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DIALOGUE AND DEBATE: SYMPOSIUM ON STEFAN EICH'S THE CURRENCY OF POLITICS

Euro as the currency of the EU's green transition

Agnieszka Smoleńska

Institute of Law Studies, Polish Academy of Sciences, Warsaw, Poland
Corresponding author. E-mail: a.smolenska@inp.pan.pl

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Abstract

Stefan Eich's *The Currency of Politics* offers us a new way of looking at the EU's sustainable finance trend, one that allows us to see how the 'greening' financial transactions creates "green money" and thus intertwines with questions of justice and democracy. In this contribution I explore how *The Currency of Politics* can help us understand the significance and the constitutional implications of the transformation of the euro into the 'currency of the green transition' as it has been referred to by Eurogroup's President in 2021. I show how the three trends of EU green bond issuance, granular sustainable finance regulation and the progressive greening of monetary policy are moulding the euro in a political sense as the 'currency of the green transition' as much as the legal tender. Euro currency becomes in this sense 'a governance project' for the sustainable transition. This perspective offers multiple points of engagement with the themes of Stefan Eich's important book. For example, the claim of privatisation of money creation must be qualified to reflect on the implications of the granular way in which EU law defines what green money is. At the same time, while a 'green currency' creates spaces for engagement and new forms of organising a polity, it still remains largely removed from ordinary citizens as 'technocratic' rather than 'democratic' self-government.

Keywords: sustainability transition; euro; economic and monetary union; next generation EU; sustainable finance; green bonds

1. Introduction

How does the global shift to sustainable finance or 'green capitalism' more broadly change the nature of money, if at all? Does the record issuance of green credit by banks or public issuers such as the European Union (EU), make our monetary regimes any more socially or environmentally sustainable? Given the sheer scale of the ESG finance bandwagon, these questions are as pertinent as they are divisive. In this context, Stefan Eich's *The Currency of Politics*, a book that traces the political theory of monetary policy from Aristotle to Keynes (and in fact to modern times), offers us a new way of looking at sustainable finance, one that allows us to see how 'greening' financial transactions creates 'green money' and intertwines with questions of justice and democracy.

In this contribution I explore how *The Currency of Politics* can help us understand the significance and the constitutional implications of the transformation of the euro into the 'currency of the green transition'.[1] I show how Eich's richer understanding of money allows us to see sustainable finance regulation and practice not only as shaping 'green' sustainable finance instruments,

[1]Eurogroup, 'International Role of the Euro: President Donohoe's Report to the President of the Euro Summit' (22 March 2021) <https://www.consilium.europa.eu/en/press/press-releases/2021/03/22/international-role-of-the-euro-president-donohoe-s-report-to-the-president-of-the-euro-summit/> accessed 19 September 2022.

but also transforming the euro as a currency as well. I follow *The Currency of Politics* terminology here using currency in the sense of a societal and political institution organising how we relate to one another in socio-economic structures and how we organise our thinking about the future.[2] Notably this account does not necessarily substitute the economists' approaches focusing on the *function* of money as store of value or unit of account[3]: Money continues to be an accounting tool. However, being attentive to the broader societal and political functions of money opens an avenue for thinking about how monetary regimes are created and could be made better, that is more just and aligned with broader societal and environmental goals. Drawing on the emerging literature looking at the legal constitution of money,[4] I show how the recent regulatory and policy moves at EU level are shaping the 'green euro' as a political currency, and in particular, how the implementation of specific policies, promulgation of laws or the sovereign presence in the debt markets, moulds what this currency is and does. In particular, I analyse from three trends of EU green bond issuance, granular sustainable finance regulation and the progressive greening of monetary policy, as moulding the euro in a political sense as the 'currency of the green transition' as much as the legal tender. A 'green currency' requires that the relations between citizens, finance, and the state be mediated through a particular understanding of sustainability and a vision of a 'climate neutral' future. Since green money conceived in this way are legally constituted, this opens the door to exploring the potential new political-institutional qualities of money, as Eich calls them, such as those relating to establishing terms of reciprocity between citizens, the pursuit of justice in the EU or the common vision of the long-term.[5]

Such explorations may be read as excessive optimism about the potential of the sustainability transition in money and finance, in particular at a time when the monetary policy discussion seems squarely concentrated on the questions of price stability and the distributional aspects of monetary policy instruments, such as interest rates or unconventional tools (quantitative easing and – today – monetary tightening).[6] Nevertheless, immediate concerns – as Eich eruditely explains to us in his book – should not detract from the broader, transformational and constitutive power of currency. I engage with the themes of *The Currency of Politics* primarily to explore the potential mechanisms through which the qualities of money may be changed through legitimate democratic processes. To this end, the subsequent sections in turn provide the broader context of

[2]Stefan Eich, *The Currency of Politics: The Political Theory of Money from Aristotle to Keynes* (Princeton University Press 2022) 6 and footnote 28, where Eich explains that he treats money 'metaphorically' 'as a tool of democratic self- government', and that 'While political currency is thus money, not all monies qualify as political currency.'

