



Discussion Club

**GLOBALIZATION OF MONEY.
DISCUSSION OF PROFESSOR O. SHAROV'S
MONOGRAPHS ON THE DEVELOPMENT
OF MONETARY RELATIONS IN HISTORICAL
RETROSPECT AND PERSPECTIVE**

Organizers of the discussion: *Journal of European Economy* and the Institute for Economics and Forecasting of the National Academy of Sciences of Ukraine (IEF of NAS of Ukraine)

Panelists: **J.-M. Alonso-Trabanco** (researcher at Massey University, New Zealand), **O. O. Borzenko** (Doctor of Economics, Section Chief at IEF), **A. A. Hrytsenko** (Doctor of Economics, full member of the National Academy of Sciences of Ukraine, First Deputy Director of the IEF), **J. Carrillo-Pina** (Professor, Anáhuac Puebla University, Mexico), **S. O. Korablin** (Doctor of Economics, corresponding member of the National Academy of Sciences of Ukraine, Deputy Director of the IEF), **V. I. Mishchenko** (Doctor of Economics, Section Chief at IEF), **I. S. Piliaiev** (Doctor of Political Science, IEF/ University of Tokyo), **O. I. Petryk** (Doctor of Economics, Deputy Director of the IMF, 2013-17; Member of the Board of the National Bank of Ukraine, 2018-22), **V. V. Yurchyshyn** (Doctor of Economics, Director of Economic Programs at the Razumkov Center), **Ye. V. Savelyev** (Doctor of Economics, Professor at West Ukrainian National University, JEE Editor-in-Chief), **Z. E. Skrynnyk** (Doctor of Philology, Ivan Franko National University of Lviv), **O. M. Sharov** (IEF of NASU), **S. O. Yarenko** (Honored Economist of Ukraine, Chairman of the Eximbank of Ukraine, 1992-96; Deputy Governor of the National Bank of Ukraine, 2005).

Sharov, Oleksandr, Doctor of Economic Sciences, Professor, Chief Researcher, Institute for Economics and Forecasting of the National Academy of Sciences of Ukraine, Kyiv, Ukraine. ORCID: 0000-0001-8460-9996 Email: osharov@ief.org

Ye. Savelyev: Dear colleagues, the editorial board of the Journal of European Economy, in view of the increasingly important role of money in the development of the world economy, has invited you to take part in a discussion on the globalization of money. The scientific framework of the discussion is based on two monographs by Prof. Oleksandr Sharov with a similar premise and his two articles in our journal. The concept put forth by the author is that there is a general historical trend in the development of money towards internationalization and its transformation into a worldwide (global) equivalent of the value of all goods as a result of the elimination of borders. The author argues that the extensive phase of monetary globalization is over. As a result, there are changes in the form of money and the essence of monetary relations themselves.

The author began his research in the field of monetary relations as a student and then as a young lecturer at the Ternopil Institute of Finance and Economics (now West Ukrainian National University), so the discussion of his monographs at his alma mater is quite natural.

Since then, Prof. Sharov has gained considerable experience in senior positions at the National Bank of Ukraine and other financial institutions, and continued his scientific work at the National Institute for Strategic Studies and the Institute for Economics and Forecasting of the National Academy of Sciences of Ukraine.

It is only fair, then, that the author be invited to speak first, and then each panelist will have the opportunity to discuss the issue at hand.

O. Sharov: The monographic studies, based on rich factual material, examine the emergence and spread of money in the process of economic globalization. This process is presented as an economic category that significantly differs from the impact of financial instruments, which allows us to speak of the phenomenon of *monetary globalization* (as opposed to *financial globalization*). Monetary globalization is defined as a general historical trend in the development of money towards its internationalization and transformation into a worldwide (global) equivalent of the value of all goods due to the elimination of borders in the process of the money functioning. In practice, this manifests as the main trend in the development of the world economic system, which required and developed appropriate forms of such a global equivalent, consistent with the overall qualitative level of development of the global economy.

