Money's relation to debt: some problems with MMT's conception of money[1]

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According to modern monetary theory (MMT), money, when the term signifies something used in making payments, is always debt, and currency is a specifically government or state debt. The latter debt is redeemable through its use in meeting tax obligations. It is just because it is so that taxes get paid and indeed there exists a general demand for the currency.[2]

I argue that not only is this latter reasoning not quite right, but currency, indeed money more widely, is never debt in the sense that proponents of MMT suggest, and that the debt/credit theory of money that underpins this reasoning should be abandoned. I advance instead a rather different *positioning* theory of money that interprets the monetary process, including the meeting of tax obligations, somewhat differently, and I think more realistically.

I am not sure that the arguments that follow in themselves necessarily undermine any MMT policy stance, at least under current conditions. But, if correct, they should help dispel some confusion regarding, or stemming from, the presuppositions upon which various MMT more substantive and policy claims rest and allow an appropriate orientation to be determined whatever the prevailing conditions.

In briefly outlining my case, I draw primarily on the core MMT text and deservedly influential book by Randall Wray (2012) titled *Modern Money Theory.*

Money interpreted as debt/credit

Although the specific focus will be on the MMT notion that currency is a form of government debt, I start with the more general claim that money is always debt, this being a central premise of MMT. Or at least this is so when the focus is on the kind of thing that is everywhere used for buying goods. Unfortunately, the term "money" is also often used by proponents of MMT to mean a "unit of value" or a "unit of account" or (especially unhelpfully) a "money of account". I will seek to make meanings clear in context. But I will be avoiding the latter usages of the term "money"; the expressions "unit of value" etc., meaning a common measure in terms of which the exchange values of all commodities and debts, etc., are expressed, do not require supplementing with additional labels, least of all by one that is more commonly and usefully employed to mean a connected but entirely different kind of thing.

As I say, money, for proponents of MMT, when the term is used for items used in making payments, is said to be debt. Thus, in a chapter of Wray's book focussed specifically on the

[1] For helpful comments on earlier drafts of this paper I am grateful to Philip Armstrong, Jamie Morgan, Stephen Pratten and Roy Rotheim.
[2] A category that does not include "deposits" created by commercial banks. The term currency is not always consistently employed by proponents of MMT, but according to Randall Wray in the MMT text I draw upon: "The word currency is used to indicate coins, notes and reserves issued by the government (both by the treasury and by the central bank)" (Wray, 2012, p. xv).

nature of money, two subsections in which money is interpreted in this way are given the heading "money is debt". Wray also identifies three "fundamental propositions regarding money", one of which emphasises that "money [not a particular good] buys goods", and another of which runs as follows:

> "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).

I take it that the term *debt* is here understood in its traditional and legal sense as an obligation held by a debtor to satisfy a creditor. It is internally related to a *credit*, where the latter means a specific right to payment or satisfaction. Credit and debt, in other words, are two aspects of the same social relation – a credit/debt (or debt/credit) relation – connecting a creditor and a debtor; you cannot have one aspect without the other. Credit is simply this relation viewed from the perspective of the creditor; it is debt from the point of view of the debtor.

In the following discussion I employ only the noted understanding of the terms *debt* and *credit*, and so avoid various derivative uses, including that of credit as "means of payment". All money (as I am interpreting the term) functions as a means of payment and so is "credit" in this sense. Any use of the term credit in this latter fashion, in the context of a discussion or defence of the *credit theory of money*, risks this theory being interpreted as a functionalist banality. Rather proponents of any version of the credit theory worthy of the name need to demonstrate that it is *just because* a money is (a form of) debt/credit in the sense elaborated that it can serve as a general means of payment (and so be a "credit" in the derived sense).

Returning to Wray, I might note that the claims made that "money is debt" and "money is always debt" are not identical, though both, I shall suggest, are erroneous. The only sense in which money can ever be said to be debt/credit, I shall be arguing, is similar to that in which the US President could once (but can no longer) be said to be Barack Obama. Of relevance here is that the US President is empowered and obliged to act in ways that ex-president Obama is not. Fundamental to this is that *US President* is a term used for both a position (or office) *and* a positioned occupant, and that the presidential rights and obligations are not brought to the position by any individual but rather are properties tied to the presidential position itself and accessed by its occupant. Obama was never other than a contingent and temporary occupant of the position, who accessed the presidential position rights and obligations only when he was positioned/constituted as US President.

In similar fashion, or so I shall be arguing, there exists in any community the position of money, and so typically a positioned occupant, or money itself, the primary uses of which are *not* due to any properties possessed by the kinds of thing that contingently occupy this money position (the current occupants indeed being forms of debt) but are determined by community agreed related rights and obligations that fall on all community participants and apply only at the level of money itself.

That noted, it will be seen that the kinds of thing that occupy the money position are (in the manner Obama, when positioned as US President, was) significant as well, but for different sorts of reasons that I explain below.

Social positioning

It may appear that in suggesting that money is not identical to debt but, currently at least, only formed as positioned debt, I am merely playing with words. However, this is not so. Rather, the issue is a fundamental one of social constitution. Everything social is constituted through such processes of social positioning. And a fundamental feature in all cases, indeed a central point of the positioning process, is that a *positioned item is not identical to the item positioned*. Let me elaborate this claim, for it amounts to a general thesis of which money is but a specific instance.

Every social phenomenon – that is, any phenomenon whose existence depends necessarily on human beings – is community relative; each one is constituted in, and as a property of, a specific community. And in each community, whether local, national or international, social phenomena are constituted by way of processes of (community specific) social positioning, whereby people and things are allocated to positions in ways that render them components of wider embedding social systems or totalities. Thereby, the people and things in question, *qua* components, are typically oriented to facilitating the operations of these totalities. This works by way of capacities already possessed (by the people or things that come to be positioned) being harnessed in such a manner that they serve the needs of the overall embedding system. Such harnessing is achieved through the widespread acceptance of, and reliance upon, sets of positional rights and obligations that are allocated as part of the positioning process (see Lawson, 2019 for a lengthy elaboration).

When it is human beings that are in some way positioned within some community, they themselves get to access relevant rights and obligations bearing on their ways of acting. Thus, if some individuals are positioned in a university as lecturers and others as students, then each group *qua* positioned individuals get to access rights and obligations in some part matched to specific obligations and rights of the other, and which work to ensure that lecturers lecture, and students study, facilitating the workings of the educational totality that is the university. When Obama was elected US President, *qua* US President he became a component of the US system of government with rights and obligations, accessible as President, being matched, first, to obligations and rights of those (positioned) closest to him in the governmental system, but ultimately to those of all others that are (positioned as) members of the US national community, and designed to facilitate his acting to the benefit of the US *qua* national community.

