Tero Auvinen

On Money

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yhteiskuntatieteiden tiedekunnan suostumuksella
esitetään julkisesti tarkastettavaksi
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Abstract

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The study explores the political choices and conflicts inherent in the "technical" specifications of any monetary system and some of the social scientific implications of the prevailing forms of money in the widest possible sense of the terms. As a constantly evolving social relation, no single theory of money is likely to capture its tremendous capacity for self-transformation. It is argued that the precise manner in which the prevailing forms of financial capital in general and money in particular are socially constructed creates a privileged reality for financial capital which distorts competition among the different factors of production and eliminates money's capacity to accurately capture and reproduce real world economic phenomena – if possible even in theory. Contrary to some of the traditional economistic legitimating narratives for money, it is suggested that control over the issuance and circulation of money may render various aspects of the human governable with a fraction of the resources that might be required to implement comparable combinations of coercion and rewards through alternative institutional mechanisms. While it is far from clear that money can ever be specified in a manner that would solve its inherent political and social conflicts to an extent that would permit "economic" analysis to begin, some of the social and political implications of different types of monetary institutions are often not beyond the reach of public policy decisions. A combination of a seigniorage-based unconditional basic income and a demurrage tax on money is introduced as an example of a specific public policy program that could rectify or mitigate some of the polarizing consequences of the prevailing forms of money as well as illuminate the spectrum of political choice inherent in the design of any monetary system. The study explains the continuing significance of a wide spectrum of explanatory frameworks for the nature of money as a function of their strategic political utility rather than empirical accuracy and identifies four main issue areas as particularly fruitful for further research.

Key words: money, unconditional basic income, demurrage tax, governmentality, biopolitics

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Preface and Acknowledgements

This study began as an inquiry into market populism – the functions, processes or outcomes that are sometimes attributed to market-mediated social interaction for utilitarian purposes, which could maintain their instrumental rhetorical value in the pursuit of particularist political strategies only through gross simplification or misrepresentation of the underlying reality. Nonetheless, it soon became clear that publicly professed understanding of the political significance of one of the central institutions which contributes to the discrepancy between the rhetoric and practice – the social relation of money – was insufficient to continue with the selected method and scope of analysis. At the risk of potentially dire professional consequences, the process of specializing in a progressively narrower field of study until one knows everything about nothing was halted at a stage that might be described as an inter- or post-disciplinary inquiry into money as an institution.

Basing economic decision-making on monetary calculation may not be entirely unlike reading the future from tea leaves: with a sufficient number of leaves and properly encoded sizes, shapes, positions etc. the leaves may have the technical capacity to act as an information system, but to render such pursuits meaningful one would also need some kind of a mechanism which ensures that future events do indeed get encoded into the system. In the absence of a causal relationship between the tea leaves and future events or money and real world economic opportunity structures that goes beyond socially constructed beliefs, the respective "information systems" are entirely self-referential – perhaps suitable for academic model building or political rhetoric to advance one's relative position in each historically specific or governmentally contingent power structure, but hardly appropriate for the purposes of disinterested observers aiming to analyze real world phenomena. Such a mechanism is conspicuously absent from the monetary system. Monetary calculation is used for allocating resources – for determining who will do what in the future. In order to perform such a task accurately, money should have the capacity to perfectly capture and reproduce the production conditions in the real world – the natural laws that govern the physical reality. Yet there is no mechanism that could replace the self-referentiality of money – money's tendency to reflect the logic built into its "technical" specifications rather than to measure some external opportunities or constraints – with a perfect capacity to reproduce real world conditions. It is in fact far from clear that constructing such a mechanism would be technically feasible, let alone desirable.

Even if the relevant standard of performance for socially desirable forms of money were lowered from efficient economic calculation to the neutral facilitation of multilateral exchange, it is not obvious that money – whether conceptualized as a commodity, debt, or something else – has the technical capacity to attain such a standard of performance without profound conceptual modifications to some of the fashionable interpretations of property rights. Irrespective of the narratives of choice evoked to rationalize and legitimize the origins and continuing economic, political and social significance of money as an institution, reconciling the right of "real" asset holders to monetize their property for the purposes of multilateral exchange with the perceived right of the holders of the existing monetary media to prevent the dilution of the real value of their holdings through money creation may be a more complex matter than is often acknowledged. In a commodity-based "monetary" system this tradeoff manifests itself in the extent to which the holders of the "monetary" commodity can prevent the holders of other forms of real wealth from introducing alternative media of exchange into circulation. In a debt-based monetary system, in contrast, a similar conflict arises through the government's practice of granting greater degrees of moneyness to the private liabilities of politically favored institutions or constituencies: while a bank's liabilities – such as deposits which have been created in loan transactions – are often convertible to state money at face value, an individual citizen or a non-bank legal person – no matter how creditworthy – will often have to accept whatever discounts or additional guarantees of a sufficiently wide acceptability the "market" chooses to demand for accepting private liabilities that do not enjoy privileged access to state money. As the government itself does not provide any real goods or services in exchange of the liabilities that it issues but extracts the goods and services which "back" the value of the currency from the members of the monetary space through its taxation powers, a fundamental conflict emerges between the gatekeepers of monetized market exchange – the government and the private banking system whose liabilities are rendered de facto money by administrative fiat – and all other institutions and individuals who will have to compete for the government's or the banking system's liabilities in order to participate in the community's monetarily mediated division of labor. As the government cannot avoid taking sides on private liabilities through its taxation and spending decisions – unless, perhaps, it allows the establishment of private banks for the sole purpose of paying taxes and monitors the relative share of specific types of private currencies in circulation in real time and continuously adjusts the currency composition of its own outlays accordingly – the hypothetical case of free banking with no government issued currency would not appear to provide an easy solution to this dilemma either. If, on the other hand, the government decides to specify a unit of account in terms of a commodity basket without a commitment for convertibility, many of these problems would appear to be merely transferred to the regulation of the private entities that would issue the value units – the monetary media representing the commodity basket in actual transactions – and the settlement procedures for payments between the private issuers of the monetary media. The potential issues at stake in analyzing the institutional preconditions for "neutral" money may thus extend far beyond the common activist suggestion that compound interest should be abolished as it causes the growth of claims on future wealth to outpace the production of real goods and services or the appeals to enhanced regulation as a potential mechanism that could restrict credit creation to an appropriate level: if the gatekeeper function of money is inherently inimical to each individual's right to monetize the value of real assets under neutral conditions for the purposes of multilateral exchange, no amount of regulation or "technical" modifications to the institution of money may reconcile some of the most common legitimating narratives for money with the potentially irresolvable conflicts observed in the actual physical reality.

If money appears incapable of performing some of its most important publicly professed functions, why, then, does money exist? Social sciences have long been perplexed by the apparent paradoxes and contradictions of money. Could the cause of such confusion be endogenous to the institution of money rather than the method of analysis – the logical impossibility of money manifesting itself through theorization which continues to presuppose an intelligible explanation for the apparent inconsistencies? In other words, would "Is money feasible?" always have been the right question that could have provided an explanation for some of the difficulties in answering the question "Under what conditions is money feasible?"? What does the ease with which a socially constructed accounting logic may overtake the natural laws of the physical reality as an appropriate reference point for "economic" decision-making tell about the nature of the relationship between money and the real world or the likely evolutionary fate of a community which continues to adhere to the prevailing notions of money?

The mystery of money may begin to unravel as one discovers that money is not a randomly distorted reflection of the physical reality. As money is located at the intersection of an exceptionally wide range of human motivations, its impact on self-conceptualization, subjectivities, culture, livelihood and ultimately life itself is potentially pervasive. Control over the issuance and circulation of money may render all these aspects of the human governable with a fraction of the resources that might be required to implement comparable combinations of coercion and rewards through alternative institutional mechanisms. Furthermore, once a socially constructed parallel reality becomes pervasive enough, monetary surrealism may produce spontaneous rationalizations for its own necessity – passionate praises for the proverbial imperial wardrobe to crowd out any potential speculation on the fineness of the emperor's outfit as new fashions in economic or monetary theory emerge. Given the apparent lack of an appropriate "technical" benchmark, the material practices and subjective frameworks associated with money may be relatively free to evolve in response to particularist political strategies: while the conflicts and contradictions inherent in any monetary system are unlikely to ever be solved to an extent that would permit the politics of the social construction of money to end and objective monetary calculation or decision-making to begin, money's self-definitional eclecticism and amenability to a wide spectrum of legitimating narratives provide fertile ground for shaping subjectivities, livelihood and ultimately the odds for the survival of the species under the disguise of technocratic objectivity.

The main objectives of this study are to show that the social construction of money is logically prior to any form of human interaction involving some of the "technical" functions of money and to explore the potential sources and uses of monetary power. Other recurrent themes include reflection on the feasibility of constructing a single causal theory on the nature of money, mechanisms that could rectify or mitigate some of the polarizing consequences of the prevailing forms of money, the nonlinearity of scientific progress as relevant issues may be assumed away from the academic research agenda, the need for a single integrated social science to overcome disciplinary divisions that may hinder more comprehensive understanding of the logical limits and limitations of money, and, in the words of Robert Merton, specifying ignorance – determining what it is about money that is not yet known and pointing out its practical significance to generic knowledge (Merton, 1996: 55).

The argument of the study is structured as follows. Chapter 1 introduces the themes and the objectives of the study.

Chapter 2 outlines the methodological choices. As one of the most complex, paradoxical, pervasive and elusive regulators and transformers of social interaction, it is suggested that perhaps nowhere else is tolerance for theoretical, methodological and epistemological ambiguity and pluralism as warranted as in the study of money. Consequently, this study may not be ideal for the purposes of the self-compartmentalizing social scientist who hesitates to venture outside one's established sources of livelihood in the academic bazaar of maximizing the strategic utility of contending knowledge claims.

