

## Twenty-first century money: Huber and the case for CBDC

Joseph Huber. *The Monetary Turning Point: From Bank Money to Central Bank Digital Currency (CBDC)*. Cham: Palgrave Macmillan, 2023. Hbk, 192 pages. ISBN 978-3-031-23956-4. £119.99.

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Joseph Huber is Professor Emeritus in Economic Sociology at Martin Luther University, Halle-Wittenberg, Germany.<sup>1</sup> He is perhaps best known as author of the book *Sovereign Money* published in 2017 and is likely well known to readers of this journal for his various papers in *Real-World Economics Review* addressing the debates concerning how money is created in the modern banking and finance system.<sup>2</sup> He is, however, also known for his longstanding advocacy of what today is called “green ethical banking” and for his early work on ecological modernisation theory.<sup>3</sup> In his latest book, *The Monetary Turning Point*, he argues that while money creation continues to be dominated by a “split circuit” in which the vast majority of money creation is undertaken by commercial banks (with a host of attendant problems resulting from this), there is now a further category of money which includes new forms of digital money, several of which exhibit technologically based advantages that speak to a likely transition in regard of what form of money dominates in the future. In keeping with his long term concerns Huber argues that among these new forms, central bank digital currency (CBDC) in particular provides an opportunity for states to reassert sovereignty over money i.e. recapture control for public benefit over what is currently a mainly privatised and adversely constituted money system. To reiterate, this argument is situated to a concept of dominant money:

The dominant money within a currency area is that which is system defining during a certain historical period, in that it determines how the monetary system and monetary policy work, and which has the lead in creating money and readjusting its stock. (Huber 2023: 34)

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<sup>1</sup> For background visit: <https://sovereignmoney.site/> and the monetary reform campaigning organization: <https://www.monetaryalliance.org/our-team/joseph-huber/>

<sup>2</sup> Re *Sovereign Money* see Huber (2017a). For papers in *Real-World Economics Review* see Huber (2014, 2017b, 2019). See also the earlier joint report written for the New Economics Foundation (Huber and Robertson 2000).

<sup>3</sup> Ecological modernization refers to policy informed by the precautionary principle which seeks to shape long-term structural change in production and consumption in line with environmental concerns. It was not originally intended to be a focus on efficiency in the mainstream economics sense of that term. See, for example, Huber (2000).

The book consists of eight chapters and covers a great deal of ground but in what follows I first concentrate on the core of the argument made in Chapters Four, Five and Six. Here Huber distinguishes a premodern and modern history of money and identifies three main periods in the modern era and suggests a transition to a fourth period has begun. I then move on to briefly address Huber's further discussion of some of the potentials and prospects offered by CBDC. *The Monetary Turning Point* is one of the first book-length treatments to approach this issue from a systemic point of view and one of the first whose approach accords with post-Keynesian and financialization theory sensibilities. As such it warrants careful consideration.

### **Modern money in historical context: change through solutions to emergent problems**

In *The Monetary Turning Point* Huber does not discuss the early history of how money came to be or the various debates for what constituted a "monetised" society or economy, rather he simply notes that since ancient times the general power of money creation as well as the licencing of private money issuance have been claimed as the prerogative of rulers.<sup>4</sup> This, of course, is not to suggest that all forms of circulating "means of payment" begin life as creatures of the state or are from the outset recognised and sanctioned by the state. It is simply to suggest that there is an obvious attraction in (Huber 2023: 57):

1. Determining the currency as the realm's monetary unit of account,
2. Creating and issuing the money or several types of money denominated in that currency, and
3. Benefitting from seigniorage, the gain from money creation.

As Huber notes, the modern-nation state has inherited this from previous forms of territorial power. He then goes on to further distinguish a pre-modern and modern era. In pre-modern times the dominant *issued* form of money was metal coinage and the beginning of a modern era is defined by the proliferation of paper money. To be clear, Huber is not suggesting that the use of metal coins (a commodity) proves that the origin of money is in the adoption of a super-commodity as a solution to the problem of coincidence of wants i.e. the spontaneous invention of a medium of exchange by self-interested individuals in a situation of barter, and nor is he suggesting that use of paper money is an entirely new invention in the modern era. He is simply noting that a modern era can be identified based on the *growth* of paper money. He then identifies three sub-divisions or periods of relative dominance of money issuance within this modern era (Huber 2023: 63-64):

1. 1660s to the 1840s: growth of unregulated private paper money and relative decline in systemic importance of sovereign coins.
2. 1840s to around 1910: a power shift in which central banks begin to issue legal tender paper money and private banknotes (and equivalents) are displaced.
3. Late 19<sup>th</sup> century to around 2010: the growth of commercial bank money and the relative decline in systemic significance of central bank money (legal tender paper money).

