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The nature of bank money, a case study of transformation in the Czech banking sector

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Abstract

The article examines the nature of bank money on two complementary levels. The first level deals with theoretical considerations. Here, the departure point is Social Positioning Theory, which provides a framework to investigate the nature of money. Within the theory, the paper situates bank money in credit-debt relations, that are themselves integral part of a wider productive-consumptive nexus of the economy. In this perspective, bank money is the relation, accounting economic positions of participating members, resulting from their economic activities realized within the context of the overall society. The second level uses the methods of Oral History and Memory Studies and, through semi-structured interviews, provides empirical material illustrating ideas about the nature of money in a specific historical form. The article thus explores the contrasting experiences of banking in the context of a centrally planned economy and banking in the transformation to a market economy. These two contrasting episodes are illustrative because of the significant change in the form of bank money, which brings to light various aspects of its nature. Moreover, the article utilizes interviews that present the lived experience of bankers with years of involvement in the sector, enriching the perspective on the issue under study.

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KEYWORDS
oral history and memory studies, social positioning theory, the Czech banking sector, the nature of money

Significant research interest has been attracted by the extent of the changes that occurred in post-socialist economies transforming from central planning to market incentives in the 1990s (Soulsby & Clark, 2007). Among these was the Czech Republic, characterized by almost exclusive state ownership and a relatively high degree of industrialization during the socialist period (the 1950-1980s), which necessitated a significant change in economic coordination, including banking.

This article uses the Czech historical experience to deepen the perspectives on the nature of money in general and bank money in particular. The nature of money has been widely discussed and considered throughout the history of economic thought by prominent economists and also recently by authors concerned with the nature of social reality. Although these discussions are mainly theoretical, the topic has its practical relevance, especially in an increasingly financially interconnected world where the stability of the economy and the financial system depends on understanding the position of banks and bank money within the economy.

The article encompasses two related levels to fulfil its stated purpose. To theoretically anchor the nature of bank money, this article uses Social Positioning Theory (SPT), developed in the context of Cambridge Social Ontology (CSO) and represented in particular by the work of Tony Lawson (2012, 2019, 2022a). SPT has been used to examine various social phenomena, including money (Lawson, 2016, 2018a, 2018b, 2019, 2022a, 2022b; Menšík, 2023; Pratten, 2020). This article builds on these and concretize the discussion about the nature of money by more detailed focus on the nature of bank money.

The theoretical level is complemented by an empirical one, where the article places the nature of bank money in the context of a specific historical form. Here, it methodologically builds on Oral History and Memory Studies (OHMS), using the lived experience of participants to explore aspects of social phenomena. The nature of bank money is illustrated through semi-structured interviews with bankers who had many years of experience. These experiences are set within the contrasting frameworks of a socialist, centrally planned economy and an economy transforming to one based on market relations and private ownership. In both periods, banks played a dominant role in the monetary order. At the same time, bank money was detached from gold, or other commodities, while being tight with credit processes within the economy.

This article aims to complement the theoretical discussion about the nature of bank money by providing a case study of bank money in the Czech Republic based on the living experience of participating bankers.

The contribution is threefold. First, on a theoretical level, the article extends the recent work on the nature of money provided under SPT by putting more explicit and detailed focus on bank money and by emphasizing the meaning of money as a store of value in relation to credit processes within the productive-consumption nexus of the economy.

Second, the article links the theoretical considerations of SPT with OHMS methods, which makes it possible to enrich the investigation with empirical material. A great deal of social research anchored in other frameworks of social ontology (such as P. Bourdieu, A. Giddens) uses OHMS methods. To the best of my knowledge, this article is the first use of these methods in conjunction with CSO and SPT.

Third, the article contributes a case study from the Czech transformation experience, utilizing professional bankers' experience and knowledge. The transformation episode is valuable and

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illustrative for the question of bank money because of the significant change in its form, where the aspects of its nature are more easily seen.

The structure of the article is as follows. The next part introduces the framework of CSO and SPT, focusing on the nature of bank money within the economy. The second part introduces the method of OHMS and provides background information about the interviews. The third part examines the nature of bank money in the context of production and credit processes in a centrally planned economy. The fourth part examines the transformation of the economy and banking system to one characterized by market relations, focusing on credit-debt relations and issues relevant to the nature of bank money.

1 | SOCIAL POSITIONING THEORY AND THE NATURE OF BANK MONEY

Before introducing SPT, it is important to begin with two fundamental presuppositions about the social reality on which it builds. The world conceptualized by Lawson (2019, p. 11) is primarily *processual* and *relational*. The processual aspect stems from the dynamic nature of reality, where characters of entities (like "bankers," or "money") are in perpetual motion, undergoing ever-evolving change or transformation. In this sense, entities are, in effect, processes, emerging, existing, and transforming through individual human practices. The relational aspect then provides order, structure, and a kind of stability to these changing processual entities. "It is the *organization* of these elements that is key to social constitution" (Lawson, 2022a, b, p. 1; see also Slade-Caffarel, 2020).

The social world can be seen as occupied by entities in a process that are, in one perspective, elements that by their relations constitute the totalities. From other perspectives, the totalities can be seen as another kind of elements that constitute another kind of totalities.[1] The overall situation can be conceptualized as a system of dynamic relations among elements themselves and totalities at various levels of organizing hierarchy (Menšík, 2023).

The SPT rests on these processual and relational aspects of CSO and provides general theory of social phenomena (Lawson, 2019, p. 86). Its fundamental concepts are *community*, *collective practices*, and *social positions* with associated *rights* and *obligations*. The community is a relationally organized totality, constituted through the collective practices of its members. At the same time, the community, through its organization, ascribes social position to particular constitutive components. Or as Lawson (2016, p. 963) put it, "social positioning is the term for the process whereby, through general acceptance throughout a community, human individuals, things or other phenomena become incorporated as components of these emergent totalities." SPT is a kind of agency-structure theories widely used in social sciences (Abdelnour et al., 2017), where agency conditions the structure and is simultaneously conditioned by it, Lawson (2022, p. 3-7).

The entities constituting community take part in social life through collective practices. These are simply accepted and/or recognized ways of proceeding associated with positions and involving the participation of all members of the community (Lawson, 2019, p. 47). It is through collective practices that social phenomena emerge, are reproduced or are transformed with their relational positions within community. The creation of a position and/or the allocation of position to a given occupant can emerge through a community authority that declares something to be so, or it can emerge more spontaneously (Lawson, 2016, p. 964). And because positioning comes about through a process of human collective practices, it is also geo-historically relative, as "everything social… is in human history" (Lawson, 2016, p. 965).