Chapter 3 explores financial capital's unique position as the only politically and socially constructed factor of production – the sovereign factor of production, which effectively governs other factors through its contractual exemption from the laws of the physical reality that conditions the existence of labor and land. While labor in the sense of human productive capacity and land as natural territory would continue to exist with precisely the same physical attributes and natural laws governing their opportunity sets for productive interaction even in the absence of money, multilateral exchange, economics as a science, or any other mental model evoked to depoliticize the differing ontologies of the factors of production, the precise manner in which financial capital is socially constructed often creates a privileged reality for money – a parallel universe with its own natural laws and rules for the physical existence and subsistence of financial capital and its interaction with other factors of production. The social construction of financial capital's privileged reality structurally distorts competition among the factors of production, renders the pursuit of economic efficiency or any other policy objective through monetized market exchange self-referential – i.e. subject to the logic of the socially constructed accounting system of money rather than the underlying physical reality that money is supposed to measure – and confers financial capital unearned privileges such as de facto right on residual claimancy, the capacity to expropriate other factors of production through structurally distorted rules of the game and the privileged status as being the one factor of production whose gains define and measure the desirability and "productivity" of other factors' efforts to contribute to a structurally condoned form of market imperfection – the structural necessity to maximize return on financial capital if an economy[1] is to utilize its resources – through unconditional flexibility and self-sacrifice. Consequently, it is argued that the most politicized dimension of the "economic" reality should have always been the structural rules governing the dynamic interaction between different factors of production rather than the static allocation of ownership rights in a certain factor of production as suggested by the dichotomy between capitalism and socialism. The distribution of ownership of a certain factor of production tells nothing about the rules of the game that regulate the interaction between different factors of production in addressing productive opportunities. Widely dispersed – perhaps even completely egalitarian – private initial ownership of capital can be an extremely inefficient and wealth-centralizing system in the long-run if the rules of the game structurally favor capital over labor in addressing productive opportunities. Conversely, a highly concentrated initial ownership of capital can be overcome in the long-run if the rules of the economic mating game between the factors of production structurally favor labor over capital. The aim of the chapter is both to help the reader situate the study's contribution into a wider theoretical framework and to provide background for the analysis of the subsequent chapters by

1 The choice of the word "economy" is purely stylistic throughout this study, as it implies a priority of motives which may simply not be there in any given social unit of analysis.

highlighting perhaps the most fundamentally political aspect of money as an institution – the politically and socially constructed physical and symbolic specifications and the rules that regulate money's interaction with other factors of production which cannot select the physical laws governing their subsistence.

Chapter 4 reviews some of the contending theories on the nature of money in an attempt to identify the institutional requirements for a socially neutral monetary system. Despite money's tremendous capacity for self-transformation, social sciences often continue to seek monocausal explanations for the nature of money. Adopting a variant of Goodhart's law for money, the chapter suggests that the sociology of money should aim to develop a benchmark of socially neutral money against which the social footprint of actual monetary systems can be judged. Such socially neutral money would maximize the freedom of social agents to define, contextualize and tailor monetary relationships with the desired mixtures of meaning with minimum structural interference from established monetary social hierarchies. It is argued that the distribution of the monetary media rather than the dominant view on the nature of money determines the limits of social agency. The proposed benchmark would involve egalitarian initial distribution of newly created monetary media and potentially taxation of the money supply – a specific proposal will be discussed in more detail in chapter 10 – in order to achieve the desired balance between the medium of exchange and store of value functions of money and to render the institutional logic of money a closer approximation of the laws of the physical reality that money is supposed to measure and mediate. Chapters 4 and 10 draw in part upon the article 'A Theory of Socially Neutral Money' published in the *Hamburg Review of Social Sciences,* Volume 3, Issue 2, pp. 193–212.

The corresponding research problem for chapter 5 would have involved the identification of the institutional preconditions for the possibility of economically neutral money – the point at which the politics of the social construction of money might graduate into the politics of the management of money according to principles which are universally recognized as neutral enough to merit the conceptual leap from money as an object of social struggle to money as a neutral measure of conceptually distinct social struggles. As it is far from clear that the political and social conflicts inherent in money's specification process can ever be solved to an extent that would permit the establishment of predominantly "economic" rules of the game, the attention is turned to the practical and disciplinary implications of the potential impossibility of economically neutral money. As every set of technical specifications for money would have the capacity to produce a different equilibrium or equilibria – however unrealistic the assumptions for arriving at one might once again have to be – orthodox economics might face the choice of either becoming a post-money science – beginning its analysis from the point where money has already been specified within the theoretical and methodological frameworks of other disciplines – or returning to its roots in political economy by acknowledging the inseparability of economic, political and social considerations.

Chapter 6 elaborates on some of the themes of the previous chapter in the context of a commodity-based monetary system. Austrians and libertarians have typically conceptualized money as the most suitable intrinsically-valued commodity emerging through the voluntary decisions of individual market participants. While not being entirely unsympathetic to some of the criticisms of the prevailing monetary system emanating from these theoretical traditions, the chapter challenges the notion of the monetary commodity as a "neutral" form of money that could create objective monetary rules of the game for economic interaction. In particular, the paper seeks to complicate the implicit convolution of commodity money, property rights, and economic freedom by pointing out the inherent conflict between the medium of exchange and the store of value functions of money – or the property rights of the holders of real assets, on the one hand, and the monetary media, on the other. It is argued that this conflict could be understood – albeit never solved in a universally optimal manner – by making a clear conceptual distinction between money's role in current and intertemporal exchange. Given the logical impossibility of constructing objective, universally optimal monetary rules of the game, the notion of economic freedom becomes problematic. Although the model that is being addressed in the chapter comes from the Austrian school, many of the insights may also have wider analytical applicability.

It has sometimes been suggested that some of the tradeoffs and contradictions arising from the theoretical indeterminacy of money that are analyzed in chapter 6 might be avoided by conceptualizing money always and everywhere as debt: as a voluntary act of intertemporal exchange between mutually consenting parties. As the terms and conditions of every transaction involving the creation, extinction or circulation of money have to be specified in advance in order for mutually beneficial monetized market exchange to take place, the argument would go, monetization merely represents the temporary conversion of relatively illiquid forms of real wealth into more liquid forms, which will be withdrawn from circulation as soon as their purpose in facilitating monetary exchange has been fulfilled and the underlying debts repaid. Chapter 7 tackles these claims by suggesting that it may be the terminology rather than the substantive content of the analysis which is modified when the tradeoffs between the different "technical" functions of money are theorized in the context of a debt-based monetary system. Whenever money is conceptualized as debt, the tradeoff between the medium of exchange and the store of value functions of money – or the property rights of the holders of real assets, on the one hand, and the monetary media, on the other – is merely relabeled as a conflict between the issuers of "monetary" and "non-monetary" liabilities. Rather than the holders of non-monetary real assets having to agree to any demands or lending proposals made by the holders of the monetary commodity before being able to engage in multilateral exchange as was argued in the previous chapter, the holders of *all* forms of real assets will have to conform to the conditions set by the issuers of "monetary" debt in order to participate in the community's monetarily mediated division of labor. The suggestion that all money is debt is thus largely meaningless without simultaneous specification of which debts are money – or, in the case of the purists who would rather eradicate the entire concept of money from the vocabulary and replace it with the word debt, which claims are either liquid enough to fulfill some of the traditional functions of "money" in the utopian case of perfect competition among the actual and latent monetary IOUs, or backed by sufficient state power and violence in the more realistic case that it is the state that chooses which forms of liabilities it accepts for tax payments and requires all transacting parties to accept in settlement of debts through legal tender laws. The chapter also proposes a novel definition for an endogenous money supply, tackles some controversial interpretations that are sometimes associated with the notion of money as debt, explores some of the informational implications of centralized money creation powers and elaborates on the use of complexity as a political strategy in monetary affairs.

Chapter 8 adopts an integrated analytical perspective – drawing upon, among others, the work of Foucault, Agamben and Hardt and Negri – to explore the incentive structures and the structurally rigid social hierarchies inherent in the economically, politically and socially polarizing logic of modern credit money. In other words, rather than seeking to understand intrinsic features of monetary systems corresponding to certain economic, political or social ideals – or the logical limits and limitations of money – as was often done in the previous chapters, the focus is shifted for a moment towards the (mis)use of the prevailing forms of money as instruments of geopolitical, biopolitical and social power projection. The chapter proposes a novel analytical approach to understanding monetary power in various spatio-temporal contexts. In order to understand the geography of monetary power, it is necessary to explain both the origins of monetary power in general and the factors that permit such power to assume a territorial character. The chapter identifies two primary power-enabling elements of the institutional design of money and explores their territorial implications. It is suggested that a conceptual distinction between money's dimensions both as a material practice and as a symbolic or subjective cognitive framework – or the recognition of both the structural and the post-structural characteristics of money – provides a useful analytical tool for understanding the mechanisms through which monetary power projection may assume a territorial character.

Although the primary aim of this study is to point out the wide range of political choice and conflict inherent in the "technical" specifications of any monetary system rather than constructing yet another detailed proposal for monetary reform, it may be difficult to avoid the presentation and analysis of concrete reform proposals altogether. Chapter 9 briefly summarizes some arguments from the monetary reform debate. The chapter aims to serve as an introduction to some of the themes that follow rather than purporting to provide an in-depth view of the rich variety of actors and arguments that have been associated with the historical monetary reform debates. The chapter draws in part on 'A Monetary

Reformist Road to Universal Basic Income' published in *Basic Income Studies*, Volume 2, Issue 1, Article 8.

