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DIALOGUE AND DEBATE: SYMPOSIUM ON STEFAN EICH'S THE CURRENCY OF POLITICS (PART II)

The Currency of Politics: Rejoinder

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Abstract
This response gives me the opportunity to clarify, extend, and complement several aspects of my conceptual and historical argument in *The Currency of Politics*. I do so primarily by situating my account more explicitly within debates over European monetary politics, by expanding on my use of history, and by articulating what differentiates my concern with the political theory of money and the politics of depoliticisation from complementary accounts. In doing so I elaborate on the ways in which engagement with the thought of John Maynard Keynes helped to structure my approach. While there are important limits to the politics of money under contemporary capitalism, these limits are not fixed economic ones but are better seen as political limits of monetary politics that nonetheless leave considerable space for articulating alternative demands for more democratic forms of money. This framing allows me to extend my argument in order to address contemporary struggles over credit policy, monetary reform, and climate change in Europe. I thus end with a set of critical reflections on the constitutional status of money in the European project and beyond.

Keywords: money; trust; depoliticisation; democratization; central banks; European monetary union

1 Introduction

It is a great honour to have one's work read so generatively by such an esteemed set of interlocutors.[1] These are the kinds of generous intellectual engagements which any author can only hope for. I am thus extremely grateful to Marco Goldoni, Costas Lapavitsas, Fernando Losada Fraga, Pavlos Roufos, Agnieszka Smoleńska, and Francesca Trivellato for reading the book so constructively and for extending the ideas contained in it beyond where I myself carried them. I would also like thank the editors of *European Law Open* and especially Agustín Menéndez for his initiative, editorial patience, and spirited organisation of the symposium. This response gives me the opportunity to explain, clarify, and develop several aspects that I only touched on briefly in the book or merely obliquely hinted at. In particular, I will make more explicit how engagement with Keynes helped to structure my account and I will at times draw on Keynes to go beyond the argument of the book itself. This will eventually lead me into a set of contemporary observations about European monetary integration as well as climate change politics.

I am particularly excited about the ways in which the contributors spell out, interrogate, and probe not only the book's implications but also its methodological foundations in reconstructing a genealogy of money that refuses narrow economic conceptions: in the philosophy of language, in evolving conceptions of temporality and historicity, in the concept of the imagination, as well as,

[1]In addition to the symposium contributors, I want to thank the other participants of the zoom symposium on the book in May 2022: Mehrsa Baradaran, Isabel Feichtner, and Leopold Specht. Their rich comments and reflections also inform this response.

centrally, in competing conceptions of law and constitutions. These deep roots serve as a reminder of the varied conceptual and historical resources necessary for capturing in a non-reductive way the complexities of an institution as layered and hybrid as money. Clarifying and refining these tools is an important challenge but it also serves as a powerful illustration of how remarkably well-equipped existing scholarship – including legal scholarship – in fact already is to tackle an institution it has for too long left to economists who all too often showed little interest in it either. This obviously does not mean that the point should be to replace monetary economics. Doing so would in turn be a reductive underestimation of money's inescapable hybridity. Instead, what we need is not only new legal and political theories of money but also a new monetary economics that is literate in non-economic literatures and that can formulate a new political economy of money by being attuned to questions of power rather than neutralising them.

In terms of structure, I begin by focusing on the book's method and related questions of history and intertextuality. In 'The political theory of money', I turn to a consideration of the nature of money and what marks my concern with the political theory of money as a distinct institution. In 'Politics and economics', I spell out how this framing forces us to rethink the distinction between economics and politics. 'Between the state and finance' extends this engagement with the hybrid nature of money and the interdependencies between state and finance in order to situate analogies to language and law. 'Democracy and the political limits of monetary politics' grapples with what it would mean to democratise money in this light while attending to the political limits of monetary politics. The sixth and final section turns to a set of pressing questions concerning European monetary politics by making explicit the place of the European economic and monetary union in the narrative and conceptual argument of the book. I conclude with some brief reflections on central bank independence that would require a creative democratic re-thinking of the constitutional place of money.

2 Histories of money

When the MIT economist Rudiger Dornbusch declared in 2000 that 'democratic money is bad money' (a line that serves as one of the epigraphs for the book's epilogue), his statement reflected a truism of the closing decade of the 20th century that was nonetheless rarely uttered with the same bluntness.[2] For Dornbusch, the events in the world of monetary politics since the early 1980s had been an extraordinary and somewhat unexpected revolution. 'Governments,' Dornbusch celebrated, 'had to retreat and formally give up their authority over central banks.'[3] Already in 1996, in an Article in *Foreign Affairs* Dornbusch had touted the global intellectual triumph of independent central banks from New Zealand to Chile.[4] '[D]epoliticized money,' he summarised, 'is the ambition around the world.'[5] Control over money had finally been taken out of the hands of short-sighted and irresponsible elected politicians who had mismanaged it ever since Keynes's days. Instead, the new doctrine of neutral money restored as its mantra a commitment to the idea that 'good central banking is apolitical, and the more apolitical the better.'[6]

How did this peculiar idea of 'apolitical money' emerge? What were the debates that it displaced in the process? And why does it continue to exercise its sway despite having been declared dead more than once, most recently in the immediate wake of the Financial Crisis of 2008? My starting point in writing *The Currency of Politics* was thus a certain incredulity and

[2]R Dornbusch, 'A Century of Unrivaled Prosperity' in *Keys to Prosperity: Free Markets, Sound Money, and a Bit of Luck* (MIT Press 2000) 3, at 15; a slightly different version of the essay was also published as R Dornbusch, 'A Century of Unrivaled Prosperity' in I Vásquez (ed), *Global Fortune: The Stumble and Rise of World Capitalism* (Cato Institute 2000) 91 <https://mitpress.mit.edu/9780262541367/keys-to-prosperity/>.

[3]Dornbusch (n 2, first version of the chapter) 102.

[4]R Dornbusch, 'Euro Fantasies' 75 (5) (1996) Foreign Affairs 110.

[5]Ibid., 120.

[6]Ibid., 121.

curiosity that contemporary debates in the politics of money continue to be weighed down by a past that refused to pass and that was simultaneously little known or understood. Engaging with the intellectual history of the 20th century but also the much longer history of political thought on money going back to Locke and Aristotle thus meant for me as a first step confronting ideas and traditions that continue to ensnare us. As Keynes had put it, a 'study of the history of opinion is a necessary preliminary to the emancipation of the mind.'[7] It was in this spirit that I turned to the genealogical method initially as a kind of exorcism. This basic intuition was closely tied to the use of intertextuality which informed my choices of authors and moments, but it also raises fundamental questions about the relationship of the past to the present implied by my narrative that are only tangentially addressed in the book itself.

Francesca Trivellato invites me in this spirit to expand on the book's historical method, especially its use of intertextuality over the *longue durée*. She perceptively probes why I recognise one past but in doing so sidestep many others, and what these omissions mean for my critical project. Most pressingly, she asks, how does the selection of the pasts we choose to revisit shape contemporary debates over the future of money? To respond to those questions, I need to begin by expanding on the conception of history that informs *The Currency of Politics*. Instead of turning to the past either for antiquarian reasons or as raw material for the present, the primary point of my excavation was to contribute toward understanding the layers that continue to stabilise our frame – but also hold us captive. As Trivellato flags, both this refusal of intertemporal instrumentalism and my commitment to historical contextualisation do align the project with the so-called Cambridge School. It is thus tempting to read the book's historical contextualisations as attempts to liberate us so that we can 'do our own thinking for ourselves,' as Quentin Skinner famously put it.[8] Leaving aside whether this actually maps onto the subsequent practices of Cambridge historians, my own stance in the book places the emphasis somewhat differently than Skinner's early pronouncement. Emancipation of the mind requires an improved self-understanding by becoming aware of the place from which we inevitably start.

The point of recovering neglected layers of the past is, then, not for these to serve as reservoirs of wisdom. But, at the same time, they are not merely rubble to be picked over by antiquarians. Our relationship to the past is more involved and paradoxical. In constructing a geological map of the layers of monetary crises, I thus most identified with the geologist who seeks to understand the forces of the past.[9] As such, my ultimate purpose was self-understanding and an improved sense of orientation. This is crucially different from 'thinking for ourselves' in attending more closely to the ways in which we are not fully separate from what has passed by making visible longer diachronic threads that continue to frame our vision. While I thus agree with Trivellato that 'intertextuality only explains how we got here and which possibilities have been foreclosed', I would probe the use of 'only'.[10] To understand the ground we stand on and the possibilities that have been foreclosed seems to me both an essential and extraordinarily demanding undertaking.

Trivellato is nonetheless correct to remind us of the selectivity of the historical layers that the book choses to recover. Let me make two concessions here before returning to my point about self-understanding and its critical import. First, even within the intertextual tradition on which I focused there are many thinkers who would have had a powerful claim of inclusion: Jean Bodin, William Petty, John Law, Charles Louis de Secondat (otherwise known as Montesquieu), and

[7] JM Keynes, 'The End of Laissez Faire', originally published in 1926, now in *Collected Writings* (Cambridge University Press 2013) vol. 9, 277.