When it is an artefact or some other object that is so positioned in some community or community system, the rights and obligations regarding how it is used, *qua* a positioned item, fall (not, of course, on the positioned object itself, but) on a set of members of the community. This is the case clearly when items are positioned as, say, property, forms of transport, car parks, traffic lights, libraries, tickets or passports, ensuring that the wider embedding communities work as required (on all this see Lawson, 2019).

Both the determination of positions with associated rights and obligations, and the allocation of people and things to positions, ultimately depend on community acceptance. The latter notion does not signify necessary agreement, merely a readiness of community participants to go along with a particular set of structures and outcomes. Specific cases of the latter may have emerged by way of declaration by some community-accepted and delegated authority, or more spontaneously through general practice. But their continued existence depends upon their being widely accepted in the community, an acceptance that is manifest, as I say, as a preparedness of participants to go along with them, at least for the time being, and, indeed, usually with each participant doing so in the expectation that all other participants will similarly conform.

Money, I now want to suggest, is constituted and maintained as a particular instance of the positioning process, more specifically of the sort of process whereby the uses of artefacts and other objects are determined. In elaborating the manner in which money is so constituted, I briefly summarise, in the next few subsections, the *positioning theory of money* that I seek in due course below to compare with the (version of the) *credit theory of money* which underpins MMT.

The positioning theory of money

In brief,[3] members of a monetary community such as the modern UK accept (reveal a readiness to go along with) a system of value accounting, one that includes amongst its components an accepted unit of value (or of account), and also a money position which has associated with it a set of community accepted rights and obligations concerning how its occupant(s), *qua* positioned occupant(s) or money, is/are to be used. The latter rights and obligations basically determine that the primary use of money is as a general (community wide) means of payment, of discharging debts. They include an obligation placed on all creditors to accept the money in payment of debts when it is offered (unless a prior contract is agreed with a specific debtor, specifying some defined alternative means of payment), and so a right of any debtor to have a debt discharged thereby.

Although the community accepted rights and obligations governing the uses of money can be shaped in many ways, in practice their formulation, along with determination of the occupant of the money position, have tended to be guided by declarations of those to whom the community has delegated the authority so to declare. At a national level, this usually means the state, which currently, in many countries, means or includes something akin to a parliament.

The types of things that, in communities like the UK, are, or so I maintain, currently incorporated as occupants of the money position are forms of bank debt or liability, or, equivalently, forms of credit held on banks by their customers.

In fact, not only is it the case that money, currently, is positioned bank debt, but, significantly, all items of bank debt are created already positioned as money; they do not exist apart from being positioned money.

Thus, if, say, a *commercial* bank grants a loan to an individual customer, it thereupon promises to advance to a customer a given amount of the money. At that point an obligation of the bank to the customer is created on the spot, with the amount owed at some point recorded in the customer's account. However, the money thereby assigned to the customer, is also created on the spot. For it is constituted out of the very obligation simultaneously created.

[3] For a lengthy account see Lawson, 2019, chapters 5 and 6.

This has been the case ever since bank debt *qua* a *kind of thing* was at some point in the history of any relevant community first positioned (*qua* a *kind of thing*) as money. Thereafter all new instances of bank debt in that community emerge already constituted as money. That is, just as, say, once a national community X is formed, offspring of any two citizens of X usually arrive in the world already positioned as citizens of X, or once, say, a family is positioned in some community as royal, its offspring usually arrive in the world already positioned as royal, so, currently, any new item of bank debt to a customer arrives in the world already positioned as money. This money is recorded as a new entry (or increase in any existing entry) in the customer's bank account, indicating the amount available for use.

It is the case, of course, that when a commercial bank makes a loan to a private citizen, this process simultaneously results in a debt of the private citizen *to* the bank for the money so obtained/borrowed (on which an interest is paid). The latter, an asset of the bank, is in some literatures referred to as bank debt. This is *not* a terminology adopted here. My primary concern here is not with the situation of individuals, nor with accounting balances and such like (which are mainly concerned with values and distributions/allocations), but with the *constitution* and *nature* of money. It is the debts *of* banks *to* customers that are positioned as money, and I use the terminology of *bank debt* only for such bank liabilities. The money formed when it is specifically private or commercial bank debt that is so positioned, I refer to as *commercial bank money*.

Of course, not all commercial bank money recorded in an individual's account is obtained through the individual taking out loans. There are numerous ways money can be paid in by, or transferred to, an individual and recorded in the individual's account. But the account record shows the amount of money *qua* positioned commercial bank debt that is available for the individual to use. As I say, I refer to this money so recorded in the individual's commercial bank account as commercial bank money, though the latter is commonly also referred to as bank deposits or demand deposits.

Money is additionally similarly created by the central bank. That is, central bank debt, i.e., a debt *of* the central bank, a credit for its customers *on* the central bank (that arises through central bank lending or whatever) is also automatically positioned as money. This I shall refer to as *central bank money.* Such a central bank money held by a commercial bank constitutes the latter's reserves. These include "deposits" of the commercial bank at the central bank.

As I say, I refer throughout to the two noted cases of debt creation as resulting in *commercial bank money* and *central bank money* respectively, with the expressions *bank debt* and *bank money* used to cover *both* forms of money creation (and *not* just that of commercial banks, as is the practice of some contributors).

Finally, with money so constituted as positioned bank debt, it is of course mostly not observable. So, to make the monetary system workable, various items are used (positioned as additional components of the community's value accounting system) as *markers* of this money, or of those participants that hold it. Thus, bank notes are used to identify the part of money constituted as positioned central bank debt that is available for the public to hold, and electronic records are used to indicate the money constituted as customer deposit accounts whether as accounts of individuals at commercial banks or as accounts of commercial banks and so forth at the central bank.

So, if commercial bank money comprises the deposits of individual customers at commercial banks, commercial bank reserves comprise both its deposits at the central bank along with the commercial bank's holdings of central bank money that is marked or represented by cash.[4] Central bank money comprises the (positioned) central bank debt that is represented / marked by cash along with deposits of others held at the central bank.[5]

Many observers, of course, interpret the noted markers or tokens of money as money itself. However, cash and electronic entries are not money, at least as I am using the term, and nor is (any form of) bank debt *per se*. Rather money, currently, is any appropriately *positioned* form of bank debt that the cash and electronic entries serve to mark.