Two qualifications are important here. First, for Huber it is *systemic importance* that is being identified not just use. Second, the periods are delimitations of *historical processes* in regard of which Huber is interested in *relative dominance* and in "turning points". Relative dominance (a rise

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<sup>4</sup> Among the many references he provides see, for example, Hudson (2004) and Ingham (2004a, 2004b) for a sense of the context he is working with.

and fall) implies a general direction of travel, but this can only be approximate as a periodisation and it is always possible to identify exceptions. Exceptions, however, need not necessarily invalidate the general claim (though it may affect its specific relevance to a given time and place). In any case, Huber's main historical-geographic focus seems to be Europe and the US (albeit he is interested in everywhere else and especially in relation to incipient change today).

Importantly for Huber there is an internal logic (though he does not use this phrase) to the process of (re)composition of the money supply. Change occurs (Huber 2023: 64):

- (1) when the respective monetary system, or the incumbent dominant money, respectively, pose problems that cannot be solved within the given framework, and
- (2a) a new type of money emerges that offers some solution to the problems, and/or
- (2b) offers efficiency advantages such as lower costs of production, provision and handling, improved ease of use and faster transferability of the money. So incumbent monies are less convenient, circulate at lower use frequency, and are more expensive to produce and handle than the competing new monies.

Insofar as it is focused on this logic of change *The Monetary Turning Point* is a book about systems of money in the sense of what these systems do. As such, its concerns are different than say Tony Lawson's interest in an ontology of what money is.<sup>5</sup>

### **Modern money in historical context: Huber's periods**

As regards the first of Huber's periods (1660s to 1840s), he notes that despite the massive influx of precious metals from Latin America (a rather polite way of describing the depredations of Hernán Cortés, Francisco Pizarro and others beginning in the early 1500s), the period was marked early on by a chronic shortage of silver and gold, and hoarding and debasement of coins and that this provided some impetus for the adoption of notes over the period and that "Paper money opened the door to monetary modernity by substituting a purely symbolic or informational token for the traditional commodity money" (Huber 2023: 66).<sup>6</sup> Paper money was issued in various ways by different entities and it was common for this to require a licence from the state and some private banks were given privileged status, becoming the beginnings of state or central banks (such as

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<sup>5</sup> See Lawson (2019: Chps 5 and 6). Note, Huber does, however, seem to share an interest in the problem of what a language of credit money conveys (if not the same inference from that problem), "At least on the balance sheet of central banks, money should always be present for what it is: a liquid monetary asset of safe stock, the money base of a nation or community of nations. Even if money is created in connection with extending credit, money and credit are two different things. "Credit money" or "debt money" are handy metaphors, especially in a world of book-money banking, but they insinuate a false identity of money and credit" (Huber 2023: 7).

<sup>6</sup> Visit: <https://www.statista.com/statistics/1282384/gold-silver-shipped-americas-europe-historical/> Note, Huber is sympathetic to credit theory of money and seems to have in mind reference to the money thing i.e. what is used to encapsulate the concept of money, rather than any implication of what money is in regard of a commodity. He goes on to note in regard of his statement, "This does not contradict Keynes' view of stamped silver coins to have always been token money. With paper money, however, modern money was starting to break away from its traditional commodity substrate" (Huber 2023: 66).