[8] Q Skinner, 'Meaning and Understanding in the History of Ideas' 8 (1) (1969) History and Theory 3, at 52. As my colleague Joshua Cherniss has remarked, this also frequently entails the paradox of insisting on the need to think for oneself by invoking Skinner's authoritative words. J Cherniss, 'Six Variations on Michael Rosen's *The Shadow of God*' 35 (2023) Critical Review, on First View.

[9] Treating the history of ideas as a form of geology recalls of course Foucauldian archeology. See M Foucault, *L'archéologie du savoir* (Gallimard 1969) 177–83; M Foucault, *Archeology of Knowledge* (Routledge 2009) 151–6.

[10] F Trivellato, 'Political Theories of Money and the Politics of Contextualization' 1 (2022) European Law Open 1040, at 1047.

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Ferdinando Galiani, but also of course David Hume, James Steuart, and Adam Smith, none of whom received extensive treatment in *The Currency of Politics*.[11] I am conscious of the arbitrariness involved even within the constraints imposed by the precepts of intertextuality and narrative structure. Second, while the book focuses on modern monetary crises and the debates surrounding them, I realised that these would be impossible to lay out without some engagement with the Aristotelian background that precisely gave way during the period. This enlarged framing made visible the vast shadow of Aristotle's ambivalent position, but it had at the same time the inevitable effect of opening up a rift in time that meant the reader would be asked to follow my characters in jumping through a wormhole and skip over many interceding layers of monetary politics. One could have easily added chapters on Roman imperial monetary crises, the upheavals over French monetary seigniorage in the 14th century, the Scottish Banking Crisis of 1772, or indeed – as Trivellato proposes – the public debt experiments of the Italian city states of the late Middle Ages. Had I expanded the book in that direction, Nicolas d'Oresme, Niccolò Machiavelli, and James Steuart/Adam Smith would have likely received chapters of their own. In the end I decided against stretching myself even thinner, also because it seemed to me that I did not strictly need these chapters to tell the book's intertextual story of modern debates over monetary politics.

I would stand by that assessment, but I do think Trivellato is right that my choice comes at a price. This is where a tension between the book's historical method and its critical aims emerges. Precisely in seeking to understand the sway of some of the traditions reconstructed in the book, my historical method runs the risk of reifying some of these very chains of monetary theorising. What was intended as a provincialising historicisation of origin stories can easily seem to be reproducing the very structure of said origin stories.[12] A similar point can be made regarding my reliance on intertextuality. What was meant as a connecting discursive thread to allow us to relive repeated historical escape maneuvers between monetary crises, also reproduces a somewhat arbitrary chain of transmission. While my critical point was to show how traditions themselves emerge as haphazard responses to crises, this can have the perverse effect of further reifying what were originally often desperate searches for historical orientation.

3 The political theory of money

This leads me into the heart of the book's argument concerning the political theory of money. In setting out to recover its ambivalent politics I consciously sidestepped a series of entrenched conceptual binaries concerning the 'nature' of money as only one way of looking at the underlying questions. In his generous, comprehensive, and thorough response, Costas Lapavitsas insists by contrast on money's dual role as both a measure of value and a unit of account. Lapavitsas has long and productively used this conceptual grounding of his Marxist Monetary Theory (not to be confused with Modern Monetary Theory or MMT, on which more below) to investigate questions of monetary value, but also the tensions that can arise between these two functions.[13] This account has, among other things, produced a seminal debate with the economic sociologist Geoffrey Ingham. Lapavitsas now poses a similar set of questions to me: What is the nature of money?[14]

[11]For a recent reinterpretation of Bodin, see D Lee, *The Right of Sovereignty: Jean Bodin on the Sovereign State and the Law of Nations* (Oxford University Press 2021). For a discussion of Steuart and the 'rhapsody' of public debt, see M Sonenscher, *Before the Deluge. Public Debt, Inequality, and the Intellectual Origins of the French Revolution* (Princeton University Press 2007) 58–62.

[12]One important constraint of intertextuality is in this context that it necessarily reproduces frequently unreliable practices of citation or rather lack thereof. As a result, many of the Italian, French, and Spanish thinkers from which the Anglophone tradition of political economy heavily borrowed are rendered invisible.

[13]C Lapavitsas, *Marxist Monetary Theory. Collected Papers* (Brill 2016).

[14]See C Lapavitsas, 'The Social Relations of Money as the Universal Equivalent: A Response to Ingham' 34 (3) (2005) Economy and Society 389; G Ingham, 'Further Reflections on the Ontology of Money. Responses to Lapavitsas and Dodd' 35 (2) (2006) Economy and Society 259; See also G Ingham, *The Nature of Money* (Polity 2004) and Lapavitsas (n 13) 220–36.

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I should begin by explaining why I hesitated to take a simple stance within the framing offered by Ingham and Lapavitsas and why I consequently sought to shift the debate toward divergent political theories of money. Sidestepping ontological debates about the nature of money was expressly not meant to dismiss such debates but merely to suggest that these are not the only way to frame disagreements over money and that these can also be productively read as articulating divergent political theories of money based on different conceptions of the state, society, power, equality, and so on. Instead of directly intervening in debates concerning the nature of money, I was thus far more interested in historicising some of the existing positions by reconstructing the actual arguments of the texts said to have produced the various divergent theories. Rather than assessing competing origin stories of money, I enquired into their premises and political implications, not least by recovering the broader political and intellectual contexts in which they were uttered. This allows us to read debates about the nature of money less innocently by placing them into the specific struggles over monetary politics from which they emerged. Frequently what may look like an ontological disagreement in fact derives from fundamentally different political assessments or different epistemological assumptions (or both). Inversely, even ontological agreement can produce radically different political visions of money's role and purpose. This alerts us to the misplaced hope that if only we could once and for all settle the 'nature' of money, all conflict, confusion, and struggle over monetary politics would cease. This is merely another denial of the politics of money. My point was thus that an understandable focus on settling debates over the 'nature' of money has for too long obscured the political dimension of debates over how to understand, shape, and use it.

Despite my conscious sidestepping of debates over the nature of money and my hesitation to locate myself straightforwardly within the existing parameters set out by Lapavitsas and Ingham, I nonetheless do rely on a working definition of money and my own starting point of money as a circulating credit claim – essentially an IOU that is widely accepted within a certain community or jurisdiction – is indeed closer to Ingham, as Lapavitsas rightly suspects. And yet, I find myself in several respects occupying a position that cannot be neatly subsumed into either of the two existing camps.[15] But let me first of all stress an important premise shared by both of these two influential positions: for both authors, money is ultimately constituted by social relations. Where they differ is in the nature and location of this social relation. For Ingham, money is a transferable credit claim 'constituted by social relations that exist independently of the production and exchange of commodities.'[16] For Lapavitsas, by contrast, these social relations are not credit claims but 'relations of value' that emerge spontaneously among commodity owners engaging in exchange.[17] Where Ingham seeks to separate money conceptually from commodity exchange and the market, Lapavitsas insists that conceiving of money without markets is 'to project onto the past the perceptions of the present.'[18] These are the "Babylonian' stories'[19] that attract Lapavitsas's ire.

Lapavitsas surely has a point in detecting more than a whiff of historical projection here. When Keynes recounted a highly compressed version of the history of money in the opening pages of the *Treatise on Money* (1930) he stressed only two points of inflection: first, the invention of money that occurred when humans adopted a money of account. And second, the arrival of 'the age of chartalist or State money' which marked the moment in which the state had started to claim 'the right to declare what thing should answer as money to the current money of account.'[20] As Keynes famously declared in a line that has become an anchor for contemporary MMT, '[t]o-day all

[15]The resulting stance could be described as a heterodox credit theory that nonetheless takes Marx's insistence on questions of value seriously. For an account that most approximates my own position, see SA Chambers, *Money Has No Value* (De Gruyter 2023).

[16]Ingham (n 14, *Nature of Money*) 12.

[17]Lapavitsas (n 13) 221.

[18]C. Lapavitsas, The limits of currency politics, in this issue, 636, at 646.

[19]Ibid.

[20]JM Keynes, *A Treatise of Money*, originally published in 1930, now in *Collected Writings* (Cambridge University Press, 2013) Vol. 5, at 4.

civilised money is, beyond the possibility of dispute, chartalist.'[21] This second step of the introduction of 'modern' chartalist money of account was however not a recent invention tied to the emergence of early-modern statehood nor perhaps the 18th-century public-debt state. Instead, Keynes presented it peculiarly as essentially a Babylonian achievement. 'The first State reform of the standard of weight, of which we have definite record,' Keynes wrote, 'was the Babylonian reform towards the end of the third millennium B.C.'[22] Modern money – including the modern money of Modern Monetary Theory – was thus according to Keynes a Babylonian invention. Within 'the first 5,000 years' of debt, for Keynes, monetary modernity started almost four thousand years ago.[23] It is easy to see why Lapavitsas considers this an anachronistic story that simply projects the modern state back in time and refuses to historicise its gradual emergence.

