Political Money from Locke to Kwasi Kwarteng

Eloise Davies
Oriel College, University of Oxford

STEFAN Eich's *Currency of Politics* is bold and wide-ranging, yet also precise and carefully argued.[1] It offers insightful analysis of figures ranging from Aristotle to John Maynard Keynes. For readers with an interest in the history of early modern political thought, the book's second chapter, on John Locke and the English monetary crisis of the 1690s, deserves a review in its own right. Here, Eich offers a new perspective on a period of financial and political innovation which has long held a central place in the efforts by historians of political thought to trace the emergence of 'modern' politics and commercial society. In particular, Eich's chapter chimes with – and raises questions about – the narratives put forward by two major historians of political and commercial ideas, J.G.A. Pocock and István Hont. Since publication, it has also taken on an unforeseen topical relevance, thanks to the sudden political rise and fall of Eich's fellow scholar of the recoinage of 1695–97: one Kwasi Kwarteng, MP.

Eich's chapter contributes to a long tradition of giving the 1690s a prominent place within the history of political thought. This was the decade which saw the political workings out of the so-called Glorious Revolution of 1688, once seen as a founding moment of British liberal democracy. Though the Whig interpretation of 1688 has long been abandoned, the 1690s have retained their retained their importance as a crucial period of transition. They are now often regarded as moment of Financial Revolution, with the foundation of the Bank of England in 1694 taken to have inaugurated a new age of credit-based finance. For J.G.A. Pocock, this period of intellectual clash between classical republicans and theorists of commercial society reshaped political debate, as modern understandings of political virtue challenged ancient ones.[2] For István Hont, this was the opening phase of a new effort to historicise human development, in which commercial society was recognised as a new stage of civilisation with its own distinctive challenges, and from which there was no turning back.[3] Pocock's *Virtue, Commerce and History* (1985) and Hont's *Jealousy of Trade* (2005) remain foundational accounts of the transition from early modern to modern politics and commercial society.

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[1] A version of this commentary was first presented on 20 February 2023 in New College College, Oxford at a roundtable on Stefan Eich, *The Currency of Politics: The Political Theory of Money from Aristotle to Keynes* (Princeton: Princeton University Press, 2022).
[2] See especially J.G.A. Pocock, *Virtue, Commerce and History: Essays on Political Thought and History, Chiefly in the Eighteenth Century* (Cambridge: Cambridge University Press, 1985).
[3] István Hont, *Jealousy of Trade: International Competition and the Nation-State in Historical Perspective* (Cambridge: Harvard University Press, 2005).

Crucially, these are not narratives which place much stock on John Locke. Peter Laslett's pioneering re-dating of Locke's *Two Treatises of Government* had already undermined Locke's significance as the major political theorist of the 1688 revolution, and the shift to focus on the Financial Revolution of the 1690s did not lead to any recentring of Locke's ideas. Instead, as Pocock put it, Locke suffered 'a double displacement'. For though Locke was 'a theorist of recoinage and an early investor in the Bank of England', he did not become one of the vocal 'defenders of the Financial Revolution'. According to Pocock this was because the financial revolution 'was attacked in the name of [ancient republican] values to which' Locke was 'utterly indifferent'. Locke could not, therefore, be the man to 'supply the language in which this attack was answered'.[4]

This is where Stefan Eich's *The Currency of Politics* makes a striking intervention, placing Locke back at the heart of events. On Eich's account, what made the 1690s such a crucial moment was not the political-constitutional upheaval that followed 1688, nor specifically the foundation of the Bank of England. Instead, Eich emphasises the economic and monetary crisis that accompanied William III's war against Catholic, absolutist France, which put strain on the already depleted monetary supply in England, encouraging rampant coin clipping and a collapse in trust in the currency.[5]

The spiralling inflation and debasement of the coinage that ensued demanded a drastic response. John Locke was among those who vied with his contemporaries to offer a solution. Most of those consulted (an illustrious list including Isaac Newton, Christopher Wren and Charles Davenant) advocated devaluation to reset the value of existing coins to match their now reduced metal content. Locke, however, successfully advocated for a more radical solution: a full recoinage to re-establish the link between coins and their original metallic content. This move effectively laid the foundations of the gold standard, which would dominate British monetary policy until its final abolition in 1931.

As Eich notes, this was an ingenious and, after an initial wave of economic upheaval, broadly successful solution.[6] But it also makes Locke something of the villain of Eich's book. Locke is the man who oversaw an apparent depoliticisation – which was really, in Eich's terms, a de-*democratisation* – of money. This helped obscure money's true political nature for centuries after. Importantly, Eich emphasises that Locke himself advocated a *knowing* de-democratisation of money. But his later acolytes lost sight of this nuance and started to believe that money really was apolitical – an error with consequences up to the present day.

This is a powerful contribution to our understanding of Locke's political thought, giving Locke's often overlooked monetary writings the prominence they deserve. It also raises questions which are left unexplored in Eich's book. In particular, it would be interesting to hear more about the relationship

[4] J.G.A. Pocock, 'The Machiavellian Moment Revisited: A Study in History and Ideology', *The Journal of Modern History* 53, no. 1 (1981): 49-72, at p. 65.
[5] See also Brodie Waddell, 'The Economic Crisis of the 1690s in England', *The Historical Journal* 66, no. 2 (2023): 281–302.
[6] For the disruption, see Waddell, 'The Economic Crisis', 291–294.

between what Eich calls 'the democratisation of money', and the republican currents of the 1690s. As Pocock notes, Aristotle – whom Eich sees as the pivotal figure in recognising money's democratic value – provided important inspiration to the critics of credit-based finance.[7] Such critics emphasised the political value of participation: the Aristotelian need to 'rule and be ruled'. Set in the context of the debate over ancient versus modern liberty, there is there a danger that, in the end, calls for a new democratisation of money cannot go far beyond a call to turn back the clock to a simpler time of ancient virtue. On Hont's account, this is a claim which is no longer feasible in the interconnected modern world and constitutes the ultimate gulf between pre-modern and modern political thought.[8]

In Eich's suggestive but brief conclusion, it remains unclear what *type* of democratisation of money he is proposing, and how far his critique of monetary policy can be differentiated from the classical republican critique of finance. Does Eich see himself as in any way an heir to such critics, or does he see himself as doing something very different? How can we today conceptualise a new democratisation of money without running into the same problems of feasibility faced by eighteenth-century advocates of ancient virtue?