[3]Economists tend to focus on the functional definition of money (See J Włodarczyk, 'O kontrowersjach wokół funkcjonalnej definicji pieniądza' 176 (2014) Studia Ekonomiczne 133 for a critical discussion of the various functional approaches to money including as a store of value, unit of account and means of exchange). Credit/debit theories of money meanwhile have been elaborated inter alia by P Mehrling and D Graeber. See P Mehrling, 'The Inherent Hierarchy of Money' in L Taylor et al (eds), *Social Fairness and Economics: Economic Essays in the Spirit of Duncan Foley* (Routledge 2013) 394–404, D Graeber, *Debt: The First 5,000 Years* (Melville House 2011). See also G Ingham, 'The Nature of Money' 5 (2004) Economic Sociology 2, 332. With the rise of 'private' money creation, scholars such as J van't Klooster, S Murau and D Gabor have further differentiated between various forms of public, public–private and private money as well as shadow money. See S Murau and J van't Klooster, 'Rethinking Monetary Sovereignty. The Global Credit Money System and the State' *Perspectives on Politics* (2022) 1–18; D Gabor and J Vestergaard, 'Towards a Theory of Shadow Money', *Working Paper of the Institute for New Economic Thinking* (2016) <https://www.ineteconomics.org/uploads/papers/Towards_Theory_Shadow_Money_GV_INET.pdf> accessed 12 October 2022. The credit theory of money resonates with lawyers, also given the critical role law plays in the construction of credit relationships. See eg C Desan, 'The Key to Value: The Debate over Commensurability in Neoclassical and Credit Approaches to Money' 83 (2020) Law and Contemporary Problems 1, 1.

[4]K Pistor, *The Code of Capital* (Princeton University Press 2019), C Desan, *Making Money: Coin, Currency, and the Coming of Capitalism* (Oxford University Press 2014), I Feichtner, 'Public Law's Rationalization of the Legal Architecture of Money: What Might Legal Analysis of Money Become?' 17 (2016) German Law Journal 5, 879, JK Moudud, 'Analyzing the Constitutional Theory of Money: Governance, Power, and Instability' 31 (2018) Leiden Journal of International Law 2, 289.

[5]Eich (n 2).

[6]A Tooze, Chartbook #124 Currency of Politics (Chartbook 2022) <https://adamtooze.substack.com/p/chartbook-124-the-currency-of-politics> accessed 12 October 2022.

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the significance of the currency in what has been termed green capitalism (section 2) and discuss how the EU's law and policy create green money through public and private sustainable debt issuance coupled with progressive greening of the ECB's monetary policy (section 3). On this basis, I explore the political–institutional qualities of a green euro (section 4) and formulate some tentative conclusions about what good a green currency is in the context of Eich's triple democratic challenge relating to the perceived privatisation of money creation, the relationship between state and finance, and finally, the accountability of central banks[7] (section 5).

2. The role of currency in green capitalism

The Currency of Politics generously equips us with lenses to see the transformation of finance – whether relating to sustainability or technological change (eg digital currency) – as a transformation of the politics of the monetary regime as well. In particular, the book allows us to see the plurality of perspectives relating to what gives currency its (inherent) value, while simultaneously focusing our attention on the questions of who gets to decide who creates money, where should money power reside in our constitutions and whether a more democratic money – ie more democratic than the regime prevailing today – is possible. Eich's reconstruction of the debates on money from Aristotle through Fichte and Keynes to the modern day also allows us to see the rationalization of money (and finance) as a political trick, a depoliticisation of money. Despite the concept's layered heritage, money continues to be – by Eich's account – above all a medium for connecting today and tomorrow, "a battlefield of conflicting ideas about the future."[8] The ranging conflict around how to ensure that our planet continues to be liveable and achieve climate neutrality by 2050 – which depends, among other things, on how we define money – is indeed an existential one.

Concerns about the environment, the society, and the quality of governance (usually referred to as ESG) are increasingly becoming integrated in financial decisions. ESG conforming assets will amount to a third of all assets under management by the end of 2022.[9] Institutions tasked with protecting monetary and financial stability are moving beyond paying lip service to concerns such as climate change, biodiversity loss, and inequality and towards taking concrete steps to incorporate these in the calibration of their policies.[10]

A fraught debate is raging as to the nature of these developments and their systemic and real economy impact. Some see the greening of the monetary and financial policies as necessary for enhancing their democratic anchoring.[11] Some decry the sustainability turn in finance as a mere fig leaf solidifying the existing favours of the rich and the powerful, implemented at the expense of meaningful progressive policies[12] Some yet see the introduction of societal and environmental concerns as ideologically-driven and dangerous from the perspective of clarity of legal mandates of supervisors and central banks.[13] These perspectives may not be mutually exclusive as they look at

[7]Epilogue, Eich (n 2).

[8]Eich (n 2), xiv.

[9]Bloomberg Intelligence, 'ESG May Surpass $41 Trillion Assets in 2022, But Not Without Challenges, Finds Bloomberg Intelligence' 24 January 2022 <https://www.bloomberg.com/company/press/esg-may-surpass-41-trillion-assets-in-2022-but-not-without-challenges-finds-bloomberg-intelligence> accessed 12 October.

[10]For example, since 2017 over 100 of world's central banks and financial supervisors cooperate on developing adequate supervisory methodologies for the purpose of adequately including climate change considerations in monetary and financial stabilities policies within the scope of the Network for Greening the Financial System (NGFS).

[11]Eg J van't Klooster, 'The Ethics of Delegating Monetary Policy' 82 (2020) The Journal of Politics 587.

[12]A Buller, *The Value of a Whale: On the Illusions of Green Capitalism* (Manchester University Press 2022), S Stefaniak, 'Przyszłość unijnych regulacji zrównoważonych finansów pomiędzy naprawianiem a kształtowaniem zielonych rynków finansowych' in L Kotecki (ed), *Zielone Finanse 2022* (Instytut Odpowiedzialnych. Finansów 2022) 110–117, D Gabor and B Braun, 'In Search of a Green Macro-Financial Regime' (Cambridge Society for Economic Pluralism 2021) <https://www.youtube.com/watch?v=5tSqwJTyfFA> accessed 12 October 2022.