Things get however more complicated as soon as we delve deeper into the underlying questions, and I fear here I end up closer to – though not always agreeing with – Ingham. Put simply, it seems to me that Lapavitsas's insistence that money is a 'relation of value' that emerges spontaneously among commodity owners similarly constitutes an awkward act of backward projection whereby capitalist money has come to stand in for all forms of money, including pre-capitalist ones. This projection is obscured by the double labour that the concept of commodity is asked to perform here: both as commodity money ('Warengeld') and the capitalist money commodity ('Geldware,' in Marx's terminology). For Lapavitsas there is moreover a stadial progression from commodity money to contemporary credit money that I find difficult to accept, not least because I am not convinced by his distinction between the thin trust of commodity money and the promissory nature of credit. What easily gets lost here is an appreciation for the way in which even ancient coins were an embodiment of collective belief. The trust placed in them did not merely revolve around the promised quantity of silver but also had a collective political and social dimension.[24]

4 Politics and economics

Rather than dwelling on these definitional differences, let me instead spell out here what I take to be a much more interesting point of departure from Lapavitsas's framing. More intriguing than questions about the nature and origin of money appears to me a series of overly stark distinctions that Lapavitsas draws between money's political and economic natures, between economic theory and political thought, and between the economic and the political more generally. In pushing back against the nominalism of Keynes's 'Babylonian' account of state money, Lapavitsas repeatedly invokes the 'inner workings' of money which appear to follow on his account an underlying economic logic. Similarly, for him the limits of monetary politics only become visible by placing money 'in the context of economic relations.'[25] Money has 'its own economic functioning that sets limits to monetary politics.'[26] I welcome Lapavitsas's enquiry about the role of 'the economic' in my own account but I worry, in brief, that invocations of money's inner economic logic are too static and too divorced from politics.

Lapavitsas does helpfully make room for politics in his account: there is space both for the 'extra-economic authority' of the state in setting the unit of account, as well as for the politics of

[21]Ibid. As I show in the book, Keynes highlighted a third inflection point in the form of Solon's debt reform and the Athenian politics of money in his unpublished n JM Keynes, 'Note on the Monetary Reform of Solon' *Collected Writings* (Cambridge University Press, 2013), vol 28, 223–31. See S Eich, *The Currency of Politics* (Princeton University Press 2022) xiii and 37.

[22]Keynes (n 20) 11.

[23]D Graeber, *Debt: The First 5,000 Years* (Melville House 2011).

[24]Indeed, few of the historical thinkers subsumed by Schumpeter under the metallist label had a conception of the intrinsic value of bullion. Instead, many placed distinct emphases on the need to stabilise trust through metal, be it domestically or in particular across jurisdictions. Thanks to Ludovico Picciotto for this point.

[25]Lapavitsas (n 18) 638 and 652.

[26]Ibid. 638.

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contemporary credit money more broadly. But Lapavitsas nonetheless relies, it seems to me, both on an excessively narrow conception of the economic and an excessively narrow conception of the political which leads to a sharp bifurcation between the two. His notion of 'the economic' appears to me too closely tied to a misleading conception of economics reminiscent of classical political economy in which the spontaneous actions by individual agents produce iron laws of nature. In turning to the politics of money from the perspective of a political theorist, I realise of course that my own reframing can easily come across as an attempt to simply substitute the *politics* of money for the dominant discourse of monetary economics.[27] Am I then simply engaged in an act of reverse methodological imperialism that aims to move money from the economic realm to the political?

This would fundamentally misread the book's argument in two related ways which are admittedly not always fully spelt out in the book itself. First, money is for me (as it is, I suspect, on some level for Lapavitsas) precisely a 'hybrid' institution suspended between politics and economics.[28] Monetary policy and the institutions tasked with governing money are always torn between the conflicting imperatives of state and banks, autonomy and cooperation, welfare, and profit. However, second, this hybridity of money consists not in a clash between 'economic principles' and 'state whimsy'. Instead, it calls for a higher-level account of the mutual dependencies, entwinements, and interactions between the economic and the political. The towering figure that looms for me behind this way of framing the problem is once more Keynes. Intriguingly, Keynes himself attempted to draw lines of demarcation between politics and economics but he did so in recognition of the political spirit of that separation and its temporary, situated, and tactical quality. As Geoff Mann has argued in his brilliant account of Keynesianism, 'the problem of separating the economic from the political is perhaps even more visible, and considerably more elaborate, in Keynesianism than in more dogmatic commitments to liberalism.'[29] Instead of taking a separation of the political and economic as his starting point – a separation that marks classical liberalism but also finds its inverted imprint in Lapavitsas's Marxism – Keynes begins by pointing to the difficulties involved in creating and maintaining it. As Mann perceptively points out, 'one of the most fundamental elements of Keynesianism's immanent critique of liberalism is its apostasy concerning the doctrine of separation.'[30] Mann attributes to Keynesianism instead an essentially Machiavellian appreciation of the separation between politics and economy as precisely not naturally given and yet essential to social order.[31]

Such an awareness of the artificiality and instability of the separation means that the Keynesian critique can appreciate that 'the content of the political, as a category of social life, not only shifts over time and space but is also constantly redefined so as to determine as clearly as possible what it does *not* contain.'[32] Rather than either taking a clean separation of politics and economics for granted, or conflating the two, or indeed presiding of a dramatic clash between the two (as did Schmitt and other interwar thinkers), Keynes instead grappled with the delicate interdependencies between democratic politics and economic expertise under capitalism.[33] It is of course in moments of crisis that the separation between politics and economics tends to get scrambled most explicitly and these were consequently the moments I decided to focus on. But I was simultaneously aware

[27]Trivellato expresses this worry with regard to the work of J.G.A. Pocock, István Hont, and Michael Sonenscher: 'for them, too, the chief focus was the history of political thought. As a result, they subordinated any economic analysis to the treatment of political ideas, and consequently eclipsed private commerce in favor of the public debt.' See Trivellato (n 10) 1044.

[28]Eich (n 21) 174, 178, 201.

[29]G Mann, *In the Long Run We Are All Dead: Keynesianism, Political Economy, and Revolution* (Verso 2017) 10–11.

[30]Ibid., 11.

[31]I am here also reminded of Foucault's efforts to avoid falling into economism and to investigate instead what created the field of knowledge in which the economy could appear as a stable ground in the first place. M Foucault, *Society Must be Defended.* Lectures at the Collège de France, 1975–76 (Picador 2003) 13–4.

[32]Mann (n 29)10–11.

[33]I am indebted to Adam Tooze for many conversations on these questions.

that for thinkers like Keynes an analysis of the instability of the separation between political and economic questions went hand in hand with a recognition that improvised iterations of the distinction might nonetheless be necessary. Indeed, this is one crucial dimension of the politics of depoliticisation that I wish I had spelled out more clearly and unfolded more carefully.

But I was at the same time interested in interrogating why discussions of money's political meaning had fallen off the radar of political thought. Instead of taking a distinction between economics and politics for granted, I wanted to understand how it came about in the first place in the realm of money. Conceptually, the answer to this question revolves for me around the politics of depoliticisation that accompanied the rise of capitalism. This does not deny that we are entangled in a web of capitalist value relations. Still, creating a bifurcation between politics and economics nonetheless requires political acts of considerable imagination. To stress the politics of depoliticisation underlying such acts was on one level of course meant as an exercise in *Ideologiekritik* that aimed to unmask the seeming naturalness of depoliticisation as itself a political strategy. But recognising the politics of monetary depoliticisation also means acknowledging that it has been and continues to be an extraordinarily effective political strategy – including in the context of democratic politics which has turned out to be far more willing to engage in exercises of collective binding than has been acknowledged by those who see democracy and sound money in a relation of perpetual and inevitable antagonism. What requires explanation is why the politics of depoliticisation has proven to be so seductive.

Once more, Keynes comes perhaps closest to appreciating both sides of the politics of depoliticisation. Attempts at monetary depoliticisation can never be closed off against political critique and, as Keynes insisted, they have to be responsive to questions of justice and justification. This is the Keynes who railed against the interwar gold exchange standard as a fundamentally flawed attempt at economic neutralisation by naturalisation that was at the same time unfair and counterproductive.[34] But Keynes himself was nonetheless deeply attracted to the possibility of more sustainable and reflexive political strategies of economic depoliticisation. He consequently devised a complex institutional design for an International Clearing Union that was intended to once more allow international trade to live up to its 18th-century promises. The resulting new global monetary order would have been operating most of the time in an effectively depoliticised manner, and yet be prepared to accommodate political states of exception for the re-distributions of burdens of adjustment. As Roufos also notes, Keynes seemed to me an ideal guide to these underlying questions precisely because he shared a genuine appreciation of both sides of the argument: the politics *and* the depoliticisation. I personally am more sceptical than Keynes whether such 'depoliticization machines,' to adapt James Ferguson's fertile phrase, can ever retain the kind of political responsiveness that would leave them receptive to critique.[35] I will return to this question below in the context of the Eurozone.