The question of feasibility brings us back to the erstwhile UK Chancellor, Kwasi Kwarteng. By strange coincidence, the 'Political Thought of the Recoinage Crisis of 1695-7' was the subject of Kwarteng's Cambridge PhD, supervised by István Hont. It might have been hoped that Kwarteng's acquaintance with a previous decade of British constitutional upheaval, European war, food shortages and rapid inflation would prove good preparation for government in the early 2020s, the age of Brexit and the Russo-Ukrainian War. In many ways, his short stint in government in September 2022 *did* reflect a recognition that money is always political, just as a good student of the monetary crisis of the 1690s should. But Kwarteng's attempt to wrest political control from the markets soon crashed to earth. I would be interested to hear Eich's view of the role of the international markets in swiftly dispatching Kwarteng and his plans. It is tempting to see Kwarteng's failure as fundamentally undermining future movements for the democratisation of money, whether on the left or the right.

Kwarteng has not proven an excellent advert for Cambridge School history of political thought as an education for government (finally, Cambridge enjoys some share of the ignominy of Oxford PPE). Perhaps the stand-out lesson of his term of office is that his supervisor István Hont was right: international markets place limitations on politics that are here to stay. For all Eich's careful analysis and bold ambitions, it is not clear how a 'democratisation of money' can work in the modern world. Does Eich want

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[7] J.G.A. Pocock, *The Machiavellian Moment: Florentine Political Thought and the Atlantic Republican Tradition* (Princeton: Princeton University Press, 1975), esp. Chs 13–14.

[8] For Hont's characterisation of the modern political predicament, see Paul Sagar, 'István Hont and Political Theory', *European Journal of Political Theory* 17, no. 4 (2018): 476-500, esp. pp. 484–94; for an illuminating comparison of Pocock and Hont's stances, see Lasse S. Andersen and Richard Whatmore, 'Liberalism and republicanism, or wealth and virtue revisited', *Intellectual History Review* 33, no. 1 (2023): 131-160.

us to draw a Pocockian lesson too: that the best – albeit unsatisfactory – response to the vagaries of the markets is to continue to battle for control as best we can, or, to put it in Machiavellian terms, to cultivate *virtù*? I am intrigued to hear more about how this would work in practice.

Of Silver and Constitutions

Ian Carroll
Brasenose College, Oxford

> 'No state shall enter into any Treaty, Alliance, or Confederation; grant Letters of Marque and Reprisal; coin Money; emit Bills of Credit; make any Thing but gold and silver Coin a Tender in Payment of Debts…'
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> Art. 1, Sec 10, *The Constitution of the United States*[1]

STEFAN Eich's *The Currency of Politics* is a very welcome and timely addition to the philosophical literature examining the role that money plays in political societies and the role that our thinking about money has played in shaping the political possibilities we theorise. Eich's text is impressive in its command of a variety of technical literatures in history, politics, and economics, but beyond that also for the skill and sympathy with which it tells its stories. Seldom have debates about monetary theory been made so accessible and compelling. One of the most intellectually exciting aspects of the book is the manner in which certain figures and episodes from history, which we may imagine are familiar to us, emerge layer by layer from the book's excavations to be not quite who and what we had thought them to be. In this brief commentary, my aim is to pick out just a couple of the threads in the text that may be of particular interest (and use) for people who want to think about the role the theory of money and monetary policy should play in contemporary political philosophy.

Money is not simply a commodity like grain or coal. Instead, it's a special kind of promise. When you accept money from me, you're trusting my assurance that, tomorrow, some stranger will accept the money in turn and will give you something you value in exchange for it. Once we understand money as involving promises, trust, and assurance, we are very quickly led to thinking about the connection between money and the state. The state is perhaps not the *only* entity or institution capable of providing assurance in non-intimate contexts, but it is clearly among the most prominent and effective.[2]

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[1] A version of this commentary was first presented on 20 February 2023 in New College College, Oxford at a roundtable on Stefan Eich, *The Currency of Politics: The Political Theory of Money from Aristotle to Keynes* (Princeton: Princeton University Press, 2022). See *The Constitution of the United States: A Transcription*, National Archives; https://www.archives.gov/founding-docs/constitution-transcript (accessed 15 April 2024).
[2] The theory of money sketched here is generally described as a *credit* theory, in contrast to a *commodity* theory. Although he initially introduces varieties of each of these theories as 'just so' stories (*The Currency of Politics,* 4-5), throughout the text Eich more or less consistently

The relationship between the state and money has a number of important implications, and while these are present to some degree in all chapters of the book, they come through most clearly in the discussions of Locke and Fichte, and in the context of worries about international trade.[3] When trading partners don't share the same coercive authority which can adjudicate their disputes, they need assurance, or at least often *seek* assurance, from long-standing conventions, such as those that imbue metals like gold and silver with trust.

It is by now a commonplace to observe that contemporary political theory – at least, or perhaps especially, theory of an analytical bent – has been disproportionately written from certain perspectives. These dominant perspectives have been unrepresentative in all kinds of ways, but I want to draw attention to the fact that they have been disproportionately the view from the United States. Much political theory done in and focussed (even if only implicitly) on the United States is of course excellent, but in some areas – freedom of expression, the relationship between church and state, and racial politics, to mention a few – the US experience may be less representative than in others. Generalising from that experience without sufficient care could obviously lead us astray.

In particular, when thinking about the state, money, and politics, there are some important respects in which the United States is not representative of states generally. Let me mention just two. First, it matters whether, in theorising about the state, one assumes a small, open, trading economy – an Ireland, Israel, New Zealand, say – or a political community with a continental economic hinterland. Second, it matters whether one's state is in control of the world's de facto reserve currency. Rawls, writing about a closed society, which one enters by birth and leaves by death, could afford to simplify in this way – he was essentially (if inadvertently) reinventing Fichte's closed commercial state.[4] But when thinking about states generally – and this would seem to be true even in the context of ideal theory – the fiscal and monetary constraints imposed on states by the need to retain the confidence of their trading partners is a function of how dependent on trade we take them to be. As Eich explains in discussing Fichte, for most states, the price of real monetary autonomy would appear to be commercial autarky.[5] However feasible this may have been in eighteenth-century Prussia, we may think it is not a viable option today.[6]

Given how often analytical political philosophy has been accused of privileging a limited perspective over the past fifty years, one of the strengths of Eich's book is that he treats this observation as a starting point rather than as a conclusion. He is careful to explain the manner in which taking up different perspectives matters theoretically. His engagement with key authors who have thought about the political theory of money gives us the tools to articulate some of the external constraints produced by dependence on international trade in a context of inter-state anarchy, and to set those

endorses a credit theory, if not necessarily the chartalist version of a credit theory which he sketches in his introduction (*The Currency of Politics,* 6).