[13]See eg D Demekas and P Grippa, 'Walking a Tightrope: Financial Regulation, Climate Change, and the Transition to a Low-Carbon Economy' 8 (2022) Journal of Financial Regulation 2, 203 as well as arguments used in the context of the backlash

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the green finance phenomenon from different perspectives. In the context of the various theories of money, for example, naturalised understandings result in wariness about assigning social responsibilities to financial actors and treating finance and society as belonging to different orders.[14] Scholars who recognise the public–private hybridity of the monetary regime,[15] tend to analyse the green transformation from a political economy perspective and focus on who and how benefits from this trend; having said that, they also arrive at different conclusions depending on time-horizons and perception of alternatives.[16] What seems to be the common ground among the different voices in the debate is that the greening of money and finance has an impact on our socioeconomic orders, transforming the link between finance and environmental and social concerns, as well as the mutual responsibilities of states and private actors.[17] Significant scholarly effort is going into refining our theoretical frameworks and analytic tools to properly capture this transformation from a legal, sociological and economic perspective.[18] As we muddle through the monetary regime interregnum,[19] the ways through which EU policy-makers have begun to transform the euro into a 'green currency' suggests a number of channels for change.

3. The euro as a green currency

Eich's 'political currency' perspective sheds new light on the idea of the euro as the 'currency of the green transition'. This phrase was used by the Eurogroup President Paschal Donahoe in the context of a 2021 report on increasing the international role of the euro.[20] Increasing the euro's standing globally has been a tenet of euro area policies, expressing the ambition to decouple the euro from the dollar-dominated world order and increase its global role, eg as a reserve currency. In this context, the green transition has created a – perhaps somewhat unexpected – set of opportunities. The euro is the currency of choice for the issuance of sustainable and green bonds globally, with over 800 billion euros of such debt issued up to 2022, which amounts to 42 per cent the global total (12 percentage points more than in the case of the dollar).[21] Furthermore, a plethora of new regulations, the EU Green Bond, EU sustainable finance taxonomy, sustainability reporting obligations all prescribe in a detailed way the properties of green credit. As outlined by Donahoe, the euro is to become a green currency through the interplay of private green capital (sustainable finance) and the significant issuance of EU green debt to finance EU's recovery (NextGeneration EU).[22] In the context of the politics of the currency, this policy mix is very interesting as it

against ESG investing in the US, eg P Temple-West and J Franklin, 'US Banks Tout Fossil Fuel Credentials after Republican ESG Backlash' (*Financial Times*, 7 August 2022).

[14]P Kjaer, A Febbrajo and G Teubner (eds) *Financial Crisis in Constitutional Perspective: The Dark Side of Functional Differentiation* (Hart Publishing 2011).

[15]See literature in n 3.

[16]Gabor and Braun (n 12) for a classification spanning from the neoclassical 'economists" approach focused on capitalism with carbon pricing and 'Wall Street Consensus' through 'environmental' degrowth movement to 'left Keynesians' advocating green growth via public investment and 'ecological Leninists' calling for green transition via planning (2022), on ecological Leninists see also A Tooze, 'Ecological Leninism' 43 (2021) London Review of Books 22.

[17]Epilogue, Eich (n 2).

[18]Eg in the form of Modern Monetary Theories or refined historic excavations of Eric Monnet in *La Banque Providence, Démocratiser les banques centrales et la monnaie* (Seuil 2022). See also citations in n 4 and 13.

[19]Tooze as quoted in Eich (n 2).

[20]n 1 see also Eurogroup, 'Reflections on 20 years of the euro: joint article by Eurogroup Members Emphasizing the Importance of Sustainable Investment' (Eurogroup 2021) <https://www.consilium.europa.eu/en/press/press-releases/2021/12/31/reflections-on-20-years-of-the-euro-joint-article-by-eurogroup-members/> accessed 19 September 2022.

[21]Data up to 2022 following Climate Bonds Initiative database available at <https://www.climatebonds.net/market/data/#currency-charts> accessed 12 October 2022.

[22]J Bauerschmidt, 'Hamilton Goes Green: The EU's Recovery and Resilience Facility to Combat Climate Change' (Working Paper presented at ICON-S Conference in Wrocław, July 2022) (on file with the author).

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underscores the hybridity of money.[23] In particular, from the perspective of enriching our understanding of the legal constitution of money, two elements of this idea of the euro as a green currency stand out: (a) the public debt issuance with a specific (long-term) purpose; (b) the granularity with which EU law shapes the terms of the relationships between actors involved in private creation of green money.

