

Contents

1	Introduction	1
1.1	What is Money?	1
1.2	How is Money treated within economics?	2
1.3	What are Network Effects?	4
1.4	Money and Network Effects	6
1.5	Overview of the Book	7
	References	10
2	Market and Political Selection of Currency - a Network Approach	13
2.1	Introduction	13
2.2	The Model	15
2.3	The Market Approach	17
2.4	The Political Approach	21
2.5	Comparison	25
2.6	Pareto Optimality and Choice of Money	30
2.7	Application: the Euro	36
2.8	Complementary Viewpoints	38
2.9	Conclusion	41
	Appendix Proofs	42
	References	51
3	The Adoption of a New Currency.	55
3.1	Introduction	55
3.2	Network Models	57
3.2.1	Uniformly Distributed Preferences	58
3.2.2	Normally Distributed Preferences	66
3.3	Velocity Models	69

3.3.1	Constant Absolute Velocity	69
3.3.2	Constant Relative Velocity	71
3.4	Conclusion	71
	References	73
4	Carl Menger and the Network Effects of Money	75
4.1	Introduction	75
4.2	The Definition of "Forerunner"	77
4.3	Money as a Network Good and its Implications	79
4.4	Analysis	80
4.4.1	Menger's Central Message	80
4.4.2	Coverage	81
4.4.3	Distinctness	83
4.4.4	Depth	84
4.5	Forerunners and Monetary Economists Contemporary with Carl Menger	89
4.6	Conclusion	91
	References	92
5	The Euro Cash Changeover Process	99
5.1	Introduction	99
5.2	Background	101
5.3	Theory	104
5.3.1	Network-related Reasons	105
5.3.2	Technical and Logistical Reasons	107
5.3.3	The Financial System and Payment Behavior	108
5.3.4	Psychological Reasons	108
5.4	Data	111
5.5	Results	113
5.5.1	Descriptive Statistics	113
5.5.2	Method and Problems	115
5.5.3	Correlations	115
5.5.4	Regressions	116
5.6	Conclusion	119
	References	120