5 Between the state and finance

The modern politics of monetary depoliticisation was at the same time itself accompanied by a profound transformation of the institutional shape of monetary institutions. This involved a shift toward independent central banks that Dornbusch celebrated but as I suggest in the book, one can draw a much wider arc to the late 17th century or indeed, as Trivellato indicated, even earlier. In much of the world – certainly in Europe and North America – the creation of money rests today largely in private hands as the state has outsourced a key prerogative to private actors. Indeed, we take this initial act of 'privatization' so entirely for granted that it rarely appears in contemporary

[34]Eich (n 21) 174.

[35]J Ferguson, *The Anti Politics Machine: Development, Depoliticization, and Bureaucratic Power in Lesotho* (University of Minnesota Press 1994).

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debates.[36] Smoleńska here challenges me to qualify my account of private money creation,[37] and this allows me to elaborate on the status of modern money as the nexus between state and finance. Is this process really best described as a kind of privatisation? After all, as Smoleńska shows, European policymakers have recently been able to impose green regulations and financial requirements. The ECB is able to shape patterns of credit creation and flow by more actively governing the assets and liabilities on the ECB's balance sheet. Smoleńska similarly summarises post-Financial Crisis regulations as exercising 'an ever-tighter grip over finance, altering the contact which exists between state, finance, and the real economy.'[38] All this would seem to suggest that the system is far from privatised, or in any case that the privatisation of money has been somewhat pushed back over the past decade. I am much less optimistic about the bite of financial regulation since the Financial Crisis and more sceptical about the sincerity and staying power of the ECB's green turn for reasons I outline below.[39] But conceptually I otherwise completely agree with Smoleńska that even privatised money continues to rely on the state and its central bank. The privatisation of money creation does not render the state obsolete or entirely powerless in governing the creation of money. Instead, while the creation and allocation of credit is merely removed from direct public control, we witness a delicate standoff defined by mutual interdependencies.

The result is a peculiar situation whereby a key public good is provided by private actors based on the profit motive but under the arms-length choreography of independent central banks. Money is largely created by banks though ultimately backstopped by the state, or rather by an international state system that is itself hierarchically organised. Within these constraints, certain states can consequently at certain times exercise certain powers over these complex interdependencies. Hybridity thus runs right through the very nature and structure of modern central banks which are at once organs of the state but also simultaneously tasked with ensuring the wellbeing of private banks. It is in this constrained space of interdependencies and double binds that monetary politics unfolds in capitalist polities.[40] For me, this points to a crucial area of future research: namely to develop better accounts of the interdependencies between finance and the state that can capture both instances of financial blackmail; but also of the ways in which financial actors crucially need liquid markets in sovereign debt.[41] Only by understanding these interdependencies will it be possible to strategically intervene to detect and exploit moments of dependence on the part of finance. This requires new ways of conceptualising global financialized economic relations, such as those offered by a new political economy of leverage, but also deeper engagement between critical finance studies and political theory.[42]

[36]On the political theory of privatisation, see C Cordelli, *The Privatized State* (Princeton University Press 2020).

[37]A Smoleńska, 'Euro as the Currency of the EU's Green Transition' 1 (2022) European Law Open 1048, at 1056.

[38]Ibid.

[39]The aftermath of the Financial Crisis appears to me retrospectively above all as a missed opportunity rather than a moment of regulatory supremacy. Instead of reconfiguring the financial and monetary system, it was primarily stabilised and only moderately constrained.

[40]To stress this essentially hybrid position, in the book I built on the framing of the French Regulation School of Michel Aglietta and André Orlean in considering money as always suspended between trust and violence to capture money's hybridity. M Aglietta and A Orléan, *La violence de la monnaie* (Presses Universitaires de France 1982); M Aglietta and A Orléan, *La Monnaie Souveraine* (Odile Jacob 1998); and M Aglietta and A Orléan, *La monnaie entre violence et confiance* (Odile Jacob 2002). For an overview of Aglietta's monetary thought and some of its implications, see J Grahl, 'Money as Sovereignty: The Economics of Michel Aglietta' 5 (2) (2000) New Political Economy 291.

[41]I am here thinking, for example, of J Vogl's, *The Ascendancy of Finance*, trans. A Garnett (Polity 2017) and *Capital and Ressentiment: A Short Theory of the Present*, trans. N Solomon (Polity 2022) which both offer sophisticated accounts of these interdependencies.

[42]For an account of leverage and financial power in the context of uncertainty, see M Konings, *Capital and Time: For a New Critique of Neoliberal Reason* (Stanford University Press 2018). The concept of leverage here opens the door toward attempts to think 'counter-leverage' in a more political register. On its critical potential, see S Sgambati, 'Who owes? Class Struggle, Inequality and the Political Economy of Leverage in the Twenty-First Century' 8 (1) (2022) Finance and Society 1; S J Dutta, 'Countering Financial Claims: On the Political Economy of Definancialisation' in B Braun and K Koddenbrock (eds), *Capital Claims. Power and Global Finance* (Routledge 2022) 50–68. For a parallel conceptualisation of financialized political activism,

Interestingly, where Smoleńska queries my hybrid account of modern money by probing the completeness of monetary privatisation, Goldoni challenges me from the opposite direction when he worries that contemporary analogies between money and language underestimate the extent of commodification, including of public speech itself.[43] As Goldoni asks, even if we accept an analogy between currency and speech, what protects speech itself from being colonised by the instrumental forces of the system? Critics of Habermas's bifurcation between system and lifeworld have of course long queried why speech itself is largely shielded from the threat of commodification.[44] Goldoni elegantly links this worry about linguistic commodification to the recent 'communicative' turn of central banks. As he chronicles, central bank speech seems to be deeply ensnarled in the performativity of financial markets. Even where central banks pretend to be interested in deliberative feedback – such as for example in the recent 'Fed Listens' and 'ECB Listens' programs – it is easy to detect a fundamental insincerity of this supposed communicative encounter. The exercises resemble less democratic conversations than therapeutic Human Resources initiatives in which grievances are encouraged to be voiced in the hope that simply saying things out loud will provide a sense of recognition. Needless to say, this cannot be the model for democratic deliberation, contestation, and accountability.

Most importantly, Goldoni is correct to observe that when central bankers actually speak, even when they seemingly address a broader public, their primary addressees are necessarily financial market actors, especially those active in markets for government debt. It is telling here that Mario Draghi's famous performative line to do 'Whatever it takes' in the context of the eurocrisis was neither issued in front of the European Parliament, nor at a meeting of Europe's finance ministers, nor even at an ECB press conference but instead at the 'Global Investment Conference' at the British Business Embassy in London.[45] When Draghi thus remarked at the outset of his address that he had repeatedly asked himself 'what sort of message I want to give to you,' the 'you' in the room was not the European citizenry but instead a star-studded collection of the world's leading hedge funds, asset managers, and institutional investors.

At first sight all this would seem to vindicate Goldoni's worries. Most central bank communications remain indeed firmly embedded in the systemic realm of instrumental rationality and specifically in the performative speech of the bond markets. But Goldoni radicalises this point in tentatively suggesting that all public speech has by now been deprived of its critical potential. In Habermas's terms, this would paradoxically mean that language itself would have become 'de-linguistified.'[46] This pushes a legitimate critique too far in suggesting that critical public discourse about monetary politics is simply impossible. But not all public discourse about the purpose, nature, and tools of central banking necessarily has to degenerate into performative financial speech. The rich critical debate about central banks during the inflation of the past year is testimony to the possibility that central banking can be opened up to public scrutiny if central bankers are forced to explain themselves.[47] Monetary speech can no longer be

see R Meister, *Justice is an Option: A Democratic Theory of Finance for the Twenty-First Century* (University of Chicago Press 2021).

[43]M Goldoni, 'The Communicative Turn in Money Production and Central Banking' 1 (4) (2022) European Law Open 1014, at 1024.

[44]In response, Habermas has pointed to the counterfactual presupposition of speech acts that retain an appeal to communication even where it is disappointed. J Habermas, 'Remarks on Discourse Ethics' in *Justification and Application. Remarks on Discourse Ethics* (MIT Press 1993) 19 <https://www.wiley.com/en-us/Justification+and+Application%3A+Remarks+on+Discourse+Ethics-p-9780745616391>.

[45]M Draghi, 'Speech at the Global Investment Conference in London' (26 July 2012) <https://www.ecb.europa.eu/press/key/date/2012/html/sp120726.en.html>.

[46]J Habermas, *The Theory of Communicative Action*, trans. T McCarthy (Beacon 1984) Vol. 1, 359.

[47]I am thinking here for example of the work of Isabella Weber. For a public profile, see Z Carter, 'What if We're Thinking About Inflation All Wrong?' (*The New Yorker*, 6 June 2023).

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shielded from democratic scrutiny and maintaining a space for public discourse about money that is not entirely commodified is an essential struggle.

