Money Creation as a Foundational Tool for Convivialism

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In the face of our current uncertainties, it seems relatively straightforward to reach a broad consensus around new ways of life, new consumption habits, new patterns of mobility, and new ways of learning as well as connecting with others and our environment. But what are the best means of attaining the convivial world of tomorrow?

When it comes to this question, one area that is all too rarely investigated concerns money. And yet, a while back, André Gorz (2005) emphasized that if, for instance, the financing of a universal basic income were to stimulate genuine social transformation, it would necessarily have to rely on a specific mechanism of money creation (also: Fourel 2019). He was right to link his ecological and political thinking to a broader reflection on the monetary model. We, too, intend to locate our discussion within this perspective (Arnsperger 2015).

Just as Pierre-Joseph Proudhon, a long time ago, had laid out the theoretical foundations upon which to build solidaristic and cooperative practices in finance, it appears to us that today an equally relevant change of paradigm is being offered by *Modern Money Theory*, or MMT for short (Wray 2015; Mitchell/Wray/Watts 2019). It constitutes the main alternative to the still very widespread misconception that debt or taxes *finance* public spending. By fundamentally uprooting conventional ideas about taxation and public debt, MMT stands as one of the most promising currents capable of providing a solid macroeconomic grounding for convivialism and its bottom-up change processes.

1. Leaving behind Conventional Ideas

Amid the current social and ecological crisis, it is becoming increasingly impossible on structural grounds to use tax revenues to cover expenses for income support and sensibly reorienting economic activities. This has led to a renewed focus on public *deficits* and *indebtedness* both on the left and on the right.

Financialized public debt—that is, debt that is transformed into government bonds traded on financial markets—is not merely a neutral source of fresh cash. According to conventional economic thought, it must inevitably lead, to a number of *austerity* measures. Such measures entail considerable political risks: Are we not once more going to witness drastic cuts in expenditures on healthcare, education, and ecological transition in the name of an orthodox conception that hardly anyone bothers to question? If these are the conditions, are convivialist hopes not bound to slowly wither away at the margins of society?

Does this mean public debt should be canceled? There are some who advance not only anthropological and ethical but also economic arguments in this direction (e.g., Graeber 2011; Toussaint/Saurin 2017). Given how low interest rates are currently, and are likely to remain, these bonds will yield almost nothing anyway. Others, by contrast, assert that while defaulting on their national debt may provide short-term relief to the states in question, in the longer run it represents a shortfall for which they will have to pay in one form or another because the financial markets will lose confidence.

However, as MMT underscores, this argument in fact rests on a crucial difference between the countries that possess monetary sovereignty and the ones that do not. It is only the latter who truly run the risk of witnessing their financialized debt being devalued by virtue of the alleged 'wisdom of the markets.' According to MMT, if the country monetizing its national debt instead of financializing it has monetary sovereignty, as in the case of the United States, the United Kingdom, Japan, or Switzerland, the market argument loses its clout. The notion of monetary sovereignty is therefore paramount for those who seek convivialist alternatives and feel the need to question the validity of the "myths" that surround public deficits and debt (Kelton 2020).

2. Sovereignty as a Key to the Debate

According to MMT, monetary sovereignty corresponds to five traits that define the latitude enjoyed by a government. (1) The latter chooses a unit of account in which its currency is denominated; (2) it imposes obligations (particularly in terms of taxes) denominated in that unit of account; (3) it is itself the issuer of the currency denominated in this unit of account and accepts this currency as payment for the imposed obligations; (4) if it issues other obligations against itself, they are likewise denominated in this unit of account and redeemable with the currency issued by the government; and (5) the exchange rate of this currency is floating, with the possibility for its central bank to purchase or sell foreign currency according to its needs (Wray 2020: 9 f.).

This has implications that go very much against the grain of conventional economic thought: A sovereign currency issuer never faces a "budget constraint," can never "run out of money," is always able to fulfill its own obligations (including any interest payments on its own government bonds) in its own currency, and has the ability to fix the interest rate for any of the bonds it issues (ibid.: 10).

Once one adopts the analytical lens of MMT, the absence or loss of monetary sovereignty turns out to be part of the injustice a country is suffering—a contingent historical construct born out of power relations—rather than merely being part of its timeless features; it is condemned to a kind of powerlessness. For a country with monetary sovereignty, the question, *How much will it cost?* is secondary compared to the question, *Through what social and environmental policy measures can we make our society more livable, more convivial, more humane?* MMT does not solve or silence debates about values; it merely finally frees them from the shackles imposed by the absence of monetary sovereignty.

