explicitly ontological framework and language (and specifically a framework originating within the explicitly ontologically oriented project of *Cambridge Social Ontology)*. Wray's response, in effect, was that I had failed to convey my assessment in a clear enough manner[2]. Here, then, I try again to convey my understanding of our differences, but in doing so, tying in more to Wray's own procedures, language and framework. I shall still use some ontological terms where I believe doing so is warranted. But rather than introduce these terms abstractly in a general way, as part of developing a comprehensive ontological conception, I account for them in the context in which they crop up. I shall, of course, compare the two (ever evolving) conceptions as I believe them currently to stand.

2. Method

Conveniently Wray and I adopt a similar basic methodological procedure in seeking to understand money's nature, even if Wray does not formally present matters as such. Before it is possible to identify the nature of a *kind* of thing there must be a way of delimiting the field of candidate instances of the kind. We need a way to nominally identify a field of candidates before seeking to uncover their common natures. We may initially identify dogs, say, by their common rough shape and propensity to bark and wag tails, before locating their nature in their genetic code. Similarly, humans, throughout history, have identified water in numerous ways according to its properties everywhere found to be useful, before

[2] Specifically, Wray responds to a number of commentaries on MMT, including one by myself, that are collected together in a special issue of *Real-World Economics Review*, 2019, vol. 89, 109–28 edited by Edward Fullbrook and Jamie Morgan. In doing so, Wray writes: "I'm not going to talk about every contribution to the special issue of **rwer**. Some of them I will not read […]; and one of them I read but could not follow the argument (Lawson)" (Wray, 2019, MMT: Report from the front line (part 2). Downloaded on 25 July 2022 from: https://neweconomicperspectives.org/2019/10/mmt-report-from-the-front-part2.html.)

science uncovered the nature of the stuff so identified at the level of its molecular structure in the form of a collection of H_2O molecules.

The method, then, is first to group or collect things or stuff together according to a shared possession of certain seemingly identifying properties, and then to uncover (usually less obvious) properties in virtue of which the former identifying properties are possessed, i.e., that account for those properties whereby items are first grouped together and identified as stances of a kind.

As a terminological aside, according to the Aristotelian-Lockean conception that I accept, the accessible or widely agreed shared properties used to identify dogs or water etc., are their nominal essences, whilst those common properties like genetic codes or molecular structures in virtue of which the nominal properties are possessed are their real essences or natures. Anything that possesses an identified nature or essence of a kind must be an instance of the kind; it is impossible to consist of H_2O molecules and not be water. Of course, in the process of uncovering natures of certain items, we might find that our starting classifications were not quite right (that, despite nominal appearances, tomatoes are really fruit and not vegetables, and sharks are really [not mammals like whales and dolphins, but] fish, etc). So, the sorts of identifying properties can be critically examined and revised at any stage. But still, we have always to start somewhere.

In the context of understanding money specifically, then, the method is first to determine a set of properties that are reasonably associated with money, that serve to identify it, and then to focus on the items that bear these properties, setting about uncovering the additional properties in virtue of which the identifying properties are possessed. We need to identify money's nominal essence before we can hope to reveal its real essence or nature.

With a social phenomenon like money, though, we come across a significant difference with items of the sort so far considered. Water and dogs are the same kind of thing everywhere and can exist as such even if there are no human beings to classify them. Social phenomena, in contrast, depend necessarily on human persons and their interactions for their existence, and are everywhere constituted as components of localised space/time specific communities (or as components of items intended as components of such communities). It is only as components of such systems that the properties whereby we identify social phenomena hold; and we implicitly recognise that this is the case by typically referring to these system properties as the items' (system or community) *function(s)*. That is, we everywhere select out some of the properties possessed and identify them as significant in terms of their contribution to some system or community as a whole. It is these capacities *qua* system functions, then, that are the items' properties (their nominal essences) by which we identify them as community components of a kind in the first place, that is, as instances of a certain social kind of thing.

Money, whatever it is, is clearly always a property of some community or community system, and so if we are to uncover its nature it is necessary to start by questioning its (system) function(s). This is precisely how Wray (2022) in effect starts out, and how I have also proceeded elsewhere (see e.g., Lawson 2016, 2019a). As we shall see Wray and I at first appear to disagree somewhat on the function(s) of money, though I think this disagreement is more apparent than real. A more fundamental disagreement concerns the manner in which the main identified function(s) arises. That is, we hold to different accounts of the supportive conditions or explanation, the properties in virtue of which money's function(s) is/are possessed. In short, we disagree on money's real essence or nature.

3. The function(s) of money

I start, then, with a brief consideration of the function(s) of money as assessed within the two projects. Wray opens the relevant chapter of his book (called "What is Money?") as follows:

> What is money? You will probably answer: 'Money is what I use to buy stuff.' That is a perfectly sensible answer, defining money by its function. We call this function 'medium of exchange' – you *exchange* money for the stuff you want to buy.
>
> After a few moments of thought, you will add: 'I also use money to store value – so that I can buy stuff later.' This refers to money as something you can hoard, although unlike Scrooge, you do plan to spend it, eventually – even if you are not sure what you'll buy. Holding money lets you postpone spending.
>
> You also might offer that you use money to pay off your debts. We can call this function the 'means of payment.' Money can help you get out of debt.
>
> You can also mention that we use money as a measuring unit, to calculate money (or 'nominal') values: 'I think that painting is worth a thousand dollars' or […]. This is money functioning as a unit of account – sort of like using the yard or meter to measure length or the quart or litre to measure weight. (Wray 2022, pp. 7-8).