the Bank of England in 1694).<sup>7</sup> According to Huber, at this time there was no “coherent idea of a monetary regime for banknotes” (Huber 2023: 67). And while the use of paper money facilitated growing economic activity during the mercantile era:<sup>8</sup>

the multitude of paper notes issued by individual banks and principalities, often of only local reach and uneven trustworthiness, meant a varied and overall limited acceptance of the banknotes. A related problem was the convertibility of notes into silver coin, which was promised but, due to the fractional base of silver coin and bullion, not always kept. The lack of universal acceptance was the Achilles’ heel of unregulated paper money throughout the eighteenth and far into the nineteenth centuries. The paper money’s patchy acceptance hampered the development of well-integrated national markets and also international trade. Furthermore, and also from the beginning, the ease of issuing notes lured bankers and certain treasuries into over-issue of paper money. This in turn resulted in unstable currency exchange rates and unstable purchasing power, as well as banking crises and hitherto unknown boom and-bust-cycles due to over-investment and under-demand (Huber 2023: 68).

Huber’s second period extends from the 1840s to around 1910. In terms of the internal logic the issuance of a standardised central bank money and the transition to legal tender solved the problem of multiple note issue. Many banks issuing their own paper money across different geographic localities created problems of familiarity, acceptance and trust, as well as a problem of unstable purchasing power and relative value of each to the other and reliance on the continued existence of a given bank. Absence of consistency and in worst cases bank failure are obvious impediments to an integrated domestic economy and thus to economic development and trade more generally. In contrast, a standardised national bank note (and denominations) created a universal means of payment, visibly supported by the state, and legal tender status reinforces this. As Huber notes, the shift began in Britain and invited considerable theoretical debate from around 1800. The Banking School argued in favour of private money and made the case that the issuance of banknotes could avoid a problem of inflationary oversupply and ought to operate with little intervention. Demand and supply in combination with collateral were sufficient. The Currency School in contrast highlighted banking crises, problems of acceptance and tendency for inflation. They advocated for a legal monopoly on banknotes vested in a suitably empowered institution and:

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<sup>7</sup> As Huber notes, the American War of Independence was in part a response to interference in paper money issuance. Governors of American territories (which would become Federal States) issued colonial bills (colonial scrip) to taxpayers but the British Currency Acts of 1751 and 1773 attempted to restrict the practice. In 1775 the Continental Congress issued its own continental dollars and the helped finance the War (see Huber 2023: 67)

<sup>8</sup> Note, mercantilism is a product of economic theory from around 1600 to 1800. Its central tenet was that a country should maintain a positive ‘balance of trade’, maximize its exports and minimize its imports, and thereby accumulate wealth (not only does this assume trade is a zero-sum game of competition over fixed resources, historically it seemed to encourage countries to expropriate resources of other countries and then reexport them – recalling that the 1600s to 1800s began the process of European empire expansion to the rest of the world – slavery etc.). Paper money was attractive insofar as it “was much cheaper to produce and more convenient to handle than the cumbersome and cost-intensive mining, melting, minting and handling of coins and bullion. The related seigniorage for note issuers was accordingly much higher. Payment of larger amounts of money in banknotes carried in a wallet was more convenient than payment in coins carried in belt bags and strongboxes. However, paper money is susceptible to counterfeiting, succeeding the previous fraudulent coin debasement.” (Huber 2023: 66).

The legal basis for central bank notes was created with the Bank of England Act in 1833 and the Bank Charter Act in 1844. This then became the point of reference for most European states at a Paris meeting in 1867. Central-bank notes are still about paper money, but monetarily they represent a different type of money: legal tender, reflecting the monetary sovereignty of a nation-state, issued by the national central bank on the basis of a legal mandate (Huber 2023: 69).

As Huber also notes, versions of the Banking School and Currency School debate has resurfaced in different guises at various times since.<sup>9</sup> Moreover, historically the problem of central bank paper money became entangled with the problem of a gold standard, since a standard was deemed necessary to limiting supply and maintaining value, and over the years this has confused the issues because linking the value of money to a commodity shifts the focus to the significance of having, and the role of, the standard. While having a standard may create scarcity it produces numerous other problems and historians such as Charles Kindleberger and Barry Eichengreen have discussed this in detail. For Huber, however, the imposition of a gold standard provided incentives for the development of commercial bank money and this occurred in two stages marked by surges in economic activity and trade. First, the period from around 1900 to the Great Depression and second after World War II. In most countries M1 has been the main measure of the general money supply and in simple terms it can be defined as available currency and bank deposits that are sufficiently liquid to be used for payments.<sup>10</sup> As Huber notes, in the two identified stages commercial bank money rose as a share of M1. Today it constitutes over 85% and as much as 97% of the relevant money stock and cash is a small and declining part of the supply of money. This brings us to Huber's third period characterised by the growth of commercial bank money and the relative decline in systemic significance of central bank money over the past hundred years or so.