Governments with monetary sovereignty do not need prior tax revenues in order to *finance* their expenditures. By making expenditures—which are generated simply via accounting entries by the central bank in favor of the treasury on the basis of budgets voted by parliament—that exceed their tax revenues, these governments are effectively making *net injections of currency* into the economy, which have positive effects as long as they do not generate inflation, do not cause the exchange rate to collapse, and do not lead to an overstepping of the planet's ecological boundaries.

In this context, to speak of a public *deficit*—in other words, a shortfall that would need to be 'made up for' through higher future revenues or lower future expenditures—is to pretend that a state with monetary sovereignty should think and operate like a household, business, region, canton, or like a state that (such as France in 1999 or Greece in 2001) has divested itself of its monetary sovereignty.

In reality, it is not pre-existing tax revenues that generate public expenditure. Rather, it is precisely the reverse: It is public expenditure that, once brought into circulation, makes it possible to generate additional economic activity and revenues, which in turn generate the possibility and the obligation to pay taxes. A state with monetary sovereignty does not go into deficit through its expenditures any more than we would say a bank goes into deficit by extending loans. And contrary to a bank, which in principle is not permitted to incur excessive loan-default risks, a currency-issuing government cannot go bankrupt.

If we are to ever truly imagine a future along convivialist lines, we need to start getting used to this new way of thinking and to demand that our decision-makers do so as well.

3. Public Deficits and Inflation

Conventional economic thinking criticizes MMT for condoning unbridled public expenditure, abandoning all fiscal prudence, and ultimately undermining confidence in the currency itself because of inflation. Who is right?

Government expenditures financed by public money creation flow into the hands of a host of actors—in this case, the beneficiaries of public entitlements and benefits and, subsequently, all those with whom they are connected. In this way, when the recipients of a universal basic income spend it on food, it is the providers of food who will receive it and then pass it along to their own suppliers, employees, landlords, and so on, with part of it even returning to the government in the form of various taxes.

MMT does not rule out that there might be situations where this public money creation generates inflation. It all depends on the macroeconomic context and on how close the economy is to *overheating*. Historically, hyperinflation is in general the consequence of a massive collapse of production, which creates sudden, large excess demand. The increase in currency issuance is only one of the symptoms and very rarely the cause (Alt 2020: 68–72). In the case of a transition towards conviviality, substantial public means will need to be devoted to financing forms of enterprise, ways of life, and public policies that generate new infrastructures, new kinds of jobs, and new ways of producing and consuming, along with the emergence of a new relationship to nature. There is nothing in these measures that ominously foreshadows a sudden, large excess demand.

MMT makes it possible to focus on the issues that really count. First of all, we constantly need to remind ourselves that the *deficits* and *debt* of a state with monetary sovereignty are a net injection of monetary means that can be mobilized by the people for their projects. Second, we need to ask ourselves above what threshold(s) the expenditures of a sovereign government via public money creation will become inflationary and also socially and ecologically detrimental, which requires us to inquire about the *quality*, the *nature*, and the *destination* of expenditures and not just their amount. And third, we need to realize that reflecting on a convivialist future in the context of monetary sovereignty has very little in common with reflecting on it in a context where this monetary sovereignty does not exist, has been lost, or has been given up.

Is not the risk here one of fetishizing the state while neglecting bottom-up social connections and the logic of the commons? This is certainly an important question, but it does not imply that we should, in return, carelessly neglect the social and ecological benefits of public money creation when it is non-inflationary.

4. Inequality, Jobs, and Ecological Footprint

Focusing ideologically on financial debt is wrong because it sidelines—and even makes invisible—the "deficits that really count" (Kelton 2020: chap. 7): that is, the accumulation of ecological debt due to the fact that the human footprint grows ever heavier owing to the currently prevailing orientation of both bank loans and public expenditures as well as the insufficient availability of such essential public goods as education, health, social security, and the possibility of exercising a socially useful activity.

This is where MMT resonates most directly with the perspectives opened up by convivialism. The public funding of autonomous activities as well as of a wide range of social, cultural, and ecological experimentation clearly forms part of any future *good society*.

One of MMT's main contributions to the debate around social policy is its proposal of a *permanent and unconditional public employment guarantee*, financed through public money creation (e.g., Tcherneva 2020). The idea is that the government offers each unemployed citizen the possibility (but does not impose the obligation) of getting a public-sector job with a good wage and full social benefits. This proposal cannot, of course, be seen as a panacea for all the complex issues linked to unemployment and underemployment (Giraud 2015), nor does it render unemployment insurance unnecessary. However, it does fit into the spirit of what convivialism intends to offer in the future, albeit in a somewhat different form compared to what MMT itself is advocating. We are thinking here, in particular, of a generalization of Sophie Swaton's (2018; 2020) idea of an "ecological transition income," the logic of which could be emulated by combining two elements: on the one hand, national or federal public money creation; on the other, decentralization in the use of the funds thus generated, via local-level associations or cooperatives tasked with selecting economic projects that produce high social and/or ecological "value-added." The projects could, for example, be required to obey a set of principles that derive from the Social and Solidarity Economy (SSE). They could also be asked to cohere with the logic of Kate Raworth's "doughnut" (2017), according to which each project has to demonstrate that its activities do not overstep planetary boundaries.