The positioning of debt

An obvious question to address at this point is why a form of debt/credit is involved in the constitution of money at all, if not to underpin money's debt discharging function. After all, if processes of social positioning work by way of harnessing capacities of items that are so positioned as system components, with the intent that these capacities thereupon serve some function of the system, this suggests that the bank debt currently positioned as money *does,* or is at least intended to*,* play some important role in the monetary process, however contingently. So perhaps after all money's general debt discharging powers do stem from properties of the debt/credit occupying the money position.

This is not so, however. The relevant point here is that the capacity of any form of bank debt/credit that is so harnessed is one that is neither peculiar, nor even essential, to debt/credit *per se*. It is a property that forms of bank debt happened to possess when, at a relevant point in history, they, *qua* specific kinds of thing, were initially positioned as money, but a property that was also possessed by other earlier occupants of the money position. This property is that of instilling a form of trust in a money so constituted out of it. Let me briefly elaborate.

All processes of social positioning – though concerned always with harnessing capacities relevant to the functioning of a system in which their possessors are being incorporated as components – are necessarily fallible. If it is community agreed rights and obligations that determine *how* any positioned kinds of thing *may*, or *ought* to, be used, it is capacities possessed by the eventual position occupants that determine whether, as positioned items, they are materially able to function successfully as intended. However, if the aim with positioning is usually to ensure that a successfully functioning system component is achieved, mistakes and accidents can happen. An individual with, say, extremely limited skills of diplomacy, may still be elected to the position/office of President or Prime Minister, or an individual with very poor lecturing skills may be appointed as a university professor, just as a professional footballer may break a leg, or a component of a plumbing system may spring a leak.

[4] Some commentators, seemingly including Wray (2012, p. xv), appear *not* to include a commercial bank's holdings of central bank debt marked by cash as part of the former's reserves. Differences here, if such they are, do not affect the analysis.

[5] I might note too that the *money supply* is a category usually taken to be comprised of money forms held by the public (i.e., money marked by cash and that recorded in commercial bank deposits), whilst the *monetary base* is a category used for all money marked by cash along with reserves held at the central bank, i.e., that which I am calling central bank money.

In the same fashion, a community's money can become somewhat dysfunctional. In an economic system in which money flows are paramount, a failure of the money takes the form of community participants being reluctant to hold it, which especially happens when it is feared that the money will lose value. Although the rights and obligations associated with money determine that its holders can be expected to be able to use it to cancel *existing* debts, they do not determine that individuals are willing to enter into new debts with others knowing that money must be accepted in payment if offered. In particular, there is nothing in these rights and obligations as typically formulated that prevent any potential creditor agreeing a contract with a potential debtor that stipulates that a specific means of payment whereby any debt that emerges is to be discharged, is something other than the local money (tourists to a community experiencing very high price inflation are regularly requested to agree in advance to pay for purchases, say for meals taken in restaurants, using "foreign currency".)

A community money can be said to be successful, then, when all community participants are willing to hold it. And the relevant capacity required of an item, for a money that is formed out of it (through positioning) to be successful in this sense, is that of instilling a communitywide form of trust that the resulting money will be a continuing stable store of value. Only where this is achieved will community participants be encouraged in the belief that money held will be continually easily passed to (accepted by) any others. Only if such trust is secured and sustained will a steady demand for money be evident.[6]

In short, a *successfully functioning* money, as opposed to money *per se*, not only is an accepted general means of payment but also possesses general purchasing power. Participants are willing continually to hold it. And the latter depends on its being trusted as a stable form of value easy to pass to others.

What kind of thing might be able (i.e., might possess the capacity) to engender an expectation that, if were it to be positioned as money, the result would be a money that is trusted in the required sense? The obvious candidate is something of a sort that prior to being positioned as money was found already to be a stable store of liquidity – and perhaps even used in a few limited quarters as a means of payment. This is not just an obvious, but also the usual, basis on which a money stuff is determined (see Lawson, 2018b). This was clearly the case with bank liabilities, i.e., forms of credit extended by banks, when they were first positioned as money. Once such a kind is positioned as money, of course, the maintenance of trust will likely also require continuous state backing and management. The latter will no doubt include the setting of tax payments in the community's unit of account, meaning that the community's money can be used to pay them. If the latter renders holding the money more attractive, it is hardly enough to secure a continuous stable demand.

Parenthetically, it is to this end of seeking to facilitate the noted form of trust that certain precious metals *qua valuable* commodities have also been positioned as money (the use of valuable/precious metals being a practice that credit theorists often regard as a puzzle); they have been utilised *not* (or not primarily) to determine the value of money (however much that has been misunderstood) but with the intention of facilitating at least a reasonable degree of trust in the money as a *liquid store* of value (see Lawson, 2018b, 2019).

[6] Trust is, of course, fundamental to all human action (see Jamie Morgan and Brendan Sheehan, 2015; Stephen Pratten, 2017; Lawson, 2019 chapter 1), though often difficult to sustain in the economic sphere, not least where money is involved.

To return to the central point so far, however, money is not the same thing as debt, even when constituted by the positioning of some form of bank debt. Money *qua* positioned bank debt may retain the properties of bank debt, but as *positioned* bank debt, i.e. as money, it has properties or uses that the bank debt *per se* lacks. Specifically, only money *qua* money can be used as a general means of payments. Its uses *qua* money derive from general community acceptance. Minsky was not quite right when he suggested that "everyone can create money; the problem is to get it accepted" (Minsky, 1986, p. 228). Rather it is only *through getting (community) acceptance* that money is created, that a kind of thing, including a form of debt, can become (positioned as) money. And it is only *as* money, not as a form of debt, that it can be everywhere used to make payments, and that people seek to hold it.[7]

I have to this point sketched the positioning theory of (the nature of) money, but not taken the space required to defend it at any length or in detail (for the latter see Lawson, 2016, 2018a, 2018b, 2019, chapters 5 and 6). Even the brief sketch provided, however, reveals that the conception of money elaborated not only fits with general experience of using money but, equally fundamentally, coheres with a seemingly sustainable account of how the whole of social reality is constituted, which is at least a property that it is desirable for a theory of money to possess.

MMT, as already noted, in effect rests on a rather different account of the nature of money, one at odds with the general social positioning conception. For MMT proponents, the properties of money, and specifically, government currency, derive directly from its being a form of debt/credit. The issue to examine, then, is how the two conceptions compare and specifically whether there are grounds to suppose that one is more plausible than the other. I shall be suggesting the positioning theory does better.

