

A structured approach for comparing monetary theories

March 6 2023, by David Bradley



Credit: Pixabay/CC0 Public Domain

A research paper in the *International Journal of Pluralism and Economics Education* has taken a structured approach to comparing monetary theories. In it the team proposes a taxonomy, a classification, for

comparing monetary theories based on their primary monetary function. The work is pertinent in the wake of the 2007/2008 financial crisis as monetary systems face increased scrutiny, and rightly so.

The work explores four lines of thought: "store-of-value," "medium-of-exchange," "means-of-payment," and "unit-of-account," and has applied them to historical examples in their paper. Store-of-value refers to the function of money as a means of preserving the value of purchasing power over time. Medium-of-exchange refers to the function of money as a widely accepted intermediary in the exchange of goods and services. Means-of-payment emphasizes the active role of money as allowing debts to be settled and obligations to be fulfilled. Unit-of-account refers to the function of money as a standard of measurement or unit of value in which prices, wages, and other economic values are expressed.

It is perhaps obvious that no single [taxonomy](#) can encompass all monetary theories, Jan Greitens of Duale Hochschule Baden-Württemberg in Stuttgart, Germany, explains the [classification](#) based on those four lines of thought.

"According to the 'store-of-value' line of thought, the conservation of purchasing power is the most relevant function," he writes. "The 'medium-of-exchange' line of thought maintains a stable monetary value in the circulation of goods and services." Greitens then adds that "the 'means-of-payment' line of thought emphasizes an active role of money and the possible influence of the society on money and the economy." Finally, he explains that "In contrast, the 'unit-of-account' line of thought reduces money to a passive role, adjusting elastically to the needs of the real economy."

Greitens points out that in order to better understand monetary systems, we cannot read such a taxonomy as being a chronological representation of change, an evolution. There is no progress, he asserts. Instead, all of

the lines of thought outlined in his study continue into the present world of [money](#).

More information: Jan Greitens, A Structured Approach for Comparing Monetary Theories, *International Journal of Pluralism and Economics Education* (2022). [DOI: 10.1504/IJPEE.2022.10051865](https://doi.org/10.1504/IJPEE.2022.10051865)

Provided by Inderscience

Citation: A structured approach for comparing monetary theories (2023, March 6) retrieved 23 June 2024 from <https://phys.org/news/2023-03-approach-monetary-theories.html>

This document is subject to copyright. Apart from any fair dealing for the purpose of private study or research, no part may be reproduced without the written permission. The content is provided for information purposes only.