3 Among other places, see Eich, *The Currency of Politics*, 29, 44, 52, 54, 58, 59, 80, 85, 94-97.

4 Eich, *The Currency of Politics*, 97-101.

5 Eich, *The Currency of Politics*, 94-95, 97; see also 54, 58.

6 However, compare Eich, *The Currency of Politics*, 160-162.

constraints in historical context.

These constraints also have implications for the prospect of democratising the governance of money, a theme which runs through the book but which Eich picks up most explicitly in its final sections.[7] Quite apart from the project of democratising the governance of money at the domestic level, the institutional prospects of democratic institutions at the international level seem dim.[8] To the extent that the policy autonomy of smaller, open, trade-reliant states is constrained by the need to retain the confidence of their trading partners, democratising their domestic monetary governance might have limited impact. Thus, with the possible exception of economic areas on the scale of the United States, the inability to democratise international monetary governance might fatally undermine efforts to democratise domestic monetary governance. If we please, we can put democratic institutions in place domestically; but these institutions will often be effectively impotent in the face of global markets.

Even if this is true, though, I think Eich's main conclusion can still stand. It will be valuable for citizens of all kinds of states to understand that they are making a political choice in how they respond to external constraints, a choice which is appropriately subject to democratic scrutiny and not simply the mechanical playing out of natural laws.

LET me turn now to look more closely at that domestic democratisation project. A second thread I want to pick up from Eich's book emerges most explicitly in the chapter on Keynes.[9] We have to start, however, with what we can call Locke's problem.[10]

Locke's problem is this: If sovereigns – democratic or otherwise – have discretionary control over the value of money, how can they be trusted to refrain from debasements of the currency? Debasement, whether through intentional and formal devaluation ("public clipping"[11]) or via more chaotic means, is objectionable on two grounds. First, it betrays the faith of creditors (not all of whom are moustache-twirling bankers and speculators).[12] Second, debasement of the currency often produces economic instability, most obviously in the form of uncontrollable inflation.[13]

Locke's solution to the problem is to take something conventional – money – and to 'naturalise' it; to give it the appearance of having a value determined by nature. Hence, the linking of money to fixed quantities of gold

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[7] Eich, *The Currency of Politics*, 211-220, but also 16-17, 18 fn. 79, 51-52 (and particularly fn. 27), 75, 78, 100-101, 142-143.
[8] A worry of which Eich is not, of course, unaware. See Eich, *The Currency of Politics*, 171-172, 174-176, 212-213.
[9] For instance, Eich, *The Currency of Politics*, 169.
[10] Eich, *The Currency of Politics*, 52-53, 67-70, 100.
[11] Eich, *The Currency of Politics*, 56.
[12] See the nuanced and persuasive discussion of trust in Locke's theory of money (and of politics more generally), Eich, *The Currency of Politics*, 63-72.
[13] Though, as Eich notes, commitments to 'sound money' of the kind Locke (and later Lockeans) endorsed can be profoundly destabilising in their own right, insofar as they can produce devastating *de*flationary conditions. Eich, *The Currency of Politics*, 68-70, 103, 145.

and silver, initially arbitrary but representing a sovereign promise. Eich does a superb job of tracing the development of this 'de-politicisation' project through modern history, noting that, as we approach our own time, de-politicisation becomes an exercise in de-democratisation – the substitution of technocratic (if no less political) governance for democratic control of money.

The Keynesian solution to Locke's problem attempts to thread a path between the extremes of metallism – fixing the value of money to some natural quantity and therefore surrendering all control over it – and some purely discretionary fiat currency, with all of the short-termism and instability Lockeans have feared.[14] The idea is that the governance of money can be insulated from the vicissitudes of ordinary politics without relinquishing – and certainly without claiming to relinquish – any kind of political control over it, or any kind of responsibility for the consequences of governing it one way or another. In different times and places, this approach has been taken with a variety of political questions. They have been constitutionalised.

This is a compelling idea. It wouldn't exclude the possibility of independent central banks – for a given value of 'independent' – but it would make clear that the operation of those banks is ultimately answerable to democratic authority.[15] Here, I just want to invite some further reflection on the range of options we could be considering.

'Constitutionalisation' has different implications depending on which constitutions we have in mind. At one end of the scale, consider the Basic Law of Germany, which purports to make Articles 1-20 of the constitution unamendable – to put them permanently and irrevocably beyond political control. Consider too the onerous amendment provisions for the US constitution. In both cases, we might note the widespread reverence enjoyed by these constitutional elements. This kind of constitutionalisation – where laws governing access to military-grade weaponry, for instance, are assessed on the basis of whether some eighteenth-century constitutional founders would have approved of them – is hard to separate from the naturalisation project pursued by Locke and those who have followed him.

Moreover, in constitutional systems with such heavily entrenched provisions, we observe a lot of displacement activity. Questions which would otherwise be resolved through legislative bargaining are pushed into the courts. This tends to shape (and perhaps to distort) the manner in which the questions are articulated and navigated. We tend to see appeals to rights and to timeless moral absolutes, in contrast with appeals to interests and to temporary, revisable settlements. The perceived role of courts also changes, with judges increasingly understood as partisan agents serving particular factions, rather than as non-partisan actors fairly applying neutral rules. There are genuine dangers associated with the "freezing of certain foundational political compromises", as the experience of the US during the 19th century illustrates very clearly.[16]

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[14] See the discussions of revolutionary *assignats* in France, and other experiments with paper money, Eich, *The Currency of Politics*, 87-88, 95.
[15] Eich, *The Currency of Politics*, 146-149.
[16] Eich, *The Currency of Politics*, 174.