MMT on debt and its uses

As with most other adherents to the credit theory of money, proponents of MMT tend to defend the idea that money must be a form of debt/credit by way of seeking merely to debunk a conception of money that they take to be the only viable alternative. This is that money is a commodity. Schumpeter once wrote that "there are only two theories of money which deserve the name… the commodity theory and the claim theory. From their very nature they are incompatible" (Schumpeter, 1917, p. 649). And as we saw at the outset Wray too proceeds by way of first observing that "money is always debt; it cannot be a commodity…"

[7] At risk of appearing to complicate the argument I might note, for completeness, that debt/credit too is a social phenomenon, itself formed through positioning. In effect, in the case of money, the debt/credit is formed out of a promise to deliver that is made in a community that has agreed that all such promises are automatically positioned in the community as a debt/credit, the uses of the latter governed by rights and obligations. As part of the process, the community has agreed that the maker of the promise is a debtor and the other party the creditor, and that the obligation in question falls on the debtor to deliver on the promise positioned as debt, whilst the creditor has a right to expect satisfaction. Furthermore, certainly in communities like the modern UK, at least where the promise involves a form of money, it is also accepted that if X's debt (to a given amount) on another is delivered back to X by Y, who is in turn in debt to X, then X has an obligation to accept her or his own debt as discharging any debt to that amount that Y holds with X. So, a promise is positioned as a debt which in turn may be positioned as money. Most cases of social positioning in fact involve such forms of multiple nested positioning. Thus, when Obama was positioned as US President he had already been positioned as a "natural-born" US citizen, a gendered male, a member of the US Democratic Party, a member of the US Senate, and so on. At least some (but not all) of the prior positionings were essential for Obama to (have the right to) gain access to the position of US President.

The two theories – the credit and commodity theories of money – have been long in contention, each with many advocates. With this being so, an obvious inference to draw is that both contain insight, so that posing such a binary choice warrants caution. From the perspective of the positioning theory of money the choice offered by credit theorists is indeed a false one. After stating that money is always debt Wray, as earlier noted, adds “because if it [money] were [a commodity] that would mean a particular good is buying goods”. Clearly a particular commodity cannot buy goods (as Marx amongst other theorists of “commodity money” is also very clear – see Lawson 2016). But the point of Wray stressing this in the manner he does is presumably to draw a contrast with how he supposes debt/credit, or at least a particular form of debt/credit, *can* be used, namely, to buy goods.

However, the reason that a commodity cannot buy goods, and more generally be a money, is the very reason that debt, in and of itself, also cannot buy goods and more generally be a money. For, or so I am arguing, a kind of thing, whatever the latter may be, can be incorporated in the money process only where a community, perhaps through the declarations or implicit agreement of some authority, *positions* it as money, whereupon the abilities of community participants to use it, *qua* money, to discharge debts, derive from community agreed rights and obligations, and do not depend on the kind of thing that occupies the money position. So certain commodities, just like forms of debt, may be (and indeed have been) positioned, and so incorporated, as a community’s money (see Lawson, 2019).

Apart from criticising interpretations of the commodity theory, however, Wray does not really defend the debt/credit theory itself. Rather, with the commodity theory regarded as untenable, Wray proceeds on the assumption that the government currency, which is his focus, can only be a form of debt/credit. Let me then consider how this works out.

Currency as debt

If, as Wray supposes, currency is really a form of debt/credit, it ought to be enforceable / redeemable in something other than itself. So, a question pursued early on in Wray’s analysis is how the currency, interpreted as debt, is redeemed. To answer this requires an understanding of the promise that lies behind, or is associated with, the currency *qua* debt. Wray reasons that promises written on UK bank notes are “misleading”, that if a bank note is handed back, it will only be exchanged only for another bank note, which *prima facie* is not really a form of redeeming. So, it seems to follow that currency viewed as debt cannot be redeemed.

One explanation is that currency is not a form of debt after all. Rather than so concluding and so at this point abandoning the credit theory of money, however, Wray develops his argument in a manner that seeks to keep MMT consistent with the credit theory. It is through doing so, I shall suggest, that various other (perhaps more obvious) problems for MMT are created.

Wray proceeds, in fact, by suggesting that the relevant promise involved with currency relates to its being accepted as a means for paying tax debts, that the currency is really redeemed through being used to make tax payments, to meet the holder’s tax obligations. The government taxes community participants, and the latter participants meet the resulting obligations *to* the government by handing over the currency, with this transaction being interpreted as community participants returning the government's own IOUs as payment. Thus, Wray argues as follows:

> "The 'promise to pay' that is engraved on UK Pound notes is superfluous and really quite misleading. The notes should actually read 'I promise to accept this note in payment of taxes.' We know that the UK treasury will not really pay anything (other than another note) when the five Pound paper currency is presented. However, it will *and must* accept the note in payment of taxes. If it refuses to accept its own IOU in payment, it is defaulting on that IOU" (Wray, 2012, p. 49, emphasis in the original).

Wray further adds below:

> "This is really how government currency is redeemed – not for gold, but in payments made to the government […] the tax obligations to government are met by presenting the government's own IOUs to the tax collector" (Wray, 2012, pp 49-50).

At first sight the argument here appears to be straightforwardly erroneous. After all, the £5 note is a marker of that which I have been referring to as central bank money, and, however we view the central bank liabilities involved (i.e., regardless of whether the positioning theory is accepted) these liabilities have nothing to do with government debt as traditionally understood. That is, although Wray has identified an item that, in his own framework, is indeed a debt formed out of a promise, this is a debt not of the government but of the central bank. So, it is tempting to suppose that Wray is here confusing the central bank and the treasury, and so their respective liabilities. If this is so, Wray's argument falls at this point.

However, the MMT argument advanced by Wray, as I read it, though not always clearly elaborated, is more subtle than this. The point of focussing on the redeeming of the currency, or so it appears, is to suggest that the currency, when issued, incorporates a *government promise,* and one that is *additional* to any promises made by banks in creating their debts (or if not additional to, then perhaps somehow provides the content for, these bank promises – see below). This is a government promise to pay, constituting a debt to, the holder of currency, an IOU of the government that all understand can be redeemed by way of its holders using it to meet tax payments to the government. This is achieved by handing over government currency.

In so arguing, the vision seemingly held is one wherein the government is essentially seeking to provision itself by imposing taxes but must do so in a social context in which it needs to spend first in order that taxes can be paid. So, taxes are interpreted as in a sense driving spending. But the latter can happen just because spending involves employing a government IOU that can be used or returned in tax payments. So the whole thing appears like a highly coordinated activity, one wherein the government determines the community's unit of account, sets tax obligations in terms of it, and spends using currency not only denominated in terms of it, but carrying a government promise that it can be redeemed by way of returning it to the government in payment of tax obligations:

This, it seems to me, is how Wray reasons when, for example, he writes as follows:

> "The government first creates a money of account […] and then imposes tax obligations in that national money of account. […]. The government is then able to issue a currency that is also denominated in the same money of account […]. It is not necessary to "back" the currency with precious metal, nor is it necessary to enforce legal tender laws that require acceptance of the national currency […] *all the sovereign government needs to do is to promise* 'This note will be accepted in tax payment' [...]" (Wray, 2012, p. 50, emphasis added).

