The Politics of Money

BY STEFAN RICH

The history of political thought offers valuable resources for assessing money not just as an economic means of exchange but also as a political institution responsive to questions of justice and justification.

In July 2012, Mario Draghi, the President of the European Central Bank, uttered three magical words that would prove to be decisive for ending the eurozone’s immediate spiral of doom. Draghi pledged to do “whatever it takes” to preserve the euro. His words were backed up by the promise of hardly less magical monetary actions. As Draghi made clear, he was willing to use the vast powers over which central banks have presided since the collapse of the Bretton Woods monetary system in the 1970s. With money no longer tied to gold, we live in an age of so-called fiat money in which currency can be created without the need to match its value in metal. Central banks can consequently create money at will and place it into circulation banks can consequently create money to match its value in metal. Central banks can consequently create money at will and place it into circulation.

In periods of crisis, the veil is pulled from our eyes and money emerges as a construct of our collective imagination. In periods of crisis, the veil is pulled from our eyes and money emerges as a construct of our collective imagination. In periods of crisis, the veil is pulled from our eyes and money emerges as a construct of our collective imagination.

The Politics of Money is a rich and thought-provoking book that delves into the political implications of money. It explores the ways in which money is created and how it influences political decisions. The book highlights the power of money in shaping political outcomes and the importance of understanding its role in society. The author argues that money is not just an economic tool but a political construct that can be used to advance certain interests and values.

The book is divided into several parts, each focusing on a different aspect of money’s role in politics. It begins by examining the historical development of money and its relationship with political power. The author traces the evolution of money from its early forms to modern fiat currencies and explores the ways in which money has been used to assert political control.

In addition to its historical analysis, the book also includes a critical examination of contemporary issues related to money and politics. It discusses the role of money in elections, the impact of monetary policy on the economy, and the relationship between money and inequality. The author argues that money is a powerful tool that can be used to advance certain interests and values, and that it is essential to understand its political implications in order to make informed decisions about its use.

Overall, The Politics of Money is a comprehensive and thought-provoking book that provides a nuanced and critical analysis of the political implications of money. It is an essential read for anyone interested in the role of money in politics and the ways in which it can be used to shape society.

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attempt to politicize transactions by conducting them in the conventional token of a political community. As the medium through which justice and equity were dispensed, currency asserted the authority of the polis over questions of value.

To point to the ways in which currencies form the bond of political communities already suggests an analogy between a currency and what has come to be known as the social contract tradition. Not unlike a social contract, a currency consists of an initial social covenant understood as an exchange of mutual promises that extend into the future. In *The Elements of Law*, Hobbes highlights currencies (alongside weights and measures) as prime illustrations for the kind of collective covenant based on mutual acknowledgment that was to found the political commonwealth. If the social contract tradition offers resources for grappling the role played by currencies, to study currencies as political institutions also complicates the conventional understanding of social contracts as overly legalistic and static. Central to the premise that undergirds currency is a reflexive gesture of circulating trust that constituted the soul of the state. The credit state as a persona fata was further more potentially immortal, so that credit could be extended into an infinite future consisting of an endless chain of mediations. The state had become at once essential and invisible, centralized and circulating.

In fact, the only currency of the last century did the subject of currencies drift away from political philosophy. Turning to today’s normative political theory, one encounters a conspicuous absence of currency as a topic worthy of normative analysis and institutional design. It is barely mentioned by John Rawls and re-occurs in a side discourse around the black sun of atheism, “against its own defective character of atheism, which...” 

There runs a core of untimely and will to think beyond, or to consciously construe themselves in their ability and willingness to politicize economic conflicts. Until the beginning of the financial crisis in 2008, the consensus behind this transformation was rarely challenged. But since then central bankers have inadvertently found themselves in the political limelight in ways that were not intended and that inevitably raise questions about their supposedly independent status. As a result, monetary politics now again throws up nagging questions of political legitimacy and justice. If the application of these questions to money has become unfamiliar to us, the history of political thought contains an extensive discussion of currency.

The link between currency and the purpose of a political community was a foundational element of ancient Greek political thought. It is a remarkable historical fact that the invention of philosophy and Greek democracy coincided with the invention of coinage in Lydia—as captured by the mythical encounter of King Croesus of Lydia and the Athenian lawgiver Solon. Sometimes it is observed, not without reason, that the Greeks had no word for money. But nomisma, the term conventionally translated as currency or coinage, had a meaning that was at once broader and more specific. It denotes a currency as something created and sanctioned by collective acknowledgment. For Aristotle in the *Nicomachean Ethics* and for other ancient Greek political thought, currency was a constitutive pillar of the political community in at least two ways. Currency introduced a notion of commensurability that allowed for new habits of reciprocity among citizens, a point greatly stressed by Aristotle in the *Nicomachean Ethics*. But political currency also constituted an anxiety of a fragile net of beliefs that the promise will be honored. The trust this presupposes, and in turn affirms, is the bond that keeps society together, as John Locke emphasized in his writings on coinage.

Along with the modern state, the 17th and 18th century brought the rise of public credit. Discussions of monetary experiments moved from the periphery to the center of political thought and discussion. The advent of a system of public credit, it was, in J.G. Pocock’s words, a “tragic discovery of historical transformation” that brought with it a new sense of historical temporality and secular change. By placing value into a permanently post-poned future, the pervasiveness of credit changed both the nature of the state and citizens’ relation to it. Sovereignty and the imagined community mirroring it became temporalized. Money in this sense embodies, affirms, and presupposes a collective faith and trust over time that ties a political community together.

When England introduced paper money backed only by the promise of the state in 1797, the German Romantics were among the first to spot the deep analogies between the fictional constructs of money and language. In creatively updating the longstanding metaphorical link between coins and words for an age of fiat money, they celebrated the poetic and political potential of paper money and the forces of imagination sustaining it. Novalis remarked on the “Verselierung der Finanzwesenchaften” while Adam Müller saw in Aristotle’s account of currency as the glue of reciprocal citizenship a modern analyses of the centrality of currency to the political authority of the state, currency has been a central topic in Western political thought. We may disagree about the precise political form and purpose currency should take in our polities today but we would do well to engage with it as a political institution that was long thought to be responsive to questions of justice and justification.

Instead of being dazzled or frightened by the fictional character of money, we can and should analyze the political legitimacy of the institutions that shape and govern it.