Chapter 10 makes a specific reform proposal – combining seigniorage-based unconditional basic income (UBI) with a demurrage tax on money – for expository reasons. One of the main guiding principles of the proposal is parsimony: while a more complex reform proposal might achieve any given objectives more effectively, such a scheme might lose some of its expository value by unnecessarily complicating the interrelationship between seemingly minor "technical" reforms of the monetary system and the transforming economic, political and social realities. The chapter uses the specific reform proposal as an analytical launch pad to expand the analysis into what Weber referred to as the substantive and formal rationalities of economic action, possible political strategies for establishing a multilateral clearing union as an international counterpart of the proposed domestic reforms, the potential complementarities between monetary and land reforms, the politicization of political incorrectness in the context of some issues that may potentially be associated with monetary reform, and speculation on the long term feasibility of money as an institution.

Chapter 11 elaborates on some of the choices made in the specific reform proposal outlined in the previous chapter and takes the opportunity to illuminate the inherently political nature of the institutional design of any monetary system by engaging the argument of some contemporary neo-chartalists on the allegedly inflationary nature of UBI. The chapter explores some of the most common definitions of inflation and the extent to which UBI might have an impact on inflation as measured by the conventional indicators. The selectively politicized nature of the concept of inflation is also pointed out through a variety of perspectives. It is argued that the allegations of UBI as a particularly inflationary form of public policy fail to take into account the true pace of currency debasement under the current monetary system and the economically, politically, socially and morally unsustainable nature of its distributional implications.

Chapter 12 ventures into a territory that has already been declared to fall outside the purview of scholarly capacities: the construction of a single theory of money. This is made possible by redefining the objectives of such a theory: while the novel approach – dubbed critical surrealism – might not reconcile the substance of the different views on the nature of money into a single coherent theory, it may help to explain why such a theory is unlikely to ever be attained and to put the contending conceptualizations on the nature of money into perspective by contextualizing their relationship to what will be labeled as the real and the surreal planes of social interaction. Some of the distinctive features of the novel analytical approach involve theorizing the tremendous ease with which a patently implausible socially constructed accounting system may overtake alternative analytical frameworks in the production of agentic subjectivities and explaining the continuing significance of a wide spectrum of explanatory frameworks for the nature of money partly as a function of their strategic political utility rather than empirical accuracy. The model may also give some indication of the possible strategies that are likely to be used by the monetary powers that be for repackaging hypocrisy according to the consumption preferences of different types of audiences.

The final chapter concludes by outlining four specific issue areas for further research and reflecting on the significance of the findings.

Among all the rites of passage of academic ordination, acknowledgements may be one of the most flaringly futile. If intellectual honesty were to be the guiding principle of academic knowledge production/preservation, one might expect citations and acknowledgments to include a disclaimer stating that what is being presented to the reader constitutes a power-based social convention designed for governing livelihood, prestige and privilege rather than attribution for genuine analytical accomplishments. After all, how many self-reflecting social scientists can avoid the creeping suspicion that someone – individuals who lacked either the means or the inclination to make their voices heard in a manner specified by the powers that be – had, or with sufficient resources in any case could have, already made every major intellectual discovery before sufficiently influential members of the established social hierarchies repackaged or rediscovered the material. While the logistical accomplishments that may sometimes be associated with academic success – the optimization of the supply chain involving incoming ideas from whatever source, repackaging and rebranding those ideas with the most profitable labels and spin, minimizing time to market through cliquish publishing collectives, and constructing

barriers to market entry for the originators of ideas who either try to bypass established networks or demand an unacceptable price for the raw material in terms of attribution requirements[2] – may according to some fashionable normative frameworks deserve to be rewarded, citation or attribution may be unlikely to constitute the most appropriate form of rewards for such achievements.[3] Thus, if the intention is to trace the

2 This may be an overly kind description of some of the potential routes to analytical "success" in hierarchically organized societies. There would, for instance, clearly appear to be the theoretical possibility for part-time mavericks to utilize the cognitive goodwill – the cumulative capacity to influence opinion resulting from actual or perceived expertise in a given subject matter – created by disseminating plagiarized dissent to enhance the perceived credibility of the wealth- and power-centralizing views uttered in their alternative capacities as self-declared high priests of the dominant legitimating narratives for privilege. Under such a scenario it would be some of the architects of misery creatively combining the marginalization of genuine dissent with the advancement of their own careers: while during particularly turbulent times their blogs, presentations or publications might contain a relatively high proportion of recycled dissent to both score points for capitalism-bashing and prevent unaffiliated sources from developing sufficient brand equity for autonomous dissent, in gentler or strategically important times some of the accumulated cognitive goodwill might be expended on wildly implausible spin-building processes to rationalize and legitimate privilege. Consequently, under such circumstances one of the most significant scientific challenges for humanity – a potential precondition for the possibility of science or non-instrumental interpretations of the human in general – might involve the neutralization of the social networks which permit livelihood to be governed in a manner that may not be optimal for the widest possible production and dissemination of alternative knowledge claims.

In a hypothetical world of evenly distributed lunacies, one might also wonder where are the multimillion dollar lawsuits against scholars who share unpublished material via various formal or informal peer-to-peer networks. Recent lawsuits have put the price of illegally shared music in the range of $22,500–$80,000 per song (e.g. Lavoie, 2009). Yet in the case of inadequately regulated and monitored distribution of unpublished scientific work the potential damages to prospective authors and scientific credibility in general may be significantly larger. In contrast to music which presumably maintains some of its entertainment value regardless of the number of times any given song is played, the scientific value of unpublished academic work is exhausted once the substantive informational content has been transmitted without any guarantee that the authors will ever receive any compensation for their effort in the form of eventual publication of their work, career advancement, royalties, or something else. Once again, the optimization of scientific advance and diversity may well involve more egalitarian distribution of income, wealth and status irrespective of conventional measures of effort rather than the institution of stronger property rights for prospective authors to their unpublished work.

3 Academic insiders can, of course, take the hypocrisy to a whole new level by publicly lamenting the vanities and practical infeasibilities often associated with attribution

originators of the ideas that have made the largest contribution to one's intellectual development rather than to list the names of the individuals who may have been kind enough to grant an author a traineeship or full knowledge-certifying membership in some of the cartels of academic knowledge production/preservation, the entire social convention of beginning academic works with an acknowledgements-section might appear redundant.[4]

With these caveats in mind, the present author owes perhaps the largest intellectual debt of gratitude to all those individuals who have or could have produced high quality scholarship without leaving their marks to the recorded history of academic attribution. The author is particularly indebted to the incognitos who have chosen nonviolent cognitive civil disobedience over the demands and rewards of the liberal norm life – the optimally responsive subjectivities and forms of life around which the probability distributions for incrementally punishable deviation and the cut-off points for extermination are implicitly or explicitly modeled in liberal regimes of governance. Without the cognitive guidance provided by elementary observation of the surrounding academic realities – the potential academic superstars who have died oppressed throughout the history, the academic sweatshop labor that produces ideas for the

processes – typically in publications that contribute to their own career advancement and further reinforce the gap between the attributional haves and have-nots. If the practical infeasibilities of correct attribution indeed are widely recognized, why not make all academic publications anonymous, thus potentially converting at least some of the wars between tribalist networks of privilege into wars of ideas? Why not break the link between one's publication history and academic career development altogether? Rather than rewarding the intellectual litterers who necessitate the periodic rediscovery of insights that are buried under mountains of self-referential odious scholarship with the powers of knowledge certification, social scientific research might significantly improve its credibility by simply acknowledging its powerlessness under the prevailing forms of income, wealth, and power disparities to make accurate statements on the scientific quality of any specific piece of academic work.

4 It might also be intellectually dishonest not to point out that in the academic lexicon even the most sincere acknowledgements should not automatically be taken as evidence of actions that have been in the best interests of the author. In the academia as well as many other realms of social interaction established group loyalties often set the behavioral benchmarks which define the limits for the acceptable exercise of discretionary virtue. It is not obvious that the net impact of actions based on selective obligations and the exercise of discretionary virtue within such behavioral boundaries will necessarily always be positive from the perspective of a prospective author.

tenured brands at a subsistence level of attribution or worse, the self-effacing anti-opportunists who have rejected the analytical jurisdiction of the cheerleaders for privilege in favor of alternative peer groups among the oppressed, the unbearably difficult anti-utilitarian personalities who regularly invite ostracism through outmoded motivations and behavioral patterns, the talent that has chosen not to inflict the injuries and injustices on their fellow human beings that the pursuit of "success" in virtually every hierarchically organized social activity requires, or the self-marginalizing students who forgo academic careers due to predatory immaturity, underdeveloped self-righteousness, or some other instances of a failure to develop inflatable egos that would be conducive to the utilitarian governance of group loyalties – this study might never have reached anything resembling its present form. Without an awareness of some of these evolutionary dissidents and advocates of radicalized love, the direction of what commonly passes for human evolution – the elimination of diversity through socially constructed sorting mechanisms and asymmetrically applied violence before humanity may even begin to understand some of the characteristics that might have been required in the next steps of its journey – may not have been equally evident to the author. If the present author or some of the more gifted fellow incognitos have not seen any farther, it may only be because the shoulders of the giants of the established social hierarchies have been blocking the view.[5]

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5 Some readers may wonder whether the author is not being unduly harsh on some of the conventions governing academic knowledge production/preservation. A simple comparison to some of the opportunities and constraints in the corporate world might help to shed light on whether this indeed might be the case. Despite all the Enrons and Madoffs that are periodically rediscovered as the driving forces behind capitalist wealth accumulation, corporate crime is often subject to at least some forms of empirical constraints: if a Ponzi scheme goes bust, the corporate "peer reviewers" or regulators have only a limited capacity to claim otherwise for extended periods of time without obtaining the missing moneys from some other source. Academic dishonesty – such as the neutral veil approach to money that is described in more detail below – in contrast, would not appear to be constrained by empirical phenomena: patently absurd paradigms or practices may not have strictly limited natural life spans as the true or instrumental believers keep on reproducing inside the academia while the deviant real-world oriented potential scholars are excluded from academic resources. While some corporate criminals who have misled investors may end up in jail, the academic Madoffs who mislead the civilization while suppressing alternative views can often themselves decide whether to continue propagating their current schemes or to switch into alternative rhetorics. In the absence of

Without implication for the views presented in this study or the remaining inaccuracies, the author also wishes to thank Petri Koikkalainen for dedicated supervision of the author's postgraduate studies and thesis work, Julian Reid for invaluable support during some of the critical stages of the PhD studies and the People's Cultural Foundation, the Finnish Cultural Foundation (Lapland Regional Fund), and the University of Lapland for financial support.[6] Magnus Ryner and Earl Gammon gave

widespread and permanent scrutiny of the distributional preconditions of the possibility of science – the more egalitarian distribution of income, wealth, power, status etc. in a manner that might be more conducive to unbiased observation and communication of social realities – there would appear to be no obvious limits to any potential skepticism or cynicism that the prevailing practices of academic knowledge production/certification might evoke and ultimately also justify.