Thus interpreted, the basic argument made is a version of one long ago formulated by Alfred Mitchell Innes (1913, 1914) in advancing his credit theory of money. For both Wray and Innes, the government promise and so government debt/credit is a vital component of the monetary process. For Innes, at least, it is this government debt/credit that constitutes money itself (that is used in payments), and everything else associated with it is effectively an identifying token (so, for Innes, gold coins are the tokens that identify or mark government debt *qua* money).

However, in the MMT case the "everything else associated with" the government debt seemingly includes central bank debt, and there is plenty of scope for confusion concerning its status within the theory. For, to consider Innes' account as a contrast, when Innes argues that gold coins were *not* the money but mere tokens of the money (*qua* government debt), the gold content of the coins (*qua* mere tokens) is, if put to one side as puzzling, at least acknowledged. However, because central bank debt, unlike the gold (which it has replaced), is not visible, there is the risk of this component being (not even put aside as a puzzle, but) overlooked entirely as money markers or "tokens" like the £5 note are seemingly now viewed as markers or "tokens" of *merely* the postulated *additional* government promise or liability, where the latter itself assumes the mantle of money.

I am not suggesting that Wray does overlook the central bank debt. But it is not clear to me whether Wray supposes that it is somehow incorporated as part of the identifiers or tokens of government debt, or is considered to be replaced by, or manifests as, the latter, or indeed whether some other argument or line of reasoning is employed.

To come at the issue somewhat differently, a question that remains to be addressed is whether, and if so how, central bank debt itself is redeemed on the MMT account. This is not clear to me. Wray does suppose that the government and central bank are viewed as cooperating in the various economic activities underpinned by the imposing of government taxes. Indeed, for this reason he supposes that it is reasonable, for purposes of theorising, to analytically amalgamate the two bodies (the government and central bank) into just one called the state – to capture the coordinated manner of their transactions. This being so, it is perhaps presumed that the redeeming of the posited government IOU serves to redeem the central bank debt at the same time, or otherwise renders it superfluous. Or perhaps it is even held that, in making a loan, the central bank is enabled to make a promise regarding tax payments *on behalf of the government*. In this case the bank notes and electronic records do after all just mark a debt of (or credit on) the government redeemable through the paying of taxes. One way or another, there is more to be explained.

The picture then, if I am interpreting the argument at all correctly, is far from being intuitive or straightforward, and is not without its puzzles and risks of generating confusions. But whether, and if so how, the noted issues can be, or indeed are, resolved, I will not dwell on them here, not least because the challenges they provide are dwarfed by a yet further (and I suspect irresolvable) problem for the theory, or so I now want to suggest. This is simply that, irrespective of how the various noted monetary items are interpreted, central existential claims advanced by the theory's proponents do not appear to be born out in reality. In particular, it is not at all clear that the putative government promise that lies at the heart of Wray's argument actually exists.

Nor, indeed, is it clear that any (let alone all) of the relevant parties to monetary interactions view such a promise as existing (irrespective of whether it does). The latter, though, matters if the argument is to be persuasive. For it is one thing to elaborate a theory that is suggestive of a macro mechanism that would render money a form of credit/debt; it is quite a different thing, and a far bigger step, to suppose that real world community members, including the government itself, actually view things in the manner portrayed. *Yet this does seem to be a requirement for the theory to have relevance*. It is difficult for the various parties to act on a government promise or obligation if none, or less than all, recognise such a thing to exist.

Wray does appear to recognise this requirement of knowledge and understanding on the part of community participants and does also suppose it to be fulfilled. Or rather there is a clear presupposition that *all* community participants do recognise items like bank notes etc., used by the government in spending, as marking *a credit on the government*. For this is the *only* explanation offered for the theory's claim that there exists both (1) a willingness by the government to receive these items as a means of discharging the tax obligations it lays on the community, and (2) a willingness by non-government participants to hold these items in the first place.

But as I say, there are no obvious signs or evidence that community participants, including the government, do actually view or understand things in the manner required of them. Clearly many economists even explicitly oppose the view elaborated, more still are unaware of it. And although, as noted, Innes, in 1913, when first advancing the "credit theory of money", defended the view in question, including the requirement that all participants understand that obligations of the sort described are involved, a year later he appears to view things differently. In fact, he noticeably recognises a need to argue instead (though not successfully – see Lawson 2019, chapter 6) that whatever it is that the "government thinks it is doing" when it spends and introduces coins (i.e. its own interpretation of whether tax credits are involved) this "is of no consequence" (Innes, 1914, p. 160), noting in particular that it "is true that a coin does not purport to convey an obligation". Innes acknowledged more generally indeed that few community participants, including theorists of money, recognised the scenario as formulated as his credit theory of money.

The picture, then, is far from being convincing, and not without its puzzles and risks of generating confusions. Especially questionable is a posited government promise, that (1) seemingly does not (or does not obviously) exist, (2) emerges almost as something conjured out of a hat merely to dissolve a puzzle of a putative debt held by community participants with nothing obvious to redeem it, and (3) must, if a conflation of central bank and treasury liabilities is to be avoided, be regarded as either additional to, or providing the content to, promises of the central bank in providing its own debts facilitating actual spending (either way rendering the central bank debt itself, as with precious metals that have figured in prior times, somewhat difficult to accommodate in theorising the monetary process).

The problems of MMT from the perspective of the positioning theory of money

If the noted features render MMT as formulated somewhat questionable, it warrants emphasis that they all arise because of an attachment of the proponents of MMT to an especially suspect credit theory of money. Once, or if, we instead accept the positioning theory of money, not only are everyday monetary transactions more easily accounted for – i.e., without the need to invoke a government promise that both is dubious in itself and comes with overly demanding implausible requirements for how participants view and understand the situation -- but are so in a manner that does not involve any obvious additional puzzles of the noted sort.

For, simply put, once the positioning theory is accepted, it can be immediately seen that currency is *not* after all a form of debt but rather positioned debt, with its uses governed by (state-influenced) community accepted rights and obligations. In consequence, there is no redeeming of currency anyway, and so no puzzle (about how redeeming is be achieved) to be solved. Instead, it is the community accepted rights and obligations themselves that determine that the government must accept the community's currency, or money, when it is offered in payment of taxes. That basically is the whole story. No additional dubious government promise of any sort is required.

