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Fungibility

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Fungibility is a central notion in economics, though often unnoticed and unnamed. It means merely ‘substitutable’, and is in origin a Latin legal term meaning ‘such that any unit is substitutable for another’ (from *fungor* meaning ‘do, discharge’). A debt can be discharged with any money, not merely moneys from a particular account. The task of a low-level administrator is to make accounts fungible with each other, so that pencil money may be spent for office parties when required; the task of a high-level administrator is to prevent this. Mother cannot give money ‘for’ a new refrigerator: the gift merely raises the recipient’s income. Likewise the World Bank rule that the items ‘financed by’ the Bank must attain a certain level of social return is pointless. The $100 million given to a government will be used anyway for the marginal project in the government’s list; the project ‘for which the money is given’ can be claimed to be any intramarginal one.

Because demands for grain are fungible a cut in Soviet orders for American grain does not cause a one-for-one fall in demands on American suppliers. Because money is fungible the prospect of a government pension will reduce the incentive to save privately. The last, ‘winning’ points in a football game are in no coherent sense *the* winning points, since points are fungible. On the same grounds ‘the reasons’ for a decision are meaningless: criteria for the decision are fungible.

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