Instead of either a straightforward tool of the state or a purely privatised medium of accumulation, modern money is both. I consequently found it helpful to follow widespread analogies to the law not to suggest that the state can simply make law as it pleases but to stress this hybrid character of both law and money. To put it in Habermasian terms, both law and money are suspended between facts and norms.[48] Most of the time they will reproduce existing relations of power and 'encode' yet new avenues of commodification,[49] but both are also constitutively tethered to deeper normative promises that cannot be fully closed off against critique and that can at times be mobilised to effect change. This is of course not how Habermas himself treated money in his mature theory. Whereas he granted law an ambivalent hybrid status as a 'sluice' between system and lifeworld, he firmly and resolutely located money in the systemic realm.[50] The reasons for this surprising relegation and depoliticisation of money, which are not idiosyncratic to Habermas but also mark the thought of the political theorist Michael Walzer, form the animating puzzle behind the book's sixth chapter. Both Habermas and Walzer are representative here of the way in which many political theorists – in particular on the left – came to accept and reinscribe a fundamental distinction between state and market during the early 1980s that had seemed implausible not too long before. One unwitting casualty of re-drawing a sharp dividing line between the economy and the political realm was, unfortunately, the question of monetary policy, which straddled this divide uneasily.

Roufos here challenges me to defend my claim that we can detect not only the influence of Lockean liberalism but also 'the shadow of Marx'[51] behind Habermas's and Walzer's turn away from attempts to politicise the economy. My point was of course not to blame Marx for the politics of disinflation and I would insist, with Roufos, on the critical intent of Marx's intervention. But I was struck by the irony that it was also a reductionist Marxist equation of money with capital that led many on the left to quickly accept a new disinflationary reality in which money creation was once more merely an 'economic' question rather than also a possible arena of political contestation. This was an oversimplified mischaracterisation of Marx's own account and the purpose of the book's Marx chapter is to counter such readings but also to explain how they could arise in the first place. And yet Habermas and Walzer did not recoil from the politicisation of the economy because they had simply fallen under the spell the Lockean narrative or suddenly become neoliberal cheerleaders. Instead, it was also the contorted shadow of Marx's intervention that fed into a suspicion of any kind of malleable politics of money and was comfortable with reducing money to a merely economic category of accumulation and commodification.

Instead of such unwitting defenses of the depoliticisation of monetary politics, I end the book with a plea for overcoming the conceptual relegation of money by reclaiming for it an ambivalent status between facts and norms. This not only reconnects monetary politics to questions of legal theory and jurisprudence, it also inversely issues a reminder of law's own hybridity between justice and accumulation.[52] This conceptual corrective alone does of course not guarantee that critical discourse about the politics of money succeeds in altering the underlying political parameters. After all, as part of the disinflationary push of the past year central bankers around the world resuscitated the most worn-out narratives of the 1980s whose ongoing appeal, despite no longer shielding central banks from public scrutiny, is itself a puzzle in need of an explanation. But this

[48] J Habermas, *Between Facts and Norms*, trans. W Rehg (MIT Press 1996).

[49] K Pistor, *The Code of Capital. How the Law Creates Wealth and Inequality* (Princeton University Press 2019).

[50] Habermas (n 46); Vol. 1, 333.

[51] P Roufos, 'Spectres of European Money and Stefan Eich's Currency of Politics', in this issue, 654 at 670.

[52] As Losada summarises succinctly, 'law and money are both hybrid social phenomena suspended between the state and the market.' F Losada, 'Towards a Constitutional Theory of Money: Opening Europe's Money up to Public Discourse' 1 (4) (2022) European Law Open 1025, at 1029. Also for that reason am I delighted that this symposium is hosted by a law journal – albeit a refreshingly iconoclastic one.

reliance on zombie narratives that have lost their original resonance and yet refuse to go away only underscores the severity of the impasse central bankers find themselves in during this moment of monetary interregnum.

6 Democracy and the political limits of monetary politics

This finally gives me a chance to clarify my stance in the book's epilogue and relate it to the different sceptical hesitations offered by Goldoni, Lapavitsas, and Trivellato, as well as to the visions of monetary reform sketched by Losada and Smoleńska. To begin with, my point in issuing a plea for democratising money was not simply to underwrite nominalist claims of monetary malleability but to locate more precisely what scope for monetary politics – including more democratic uses of monetary power – exists even within the constraints spelled out so sharply by Marx. To posit the political construction of an institution does of course not imply an effortless ability to cash out the democratic promise of said institution. Nowhere is this more evident than in the realm of money, though it is precisely this fundamental political problem that has gotten lost in the monetary standoff between the orthodoxy and chartalism.

And yet I remain convinced that this critique leaves considerable space for articulating substantial political demands for the democratisation (the gerund matters here) of money even under contemporary conditions. That does not imply that our chains are merely imaginary but rather that democratic politics requires struggling within a system whose horizon of realisation we can never reach.[53] Here I think Lapavitsas risks downplaying the scale and scope of the kinds of political interventions that are available even under capitalism. The state is not simply restricted to setting the unit of account, but it can and does constantly if largely invisibly intervene in the process of credit creation and allocation. There are of course clear limits to the way in which the state can force citizens – let alone foreign investors – to accept its own tokens.[54] But within the confines of contemporary central banking there are nonetheless discretionary decisions of enormous scope with vast stakes that are all entirely compatible with the existing relations of value. The 'great power'[55] of central banks extends to their ability to reject or accept pleas for convertibility of different forms of private monies from the bottom of the money pyramid into fiat monies at the top.[56] Whose credit claims are converted, which assets central banks buy and hold on their balance sheets, and who can count on an emergency liquidity injection are all decisions that fall under the broad heading of monetary politics and the answers to these questions are fundamentally underdetermined by the forces of capital alone.

This framing offers another way of articulating the difference between my approach and Lapavitsas's insistence on limits to reform that are set externally by the economic content of capitalist relations. My point is instead that these limits, though very real, are not external but arise from the fact that the construction process is not transparent to itself.[57] Instead of inherent economic limits, it would be more accurate then to speak of the political limits of the politics of money precisely to indicate that these are not fixed but instead specific to the particular social relations of different moments of capitalism but also subject to all the indeterminacies of politics.

[53]Astra Taylor's quip that 'democracy may not exist but we will miss it when it's gone' seems to me an apt description of the peculiar nature of the modern democratic ideal in this regard. A Taylor, *Democracy May Not Exist, but We'll Miss It When It's Gone* (Metropolitan 2019).

[54]As Minsky quipped in the monetary equivalent of Wittgenstein's private language argument, the problem is never creating money but getting it accepted. H Minsky, *Stabilizing an Unstable Economy* (McGraw 1986) 255, 78–9.

[55]Lapavitsas (n 18) 652.

[56]To insist on the legal pyramid of money with its chartalist peak is entirely compatible with private money creation among commodity owners and with an understanding of capital as a value relation. K Pistor, 'Moneys' Legal Hierarchies' in L Herzog (ed), *Just Financial Markets?* (Oxford University Press 2017) 185.

[57]I owe this perceptive Lefortian formulation to Martijn Konings.

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Just as – in Lapavitsas's words – '[t]he politics of money can never be independent of the economics of money',[58] so can the economics of money never be independent of the politics. Foregrounding the constructedness of money does not do away with constraints but offers us a different way of understanding the problem by emphasising that the limits and binds are internal to the politics of money.

What then would a more democratic monetary system look like even under contemporary capitalism and all the constraints internal to the peculiar kind of money that it produces and demands? In the book's epilogue I stepped out of my role as archaeologist and donned the hat of critical theorist. Doing so was intended to invite democratic disagreement but it also seemed to me a necessary act of intellectual honesty to offer a self-reflexive accounting for my own historical vantage point that framed my detour into the past. My point here was above all a meta-democratic one about language and debate, but I also gestured, stenographically, toward three possible institutional reforms that seemed to me most promising and interesting. Understandably, these have attracted the greatest attention. It bears repeating that these were not conclusions derived from my historical excavation. Reconstructing the history of monetary politics is a necessary step toward renewing democratic debate but the historical moments themselves neither imply an argument for or against more democratic monetary ideas.

How we spell out a vision of democratising money varies of course with how we conceptualise the constraints of the construction process but also what we take democracy to consist of.[59] As an initial starting point, we can here loosely distinguish between three traditions of democratic theorising: those that place emphasis on representative institutions, those that stress deliberation, and those that focus on contestation. For me, a persuasive theory of democracy needs to combine all three strands. If approached through the first lens of representative (usually legislative) institutions, the politics of central banking largely appears as a problem of democratic delegation and how to make such delegated power more accountable and reversible.[60] Both Losada[61] and Smoleńska[62] also push in this spirit for greater democratic accountability of central banks.[63] But to be meaningful, accountability arguably also requires robust structures of both deliberation and contestation – namely institutionalised and non-institutionalised channels for demanding justifications and challenging power.[64] Democratic deliberation requires a form of contestation, just as contestation does often – though not necessarily – have a deliberative dimension.

