Comment to: Reifner, Udo, Das Geld 1-3/ The Money 1-3

1. The trilogy on money

It's a pity that Udo's trilogy on money - Das Geld 1, 2, 3/ The Money 1, 2, 3 - is only available in German. It represents a kind of summary and climax of his scientific life's work, a comprehensive work consisting of three volumes with a total number of 1,087 pages:

- Volume 1: Economics of the Money – Cooperation and Accumulation (Reifner 2017a)
- Volume 2: Sociology of Money - Heuristics or Myth (Reifner 2017b)
- Volume 3: Law of Money - Regulation and Justice (Reifner 2017c).

This multidisciplinary approach combines money as a means of effective cooperation (economy) with the discovery of its ideological character (sociology) and its anchoring in the state system of norms (legal science). On this basis, a fourth, concise book makes the layman understand the current problem of the monetary system and shows him ways to better control it:

- The Financial Crisis - For a ban on usury and gambling (Reifner 2017d).

What makes this tetralogy so unique is that it combines the three disciplines also in each volume and thus leads to new insights that are often diametrically opposed to the mainstream, at least in the discipline of economics. As an economist trained in mainstream economics, this has prompted me to rethink. I would therefore like to give you the most important insights from Volume 1 for economists.

2. Economics of the Money

Money as a means of cooperation and accumulation (Reifner 2017a) plays no role in the standard textbooks of economics, at least both terms will be searched for in vain. However, "cooperation" in economists' language means "division of labour", and "accumulation of money" could also mean "demand for money". Economics textbooks on monetary theory deal with the explanation of money as an instrument to facilitate the division of labour and money demand. However, Udo Reifner's book "Economics of the Money" differs from these not only semantically. Rather, statements made there are fundamentally questioned and in part put on their feet by the head (see table in the summary below). How do these contradictions arise and what are the implications for theory and practice?

2.1. Money as a means of cooperation or division of labour

In the standard textbooks of monetary theory, money is defined by its functions: everything that fulfils the functions of a medium of exchange, a store of value and/or a unit of account can be regarded as money. In particular, the fulfilment of the exchange function facilitates the division of labour. Since not everyone produces the consumer goods or services they need or want themselves, they are dependent on exchanging them with other business entities. An economy based on division of labour will therefore be a barter economy. A barter economy, on the other hand, if it wants to function without major disruptions, requires a generally accepted payment medium, i.e. it must be a monetary economy in the case of an advanced division of labour (Jarchow 1998, p. 1). It is often argued that, for reasons of efficiency, to facilitate the division of labour, people had agreed a general means of bartering in order to overcome the transactional narrow limits of the natural exchange economy (e.g. Görgens et al. 2014, p. 82). The fact that this convention theory of money can nowadays be regarded as disproved is rarely mentioned in economics textbooks (e.g. Issing 2014, p. 1).

Reifner's multidisciplinary "Economics of the Money", on the other hand, provides historical and ethnological evidence for the inverse view that money did not originate from individual

exchange but from the tax for the community. Money was available before the idea of exchanging existed and made the barter trade possible in the first place. The necessity of money therefore does not stem from the synallagmatic exchange, but this exchange makes it possible to earn the money necessary for taxes in the form that the community needs (Reifner 2017a, p. 85). The view of the mainstream economics that egoism and profit-seeking lie in the nature of human beings is wrong. These have probably only emerged with economic development, with individuals increasingly replacing the community. Even during Adam Smith's lifetime, there were no competitive markets because the craftsmen were tied to guilds. The quest for profit, praised in economics textbooks as the driving force behind butchers, brewers and bakers, does not describe the reality of this time, but was merely an ideal-typical assumption of Adam Smith.

Thus, the standard assumption of profit and utility maximization in modern microeconomic theory also contrasts with the actual original goal of economic activity, the quest for good life (Aristotle). Reifner criticises the fact that the economy is thus reduced to transactions mediated by money, exchange is reduced to property individualism and human interests are reduced to profit and money gain (Reifner 2017a, p. 87). While the pursuit of good living could mathematically be mapped as a maximization of a utility function that is not only dependent on consumption, this would imply that human values are quantifiable. This is precisely what Reifner sees as a problem, because it reduces our ability to think in terms of values. It is true that the concept of sustainability tries to recover some of the lost ground and to give an economic expression to the values that cannot be grasped in barter thinking. But our economic policy concepts and management techniques have not yet achieved it. On the contrary, by trading in pollution rights (CO_2 emissions), even the ethical and moral value of responsibility for the future of mankind received a price and became buyable (Reifner 2017a, p. 89).