6 The longest contiguous funding period was four months. Multiple longer-term funding applications were rejected by each of the following foundations and the National Graduate School of Political Studies, albeit in the latter case apparently based on the recommendations of the University of Lapland:

http://www.koneensaatio.fi/en/grants/decisions/
http://www.wihurinrahasto.fi/apurahat.html
http://www.skr.fi/default.asp?docId=12642
http://www.emilaaltonen.fi/nuoret2009.html
http://www.kordelin.fi/myonnetyt.html
http://www.uta.fi/politu/

Contrary to some of the public relations efforts of the competition cult that may seem to have colonized much of the economic, political, social and academic policy space, it is quite possible to raise questions about the appropriateness of specific academic funding policies without in any way suggesting that such questions would be satisfactorily addressed as soon as funding is granted to any specific project or individual. In much of academic decision-making in general and in the case of funding applications in particular neither the identities of the decision-makers or the external reviewers nor the substance of all the "losing" proposals are typically disclosed to public scrutiny. To adopt a fashionable although in some respects admittedly an inappropriate sports analogy: what would be the substantive significance of a sporting event where a group of judges – perhaps "peers" – whose identities remain unclear select the winner according to criteria which may or may not be adhered to in the selection process, after which only the "winner's" prerecorded performance is released to public circulation while footage on the "losers'" performance remains censored? Could any and all criticism of such practices be unproblematically dismissed as embittered rhetoric of the envious losers who could be silenced if only they could have their moment of power-approved fame in some other "competition" – or if only they could become aware of the enlightening insight that it is presumably the hierarchy-producing travesty of competition that matters rather than the specific metric for relative "performance" that happens to be applied in the production of the "winners"? The opposite of competition is not monopoly – a specific pattern for the highly pertinent suggestions for improving the quality of the manuscript as external reviewers. While much of this feedback will be highly useful for the author's subsequent work, the present, sparingly edited form of the study may provide more relevant raw material for hermeneutic interpretations of the circumstances which have animated this particular research project.[7]

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distribution of power in a society that continues to be subordinated to the demands of the competition rhetoric – but co-operation – the essence of all economic activity behind the most fashionable ideological facades for the production and preservation of privilege. The maximization of human productive efficiency through co-operation may well ultimately involve the minimization of "economically" induced social hierarchies. No emancipatory social scientist should thus refrain from criticizing the prevailing academic funding policies merely to avoid charges of hypocrisy or moral double standards: any potential suggestions that competition rhetoric may in some cases be used to conceal the absence of open competition, for instance, in no way imply endorsement of the objectives of such rhetoric. If science is to be more than a private analytical shopping mall for the wealthy where research plans for funding applications may assume the role of product descriptions and "peer" review some of the functions of a warranty, both the funding policies and the processes through which such objectives presumably are to be attained deserve to be extensively scrutinized and debated until the implementation of more co-operative forms of general economic organization may finally terminate the Dark Ages of competitively distorted efficiency and equity.

7 In a sense, the form of this study might be seen as a yet another artifact of the analytical violence induced by some of the prevailing governance structures. To the extent that this study will have any impact at all on the recorded history inside the Fortress Academica, the tactics used by some of the gatekeepers of science to rewrite history might be compared to the intellectual equivalent of beating up an unwilling challenger before throwing him into the ring for a managed showdown with the bodyguards of the champions of the established social hierarchies. One of the main emancipatory points that this study attempts to convey is that every struggle is worth fighting for its own sake regardless of its expected impact on history as recorded by the appearance-producing industries. Every act of cognitive civil disobedience forces latent power relations to become more openly expressed and thus also more vulnerable to contestation. The distinction between lavishly funded power-preserving scholarship and the occasional pieces of isolated dissent may in fact ultimately have the potential to become emancipatory in its own right: once the potentially irremediable corruption of the dominant academic brands in a governmentally secured society becomes widely appreciated, analytical focus may shift from subjectic self-engineering through the pursuit of external recognition to the self-actualizing optimization of one's identity and analytical and perceptual inclinations. If the reader believes that the author is being overly pessimistic due to imperfect knowledge of analytical spaces where life might still be feasible – where no path needs to be left unexplored due to external coercion – the author would be delighted to hear from you.

1 Introduction

The role of money as an institution remains undertheorized in interdisciplinary economic, social and political analysis. In neoclassical economics money is conceptualized as an “obscuring layer” (Samuelson, 1973: 55) or a “veil” (Pigou, 1949: 14, both quoted in Ingham, 2004: 15) of the “real” economic processes, which remain unaffected by the specific choice of the monetary media. Outside relatively marginalized heterodox circles money is thus regarded as an apolitical, asocial facilitator of economic exchange, which has no independent influence on the economic, political or social realities experienced by economic agents. Sociology, in turn, has only relatively recently started to overcome the post-*Methodenstreit* intellectual division of labor with economics, whereby money was often seen as an insufficiently sociological object of inquiry and hence left almost exclusively to the realm of economics. Despite Collins’ observation in 1979 that “Money is doubtless the single most important neglected topic in sociology. For that matter, it is probably the most important neglected topic in all the social sciences” (1979: 190), analytical attention has rarely been focused on identifying the logical and practical preconditions for fulfilling specific combinations of potentially contradictory monetary functions or the social implications of the potential infeasibility of such analytical pursuits. Recent contributions have pointed out the social relations that are inherent in all monetary institutions, albeit often from rather narrowly defined perspectives on the nature of money itself (e.g. Ingham, 1996; 2004). Similarly, the notion of the political is rarely extended to money as an institution in contemporary political analysis. Although the contemporary currency systems are often perceived to have political elements in their origins, functioning and management, the notion of money as an institution is effectively depoliticized by a widespread adherence to the orthodox view of money as a neutral veil of real economic phenomena. Consequently, the nature – and sometimes also the mere possibility – of monetary power has been largely overlooked. In the words of Cohen, “no true theory of monetary power may be said, as yet, to exist” (2002: 434).

One way to illustrate the limits of the dominant notions of the political in the context of monetary systems is to analyze recent work that is explicitly positioned to challenge those limits. It has, for instance, been suggested that

> Although monetary phenomena define the contemporary economic scene, insufficient attention has been given to their political content and consequence. While the practice of strategic trade and debates over taxation are easily recognizable as political matters, issues such as financial liberalization and CBI [Central Bank Independence] are not. In fact, such measures are often expressly represented as *apolitical*, as steps that remove a contentious issue from the political sphere. However, monetary phenomena are *always* and *everywhere political*. (Kirshner, 2003: 3, original emphasis)

The "principal argument" of a volume on the "ubiquitous politics" of monetary orders is that "economic theory is indeterminate in its ability to account for most of the monetary policy choices and reforms that are observed in the world today" (ibid: 4). While it may be difficult to disagree with such conclusions, the silence on the political nature of the institutional features of money – not necessarily the author's fault in an academic environment where even the more limited findings are still largely disputed or ignored – is deafening. Before the political nature of monetary policy, or indeed any monetary phenomenon, can be analyzed, there must be some form of an agreement on the forms of technical processes or social relations that deserve to be described as "monetary" to the exclusion of all other forms of human interaction. This process of constructing the institutional specifications of money is more fundamentally political than any subsequent policy decision which takes the socially constructed technical specifications of money as given. What are the political implications of alternative institutional designs of money – including but not limited to features such as the specification of the unit of account and the monetary media that correspond to that definition, the method of creating monetary media and withdrawing them from circulation, any possible disparities in the rules governing the circulation of money and physical and human capital, and the incentive structures for the employment of financial capital in productive uses? The most commonly cited technical functions of money – medium of exchange, unit of account and store of value – can be performed in any combination by an infinite set of technical arrangements which can have widely different political implications. Questions related to the *management* of a specific monetary system, such as disputes on the appropriate inflation rate or interest rates, pale into insignificance compared to the political importance of questions that define the specific *type of institution* that the monetary system constitutes, such as who has the power to create and allocate newly created money and on what basis[8] and what is the appropriate interest rate that money should attract as a condition for its existence.[9] Despite a colorful history of controversy and contestation whereby arguments about money have often been explicitly recognized as arguments about the desirable forms of social relations or society in general[10], the question of how various conceptualizations of money may

8 Under the current monetary system the bulk of newly created money is allocated to borrowers as the counterpart of credit created by the private banking system. It might not be inherently any less arbitrary to allocate the same quantity of newly created money to lenders instead by – building on Milton Friedman's famous metaphor (see e.g. Friedman, 1992: 29) – regular helicopter drops directed exclusively at the yards of the lenders. Under such circumstances it might be the rentiers rather than the debtors who would benefit from inflation, as the loss of the real value of the credit instruments resulting from inflation might be more than offset by the real value of the inflation-inducing money supply growth that is falling from the sky to the lenders' backyards. It is not obvious what can be gained by analyzing the political dimensions of the management of money unless the thoroughly political nature of the institutional features of the monetary system that specify, produce and reproduce the winners and the losers in the first place is taken into account.