In contrast to Germany and the US, consider the United Kingdom, or the constitutions of countries like Switzerland and Ireland. There is arguably an evolving jurisprudence in the UK, driven particularly by the devolution acts and the Human Rights Act, in which courts have started to distinguish some acts of Parliament from others and to show greater deference to those they deem to have a quasi-constitutional status.[17] In Switzerland and Ireland, and at the sub-federal level in the US, much greater use is made of referendums to amend constitutional provisions. Mechanisms such as these allow greater democratic influence over the constitution, although not always in ways of which liberal political theorists would approve. In the US, many state-level prohibitions on same-sex marriage were passed by ballot initiatives. Swiss referendums have been somewhat notorious for at various times channelling popular anti-Semitism (1893), Islamophobia (2009), or more general xenophobia (2014, which also threatened to badly derail Swiss trade policy). Just how democratic would we want monetary policy to be?

Constitutionalisation of the German or American kind, it seems to me, would produce governance of money that looks a lot like the existing practice of the Federal Reserve or the Bundesbank (and subsequently, the European Central Bank). What would constitutionalisation along British or Swiss lines look like, when thinking about governing money? There is a fundamental trade-off in constitutional theory between independence, on the one hand, and accountability or responsiveness on the other. How we navigate that trade-off depends, in part, on what problem we think we're trying to solve by democratising money. Experience of other domains in which a need for relative stability in policy aims meets a need for technical expertise could helpfully inform our thinking about the institutional mechanisms available for managing a more democratic monetary policy. In working through these questions, I suspect it will be productive to consider how constitutions have proposed to select judges, and how they have regulated the relationship between directly elected representatives and the courts. These constitutional experiences offer us a range of models for how a more democratic governance of money might work.

[17] In a similar vein, witness the recent constitutional crisis in Israel provoked by the government's plans to revise the Basic Law governing the functioning of the judiciary.

On the Political (Im)possibilities of Capitalist Money

Jan R. Hendricks
The New School

STEFAN Eich's *The Currency of Politics* is a timely book.[1] After decades of depoliticisation, neglect, and a widespread sense that money is an institution best left to technocrats, the monetary responses to the Global Financial Crisis of 2007-08 and the Covid-19 Pandemic have put the political dimension of money back on the agenda.[2] The showering of the private sector[3] in newly created central bank money has prompted a debate among scholars and public commentators about the monetary capabilities of the state – a *monetary interregnum*, as Eich calls it.[4]

The book begins by introducing the two major and competing perspectives in the current debate about money and the state. On one side are the 'mainstream' economists from the neoclassical school, who view money as, primarily, a commodity that originated in the private sector in order to facilitate barter exchanges and overcome the so-called 'double coincidence of wants'. On this account, money allows independent producers in the private exchange economy to trade with one another even when one of the parties offers a commodity the other party does not desire. Accordingly, money is a scarce and private resource that binds the state's fiscal capabilities by the tax revenue it is able to collect.[5]

On the other side are the representatives of the 'iconoclastic' Modern Monetary Theory (MMT, also known as neo-Chartalism), who draw on historical and anthropological evidence to argue that money is actually an accounting tool rooted in relations of debt and credit. Money here represents

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[1] A version of this commentary was first presented on 20 February 2023 in New College College, Oxford at a roundtable on Stefan Eich, *The Currency of Politics: The Political Theory of Money from Aristotle to Keynes* (Princeton: Princeton University Press, 2022).
[2] Eich, *The Currency of Politics*, 1.
[3] Especially since it ended up in what Michael Hudson calls the FIRE sector, Finance, Insurance, Real Estate, in turn, causing severe asset price inflation. *See* Michael Hudson, *Killing the Host: How Financial Parasites and Debt Destroy the Global Economy* (Dresden: Islet, 2015).
[4] Eich, *The Currency of Politics*, 2-3.
[5] Eich, *The Currency of Politics*, 4. Some might here argue that this is something of a caricature of the neoclassical point of view, at from the perspective of the latest research. Neoclassical economists do acknowledge that states are not necessarily limited in their sovereign monetary resources but caution against excessive money issuing for reasons related to macroeconomic stability and inflation. It is however important not to conflate the understandings of neoclassical economics now prevalent among academic researchers and the broad understanding of neoclassical economics assumed in much public policy discourse. The latter still requires critique.

a social relationship between creditors and debtors.[6] On this view, the state constitutes the primary money-issuing authority within its territory and is able to introduce it to the economy via 'deficit spending'. Through the imposition of taxes, citizens, in turn, become debtors to the state. These citizens then aim to acquire state money by producing goods and services to settle these 'debts'. MMT thus posits that taxes, rather than financing expenditure, simply serve to legitimise a state's currency and to control liquidity.[7] Hence, the state faces no de facto limitations when it comes to the issuance of money and, therefore, government spending. Instead, it is able to buy anything available for money in the (domestic) economy, and the only limitations lie in 'real' productive capacities, such as (natural) resources and (human) labour.[8] For neoclassical economists money is scarce and states ought to be frugal; for proponents of MMT states possess a 'magic money tree' and are able to fund projects on a potentially large scale within the limits of the domestic economy.[9]

Both sides of the debate about money as it plays out today have historical precedents. By tracing a genealogy of the dominant ideas that support either side, Eich is able to elucidate some theoretical and practical issues for both the neoclassical and the MMT accounts. On the one hand, Eich illustrates how the neoclassical depoliticisation of modern money relies on a Lockean conception of sound money. The origins of this conception, however, are inherently political, as Locke practically invented and, in turn, fought for the quasi-naturalisation of an unalterable gold standard.[10] On the other hand, Eich's portrayal of the Fichtean origins of MMT shows that, at least as originally conceived, its arguments were confined to the limits of individual and isolated nation states, a scenario that is practically impossible in today's globalised capitalism.[11]

Eich uses history not only to show that the stories these competing perspectives tell about themselves might not always be accurate. He also wants to demonstrate that:

> … in their conscious disagreement with one another, both stories have more in common than they care to admit … in (rightly) seeking to displace the myth of barter, Chartalism risks swapping one transhistorical assumption for another. Despite their theoretical juxtaposition, the two stories end up mirroring each other. Where politics is entirely absent in the barter account it appears as an undifferentiated mass of taxpower in the Chartalist account … Crucially, both accounts end up sidestepping a richer political theory of money that is not reducible to commerce or force but

[6] See, for instance, David Graeber, *Debt: The First 5,000 Years* (New York: Melville House Publishing, 2011), 21-42.
[7] Eich, *The Currency of Politics,* 5.
[8] L Connors and W Mitchell, 'Framing Modern Monetary Theory', *Journal of Post Keynesian Economics* 40, no. 2 (2017): 252.
[9] Mariana Mazzucato, *Mission Economy: A Moonshot Guide to Changing Capitalism* (London: Allen Lane, 2021).
[10] Eich, *The Currency of Politics,* 67-70.
[11] Eich, *The Currency of Politics,* 97-101.

suspended between them'.[12]

Both accounts see money purely as a useful invention, a lubricant for economic transactions, leaving underlying political and systemic forces to the wayside. We might say that this is a debate unified by its commitment to liberalism and separated by its disagreements about the 'correct' management of capitalism.