Ultimately, what is called for within a convivialist approach is the close merging of MMT with the approach of "permacircularity" set out by Arnsperger/Bourg (2017; also Arnsperger 2021). We need to realize that our financial, relational, cultural, social, and ecological deficits all interact, and we have to invert their currently prevailing hierarchy. Money creation needs to be put at the service of the economy, which has to serve society and culture, which in turn need to be recognized as integral parts of the biosphere. At the end of the day, the positive synergy between convivialism, permacircularity, and MMT could finally make it possible to fully implement a notion of *strong sustainability*—a notion that is sorely missing from the great majority of current debates on ecological transition or the need for an ecological revolution.

It is clear, for instance, that currently ongoing discussions about a Green New Deal are still much too closely framed by a notion of weak sustainability, especially when held up against the options of convivialism, which are much closer to the thought of André Gorz and Ivan Illich. And yet, the straightjacket of the discourse on budget constraints and deficit reduction is an even more powerful conversation stopper. Taking into account the advantages of monetary sovereignty can definitely liberate debates and experimental energies.

5. A Fetishization of the State?

From the point of view of convivialism, the danger of some of MMT's propositions lies in a *statist* vision of society, carrying with it a conception of money that might well be too unilaterally public and neglects its common-good dimensions. Up to what point is it acceptable for the state to be the dominant actor when it comes to supporting convivialism through re-framed rules of money creation?

Indeed, unless one is tempted to indulge in a certain form of fetishization of the central government, one simply has to acknowledge that money is not just a creature of the state. It is a commons, linked neither exclusively to the sphere of the market nor exclusively to the sphere of the state but also to the logic of sharing and reciprocity. It is therefore crucial to be able to think about the conditions for currency issuance for private-sector purposes other than by swinging back in simplistic fashion from public money creation towards bank-money creation.

What emerges as a third way, both compatible with certain core intuitions of MMT and more in tune with convivialism and its advocacy of the commons, is the idea of *monetary pluralism* (Lietaer et al. 2018; also: Blanc 2018).

6. Money as a Public Good and as a Commons

MMT neglects monetary pluralism's *commons* dimension of currency emission and fails to recognize the importance—which convivialist circles, among others, have emphasized—of creating and managing currencies locally (Fourel 2017). Yet if, for instance, a version of MMT's public employment guarantee in the form of an "ecological transition income" is to revive and enliven local economies, it might be sensible to pay out certain portions of wages in local complementary currencies. It is therefore necessary to combine the reforms proposed by MMT with other monetary experiments that have emerged at the local level. Aside from local complementary currencies, this necessity can be illustrated through experiments such as local exchange trading systems (LETS) as well as territorially anchored fiscal currencies (such as the Argentinian *bonos* in 2000 or the Californian IOUs in 2008). To varying degrees, their management relies on collaboration between stakeholders, which helps promote new forms of deliberative democracy and re-politicize the debates around money.

This is not in opposition to MMT, however. What we need is to rethink the complementarity between instruments at different scales. This provides a basis for enriching MMT even if it means introducing concepts and tools that seem foreign to it at first glance.

One of the advantages of combining MMT with plural/grassroots money creation that is neither state- nor bank-driven is that many governments devoid of monetary sovereignty in the strict sense, or having voluntarily given it up, could open a channel that would allow them to recover *from the bottom up* a certain kind of monetary *sovereignty*.

Take, for instance, the case of a eurozone country such as France. The question is the following: What would be preferable? A total absence of monetary sovereignty that makes it arduous to implement any of the socioecological reforms discussed in this article? Or the deliberate acceptance and even encouragement of a plurality of non-state, non-bank currencies: between businesses, such as the Swiss WIR; within local communities, such as LETS and other mutual-credit currencies; within towns or regions, in the form of regional complementary currencies? In neither case will the French government revert to actually being monetarily sovereign once again. But while in the first case it remains subject to a single, supranational currency that coerces it into passivity through the tyranny of an outdated paradigm of *monetary correctness*, in the second case it allows its citizens to exercise an admittedly restricted but nevertheless tangible sovereignty.

In our eyes, the answer is clear. Faced with the urgency of exiting the current crises by convivialist means and of transitioning towards strong sustainability, a government must either attempt to fully recover its monetary sovereignty by reverting to being an issuer of its own national currency, in which case it can start directly benefiting from the insights provided by MMT; or it must encourage monetary pluralization within its borders, thus at least endowing itself, from the bottom up, with part of the sovereignty that it never had or that it lost.

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