Reifner acknowledges that the exchange thinking with taking possession of the money has greatly increased cooperation possibilities and thus economic growth, but criticises the one-sided view of the concept of exchange used in this context. Aristotle still knew that by spreading money with the principle of reciprocity (synallagmatic economy), which was morally questionable for him, a system of collective giving and taking (trade economy) more appropriate to human dignity was suppressed (Reifner 2017a, p. 87). Our understanding of the economy should therefore not be reduced to a market economy, but should include all forms of practical economic activity.

Economists' thinking should not be based on having, but on the use of money. A teaching that conveys the quest for money as natural, makes it difficult for us to recognize, for example, that financial crises can be resolved not only by more or less money, but also by a changed way of using it. Money multiplication is not an end in itself, but only a means to the economy (Reifner 2017d, p. 10). The real economy must not be understood primarily as an investment object for the money owners, since it is only through cooperation in the sense of a productive division of labour that money is drawn from. It is not so much a matter of cooperation through exchange at one point in time as the non-simultaneous cooperation of people to achieve a good life (Reifner 2017d, p. 9), which is achieved by granting and taking out loans, which can also be interpreted as letting and renting money. Without debtors, there is no money which is nothing more than a circulatory claim whose value depends on the debtor's use of the money. Loans are important to enable productive investments that the owners of money can participate in. The creditor perspective must be replaced by the debtor perspective. There is hardly a less non-profit-making instrument than the interest-bearing loan, in which fixed interest rates irrefutably presume productivity and exclude the owners of money from participating in losses (Reifner 2017b, p. 189). Productive lending requires professional, profit-oriented banks. Non-for-profit alternatives such as ideologically motivated

microlending outside the banking system, which fails to recognise this, are doomed to failure. The fact that this allocation function, i.e. the allocation of capital to productive uses, is the most important task of the financial sector is rarely emphasised in economics textbooks. Schumpeter (1926) had already seen credit as the engine of economic development.

2.2. Money accumulation or demand

In the standard textbooks of monetary theory, money demand is defined as the desire to hold a certain amount of money as cash or non-interest-bearing demand deposits. The theoretical approaches to the explanation of this demand for money differ according to whether they see money as a means of exchange or as a means of storing value. The classical economists saw money only in its function as a means of exchange, which lies like a veil over the economy and is neutral for the real economy. In the long term, too much money will only lead to a decline in the value of money, i.e. inflation. This view is continued in macroeconomic models of the standard economics (e.g. Burda und Wyplosz 2017). In the neoclassical equilibrium models, money is only a kind of lubricant for the settlement of real economic transactions, which does not affect the real economy. For this reason, the fundamental principles of microeconomic theory do not include money.

John Maynard Keynes (1936), on the other hand, did not see money as neutral in his theory of liquidity preference. Since money also fulfils a value storage function, the individual demand for money depends on the interest rate of alternative investments such as fixed-income securities. Expanding the money supply at a given national income would lower the interest rate on securities, thus stimulating real economic investment, the return on which (capital's marginal efficiency) is at least as high. Microeconomic developments of classical and Keynesian money demand theories (neo-quantity theory, post-Keynesian portfolio theory of money) have finally considered money as a property object competing with all other investment objects in the financial and real economy. In these money demand theories, the owner of money or creditor perspective criticized by Reifner is taken: Money is only used or held to increase consumption or possession of money. For example, in a standard textbook on monetary theory, an important function of money is seen as being to serve as a temporary means of preserving purchasing power and thus to allow the act of selling and buying to fall apart over time (Jarchow 1998, p. 9). While money serves as a means of preserving value, other forms of investment play a more important role in this context. In this way, purchasing power can also be accumulated by maintaining savings accounts, buying securities or acquiring tangible assets (e.g. land and houses)..." (Jarchow 1998, p. 3). The individual economic portfolio analysis (Jarchow 1998, pp. 20) then also focuses on the aspect of cost minimisation, i.e. the efficiency of asset investment from the creditor's point of view. The income from the use of the money through cooperation between creditor and debtor is not discussed, as the interest rate of the alternative investment opportunities is assumed to be given.