Here Wray makes reference to the four 'functions' of money as traditionally distinguished in economic textbooks, namely a medium of exchange, a store of value, a means of payment, and a unit of account. My own assessment is that money's only actual or true function is serving as a communitywide accepted means of payment, and that, appropriately interpreted, this function encompasses any features of the noted others that are relevant. I also believe that Wray's actual analyses are compatible with this assessment. Let me explain.

The term *pay* itself derives from the Latin *pacare* meaning appease; in middle English 'to pay' meant 'to pacify'. The notion of a payment emerged from the act of pacifying or appeasing one to whom an individual (the payer) has an obligation. Eventually, it came just to mean the paying off, or the discharging, of a debt. In identifying a, or the, function of money as being a 'means of payment' here, I understand a 'general' form of payment or debt discharger, one that can be used to cancel *any existing* debts in a community. It is payment of a form that is acceptable, and indeed must be accepted where offered, to cancel any already existing debt throughout a community, excepting where a contract specifying an alternative acceptable means of payment is agreed by all contracting parties in advance of the debt being formed.

So, if I pick up a loaf of bread in the marketplace, and the vendor is happy that I do (and perhaps puts it in a paper bag for me), in taking possession of the bread I am immediately in an agreed debt to the vendor, and if I offer money in payment, the vendor must accept it. Money is the only community system feature that is able in this way to discharge *all* or *any existing* community debts (not covered by specific predesigned contracts). Why or how money is able to so function, the properties in virtue of which it can so function, constitute its nature, a matter I come onto in due course below.

How about the supposed 'medium of exchange' function? To accept that money serves as a medium of exchange is to interpret it as an intermediary item, and, as traditionally formulated, a particular type of commodity in a commodity exchange. It is supposed that in a situation where a participant A possesses commodity X and wishes to exchange it, but cannot find item Y that they would really like,

then A accepts this intermediary commodity (or a negotiated amount of it) for the time being in its place. The presumption here is that the intermediary is something for which there is always a demand, so that if the commodity desired by A becomes available, the intermediary (or the amount of it possessed) can then be handed over by A in exchange for (an amount of) Y; any holder of Y is always ready to exchange it (or a negotiated amount of it) for the intermediary.

A problem here is that it is not clear that any such medium of exchange has ever existed. There is simply no evidence that any item has functioned this way *within* historical communities. Of course, if something had been so used *in a context where everything is valued in a community accepted unit of account*, the function would not be so different from serving as a means of payment. On handing over the X, the person that acquires it goes into debt to A, a debt that is cancelled in effect by handing over a relevant amount of the intermediary with a denominated value in the accepted unit of account (which in the circumstances A is bound to accept) and so serving in effect as a general means of payment.

Of course, it could be argued that if A so uses this money to acquire Y then it has ultimately mediated an exchange of X for Y and so served as a medium of exchange after all. But then mediating an exchange under these conditions is the same as serving as a means of payment twice over (by the original purchaser of X from A, and of A in purchasing Y from its holder). Either way I think the medium of exchange function can be ignored or taken as covered by the means of payment function.

What about the money's supposed store of value function? Here being a *store* of value means that its value remains relatively stable over time. Is that really money's function, the reason money is held? Instead, or so I suggest, maintaining a stable value is a condition that allows a money to realise its means of payment function *successfully*. A function, as already noted, is a *system* feature, a property, of a community component. But realising a function may not always be possible. For this there will always be certain conditions that need to be in place. Thus, for a family car, say, being reliable in a multitude of ways (for example possessing a enduringly good engine) is a condition for the car to fulfil its function of facilitating the everyday safe transportation of a number of people across short or large distances. But being so reliable is, if necessary to realising a car's function, not the car's function in itself, which is to facilitate safe transportation.

A successful money *qua* general means of payment is one that community participants are continually happy *both to accept, and to make* payments with as and *when* they choose. That is, a successful money *qua* means of payment is a money that has purchasing power (vendors are prepared to sell, meaning enter into new, if often momentary, debts with purchasers) and can be used not merely everywhere throughout a community but continually over time. These features require precisely that the money be a store of value in the relevant sense. For where a money's value is expected to fall, community participants will prefer not to hold/accept it and may avoid allowing others to (make purchases and so) become indebted to them (where the debt would be dischargeable using money that creditors are obliged to accept when offered). And where a money's value is expected to increase, participants will tend to hoard it -- not *per se* to delay payment, but in the expectation of financial gain. Either way, if the value of money is *not* stable, or not expected to be stable, money will be hampered in its functioning as a means of payment.

Notice that separate individual decisions of particular community participants to defer spending for, say, a number of days, weeks or years (to save for retirement, perhaps) is different from a communitywide tendency to hoard due to the value of a money increasing. Where a money reliably allows individuals that hold on to it to defer (or intertemporally space) their spending (involving saving), it is being especially successful in realising its means of payment function, and this depends on it being a store of value. But it is not clear that being (expected to be) a store of value is itself a money *function*, as

opposed to a *condition* that must be satisfied if money's means of payment function is to be successfully realised.