The social position confers a status or identity to its occupants, together with associated positional rights and obligations. Obligations "are accepted ways in which relevant community members are

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expected to proceed; rights express accepted ways of going on in which relevant individuals may proceed" (Lawson, 2019, pp. 49-50; see also Slade-Caffarel, 2022). Ascription of rights and obligations to a position means to ascribe a function to a component within community, that facilitates the working or reproduction of the community and depends on community acceptance, (Lawson, 2022a, b, p. 12-13; see also Pratten, 2023). The rights and obligations also set up power relations within a constituted community acknowledged (also tacitly) by all participating members, (Martins, 2022). The normativity associated with them is key to bringing coordination, stability, and predictability to collective practices.[2] Moreover, "the role of rights and obligations in structuring social life presupposes the human capacities of being trustworthy and trusting others, of being willing and able to make and keep promises and other commitments, and to believe that others can and will also do so" (Lawson, 2019, p. 50). Trust and trustworthiness together are the glue of social communities, (Lawson, 2019, p. 16). And that "trust is especially important where interests are opposed" (Lawson, 2016, p. 964), as it is in realms of economic interactions with respect to money.

1.1 | The nature of money in general and bank money in particular

From the perspective of a common person, money is an asset expected to be used smoothly in exchange for a certain value. One major contribution of SPT is that it enables to look away from the viewpoint of an individual person or a specific form of money, and instead focuses on the position of money in the context of a wider community. From the SPT perspective, the nature of money is a relation in process or a structured process (Lawson, 2016, p. 967; Menšík, 2023).

That means that money, is positioned through the process of humans' interactions as a component of a wider system, whereupon certain of its capacities are effectively harnessed to serve one or more system functions associated with money (Lawson, 2016, p. 966). Although some asset is positioned to function as money, or its users tend to view and denote money as a positioned "asset," money is not the asset as such. Positioning is always relational, and money is a social relation. The relational aspect is what matters concerning its nature.

Throughout history different cultures have had various forms of monetary relations. To capture the universal relation, we must look beyond individual forms to the broader patterns that overlap them (Menšík, 2023). Authors inquiring this issue typically connect it with exchange activities within economy. The economy itself can be conceptualized as a relational process, a network of individuals or constituted entities (like corporations or governments) with productive factors associated with them who participate in production that is to be valuable in terms of consumption (either individual or collective). However, the cooperative economic process is not typically smooth. It requires the participation of many productive factors. Just as these vary in their productive capacities, needs on the side of their owners also vary. The variation also arises in respect to time in ownership, production, and consumption. Because of this variation, individuals or collective entities enter exchange relations. Moreover, as they enter many exchange relations, there is a need to have information about these relations in terms of the value of individuals' contribution and consumption within the context of the overall economy. For this purpose, it is necessary to position an entity, to serve these exchange and value accounting relations. From the community perspective, then, *money is an accounting relation*, accounting the positions of individual members within the context of overall economic activities. In this way, money nests within a wider economic system to provide it with the functions of value accounting and measurement (*unit of account* or nominal unit), value transfer (*medium of exchange* or means of payment), and value preserver in deferred settlements (stable *store of value*). These functions are commonly recognized by economic textbooks. Let us encompass them using SPT.

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In a corollary to the redirected focus from money as an asset to money as a relation in process, SPT contributes to shifting perspectives on monetary exchange. That is not about the exchange of goods for monetary assets. Monetary exchange involves relations of rights and obligations. Again, these are not the powers or capacities of money as an asset *per se*, but rather of the community members related by money (positioned by monetary relations as sellers, buyers, creditors, and/or debtors, as well as central or commercial bankers) as only humans can exercise rights and obligations through their practices.

As Lawson (2016, p. 967) explained, "the activity of discharging an obligation is actually basic to the very meaning of payment.… The discharging of an obligation is also at the heart of market exchange." When a community member enters an exchange in the position of the buyer, she receives the goods, and until the exchange is balanced – however small the time interval is – she becomes positioned as a debtor. This debt is balanced out by a payment, that is by discharging the obligation. On the other side, the related positioned seller receives a right of a certain value to make the exchange at some future time. Economic exchange is then viewed as a continuous process of mutual debt-discharging and credit-accepting process within a community. A process enabling settlement of exchanges by changing positional rights and obligations in relationships to goods. Within monetary communities the settlement is typically realized by a positioned money asset.

For money that is successfully positioned as general means of payment, the capacity to discharge existing debts needs to be universal. In the creation of novel debts in ordinary exchanges, the community members need to be "prepared to enter relations in which they accept the indebtedness of others." (Lawson, 2018a, p. 854). For a member to have monetary assets means to be able to make payments in relation to others within a given monetary community, where others are credibly expected to be willing to be paid by that asset. In this sense, successfully positioned money must be widely transferable.

By accepting monetary assets in exchange, the person, in effect, opens an investment position. In this respect, there must be a trust that the holder's right will be enforced at an appropriate value, especially in terms of real goods. Lawson (2016, p. 967) recognized a "relatively trustworthy (i.e., store of) value" as a necessary precondition for an entity to be positioned as successful money. As there is a lap of time since the exchanges within the community are settled, the money holders' rights should preserve the values in between. In this sense, successfully positioned money must be a relatively stable store of value.

Moreover, for successfully positioned money, there must be a common measure of value accepted across the monetary community, expressed in a particular unit of account. "For without value, there is presumably nothing to measure (or to store) or in which to ground any means of payment or exchange." (Lawson, 2016, p. 967). In the value of a unit of a particular asset positioned as money, all exchange transactions are denominated, and all obligations are evidenced, discharged, and measured. "Money then… is a positioned individual form of value, one that community participants accept has been positioned as a general form." (Lawson, 2016, p. 969). In this sense, successfully positioned money must also be denominated in a positioned unit of account.

The above-described features can be considered universal for all forms of positioned money. However, as community life is colourful, the general features are shaped by differences in positional rights and obligations accompanying community specific practices in the settlement of exchanges. These practices can be structured by the use of commodities (Menger, 1892; White, 1999) or some forms of digital currencies (Adrian, Mancini-Griffoli, 2021). Currently, the pervasive form is central and commercial bank money, Lawson (2018b). The rest of this section is an elaboration and reconciliation of SPT with aspects of the credit theory of money, illustrating the nature, social constitution and functioning of bank-debt money in more detail.[3]

In the case of central and commercial bank money, monetary exchange means that the credit-debt relations arising in private exchanges are discharged by transferring rights to the debtor positioned

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higher within the debt hierarchy. The debt hierarchy is dependent upon an entity's position within the community, and when an entity's debt is also positioned as money, we can also speak about monetary hierarchy (Mehrling, 2012). In this case, the sellers or creditors in private exchanges are willing to accept the bank's debt instead of the buyer's or debtor's. The state, with its central bank, is typically positioned at the top of the monetary hierarchy (Bell, 2001).