What ties these three aspects of representation, deliberation, and contestation together for me is however not a fixed ideal of institutionalised rule but instead an acceptance and indeed embrace of indeterminacy and uncertainty as the true features of democratic life.[65] As Claude Lefort insisted, democracy is necessarily open-ended and unfinished.[66] Because my main point in the epilogue

[58]Lapavitsas (n 18) 642.

[59]As Trivellato also observes, given the various different meanings of democracy, which of these we chose decisively shapes the vision of democratic money we are left with. Trivellato (n 10) 1044.

[60]For a powerful argument for democratising money from this perspective, see L Downey, 'Delegation in Democracy: A Temporal Analysis' 29 (3) (2021) The Journal of Political Philosophy 305; as well as L Downey, 'Governing Money Democratically: Re-chartering the Federal Reserve' in D Allen, Y Benkler, L Downey, R Henderson and J Simons (eds), *A Political Economy of Justice* (University of Chicago Press 2022) 340–366.

[61]Losada (n 52) 1030.

[62]Smoleńska (n 37) 1058.

[63]See also M Markakis, *Accountability in the Economic and Monetary Union: Foundations, Policy, and Governance* (Oxford University Press 2020).

[64]This arguably requires some form of organised collective power. See S Klein, 'Democracy Requires Organized Collective Power' 30 (1) (2022) Journal of Political Philosophy 26.

[65]This point is most influentially developed in C Lefort, *Democracy and Political Theory* (Polity 1988). For a discussion of deliberation and contestation in the context of central bank politics that is indebted to Lefort's student Pierre Rosanvallon, see É Monnet, *La Banque Providence: Démocratiser les banques centrales et la monnaie* (Seuil 2022).

[66]Lefort (n 64)16. See also S Moyn, 'Antitotalitarianism and after' in S Moyn (ed), *Democracy Past and Future* (Columbia University Press 2006) 1.

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was a meta-democratic one in such a Lefortian spirit of open-ended contestation, I was less interested in issuing policy recommendations or institutional fixes but rather to insist more fundamentally that democratising money – irrespective of our specific institutional conceptions of democracy – requires as a first step bringing monetary politics back into public debate by opening it up to the indeterminacy and uncertainty of democratic contestation and critique.

I understand that this might appear dangerous. It is certainly more demanding than mere delegation or improved accountability. And yet not only am I convinced that the hurdles of technical knowledge are much lower than often presumed and that monetary politics can tolerate more democratic uncertainty, I also believe that excluding questions of monetary governance and credit creation from democratic life will have increasingly pernicious consequences. Democracies would thus do well to develop better avenues for articulating the underlying political questions and the inevitable encounter with uncertainty they entail. Such reforms are not 'merely' about monetary justice, but what is at stake in expanding our democratic imagination of monetary politics and enacting reforms on that basis is arguably the prospect of democracy itself. A refusal to open money to the pressures of democratisation would not only leave us with worse monetary policy, I fear that it would also threaten the health of democracy itself. If we live in a system in which some of the most important policy decisions – who gets to create money, where credit flows, and who gets bailed out – are perceived to be in the hands of unaccountable private actors or unelected technocrats, this will inevitably hollow out the democratic self-understanding that we are ultimately engaged in an experiment of self-rule.[67]

This brings me back to the contemporary dimension of Trivellato's challenge. Imagining what a different monetary system could look like requires as a first step the provincialisation of frozen dichotomies, misleading conjectural origin stories, and traditions that ensnare us. This allows us to gain an awareness of the ways in which we continue to be enmeshed in historical processes from which there is no simple escape. My reconstruction of past crises and the interventions they produced was in this sense intended to create a map of competing, complementary, and overlapping political theories of money that stand in conversation with one another. But this is where a tension emerges: Does such a map constrain our imagination by seemingly imposing outer boundaries? What about paths, views, and questions that the existing traditions have so far shunned or failed to capture? Here a more Benjaminian sensibility about recovering lost histories from the discarded graveyards of the past becomes an urgent task – what Hannah Arendt once memorably compared to 'a pearl diver who descends to the bottom of the sea, not to excavate the bottom and bring it to light but to pry loose the rich and the strange.'[68] My map is in this sense emphatically not a device of policing but precisely meant to encourage such 'pearl diving' into other periods, thinkers, and repressed traditions that run across, above, below, or parallel to the dominant discursive threads. Far from displacing or marginalising alternative intellectual traditions, my hope here is that scholars can add to the map and populate it with more reference points.[69] Maybe a more effective way to illustrate this point would have been to provincialise that history by bringing it into contact with external intellectual resources from earlier periods and other traditions, including non-Western ones, precisely because their ontological beliefs about money were radically different from ours.[70] Expanding the contemporary monetary imagination

[67]Democracy means at the same time that different goals and values can come into conflict with one another. To state the most obvious example, there is no guarantee that a more democratic central bank would also be a proactive champion of the green transition. Inversely, even if a greening of monetary and financial policies were to happen, it is not clear that this would enhance their 'democratic anchoring' (Smoleńska n 37 1050). Instead, we might be very well left with tragic choices.

[68]H Arendt, 'Introduction' in W Benjamin (ed), *Illuminations: Essays and Reflections* (Harcourt Brace Jovanovich 1968) 50–1.

[69]Building on the work of Jérémie Barthas, Trivellato for example offers Machiavelli as a neglected theorist of republican monetary reform. See Trivellato (n 10) 1046. See J Barthas, 'Machiavelli, the Republic, and the Financial Crisis' in D Johnston, N Urbinati and C Vergara (eds), *Machiavelli on Liberty and Conflict* (Chicago University Press 2017) 257.

[70]See D Chakrabarty, *Provincializing Europe: Postcolonial Thought and Historical Difference* (Princeton University Press 2000).

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will certainly require a vastly greater conceptual toolkit as well as more effective counter-histories that go beyond the intertextual conversation I traced.

7 Visions of European democratic monetary politics

What would such a vision of more democratic money look like in the European context where it is very much amiss? Dornbusch's frank dismissal of democratic money in 2000 was not primarily a general commentary about the triumph of independent central banks at the end of the 20th century. It was more specifically meant as praise for the nascent ECB. For Dornbusch, European monetary union embodied and capped the radical monetary changes of the previous two decades. Indeed, as he highlighted, in Europe these developments had 'gone furthest with the disarmament of central banks in the soft money belt of Europe, from France to Italy and Spain.'[71] The ECB was a monument to the proposition that money was too important to be left to politicians: 'in these matters, there is no such thing as a responsible politician.'[72] As Dornbusch had already explained earlier in the 1990s, the prospect of a pan-European central bank promised to institutionalise the ideal of neutral money. 'Money at its best is apolitical, and the European central bank will accomplish that.'[73] This meant that European monetary union was emphatically not another exercise in transferring or sharing national sovereignty. Instead, creating a central bank above and beyond democratic politics was for Dornbusch not even itself a political act: it was merely an instance of 'kicking a bad habit!'[74]

The peculiar nature of the ECB was very much on my mind when writing the book and Losada, Roufos, and Smolenska all invite me to make this tacit role more explicit. Showing how ideas that might seem self-evident were the contingent result of political struggles at a specific moment in time was also meant to highlight the carefully hidden political premises of European monetary policy itself. This meant grappling with the long shadow of the idea of sound money as 'apolitical' – itself a radicalised version of the Lockean lineage, as Roufos rightly points out – as well as the more specific legacy of the *Bundesbank*. As an institutional embodiment of the high-water mark of the politics of depoliticisation of the 1990s, the ECB combined in an almost uncanny way the idea of an independent central bank shielded against democracy and operating under the pretense of market neutrality and impartial expertise. These ideas of course circulated widely, but in Europe they acquired constitutional status through the Maastricht Treaty, thereby baking them into the legal fibre of European integration. Nowhere is the constitutional dimension of monetary politics consequently more evident than in the eurozone: not, however, as a reminder of money as a 'malleable practice'[75] of power but paradoxically as the constitutional enshrinement of an apolitical conception of money. While debates about central banking are conducted in Europe through a dense web of legal interpretations of the ECB's mandate and the workings of the respective treaties, what grounds this discourse is a constitutionally frozen conception of apolitical money.

As Adam Tooze has consequently succinctly put it in his account of the eurocrisis, 'the ECB's operational DNA, came from the *Bundesbank*.'[76] And yet as Tooze similarly stresses, the ECB is far from homogenous ideologically. To begin with, European monetary union was after all the product of a peculiar compromise between two fundamentally different visions of European integration but also between somewhat divergent German and French visions of the politics of

[71]Dornbusch (n 2, first work cited) 102.
[72]Ibid.,102–3.
[73]Dornbusch (n 3) 118.
[74]Ibid., 121.
[75]C Desan, 'The Constitutional Approach to Money: Monetary Design and the Production of the Modern World' in N Bandelj, FF Wherry, and VA Zelizer (eds), *Money Talks: Explaining How Money Really Works* (Princeton University Press 2017) 109, at 126.
[76]A Tooze, *Crashed: How a Decade of Financial Crises Changed the World* (Penguin 2018) 99.