Finally, I turn to the curious idea, or so it has always seemed to me, that a unit of value, for example, the euro, US dollar, UK pound sterling, is also a function of money. It does not seem to be any such thing. Of course, as with any social phenomenon, the unit has to be accepted or 'sanctioned' throughout a relevant community; and this may indeed occur by way of the sovereign or state assuming the right to determine these units. But that in itself does not constitute it as a function of money. Indeed, it is not obvious that a unit of value is a function of anything as opposed to being a separate component of a community (accounting) system, a component with its own function. Specifically, it is a human contrivance, a device whose (system) function is to facilitate the creating and maintaining of (systems of) accounts by providing the common or shared basis for numerical value assignments. Clearly the widespread acceptance of any such device is a condition *for* money. That is, just as being a stable store of value is a condition *for* a money to function *successfully* as a general means of payment, a unit of account is a condition *for* it to function as a means of payment *at all*. But that does not render it a money function. It is moreover a condition not only for money *qua* a general means of payment but also for debts of a sort that any accepted general means of payment is used to cancel.

In fact, any particular community accounting system that includes a unit of account as a component may or *may not* also possess a general means of payment component. That is, a unit of value can exist without money *qua* a general means of payment being part of the system, and historically seemingly often did (see Grierson, 1977). Items were assigned value measures before notions of money, markets or exchange came into being. But being an essential condition for a general means of payment to emerge is very different being a function of something possessing the means of payment property.

Incidentally, it is not obvious that making use of a unit of value is "sort of like using the yard or meter to measure length or the quart or litre to measure weight" (Wray, 2022, pp. 7-8). The latter units approximate invariable standards and can be used to compare lengths say of items existing individually and isolated in different times and places. Exchange, or monetary, values of different items can normally be determined only simultaneously (at a given time and place); and the value unit does not help in deriving relative values, it is merely used to express relative evaluations somehow independently derived.

My own assessment, then, is that the real or only function of money is to serve as a general means of payment, meaning that it can be utilised to cancel any existing debt. Where community participants are happy to receive money, they will allow others to become new debtors to them (knowing that they must accept money if offered to discharge the new debt). So, a *successful* (in this sense) money also has purchasing power. But it has such purchasing power only as a successful general means of payment.

Although Wray does not present things this way explicitly, the foregoing basic assessment seemingly underpins his analysis. For when discussing policy issues associated with MMT, Wray everywhere reasons as if the point of money is to serve as a general means of payment as elaborated here. Our real differences of analyses, then, or so it seems to me, lie elsewhere. And, specifically, they lie in how we explain this function. *Certainly, this is a core difference*. That is, we part company in our assessment of the additional properties that money possesses in virtue of which it is able to serve as a general means of payment, as a general discharger of existing debts. As I say, we disagree on money's nature.

4. The nature of money

In virtue of what, then, does money function as a general means of payment? I start with outlining the answer supported in accounts that draw on social positioning theory. I do so because in various ways the conception derived is the more general one, or at least it is easier to situate the theory of money's nature accepted in MMT in relation to it.

At the heart of the conception of money sponsored by social positioning theory are particular sets of communitywide accepted and enacted *rights and obligations*. Put very simply, the claim in the case of money is that all members of the community in which a money exists accept that those holding it have a community accepted (in the sense of sanctioned) right to use it to discharge any existing debt, and (symmetrically) that any creditor holding a debt has a community accepted/sanctioned obligation to accept any offer of money (of equivalent value) the debtor makes in seeking to discharge it. The only exception is where a contract is agreed by relevant parties before a debt is created stipulating that some other means of payment may be used.

In other words, the function of being a general means of payment *has nothing whatsoever to do with any money things*, whether they be precious metals, commodities, forms of debt, markers of debt, or whatever, and *everything* to do with those aspects of a community's organising structure comprising sets of rights and obligations that bear on the community accepted/sanctioned uses of money. In essence, the rights and obligations that bear on money's legitimate use have the function of money built into them in that they orient those involved to its fulfilment.

That, in outline, is the whole theory of the constitution and nature of money, as defended from the perspective of social positioning theory. Money's function is being a general means of payment; and a money possesses this function in virtue of a communitywide accepted, usually a state-imposed, set of rights and obligations bearing on how in the given community it can and should be used. The state, of course, may also impose obligations on community participants in the form of compulsory tax payments and the like.

Why or how was this conception of money determined or arrived at? The method, I acknowledge, turned on exploring whether a plausible account of money that functions as a general means of payment could fit with, or be supported by, an existing seemingly explanatorily powerful account of how *all other* social phenomena are created and (where relevant) function (again see Lawson, 2022). Of course, it might be conjectured that money is constituted very differently from every other kind of social phenomenon. But without any good or obvious reason to see why it should be, or is, exploring whether the manner of its constitution could be seen as a particular instance of a more general process of social constitution seemed as reasonable a route to take or explore as any. The *a posteriori* finding that the noted account of money fits very easily and without strain into the noted general framework seemed itself a compelling reason to accept a conception of the sort outlined. As it happens, the account of money produced not only explains money's function rather straightforwardly but also easily accommodates and makes sense of various relevant observations on related monetary issues
as well.[3] But the manner in which the account does fit with processes of social constitution in general is significant.