The second monograph analyzes the reverse impact of economic globalization on the nature and transformation of the forms and functions of money. The study concludes with a forecast of possible scenarios for the emergence of global money and a global currency (clearly separating these two concepts).

A. Hrytsenko: I am not going to sing the author's praises, but I would like to congratulate Prof. Sharov on his truly unique work. After all, there is no work in the world practice that is devoted, on the one hand, to the impact of money on globalization, and, on the other hand, to the impact of globalization on money itself.

O. Petryk: In my opinion, the book *Globalization of Money* by O. Sharov is the most interesting and informative book by a Ukrainian researcher-scientist in the field of money theory and monetary development that I have read in recent years. These books are interesting in themselves, but it is very important that they also make you think about many issues. This is a kind of trigger for further reflection and analysis.

Z. Skrynyyk: The scientific work of O.M. Sharov can be considered one of the most relevant, theoretically significant and methodologically and stylistically innovative Ukrainian studies of the nature and modern evolution of money. An important innovation by the author is an attempt to bridge the unspoken but tangible gap between, on the one hand, philosophy as a methodological basis for analyzing economic problems and, on the other hand, the theory of money and its development in the context of the modern globalization of the world market.

J. Carrillo-Pina: Prof. Sharov's research is very interesting and presents very urgent challenges and phenomena.

J.-M. Alonso-Trabanco: In my humble opinion, international monetary and financial affairs belong to the domain of high politics, because they have implications for statecraft, security, the global balance of power, alliances, rivalries, grand strategy, hegemony and national security. This highlights the importance of interdisciplinary research to clarify the nature and behavior of such links. However, most mainstream neoclassical economists and average international relations scholars overlook the importance of such phenomena or are unable to even grasp it. This is the gap that our contributions can cover.

Not unlike you, I believe that the weight of history is an element that needs to be taken into consideration in order to understand the long-range evolution of the global monetary order, even in the digital age. Hence the importance of concepts like the so-called *longue durée*.

I. S. Piliaiev: We are dealing with a fundamental, highly professional study that covers a rather significant period of time - from pre-modern to post-modern. And it factually shows that the historical process (*inter alia* in the monetary sector) develops cyclically, in a spiral, which makes it possible to draw appropriate conclusions and certain forecasts. It really does inspire thinking about the future.

I. V. Mishchenko: I believe that we are dealing with an extremely vivid, multifaceted, up-to-date and timely study of a very complex scientific problem - theories and the essence of money.

Z. Skrynyk: Usually, representatives of economic science in all its diversity declare their recognition of the methodological function of philosophy, yet are quite skeptical of real attempts to apply this methodology to the analysis of economic phenomena and processes. For philosophers, in turn, economic problems look too mundane and pragmatic. Overlooked is an aspect aptly summarized by D. Landes' remark: «Max Weber was right on. If we learn anything from the history of economic development, it is that culture makes all the difference». Many philosophers show the greatest disdain for such an economic phenomenon as money. A banal stereotype is at work: money is the embodiment of all social evil. Therefore, there is a certain detachment of philosophical thought from topics related to the social and humanitarian dimensions of the functioning of market and, in particular, financial mechanisms.

In this context, I think it is especially important that O.M. Sharov managed to successfully convey these extremely important ideas that emerged from his interdisciplinary research on the «junction» of money theory and philosophy of economics. This approach is particularly relevant today because of the emerging state of social life, *financial civilization*, as it is called in the scientific literature. This refers to the penetration of the «economic» into all areas of human socio-cultural life. The sharp increase in the volume of money permeating all spheres of the social organism through its circulation, the transformation of new social phenomena that have not had a monetary equivalent until now into commodities, the quantitative and qualitative increase in monetary standards of well-being - all these result in an increasing dependence, unification, and sophistication of social control over all of life's manifestations. One finds themselves in a world in which fundamental moral values are questioned, scientifically based exploration of the world is discredited, rational behavior seemingly threatens «everything sacred», and their own life is reduced to an endless pursuit of money. Money has turned from an instrument of economic activity into one of the dimensions of human destiny, since wealth and poverty are not only external circumstances of life, but also

a range of existential models through which a person experiences his or her life in the world, a sense of triumph or a sense of humiliation and frustration.