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money and credit: monetary union was both a stepping-stone to further political integration and a shrine for the depoliticisation of the economy beyond statist interventions, devaluations, or inflation.[77]

Any attempt to model the ECB on the image of the German *Bundesbank* furthermore ran into the inevitable difficulty that what had rendered the *Bundesbank* a beacon of ordoliberal 'independence' had not simply been its formal statute but also the way in which it had been embedded in a set of material and cultural norms that structured the relation between economics, politics, and money in West Germany. This was certainly not a paragon of democratic legitimacy but, curiously, it meant that central bank independence had been politically embedded in a way in which the ECB was precisely not embedded in a larger European polity or a shared political understanding of central banking. This lack of embedding worsened the ECB's already tenuous democratic foundations and, paradoxically, at the same time produced a profoundly different and altogether more malleable conception of central bank independence that quickly frustrated the old guard of Bundesbankers.

The ECB's genetic makeup might have come from the *Bundesbank* but there continues to be substantial ambiguity in its intellectual and political orientation, not least because it has since further mutated in response to specific crises.[78] In particular in moments of crisis, the ECB turned out to behave less like a predictable clone of the *Bundesbank* than a peculiar amalgam of *Bundesbank*, *Banque de France*, *Banco d'Italia*, and the Federal Reserve with often unpredictable outcomes that managed to leave all sides dissatisfied. To be sure, such adaptability is not without merit. But this model somehow manages to both deepen the ECB's democratic deficit, while running counter to most classic formulations of central bank independence. Instead of simply a pan-European *Bundesbank*, the ECB turned out to be something altogether weirder.

In reflecting on the European monetary project, two fundamental questions divide commentators. Is European monetary union doomed beyond redemption? And can change come within the constraints of the existing Treaty? I will not deal here with the political and economic case for or against monetary union in the first place. Let me merely say that it seems to me far more promising, critical, and realistic to work toward a more democratic European monetary constitution than to uphold the idea that somehow returning monetary powers to the national level within a single market would lead to more progressive results. Let me instead focus on the second question that divides progressive ECB watchers: Is real change possible within the Maastricht Treaty or does it require Treaty change, perhaps even a more fundamental constitutional re-founding?

While I want to insist on the need to push for altering the underlying Treaty, it is important to appreciate that substantial change is possible within the current constitutional frame. As Jens van't Klooster has shown extensively, not only are many key passages in the ECB's mandate open to alternative interpretations, but the Treaty even leaves substantial room for parts of the ECB's legal mandate to be amended through the EU's ordinary legislative procedure.[79] Both elements call for creative, patient, and determined pressures on many different levels in the hope of working toward an underlying paradigm change. And yet it seems to me that in the absence of a fundamental public debate about the purpose of monetary policy and a consequent revision of the Treaty mandate, there is a constant risk that any success of re-interpreting the mandate is being undercut

[77] H James, *Making the European Monetary Union* (Harvard University Press 2012) 214–5; M Sandbu, *Europe's Orphan: The Future of the Euro and the Politics of Debt* (Princeton University Press 2015) 12–4.

[78] See N Jabko, 'Contested Governance: The New Repertoire of the Eurozone Crisis' 32 (3) (2019) Governance 493–509.

[79] For a powerful argument that the ECB mandate provides no clear guidance for many of the ECB's challenges and is open to substantial re-interpretation, see J van't Klooster, 'The ECB's conundrum and 21st century monetary policy: How European monetary policy can be green, social and democratic' SocArXiv, 2021, available at https://doi.org/10.31235/osf.io/f25td, 19–20; as well as N de Boer and J van't Klooster, 'The ECB, the Courts and the Issue of Democratic Legitimacy after *Weiss*' 57 (6) (2020) Common Market Law Review 1689.

by the constitutionalised conceptual distinctions that continue to exercise their sway over the ECB's role and identity.

Let me take Agnieszka Smoleńska's vision of the greening of the euro as an example. Smoleńska sketches powerfully what it would mean to transform the euro into 'the currency of the green transition.'[80] As she has shown elsewhere, even within the mandate there is plenty of room for new green banking regulation and supervision.[81] Of course, as Smoleńska herself acknowledges, 'the spectre of greenwashing looms large' but she nonetheless persuasively points to important efforts to green the European monetary landscape within the existing institutional framework, for example by bringing the ECB's corporate bond portfolio in line with the Paris Agreement. Smoleńska similarly flags the 'rediscovery' of the hidden powers of the so-called secondary mandate which obliges the ECB to support in general terms the economic policy objectives of the EU. She is far from alone in offering an optimistic assessment of the transformative potential of such an emphasis on a (suitably interpreted) secondary mandate.[82]

I wholeheartedly agree with Smoleńska's vision and her spirited call for attending to the broader societal and political functions of money. And yet I am sceptical about how much lasting change can be achieved within the existing constitutional framework. The stranglehold of the Maastricht mandate and the zombie-like staying power of the old narratives embedded in it are well illustrated by the fact that just a year after announcing its climate strategy, the ECB has already reneged on several major assurances. Whereas Smoleńska could at the beginning of the year imagine that the euro might gradually emerge as 'the currency of green transition'[83] and that the new green policy orientation would amount to a new social contract, by the summer of 2023 Smolenska's reasonable hope has already ended in a tragic case of 'broken promises.'[84] Instead of the euro as a green currency, the ECB re-discovered a retro rhetoric of disinflation at any cost.[85] When pressed, the ECB's primary mandate appears uncompromisingly unambiguous. All other considerations and risks – of severe unemployment but also climate risks due to a slump in green investments – are easily pushed aside. This is also where the limitations of the secondary mandate bite. As soon as there is room for conflict between the two mandates, the secondary mandate's open-ended and loosely worded nature risks leaving it vulnerable to be overruled by the seeming simplicity of the ECB's primary mandate.[86] More specifically, any attempt to specify and enforce the specific economic policies of the European Union that the ECB is supposed to support based on the secondary mandate would require an actual institution that can sanction the ECB for failing to fulfil the secondary mandate. But the European Parliament currently precisely lacks this power. Democratic accountability would here require that European parliamentarians can actually contest decisions in a way that would force genuine deliberation, justification, and possibly correction on the part of the ECB.

The shadow of the Maastricht Treaty thus expresses itself less in its legal bind than in an intellectual indebtedness to a concept of money and monetary policy that reflects the heyday of

[80] Smoleńska (n 37) 1049.

[81] A Smoleńska and J van't Klooster, 'A Risky Bet: Climate Change and the EU's Microprudential Framework for Banks' 8 (1) (2022) Journal of Financial Regulation 51.

[82] For a discussion, see J van't Klooster and N de Boer, 'What to Do with the ECB's Secondary Mandate' 61 (3) (2023) Journal of Common Market Studies 730.

[83] Smoleńska (n 37) 1056.

[84] For an overview of the ECB's recent climate U-turn, see Y Dafermos, D Gabor, M Nikolaidi, J Gogolewski and M Vargas, *Broken Promises: The ECB's Widening Paris Gap. A Joint Study by SOAS, University of Greenwich, University of the West of England and Greenpeace* (July 2023) https://www.greenpeace.de/publikationen/broken-promises-ecbs-widening-paris-gap.

[85] As the ECB board member Isabel Schnabel has recently explained, even if one acknowledges that both inflation persistence and policy efficacy are highly uncertain, 'risk management considerations' necessarily speak in favor of a tighter monetary policy stance. I Schnabel, 'The Risks of Stubborn Inflation' Speech by I Schnabel, Member of the Executive Board of the ECB, *Luxembourg* (19 June 2023) https://www.ecb.europa.eu/press/key/date/2023/html/ecb.sp230619_1~2c0bdf2422.en.html.

[86] A Tooze, 'Debating Central Bank Mandates' 1 (2022) Forum for a New Economy Working Papers 17.

apolitical money and relies on a dubious demarcation between 'economic policy' and narrow 'monetary policy objectives.'[87] This legacy is not an inevitable consequent of the Treaty but at least as much an artifact of how courts continue to interpret Maastricht. Indeed, the ongoing transformation of the ECB remains fundamentally obscured by a kind of European monetarist originalism on the part of both the European Court of Justice and the German Federal Constitutional Court which remain fixated on a static conception of the Maastricht Treaty. The problem is not simply that the legal text of the mandate exercises an iron bind. Rather, precisely because money is a collective constitutional project, the (flawed and outdated) monetary imaginations of the courts continue to infuse the European monetary project with a misleading idea of apolitical money that frustrates any attempt to offer alternative readings of the ECB's mandate. Treaty change is from this perspective not an end in itself but merely one, admittedly round about, way to try and alter the underlying monetary imagination.

To point to the desirability of monetary refounding in the form of Treaty change does of course not diminish the crucial importance of reforms and reinterpretations within the existing framework. Working toward a constitutional re-imagining[88] does not remove the need to labour in the interstices of bureaucratic processes, legislative initiatives, and civil society pressures to re-interpret an underdetermined legal text. Indeed, to be credible the former demands the latter. Both Treaty reinterpretation and Treaty change share the common goal of a paradigm shift in how money and credit policy are understood, and this requires a combination of different parallel strategies. Calling for Treaty change – itself an admittedly unlikely prospect – is thus not meant to sideline creative efforts of reinterpretations but instead to bolster and accompany them. While Losada's call for an exercise of 'constitutional imagination'[89] and his plea for the Eurozone to act as a 'laboratory for new monetary thinking'[90] are thus most welcome, in the European case this requires as a first step a revision of the constitutionalised conception of money itself.