9 While some form of compensation is likely to be required to induce the supply of monetary capital for productive purposes, the reasons behind the current practice of having to make interest payments for the bulk of the money supply merely to *exist* are predominantly political. In fact, as will be seen later, a strong case can be made for a *negative* interest rate as a precondition for the existence of money. Depending on the size of the negative interest rate and the demand and supply conditions for capital, monetary capital employed in productive uses would either continue to increase its nominal value over time – albeit at a lower rate than under the current monetary system – or lose less of its nominal value over time than idle capital – the difference constituting return on investment. Throughout the introductory chapter it is assumed that in the absence of decentralized money creation powers among the members of a monetary space, maintaining a community's capacity to engage in forms of social interaction involving some of the technical functions of money calls for a permanently circulating money supply. For a more detailed treatment of the alternative view that questions the relevance of the concept of money supply for credit money – irrespective of the degree of centralization of money/credit creation powers and their "endo-/exogeneity" with respect to the transacting parties – see particularly chapter 7.

10 See e.g. Carruthers and Babb (1996) in the context of the late 19th century American debate between the greenbackers and the bullionists.

affect political agents, structures or the formation and evolution of state sovereignty rarely enters the contemporary political discourse.

The aim of this study is to extend the notion of the political to the institutional aspects of money through inter- and postdisciplinary perspectives blending and combining literature, insights and methodological approaches from sociology, political science, political economy, economics, political philosophy and other relevant fields. The study adopts a critical view towards the orthodox economic reductionism, pointing out the historical specificity of the economic, social and political arrangements that have come to be associated with contemporary forms and functions of money as well as the wide spectrum of *political choice* that is inherent in the institutional specifications of any monetary system.

One of the study's main theses is that the social construction of financial capital in general and money in particular[11] – the choice of the precise manner in which tokens of abstract value come to symbolize wealth and the rules governing their issuance, subsistence, circulation and extinction – is logically prior to any form of economic, political and social analysis that involves or is influenced by some of the technical functions of money – virtually all forms of human activity in a modern society. Like all human institutions, the institutional specifications of money have a profound impact on the types of social relationships and activities that money is likely to promote. Far from representing alternative sets of equally neutral rules of the game, the institutional specifications of money have the potential to effectively finish the game of achieving economic efficiency, distributional justice or any other objective pursued through monetized market exchange before it has even started. In other words, the "technical" specifications of money may be so deeply at odds with publicly professed policy goals, structurally favoring alternative outcomes, that it is difficult to see the relevance of political discourse that does *not* entertain the possibility – and perhaps the necessity – of alternative institutional configurations for money. Widespread recognition of this thesis would have profound implications across the disciplinary boundaries. If the entire score-keeping system for resource allocation and

11 As will become clear later, it is not obvious that these two concepts can ever be defined mutually exclusively and exhaustively (see particularly chapter 4). For the purposes of this study, the social construction of money can be seen as a special case of the social construction of financial capital.

economic interaction is recognized as a thoroughly political creature that may have a larger impact on economic, political and social outcomes through its socially constructed technical specifications than its capacity to aggregate and channel presumably apolitical market signals, it is not obvious that an "economic" sphere of human interaction in a monetary "economy" is logically possible, let alone has ever existed. Similarly, if the relative incomes and power positions of capital and labor are largely determined by the precise manner in which financial capital is socially constructed – as opposed to the interplay of market forces *after* the nature of financial capital has been politically and socially determined – the historical ideological struggle between capitalism and socialism, i.e. a dispute focusing on the ownership of the means of production, may pale into insignificance compared to the economic, political and social implications of specifying financial capital in a manner that structurally favors one factor of production over others.

Another central theme of the study relates to the source of money's political powers. The precise role that money has played in state building or other forms of economic, political and social power projection has often been analyzed in detail. As Helleiner (2003: 2) has observed, "… the construction of territorial currencies was an intensely political process involving domestic and international struggles over issues such as the nature of state building, the construction of national identities, the proper scale of markets, and the implementation of competing market ideologies." Yet it is not obvious why a presumably neutral facilitator of multilateral exchange has the capacity to shape such a wide range of political objectives. The infrastructures for production and exchange involve a virtually infinite set of technical arrangements designed to facilitate certain parts of the transactions. Why has money proven to be a more effective instrument for the consolidation or projection of state power than many other elements of the infrastructures for production and exchange? Why have states not been equally prone to use, say, territorially branded information systems for creating political communities or geographically delimited logistics networks for shaping national identities or the proper scale of markets? Which elements in the institutional design of money confer its political powers? Once these powers are actually used, should money still be regarded primarily as a facilitator of multilateral exchange with unfortunate but inevitable political side effects, or perhaps as an instrument of power projection that happens to fulfill some of the technical functions commonly attributed to the hypothetical notion of politically neutral money? While widespread agreement on the nature of money may be neither necessary nor sufficient to understand the nature of monetary power, each contending perspective on the ontology of money needs to address these questions if monetary power is to be regarded as materially different from the power dimensions involved in other stages of production and multilateral exchange.

This study suggests that money's political power derives largely from its institutional capacity to obscure the transformation of economic, political and social opportunity structures. While a requirement, for instance, to borrow most computers into existence from the private computer industry – payable with interest in computers manufactured by the same companies – and to make resource transfers to the same industry to compensate for the ultimately inevitable defaults would be likely to attract widespread scrutiny and protest, no such qualms appear to arise when perhaps equally arbitrary policies are implemented via the institutional structure of money. The disproportionate political significance of financial capital for most – if not all – of its history stems largely from the asymmetric understanding of its economic, political and social functions in a community: there may not be any widely shared agreement on the essence of money, but its potential functional value is understood well enough by concentrated power[12] to render it a valuable instrument for power projection and consolidation. Thus the fact that the social construction of money as an institution is logically prior to

12 Throughout the study, a failure to specify actors should not be taken as an indication of discounting the role of agency. The focus of the study is on the underpoliticization – indeed depoliticization in much of the contemporary academic literature – of money as an institution rather than the forms of political organization or interaction adopted by those institutions or individuals who are in the best position to benefit from such underpoliticization. While questions of agency are far from unimportant, any potential controversies in identifying the relevant actors should not inhibit research on the ways in which the socially constructed accounting system of money shapes human behavior. Unless indicated otherwise, the analysis remains applicable irrespective of the primary locus of agency – whether states, corporations, domestically organized social groups or classes, a transnational capitalist class, or any other form of political organization that has the capacity to convert asymmetric information and access to the specification process of money as an institution into an instrument of power projection.

any economic, political or social analysis involving some of the technical functions of money does not imply that the specification process must produce an unambiguous, transparent, uncontested or stable definition for money. On the contrary, ambiguity, lack of transparency, contestability and strategic instability may all improve the capacity of the social “weapon” (Weber, 1978: 108) of money to transform opportunity structures and should therefore be expected to the extent that they are permitted by the lack of public oversight. Distributional justice in information dissemination and a more widespread understanding of the political role of money do not alter the inherently political nature of the process of constructing and specifying money as an institution, but they do make such processes less susceptible to particularistic influences.

In addition to the aforementioned themes, the significance of the study is fivefold. First, contrary to much of the existing literature which adopts a positivist, monocausal approach to analyzing the nature of money, the study questions whether a single causal theory can ever fully capture the essence of money as a constantly evolving political process and social relation. Since money always involves a power dimension, no sovereign authority is likely to voluntarily surrender some of the social benefits of money creation by transparently specifying the source and limits of its own monetary powers. Hence any persistent conceptual ambiguities can hardly be attributed to some innate characteristics of money to the exclusion of the human agency and the political and social structures that produce and reproduce the specific temporal and spatial manifestations of such definitions. Second, it is argued that although the concept of money may remain elusive, the economic, social and political implications of different types of monetary institutions are often not beyond the reach of public policy decisions. Unconditional basic income (UBI) – an unconditional periodic cash grant paid to every member of society – is introduced as an example of a specific public policy program that could rectify or mitigate some of the polarizing consequences of the prevailing forms of money. Third, orthodox economic conceptualizations of money are found to involve substantial elements of ahistoricism and intra-disciplinary amnesia, vindicating the observations of Kuhn and others on the nonlinearity of scientific progress and the possibility that knowledge may also be lost when confronted with adverse incentive structures. Fourth, the study aims to transcend the epistemological politics of previous research that often remains organized in “tribal conclaves on disciplinary lines” (Scholte, 2000), discouraging fruitful dialogue among social scientists of different fields and persuasions. Fifth, the study’s main contribution is intended to fall within what Robert Merton called specified ignorance – the process of specifying “what it is about an established phenomenon that is not yet known and *why it matters* for generic knowledge that it become known” (Merton, 1996: 55, original emphasis). In other words, the aim is to point out the underpoliticized nature of money as an institution and why it matters for both academic social scientific analysis and, directly or indirectly, the everyday life of virtually every individual irrespective of any prior knowledge of or relationship to the prevailing forms money. While a specific reform proposal is made in chapter 10 to illustrate the implications of seemingly minor technical changes in the institutional specifications of money, the aim is to provide a concrete example of an otherwise abstract issue in order to inspire contemplation on some of the economic, political and social issues that are involved rather than to outline a complete agenda for reform. The rationale behind such an approach is informed by pragmatism rather than theoretical or analytical preference: while the construction or reform of any social institution may always involve legitimate divergence of interest or opinion, such legitimate diversity should not be allowed to divert attention away from the specific social issues that need to be addressed by any position articulated in favor of either the status quo or any specific variant of reform. In other words, the reader may disagree with the reform proposals outlined in this study, but any alternative view will also have to be transparently justified in terms of the economic, political and social issues that are inherent in the “technical” specifications of any monetary system.