The EU is a leader in sovereign sustainable debt. The European Investment Bank prides itself as being the first institution globally to have issued sustainable bonds, indeed already in 2007 (such bonds were related to climate change mitigation). Since then, the EU has become the global leader in issuing public debt 'with a purpose', either social or green. To finance the pandemic employment assistance programme (SURE),[24] the EU Commission issued 91.8 billion euros of social bonds between 2020 and 2022. In a dedicated 'Social Bonds Framework', the European Commission (as the issuer) outlined the type of 'eligible social expenditures' which Member States may finance with funds obtained through common EU debt issuance. These include: 'employment generation, and programs designed to prevent and/or alleviate unemployment stemming from socioeconomic crises' and 'access to essential services (eg heath; healthcare)'. Specific Sustainable Development Goals (DGs number 3 (Good Health and Well-Being) and number 8 (Decent Work and Economic Growth)) are targeted by SURE expenditure.[25] A second party opinion on the bond framework,[26] provided in accordance with the market standard by Sustainalytics, emphasises SURE's positive impact on supporting short-time work schemes and increasing access to social protection.[27] As far as environmental objectives are concerned, by 2026 the EU will issue 250 billion euros worth of green bonds within the scope of the NextGenerationEU programme financing post-pandemic recovery. As in the case of SURE, the European Commission has prepared a dedicated green bond framework outlining the types of activities which the debt proceeds will finance, and a second party opinion has been issued (this time by a subsidiary of Moody's).[28] Additionally, the European Commission has pledged to align NextGenerationEU green bond issuance with the Green Taxonomy, pledging that – whenever possible – it will only classify as green those expenditures that finance activities which contribute to attaining EU's environmental objectives in the most technologically advanced way. Furthermore, the financed expenditure under the Recovery and Resilience Facility (RRF) must comply with the 'do no significant harm' principle as outlined in Article 17 of the Green Taxonomy Regulation, meaning that no project financed by the total of 672.5 billion euro issuance to finance Member State's resilience and recovery projects, can be harmful to any of the EU's environmental objectives.[29] To ensure the credibility of the

[23] Mehrling (n 3), Pistor (n 4), R Hockett and S Omarova, 'The Finance Franchise' 102 (2017) Cornell Law Review 5, 1144.

[24] Support to mitigate Unemployment Risks in an Emergency (SURE) programme was introduced in April 2020 and subsequently approved by the Council. Council Regulation (EU) 2020/672 of 19 May 2020 on the establishment of a European instrument for temporary support to mitigate unemployment risks in an emergency (SURE) following the COVID-19 outbreak, OJ L 159/1.

[25] European Commission, SURE Social Bond Framework (21 October 2020) <https://ec.europa.eu/info/sites/default/files/about_the_european_commission/eu_budget/eu_sure_social_bond_framework.pdf> accessed 19 September 2022.

[26] The second party opinions are issued following the existing market practice to confirm the alignment of the bond issuance with the ICMA market standards relating to green or social bonds, as regards specific elements of the bond, such as the use of proceeds, the expected impact and overall coherence.

[27] Sustainalytics, 'EU SURE Social Bond Framework' (16 September 2020) <https://ec.europa.eu/info/sites/default/files/about_the_european_commission/eu_budget/second_party_opinion_by_sustainalytics_on_the_framework.pdf> accessed 19 September 2022.

[28] European Commission, Next Generation EU – Green Bond Framework (7 September 2021) <https://ec.europa.eu/info/sites/default/files/about_the_european_commission/eu_budget/nextgenerationeu_green_bond_framework.pdf> accessed 19 September 2022.

[29] See Art 5(2) Regulation (EU) 2021/241 of the European Parliament and of the Council of 12 February 2021 establishing the Recovery and Resilience Facility, OJ L 57/17 and European Commission's subsequent guide.

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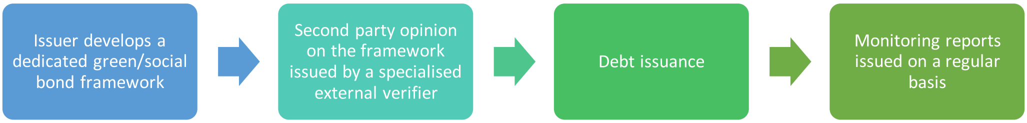

Figure 1. Mechanism of green/social bond issuance in the EU.

commitment, the European Commission will regularly report on how the green issuance proceeds are used.[30]

A comparison with the issuance of traditional bonds allows us to understand the significance of this framework. Whereas in 'regular' sovereign issuance, the primary governance mechanism of public debt resides in the yields, the green/social bond framework is significantly more elaborate.[31] Among sovereign issuers there is indeed little evidence of a 'greenium' (lower yield on sustainable bonds than on normal ones)[32] nor are 'green bonds' consistently more popular with investors than 'regular' NextGenerationEU bonds.[33] And yet, given the governance framework summarised in Figure 1 and notwithstanding any (valid) concerns about greenwashing, the fact remains that money obtained by the EU or the states through green bond issuance is subject to a regime very distinct from 'ordinary' public debt. The issuer must specify the objectives and types of activities they intends to finance with such bonds. The issuer's plans must be validated by an expert body (so-called external verifier such as Moody's or Sustainalytics in the case of the EU). After the issuance, a monitoring effort follows. Such green financial products have a special status on the markets and increasingly – as further discussed below – in the context of monetary policy operations.[34] As a result, the issuance of green sovereign debt cannot only be seen as imposing an additional requirement on the borrower, but as well as the sovereign (the EU as a whole or individual Member States issuing green debt) exercising leverage power to change the expectations ('ideas of the future') of finance.[35]

Tight EU regulation of sustainable finance is the second element of the 'euro as a currency of the green transition' idea. The scope and the level of granularity of the rules that the European Commission has put forward since the 2015 Sustainable Finance Action Plan (SFAP), is also what differentiates the EU from other jurisdictions where the ESG finance is on the rise, such as the US.[36] The Green Taxonomy[37] is a classification framework that creates a bridge between the world of finance and environmental concerns. Subsequent sectoral regulatory requirements introduced in the context of bank microprudential requirements or market rules,[38] link this

[30]That the EC is taking the monitoring seriously can be inferred from an elaborate dedicated website that professes to track exactly where the money obtained through green issuance goes: European Commission, 'NextGenerationEU Green Bond Dashboard', <https://ec.europa.eu/info/strategy/eu-budget/eu-borrower-investor-relations/nextgenerationeu-green-bonds/dashboard_en> accessed 19 September 2022.