According to the state theory of money (Wray, 1998), money emerges in exchange relations between the state and its citizens. The state obtains goods and productive factors from the citizens, while issuing debt claims as identifiers of the creditor-debtor positions until the exchange is balanced. The holder receives a claim on the state, redeemable in discharging any obligation towards it, typically taxes, but also in purchasing of services provided by the state.

For monetary concerns, it is important that the state provides its liabilities, considered as assets by citizens, and adjusts them to be transferable. As the state's liabilities are typically positioned higher in the debt hierarchy, citizens generally use these assets to discharge their mutual obligation. That is in their private exchanges, they are continually prepared to enter relations in which they accept the indebtedness of the monetary asset provider, the state.[4]

Thus, through community practices, state debt is positioned as a general means of payment. As a corollary, the state also sets the unit of account to value its liabilities in nominal terms, and it is in that unit that transactions among its citizens are generally denominated (Wray, 1998, p. 49). Moreover, because the state typically enters many exchange relations within the economy and negotiates the prices or announces various price lists, the state can influence the purchasing power of its nominally defined unit. In other words the state has also an influence on store of value function of its monetary liabilities.

The state is usually very important, however not the sole occupant of the position of monetary asset provider. The bankers, or rather, a positioned banking corporation, also represent typical occupants. Like for other monetary forms, for a bank to function successfully in this position, its debt must be denominated in a unit of account, it must be transferable, and it must have a stable store of value for the respective community members.

What needs to be clearly recognized is that any bank issues distinct monetary assets. Any individual bank may be positioned as such that its liabilities function as debt-discharging assets for particular community members. While in the case of central bank money, it is appropriate to speak of the community of the citizens, in the case of commercial bank money, the community is formed by its clients, commonly labelled depositors.

Commercial bank money sits in the monetary hierarchy in a position between the state and common citizens. Typically, the state defines a unit of account for the community that is usually associated with legal tender status, enabling citizens to settle any debt by this asset. Commercial banks then relate their liabilities to the asset positioned as the general unit of account and denominate their liabilities in that unit. Although individual bank-money, deposits, can be “denominated in the same unit, liabilities issued by different banks represent, strictly speaking, different currencies, with a fixed mutual exchange rate held ‘at par’.” (Menšík, 2023).

In this sense, there are commonly multiple issuers and, therefore, multiple monetary assets within the economy, as every bank issues its own liabilities and secures the monetary relations for their respective customers. While the state enjoys the right setting a unit of account, commercial banks operate on it. This can be obscuring for a common person, as state and commercial bank money could be used as (almost) perfect substitutes. However, from the banker's perspective, there is a clear distinction between state money, which represents her assets, and commercial bank money issued by her, which represents her liabilities.

But what ensures that these commercial bank liabilities will be positioned as money? Recall that in social positioning, the key is trust. Trust is what glues the community together, especially where

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interest may be opposed. So why could or should community members trust a bank, and what does this trust consist of? There are two mutually related key features that a successfully positioned bank must satisfy. These match the functions of money: *transferability* and *stability* as a store of value.

First, transferability refers to a means of payment for a bank's customers. It is a question of *liquidity*. Among its depositors, there must be trust that their liquidity rights will be enforced on demand. The trust that the depositor's obligations emerging in private exchanges will be discharged whenever she needs by transferring her rights to the bank to another person. In other words, that her monetary position will be changed in relation to the seller's one, or that she can successfully function as positioned buyer within community. If there were only one, monopoly bank in the whole economy, a bank ledger would do this effectively. It could be imagined as a plain accounting device centralizing information about the value of individual members' contributions to and withdrawals from the total production of the community, where the bank simply accounts stocks and changes in members' positions.

However, there are typically multiple banks within a given economy. Here, the individual bank must ensure the transferability of its depositors' rights to members of other monetary communities, that is, to other banks or clients of these banks. For this purpose, a sound bank should operate its balance sheet to be able to discharge its obligations to non-members on demand. To be able to do so, the bank holds a fraction of its assets in a liquid form, usually called liquidity or reserves among bankers. In principle, these assets represent a generally recognized unit of account or its nearest substitutes. More concretely, these are other positioned monetary assets, typically representing liabilities of other banks higher in the monetary hierarchy, such as balances in clearing houses or in central banks (Mehrling, 2012). In other words, a bank must have liquid rights vis-à-vis others to be trustworthy in fulfilling its own obligations of transferability on demand.

Second, the bank needs to secure stable store of value. For its depositors, there must be trust that their rights will be enforced at the appropriate value. And this should hold not only for rights immediately asked for redemption but for all the bank's liabilities – including those called in the future. The store of value is a question of *solvency*. To secure it, a bank's assets need to enable to cover all its obligations when transferred to the unit-of-account asset.

Lawson (2016) correctly recognized the importance of value for money's positioning and functioning, but was silent on various questions related to that: Where does value come from in the first place? What determines the value of a monetary unit? In the context of bank money, how valuable are these units?

To answer such questions, it is again necessary to explicitly conceptualize money as a relation within the wider nexus of productive and consumptive activities of community members. The bank is positioned on both sides of the balance sheet. On the asset side, it makes an account of its rights transferred to community members who are entrusted with existing assets; these community members are obliged to repay their debts. On the liability side, it documents its obligations towards members trusting in the bank; these obligations are at the same time positioned as transferable rights. From these perspectives, bank money can be viewed as a right of its holders vis-à-vis a community, and at the same time an obligation on the part of the community to provide certain assets. The bank is positioned as an administrator of these relations, a bookkeeper of community's social accounting (Menšík, 2023).

Abstracting from the nominal vail of monetary relations, the value of bank money is ultimately derived from the value of goods that its debtors should deliver, by which the bank can honour its obligations to its creditors at an accepted value.[5] For this purpose, the positioned money issuer must be part of the process of economic value formation and must have rights on the flow of wealth (Wray, 2013, 2015). In other words, a bank must have rights vis-à-vis others of sufficient value in terms of goods to be trustworthy in fulfilling its own obligations to secure stable store of value. The bank intermediates the process of economic value formation and accounts the positions of individual members within it. In this sense, money is clearly a relational process.