[3] The additional monetary issues that are easily accommodated and rendered intelligible include not only relevant features of everyday monetary interactions but also the assessment that different sorts of monetary items (from forms of debt to commodities to precious metals, etc.) have been used in making payments in various communities over space and time; the fact of (and a perceived need to resolve) long lived and continuing disputes in monetary history concerning the nature of money; a recognition that when legal tender laws have been used to transform

Thus, the manner in which money is created, I am suggesting, is no different in its basics to the manner of constitution of, say, a Cambridge college high table, a passport, a postage stamp, a set of traffic lights, a pedestrian crossing, and the like. Thus, in a Cambridge college dining room, there are typically a number of tables only one of which is constituted as the high table. This high table functions differently from the other dining room tables in that, on occasion at least and perhaps on all occasions, it is reserved for the use of fellows (students are required to sit elsewhere), allowing the fellows of the college to meet and interact alone together in an organised manner for a reasonable and predictable period of time. The feature I want to stress here is that this function of a high table has nothing essentially to do with the high table's physicality but rather is entirely grounded in the differential rights and obligations falling on the various different sorts of college participants (in virtue of which it is constituted as a high table). Typically, the table itself is physically identical to all others in the dining room.[4]

Equally it is community accepted rights and obligations that account for the functioning of passports, postage stamps, traffic lights, pedestrian crossings, and so on. Thus, a pedestrian crossing (a zebra crossing in the UK or a marked crosswalk in the US) serves the function of allowing pedestrians safely to cross, at a specific location, a road that is usually full of traffic, and this function is realised (when it is) by way of community members accepting that as motorists and as pedestrians they are subject to different rights and obligations bearing on how they are allowed or required to act and interact at such a crossing.

Any disbeliever of the core assessment that it is sets of rights and obligations that make the difference in all such cases could take apart the material objects that are associated with a high table, a passport, a postage stamp, etc., and look for an explanation of the items' functional properties within their intrinsic structures. None of course will be found. The same, I suggest, is true of money. From the perspective defended it is simply a mistake to seek for, or to attribute, the grounding or explanation of money's function in (not the community accepted rights and obligations that govern its use, but) the intrinsic properties of some money thing.

However, seeking to ground the functions of money in the intrinsic properties of money things themselves is the traditional way of proceeding of money theorists. Or at least this is how those associated with the credit and commodity theories of money usually present their opponents as proceeding and very often themselves too. Thus, commodity theorists are interpreted as seeking or locating money's nature in the intrinsic properties of some or other commodity, and credit theorists are usually understood and present themselves as seeking or locating it in the intrinsic properties of credit/debt[5]. In the latter case, this usually has meant locating money's nature in the only property that debt possess apart from a monetary value, namely its redeemability.

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existing monetary situations, they have usually been aimed at impacting the rights and obligations in play; and so on (on all this see especially Lawson, 2022, but also Lawson 2016, 2018a, 2019a, 2019c).

[4] Though the physicality of the table of course affects whether the high table formed out of it can serve *well* (or even at all) its (high table) function.

[5] In Lawson 2016 I argued that many contributors associated with the commodity and credit theories present themselves as conforming to these theories whilst in practice, when it matters, falling back on something like social positioning theory. In that paper I misleadingly also claimed that social positioning theory accommodated the commodity theory and the credit theory as special cases. If we understand these two theories as locating the nature of money in certain intrinsic properties of certain commodities or debt respectively then the claim made was obviously misleading at best. Rather a conception of money based on social positioning theory will constitute an alternative to the commodity and credit theories of money so interpreted but one that can accommodate the assessments that both commodities and debt have been involved in money constitution.

In sum, there are two basic approaches to seeking to identify the groundings of functions. There is a traditional approach, that I reject, which looks for, or locates, these groundings amongst the intrinsic properties of the (money) things or items involved. And there is a second approach, that I defend, which locates the groundings at the level of the community accepted sets of rights and obligations that bear upon the allowed and required uses of that system components (or money) formed out of these items.

The second of these two approaches is that defended in social positioning theory, and I hope, before moving on, I can be excused for including a paragraph quickly restating the assessment just outlined in terms of that theory. Doing so, and in particular introducing the notion of a *social position*, renders comparisons more straightforward in the discussion that follows.

In brief, items like high tables, passports, postage stamps, traffic lights, pedestrian crossings and money are components of particular community systems. An object is formed into a such a community component by way of making its use, *qua* a component, subject to a set of community accepted rights and obligations. Any such set of rights and obligations is referred to as a social *position*. It is by way of some item being allocated to a relevant position, that is by way of its being so position*ed*, that a community component is formed. Any right in such a package that is held by one (typically human) party regarding its use is matched to an obligation held by another. The right of fellows to have exclusive use of the college high table is matched to an obligation of students to sit elsewhere, etc. Similarly, the right of a citizen to pass from one country to another on showing a passport is matched to an obligation of immigration officers to allow the passage. The right of pedestrians to walk safely onto a pedestrian crossing and so safely cross the road at that point, is matched to an obligation of motorists to stop until all pedestrians currently at the location have safely crossed. All such matched right/obligation pairs are (constitutive or internal) social relations that serve to organise people and things in a community by way of forming relational components out of them. In all cases the relational components formed are irreducible to the items (the position occupants) used to form them. This is simply because the components so formed have relational properties that the position occupants do not, and it is in virtue of these relational properties that the components' functions are grounded.

So much for social positioning theory. In its language, the function of a money specifically is grounded in a set of rights and obligations that constitute the money position. These govern the uses of the system component that is formed by allocating some kind of thing to the relevant (the money) position. Indeed, the component so formed is called money, and the system in question is the community accounting system. The occupant of the money position could in principle be anything. But, for the monetary system to be a success, the occupant needs to take the form of a stable store of value, or more accurately of something such that the money formed by positioning it, forms a (expected) stable store of value. Obvious candidate money things to allocate to the money position are precious metals, commodities and forms of debt. Currently, according to proponents of social positioning theory, the occupant in communities like the US or the UK are forms of bank debt. That is, money takes the form of appropriately positioned commercial and central bank debt.