The new conditions force us to rethink the methodological basis of the theory of money, and the monograph's author approaches it very broadly, addressing the question of the scientific nature of economics, the objectivity of social sciences in general and economic science in particular. A seemingly incidental, but in fact very important methodological aspect, which the author calls the «post-Marxist syndrome of dialectical materialism», attracts attention. It's been thirty years since dialectical materialism disappeared from educational and scientific institutions in Ukraine, but the worldview stereotypes it shaped are still evident in the minds of scholars for many reasons. Therefore, we fully support the reasoned conclusion of O.M. Sharov: in order for knowledge to be called scientific, it must not be materialistic or idealistic, but meet the criteria of scientificity, which include orderliness, validity, reliability of empirical material, consistency, conceptual integrity, systematicity (coherence), empirical confirmability, predictive power, practical efficiency and fundamentally possible falsifiability (refutability).

At the same time, no matter how one approaches the criteria of science, we highly value the author's conclusions that «economics is a humanitarian science that deals not so much with facts as with texts (i.e., explanations of facts)» and the use of economic science as an «art of the possible». In our opinion, O.M. Sharov's conclusion that «economics is a synthesis of science, philosophy and politics, characterized by the presence of some distinctive features of each of these human activities, which must be taken into account in theoretical and practical work» fits well into the framework of modern approaches to determining the nature of economic knowledge.

J. Carrillo-Pina: As colonization deepened, it demanded a structuring of the exchange system, since, in addition to including new precious metals in abundance for the colonizing countries, it also included the human being as an interchangeable product as a result of slavery and the sale of slaves internationally, which left a large monetary flow for the colonizing countries. Since in the new colonies they obtained metals, jewels and new spices, which they sold in European countries, later the profits obtained were used to buy slaves in African countries, which were taken to the new colonies of America, with the purpose of exchanging for or buying interchangeable materials in Europe.

All of the above generated an almost perfect financial gear, which impacted a monetary system in need of restructuring in order to incorporate the profits from increasingly lucrative activities. In this sense, slaves were also considered as a value or means of exchange.

J.-M. Alonso-Trabanco: Monetary matters have implications that go well beyond the economic sphere. Their ramifications are relevant for international politics, statecraft, security and grand strategy. The need to clarify them requires the integration of a multidisciplinary approach that combines elements from different disciplines: international relations, political economy, history, security, etc. This also emphasizes the importance of hybrid paradigms like geoeconomics.

O. Petryk: The author presents the evolution of several functions of money from its inception to the present conditions of technological acceleration and globalization.

In particular, the author's vision of the transformation of the exchange function in the process of evolution of money circulation is fascinating. The author analyzes this process, showing that initially money was used for the simple exchange of goods and services, as it was in the early stages of human civilization. However, with the development of the economy, the market environment became more complex and money began to perform new functions. One of the most important examples is the transformation of the store of value function. Money has always been a means of partial or complete preservation and transfer of value over a long period of time, which is a necessary condition for savings. Therefore, the author's methodological approach is quite interesting, as he rightly notes that it is not a completely new function of money in terms of lending or investment that is emerging, but rather the store of value function that is being modified or modernized through the changing conditions, development of economic, trade or financial relations between economic entities, and technological progress.

When considering globalization, the author pays considerable attention to the function of world money.

J. Carrillo-Pina: The term *dematerialization of money* seems to be a very good conception of the phenomenon. According to work by O. Sharov, there is evidence that the currency has gradually become fiduciary and the next step in this process is dematerialization of this money. However, the risks that it represents for the markets are even greater, due to the potential factors of speculation. In other words, the dematerialization of money may imply a radical transformation of the merchandise and currency markets, and given that currently all sectors are linked to the economy, the foregoing would imply a significant transformation of the buying and selling relationships and the social order itself. As gradual currency changes have done in the past, likewise the above can also promote a new international order, where the immaterial-financial sector would be a new modeler of the new structure.