[31]David Ramos Munoz and Agnieszka Smoleńska (eds), *Green Bonds a European Endeavour* (Palgrave Macmillan, forthcoming), especially chapters by Nikos Maragopoulos and Climate Bonds Initiative.

[32]AFME, 'Sovereign green premia, Sustainable Finance Report – Q2 2022' (Report 2022), slide 37.

[33]NextGenerationEU Transaction Data, available at: <https://ec.europa.eu/info/strategy/eu-budget/eu-borrower-investor-relations/nextgenerationeu/transactions-data_en> accessed 19 September 2022, M Grzegorczyk and GB Wolff, 'Greeniums in Sovereign Bond Markets' (Bruegel Working Paper 29 September 2022).

[34]The special status (flexibility) of public green money is also attained with the EU Green Bond standard, which foresees special provisions for sovereign bonds.

[35]'Introduction' in B Braun and K Koddenbrock, *Capital Claims: Power and Global Finance* (Routledge 2023).

[36]See discussion in n 13 and KA Janse and A Bradford, 'Europe Greening the World: The "Brussels Effect" on Sustainable Finance' (ESM Blog 2021) <https://www.esm.europa.eu/blog/europe-greening-world-brussels-effect-sustainable-finance> accessed 19 September 2022.

[37]Regulation (EU) 2020/852 of the European Parliament and of the Council of 18 June 2020 on the establishment of a framework to facilitate sustainable investment, and to amend Regulation (EU) 2019/2088, OJ L 198/13 ('Green Taxonomy').

[38]The relevant EU pieces of legislation include: Directive (EU) 2019/878 of the European Parliament and of the Council of 20 May 2019 amending Directive 2013/36/EU as regards exempted entities, financial holding companies, mixed financial

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common language of sustainability to the terms of financial products issued by banks. Only projects which satisfy conditions relating to (a) facilitating the pursuit of one EU environmental objective, (b) not harming the others, and (c) fulfilling minimum safeguards relating to good governance and employment conditions, may be labelled as green.[39] At the same time, the balance sheets of financial institutions are to be shifted in a more sustainable direction. This is done first and foremost by increasing transparency about the type of instruments banks have on their balance sheets (eg Green Asset Ratio),[40] but as well by regulating more tightly exposures to various sustainability risks.[41] In the context of the European Commission's 2021 Banking Package, in addition to expanding on the dedicated prudential treatment of ESG risks in banking supervision, MEPs have proposed to introduce dedicated capital requirements to cover fossil-fuel related assets.[42] These financial regulation rules mean that EU shapes not only the supply of sustainable products, but also the demand at the level of financial regulation (as well as broader socioeconomic transformation underpinning the Green Deal). While these rules are only entering into force, banks are in fact already starting to verify whether the projects seeking financing with them comply with the Green Taxonomy. Any such credit will have a "green status." European Commission has foreseen a similar framework for the social taxonomy, that would allow to identify which business activities are at the forefront of improving social conditions such as quality of employment, gender equality or healthcare access, however due to political difficulties the project has been stalled in 2022.[43]

From the perspective of understanding how the EU shapes the private creation of green money, what stands out is the highly technocratic nature of this exercise. EU's sustainable finance rules, including the details of banks and firms' obligations, are developed by the European Banking Authority (EBA) and European Securities and Markets Authority (ESMA) in a highly detailed manner and largely through generally applicable (implementing) regulations.[44] Secondly, there is an unprecedented role for third party companies, so-called 'external verifiers' in determining the compliance of financial instruments with mandatory or voluntary sustainable finance standards. These highly prescriptive design features are unique: in no other segment of the financial market has the EU tried to regulate investment in such a proactive manner.[45] The fact that the EU's societal and environmental goals are being 'riskified' to be considered relevant for finance is of course questionable: as yet another example of the relentless financialisation and

holding companies, remuneration, supervisory measures and powers and capital conservation measures, (2019) OJ L150/253 ('CRD5'), Regulation (EU) 2019/2088 of the European Parliament and of the Council of 27 November 2019 on sustainability-related disclosures in the financial services sector (2019) OJ L 317/1 ('SFRD') or Commission Delegated Regulation (EU) 2021/1253 of 21 April 2021 amending Delegated Regulation (EU) 2017/565 as regards the integration of sustainability factors, risks and preferences into certain organisational requirements and operating conditions for investment firms, OJ L 277/ 1 ('MIFID Sustainability Preferences Delegated Act').

[39]Art 3 Green Taxonomy.

[40]Art 8(2)(b) Green Taxonomy requiring non-financial firms disclose the proportion of OpEx and CapEx related to assets that qualify as sustainable under Art 3 Green Taxonomy.

[41]A Smoleńska and J van"t Klooster, 'A Risky Bet: Climate Change and the EU's Microprudential Framework for Banks' 8 (2022) Journal of Financial Regulation 1, 51.

[42]European Parliament, Amendments to CRD6 proposal (2022), Finance Watch, 'A Safer Transition for Fossil Banking: Quantifying the Additional Capital Needed to Reflect the Higher Risks of Fossil Fuel Exposures' (Report 2022), B Gulija, 'Sustainability and Climate Risk: Capital as the Ultimate Tool for Leveraging the Financial Sector?' 25 (2022) Financial Regulation International 5, M Marcinkowska, 'Próby włączenia ryzyka ESG do unijnich regulacji ostrożnościowych dla banków' 88 (2022) Bezpieczny Bank 3.