Incidentally, where the occupant of the money position is indeed one or more types of debt, the money formed out of it is not visible, and so its existence has to be marked or represented in some way. Thus, items of metal and paper may be positioned as notes and coins that are *markers* of money. Currently in communities like the US and UK these are markers only of (some) central bank debt. So too entries in (commercial and central) bank accounts serve to mark or record the money of the account holders. And numerous technological devices may be positioned as instruments of money transfer, etc. None of these are actual means *of* payment (as opposed to means or instruments for effecting payment) and so, according to any social positioning conception, *none are money*.

The central point, though, is that theories of money based on the social positioning theory stand opposed to those that seek to ground money's ability to function as a general means of payment in the intrinsic properties of the material *occupant* of the money position. According to social positioning theory the grounding rather is the set of rights and obligations that constitute the money position.

5. MMT and the nature of money

The notion that the explanation of how money functions is instead to be found in the intrinsic properties of the money stuff is, though, adopted by advocates of MMT. This, then, is where MMT and accounts of money sponsored by social positioning theory necessarily part company. Specifically, the notion accepted by proponents of MMT, including Wray as we shall see, is that money is essentially debt, a liability *per se*, and so its ability to function as money lies in the nature of debt/credit *per se*, which turns on the latter's property of redeemability. In other words, a version of the credit theory is in effect advanced.

I repeat, for clarity, that, from the perspective of the social positioning theory, it is the case that *money is never debt*. Money can only ever be (at most) *a positioned (form of) debt*; and money need not involve debt at all. Money's function has nothing to do with the intrinsic properties of any debt (i.e., its redeemability) or of any other item that may happen to occupy the money position, and everything to do with community agreed rights and obligations governing the use of whatever occupies the money position *qua* a position*ed* item or a community component.

How, specifically, does Wray establish that money is debt *per se*? In his earlier 2012 book Wray argues that "Money is always debt; it cannot be a commodity [...] because if it were that would mean a particular good is buying goods" (Wray, 2012, p. 264). Here Wray argues in effect that the grounding of money's functions can only be in the intrinsic properties of the money item involved. As this grounding clearly does not lie in the properties of any commodity then, by elimination in effect, it must be a property of debt/credit. It was this reasoning I sought to question in Lawson 2019b.

In the current book, Wray's reasoning follows the basic methodological strategy already noted. Thus, after focussing on the functions of money, Wray moves to uncovering the properties that money possesses that can ground the identifying nominal properties or functions possessed. And here Wray does focus in effect on the means of payment function. In so proceeding, Wray takes the following three steps.

First, he supposes that it is only certain money *things* in themselves (and not relationally organised money things *qua* position components) that account for money's ability to realise its function, and so enquires into a property that these things themselves share: "What do all these things […] that function as money have in common?" (Wray, 2022, p.10).

Second, Wray considers or includes as money things only items that are easily interpreted as liabilities (so items like commodities are not considered): "We could continue with other examples, but you have noticed that there is one thing all of these kinds of money have in common: they are liabilities of their issuer and assets of their holder" (Wray, 2022, p. 13).

Third Wray observes that a common deeper property possessed of the money things considered is debt redeemability: "Maybe less obvious is that all of them [the money items in his list interpreted as liabilities] share the characteristic that they can be redeemed […]" (Wray, 2022, p. 14). Thereupon Wray

provides a lengthy section on the topic of 'redemption' as the money mechanism. In essence Wray supposes that money takes the form of a government debt to the public, and that taxes are a debt of the public to the government. So, the payment of taxes involves both sorts of debts being redeemed in effect, whilst the need for community members to possess (this restricted) money to pay taxes explains why there is a demand for it enabling it to work as a general means of payment.

6. Some challenges that derive from MMT reasoning.

This methodological strategy as wielded by Wray does, however, result in various challenges for proponents of MMT, and these warrant a brief comment. Two in particular are significant. I note them not so much to criticise as to clarify differences in the two conceptions being contrasted, given that they do not arise for the social positioning conception.

The challenges are, first, that there are numerous items that figure in monetary history that cannot be easily treated as liabilities, and so their frequent historical appearance warrants some explanation. Second, if redeemability is the property in virtue of which money *qua* debt can serve its (money) functions, i.e., is money's nature, then, because all debt is redeemable with its issuer, all debt is necessarily money, and so a general means of payment, including debt created between, say, friends. This seems at least counterintuitive.

Before I comment on these two implications of the theory, however, let me dispense with a possible diversion in the form of a seeming additional difference between social positioning theory and MMT that is, I suspect, more apparent than real. The issue here is that in identifying his list of money things Wray seems occasionally *not* to distinguish between 1) liabilities in themselves, 2) items that I am calling markers or representations or records of liabilities (such as bank notes and coins and electronic account entries), and 3) additional items that I am calling devices utilised in ensuring that liabilities are involved in the making of payments (such as cheques, cheque cards, etc). Thus, there are places where notes and coins are referred to as liabilities and other places where they are referred to as records of liabilities and so on[6].