V. Yurchyshyn: The process of dollarization is traditionally considered as one of the factors of globalization. In this case, de-dollarization should be seen as a factor that poses a danger to further globalization. Recently, there has been much talk about yuan-ization. But will the monetary system built on yuan be resilient? And if the euro is added to the competition between the dollar and the yuan, the system may lose the necessary stability. Here we seem to be shifting to addressing the three-body problem* in the global economy. In my opinion, this competition will have a significant impact on the globalization process in the coming years and deserves increased attention from the researchers.

Ye. Savelyev: Absolutely. I am afraid that as a result we may get another escalation of the currency war.

I. Piliaiev: In this context, I would like to make a conceptual remark. Such studies should pay more attention to the role of neoliberalism in the process of globalization. As well as issues such as the convergence of national economies. And we should not get too carried away with the dichotomy of democracy versus authoritarianism. The world is more complex. For example, among the BRICS countries, we see India, the largest democracy in the world. The political systems of South Africa and Brazil are also competitive in nature. But it is the BRICS countries that are trying to create a new monetary system - an alternative to the Bretton Woods one. I think these issues could be addressed in the third volume of the study.

O. Borzenko: In discussing the two-volume monograph *Globalization of Money*, I would like to focus on several points about the present and future of money. Any consideration of the «nature of our time» should begin with the realization that everything around us now or in the near future will be interconnected through information networks. The need for communication is the reason why old systems are collapsing and new ones are emerging tailored to these new challenges.

V. Mishchenko: The digital economy requires new forms of money, new methods of regulating money circulation, capital generation and movement, and

* Three-body problem in astronomy is one of the tasks of celestial mechanics, namely to determine the relative motion of three bodies (material points) interacting according to Newton's law of gravitation (e.g., the Sun, Earth and Moon). Unlike the two-body problem, in general, the problem has no solution in the form of finite analytic expressions. Only a few exact solutions are known for special initial velocities and coordinates of objects.

thus new institutions (or a significant change in the role, functions and structure of existing ones).

Today, society is only at the initial stage of the emergence of new forms of money and monetary systems. There are many expectations, forecasts and estimates. Unfortunately, it is still difficult to predict all the features of these processes, but the first outlines formed by the Ukrainian school of monetarism give grounds for optimism and stimulate scientific research.

J. Carrillo-Pina: There is no doubt that cryptocurrencies have come to transform the current monetary system. However, the risk of cryptocurrencies is their decentralized nature, that is, they are not administered by a Nation State, but rather are merely private channels. This can be a latent risk, since the countries regulate and manage the monetary and financial systems, guaranteeing their own existence and thereby taking care of the elements that make them up, such as the territory, population and government, however, cryptocurrencies, being decentralized elements, do not have the purpose of serving populations or societies, but rather merely serve the interests of private individuals or groups.

On the other hand, since these cryptocurrencies are not regulated or supervised by a higher entity, they can serve as objects of fraud and scam for corporations and individuals; as examples we have the firm QuadrigaCX in 2018 and the most recent - the FTX group. Therefore, it is still uncertain how these assets can generate stability for the countries and then have a geoeconomic use, at least in the short and medium term. That is to say, currently the world of cryptocurrencies has a strong speculative behavior, which if not adequately controlled can trigger a potential financial risk, both for corporations and for countries.

Cryptocurrencies are challenging the power of traditional nation-states, however, some of these nation-states are looking at their potential advantages and utilities in the fields of geoeconomics and grand strategy.

S. Petryk: From my point of view, O. Sharov's monograph, like any new original presentation of his own point of view on complex philosophical and economic categories and characteristics of modern economic and monetary science, has certain controversial points.