2 On Methodology

Methodological choices in thematically oriented interdisciplinary research are typically somewhat limited. Applying a single, internally coherent disciplinary methodology consistently throughout the study would deny its interdisciplinary nature. Conversely, categorically denying the validity of any specific methodology or epistemology through which thematically relevant knowledge claims have been produced might easily turn into a tribalist attack under the guise of interdisciplinarity. Avoiding these pitfalls requires a form of eclecticism which achieves sufficient disciplinary coverage to justify the prefix "inter-" and to present any potential criticism of specific disciplinary traditions as being sufficiently broad-based to be beyond petty tribalism. From a purely theoretical perspective, methodological eclecticism may not be quite as detrimental to the attainment of the selected research objectives as the associated non-alignment may turn out to be for academic career development. Wassily Leontief articulated the logical complementarity of multiple incommensurable theoretical approaches as follows:

> …we face the choice between obdurate insistence on some *monistic interpretation* – which means overtaxing the analytical resources of one, chosen discipline and neglecting the capacities of all the others – or *practical pluralism*.
>
> The pluralistic character of any single explanation reveals itself not in simultaneous application of essentially disparate types of considerations but rather in the ready shift from one type of interpretation to another. The justification for such *methodological eclecticism* lies – and this is the principal point of the argument that follows – in the limited nature of any type of interpretation or causation … Neither the economic, nor the anthropological, nor, say, geographical argument can, in the present state of development of the respective disciplines, lead to the statement of uniquely defined necessities. Considering any given sequence of events *alternatively in the light of each one of such different approaches*, one can at best assign it to as many different ranges of "possibilities." Although the internal logics of the respective disciplines are *incommensurable*, the various ranges of possibilities thus derived are *comparable*, since all of them are described in terms of alternative developments of the same particular process (1948: 617–624, quoted in Merton, 1996: 35–36, original emphasis).

In other words, according to Leontief, the "practical pluralism" that involves "the ready shift from one type of interpretation to another" to overcome "the limited nature of any type of interpretation or causation" may in fact be *necessary* to capture the multiple "ranges of possibilities" associated with each phenomenon.

The scope of this study may be exceptionally broad. Any of the following chapters could – and perhaps should, if the ever more pertinent maxim for a successful scholar to continue specializing until knowing everything about nothing were to be followed[13] – be expanded into a PhD dissertation, greatly improving the odds that the author's efforts would appear to fit into a neatly discretized mental map popularized by one of the dominant academic tribes, or at the very least be perceived as a theoretically informed form of eclecticism that provides order into the methodological and epistemological anarchy by defining or assuming away aspects of reality that the scholar is not equipped to study. Yet the scope may also remain inexcusably narrow, being to some extent a prisoner to the views and interests of the historically specific or governmentally contingent groups of individuals who have had both the means and the inclination to become the gatekeepers of social science to the exclusion of all alternative configurations of at least equally talented "peer" groups. A few words on the views on the production of knowledge claims that have inspired this study may thus help the reader to follow the argument in the following pages.

A logically contiguous social reality has an infinite number of potential theoretical, methodological, perceptual or stylistic discretizations. None of these discretizations are logically prior to research. As Kenneth Burke put one of the dilemmas that any self-reflective observer is surely aware of: "A way of seeing is also a way of not seeing – focus upon object A involves neglect of object B" (Burke, 1935: 70, quoted in Merton, 1996: 54). Rather than explicating the essentially arbitrary selection of discretizations *ex ante* and ignoring all details during the conduct of research that do not neatly fit into the chosen conceptual framework, social reality in its infinite diversity may also be confronted with minimum conscious

13 In an ideal world the successful social scientist's maxim might be precisely the opposite: to continue breaching the disciplinary and methodological containers of academic knowledge production until such knowledge-preserving safeguards can no longer conceal how little is "known" about any social phenomenon.

interference from preconceived mental maps. In other words, rather than focusing on alleviating the limited perceptual and analytical capacities of the human mind through discretized mental models, the inevitable errors of perception and analysis introduced by such models can also be seen as a justification for a conscious attempt to minimize their use. Under such circumstances methodological and epistemological choices are transformed from *ex ante* filters on perception and analysis into *ex post* tools for analyzing the applicability of the research results within different discretized analytical frameworks. Rather than the author specifying the parallel universe in which her knowledge claims are conceived, it is left to the reader to decide whether certain insights might have some validity within specific analytical worldviews and whether any possible differences of opinion might stem from the limitations of the research or the limitations of the mental maps consciously or unconsciously adopted by the reader.

Such techniques have in fact already been widely adopted among some of the more established writers in the academia. Ulrich Beck, for instance, articulates the reader's responsibility as follows:

> How is it possible to champion and vindicate historical appearance, of all things the most ridiculous and ragged of all excuses, against a hydra-headed social science armed to teeth with expensive theories and figures? It is utterly impossible, and should therefore be held in this book's favour as a first mode of self-refutation. For the record: whoever takes my arguments on board does so in spite of my own misgivings, and therefore on their own initiative and according to their own lights (Beck, 1995: 5).

This is not seen as an insurmountable problem that might diminish the scientific value of Beck's work, as

> The argument of the book can only be as powerful as the reader judges it to be. … To put it bluntly, I am perhaps the least certain participant in the uncertain science with which I deal. The lack of ifs and buts in the formulations is a question of style. Let this fact be taken out of parentheses and writ large once and for all. Yet the uncertainty of all claims to knowledge, as revealed to consciousness by thorough inquiry, need not end up as pussy-footing. … Anyone who has grasped the fragility of what is most certain can fall silent, turn cynical, get into a rut – or else take the opportunity of transforming prevalent concepts, once

> having discerned their fallibility. … The error to which the ossification of scientific concepts leads can only be broken up by an interplay between the internal and the external, with the courage that draws its strength from the will to know (ibid: 13).

Elsewhere, Beck describes his work as containing "*some empirically oriented, projective social theory* – without any methodological safeguards" (Beck, 1992: 9, original emphasis). Beck's description of methodology as a *safeguard* rather than an indispensable, analytically or perceptually neutral element of research is highly instructive, not least in helping to "grasp the fragility of what is most certain" or "discerning the fallibility of the prevalent concepts". Another relatively well known academic, Noam Chomsky, has described his relationship to social scientific theory as follows: "Is there anything in the social sciences that even merits the term 'theory'? That is, some explanatory system involving hidden structures with non-trivial principles that provide understandings of phenomena? If so I've missed it." (quoted in Edgley, 2002: 29). Michel Foucault goes a step further, suggesting that adhering to predetermined mental models may in fact be counterproductive, as part of the research objective often involves the transformation of the researcher:

> I write a book only because I still don't know exactly what to think about this thing I want so much to think about, so that the book transforms me and transforms what I think. Each book transforms what I was thinking when I was finishing the previous book … I'm an experimenter in the sense that I write in order to change myself and in order not to think the same thing as before (quoted in Faubion, 2001: 239–240).

It is not obvious that Foucault's methodological choices are meant to be externally discernible or semantically stable even after any specific project of personal transformation has been completed: "do not ask me who I am and don't ask me to remain the same" (Foucault, 1989: 17).

Ironically, such candor does not diminish the potential utility of Beck's, Chomsky's or Foucault's work in providing appropriate theoretical frameworks for *other* scholars' work – including PhD students, who may have significant difficulties in getting away with similar theoretical and methodological pluralism without the instrumental use of citations from more authoritative sources. The intention here is not, of course, to try to discredit the work of Beck, Chomsky, Foucault or the countless others in the history of science who have conformed less than perfectly to the dominant fads in the mental models or disciplinary divides intended for academic consumption. On the contrary, the author has a high regard for all three and believes that the world would be both academically and intellectually much poorer if the prevailing dogma on knowledge production had always been meticulously followed. The choice of peer-approved methodologies – like all other realms of human interaction – is not immune to power-based considerations. The choice of an approved methodology, explication requirements, the extent to which obscure or stylistically unconventional language is tolerated, the proportion of potential misunderstandings or controversies which must be addressed privately before publication rather than publicly after publication in the form of additional publications, and the degree to which a work must incorporate feedback irrelevant or hostile to its original intent before publication, among other things, are all more thoroughly conditioned by power than many academics might feel comfortable to publicly admit.[14] Not entirely unlike the way in which research on inherently adisciplinary concepts – essentially any concept in a world of fairly arbitrary disci-

14 To give but one example of a relatively common stylistic double standard among the gatekeepers of science, it is instructive to observe the frequency with which sentences starting with the expression "needless to say" make it to peer-reviewed publications. If there ever have been valid reasons to exclude specific stylistic choices from the purview of academic expression, one might expect self-declared redundancies to fall within this category. Some other historically specific or governmentally contingent combinations of gatekeepers could undoubtedly either weed out such redundancies from academic publications – perhaps with appropriately self-righteous labeling conventions ranging from "unprofessional" to "crankish" emerging to describe the work of such stylistic heretics – or to elevate some heretofore unacceptable stylistic choices to the realm of academic respectability. In either case the self-selecting and self-perpetuating dynamics of academic publication would virtually ensure that the chosen stylistic conventions – irrespective of their intrinsic merits – would come to be seen as natural, while any potential critics questioning the appropriateness of the substance of such stylistic preconditions for academic publication could be safely ignored due to their self-professed inability to conform to the realities of "science". Needless to say, once one has grasped the nature and significance of the processes which produce the peculiar combination of power-based social conventions sometimes referred to as academic writing style, one may also have fewer illusions about the mechanisms that co-brand more substantive issues with academic respectability. It is partly for this reason that this study aims to match the breadth of its substantive scope with an equally thought-provoking range of expression.

plinary distinctions, but for the sake of the argument the reader may think of some of the more highly charged terms such as “terrorism” or “democracy” – may be completely overshadowed by political and ideological disputes, misunderstandings and misinterpretations of the different contents and connotations of the terms, explicating specific theoretical and methodological choices may hinder as well as advance understanding of the actual phenomenon that is being investigated by focusing the dispute on the contending notions of what literature, perceptual filters, or lines of reasoning should have been adopted when certain theoretical or methodological buzzwords are used. In short, there is a fine line between a methodologically sound – as defined by the prevailing academic conventions and power structures – and an “overly domesticated and academically henpecked Ph.D.” (Merton, 1996: 58). It is the author’s intention to leave the burden of proof for any possible violation of the former concept on the reader rather than autonomously seeking to prove the latter’s validity.