Eich's historical account builds to at least three conclusions, each of which seem correct: that MMT tells the more historically accurate story, that both approaches, however, are wholly insufficient, and that pressure to decide between them rests on a false dichotomy. Does the key to overcoming this false dichotomy perhaps lie in Eich's account of Marx's monetary thought? As Eich rightly points out, Marx's view of money does not fit easily into either side of the current debate.[13]

The strength of Marx's analysis lies in his methodology. His materialism is rooted in the understanding that human activity in its particular social and natural environment is the basis of all social processes. A Marxist analysis of existing social conditions and institutions, as well as the logics and contradictions that underlie them, is, therefore, always historically specific.[14] Rather than offering a general theory of money, the Marxian account provides an inquiry into its current definitive manifestation – capitalist money. Moreover, rather than directly jumping to capital, Marx actually began his analysis of the capitalist mode of production in Volume I of *Capital* with commodities and money in order to answer the overarching question 'how does money become more money'.[15] And when he descended into the 'hidden abode of production', he discovered that under capitalism, products are produced for profit through the exploitation of human labour in a social environment of historically specific class relations.[16]

These products are sold in the sphere of circulation, i.e., the market, thereby turning them into commodities. Once the value of the commodity becomes realised via *monetary* exchange, more money is held by the capitalist than he had prior to the production process and can thus be reinvested in order to expand production.[17] Surplus value has been extracted and realised and money turned into capital. Only when commodities are sold continuously for a profit and ever more money is reinvested can this system continue.[18] Otherwise, the consequences are stagnation, decline, and eventually collapse.

For Eich, too, as per the *Neue Marx Lektüre*, under capitalism money is the

[12] Eich, *The Currency of Politics,* 5.
[13] Eich, *The Currency of Politics,* 130.
[14] Claudius Vellay, 'Dialektik und historischer Materialismus' in *Marx für SozialwissenschafterInnen—Eine Einführung* eds. I. Artus et al. (Wiesbaden: Springer VS, 2014), 35.
[15] Werner Bonefeld, 'Capital par excellence: on money as an obscure thing', *Estudios de Filosofía* no. 62 (2020): 49-50; Michael Heinrich, *An Introduction to the Three Volumes of Karl Marx's Capital* (New York: Monthly Review Press, 2012), 39.
[16] Karl Marx, *Capital: A Critique of Political Economy: Volume I* (London: Penguin, 1990).
[17] Eich, *The Currency of Politics*, 129; Heinrich, *An Introduction*, 55.
[18] Bonefeld, 'Capital par excellence', 50.

general form of value and serves as an expression of wealth through 'a social act of abstraction'.[19] Money and production under capitalism are, therefore, 'two sides of the same coin' and capitalist production and the money form cannot be separated from one another.[20] And to this we might add that the same logics and contradictions that apply to the capitalist mode of production in general, therefore, also apply to the money form in particular.

Eich here appears to endorse a Marxian account of money. But he also insists elsewhere that money is a malleable and foundational institution of democratic self-rule, a political currency, and that we have to recover its lost political potential.[21] This threatens a tension. To illustrate this point further, Eich, in his Epilogue, argues that money is a collective imagination with emancipatory democratic potential, an assessment that rests in part on his positive reception of Keynesianism and MMT.[22], Contrary to this idealist reading, however,(capitalist) money has to be viewed rather as an 'accurate depiction of commodified social relations', as Eich himself writes in his Marx chapter. These two readings are incompatible, since commodified social relations under capitalism thereby constrain monetary possibilities.[23] The need for constant exploitation of human labour on an expanding scale, driven by the profit imperative, ultimately dictates the scope of the political malleability of money under capitalism. As Samir Amin put it in *Accumulation on a World Scale*, there exists a social need for money and 'the amount of money in circulation [is adjusted] to this need'.[24] While money in the form of credit can stimulate production, it can only do so where money begets more money.[25]

On the world market, these conditions are elevated to the global level. Under capitalism, international relations are dominated by commodified exchange relations that are mediated through the money form in its specific manifestation of world money, the universal equivalent in international transactions.[26] The dominant capitalist powers determine the conditions of these exchanges as they assert their economic influence via the functioning of international capital markets and through their political and military power.[27] The United States emerged as the dominant capitalist power after the Second World War and, subsequently, the US Dollar has appeared as the value form of capital as world money.[28] While the political malleability of money is already severely constrained by the general compulsions of capital in the industrialised

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[19] Eich, *The Currency of Politics,* 128-131.
[20] Eich, *The Currency of Politics,* 132.
[21] Eich, *The Currency of Politics,* 1, 6-8.
[22] Eich, *The Currency of Politics*, 219.
[23] Eich, *The Currency of Politics* 219, 133.
[24] Samir Amin, *Accumulation on a World Scale: A Critique of the Theory of Underdevelopment (Volume I and Volume 2 Combined)* (New York: Monthly Review Press, 1974), 403.
[25] Eich, *The Currency of Politics*, 115; Ingo Stützle, 'Money makes the world go green?: Eine Kritik der Modern Monetary Theory als geldtheoretisches Konzept' in *PROKLA Zeitschrift für kritische Sozialwissenschaft,* 51 (2021): 83.
[26] Eich, *The Currency of Politics*, 135-136.
[27] Radhika Desai, 'China's Finance and Africa's Economic and Monetary Sovereignty,' in Maha Ben Gadha et al. (eds), *Economic and Monetary Sovereignty in 21st Century Africa* (London: Pluto, 2021), 34.
[28] Michael Hudson, *Super Imperialism: The Economic Strategy of American Empire* (Dresden: ISLET, 2021), 7-8.