The dominant money today is commercial bank money. This is created when a bank extends a loan and creates a new deposit to the sum of that loan. Repayment destroys this money, but in the meantime it is new purchasing power that can either be transferred from bank account to bank account as payments are made or can be exchanged for cash when withdrawn from an account. When a payment is made from one bank to another the transfer is settled in the reserve account of the respective commercial banks held at the central bank. Reserves do not leave the central bank reserve accounts, few central banks have a set minimum reserve ratio, commercial banks are happy to make loans and then seek additional reserves if necessary and the central bank tends to accommodate this, and in any case a thin base of reserves can enable a great deal of banking activity. This combined with payments made on behalf of the state and central bank activity intended to implement financial and monetary stability, comprise a "split circuit", two separate but related tiers of a money system in which bank money has come to dominate and especially from

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<sup>9</sup> For example, Hayekian neo-Austrians have advocated against the existence of a central bank and for radical free banking and money competition. Since Chartalists following Knapp hold that creation (but not use) of money is a state prerogative and money is a creature of the state, they typically stand in opposition to the Hayekian position.

<sup>10</sup> Note, many central banks do not use M1 as their main measure these days. The Bank of England, for example, focuses on M4. For data visit the ONS site: <https://www.ons.gov.uk/economy/gross-domesticproductgdp/timeseries/auyn/qna>

And the Bank of England: <https://www.bankofengland.co.uk/boeapps/database/index.asp?first=yes&SectionRequired=A&HideNums=-1&ExtraInfo=false&Travel=NixSTx>

the 1960s/70s onwards (numbers of bank accounts grew, cashless payments between accounts grew, extension of credit of various kinds formalised and proliferated and cash declined proportionally). Historically:

The reason for this tidal change to the benefit of bank money was not a problem with the note monopoly. The problem was the gold standard. The artificial scarcity of money it induced was a hindrance amidst strongly growing populations, industries and commerce. As a result, the gold standard repeatedly had to be relaxed or even temporarily suspended. In addition, an amount of national government bonds were counted as part of the gold coverage without much fuss. More importantly, as an alternative to cash and a way to bypass the constraints of the gold standard, the banking sector developed the possibilities of book money, that is, cashless payment by transfer of non-bank account balances and interbank clearing of claims and liabilities (Huber 2023: 71).

This again speaks to a logic of change, including reasons to innovate. Cheque books, for example, while not new started to come into common use from the 1920s/30s.<sup>11</sup> For Huber, however, the important point is that the rise of commercial bank money has been indicative of a loss of control over monetary sovereignty and this has had numerous consequences. While central banks are not powerless it is commercial banks that ultimately decide how much credit is created and to who it is extended and thus how not only the money supply evolves but also how the economy is structured and develops in relation to this credit creation.<sup>12</sup> Pro-cyclical banking activity, the flow of finance to other financial institutions, asset inflation, rent seeking and inequality, rising private debt levels and a tendency to periodic financial crisis have been intrinsic to the dominance of commercial bank money within a split circuit. The idea of an efficient allocative equilibrium in finance is misleading and recurrent financial market failures are not at root caused by isolated acts or shocks but by processes that are vulnerable to triggering events. Among these processes are those that have facilitated the growth of non-bank financial institutions, who have, in turn, added to the connectivity and complexity of finance and this has included growth of intermediation activity, payment service providers and shadow banking, growth which now means that the system extends far beyond the banks themselves. As Huber notes, the shadow banking sector was reported to have \$227 trillion in financial assets in 2020 compared to \$180 trillion in the banking sector.