This study invites the reader to contemplate upon the relationship between theoretical and methodological choices – including the possibility of a conscious non-choice – and the production of knowledge claims through the most widely disseminated discretized mind maps for peer-approved theoretical, methodological or epistemological approaches. The invitation of the reader to reverse engineer the author’s theoretical and methodological (non)choices may not only help to capture elements of reality that are imperfectly understood by the dominant discretizations but also to distinguish between the assumptions of the author and those of the underlying social reality that is being investigated. In other words, the refusal to explicate a parallel universe for scholarly purposes forces the reader to contemplate upon the conditions in which the author’s knowledge claims might be valid rather than going against the spirit of the argument by contesting the author’s use or interpretation of any specific discretized theoretical frameworks. Alfred Marshall once proposed the “general rule that in discussions on method and scope, a man is nearly sure to be right when affirming the usefulness of his own procedure, and wrong when denying that of others” (Marshall, 1961: 1; quoted in Merton, 1996: 40). Despite any potential intrinsic merits of such observations, methodological non-alignment amidst tribalist warfare may be perceived as a threat to the very survival of the organizational power structures that draw much of their legitimacy from academic identity politics. According to one explanation for the ongoing self-inflicted brand differentiation of the uniform analytical enterprise of explaining the social reality, "For while the so-called disciplines can no longer plausibly defend their legitimacy intellectually as separate disciplines, they are organizationally fortified in their trench-like structures (Wallerstein, 1991: 102). As contemporary academic tribalism will surely inspire more creative descriptions of non-aligned eclectic efforts than "practical pluralism", it may be appropriate for the author to suggest a more colorful term for any possible methodological "mock controversy" (Merton, 1996: 36) that may ensue. Methodological capitalism – entailing unabashedly utilitarian consumerism of disposable methodologies – might capture some part of the original intent. Theory, as Wallerstein has reminded us, is "no more than a correlated set of questions to the social reality under study" (1991: 80). It has been suggested that "Money's indeterminacy is its sole distinguishing feature" (Dodd, 1994: 152) and that "The tensions between the various ways of understanding money need not be resolved, but they do need to be revealed" (Gilbert, 2005: 381). As one of the most complex, paradoxical, pervasive and elusive regulators and transformers of social interaction, perhaps nowhere else is tolerance for theoretical, methodological and epistemological ambiguity and pluralism as warranted as in the study of money.[15]

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15 If it is true that "Our social interaction consists very much in telling one another what right thinking is and passing blame on wrong thinking", leading into institution building through "squeezing each other's ideas into a common shape so that we can prove rightness by sheer numbers of independent assent" (Douglas, 1986: 91), then instead of networking with the most prestigious power-approved certifiers of knowledge to negotiate truth through mutual give and take, genuine science might require the conscious *avoidance* of excessively close social interaction with anyone who might be in a position to pass comment on the extent to which one's work conforms to the most powerful streams of academic or scientific group-think at each point in time. In other words, methodological isolationism – a self-actualizing state of mind which remains impervious to the mental guidance of external power-based knowledge certification processes while certain lines of thought are being developed – might be a further necessary but not sufficient condition for the possibility of science.

3 The Sovereign Factor of Production? On the Social Construction of Financial Capital

3.1 The Social Construction of Financial Capital

More than a century ago Carl Menger wondered why "every economic unit in a nation should be ready to exchange his goods for little metal disks apparently useless as such, or for documents representing the latter" as such procedure was "so opposed to the ordinary course of things, that we cannot well wonder if even a distinguished thinker like Savigny finds it downright 'mysterious'" (Menger, 1892: 239). Countless variants of essentially the same question have been posed throughout the history. The answer has often relied, in the words of Weber, on the recognition of the probability that such non-commodity-based money "will be at some future time acceptable in exchange for specified or unspecified goods in price relationships which are capable of approximate estimate" (Weber, 1978: 169). Such circular logic – advocated particularly by the methodological individualism of neoclassical economics in the context of minimizing transaction costs – presupposes the existence of money as an institution and thus cannot account for the process through which the specifications of money are established (Ingham, 2004). Nevertheless, perhaps more illuminating questions relating to the *type* of institution that money may constitute have rarely been articulated. If the practice of exchanging "useless" metal disks for goods is not sufficiently strongly "opposed to the ordinary course of things" to render money as an institution dysfunctional, are there any natural, technical, economic, political or sociological limits to the specifications of money? Where does the line between "mysterious" but functional and patently implausible and thus potentially dysfunctional go – or does such a line exist? What does it tell about the nature of money that asking these kinds of questions is possible – indeed necessary – in a world where all forms of economic activity and political and social relations must ultimately conform to a single set of presumably uniform and non-negotiable natural laws?

Unlike other factors of production, the entire concept of financial capital is socially constructed. Labor in the sense of human productive capacity and land as natural territory would continue to exist with precisely the same physical attributes and the same natural laws governing their opportunity sets for productive interaction even in the absence of money, multilateral exchange, economics as a science, or any other mental model evoked to depoliticize the differing ontologies of the factors of production. In contrast to labor and land, all the physical attributes of financial capital and the laws governing its subsistence and interaction with the other factors of production are socially constructed. Nothing in the natural laws of the universe suggests that tokens of abstract value such as notes, coins or bits on computer hard drives should mediate the production and exchange of intrinsically valued goods and services, let alone under terms which violate those very same natural laws that condition the existence of labor, land and the rest of the physical reality. The choice of a unit of account, the monetary media which correspond to that definition, the distributional implications of money creation and circulation, and the extent to which money as an institution must conform to the same natural laws afflicting labor and land, for instance, are all *political* decisions, which do not lose their political character once incorporated into the socially constructed "economic" laws governing a specific type of monetary system.

The indeterminacy of material factors to account for the emergence or functioning of any specific type of monetary system has often been pointed out in the context of peripheral and, from the modern viewpoint, seemingly primitive networks of exchange. One of the better known historical examples of an unconventional system of exchange involved the use of *fei* – "large, solid, thick, stone wheels, ranging in diameter from a foot to twelve feet, having in the centre a hole … sufficiently large and strong to bear the weight and facilitate transportation" (Furness, 1910: 93) – in ceremonial exchange in the Island of Uap in the turn of the 20th century.[16] It is instructive to observe the process through which a fine set by the German colonial government finally achieved its objective of inducing the natives to improve the road system of the island:

> In what shape was the fine to be levied? It was of no avail to demand silver or gold from the chiefs, – they had none – and to force them to pay in their own currency [*fei*] would have required, in the first place, half

16 Whether the stones constituted a monetary system remains a matter of controversy (see e.g. Wray, 1998: 73, note 36). What is relevant here is the socially constructed nature of their perceived value and role in exchange.

> the population of the island to transport the fines; in the second place, their largest government building could not hold them; and finally, *fei*, six feet in diameter, not having been "made in Germany," were hardly available as a circulating medium in the Fatherland. At last, by a happy thought, the fine was exacted by sending a man to every *failu* and *pabai* throughout the disobedient districts, where he simply marked a certain number of the most valuable *fei* with a cross in black paint to show that the stones were claimed by the Government. This instantly worked like a charm; the people, thus dolefully impoverished, turned to and repaired the highways to such good effect from one end of the island to the other, that they are now like park drives. Then the Government dispatched its agents and erased the crosses. Presto! the fine was paid, the happy *failus* resumed possession of their capital stock, and rolled in wealth (Furness, 1910: 99–100).

While the increased mobility and appropriability of the modern *fei* of money and near-money financial instruments may have solved some of the problems experienced by the German colonial administration, it is not obvious that the socially constructed process of financial capital's value formation has experienced comparable evolution: instead of marking specific physical objects with black crosses to symbolize impoverishment, it is presumably the symbolic violence inflicted by the banking system's manipulation of monetary bits on computer hard drives that determines a community's capacity to pursue their visions of the good life. In both cases the extent to which the symbolic manipulation (of the stone wheels or the bits) constrains actual behavior – or, in the words of Edgar Cahn, builds a "prison" for our imagination by shaping "our sense of what is possible" (quoted in Lietaer, 2001: 146) – depends on our *interpretation* of the significance of such events. What is at stake here is not just the source of money's value formation in taxation, coercion or something else, but also the credibility of the socially constructed accounting system of money in accurately representing the spectrum of choice available to the community in real terms. It would in theory be possible to recognize taxation powers as the main source of money's value while vehemently denying that the socially constructed accounting system of money conveys any meaningful information about the community's production opportunities in real terms – as may indeed have been the case in some of the colonized communities where the traditional patterns of production and exchange were destroyed by the imposition of taxation denominated in the colonial currencies. Rather than recognizing the modern equivalents of the colonial currencies as instruments of domination which were never designed to convey accurate information for economic decision-making, the socially constructed accounting system of money has been elevated into a position of an arbiter of economic, political and social relations without any need of explaining how precisely it is supposed to perform such tasks accurately or why the prevailing forms of money should be any more suitable for the task than any of the infinite number of potential alternatives.