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It follows that the stability of monetary value depends on the quality of credit a bank provides to community members. Good credit provision is therefore essential for successfully functioning money. Naturally, when the credit process is poor, the cash flow received by a banker is of poor value, and the bank loses trust among its members when it comes to honouring its obligations, either on demand (illiquidity as the failure to provide the function of transferability) or in terms of expected value (insolvency, as the failure to provide the function of store of value). In the case of an individual commercial bank, we can speak about the risk of bank runs and possible default. In the case of national currencies, we speak about inflation, or depreciation against other currencies.

2 | MEMORY STUDIES AND HISTORICAL EXPERIENCE WITH BANK MONEY

Money, as a process, evolves through practices. As Lawson remarked, "money is constituted as a combination of the universal/necessary with the particular/contingent" (2019, p. 163), where the particular positioned money "will be of a specific geohistorical and cultural form" (2016, p. 962).

To deepen the insight into the nature of bank money, it is worthwhile to look at its concrete manifestations in human history. For this purpose, I stylize the recent history of banking in Czechoslovakia during socialism and subsequently in the Czech Republic during its transformation into a market economy. These episodes are covering two separate but related stories, with differently functioning economies and banking systems. Banks and bank money played important roles within the economy in both periods; however, these institutions were positioned very differently. The contrast provides an eye-opening illustration of the universal/necessary in the research question.

This analysis utilizes respected factual history. However, the emphasis is not on history as such, but on the positioning of banks and bank money in that history. For this purpose, this analysis draws on the methods of oral history and memory studies (OHMS). OHMS usually use interviews as a method to examine the experiences of various group members and position occupants with the aim of revealing aspects either of individual or collective identities. While SPT provides the theoretical background for the social positioning of bank money, OHMS provide complementary methods to obtain empirical content.

The origin of OHMS can be traced back to Morris Halbwachs, according to whom "the memories of each individual are inscribed within 'social frameworks' which support them and give them meaning… [while] the social frameworks of memory are expressed and reproduced essentially through language and discourse" (Halbwachs, quoted in Jedlowski, 2001). Fundamentally, it is language that importantly structures the social reality, in line with Hines' (1988) argument that "in communicating reality, we construct reality."

Through the active process of remembering that emerges during an interview, the interviewee reconstructs a framework of social relations that frames his identity (Daoust & Malsch, 2019). In communicated remembering, the interviewee reveals how he reflects on the position he occupied and the relationships he had with others perceived through the lenses of this position. In other words, through open questions and the mnemonic process, the interviewee situates himself within a social environment, and his identification allows us to see his perception of identity or status together with power relations, that is, to reveal his social position with its associated rights and obligations.

OHMS did not explicitly consider ontological questions to the same extent as SPT does, but the methodological discussions of OHMS authors reveal, that both approaches view social reality as processual and relational.[6] Memories emerge and transform during processual practices within the community, while OHMS "view memory as an active process of construction and reconstruction."

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(Mena et al., 2016, p. 723). "Recall is constituted and stabilized within a network of social relationships" (Jedlowski, 2001, p. 31).

Moreover, as Daoust and Malsch (2019, p. 4) have noted, "the identity and the social memories of individuals are closely intertwined." On the one hand, identity presupposes a sense of sameness over time and space that is sustained by memory that reminds us of ourselves. On the other hand, "memory is related to identity both at the individual and at the collective level" (Daoust & Malsch, 2019, p. 4). "This is true both in the sense that memory is what enables an individual to recognize himself as 'the same' over time, and in the sense that identity is the selecting mechanism by which an individual privileges certain memories over others." (Jedlowski, 2001, p. 36). Therefore, privileging particular memories associated with assumed identities or self-images then forms a particular community and a historically relative social reality. This social reality is interpreted and experienced by community members from the positions they occupy.

In this respect, gathering qualitative data through semi-structured interviews seems to be the most appropriate method to meaningfully depict the position of banking and bank money within the economic system and to illustrate its nature in the framework of SPT.

These interviews were conducted within a wider project investigating the transformation of enterprises in the Czech Republic during the 1990s. For this particular study, we conducted roughly 100 semi-structured interviews with people involved in transformation in various positions, among which 11 were bankers.

We focused on obtaining interviews with people who had experience with the transformation period, when experience from socialist banking was an advantage. We selected interviewees that would cover the broader banking landscape. In this respect, 8 of them held a position in banking during the period of socialism, while all 11 held a position during the transformation to the market economy. The respondents had experience with different types of banks, ranging from the central banks, to a wide range of commercial banks, varying in size, founding date, and ownership structure. At the same time, the interviewees covered different positions within the banking business, from corporate bankers, settlement staff, and loan officers to top management in central banks with responsibility for monetary policy and banking supervision. All interviews except one took place in 2021. On average, the interviewees had 29.7 years of practice in banking. All interviews were conducted in person, recorded for audio, and transcribed. The average duration of the interview was 95 minutes. See Table 1 for an overview.

3 | BANK MONEY DURING THE PERIOD OF SOCIALISM IN CZECHOSLOVAKIA

The ideological basis of communism claims that the community is more important than the individuals that constitute it. Following this belief, private property was restricted in Czechoslovakia during the socialist period. Capital and land were almost entirely collectivized under state ownership. Adults were required to work for "collective" enterprises and private entrepreneurship was almost zero. These enterprises were state-owned, managed, and stripped of their own resources. Their productive activity was subordinated to a central plan that organized production top-down. The plan consisted of a material specification (pieces, tonnes) of the types and quantities of output to be produced by individual enterprises, either for the production needs of other enterprises or for final consumption by households (Clark & Soulsby, 1999; Žídek, 2017, 2019).

Before the socialist period, Czechoslovakia was a relatively developed and heavily industrialized country. Under socialism, this complex industrial production led to a need to supplement the materially expressed central plan with price coordination (Hayek, 1945; Mises, 2012). The plan

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TABLE 1 Interview details.

Interviewee, Banker	Main type of bank	Main position within banking	Years in banking: Before 1990	Years in banking: 1990 and after	Length of interview
1	Major commercial bank	Higher managerial positions and credit policy	20	10	0:40
2	Central bank, major commercial bank	Top management	-	23	1:06
3	Central bank, major commercial bank	Banking supervision	-	23	0:56
4	Major commercial bank	Higher managerial positions and credit policy	6	14	0:59
5	Central bank	Board of governors	-	20	1:23
6	Smaller commercial bank	Top management	14	30	1:36
7	Major commercial bank, branch of foreign banks	Corporate clients' department	2	30	2:11
8	Central bank, major commercial bank	Higher managerial positions and credit policy	5	30	3:42
9	Central bank, major commercial bank	Banking services and settlement	9	11	2:03
10	Major commercial bank	International banking	18	25	1:47
11	Newly established smaller commercial bank	Top management	7	30	1:05

continued using habitualized experience with monetary relations and coordinated production through nominally expressed prices in national currency. However, monetary relations took a specific form, where prices were determined and coordinated centrally by the state and state-owned companies (Žídek, 2017, pp. 15-18).