For Huber, in keeping with his interest in rising and falling aspects of historic processes and with turning points, the current system has growing pathologies and recurring problems and as such is ripe for change. Money market fund (MMF) shares have been used as a money surrogate for quite some time and there has been development of various e-money and electronic payment systems

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<sup>11</sup> And for Huber, growth of bank money, exacerbated problems for the gold standard and contributed to its demise: “The growing demand for bank money, not least because of the financing needs of the two world wars as well as the economic stimulus programmes of the 1930s, was accompanied by a more frequent suspension of the gold standard. The gold standard was followed by the gold-linked US dollar standard agreed upon in Bretton Woods in 1944. No sooner had this standard been adopted than it was softened again as a result of the Korean War of 1950–53 and the American intervention in the Vietnam War from 1965–75. In 1971, US President Nixon took the dollar off the gold peg.” (Huber 2023: 72).

<sup>12</sup> “In industrial countries until around 1980, bank credit, and thus the money supply, grew at about the same rate as nominal GDP. Thereafter, however, money and credit growth sharply diverged from GDP growth. In general, money supply growth exceeded GDP growth by a factor of 3.5 to 4.5.<sup>19</sup> The M1/GDP ratio (the Marshallian k) has risen accordingly.” (Huber 2023: 43)

that have created new possibilities, but new forms of digital money have characteristics that speak to Huber's itemisation of change: solutions to problems, efficiency advantages etc.

### **A third tier and fourth turning point: new forms of digital money**

Digital money is not new if by that one simply means money held in electronic form. A bank deposit is digital money in this sense but this is not what people mean when they refer to new forms of digital money. These subdivide in general terms into cryptocurrencies, stablecoins and central bank digital currencies (CBDC) depending on who issues them, how they are administered and how their relative value is maintained.<sup>13</sup> It is no-one's responsibility to maintain the value of a cryptocurrency. A stablecoin is issued by some organization on the basis of some mechanism that (at least in theory) "guarantees" the value of the token against some reference entity (usually whatever it is denominated in such as the US\$). A retail CBDC meanwhile needs no mechanism to stabilise its value against a currency since it is just another version of that currency (a digital \$, a digital £ etc.).<sup>14</sup> In any case, in all three subdivisions the money takes the form of digital tokens, typically held in e-wallets that are used for payments via some process of validation or authentication of transfer of the token. The key innovation here is use of some combination of distributed ledger technology (DLT), blockchain or some equivalent, cryptographic security and smart contracts.

One does not need to understand the technical details of new forms of digital money to appreciate the potential the technology offers. If well designed and effectively implemented the information transfer and validation technology offers speed, certainty, security, transparency and also means there is no need for an intermediary to clear and settle payments with the additional costs that might entail. This translates into a standard economic argument for efficiency (see e.g. Huber 2023: 120-124). Moreover, the technology facilitates micropayments (one can make digital payments of small sums expressed as decimals of the denomination, useful in situations where multiple charges may be applied – road charging, internet of things, alternatives to subscriptions etc) and automated payment (a given designated event triggers payment, useful for automatic payment of sales tax to the state at point of purchase and also useful where large transactions were previously dependent on an intermediary such as property purchase) and can be used to support programmable money (money with an expiration date or which is tied to particular purposes that facilitate policy such as carbon budgets, healthy eating and so on, but equally has the potential for malign surveillance and discipline in terms of access and rights within society and economy).

To be clear, the technology of these new forms of digital money is continually developing and has yet to establish itself in regard of many of its potentials and there are still concerns over energy use (though energy use depends on how a digital money is issued, administered and what form validation of payments take). Except in a few localities most people's direct experience of the technology is via trading of cryptocurrencies on coin exchanges for speculative purposes and their indirect experience probably amounts to not much more than lurid headlines regarding misbehaviour at those exchanges – FTX etc. Along with this speculative trading has come a campaign (from advisors who stand to earn fees) to promote cryptocurrencies as a form of

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<sup>13</sup> For further discussion see Morgan (2023a).

<sup>14</sup> Except insofar as programmable. See further comment for what this means.

legitimate investment asset that might be found as a component within any normal investor's portfolio according to "risk appetite", and paralleling this there has been pressure for the provision of services and instruments in the respectable heartland of financial trading (the US Securities and Exchange Commission, for example, authorised its first crypto exchange-traded-funds in early 2024). However, there is still a question mark concerning which if any of the new forms will ultimately proliferate as a universal means of payment that is treated as a money and fulfils the functions of money (a somewhat different issue than merely the role of money as one asset among many in Keynes's liquidity preference concept).