Of course, forms of bank debt that, according to the positioning theory, occupy the money position, must themselves, as with all forms of debt, *qua* debt, be strictly redeemable in some way. And, indeed, they are, but are so, and can be seen so to be, without the need to invoke any additional promises made by the government. For once we recognise that bank debt and positioned bank debt *qu*a money are conceptually distinct, were historically physically distinct, but that bank debt, currently, never exists apart from being the stuff of the money, we can more clearly see what the redeeming of bank debt involves. Thus, consider a specific item of bank money *under its aspect of being an instance of bank debt*, say an item of central bank debt that, positioned as money, is marked by a £5 note. If, *qua bank debt*, its individual possessor takes it to the bank of England to have it redeemed, the individual will indeed in effect *receive money* from the bank *in return for the bank debt* handed in. It is just because, currently, (1) the *bank debt handed in* cannot be separated from the money that it is used to constitute, and (2) the *money in turn received* by the individual takes the form of positioned bank debt, that the exchange in practical terms will appear as one of like for like. But strictly speaking bank debt can be, in the manner described, redeemed for money.

The peculiarity of this transaction taking the appearance of an exchange of like for like, is merely a quirk of a money system that positions bank debt as the occupant of the money position (where the "promise to pay" that is engraved on a note dates from a time when this exchange involved a form of bank debt handed over *that was not yet positioned as money*). When a commodity such as gold was so positioned this brought its own very different quirks, not least because gold *qua* commodity had, and has, an independent market value. All such seemingly paradoxical, and other potentially misleading, lines of thought are avoided, analytically speaking, by acknowledging that positioning is involved in the constitution of money, and thereupon viewing a positioned form of debt (or form of commodity, etc.), not under its aspect of debt (or a commodity, etc.) but simply as money – a specific component of the community's system of value accounting the uses of which are determined by agreed rights and obligations falling on all community participants.

To tie up the remaining issues, it is simply because there is no need to posit the noted government promise (as a solution to the puzzle of how currency interpreted as debt is to be redeemed) that the various derivative additional puzzles facing MMT do not arise for the positioning framework. In particular, there is no need for, or question of, either incorporating bank debt with banknotes interpreted as tokens of money, or otherwise interpreting bank debt as the manifestation of a government promise etc., or indeed of adopting any other related strategy. Rather, according to the positioning theory, when/if bank debt or gold etc., are employed in the constitution of money, they serve *not* as mere markers or some other seemingly unnecessary component, of money, but as vital material *occupants of the money position*, being accepted as such because of a shared capacity to instil a general trust that a money so constituted by way of social positioning will be a relatively stable store of value that is easy to pass on.

Most significantly of all, finally, if the positioning theory is accepted, the requirements placed on community participants relating to how they understand monetary interactions no longer strain credibility. Rather, all that is required in order that the monetary system is able to function as it currently does, is that community participants understand money as a community-accepted general means of payment. Money is simply something that, as buyers, they typically have a right to use in payment and, as sellers, they typically have a community accepted obligation to accept. That is all that community participants basically need to comprehend.

If such a simple and straightforward account is seen to be the more plausible and adequate when directly contrasted with that which is effectively forced on MMT through its proponents adhering to the alternative credit theory of money, then, in a world wherein most community-wide social phenomena are so constituted that their uses are governed by community-accepted rights and obligations, the noted positioning conception of money, being a conforming instance, appears more compelling indeed.[8]

So, all things considered there is good reason to reject the credit theory of money that underpins MMT and to embrace instead the clearly more realistic positioning theory alternative.[9] According to it, to repeat once more, money is constituted through community

[8] Parenthetically, it may appear to be a challenge to the supposed “simplicity” and “straightforwardness” that I am claiming for the assessment defended, that tax payments received at the government pay-offices mostly comprise central bank money, whereas ordinary community participants do not pay in cash or have access to deposits at the central bank. But this situation, if such is indeed the case, does not (or would not) in any way challenge the forgoing assessment. For whether taxpayers recognise it or not – and there is no need or reason to suppose that many do – commercial banks usually and automatically, without need of explicit instruction from the taxpayers themselves (although direction may be received from the treasury), debit the relevant taxpayer’s deposit account by the amount of the tax payments submitted, and pass an equal amount of their own central bank money or reserves to the treasury. All that community participants need to take on board in this regard is that on making a bank transfer to the tax office (or after sending off a cheque) their deposit holdings in the commercial bank are reduced. An understanding of the noted few elements, all resting on community acceptance, are enough for the monetary processes to work, including those of government spending and taxing, and for a continued existence of a monetary demand throughout the community.

[9] I might, for completeness, very briefly note the possibility that some supporters of MMT, faced with the noted situation, respond by giving up on being realistic and opt instead for a view wherein the electronic and cash markers of (that which I am calling) forms of bank money are treated *merely as if* they mark or represent a government IOU to community participants. Of course, if viewing things in this *merely as if* manner appears on the face of things to be viable, this is just because, under the prevailing conditions, the possible uses of money “justified” on such a basis happen to be a subset of the uses rendered feasible in the real world on a quite different basis, namely by way of community acceptance, typically involving government declaration. The relevant question though is “why bother?” If, as has been seen to be the case, the actual workings of the real world are easy to understand, and rather simpler and more straightforward than as portrayed in MMT, there is nothing to be gained from taking such a path – apart from maintaining adherence to the credit theory. Moreover, it is only if the real-world causal processes

acceptance. And in communities like the modern UK, for the time being at least, it is everywhere accepted that money takes the form of positioned bank debt with uses determined by equally accepted rights and obligations falling on community participants, with some such rights and obligations bearing on the making of payments to government.

Legal tender laws

Of course, and as already stressed the community acceptance of ways of proceeding, even when resulting from state declarations (including those bearing on the means of meeting tax obligations), may not be sufficient to produce a *continuously stable demand* for money. The latter additionally requires that the accepted money be regarded as a stable store of liquidity. This is so even if the noted state declarations, where they occur, result in, or take the form of, formalised *legal tender laws*.

I mention the latter only because, with such laws being formalised and so apparent to all, their existence offers a very clear challenge for debt/credit theorists to address. For there is never a need for such laws if, in the manner supposed by debt/credit theorists, the debt discharging powers of money derive solely from the properties of debt/credit itself. Worse still for the debt/credit theorist, such a role for law-making presents the possibility for legislatures to determine thereby that types of commodities (or some other kind of thing apart from debt) can be legally positioned as money or "legal tender" (as I elsewhere argue has indeed frequently been the case, with local US legislatures even creating phenomena like tobacco money [in the US colonial period, in certain US States]; see Lawson 2019, chapter 6).

