Money and Capitalist Dynamics

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1. Introduction

The theme of my paper is the function of money in economic growth and capitalist dynamics. Capitalism is usually considered as an intrinsically dynamic system which cannot reproduce itself at the same level but has only the choice either to grow or to recede (Baumol 2002). What is the role of money in this process? Is it a mere "lubricant" which is poured from the outside (from a helicopter, says Milton Friedman) into an economic machine which is driven by essentially nonmonetary factors? Or is the contrary view true, that money and credit are the key driving forces of capitalist dynamics? I do not think that either of these two extreme positions is correct. My aim is to develop a third, sociological view which takes account of the autonomous functional logic of the monetary system, but nevertheless follows the idea that money and economic growth are socially constituted. As I want to show, this requires a multi-level analysis of the process of economic and technological innovation and its interaction with the capital and credit markets.

During the last 10-15 years economic sociologists have made considerable efforts to surmount the demarcations between economic and sociological analysis and to regain the issue of money as a field for sociological research. Viviana Zelizer, Bruce Carruthers, Nigel Dodd, Geoffrey Ingham, Heiner Ganßmann, Axel Paul and others criticized the neoclassical concept of "neutral" money and tried to resolve the shortcomings of this concept by more elaborate interpretations, thereby drawing on classical authors (in particular Simmel, but also Marx and Weber), and on the work of non-orthodox economists. Their common intention is to uncover the collective foundations of money as a social construct. These attempts have found resonance not only in sociology but also in economics. Nevertheless, the idea of a 'social construction' of money is still rather diverse and has been presented in many different variants. These variants include property right theories of money (North 1990; Heinsohn/Steiger 1996), system theoretic conceptualizations (Parsons 1967; Luhmann 1988; Baecker 1988), 'political' theories of money (Ganssmann 1996; Ingham 2004), analyzes of social networks and 'trust' as a basis of money (Dodd 1994; Paul 2004), and cultural studies of money (Zelizer 1994).

Here, I do not attempt settling the sometimes heated controversies between the protagonists of these approaches (e.g. Lapavitsas 2005; Dodd 2005; Zelizer 2005; Ingham 2006). Only a brief conceptual suggestion may be in order: For clari-
fying the terminology it seems helpful to follow Dodd’s (2005) distinction between money as an abstract medium and currencies as institutionalized forms of money and units of account. If we refer to the level of national states and central banks, it would be appropriate to speak of ‘currencies’ (the Euro being the special case of a supra-national currency), not of ‘money’. Moreover, what we can learn from Zelizer is that there are ‘currencies’ not only at the level of national and supranational monetary spaces but also at the local and even private levels. However, money should not be identified with currencies, but has also a global dimension, and it is this global level which the property rights theories of money and the system theoretic conceptualizations are referring to. Likewise, the discussion on the relationship of financial derivatives to money (Pryke/Allen 2000; Bryan/Rafferty 2007) concentrates on these global dimensions of money. Anyway it should be avoided to play off the ‘abstract’ and the ‘personalizing’ sides of money against each other. In fact, both sides are contingent upon each other, as had been clearly recognized already by Simmel (1989): Just because money is a ‘general means’ (Simmel), it provides an almost infinite variety of options to the individual and thus becomes the very basis for individualized forms of life.

Beyond the heterogeneity of sociological conceptualizations of money there is a further problem: the neglect of the dynamic properties of money and credit. The price which we have to pay for the discovery of the social foundations of money seems to be a structuralist bias in the analysis of money, a reductionist view of money as an institutionalized exchange medium or ‘bookkeeping device’ (Spahn 2003). Money appears only as a medium which ‘ratifies’ the process of economic value creation, but not as an active factor of value creation and economic development. In so far, many sociological conceptualizations share the flaws of the often criticized neoclassical theories of ‘neutral’ money, of money as a mere ‘veil’ of apparently ‘real’ exchange transactions. In contrast to these theories, economists like Schumpeter, Keynes and Minsky have emphasized the active role of money in economic growth. The creation of credit in the banking system is considered here as a precondition for innovative capital investment. In a capitalist economy, all money goes back to credit, and credit is not created by the state but in private contracts. It does not only ratify economic value creation but initiates it. Schumpeter’s analysis concentrates on the dynamic role of the individual entrepreneur, Keynes’ and Minsky’s analyzes the functional mechanisms of the monetary system. However, the social embeddedness of credit money is not considered by any of these authors in a systematic way. How can the discovery of the social constitution of money be made compatible with its dynamic, privately created character?

Ingham (2004) tried to bind these two ends together in the framework of a historical analysis of the genesis of money. According to his view, the social origins of money are twofold. On the one hand, – Ingham follows here the analysis of Aglietta and Orléan (1998) – money goes back to premodern origins as a public debt of