A competent regulator, of course, is proactive in regard of future prospects rather than merely reactive. Most central banks, the Bank for International Settlements, the International Monetary Fund and a host of other sources of regulatory principle have produced material on new forms of digital money, though there is also commentary among regulators that they are not taking the issues seriously enough or at least not with appropriate urgency (despite the flurry of regulatory analysis in response to the prospect of "systemic stablecoins" issued by one or several large corporations with existing payments infrastructure, millions of customers and global reach).<sup>15</sup> It is also the case that economists, again with a few notable exceptions, typically lack the imagination and skillset to say much of interest on the subject. If you take the time to look through the literature much of it amounts to little more than regressing values of, and volume of trade of, various cryptocurrencies against other financial assets and against macroeconomic indicators, notably economic growth. There is very little on the issue of what difference it makes to adopt different means of payment that is created and administered in different ways. As I suggested in the introduction, however, Huber is different. *The Monetary Turning Point* builds on his long years of interest in exactly those subjects that few economists have taken an interest in with the exception of post Keynesians, financialization theorists and similar.

According to Huber, cryptocurrency and stablecoin form part of a third tier of money in addition to the two tiers that constitute the split circuit that currently dominates. While tokens may transfer from wallet to wallet, unless cash or assets are used cryptocurrency and stablecoin are initially acquired via payments of commercial bank money and are redeemed back for these. Moreover, currently stablecoin reserve systems are managed through some designated bank's services and not via an account at the central bank. As things stand, therefore, cryptocurrency and stablecoin stand in relation to commercial bank money. However, since retail CBDC is issued by the central bank it stands in a different relation as part of the first tier.

This brings us to Huber's prospective fourth turning point i.e. the scope to transition to a fourth period in which the dominant money will be different than it currently is. For Huber, the technologically based advantages that are common to new forms of digital money mean that it isn't going to go away, and of the three main variants cryptocurrency lacks stability of store of value and stablecoin creates a host of problems for the state by adding a new form of privatised money to the problems already ingrained via the split circuit. CBDC, meanwhile, offers an opportunity for the state to achieve or recover monetary sovereignty.<sup>16</sup>

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<sup>15</sup> See, for example, Arner, Auer and Frost (2020) and Bank of England (2021).

<sup>16</sup> There is something tragicomic about the widespread presumption that bank money is under central-bank lead and control, the system overall thus being supposed to represent a sovereign currency system rather than the bank-led para-sovereign bank money regime it actually is. If bank money is inherently unsafe and has to be rescued time after time by central-bank and government intervention, the question arises as to why this screwed-up situation is repeatedly accepted instead of leaving the banks to their private liabilities, and



The significance of monetary sovereignty isn't a subject most of us are used to thinking about and when one just states the term it doesn't evoke any particular set of thoughts or feelings. But perhaps it should and if we put the issue slightly differently it probably does. If we adopt Huber's terminology, the split circuit has privatised much of money creation and given inordinate power to commercial banks. The business models and lending foci of these banks have major implications not only for how money supply varies, but also regarding how the economy and society develop in accordance with how debt is created and financial assets are traded. The main visible policy levers of the central bank in regard of monetary and financial stability have evolved over time in relation to the dominance of bank money and in particular in relation to the need to ensure commercial bank stability in a world of evermore complex financial connections. As any familiarity with the world of banking and finance will make abundantly clear, this has dragged central banks into a host of interventions that only make sense in this pathological system – continual provision of reserve liquidity, quantitative easing, broker-dealer and financial asset market maker of last resort etc. and even then the system continually seems to innovate in ways designed to exceed central bank oversight and attempts at control.