[43]Platform on Sustainable Finance, 'Final Report on Social Taxonomy' (Report February 2022).

[44]Consider for example the level of detail in recent Implementing Technical Standard on ESG Pillar 3 disclosures: EBA, 'Implementing Technical Standards (ITS) on Prudential Disclosures on ESG Risks in Accordance with Article 449a CRR' (2022) <https://www.eba.europa.eu/implementing-technical-standards-its-prudential-disclosures-esg-risks-accordance-article-449a-crr> accessed 19 September 2022.

[45]With the EU rules shaping the green qualities of sovereign and public-private (bank money), arguably it is turning the shadow banking, private money segment into purely dirty money, as the latter picks up the divested investment into dirty assets. See Murau and van' Klooster (n 3) for the differentiated conception of money.

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marketisation of social and environmental issues. And yet, the tightening regulation of sustainable financial products in the EU coupled with an expanding market presence of the EU as an issuer, have become mechanisms through which broader societal and environmental objectives are transformed into constraints on private money creation. In the context of Eich's reflections on the political dynamics of the evolution of monetary regimes, the process through which regulations shape the green nature of credit, and therefore money, is in fact an example of depolitisation, with the Green Taxonomy intended to be underpinned largely by best available scientific knowledge.[46] It further implies that, as I discuss further below, Eich's characterisation of the extent of privatisation of money creation in the context of 'green currency' must be qualified.[47]

It is not only sustainable regulation and unprecedented sovereign green bond issuance in euros that drive the emergence of green money in the EU. The special status of capital conforming with sustainability goals is driven by the emerging differentiation between green and non-green assets by the European Central Bank (ECB). Since the ECB's 2021 Monetary Strategy review, sustainability concerns and those relating to climate change in particular, have been streamlined throughout the activities of the bank. In addition to an evident focus on improving the climate change expertise, eg by creating a Climate Change Centre within the ECB to inform the Governing Council as to the climate change dimension of monetary policy,[48] steps are being taken to green individual policy instruments. In July 2022 the ECB committed to incorporating climate change considerations into the Eurosystem's purchases of corporate-sector securities, encompassing both the corporate sector purchase programme (CSPP) and the pandemic emergency purchase programme (PEPP) corporate bond holdings.[49] Similarly, the ECB's collateral framework has begun to recognise climate change-related issues with a limitation on the eligibility of high carbon footprint assets and an announced an assessment of climate change risk in the context of the haircut setting.[50] Further steps, including a differentiated interest rate approach to ensure that monetary policy tightening does not stifle the sustainability transition, are called for.[51] Such an explicit differentiation can only partly be understood by reference to the ECB's primary mandate – price stability. Rather it is the result of increasing democratisation pressures on the central bank as well as a 'rediscovery' of the bank's secondary mandate, requiring it to support general economic policies in the EU.[52] The greening of the ECB monetary policy – and this is the goal effectively desired by many who call for more of such action – leads to a differentiation between green and 'dirty' money which is equally to be internalised by banks.

Taking together the three trends of EU green bond issuance, granular sustainable finance regulation and the progressive greening of monetary policy with Eich's book in mind, helps us understand that 'currency of the green transition' is not only a question of strengthening the popularity of the euro as a currency preferred by green-minded investors, and see the ripple effect of political transformation driven by a common vision of the future (climate neutrality).

[46]Recital 52 and Art 20 Green Taxonomy on Sustainable Finance Platform.

[47]See also in similar vein Erik Jones suggesting that '[t]he depoliticisation of this "monetary creation" is hard to find in all this legislative activity.' E Jones, 'Economy' 64 (2022) Survival 5, 160.

[48]ECB, 'ECB Sets Up Climate Change Centre' (Press Release 2021) <https://www.ecb.europa.eu/press/pr/date/2021/html/ecb.pr210125_1~3fc4ebb4c6.en.html>.

[49]ECB, 'FAQ on Incorporating Climate Change Considerations into Corporate Bond Purchases' (FAQ 4 July 2022) <https://www.ecb.europa.eu/press/pr/date/2022/html/ecb.pr220704~4f48a72462.en.html> accessed 19 September 2022.

[50]ECB, 'ECB Takes Further Steps to Incorporate Climate Change into Its Monetary Policy Operations' (Press Release 2020) <https://www.ecb.europa.eu/mopo/implement/app/html/ecb.cspp_climate_change-faq.en.html> accessed 19 September 2022.

[51]J van't Klooster, 'The European Central Bank's Strategy, Environmental Policy and the New Inflation: A Case for Interest Rate Differentiation' (LSE Grantham Research Institute on Climate Change and the Environment Report 2022) <https://www.lse.ac.uk/granthaminstitute/publication/the-european-central-banks-strategy-environmental-policy-and-the-new-inflation/>.

[52]J Solana, 'The Power of the Eurosystem to Promote Environmental Protection' 30 (2019) European Business Law Review 4, 547, N de Boer and J van't Klooster, 'The ECB, the Courts and the Issue of Democratic Legitimacy after Weiss' 57 (2020) Common Market Law Review 6, 1689.