countries of the centre, these constraints are amplified in peripheral economies. Here, the economies have been systematically underdeveloped in order to serve as exporters of primary commodities for the economies of the centre.[29]

Whereas the US government is in charge of issuing and managing the world money form of value (the US Dollar)[30], peripheral countries have to strictly abide by the capitalist exchange logic according to which they have to produce material goods for the world market in order to be exchanged for world money. This world money is required for purchasing imports, whether that is consumption goods or capital goods.[31] Breaking away from this extractive system has proven next to impossible: the internal development of these economies depends, in the last instance, on external capitalist relations.[32] Import Substitution Industrialisation – which advocates replacing foreign imports with domestic production, failed in the periphery because it did not comply with the needs of global capital accumulation, mediated by the value form of world money. The state is certainly able to give directions by attempting to boost certain industries, but it cannot guarantee the realisation of value, as this can only take place in the market.[33] The dominant forces of capitalism, located in the Global North, gave rise to our contemporary international financial architecture and, therefore, have an interest in maintaining it.[34]

Discussing this architecture, a central banker at the Bank of Ghana once noted to me that 'the issue is that the current international monetary system does not lead to Pareto optimal outcomes.'[35] Moreover, he added, 'you are vulnerable, actually, and you have a lot placed on you in the first place … you must be seen to have some prospects to attract additional capital.' So, even if we manage to make some changes to its mode of operation, the underlying logics and contradictions of global capital accumulation will still remain in place. Capital is simply not interested in equity, but in expansion. For these reasons, I remain sceptical of the feasibility and effectiveness of pursuing international reform. For peripheral countries under capitalism, MMT proposals that require a 'magic money tree' remain a distant dream while the

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[29] Amin, *Accumulation on a World Scale,* 3, 17; Walter Rodney, *How Europe Underdeveloped Africa* (London: Verso, 1972).
[30] Other capitalist powers in the centre issue 'satellite' forms of world money, such as the Euro, the Pound, or the Yen, and are able to acquire US Dollars via central bank swap line arrangements. *See* Amin, *Accumulation on a World Scale*, 479-480; Hudson, *Killing the Host,* 426; Anne Loscher, 'Being Poor in the Current Monetary System: Implications of foreign exchange shortage for African economies and possible solutions', in Ben Ghada et al. (eds), *Economic & Monetary Sovereignty in 21st Century Africa* (London: Pluto, 2022), 266.
[31] Amin, *Accumulation on a World Scale*, 460; Löscher, 'Being Poor,' 260.
[32] Amin, *Accumulation on a World Scale,* 560, 584.
[33] Stützle, 'Money makes the world go green?', 83.
[34] Michael Hudson, *Super Imperialism: The Economic Strategy of American Empire (3rd Edition)* (Dresden: ISLET, 2021), 427-428. This point is emphasised by Eich himself in his discussion of Keynes' failure to reform the international monetary order into a more 'equitable' system at the 1944 Bretton Woods Conference. See Eich, *The Currency of Politics*, 213.
[35] Pareto optimality is a concept in neoclassical economics that refers to a situation in which no allocation or action by one party is possible without making the other party worse off. In this specific conversation, it was used rather loosely to refer to equitable outcomes.

political malleability of money lies outside of their control.

It is important here not to leave the state itself out of the equation. As Eich writes, 'where the state is missing in the economics textbook, in Chartalism it is presupposed and fully formed'.[36] In other words, MMT offers a state theory of money without providing us with a theory of the state. Assessing the role of the state in the capitalist system, however, is crucial if one wants to evaluate the claim that its capacities for money creation can be directed towards democratic, emancipatory ends. According to Marxist scholars like Nicos Poulantzas the capitalist state 'represents and organizes the dominant class or classes; or, more precisely, it represents and organizes the long-term political interest of a power bloc.'[37] And Michael Heinrich, citing Engels, argues that the state acts as an 'ideal personification of the total national capital'.[38] So neither the fiscal state nor its money should be considered neutral entities, as liberal MMT proponents would have it. Clara Mattei has demonstrated this empirically in her impressive book, *The Capital Order* (2022), in which she uncovers how the British and Italian states in the Interwar Period actively pursued supposedly counterproductive economic policies of austerity in order to maintain existing capitalist class relations.

While it is certainly true that capitalist money cannot manage itself and that the modern monetary system is structurally dependent on the state, we must also remember that this state is essentially a capitalist one. This means that it primarily serves the interests of (private) capital(s), even if it does so in admittedly independent and sometimes contradictory ways. The key to understanding contemporary monetary policy, then, is the insight that it serves the objective of capital accumulation and the maintenance of the capitalist order in the long run. When the Federal Reserve, for instance, utilises its ability to create money, as it did in order to bail out insurance giant AIG with 85 billion USD in March 2009, this is done to salvage and maintain a stagnating capitalist system.[39] While I agree with Eich that we should reject the extreme ('Marxian') claim that legislation on monetary affairs does not matter, such legislation is, nevertheless, limited by the capitalist system as such.[40]

Eich acknowledges that these matters are neither easy nor straightforward to address. His own proposals include tougher financial regulation, the nationalisation of commercial banks, and the democratisation of central banks.[41] But is this enough to bring money under democratic control in a global capitalist system? While I agree with Eich that money is inherently political, we might think that *capitalist* money can never be a political currency in the sense that it could even in principle come under the control of any political entity. On the contrary, it is precisely capitalism with its profit imperative and all of its underlying contradictions that gets in the way of money being able to fulfil its supposed emancipatory potential. Eich's emphasis lies on the political *possibilities* of money; in dialectical fashion, I

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36 Eich, *The Currency of Politics*, 5.
37 Nicos Poulantzas, *State, Power Socialism* (London: Verso, 2000), 127.
38 Heinrich, *An Introduction,* 206.
39 Eich, *The Currency of Politics,* 2-3.
40 Eich, *The Currency of Politics,* 137.
41 Eich, *The Currency of Politics,* 213-218.

would argue that we ought not to neglect the political *impossibilities* of (capitalist) money.