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[6] For example, at one point, after referring to a large number of items as liabilities, Wray sums up his discussion so far:

> To recap: coins and notes are liabilities of the treasury or central bank that issued them and are the assets of the person or entity that happens to hold them; bank deposits are liabilities of the banks that issued them, and assets of the depositors" (p. 13)

Let me just reiterate that my own view is that modern notes and coins are not liabilities but merely markers of (holders of) central bank liabilities. Cheque cards are not even that, but merely devices that can be used to ensure payments are forthcoming in due course. Wray, though, soon informs us that "Your credit card is [….] your liability" (p. 14). However, several pages later Wray asks:

> "What is the tally stick or the paper note or the gold coin? It is the record of the issuers IOU – the issuer's debt or obligation. That record of the IOU is returned to the issuer in payment" (p. 21)

Here, then, some items that were referred to as *liabilities* are now considered *records* of liabilities. I might note that I actually believe that the gold coin is no such marker or record at all. But let me put that aside for the moment. The point of interest here is that Wray is now distinguishing between a liability and a record of it. When Wray writes that the "record of the IOU is returned to the issuer in payment" that is fine if the "in" is loosely interpreted. It is not returned "as" payment. That comes with the debt that it records being passed over. Or if the debt in question has been positioned as money, then it comes with the positioned debt *qua* money being passed over.

Having noted a distinction between debt and records of debt Wray asks rhetorically?

> "So wooden sticks are money? Or are they merely recording devices used to measure the king's debt? Or both?

These matters, though, need not detain us if we recognise that the dominant position, the one that carries over to policy, is that all money things, and so money itself, for Wray and other proponents of MMT, are of the form of liabilities; money is not the everchanging markers or technological devices employed in using it. Thus, I take comments like the following to be the more essential:

> The *nature* of money does not really change when the recording *technology* changes, […]
>
> While the march of the payments technology will continue […] the *nature* of money as the debt of its issuer, denominated in a national money of account (the US dollar, the European Euro, the Chinese RMB) will not change (Wray 2022, p. 22).

So, to return to the main discussion, I have suggested that there are two challenges for proponents of MMT following from Wray's line of reasoning. The first is to accommodate within the theory all the monetary items that appear in monetary history that are not easily interpreted as liabilities; the second is to make sense of the implication that *all* debt is money despite much of it seeming *prima facie* unlikely to be accepted as a general means of payment. I now very briefly consider each in turn.

6.1 Money objects apart from liabilities

If it is fairly clear that, currently at least, items like forms of bank debt are indeed involved in some way in serving the functions of money, what about the past involvement of items like commodities and precious metals that seemingly most historical investigators agree have been associated with money in various communities at various times and places?

In the current volume Wray mostly avoids consideration of how items other than those that are fairly clearly, or anyway interpretable as, a form of debt fit in the picture. He does, though, at one point, make reference to gold coins that were utilised in the past. However, Wray simply asserts that they were not money *per se*, but markers or records of money interpreted as liabilities:

> What is the […] gold coin? It is the record of the issuer's IOU – the issuer's debt or obligation. That record is returned to the issuer in payment (Wray 2022, p. 21).

We are though entitled to ask why this is a reasonable interpretation? Why is the gold coin not simply the metal positioned (via a process involving being stamped to indicate that it is so positioned) to give rise to a form of money in itself? These coins did not record an obligation of any party to any other. Nor is it obvious that anyone interpreted or treated them as marking some party's obligation.

Let's distinguish between money as a liability that is denominated as a money of account, and the technology used to record that liability. […]" (Wray, 2022, p.22)

And so on. I am running through all this not in criticism, but because my goal is clarity. According to social positioning theory, I repeat, debts are distinguished from their (positioned) markers or records, which in turn are distinguished from other technologies employed in effecting payments indirectly, whereas, for Wray, the distinctions at points seem not so sharp or consistently maintained. None of this matters so long as we are not distracted by it all. The essential feature to pull out and focus on is that ultimately, for Wray, or so I am supposing, money is debt or a liability, whereas in social positioning theory money is never debt but at most only positioned debt. When debt is involved, according to the latter theory, modern notes and coins are markers not of debt but of money *qua* positioned debt.

The credit theorist Alfred Mitchell Innes interprets the gold coins in the same manner as Wray but admits that: "It is true that a coin does not purport to convey an obligation, there is no law which imposes an obligation, and the fact is not generally recognized" (Innes, 1914, p. 160). Elsewhere I have argued that Innes fails to establish otherwise; rather he maintains the notion that government gold coins were merely markers of debt obligations just because he believes that the only alternative possibility is that gold itself (as a precious metal or a commodity) must be money (he has no clearly articulated notion of money *qua* positioned gold).

Further, if the objective in producing the coins in question is merely to provide markers of liabilities why not stamp any old materials to obtain them? Why use a precious metal such as gold? From a social positioning perspective, it can be argued that the property of being made of a precious metal like gold or silver encouraged community participants in the view or expectation that a money formed by way of positioning it would retain its value relatively well. But if all that was required was a marker (of debt interpreted as money), then, as I say, any form of material appropriately stamped would do. Making sense of this is a challenge for the credit theorist that remains. As, Wray, indeed ponders in his earlier book "So, what were coins and why did they contain precious metal? To be sure, we do not know" (Wray, 2012, p. 165).

Of course, it is not just precious metals like gold that must be treated in this manner. As noted, in many communities over time all sorts of money objects have been used with no evidence at all that they were all (though some clearly were) devices for recording debt obligations (see Lawson, 2019a, chapter 6).

Accommodating these often-observed money items into the theory, anyway, is a consideration for proponents of MMT. I repeat that I am simply pointing out a difference in the two conceptions of money. For social positioning theory, as I say, it is ultimately immaterial whether precious metals or commodities or debts, etc. occupy the money position; money's nature lies in the organising structure, and specifically the set of rights and obligations that constitute the money position.