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Even if the second element, that is sustainable finance regulations, covers the EU's internal market as a whole with its multiple currencies,[53] the combined effect of large-scale sovereign issuance in euro[54] and the facilitative policies of the central bank (ECB), are needed for the green currency to take shape. Law and the changing practice of EU institutions shape the supply and demand for green credit in the pursuit of a sustainable future. In this context, while private credit continues to be important for financing the transition, Eich's conception of privatisation of money creation must be qualified. Evidently, the imposition of particular requirements on the terms of 'green finance' restricts financial market actors, shaping the relationships between the borrower and the creditor in a particular way. In this case, granting a privileged position in those relations to sustainability/ESG considerations. Since the Great Financial Crisis regulations across the globe have in fact sought an ever tighter grip over finance, altering 'the contract' which exists between state, finance, and the real economy. Such a transformation is not a foregone conclusion as the pushback against ESG investing in the US, leading to 'forced fossil fuel financing laws',[55] makes clear. The divergent US and EU trajectories in this regard also suggest that whereas euro may become 'the currency of the green transition', the dollar is less likely to see a similar transformational push.

4. Political-institutional qualities of green money

The transformation of the euro into 'a currency of the green transition' is intriguing in the light of the questions about the political nature of money that Eich puts on the table. In *The Currency of Politics* he argues the politics of currency reside not only in the distributional fallout of money and monetary policy – eg the distributive impact of interest rate for example, but as well in those politico-institutional qualities which determine how the terms of the interaction between citizens are set in a particular polity over time. The qualities of 'political currency' encompass the terms of the Aristotle-inspired notion of reciprocity, the place of justice considerations in the monetary regime and the way in which the currency connects the present with the future.[56] Could a 'green euro' represent an improvement in such terms as compared to a 'non-green euro'? Could the way that the currency of transition is shaped through law and policy action open up new ways of thinking about democratising the monetary regime? The transformational impact which the terms of sustainable finance have on the relationship in the economy, the normative anchoring of the sustainability/ESG concerns and the overarching preoccupation with the long-term 'alignment' and 'transition' suggest a (tentatively) positive answer.

As regards the transformational impact of the green currency on the terms of interaction of actors in the economy, this perspective follows Eich's interpretation of Aristotelian 'reciprocity' as a concept which pre-dates considerations of justice and refers to a frame for understanding how we relate to one another, of fair exchange.[57] A green currency, defined by what good the money in question do to environmental/social goals, arguably creates a common point of reference against which commensurability can be achieved. In addition to financial metrics (yield, creditworthiness), environmental and social goals become a crucial step in the creation of the credit relationship. This results in a reciprocity rooted in common sustainability goals as defined in the political,

[53] A Smoleńska, 'An EU Credit Council: What You Can See from the Common Ground', in *Accounting, Economics, and Law: A Convivium* (forthcoming).

[54] Notably green bonds are issued also by a number of euro area countries such as France or Germany, as well as non-euro area countries such as Poland (in 2016). Among the EU countries, Sweden and Hungary have meanwhile issued sovereign green bonds in domestic currencies.

[55] B Masters et al, 'Texas Anti ESG Law Endangers Financial Stability, says Sarah Bloom Raskin' (*Financial Times*, 2 October 2022).

[56] Eich (n 2), 8.

[57] On Eich's unpacking on the notion of Aristotelian reciprocity as a precondition for justice see n 5, 34 and S Eich, 'Between Justice and Accumulation: Aristotle on Currency and Reciprocity' 47 (2019) Political Theory 3, 363.

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legislative (and technocratic) processes. Green currency in this sense becomes a tool for the needed coordination and alignment between actors in the economy.[58] From a civic perspective, a green currency could be seen as expanding the space for citizen engagement.[59] In fact, the infrastructural power of finance is one reason why we already see a shift of environmental groups to lobbying finance rather than the companies pursuing unsustainable projects banks may fund directly.[60] Looking at green currency from the perspective of terms of interaction allows moreover to formulate an alternative perspective on sustainable finance from the one seeing the latter largely as a means of entrenching financialised capitalism,[61] by drawing attention to the mutual responsibilities of firms, finance, and the state vis-à-vis the sustainability transition goals.

From a justice perspective, green currency can be differentiated from other types of money by the inherent normative stance it carries, the anchoring in goals relating to environmental and social justice, defined in terms of sustainability.[62] Sustainable finance may often be framed as science-based, nevertheless the political process and bureaucratic entrepreneurship determines the scale of the ambition. The EU's environmental objectives are intrinsically linked to notions of intergenerational and planetary justice. The Green Taxonomy framework is normative in how it balances the different environmental objectives against each other ('do no significant harm' principle), while at the same time requiring a set of minimum safeguards – relating to governance and labour standards. The coupling of environmental and social sustainability has in fact been conceived in terms of a 'just transition'.[63] Despite this clear anchoring of 'euro as a currency of transition', these normative questions seem largely obscured from view when we discuss sustainable finance. We discuss it as a highly consequential framework, as industrial policy, less often from the perspective of its potential to become a tool of and for justice. This represents an important gap in our conceptualisation of the role of currency as a political and societal institution in transition to a sustainable future, which one hopes that Stefan Eich will address in future projects.

Where the 'political currency' conceptualisation speaks most clearly to the 'green euro project' is where the latter is defined by the 'collective imagination that connects the present to the past and the future'[64] relating to the goals of climate neutrality by 2050 in particular. These goals organise the collective imagination because they are also backed by a flurry of concrete sectoral regulations,[65] which differentiates this effort from previous aspiratory goals of the EU, such as the failed 2000 Lisbon Agenda. In this sense the euro's role as a currency of the transition cannot be understood merely as funding exercise, but rather as embedding throughout the economy of a common vision of the future. Sustainable finance works by extending the time horizon of monetary and financial authorities from the 2–5 years to 10–30 years.[66] It extends further the

[58]On the importance of coordination in sustainability transition see: J Markard et al, 'Sustainability Transitions: An Emerging Field of Research and Its Prospects' 41 (2012) Research Policy 6, 955.