To implement the central plan, the state-owned and managed State Bank of Czechoslovakia (SBČS) was established by law. The SBČS, in particular, was charged with administering financial operations for the state and state enterprises. Moreover, there were three other banks, with specialized functions in relation to households or foreign trade. These banks were also managed by the state and subordinated to the SBČS, so they can be considered its divisions. As the whole banking system was state-administered, we can simplify the situation by denoting it plainly as the SBČS (Žídek, 2019).

The SBČS as a bank, as well as the Czechoslovak crown (CSK) as its issued currency, were constituted authoritatively. The CSK was positioned to function as an official unit of account. Moreover, it was supplemented not only by legal tender status but was in effect an enforced currency; domestic economic transactions were required to be done in CSK. However, to be positioned as money means that a central bank and its currency must be part of the collective practices within the wider system of productive-distributive relations. To provide the standard functions of money, the bank with its currency must be put into the community's framework of rights and obligations. Therefore, to clarify the nature of bank money in this specific geo-historical form, it is necessary to clarify the positional rights and obligations of credit-debt relations between the SBČS and enterprises. Because the overall economic system was of a state-administrative nature, these relations nest within this framework.

“One of the essential principles of the socialist economy was the so-called ‘principle of control’ by the crown” (Banker 4). This rested in the provision of credit to enterprises. At the beginning of

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a production period, the SBČS provided loans to state enterprises. Simultaneously, they went into debt towards SBČS, which demonstrated their obligation to repay the entrusted monetary value. "Everything was actually financed by the state bank, which was not actually a bank in the true sense of the word, but was actually a kind of control body, actually, of the ruling class" (Banker 9).

Since the overall economic context is so different, the concepts of credit-debt had different meanings compared to those of the market economy. In the context of the central plan, credit is an administrative tool for the allocation, management, supervision, and distribution of production. As Banker 1 explained, "assets were assets, liabilities were liabilities, profit was profit, but the financial analysis had to be looked at slightly differently." The key difference rested in the fact that all these assets were in effect owned by the state, and the resulting liabilities were also within the state.

In principle, the assets of the enterprise did not play any role in the granting of the loan, because these assets were not owned by the enterprise – but by the state. Nor was the creditworthiness of the borrower essential, in the sense that there was no premium on top of the administratively set interest rate "for some kind of risk, based on creditworthiness and rating, in the way it is complicated to calculate today [in a market economy]." For accounting principles and administrative purposes, there was so-called "a material coverage review", or "the liabilities of these enterprises were compared to their [administratively entrusted] assets, including the stock of accounts receivable so that they were simply covered as they are now, a kind of collateral, a kind of proportion between the balance sheet assets and liabilities" (Banker 1).

The loan was of course subject to the requirement of repayment, where the ability to repay was, in principle, a criterion for controlling the performance of the enterprises' management. In this respect, the enterprises were motivated to make profits. Profit conveyed that management had managed efficiently, fulfilling its role in the plan. However, profit did not remain with the enterprise; it was siphoned away through interest on credit, or by taxation.

"When the enterprise was unable to repay, so-called 'reproach proceedings' took place," and eventually, the enterprise was sanctioned, for example by payroll deductions. "When some enterprises were loss-making, they were subsidised so that they could continue that production because maybe they [the government] wanted to keep producing." The enterprise's obligations towards SBČS had to be always covered administratively. "You [the banker] couldn't close that enterprise down" (Banker 9).

Moreover, since enterprises did not have their own resources, their economic activities were only possible through loans. The SBČS provided various types of loans, for example for investment activities. As Banker 9 recalled, "We were taught that credit was granted on a non-refundable basis.… The most typical loan was a loan for permanently revolving stock. That is, if something permanently turns over, it never comes back. The way it was always done was that the loan was formally paid off on December 31, and on January 1, it was granted" (Banker 9).

It was in this way that the SBČS as a bank, and the CSK as its currency were positioned within the system of production. Everything was recorded and financed from this site. "We [SBČS bankers] were actually an intelligence unit.… We monitored whether the company was fulfilling the plan as it was ordered… whether it was fulfilling those plans not only in terms of production, we did not care much about production, we were concerned with finances. This meant whether the financing corresponded to the forecasted plan.… We were an information unit, and today at the bank, you are not allowed to tell anyone anything because everything is subject to banking secrecy. That didn't exist, there was no bank secrecy even in the law" (Banker 9).

Having examined the nature of credit in the socialist economy, and authoritatively positioned unit of account, let us consider the two other important aspects of bank money: transferability and store of value.

Notice that the provision of the loan created bank money and started production. By receiving a loan, enterprises obtained the right to participate in economic transactions as positioned buyers.

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There were actually two main forms of exchange relations. One concerned buyer-supplier relationships among enterprises; the second concerned exchanges between enterprises and households, with enterprises paying administratively determined wages, and employees buying consumer goods from them. All exchanges were settled in CSK, while SBČS obligations in the form of banknotes and deposits, were the only type of financial assets held by households (Žídek, 2017).

Within the economy, the monopolistic SBČS was therefore in a position of a kind of central hub, where holders of CSK had claims on SBČS generally used to settle mutual obligations within the economy. Correspondingly, the SBČS ensured the transferability of these claims, whether cashless, or through banknotes and coins. Since information technologies were in the early stage of development before 1990s, and the counterfeiting of accounting documents was severely penalized, banker 9 remembered that settlement was in effect faster than in Western market economies. In Germany "they had a wonderful payment system. Well, they do, but D plus 5 or D plus 4, right, in five days. And we had an ordinance back then where it was D plus 2, right? So we were a lot faster than that, right." That is because transferability within one bank was logically easier than among multiple banks.

The second feature of successfully functioning positioned money concerns its function as a stable store of value. In socialist Czechoslovakia, this played out in the following way. Because prices were set up administratively, the nominal value expressing the relationship between the nominal unit and the price of goods was stable. However, what matters is the real value, that is, the value of a monetary unit expressed in terms of goods.

From the above-mentioned insights, it follows that ultimate holders of monetary assets were households that held rights to goods produced by the community. Although the productive decisions were set-up authoritatively by non-democratic ruling party, it was ultimately households who positioned the SBČS to administer the production process, while the nominal value of monetary assets identified the contributions of its holders to production. The amount of real assets that money-holders obtained depended on the underlying production process generating valuable goods.

