Of Silver and Constitutions

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> '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.