Eich is right to argue that money is too important to be left to economists, central bankers, and commercial bankers.[42] But so is the economy in general. This does not mean that things are hopeless or that we should embrace political inertia. In fact, political mobilisation might benefit from more and wider discussions about the (im)possibilities of (capitalist) money. But the underlying structures of production have to be taken into account to avoid overly optimistic conclusions. Eich's book is thus a useful stepping stone for more fundamental debates about the nature of our capitalist system as such, as well as the role of money within it.

42 Eich, *The Currency of Politics,* 219.

Author's Response

Stefan Eich
Georgetown University

I AM deeply grateful to Ian Carroll, Eloise Davies, and Jan Hendricks for their generous and incisive engagement with the book. All three commentators put their fingers on central themes that motivated my own journey through the layers of monetary crises in *The Currency of Politics* but also point to questions beyond the book itself. I cannot answer all of these prompts here and instead want to use this response to focus briefly on the question of constraints. In their own distinct ways, all three commentators perceptively point to the nature of constraints in the realm of monetary politics and ask questions about the scope of democratic rule under modern commercial conditions. Davies raises a powerful sceptical query about whether attempts at democratising money do not ultimately resemble nostalgic calls for returning to ancient republican virtues that cannot but collide with the realities of modern commerce. Hendricks articulates a parallel worry from a Marxist perspective about the scope of monetary malleability under capitalism. Carroll similarly emphasises the dim prospects of more democratic monetary institutions at the international level but also helpfully focuses our attention on constitutional politics as a familiar embodiment of a politics of constraints.

Perhaps surprisingly given the book's concluding epilogue about the prospect of democratising money, the theme of constraints and double binds was very much on my own mind when writing *The Currency of Politics.* Indeed, an interrogation of the seductive attractions of the politics of monetary depoliticisation – as well as its staying power – is a recurring thread of the book, and it forms a crucial dimension of any political theory of money. Most importantly, my point was thus not simply to underwrite nominalist claims of monetary malleability but instead to locate more precisely what scope for monetary politics exists even within the manifold constraints that characterise our international monetary system in an age of globe-spanning commerce, capital mobility, and dollar hegemony.

Foregrounding political struggles over the constructedness of money does not do away with constraints but offers us a different way of understanding the problem. Rather than the now-conventional framing of "the economic limits of modern politics," as István Hont put it, attending to the politics of money and credit emphasises the ways in which the binds are internal to modern politics itself.[1] Far from dismissing or downplaying limitations, my

[1] See, for example, István Hont, 'Free trade and the economic limits of modern politics: neo-Machiavellian political economy reconsidered', in John Dunn (ed.) *The Economic Limits to Modern Politics* (Cambridge: Cambridge University Press, 1990), 41-120.

point is instead that these limits, though very real, arise themselves out of political struggles. Instead of economic limits, it would thus be more accurate to speak of the political limits of the politics of money precisely to indicate that these are neither fixed nor external. Rather, these boundaries are the solidified result of past political battles. Indeed, as John Maynard Keynes once observed sympathetically, drawing and maintaining the very separation between politics and economics is from this perspective itself a central, albeit always temporary and necessarily fragile, quest of liberal politics. This means that financial markets are not simply external constraints that place limitations on the scope of modern politics. Instead, they are themselves tools of statecraft and arenas of political contestation. Nowhere is this more clearly visible than within the politics of debt, the powers of credit creation, and the hierarchies of the global monetary system.

To relate this briefly back to Davies's apt provocation about the erstwhile Cambridge School historian and 38-day Chancellor of the Exchequer, this means that Kwasi Kwarteng did not flounder because he dared to go against the gilt markets but because he displayed some extraordinarily poor politics: he failed to offer an even vaguely plausible narrative; he dismissively attacked institutions of economic expertise; and, perhaps most fatally, he intentionally blindsided the crucial power centre that could have guarded his plan, namely the Bank of England. To reduce this bonfire of misjudgements either to a republican morality tale about the chokehold of commerce or a Hontian warning against trespassing the economic boundaries of modern civilisation, would not only fundamentally misread the problem but allow a vainglorious project of spectacular delusion off the hook.

For what it is worth, in his Cambridge dissertation on the Coinage Crisis of 1695, Kwarteng had himself offered the building blocks for a more complex reading.[2] On one level, he invoked the language of constraints and the monetary limits of political sovereignty. While the state's power to settle the extrinsic value of money was a sovereign prerogative, 'in practice the nature of the political regime, the rights of private property, the usefulness of 'credit', and the need to consolidate the moral health of the nation, greatly curbed that prerogative'.[3] But at other times, Kwarteng insisted that 'Money, though an intricate and somewhat arcane subject at all times, was recognized as being inextricably bound up with the state. Money was essentially political'.[4] What bridged the seeming gap between these two positions was the centrality of trust and 'public faith' that undergirded both the rights of property and the politics of money.[5] Ironically, it was precisely public faith and trust that Kwarteng sacrificed so spectacularly some two decades later in pursuit of a fanciful ideological project of regressive tax cuts. But this pointer to the paradoxical politics of trust – rather than a simplistic structural account of the supremacy of finance over politics – is a much better guide to the underlying questions and challenges.

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[2] Kwasi Kwarteng, *The political thought of the recoinage crisis of 1695-7*, PhD.24026, University of Cambridge (submitted July 2000).
[3] Kwarteng, *The political thought of the recoinage crisis*, 163.
[4] Kwarteng, *The political thought of the recoinage crisis*, 116.
[5] Kwarteng, *The political thought of the recoinage crisis*, 290.

Instead of pitting markets against politics, grappling with struggles over monetary power as suspended between violence and trust alerts us to the ways in which even modern capitalist money is a hybrid, always located between the state and financial markets. Instead of a picture in which modern monetary politics is structurally diminished or even eclipsed by economic decisions, this corrective thus begins from a Pocockian observation about the ways in which public credit had itself become an organ of modern statecraft that gave the state a new temporalised orientation toward an open horizon. As the very embodiment of the fusion of law and commerce, modern money does not shed its political dimension but nor can its politics be reduced to sovereign will. Instead, it becomes integrated into a complex web of private and public expectations that defy any straightforward distinction between economic and political domains. That means on the one hand that money and banking, as essential pieces of public infrastructure, are never purely private but tethered to the state and its central bank. It also means inversely, however, that even the state's capacity to steer money creation is embedded in a capitalist frame of value. This is for me one way to bring together Keynes's emphasis on 'money of account' with Marx's value theory. To adapt Marx's quip from the Eighteenth Brumaire: states make money but they do not always do so as they please.