Many economic theorists and historians consider central planning rather ineffective in terms of production. In the case of the Czechoslovak economy, various reasons for this ineffectiveness, such as diminished initiative and perverse incentives that resulted from the authoritatively enforced central plan, have been identified (Žídek, 2017). As a consequence of inefficiency, the purchasing power of this monetary unit steadily deteriorated; that is, money holders had no option to redeem their money for an expected value and quantity of goods on demand. Although the deterioration of this monetary value was not visible in administratively determined prices, it was revealed in shortages of goods, accompanied by queues and waiting lists. Žídek (2017) has written about suppressed inflation, which was revealed when administrative prices started to be deregulated with the arrival of the market economy.

Although credit-debt relations had peculiar forms during socialism, the fundamental nature of bank money remained the same. It was a processual relation accounting the positions of members of the community. By administering loans, the SBČS and CSK performed all monetary functions. It provides unit of account, recording the positions of businesses and households within the economy. At the same time, through the transferability of its liabilities, the SBČS enabled and recorded changes in the positions of its "creditors". Although the currency was not redeemable on demand, as there was no explicit obligation of the SBČS to repay *its* debt, its liabilities fulfilled the function of general means of payment among community members. By supervising the credit process, it also takes care about its purchasing power or its store of value function, to the extend enabled by wider economic and geo-political conditions. From a macroeconomic perspective, money played an important function as a huge information service utilized to coordinate production centrally.

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4 | BANK MONEY IN THE TRANSFORMATION TO THE MARKET ECONOMY

The fall of communist regimes in Central and Eastern Europe in 1989 brought a significant change to the political order in Czechoslovakia; by 1993 it had divided into two states, and the Czech Republic was established. At the beginning of the 1990s, the authoritarian, centralized administration was replaced by a democratically elected government. Liberalism became the dominant ideology, with ideas of a market economy based on private property and free enterprise. This was especially reflected in economic relations, which could be characterized by deregulation, liberalization and large-scale privatization. The period of the 1990s is thus aptly called a period of economic transformation, when existing positional rights and obligations concerning a significant part of production relations were profoundly transformed. Economic relations underwent major changes in business ownership, management, customer-supplier relations, and the organization of production (Clark & Soulsby, 1999; Myant, 1993; Žídek, 2017).

The breakdown of the system of collective ownership with its centralized management, and the new possibilities of private ownership and entrepreneurship essentially meant a change in the framework within which the production and distribution of goods for consumption took place in the community. From a broader societal perspective, there was a need for a mechanism that ensured how the available resources to be used in production would be managed and how production would be distributed. Who was to be entrusted with the right to use present production values, and correspondingly, who was to return these inputs in the form of products for consumption in the future? The exchange relations in production needed to be supplemented by the rights and obligations of creditors and debtors. As the political and economic relations were transformed, so too were the creditor-debtor and monetary relations that are embedded in them.

Although the economic change that took place was relatively rapid from a historical perspective, lasting roughly the decade of the 1990s, the transformation of the structure was still far from immediate. Moreover, it did not take place in a vacuum, but rather was built on the initial conditions that characterized the economy and banking under socialism. Since exclusive management of finance through the banks had served as a departure point, bankers remained at the centre of creditor-debtor relations. As Banker 7 recalled, there was "a transformation on all sides simply in that economic environment, both in that macroeconomic framework for the functioning of companies, and in that corporate sphere of course, and in that banking sphere itself a tremendous learning process simply by everybody, because actually, the banks started to operate in completely different conditions than simply… than had been the custom here for forty years." Banker 6 noted, "the change was huge, because suddenly then in 1990 there emerged a million entrepreneurs here and they all wanted credit, they wanted payments, and all of the sudden the banks weren't quite ready for that, so they were learning as they went along as well."

As part of the transformation in banking, the monolith of the SBČS disintegrated. The Czech National Bank (ČNB) as the central bank, and the commercial banks, were separated. As Banker 6 remembers "when it changed after 1990, the banks started to function and we were therefore a 'two-tier system', so to speak, that we had the central bank and the commercial banks". The ČNB was delegated to issue the Czech Crown (CZK), a successor currency positioned to function as unit of account, in which prices were denominated and payments and liabilities were settled between members of the community. In this nominal currency unit, the ČNB has provided deposit money for the state and commercial banks. The ČNB has also issued the CZK in the form of banknotes and coins to businesses and households. The CZK was in effect positioned highest in the Czech monetary hierarchy, functioning as a unit of account and general means of payment for the Czech community (Žídek, 2017).

However, as the central bank, ČNB ceased to provide credit and non-cash money services to businesses. Credit and deposit activities were entrusted to commercial banks. To serve businesses and households, four major state-managed commercial banks were carved out of the SBČS monolith and took the lead in the banking sector. At the same time, dozens of new, domestic, private commercial banks were established, and several foreign banks opened branches.[7]

Afterward the period of socialism, enterprises had negligible own resources, and their operations depended on credit. There was a great demand for financing, not only to continue production, but also to privatize enterprises and to invest in modernization. However, the provision of credit ceased to be allocated according to government plans. Credit allocation by commercial banks became a key issue for the functioning of the economy. The role of banks shifted to play an active role in lending, that is to allocate the rights to monetary assets to the enterprises at their own risk. As Banker 7 recalled, "suddenly credit was simply to be extended, and someone was supposed to assess to whom and for what… I was put in charge of credit policy, which was an unploughed field. It was something nobody had done before."

In a free-market economy, enterprises enter exchange relations for profit and valorization of their invested resources, using funding that banks entrust to them. However, in the case of unproductive economic activity, enterprises lose these entrusted resources, and their obligations to the bank may not be repaid. In comparison to centrally planned economy, this poses problems for a bank. Similarly to enterprises, private banks also manage their own funds as well as those entrusted to them. However, typically with much lower ratio of own resources to liabilities, the leverage (Adrian & Shin, 2010; Wray, 2013). The market participants must take care to ensure that they are able to meet their obligations. Thus, an element of risk enters into the creditor-debtor relationship, since the possibility exists that rights and obligations will not indeed be met. This was no different after the Velvet Revolution. "In those 90s, actually in the beginning, there was nothing at all, so a big part of the work for those bankers in general was creating those [credit] processes… the whole risk-management system" (Banker 8).