[59]R Jones, 'Green Money: How Your Finances Can Help the Planet' (*Guardian*, 7 February 2022) <https://www.theguardian.com/money/2022/feb/07/green-money-how-your-finances-can-help-the-planet> accessed 18 December 2022.

[60]L Hook, 'The Oil Giants Drilling among the Giraffes in Uganda' (*Financial Times*, 12 April 2022) <https://www.theguardian.com/money/2022/feb/07/green-money-how-your-finances-can-help-the-planet> accessed 18 December 2022.

[61]D Gabor, 'The Wall Street Consensus' 52 (2021) Development and Change 429.

[62]L Herzog (ed), *Just Financial Markets? Finance in a Just Society* (Oxford University Press 2017).

[63]Compare with Eich (n 2, 178) recalling how legal philosophers concerned with justice tended to largely ignore institutional questions of monetary policy and central banks, and literature cited there. On just transition see inter alia N Robins, V Brunsting, and D Wood, 'Investing in a Just Transition: Why Investors Need to Integrate a Social Dimension into Their Climate Strategies and How They Could Take Action' (GRI Policy Publication 2018) <https://www.lse.ac.uk/granthaminstitute/publication/investing-in-a-just-transition-why-investors-need-to-integrate-a-social-dimension-into-their-climate-strategies-and-how-they-could-take-action/> accessed 18 December 2022.

[64]Eich (n 2), 8.

[65]eg European Union's "Fit for 55" package of reforms in sectors such as transport and energy is intended to translate EU's interim greenhouse gas emission reduction targets into sectoral adjustments.

[66]EBA, 'Report on Management and Supervision of ESG Risks for Credit Institutions and Investment Firms' (Report 2021) <https://www.eba.europa.eu/eba-publishes-its-report-management-and-supervision-esg-risks-credit-institutions-and-investment>

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epistemological foundation of financial decisions from ones based on past performance, to being forward-looking (eg stress tests) and scenario based.[67]

5. Is green money any good?

Themes and insights of *The Currency of Politics* allow us to see the idea of 'euro as a currency of transition' in a much broader light than just as expanding the euro's international role. An exploration of how the combination of EU's euro-denominated social and green issuance, tight regulatory framework entering into force and an evolving greening approach of the central bank create a differentiated monetary regime, allows us to see an emerging 'green currency' which does much more in constitutional terms than its 'non-green' alternative.

I have sketched how in this new regime there could be space for new forms of reciprocity, a more just money underpinned by a more sustainable vision of the future in planetary and social terms. The list of obstacles and subversions of such a pretty picture is of course extensive: the euro's greening relies largely on existing, faulty power relationships; the spectre of green-washing looms large; strong institutional capacities (eg for monitoring and enforcement) are required for such a complex regime to work; there are risks related to the underdefined relationship between 'green' and the other types of money; an insider 'green money' perspective may be sub-optimal from a global justice point of view and entrenching unfair hierarchies of money.[68]

Arguably however, the key insight here is to suggest that from a democratic politics perspective green currency, defined by regulatory and policy moves as described above, has features of a 'tool of government' for the achievement of goals of social and planetary well-being. Money becomes indeed 'a governance project'[69] of the sustainable transition. While this creates spaces for engagement and new forms of organising a polity, the design of this space is largely removed from ordinary citizens, an example of Jens van 't Klooster's 'technocratic Keynsianism', than as 'democratic self-government'.[70] Technocratic agencies, and – more worryingly – for-profit 'verifiers' of sustainability such as Sustainalytics, Moody's or Deloitte – play an outsized role. A green currency could be therefore both highly political and transformative, but is arguably too insulated and opaque a process to be considered democratic. Therefore, while *The Currency of Politics'* theses relating to the privatisation of money creation and the interrelationship of finance and the state might need to be qualified in the context of green money, Eich's emphasis on the need to broaden our exploration of the accountability of central banks looms large. This research agenda must be broadened also to financial supervisors and market infrastructures more broadly as political actors with regard to their role in constituting the green currency.

Competing interests. The author has no conflicts of interest to declare.

accessed 18 December 2022; S Dikau, N Robins, A Smoleńska, J van't Klooster and U Volz, 'Net Zero Transition Plans: A Supervisory Playbook for Prudential Authorities' (Report 2022) <https://www.lse.ac.uk/granthaminstitute/publication/net-zero-transition-plans-a-supervisory-playbook-for-prudential-authorities/> accessed 18 December 2022.

[67]Smoleńska and van't Klooster (n 41).

[68]See eg K Pistor, 'Moneys' Legal Hierarchy' in L Herzog (ed), *Just Financial Markets? Finance in a Just Society* (Oxford University Press 2017) 185–204. For proposals for a global 'Green Bretton Woods System' see: N Aguila, P Haufe and J Wullweber, 'The Ecor as Global Money: Towards a Green Bretton Woods System to Finance Sustainable and Just Transformation' (SSRN 2022) <https://papers.ssrn.com/sol3/papers.cfm?abstract_id=4152448> accessed 18 December 2022.

[69]Desan (n 3), A Chadwick, 'Rethinking the EU's 'Monetary Constitution': Legal Theories of Money, the Euro and Transnational Law' 1 (2022) European Law Open 468.

[70]Eich (n 2), 6, on the "ordoliberal" construction of the euro see: W Streeck, 'Heller, Schmitt and the Euro' 21 (2015) European Law Journal 361.

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