Unsurprisingly, then, Wray, in the manner of other credit theorists, makes a point of explicitly dismissing any suggestion that legal tender laws have ever contributed much if anything to the functioning of money, pointing out that "throughout history there are examples of governments that passed legal tender laws, but still could not create a demand for their currencies" (Wray, 2012, p. 46).

But, for reasons already noted, this establishes little. The demand for money depends on trust. And trust may be absent even where legal tender laws are efficacious. Indeed, as earlier noted, when trust declines, the response widely observed is for transacting parties to agree contracts of exchange that stipulate explicitly that debts that result are to be discharged using a means of payment other than the local money. As such, legal tender laws will only encourage the latter behaviour. For the laws apply only to conditions where such prior contracts are *not* made, and so typically stipulate only that, in the absence of contracts that stipulate otherwise, where a debtor makes an offer to pay off a debt in legal tender that is refused, this debtor cannot thereafter be sued for failing to repay. As such, observations of the above noted prior contracting practices might even be best interpreted as support for the efficacy of legal tender laws; certainly, they are not an argument against their effectiveness. Legal tender laws remain a problem for proponents of the credit theory to accommodate.[10]

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involved are viewed realistically, that capable interventions are rendered feasible *in all scenarios*. Giving up on the credit theory, I suggest, is a far smaller price to pay than abandoning the goal of being realistic.

[10] Actually, Wray goes further and suggests too that "there are examples of governments that passed legal tender laws" and yet "their currencies […] were not accepted in private payments" and "even rejected in payment to government" (*ibid*, p. 46). That is, there have been occasions wherein money is not only not accepted as a form of purchasing power but not even accepted as a general means of

All things considered, then, there are numerous good reasons to reject the credit theory of money such as is embraced by proponents of MMT. An explanatorily more powerful and useful conception of money is of it being a specific component of the community's system of value accounting, determined through a positioning process whereby a kind of thing with appropriate capacities is incorporated as this component, with uses governed by rights and obligations accepted throughout the community, very often resulting from state declaration. As such, money can be viewed as being constituted via a process of just the sort at work in the creation, reproduction and transformation of all other social phenomena (see Lawson, 2019). Imposing on this process various additional requirements in order to fit with the credit theory of money merely strains credibility, unnecessarily imposes a macro-functionalist logic on the economic interactions of all community participants akin to that undertaken in certain "mainstream" accounts,[11] and of course leaves aspects of monetary history, when (valuable) commodities were positioned as money, difficult to render intelligible.

The influence of Keynes

Somewhat parenthetically, perhaps, and finally and very briefly, I note that it is feasible that, for some, the seeming attractiveness of the MMT perspective and analysis, including the idea of money as a debt owing by the state, may have been encouraged by a reading of Keynes on the nature of money.[12] MMT theorists (or anyway many of those who have adopted the theory) appear to acknowledge Keynes as a central inspiration, and some indeed identify as Keynesian; and Keynes does talk of the state in the context of theorising money's nature, and notably combines all forms of money, apart from commercial bank money, and refers to the combination explicitly as "State money" (and also as "money proper"):

> "At the cost of not conforming entirely with current usage, I propose to include as State-Money not only money which is itself compulsory legal-tender, but also money which the State or the central bank undertakes to accept in payments to itself or to exchange for compulsory legal-tender money. Thus, most present-day bank notes, and even central bank deposits, are here classified as State money […]" (Keynes, 1971[1930], p. 6).

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payment of existing debts where there is an obligation of the creditor to do so, including by the state in regard to the paying of taxes.

Situations such as these, I suggest, if indeed they occur, merely serve (or would serve) as a reminder that certain periods in history have experienced a very significant malfunctioning in, or anyway disruption to, the accepted monetary system *however it works*. Certainly, they do nothing to provide relative support to Wray's account of money.

The point, here, is that the positioning and debt theories of money *both* recognise obligations of the state to accept money in payment of taxes; they differ, rather, in accounting for *how* these obligations are established. So, any occasion of a refusal of the state to meet its obligations, if this happened (or were to do so) bears not at all on which account is the more relevant. Rather, as I say, the observations in question, if on actual events, are best interpreted as a reminder that, as with any other social system, there are periods in which the monetary system does not always work especially well.

[11] For example, the rational expectations hypothesis and Menger's account of the emergence of money. I put the term *mainstream* in quotation marks in the main text because, currently, mainstream economics is in fact identified not by any substantive theories but rather by the emphasis of its contributors on methods of mathematical modelling. That said the popularity of both of the noted theories no doubt stem from the fact that they (especially the former) readily lend themselves to the endeavour of mathematical modelling.

[12] I do refer here only to Keynes' account of the nature of money, including State money, not to his multiplier analysis etc.

Furthermore, Keynes does make explicit reference to "a debt owing by the State" (Keynes, 1971[1930], p. 5).

It is perhaps significant in this regard, then, that when Wray turns to discussing the *nature* of money specifically, he acknowledges that his "exposition" will "rely more on Keynes's theory" (Wray, 2012, p. 264). Furthermore, the equally relevant chapter on "banking and central banking" opens by way of Wray giving a nod to Keynes in stressing that, according to Keynes, all modern money systems are "state money systems in which the sovereign chooses a money of account and then imposes tax liabilities in that unit. It can then issue currency used to pay taxes" (Wray, 2012, p. 76). The latter is certainly Keynes' assessment.

After making the latter observations, though, Wray soon ties them to the additional claim that a "national government" "promises only to accept its own IOUs in payments made to itself (mostly tax payments, but also payments of fees and fines). This is the necessary and fundamental promise made: the issuer of an IOU must accept that IOU in payment" (Wray, 2012 p. 76).

It is not clear if Wray, at this point, is still supposing himself to be in keeping with Keynes' conception of modern money. In case he is, it is worth emphasising that Keynes does not so proceed. This fact is perhaps worth noting anyway, given that those accepting MMT do so often thinking they are adopting a Keynesian position. In fact, I shall very briefly suggest that Keynes in effect adheres instead to the positioning theory of (the nature) of money.

Indeed, right from the opening sentences of his *A Treatise on Money,* Keynes, though employing the notion of a *money of account*, is quick to distinguish it from debt, and to distinguish both notions from money:

> "Money of account, namely that in which debts and prices and general purchasing power are expressed […] comes into existence along with debts, which are contracts for deferred payment [....].
>
> Money itself […is] that by delivery of which debt contracts and price contracts are discharged, and in the shape of which a store of general purchasing power is held […]" (Keynes, 1971[1930], p. 3).