However, lending to businesses with regard to returns presented challenges in the new environment. The first challenge was that, enterprises did not have their own resources, and their production was essentially dependent on revolving bank credit. At the same time, for many enterprises, the transformation brought a shift away from the previous markets where they had earned their income and the need to modernize production to make it competitive in new markets (Myant, 2003, 2007). While these new business opportunities brought new opportunities, they also raised questions about the return of the resources provided by banks, "because the commercial bank is already supposed to lend on the principle of return" (Banker 9). From Banker 7's perspective, "the credit history often was non-existent… or was irrelevant. These could have been companies that had just been privatized and suddenly entered a completely different stage than before and were *de facto* at the beginning." Nor were the other elements normally complementary to creditor-debtor relations in market economies fully constituted here. From a Banker 8's point of view, "there was little reliance on [companies'] accounts… [and] credit ratings, there was nothing here"; Banker 10 noted, "there was not even a sufficient system of auditors to verify the veracity of the figures that applicants for credit submitted.". Nor was there "a bankruptcy and insolvency law" (Banker 8). The everyday practices of banks – the processes of credit allocation and management – also gradually became standardized. The Banking Act has since been amended many times, and the central bank's banking supervision approach has gradually been constituted to match the banks' position in the market environment. However, as Banker 3 noted, "In 1990, the State Bank of Czechoslovakia started to think about creating something new that had never been there before – banking regulation and banking supervision – which were words that everybody, today, we find perfectly natural. At that time nobody knew what it would be, what it would mean."

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While a large number of enterprises were privatized during the first half of 1990s, the banking sector remained largely state-owned and coordinated. Building on the previous system of coordination of the economy, government officials responsible for the transition considered the banking sector to be key. “That's a well-known thing, that was one of the characteristics of the 1990s. He [the prime minister Václav Klaus, a former employee of SBČS] didn't want it, he didn't rush to privatize the big banks, because he knew that once those banks were privatized, the lending would just stall.” To keep the transforming economy going, “it was well-known [that Prime Minister Klaus wanted] …that Czech banks should support privatization and support the privatized companies even at the cost of simply loosening credit policy.” (Banker 7) And as Banker 6 explained, “The main slogan was, and the slogan is correct, that when money flows into the economy, the economy grows, right? Well, and the money was coming in from the banks mainly because nobody else had money, so the various laws were made carefully so as not to jeopardize anything like that.”

Thus, the initial conditions of undercapitalized enterprises, the costs associated with their transformation, together with the moral hazard of loose credit policy, and the gradual clarification of norms in creditor-debtor relations, were all largely passed on to bank balance sheets. Many of the banks made losses in the 1990s.

In the second half of the 1990s, the banking sector went through a crisis that led to the completion of the privatization process. The state-controlled banks themselves were privatized, mainly taken into ownership by foreign banks. That loosened the link with the government and standardized the lending processes, bringing them more in line with other market economies. As Banker 2 with experience at both the central and commercial bank commented, the situation of the troubled banking sector “was eventually solved very successfully by privatization, because experienced banks from abroad actually came in and professionalized the operations, especially by introducing adequate risk management. And I think that we bought, as the Czech Republic, almost a decade of very nice growth until 2008.”

With the integration of the practices of foreign banks, as well as with the extensive assistance of foreign advisors, the collective practices constituting the rights and obligations of creditors and debtors were gradually clarified during the transition period. Dominant role in these relations played commercial banks, the issuers of bank money. After examining the wider context, we could now more closely examine bank money positioning.

In contemporary economies, bank money is issued mainly through the process of lending. By providing credit, the individual bank notionally creates new bank money (McLeay et al., 2014). By extending credit to an enterprise, a bank becomes positioned in the role of a creditor. Simultaneously, the bank promises to provide money to the enterprise, that is to settle enterprise's obligations arising from its exchanges to community members. In other words, the bank substitutes its credit for the credit of the enterprise. In this activity, any bank issues its own liabilities denominated in community recognized unit of account and promising their redemption on demand at par. In the case of the Czech Republic, this has meant a bank being able to discharge obligations in CZK, a currency issued by a central bank whose liabilities are positioned highest in the domestic settlement hierarchy.

Recall that for liabilities issued by a given bank to function successfully as money, the bank needs to ensure its transferability and stability as a store of value.

To ensure transferability, a bank needs to develop payment techniques among its clients, and especially with respect to non-members typically represented by other banks. Thus, the interviewed bankers mentioned, an important need to implement information systems and processes to settle payments in a technically appropriate way.

However, the key to the ability to settle liabilities is that a given bank itself has the necessary resources, especially in liquid form. At the start of the transition, most banks were in a similar resource-shortage situation as that of non-financial enterprises. That is, they did not have sources of

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funding, either their own or borrowed. Thus, to ensure transferability, it was crucial that the banks were entrusted with resources of the part of the community members who had claims to CZK, either in the form of existing stocks or regular cash flow in. These were primarily households, but also prosperous enterprises.

At the beginning of the 1990s, the main financial assets among the general population were bank deposits in the form of CZK, entrusted to one bank (*Česká spořitelna*, loosely translated as the *Czech Savings Bank*). This bank had been in charge of deposit activities for households during the period of central planning (Myant, 2003). Other commercial banks thus needed to actually build their own client base of depositors, both retail and corporate. As Banker 4, who worked at one major commercial bank, recalled, "In June 1990, we signed our first deposit agreement with a client for Komerční banka. That was the first primary deposit because otherwise, it was all at Česká spořitelna." Banker 7 remembered, "foreign banks operating in the Czech economy needed crowns, and they did not have them. So one of my basic tasks there was simply to find companies and persuade them to deposit with us." In this respect, the various commercial banks competed with each other. In order to build up their clientele, banks "worked on developing a branch network, which was also missing" (Banker 10). The interviewed bankers also recall importance of activities like securing foreign payment, improved complementary banking services, or adjusted interest rates.

For being entrusted be resources, the key is trust. As the bankers know, to have "credit", that is to be creditworthy – trustworthy – for its depositors, the banks must have prospective "credit" rights to assets of its debtors (Wray, 2015). As mentioned above, the costs of enterprises transformation, poor credit policies, and a lack of central bank supervision meant that banks were not able to keep their promises of transferability on demand. Many banks were not able to sustain the par exchange rate of deposits to central bank currency. As the individual bank's money cannot devaluate, and with insufficient resources, several banks went bankrupt.

The problems of poor-quality loans showed how transferability and stability as a store of value were conditional. When doubts arose about the stability of bank money issued by a particular bank, its depositors tried to use transferability. Increased pressure on transferability, in turn, led to the need to potentially raise interest rates on deposits or other forms of borrowing (even possibly selling assets at a potentially unfavourable price), which eroded the bank's profitability and hence its money as a stable store of value, in a similar way Adrian and Shin (2010) illustrate in case of US subprime mortgage crisis.