I noticed that on p. 371 of the monograph *Globalization of Money* the author emphasizes that «...the decisive factor in the process of money evolution is its globalization. In addition, money has the ability to transcend time and space, and therefore, money itself carries the seeds of globalization». Here the author rightly emphasizes the interconnectedness of the processes of money development and the process of globalization. However, globalization as defined in modern economic science can only be called another stage in the development of

economic relations of humankind. Therefore, in a more general sense, the process of money evolution can be considered part of the evolution of economic relations and technologies of society, and globalization is the current stage of this evolution.

On page 375, the author argues that «...all this could not but affect the way money performs its functions that, although they do not determine the essence of money, reflect the essence of money in the specific conditions of its functioning». Here, as part of the discussion, I would like to give my own vision of the essence of money and its functions.

In the more understandable philosophical categories of essence and form, the essence of money is generally defined as a «universal commodity». Meanwhile, the forms in which the essence of money is manifested include a medium of exchange, a unit of value, or a store of value, i.e., what is generally called the functions of money.

While thinking about this, I came up with the idea to compare money to a fire. The essence of a fire is a high-temperature process of converting fuel into ash, which is accompanied by the release of energy. And the functions of the fire that a person uses are the lighting function, the heating function, or the cooking function, etc.

Therefore, the functions of money can be defined as important forms or aspects of the perception of the essence of money, since they determine the quality or form in which money is used by economic agents, as in our comparison of the quality or function in which a person uses a fire.

But these and other discussion points arising from the monograph *Globalization of Money* by Oleksandr Sharov, in my opinion, cannot be regarded as flaws. Rather, they are a credit to this work, as they direct the reader to assess the processes and improve their own point of view instead of passively perceiving information. This was my experience while reading and analyzing the material presented in this work.

S. Korablin: Do I have any conceptual comments on certain conclusions of Professor Sharov? Absolutely, yes. But their substance is insignificant, both in terms of the weight of such remarks and the author's undisputed right to his own view and interpretation of the phenomenon he studies.

I am sure that the works of Professor Sharov will be highly appreciated by all readers - not only his peers, but also all those who are simply interested in history, social development, political relations, the logic of their formation and transformation.

S. Yaremenko: I had the opportunity to observe the writing process of these monographs and repeatedly discussed the issues with the author, which he later described in the works. It is difficult for me to assess the theoretical significance of this research, but as a practitioner, I was initially inclined to present these thoughts in the form of a manual with specific recommendations and tasks for practitioners. Of course, theoretical work is important for the scientific community, which still exists in Ukraine. But unfortunately, the situation is such that the new generation is not properly encouraged to engage in scientific research. So what kind of textbooks will tomorrow's students use? After all, the world is changing rapidly, and there is virtually no one capable of explaining these changes (including in the field of international economy and currency relations).

V. Yurchyshyn: And I would also recommend thinking about the possibility of adapting this study for the educational process - as a textbook or a manual for undergraduate and graduate students. I can also offer my idea for the title of the third volume - *Currency Globalization or Globalization of Currencies*. It seems to me that this aspect has been gaining particular importance lately.

O. Sharov: I would like to thank all the panelists for both their appreciation of my work and their critical comments. It is for the sake of such professional analysis that scientific papers are written. I think that every serious scientist is interested not only in proving his or her opinion on a particular issue, but also in making sure that it is recognized as interesting, even if it provokes reservations or outright objections. This is how we all move scientific knowledge forward. I concluded the study with the words «That's all I can say about global money». However, our discussion shows that the topic is far from closed. Life provides us with new phenomena to analyze and understand. And I hope that my work in the field of monetary theory will inspire interest in this topic among leading experts and young researchers. And the problems raised by my colleagues today lead to certain thoughts that I may try to use in the future.

Ye. Savelyev: Well, as we understand it, there will be no end to money (just like no end to history). The wheel of money will keep on rolling.

The discussion took place online on the ZOOM platform on April 12, 2023.