On the Political (Im)possibilities of Capitalist Money

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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

[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

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[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

[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.