Money then is distinct from debt, the latter term referring to the sorts of things that money is used to discharge.

Further, when mentioning specifically "a debt owing by the state", Keynes refers to central bank debt. He does not refer to an implicit government promise involved in spending. Rather any powers of payment involving central bank debt arise simply and only through government declaration. Specifically, the State is able (and indeed choses) to:

> "use its chartalist prerogative to declare that the [central bank] debt itself is an acceptable discharge of a liability" (Keynes, 1971[1930], p. 5).

In short, for Keynes, central bank debt can be used in the payment of taxes just and only because, and when, it is positioned by way of state declaration as money, with rights and obligations assigned thereby to appropriate parties that render it a general means of payment. Keynes refers to such positioned central bank debt so constituted as *representative money*.

Of course, Keynes, in making his argument, does not employ the terminology of social *positioning* explicitly, so it may appear that (especially in the passage extracted above) I am misrepresenting him here, or at least reading too much into his writings.

However, when describing a money system, and identifying money as that which can be used as the community's general means of payment, Keynes does distinguish, and include within this system both of, a "title" (or "name" or "description") and the money itself as a "thing" that answers to the title. And in comparing and differentiating these two features Keynes observes that the relevant "difference is like that between the king of England (whoever he may be) and King George" (pp. 3, 4). This distinction is clearly that of a position (king of England) and a positioned occupant (King George) – with George being the position occupant when Keynes was writing.[13] Moreover, Keynes stresses that it "is for the State to declare, when the time comes, who the king of England is" (Keynes 1971[1930], p. 4), i.e., it is the State that determines the occupant of the position who gets to access the associated royal rights and obligations.

The royal analogy is drawn to convey the sense in which, in the case of money, "the thing can change while the description [or title or name] stays the same" (*ibid*, p. 3), and how any current money thing is determined. Thus, if, when Keynes was writing, the money or "thing" answering to the title or name , i.e., the positioned occupant of the money position, was, as noted, *representative money*, and if in "the 18th century commodity money was […] the rule" (p. 14), Keynes' central point is that it is always the case that the "the State […] claims the right to determine and declare *what thing* corresponds to the name, and to vary its declaration from time to time" (*ibid*, p. 4), a situation that has prevailed "for some four thousand years at least" (p. 4)

I suggest, then, that Keynes does in effect conceive money as a positioned item. A money stuff gets to be money in just the sense that George became positioned as King George (or Barack Obama came to be US President Obama). This reasoning clearly informs Keynes' assessment that the debt discharging powers of money are not somehow features intrinsic to, or otherwise directly associated with, any contingent occupant of the money position, but rather are always properties associated with money *qua* a positioned thing itself, and determined by community acceptance, guided by State declaration.

In fact, Keynes goes further still in suggesting (perhaps in anticipation of ongoing debates) that when a form of debt is constituted (positioned) as money it is best never even to think of money so created in terms of the debt involved, as this would likely mislead as to how monetary processes work, not least in supposing that money itself can be redeemed:

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[13] It is true that Keynes additionally equates the *title* to the community specific *money of account*. This has no doubt confused interpreters of argument. The point here, though, is that through social positioning not only do positions and statuses of position*ed* occupants often receive the same or a similar name or title - as is the case with, say, professor (the person appointed to the position "professor" gains the title "professor"), lecturer or US President -- but in the case of specific communities' monies (as opposed to money *per se*) the name or "title" used for *both* the money and the money position is frequently borrowed from the unit of account. Thus, in the US, for example, the unit of account, namely the *dollar*, is also used in colloquial fashion as name for items of the local money, and the local money position. Thus, individuals talk of holding dollars etc. This naming practice appears to underpin Keynes' comment's here. Clearly, where the positioning framework is not explicitly elaborated, such a naming practice easily results in a conflation of any two or of all of the three distinct kinds of thing (unit of account, money position, and money), a conflation that Keynes, with his implicit recognition of the positioning framework, does, as we saw above, clearly avoid.

> "When, however, what was merely a debt has become money proper, it has changed its character and should no longer be reckoned as a debt, since it is of the essence of a debt to be enforceable of something other than itself. To regard [it] even when it conforms to an objective standard, as still a debt will suggest false analogies" (Keynes, 1971[1930], p. 6).

In summary, community debts are everywhere discharged with money *qua* money, simply because it is money itself – *whatever the kind of thing that happens to occupy the money position* – that is accepted throughout the community to serve as the general means of payment. Money in its different forms, like all positioned items, is, in its creation, and as we have already seen, accompanied by community accepted and determined rights and obligations that fall on all members of the relevant community, including the state, regarding its use.

Final comments

If MMT's account of the nature of money can benefit from rethinking and reformulation, so, I might note in concluding, does (or this includes) its history of money, a major feature of Wray's book. For according to this history, money has always been debt/credit.

On this latter view, when commodities have been employed in monetary transactions they have been so only as tokens of debt/credit and not as money. An obvious challenge here for the debt/credit theorist, one already very briefly touched upon, is to explain why the commodities used were so often highly valued ones, if not in an effort to ensure that the money, *formed by positioning the valuable items as money itself*, was trusted as a store of liquid value. If they merely served as tokens why not, at least where feasible, just apply a stamp (a mechanism to avoid counterfeiting and to control supply) to any old (relatively worthless) item?

Wray, like other debt/credit theorists, does recognise this as a puzzle for the history of money he offers ("So what were coins and why did they contain precious metal? To be sure, we do not know" Wray, 2012, p. 165); but in offering some speculations he ignores the most obvious explanation.

All of social reality, then, or so I maintain, is constituted through processes of social positioning that depend on community agreement. And in all cases, the *positioned* item (or human individual) is essentially different from and has more uses (has access to more rights and obligations) than does the item (or person) positioned. As an instance of all this, money, constituted by community acceptance, has uses, including those of meeting tax obligations, that transcend those of any form of debt/credit, even when the latter occupies the money position. Meanwhile, money's purchasing powers derive from a generalised trust placed in the money (when it is) that it is a stable form of liquid value.

In short, the debt discharging power of any successful money ultimately rests on community acceptance which, in modern times at least, works typically through government or state acceptance including regulation. It is such state regulation that determines a money's constitution, and typically its powers and so uses, including the meeting of any tax obligations specifically, just as state activity is required to maintain a level of trust in different forms of money as relatively stable stores of liquid value. In short, MMT, I am suggesting, ought really to give an even greater emphasis than it already does to issues of state regulation, through abandoning any reliance upon the debt/credit theory of the nature of money as well as (or including) (aspects of) the credit theory's account of money's history.

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