To stabilize the economy, the state helped to keep larger banks' promises of transferability by subsidizing them. However, the majority of small banks experienced bank runs, followed by falling into receivership and bankruptcies. Increased instability in banking contributes also to distrust in national currency, leading to the currency crisis of 1997. The ČNB abandoned proclaimed transferability of CZK to US Dollar and Deutsche Mark in stable pegged exchange rate, and the crown depreciated (Žídek, 2017).

5 | CONCLUSION

Above, I have provided theoretical considerations about the nature of bank money based on SPT theory and supplemented this with an examination of its particular geo-historical forms. I tried to elaborate more deeply on two general aspects of these considerations in particular. First, bank money is a processual relationship of a credit-debt nature. And second, bank money is meaningful only when considered within a wider system of economic relations and the credit process. As SPT and recent Czech history show, bank money can be understood as a dynamic relational process constituted by

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human economic interactions that is simultaneously conditioning the nexus of productive-consumptive relations. From this, let us conclude with a few further considerations.

In an economy where the settlement relations are based on bank money, there are no reserve assets in the sense of valuable liquid assets that are not simultaneously liabilities, like a gold. Typically, the bank-money issuers with lower trustworthiness and therefore lower clientele are positioned lower in the settlement hierarchy and need to hold some rights as their liquid reserves vis-à-vis issuers positioned higher in the hierarchy. The issuers entrusted by more community members are positioned higher in settlement hierarchy and their liabilities provide liquid assets to wider community.

However, any bank money issuer to function successfully need to ensure transferability and stable store of value of its obligations. As financial theory claims, large pools are better in providing transferability. That is because of enabling netting or clearing of the positions of individual money holders among themselves, without a need to secure liquid assets by the bank. Issuers entrusted by more funds also operate a larger pool of assets, enabling better diversifications of these assets that provides more stable cash flows in for the bank and therefore more stable store value of its obligations.

What underlies bank money is credit that the bank provides. The forms of this can be different, including loans provided to households, enterprises, or the government debt. From the perspectives of the community, what matters is the quality of investment decisions by all participants. For the stability of money's value, it matters how the ultimate debtors invest and manage the resources they are entrusted with. It also matters how the bank underwrites loans. And it also matters how bank-money holders invest their funds. The case of Czechoslovakia and its transition to a market-based economy and banking system help demonstrate this.

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ENDNOTES

[1] The ordinary language provides various concepts to express these relations. So, on one level, the constitutive entities can be understood and are synonymously designated by CSO authors as elements, individuals, components, particulars, or parts. On the higher level, the constituted entities are then designated also as wholes, totalities, organizations, structures, systems, or wider systems. The limited space of the article allows only to depict the main features of CSO and SPT. Detailed recent exposition can be found in Lawson (2019, 2022a).

[2] As studies of memory and neuroscience (Dispenza, 2007) suggest, our memories of the past concerning the position of our selves vis-à-vis the environment, including our rights and obligations in relation to others, align our interpretations and expectations of the future, and the norms about how our selves and others are expected to behave. In this sense, past memories form and stabilize the future. Compare also OHMS methodological considerations below.

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[3] Lawson's extensive writing about the nature of money may enable ambiguities of interpretations. One concerns the question, whether SPT and credit theory of money are alternatives, see Lawson (2022a, 2022b). In accordance with Menšík (2023), I consider SPT to provide a general framework to grasp the nature of money – not an alternative to the credit theory but its more general (ontological) underpinning. The credit theory of money, as represented for example by state theory of money (Wray, 1998), the Modern Money Theory (Wray, 2015) or the Money View of Mehrling (2012), can be understand as particular forms of monetary relations, where these are structured via banking (and wider financial) system. As Lawson (2022, p. 30) remarks, "the *nature* of money, and so the basic manner in which it works, are essentially independent of the kinds of things that contingently occupy the money position." Since money is not an asset per se but the relation accounting economic positions of community members, it does not matter for its nature whether its accounting and settlement functions are realized through some kind of token (in a form of commodity like hazelwood sticks, gold, paper, or even electronically as decentralized cryptocurrencies), or through some financial asset provided by a positioned "account manager" (in a form of credit/debt, that is liabilities of particular central or commercial banks or eventually of other financial intermediaries).

[4] Although we speak about the state's debt, or more precisely about central bank's liabilities, the central bank money is commonly not a typical debt obligation. Central banks typically have no obligations to redeem its monetary liabilities in anything other than its proclaimed unit of account. In this way, central bank money can be seen more properly as an accounting entry about its source of funding, more akin to an equity-like instrument. Again, the specific rights and obligations associated with a particular monetary asset are secondary to the nature of money itself.

[5] To answer the question of the value of bank debt money could be potentially more complex and complicated. To keep the exposure simple, I am assuming one single bank for a community that is operating without equity; all its liabilities are bank money in the sense of transferable deposits. Moreover, I assume settlement in real goods (in contrast to nominal units of account) to connect the analysis with productive-consumptive processes. This assumption is, of course, not the case in everyday practice, where money functions precisely to diminish the transaction cost resulting from operating directly with real goods. The obligations in monetary economies are typically honoured in nominal units, not real ones. The value here thus means the purchasing power of money in terms of goods, as if the bank's assets should be liquidated and the proceeds distributed to depositors according to their monetary positions.

[6] In OHMS, similarly to SPT, major methodological discussions concern the relations among individuals and collectives. The views are similar. It is the individual who remembers, but individual memories are embedded in social environment that constitutes them. So, for memory studies, "there is no individual memory without social experience, nor is there any collective memory without individuals participating in communal life" (Olick, 1999, p. 346). Moreover, memories are always associated with particular geo-historical space, so recollection is historically and community relative. By interviewing more subjects who identify themselves with a similar group or occupation, OHMS seek to reveal common traits that can be labelled a collective identity characterizing a particular social position.

[7] The importance of foreign banks in lending and deposits was negligible. However, they were important for foreign payments (settlement with other monetary communities) and for the development of banking culture. As Banker 5 recalled, until the privatization of the big Czech banks, "foreign banks played no major role here [in credit and deposit relations within the Czech economy]. They basically established themselves here only for the purpose of accompanying their global clients around the world when some company" started to operate in the Czech Republic. Considering the role of foreign banks, another banker (Banker 10) noted, "But I think that the arrival of these banks only benefited our banking sector, because these foreign banks brought their know-how back into the [domestic] banks, they brought up a lot of now proven colleagues in banking, who then eventually moved on to the newly established, smaller financial institutions."

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