This European example adds an intriguing critical twist to Desan's constitutional approach.[91] As the case of Maastricht illustrates, constitutionalisation is not necessarily empowering but can also serve as a tool of depoliticisation. The stabilising ability to freeze compromises is after all one attraction of constitutional codification. But it also means that constitutions necessarily function as awe-inspiring machines of depoliticisation that freeze certain political settlements in time and hamper subsequent revisions.[92] I would consequently add a small qualification to Losada's suggestion that the answer is itself to be found in the realm of constitutional theory as such. Rather, the move toward constitutionalisation is itself a double-edged sword that also always risks forestalling and curtailing the kinds of deliberation, contestation, and indeterminacy that would be required for greater democratisation.

8 Conclusion: independence of what?

Let me here conclude with a brief and hopefully polemical reflection on central bank independence. Hiding under the surface of Dornbusch's morality tale of safely disarmed prodigal

[87]This distinction has proven a formidable obstacle of the European monetary imagination, not least in the jurisprudence of the German Federal Constitutional Court. See, Federal Constitutional Court of Germany (BVerfG), Judgement of the Second Senate of 5 May 2020 – 2 BvR 859/15 -, paras. 1–237.

[88]Losada (n 52) 1025.

[89]Ibid.

[90]Losada (n 52) 1028.

[91]Desan (n 76); C Desan, 'Money as a Legal Institution' in D Fox and W Ernst (eds), *Money in the Western Legal Tradition: Middle Ages to Bretton Woods* (Oxford University Press 2016) 18.

[92]For a global history of written constitutions that chronicles its use by autocrats and as a tool of marginalisation and exclusion, see L Colley, *The Gun, the Ship, and the Pen: Warfare, Constitutions, and the Making of the Modern World* (Liveright 2021).

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politicians, the attentive reader would have been able to spot a series of paradoxes. For after having declared all politicians inherently irresponsible, Dornbusch also observed that those very same politicians had recently discovered a taste for the same medicine, including 'creating a tamperproof ECB, the Waigel [Stability and Growth Pact] pact, balanced budget amendments, currency boards, and overarching respect for the bond market.'[93] Somehow European politicians not only campaigned under the banner of discipline and austerity but happily gave away the keys to the kingdom. Instead of a perennial standoff between sound money and democratic politics, Dornbusch unwittingly described an episode in the paradoxical democratic politics of de-democratisation and self-binding. The real question that thus haunts the politics of money is not the persistence of inflation due to irresponsible politicians but why elected leaders have been so eager to abrogate control over money. To extend Roufos's important insistence on countering the theoretical and ideological justifications of depoliticisation, democratising money requires tackling the de-democratising seductions inherent to democracy itself.

The traditional justification of central bank independence, as advocated by Dornbusch, is illustrative here. It rested at heart on a paradox of democratic agency: a profound scepticism about the abilities of democracies to pursue optimal policy and a simultaneous optimism about the democratic powers of self-binding. As such it proposed a conception of democratic delegation to an independent agency that was said to be able to execute a given mandate more effectively than either the legislature or the executive itself. What rendered such delegation democratically legitimate was necessarily the specificity of the mandate.[94] Monetary policy delegation specifically rested on two further assumptions. First, the claim that price stability is a unanimous societal consensus beyond dispute or disagreement. As Dornbusch had put it: 'In monetary management, everyone wants the same thing.'[95] Second, the assumption that monetary policy relies on one specific and well-defined tool – the use of interest rates – to maintain price stability.

The problem is that neither of these two assumptions holds anymore, if indeed they ever did. Far from reflecting areas of political consensus, it looks increasingly as if elected politicians resorted to delegation precisely on topics that were too divisive for democratic politics. This would call into question the entire traditional case of delegating monetary policy to an independent central bank. The actions of central banks have moreover dramatically expanded since the financial crisis to include a wide range of 'unconventional' tools. Monetary policy – both conventional and unconventional – has lost its sheen of neutrality. There is no unquestionable societal consensus for pursuing price stability at any cost, be they the intentional creation of unemployment or an undermining of the energy transition. Central bankers have responded to this predicament by failing to do so. They have anxiously guarded their discretionary ability to stabilise financial markets while understandably rejecting attempts to formally expand their mandates to better align them with broader societal priorities. Unable to acknowledge the politically divisive, distributive, and indeed fiscal effects of their policy choices, they are bound to double down on their own apolitical neutrality. Unable to acknowledge uncertainty and ignorance, they are bound to insist on superior expertise as a safeguard of their legitimacy. The result is an unfortunate situation in which the constitutional justification of central banking no longer matches reality. This impasse, which should worry both defenders and critics of central bank independence alike, formed the starting point for the book's investigation of the historical staying power of ideas even where these are evidently colliding with reality.

Appreciating the politics of money with its long history and diverse options can in this context open up alternative vantage points that are otherwise obscured by the dichotomous

[93]Dornbusch (n 2, first work cited) 23, 110.

[94]P Tucker, *Unelected Power: The Quest for Legitimacy in Central Banking and the Regulatory State* (Princeton University Press 2018). See also Tooze (n 86) 4.

[95]Dornbusch (n 3) 121.

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framing of whether one is for or against central bank independence. It is, for example, possible to re-draw distinctions between fiscal and monetary policy while recognising that the enlarged scope and discretion of central banks require deeper democratisation beyond mere delegation. This would mean making central banks themselves more democratic by improving both deliberation and representation, including perhaps by introducing certain forms of electoral and non-electoral tools of selecting a wide range of citizens to periodically serve within central banks.[96] This is what I meant when I alluded to the possibility of central banks themselves becoming laboratories of democracy.

But here a second critical twist emerges. Central banks can only ever be as democratic as the monetary system through which they govern. Overcoming our current impasse thus requires that we ask anew a more fundamental question: independence from what?[97] This means acknowledging as a first step that central bank independence arose in the interwar years not as a tool of democratic delegation but precisely to shield central banks from new forms of mass democracy.[98] Instead, the real task should consist in exploring how central banks can be made more democratically accountable precisely by making them more independent from financial markets. A central bank that is entirely dependent on commercial banks for credit creation and the transmission of interest rates will necessarily find itself in a reactive position of subservience, irrespectively of whether it is run by unelected technocrats, elected politicians, or a democratic deliberative body. For a central bank to be democratic and truly independent it would first of all have to be shielded from its own entanglements with financial markets. Such independence from financial markets arguably requires that central banks do not exclusively rely on commercial banks as the primary transmission channel of their policies and instead take on a more active role in credit creation and perhaps even credit allocation.[99]

This would imply creatively rethinking the constitutional politics of money in an age in which the most damaging pressures do not arise from democratic politics but from the unceasing and erratic demands of financial markets. Such a radically re-imagined discourse of democratic independent central banking also promisingly points from the domestic realm to the global monetary system. Many of the most pernicious dependencies in the international politics of money derive after all from various forces within a hierarchical global monetary system in which most states – especially emerging markets – are above all constrained by the interplay between global flows of capital and central bank actions far beyond their control, not least the Federal Reserve. This returns us to Keynes and his proposal for an International Clearing Union. Never has the need for such a new global monetary system been greater. Yet never has the prospect of re-founding the international monetary order and regulating capital flows been farther removed.

Responding to this mismatch will require both working subversively within the crevasses of the current non-system while all the while daring to creatively imagine an experimental democratic politics of capitalism fit for our own troubled times. 'Democratizing money' is then not only about the important work toward institutional reforms of central banks and the monetary system. It speaks simultaneously to a more fundamental democratic aspiration of

[96]H Landemore, *Open Democracy: Reinventing Popular Rule for the Twenty-First Century* (Princeton University Press 2020). Consider in this context also Éric Monnet's recent proposal for a European Credit Council which would be a deliberative body to critically discuss the ECB's decisions. E Monnet, 'The Democratic Challenge of Central Bank Credit Policies' Accounting, Economics, and Law: A Convivium (January 2023) https://doi.org/10.1515/ael-2022-0113.

[97]S Eich, 'Independence from What?' *Just Money* (July 2021) https://justmoney.org/s-eich-independence-from-what/.

[98]Tooze (n 86) 5.

[99]As Éric Monnet has extensively shown, during the postwar decades extensive credit planning and an active role of the state in credit allocation was not only compatible with capitalist development but in many ways made it possible. É Monnet, *Controlling Credit: Central Banking and the Planned Economy in Postwar France, 1948–1973* (Cambridge University Press 2018) 247–82.

altering what it means to govern oneself collectively in the first place within capitalism. To contemplate the democratisation of money is in this sense tied up with the need for a deeper democratic renewal.

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