This just noted difference, of course, carries over to orientations to future possibilities for money. Social positioning theory is consistent with a range of kinds of things being used (as position occupants) to form a community money, and so there is no need for its proponents to rule out in advance, proposals of any kind, including those involving items other than forms of liability. Thus, it is feasible at least to consider seriously the possibility of a form of cryptocurrency eventually being positioned as a national community money, as being the occupant of the money position (as indeed I have attempted to do; see Lawson, 2019c). In contrast, for the credit theorist any such suggested possibility or proposal must be dismissed out of hand where it is difficult to interpret the stuff involved as a form of (redeemable) debt. And indeed, in a footnote in his latest book, Wray writes in relation to cryptocurrencies specifically that: "we do not see these crypto coins as currency" because "these are not obligations and there is no possibility of redemption" (Wray, 2022, p. 164).

6.2 All debt is money

The second consequence of Wray's theorising that appears to provide a challenge to proponents of MMT, to recall, is that if being redeemable is in effect the real essence or nature of money, then anything with this property, namely all debt, is money. So, *any* debt, even that holding between two friends, is money. As such it bears the function of being a community general means of payment.

Credit theorists like Innes (1913, 1914) and Minsky (1986) have embraced the conclusion that all debt is money and Innes at least has sought to argue that all debt should indeed be treated as a general

means of payment; and, specifically, that it is a mistake to treat government or state debt as more significant than any other (see Lawson, 2019a, chapter 6). This position seems coherent on its own terms, though a little implausible.

Certainly, numerous modern-day money theorists who suppose that only debt can be money, seem to feel intuitively that not every form of debt should qualify as a community general means of payment; and thereby choose to treat only certain forms of debt as money. That is, instead of accepting that many forms of debt *qua* money are poor at realising their money function, a number of these theorists prefer to exclude such forms of debt from the category money altogether. Wray too considers proceeding in this fashion, though he recognises the impossibility of drawing distinctions between types of debt in ways that are not arbitrary:

> But we don't want to call all records of debt 'money,' […] And we probably do not want to call every monetary debt, 'money' (Wray, 2022, p. 24).
>
> While 'anyone can create money' – that is, write 'IOU five bucks' – such debts are not equal in the eyes of the beholder. It is sensible to limit [use of] the term [….] We need to keep in mind that precisely where we draw the line is somewhat arbitrary (Wray, 2022, p. 29, 30).

Wray is, rightly, very cautious about indicating where or how to draw a line. But it warrants emphasis that drawing such a line anywhere amounts in effect to parting company with the idea that redeemability is the real essence of money; it entails abandoning the credit theory of money in effect. What then is the nature of money for any MMT proponent seeking to take this route? As long as the credit theory is relied upon, drawing a line is not a coherent option; rather the challenge is to accommodate without strain the notion that each debt is indeed an instance of money (possessing the function of being a community general means of payment).

Once more, though, I am seeking not to criticise but only to draw out differences between the two conceptions, including the challenges faced. Social positioning theory *is* able to draw a (non-arbitrary) distinction between the types of debt that are used in forming money (when they are) and others that are not; those that are relevant are simply those that have been allocated to (have been accepted as occupants of) the money position[7]. Of course, money in such cases, according to the theory, is (not the debt itself but) position*ed* debt. Money's nature lies *not* in the nature (redeemability) of debt at all but in positional properties of money's organising structure, that is in the rights and obligations that constitute the money position.

In short, for proponents of social positioning theory the involvement of a form of debt in money constitution is *neither necessary* (there can be other occupants of the money position) *nor sufficient* (even when a form of debt is involved it has to be positioned) whereas for proponents of MMT who accept a version of the credit theory, a focus on debt is *both necessary* (only debt can be money) *and sufficient* (all or any debt is money). And the latter two features seem to warrant some explanatory elaboration in the circumstances.

[7] Indeed, whatever the context of social constitution, there are usually many persons or other entities that can act, or be used, in ways considered to be appropriate for a function that requires being served. Positioning is the means of ensuring that only some, and determining which, candidates get to do so. There will, for example, usually be numerous suitable candidate persons or items to be a university lecturer, Prime Minister, a player in a football team, a college high table, a pedestrian crossing, or an identity card; and the positioning process is (amongst other things) a general way of determining discrete boundaries, that is of quantising the social world. Its use in determining which types of debts are involved in money use, is simply a particular instance."

7. MMT's monetary assessments and policy stances

There are, then, definite differences in the sorts of accounts of money advanced by those contributing to social positioning theory and proponents of MMT, and I hope I have clarified adequately enough where they lie and how they arise.

In fact, it is evident that the differences that have been discussed actually all turn on MMT's attachment to the credit theory of money. It is its reliance on the credit theory that lies behind divergences with social positioning theory relating to monetary histories, orientations to future possibilities for monies, abilities to non-arbitrarily distinguish types of debt in money constitution, as well as, of course, the accounts defended of how the function of money is actually realised.

As a final consideration, then, it might be anticipated that differences in the money conceptions sponsored by social positioning theory and the credit theory of money will also necessarily underpin divergent assessments of the possibilities for monetary policy. Specifically, it may be supposed that the sorts of broad monetary assessments and policy conclusions regularly drawn by, and often identified with, MMT theorists, the features that I presume are of most concern to proponents of the theory, also rely on an acceptance of the credit theory. Interestingly enough, however, this is not so. In fact, if the policy arguments associated with MMT are valid at all*, they remain so even were a social positioning perspective to be adopted* in place of the credit theory.