The existence of CBDC is an opportunity to reset the situation and as Huber notes many countries are at one stage or another in this process.<sup>17</sup> For Huber, ultimately use of CBDC might allow a central bank to detach itself from an overwhelming concern with commercial bank reserve liquidity and focus instead on aligning money creation with social and economic goals in a more (in the ordinary language rather than the perverse economic sense) rational way. Much of this turns on what role CBDC plays.<sup>18</sup> According to Huber it is, for example, significant that commercial banks cannot readily switch to some version of the new forms of digital money and maintain the system as is since issuing “uncovered bank tokens” would be a “relapse” into “insufficiently backed paper money” with all the problems this entailed – multiple competing notes (now tokens) invoking problems of parity and trust (Huber 2023: 96). Huber has a great deal more to say about issues of scope, and of design and implementation (see e.g. Huber 2023: 140-141) and a great deal to say about how this might affect concepts of monetary accounting and use of terms like asset and liability in regard of the balance (e.g. Huber 2023: 174-178). To fully appreciate the nuance of the case he makes one must read the book but suffice to say, if CBDC becomes a larger portion of M1 then the role of commercial banking is set to change.

## Conclusion

To avoid misunderstanding, *The Monetary Turning Point* is not a manifesto and does not make an MMT type case for monetary financing of the state in order to achieve a better world. It does, however, start from critique of the current situation and argues that if we take history seriously then the dominant money is bound to change. At the same time, Huber is an economic sociologist of

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providing the non-bank public with central-bank sovereign money of safe stock—such as a dominant supply of sovereign cash once was, and as CBDC can become, if properly implemented. In constitutional terms as well as in the interest of effectual monetary policy, it is time to put the checks and balances in the monetary system right again (Huber 2023: 60).

<sup>17</sup> For comparative state of play visit: <https://cbdctracker.org/>

<sup>18</sup> For an example of how development is being conceived see Bank of England (2020, 2023a, 2023b). For some of the issues see also Kuehnlitz, Orsi and Kaltenbrunner (2023) and Morgan (2022, 2023b).

some sophistication and his argument that new forms of digital money offer technologically based advantages is by no means a tacit form of technological determinism. It is rather a discussion of potential and opportunity which takes seriously the idea that problems of systems lead to change through solutions and alternatives. If there is any comment to be made here on the book (which to be clear is well worth a read) it is that there is a great deal more that could be said about the politics of agency and the problems in the world into which a CBDC (if it in fact comes to dominate) will be introduced. The book has a short section on the current problem of “too big to fail” banking where central banks and government must rescue commercial banks in order to preserve the payments system and the status of bank money – ring-fencing etc notwithstanding – which has a “certain blackmail character” (Huber 2023: 136) and a section which discusses the technical means by which CBDC can be put into circulation, for example, via open market operations to buy up existing government bonds using CBDC payments rather than injections into central bank reserve accounts (Huber 2023: 138), but there is far more that might be said here. This is especially so when one recalls that Huber’s concept of dominant money is one that “determines how the monetary system and monetary policy work” (Huber 2023: 34) and this is a matter of politicised relations and power rather than merely technological capacity. A similar point also applies to the first of Huber’s reasons for recomposition of the money supply insofar as the statement “pose problems that cannot be solved within the given framework” (see Huber 2023: 64) is ultimately a contingent issue of who gets to decide and on what basis.

I by no means intend to imply Huber is unaware of the points just made, but it strikes me there is great scope for a second volume opening up debate on the democratic possibilities for control over money creation and in regard of the need for a different way to think about the role of money in economy and society. One does not need a CBDC to engage in monetisation of the state but, and especially via programmability, it offers a particularly interesting way to undertake that financing. Arguably, we are now in a position where we are acting as though we have choices we don’t really have in regard of climate change and ecological breakdown and important aspects of that are debates over who pays for change and whether we can afford to save ourselves.<sup>19</sup> A strange set of questions indeed as Huber surely appreciates given his background. There are many other issues that could also be transformed by reclaiming monetary sovereignty. The UK, for example, as a recent report from the Centre for Social Justice sets out, has a chronic problem of (in every sense) under-resourcing of social care despite that local authorities spend just under £27 billion per year on that care (which after years of austerity funding cuts across their budget now accounts for more than half of their total spending).<sup>20</sup> Given years of neglect and an aging population, fixing social care is an urgent problem and this seems an area ripe for CBDC experimentation. Futures are made not merely discovered and new forms of digital money could be a tool for good. As Huber notes though, currently central banks are being cautious. Reading Huber’s book may help you have your say.

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<sup>19</sup> For some background visit the Focus 2030 New Global Financing Pact Summit 2023 site: <https://focus2030.org/Special-Edition-New-global-financing-pact-what-to-expect-from-the-June-22-23> And see appendix.