The fact that money originates from lending is explained in the money supply theory of the economics textbooks. However, it does not consider the use of money by borrowers, but rather the overall economic money and credit creation potential of banking systems from the perspective of a central bank with the aim of price stability. Speculative bubbles due to the decoupling of the monetary sector from the real economy are dealt with either in terms of monetary policy (e.g. Görgens et al. 2014, p. 201) or the efficiency of capital markets (e.g. Burda and Wyplosz 2017, pp. 184), but not in terms of unproductive lending or borrower injury.

3. Conclusions: Rethinking theory and practice!

The rethinking from creditor to debtor perspective has far-reaching implications both for the economics theory to be taught and for the practice of regulation. Reifner's theoretical approach corresponds to the monetary economic models of Keynes and Schumpeter and is in contrast to neoclassical models of goods economics in which money does not occur. Money comes from borrowing in the real economy and is therefore endogenous. Savings are irrelevant for the money market equilibrium, whereas money is relevant for the goods market equilibrium and therefore not neutral. The worldwide low interest rates cannot therefore be explained by a glut of savings, as is assumed by representatives of the predominant goods economy model, in which the saver is the focus of attention (without saving no investment). Financial crises and speculative bubbles on the financial markets can only be explained by the monetary model, from which recommendations for regulation based on the causes can be derived. Goods economy models are obsolete for mapping the processes in a modern financial system as much as the paradigm of Ptolemy, as recently expressed by Peter Bofinger, the only "Keynesian" member of the German Council of Economic Experts (Bofinger 2017).

According to Reifner, financial crises can only be avoided in the long term, if all financial services are regarded as derivatives of simple credit relationships that visibly contain their basic problems, the use of external capital with a high repayment and utilisation risk (Reifner 2017d, p. 93). The real victims of the crisis were not the investors, but the debtors who were damaged by usury. In a broader sense, this includes rescheduling of debts, converting interest and costs into capital, exploitation of over-indebtedness and securitisation of empty claims. Current regulation fails to do so by focusing on the behaviour of financial market players without preventing the emergence of worthless claims through usury and derivatives. Regulatory capital requirements can help to make risky transactions more expensive and compensate for the resulting losses by providing sufficient monetary capital. However, financial market transactions whose returns are not justified in the real economy are still possible. Liquidity requirements are based on the amount of money held by banks to prevent liquidity crises when confidence in the financial system collapses. They do not help to establish this trust by prohibiting worthless claims. A limitation of bonuses or the linkage of commissions to long-term corporate success depends on the money gain and the managers "greed", but not on their ability to further exploit borrowers or to produce and securitize empty claims. On the other hand, anyone who understands the monetary system as a credit system for the real economy must realise that it is not so much the behaviour of financial intermediaries as the products they sell that should be regulated in the sense of a prohibition on usury and gambling. If managers in the unregulated gambling of financial markets earn a multiple of the manager salaries of the real economy and the state, then they take that money away from the debtors of this world (Reifner 2017d, p. 167).

4. Summary

	Standard economics textbooks	**Reifner (2017a, 2017d)**
Definition and functions of money	means of exchange, means of value storage, unit of account; means for efficient division of labour	circulatory claim, means of cooperation
Nature of man	egoism and the pursuit of profit, exchange thinking	cooperation for the community
Aim of the economy	profit and utility	striving for the good life

	maximization	(Aristotle)
Forms of economic activity	market economy with money transactions	also non-market economy
Role of money in the economy	own or multiply money, demand for money, money as an investment object	Using money instead of accumulating
Main perspective	creditors, investors	debtors, borrowers
Prevailing macroeconomic model	goods economy model (Neoclassic)	monetary model (Schumpeter, Keynes)
Crisis prevention	behavioral regulation: capital and liquidity requirements, manager remuneration	product regulation: usury and gambling ban

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