The reason for this is that the MMT policy proposals rest on accounts of how money is brought into being. And on this, currently at least, proponents of both MMT and social positioning theory seem to agree. That is, both parties accept that, at present, money, first, is bound up with (a form of) debt, and second, can be created through a form of lending involving the creation of debt. Of course, details concerning the basic mechanism of how things work as they do *are* different in the two conceptions (with money viewed in social positioning theory as a positioned form of debt governed by rights and obligations, there is no longer a need to produce a narrative of debt redemption). But as I say the basic process of money creation is the same in both accounts.

Thus, when Wray writes, for example, that

> The money is always created 'out of thin air' – when the government spends or the banks lend. There's no theoretical limit to the government's ability to create its money (currency and reserves) and no limit to banks' ability to create bank money (deposits) (Wray, 2922, p.4)

this roughly is the understanding defended by proponents of social positioning theory too. Just as in some national communities, new babies arrive in the world already positioned as citizens of those countries, and just as all products created under capitalism are, from the outset, positioned to form instances of (they are never other than someone's) property, so currently all (central and commercial) bank debt arrives in the world *already positioned to form money*. Although bank debt is not *per se* money, because the *kind* bank debt was at certain points in the histories of the relevant communities positioned, *qua a kind*, as money, you cannot currently have any instances of bank debt without also having instances of position*ed* bank debt, that is, of money. So according to social positioning theory too, all banks can and do create money simply by lending.

From the perspective of social positioning theory, the associated apparent suggestion that 'the government spends' money into existence, that it is the government's money, needs interpreting or unpacking[8]. When, in the US at least, the government spends, money may indeed be created. But it is the central bank (not the government *per se*) that conjures money into existence though lending[9]. The government 'merely' spends it, or rather (or typically) decides the payments that the central bank should make on its behalf (increasing the reserves of the commercial bank of the party from whom an item or service is being purchased [in addition to the deposit account of that party])[10]. It may be the case that it is government decision-making that is driving central bank lending (and so money creation), but the two, government spending and money creation, are conceptually and materially distinct. And whilst this distinction may, under current conditions, matter little for effecting government policy in regard to government spending and its directing of money creation, it matters a good deal for understanding the *nature* of money. The money involved is *not* constituted as a government debt but as *positioned* central *bank* debt.[11]

It follows, maintaining a social positioning theory perspective, that on the side of government receipts, with money (and so government spending) not being a form of debt, there is no need to construe tax payments as somehow a form of debt either (and specifically as a community participant debt to the government). Rather taxes are simply (obligatory) payments that community participants are directed to make by a government that has the relevant power[12]. But such an assessment again does not undermine the idea that the government can influence monetary matters by manipulating the amount that community participants are required to pay in taxes. Nor does it *per se* negate the MMT insistence that, in a country like the US at least, the government does not need to tax in order to spend. In short, the MMT assessment that, in a country like the US, the government is able to effect money creation, direct spending, and use taxation to influence monetary interactions, etc., remains as valid if a social positioning framework is accepted as it does when the credit theory is adopted.

[8] It easily encourages the idea (that proponents of social positioning theory reject) that the money that the government spends is itself a debt (a government debt to community participants), so that if taxes are in turn (mis)interpreted as a debt (of participants to the government), it looks as though debt redemption really is the money mechanism. From the perspective of social positioning theory, money, currently, is (not at all government debt, but rather) *positioned bank debt*, including positioned central bank debt, and taxes are not at all debts of the public to the government, merely payments the community participants are required to make (see e.g., Lawson, 2022 on all this).

[9] The central bank creates debts in the form of reserves marked by account entries and other debts marked by bank notes.

[10] If the government wishes to buy a X from P, the situation in a country like the US is that the central bank makes a payment to (increases the reserves of) the private bank of P (that credits P) and debits the governments account at the central bank.

[11] Different national communities may, however, provide hurdles or restrictions affecting how the government is able to determine spending that is supported by central bank money creation, for example by insisting that the government's account with the central bank is always in credit. According to Wray, in the US anyway, the central bank and treasury have developed procedures to ensure that any requirement of this sort is always satisfied. If Wray's assessment of such matters is correct, that assessment is not affected by interpreting money as positioned bank debt rather than debt *per se* (with the uses of this position*ed* bank debt, i.e., money, determined by community accepted rights and obligations, rather than any processes of debt redemption).

[12] These payments ultimately (after a number of interchanges between the tax office [or treasury], the central bank and participants' commercial banks) result in the crediting of the government's account at the central bank, and a debiting of the customers' accounts at their commercial banks.

8. Final comments

So, as I say, unlike conceptions of the nature of money and money histories etc., the policy proposals associated with MMT, in their basics, do *not* rely essentially on the validity of (and so on MMT's attachment to) the credit theory of money. Of course, if the credit theory is abandoned the details of the argument do, to repeat, warrant modification (to replace any idea that it is debt redemption [involving taxation] that is driving the process). But making this modification, as far as I can see, does not in itself undermine MMT's more significant policy stances or assessments.

If there is, then, a challenge by proponents of social positioning theory to advocates of MMT it is ultimately to their reliance on the credit theory of money, a reliance (inherited from the likes of Innes and Minsky) that, if *prima facie* problematic in various ways, is, to repeat, actually inessential to MMT's current main policy concerns. Challenges aside, though, I hope I have succeeded in providing some greater clarity as to the nature and sources of the differences that do exist between the sorts of money notions and conceptualisations of monetary workings found within accounts sponsored by *social positioning theory* and those formulated or accepted as part of *modern money theory*.

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