Author's Response

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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.

[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).