

# Mont Pelerin Society meetings in Fort Worth Texas

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I am the first speaker in a panel of distinguished monetary theorists with only 15 minutes so I will lay the foundation for a discussion of the value of money that will hopefully provide a useful framework for their presentations.

**Money** (the medium of exchange) must be distinguished from the **means of payment** (how money is delivered). This is the difference between bitcoin and blockchain or the U.S. dollar and Visa or an old-fashioned check.

**The value of money** results from equating the **supply and demand** for money. Monetary regimes differ primarily in the rules for determining money's supply.

**Dollarization:** A country uses the currency of another country. Its value is imported and supply is determined by the balance of payments.

**Hard anchor with currency board rules:** Money is issued and redeemed in response to market demand for the anchor (e.g. gold) or assets of equivalent value to the anchor (indirect redeemability). ["Real SDR Currency Board"](#)

**Hard anchor with some discretion:** Central banks manage the money supply with the constraint of having to redeem it for the anchor at its fixed price. Gold or Silver standards or the Gold Exchange Standard were examples as are fixed exchange rate regimes. ["Returning to Currencies with Hard Anchors"](#)

**No external anchor** (floating exchange rates): Such central banks usually have a legal price stability mandate. The central bank can be guided by rules (Taylor Rule, Inflation target, Nominal income target, fixed supply or growth rate rules such as bitcoin) or use its discretion (best judgement).

**Fractional reserve banking:** While most money is created by commercial banks, the supply of bank money is linked to the supply of central bank money. The Chicago Plan (100% reserve requirement) would fully protect bank money and eliminate the need for a lender of last resort or deposit insurance. ["The Chicago Plan"](#)

**Cybercurrency (digital money):** Official unit or private unit.

**The case of bitcoin:** The supply rule is fixed so where does the demand come from—the ability to use it for payments (who will accept them?) ["Cryptocurrencies the Bitcoin Phenomena"](#)

**Blockchain:** ["Bitcoin Cybercurrencies and Blockchain"](#)