The question this leaves us with is how to govern this hybrid and the interdependent relations it produces. States are dependent on banks for credit creation and allocation, but also as transmission channels for monetary policy. Today that interdependence can easily feel like a form of blackmail in which banks are able to leverage an awareness of their own systemic significance. But it is worth remembering – and exploiting – that banks also need the state and the safe assets it creates at least as much as the state needs finance. This relationship of interdependence imposes various double binds, but it also provides underexplored openings and raises a set of undertheorised political questions.

WHAT does it mean then to speak of democratising – the always unfinished gerund matters here – the monetary system under contemporary capitalism? First, when pointing to the prospect of democratisation I did not have a fixed ideal of institutionalised rule in mind but instead first and foremost a basic insistence on public debate, accountability, and contestation that have all too often been missing from recent monetary politics. As uncomfortable as it may be to central bankers, this also entails an acceptance and indeed embrace of indeterminacy and uncertainty as the true features of democratic life. To speak of attempts to democratise money was thus not an institutional blueprint but instead a meta-democratic intervention in a Lefortian spirit of open-ended contestation, less interested in issuing policy recommendations or institutional fixes but rather insisting more fundamentally that grappling with questions of monetary power requires as a first step bringing monetary politics back into public debate by making it visible as a form of power that raises fundamental questions of rule and legitimacy. Such democratic engagement includes of course a consideration of limitations and how to respond to them, but it cannot pre-emptively void the underlying questions.

This demand for the democratisation of monetary power differs from older republican critiques of commerce as a violator of virtue and is instead a product of interwar struggles over the gold standard and its fraught relation to mass democracy after the expansion of the franchise. One powerful framing of the underlying problem that re-emerged in this context was a twist on long-standing analogies between money and law. Monetary politics is in this sense best understood as a particular kind of constitutional politics over the balance of rules and discretion in the realm of credit creation and monetary power, as the legal historian Christine Desan has articulated most clearly.[6] To insist on seeing the monetary order as a constitutional regime still leaves open what kind of constitution we prefer. Not all constitutions are democratic, and even across the democratic constitutional imagination there are vast differences concerning the degree to which constitutions are meant to act as stages for the conflictual articulation of democratic politics or rather as shields against it. Unsurprisingly, the idea of money as a constitutional project of the latter kind is constitutive to the ordoliberal imagination, and it was central to Hayek's thought before he began to push for the complete "denationalisation" of money during the 1970s.

The ordoliberal account differs subtly but crucially from Keynes's constitutional vision for the politics of money which celebrated the gradual adaptability of the unwritten English constitution in preventing both revolution and ossification. As Keynes pointed out in the 1920s, constitutional defenders of the sacrosanct value of contract and the inviolability of monetary promises as embodiments of public faith had failed to understand the politics of trust which required that contracts that had come to be odious could be amended or even overturned.[7] This stance offers a more dynamic constitutional vision than that of the ordoliberals, one that is potentially more receptive to questions of social justice and inequality, if only—in a Rawlsian twist—because failing to do so would ultimately endanger stability. It insists at the same time on protecting expert knowledge from popular politics, and Keynes remained profoundly wary of fully opening up monetary power to democratic contestation.

The reason I nonetheless ended the book by invoking contemporary calls for greater democratic experimentation is not because I regard Keynes's concerns as trivial. My fundamental point was instead that our democratic vocabulary has atrophied to such an extent that we struggle to perceive, let alone articulate in a coherent manner, those underlying complex choices concerning the politics of money, including the politics of monetary depoliticization. And yet, even within the current monetary system, discretionary decisions with vast distributional ramifications have to be made and are being made every day. Money has to be managed, as Marx's

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[6] Christine Desan, 'The Constitutional Approach to Money', in Nina Bandelj, Frederick F. Wherry, and Viviana A. Zelizer (eds), *Money Talks: Explaining How Money Really Works* (Princeton: University Press, 2017), 109–130.

[7] John Maynard Keynes, *A Tract on Monetary Reform* (London: Macmillan, 1923), reprinted as *The Collected Writings*, Vol. 4, 56-7.

contemporary Walter Bagehot once put it. These are clearly constrained in numerous ways. But even in such a system of constraints it matters who makes these decisions and on what basis.

For Keynes any constitutionalisation of money necessarily had to extend to the international realm, and this insistence culminated in his still radical demand for a new international monetary constitution. This aspect – with its recognisable roots in the eighteenth century – cannot but appear far-fetched and almost utopian to us today, but that does not change that it is more necessary than ever. Democratising money cannot simply mean aligning monetary politics with the will of national assemblies while sidestepping the hierarchies and inequalities of a global monetary system structured around the dollar. Indeed, one can immediately see how democratising the politics of money in the imperial centre of monetary power, namely the US, could easily deepen existing global dependencies. Instead, democratising money in the above sense must transcend narrow debates over the legal status of national central banks to address instead both the design of the underlying banking system as well as the structure of the international monetary system.

I fully recognise of course that we sorely lack the democratic structures for any such endeavour. Instead, we find ourselves in a perverse impasse: precisely where democratic monetary demands are most feasible, they are least satisfactory, whereas where they are most sorely needed – in holding monetary power accountable on the international level – they are most likely to be frustrated. Such remains the 'incongruence,' as Hont put it, between bounded territorial states and global financial markets.[8] But rather than deriving from this a disenchanted lesson about the futility of an enlarged democratic and constitutional imagination, I would insist on the exact opposite. To posit the need for democratisation does not imply that our chains are merely imaginary or that they can be cast off through a magical leap of the collective imagination, but rather that democratic politics requires struggling within a system whose horizon of realisation we can nonetheless never reach.[9] The politics of disappointment and struggle against limitations are thus not so much arguments against democracy but form a central part of the democratic experience.

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[8] Istvan Hont, *Jealousy of Trade: International Competition and the Nation-State in Historical Perspective* (Cambridge MA: Harvard University Press, 2005), 56.
[9] See also Astra Taylor, *Democracy May Not Exist But We'll Miss it When It's Gone* (Brooklyn: Verso, 2019).