<sup>20</sup> And with an estimated further £162 billion annually in value of unpaid care. See Centre for Social Justice (2024).

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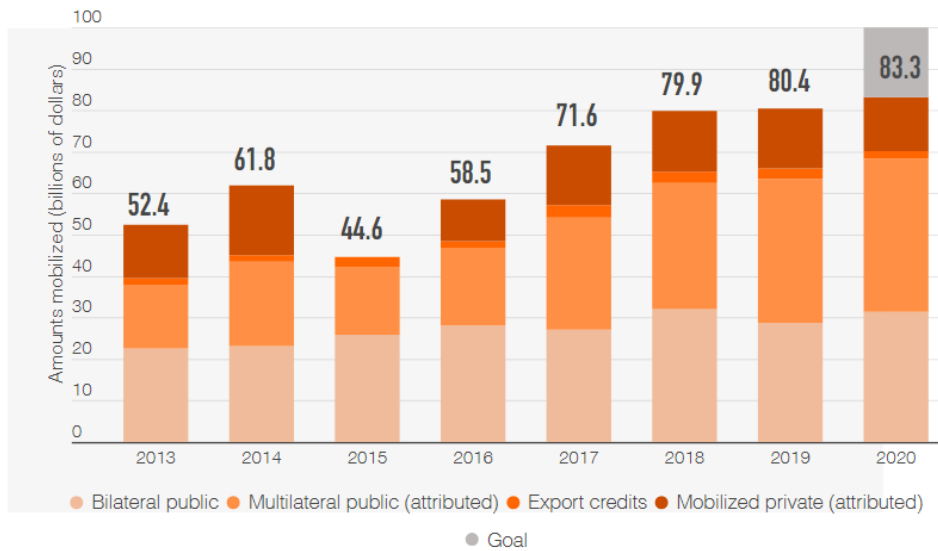
## Appendix

The recent global financing pact highlights commitments to reallocate IMF special drawing rights as well as using taxes and redistribution to meet development and climate finance goals and make up for shortfalls, beginning with the failure to meet the pledge at COP15 in 2009 to provide an annual \$100 billion in climate finance by 2020:



### CLIMATE FINANCE PROVIDED AND MOBILIZED BETWEEN 2013 AND 2020






Evolution of climate finance provided by industrialized countries to developing countries between 2013 and 2020, out of a commitment of 100 billion per year from 2020.



Source: [OCDE \(2022\)](#)

Note : The lack of data for private funding mobilized in 2016 is due to the use of improved measurement methods. As a result, the 2016-20 and 2013-14 totals cannot be directly compared. Amounts mobilized after 2020 are not yet available, but it is estimated that the 100 billion should be reached from 2023 onwards.



|   |                                      |   |                     |   |
|---|--------------------------------------|---|---------------------|---|
|  | <b>Wealth tax</b>                    | A 5% tax on the assets of all the world's billionaires and multimillionaires.   | <b>1700 billion</b> | <a href="#">Source: Oxfam</a>                     |
|  | <b>Tax on fossil fuel extraction</b> | A progressive global tax on oil, gas and coal producers based on the amount of CO2 for each ton of fossil fuel extracted. | <b>300 billion</b>  | <a href="#">Source: Stamp Out Poverty</a>         |
|  | <b>Tax on marine transportation</b>  | Global tax on the level of greenhouse gas emissions during maritime travel, at a threshold of USD 230/tCO2-eq from 2025.  | <b>148 billion</b>  | <a href="#">Source: Zero Carbon Shipping</a>      |
|  | <b>Financial transaction tax</b>     | A global tax on all financial transactions, especially intraday transactions, at a rate of 0.5%.                          | <b>440 billion</b>  | <a href="#">Source: Gunther Capelle-Blancard</a>  |
|  | <b>Tax on airline tickets</b>        | A 2% tax levied on airline ticket purchases, assuming passenger numbers return to pre-Covid levels.                       | <b>17 billion</b>   | <a href="#">Source: Equal International/IDDRJ</a> |

Note: The figures presented are the highest estimates made for each funding source. Other estimates may exist and are for the most part identified in [this paper](#).



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