Yet a much more fundamentally political dimension of the socially constructed nature of financial capital – nothing less than the specification of a parallel universe with its own natural laws and rules for the physical existence and subsistence of financial capital and its interaction with the other factors of production – has also often been overlooked in contemporary academic literature. Under the current monetary arrangements financial capital is a peculiar creature indeed. Money can be created ex nihilo at the stroke of a pen – or a keyboard – by a specific type of legal person entrusted with the task, not other legal or natural persons.[17] With the socially constructed ability to attract compound interest in a world where physical assets rot and break, it does not share the same physical reality with the mere mortal factors of production: even in cases where productive investments which enable the payment of interest in real terms can be identified, the compounding of interest on financial capital is not temporally limited to the period that the relevant physical assets can continue to produce exponential returns in real terms. Rather than representing accumulated wealth that could be "saved" to finance investment, the bulk of money disappears as soon as other factors of production are not willing to pay a tribute to induce

17 If money is conceptualized as debt that is created and destroyed according to need at the time of each transaction, money creation "at the stroke of a pen" may superficially not appear to be an issue. Nonetheless, as will be seen later, the implications for the monetary system's capacity to accurately reflect "real" economic variables are profound, and the criteria for distributing capacity to issue monetary IOU's among economic agents and the conditions under which money may be created by such actors become crucial. Orthodox economics and much of social scientific inquiry in general, in contrast, continue to conceptualize money effectively as a commodity – as a neutral veil of "real" economic phenomena.

its continuing circulation in the form of interest payments. In addition to the inherently political nature of specifying the institutional features of money, the extent to which the specifications of money have been detached from virtually any substantive connection to the rules or the realities experienced by other factors of production in the physical world that is nonetheless supposed to achieve economic efficiency and a host of other objectives through monetary calculation and monetarily mediated social relationships deserves particular scrutiny. Few individuals might be willing to grant producers and service providers the right to freely specify alternative physical realities to which their products and services marketed for human consumption are actually designed to conform.[18] Who, for

18 Throughout this study, metaphors which might be characterized as anything between stylistically unconventional but acceptable, on the one hand, and inappropriate, unsophisticated, "unacademic" or crankish, depending on one's level of self-righteousness, on the other, are adopted to illustrate particularly blatant economic, political, social or academic double standards to wider audiences. The rationale for such a choice is threefold. First, it is the author's wish to extend the explication requirements commonly applied to academic work in general to some of the unstated conventions of "academic" writing style. If some of the stylistic choices are deemed inappropriate for knowledge-creating or –preserving inquiry, what precisely is it about these expressions that renders them unacceptable and why? The larger the realm of unstated conventions in academic knowledge production/preservation, the greater the role of power in inducing prospective academics to conform to *all* rituals of the dominant disciplinary tribes – including matters of substance in addition to style – in order to avoid inadvertently transgressing crucial unstated gatekeeping conventions for academic career progression. Second, in a world characterized by pervasive violence, adherence to some illusory notions of "neutral" or "technical" forms of language constitutes a methodological choice which may preclude the possibility of understanding the world as it is. Violence is not constrained by self-reflection upon some illusory norms of credibility or sophistication. Any attempt to impose equally arbitrary standards of self-restraint for academic knowledge production/preservation might in its actual effect be virtually indistinguishable from a conscious attempt to co-brand privilege-preserving violence with neutral technicality in academic expression. Third, one's mode of expression may be as much of a personal "choice" as one's gender, religion, sexual orientation or some other potential cause of bigotry: while it may in theory be possible to modify any one of these attributes to an extent that satisfies the perceptual standards of superficial inquiry, the rationale for protecting the academia with glass ceilings or cognitive closets against the threat of openly expressed diversity has luckily been questioned. This study – intended as a contribution to the so far largely unsuccessful liberation movement for cynics and stylistic deviants – joins in solidarity the more traditional movements in promoting originality of thought and accuracy of insight as the only relevant standards for assessing the quality of academic work. After all, if stones are to be thrown on stylistic grounds, who is to say that much of the mainstream academic work cannot be less accessible or more offensive than some of the more marginal

instance, would be willing to board an airplane that has been designed for the conditions of another planet? For a moment – potentially long enough for the engineers to cash in their stock options and to raid the bailout packages – the ride might be spectacular, and the victims of the eventual crash could perhaps find consolation in the fact that Ivy League oracles representing prestigious international institutions would surely take the opportunity to chastise planet earth for failing to eliminate its structural rigidities that led to the accident – for failing to adjust the natural laws of the physical reality to the logic of the airplane in a manner not entirely dissimilar to the recalcitrant refusals of labor and the natural environment to conform to the socially constructed higher wisdom of financial capital which allegedly contribute to financial and economic crises and stagnation. If the creative tampering with the natural laws underlying the design of any specific product, service or social institution is deemed undesirable, one might assume that the same logic should also apply to the social construct of money which mediates virtually all forms of economic, political and social interaction.

A long tradition of economists and social reformers has argued for monetary reform on the grounds of the structural disparity between natural laws and the rules governing the production and circulation of money. According to perhaps one of the best-known proponents of this view – albeit in the rather narrow sense of aiming to extend the laws of physical entropy to the circulation of the monetary media – the German economist Silvio Gesell:

> Our goods rot, decay, break out, rust, so only if money has equally disagreeable, loss-involving properties can it effect exchange rapidly, securely and cheaply. For such money can never, on any account, be preferred by anyone to goods. … We then part with our goods for money only because we need the money as a means of exchange, not because we expect an advantage from the possession of money. So we must make money worse as a commodity if we wish to make it better as a medium of exchange. As the owners of goods are always in a hurry for exchange, it is only just and fair that the owners of money, which is the medium of exchange, should also be in a hurry (Gesell, 1958, quoted in Boyle, 2002: 41–42).

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views in the opinion of those who have to bear the brunt of the violence that academic orthodoxy often attempts to rationalize?

There is much more at stake here than merely "effecting exchange rapidly, securely and cheaply." As will be seen later, it is far from obvious that the political and social issues inherent in the technical specifications of money can ever be solved to an extent that would permit "economic" calculation to begin or that such monetarily mediated calculation will ever have the technical capacity to accurately capture and reproduce real world economic phenomena.

Although the case for the necessity of human institutions to conform to the natural laws of the physical reality is persuasive in the long-term, short-term deviations have sometimes been justified by appeals to their contractual and thus presumably voluntary nature. In order to understand the political implications of such short-term deviations from the natural laws, it is instructive to note what similar creative freedoms would imply in the context of other factors of production. Let us assume that the humans' divine-like power to create and specify financial capital applies equally to all factors of production. In other words, for the sake of the argument, suppose that it was up to the politicians and bureaucrats in charge of planning public policy and institutions to determine, among other things, whether labor needs food, shelter and clothing for subsistence or is physically able to survive without the inconvenience imposed by such arbitrary necessities. Suppose that such planners also had to face the choice of either making labor continuously available in the factor markets as a matter of physical necessity or giving labor the ability to extinguish the productive factor dimension of its existence unless other factors of production agree to borrow labor into circulation. In other words, the planners would have to decide whether other factors should be paying a salary for the mere existence of labor in the factor markets independently of whether it is actually employed in productive uses.[19] Irrespective of the eventual choices that the community would make with respect to the physical specifications of labor, these would be likely to be recognized as inherently political and potentially highly divisive issues which have profound implications for the expected outcomes of economic, political

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19 This example is, of course, meant to be analogous to the choice between forcing money – or the capacity to monetize real assets according to those who view money as a form of mutual credit – to exist as a matter of physical necessity or allowing it to temporarily extinguish itself unless other factors of production agree to borrow the bulk of it into existence and to make interest payments to induce its continued circulation.

and social interaction. With labor potentially not only relieved of all material requirements for physical subsistence, but also receiving a salary or interest payment from the other factors of production merely to induce labor's – or its mere debt-activatable potentiality's – continued existence in the factor markets, it is not difficult to foresee which factor of production would dictate the terms of its own employment to others and act as the driving force behind the economic, political and social transformation of the world economy resulting from any possible tendencies for the globalization of economic activity. Accusations of foul play – not necessarily entirely unfounded – from capital would no doubt abound. The specification of the socially constructed factor(s) of production – ultimately only financial capital in the real world – is by far the single most important "economic" task, upon which all subsequent analysis builds. Structurally skewing the rules of the game in favor of labor by bureaucratic fiat would be likely to be recognized as a highly purposive political decision designed to achieve specific market *outcomes* as opposed to neutral and equitable market *processes*. Yet political decisions of equally heroic magnitude on the physical specifications of financial capital often escape the attention of observers who are focused, at best, on the political nature of the *management* of the interaction between different factors of production or their ownership patterns – both quite possibly historical footnotes compared to the political significance of the financial capital's specification process.

The most politicized dimension of the "economic" reality should have always been the structural rules governing the dynamic interaction between different factors of production rather than the static allocation of ownership rights in a certain factor of production as suggested by the dichotomy between capitalism and socialism. The distribution of ownership of a certain factor of production tells nothing about the rules of the game that regulate the interaction between different factors of production in addressing productive opportunities. Widely dispersed – perhaps even completely egalitarian – private initial ownership of capital can be an extremely inefficient and wealth-centralizing system in the long-run if the rules of the game structurally favor capital over labor in addressing productive opportunities. Conversely, a highly concentrated initial ownership of capital can be overcome in the long-run if the rules of the economic mating game between the factors of production structurally favor labor over capital. While a more equal distribution of wealth may be a precondition for the political feasibility of reforming the rules of the game, any reform program is unlikely to be successful unless the technical specifications of financial capital are modified to reflect the objectives of the reform. The failure to contest the structural protectionism of financial capital's unearned privileges inherent in its "technical" specifications constitutes one of the single most important failures of progressive scholarship and activism. It is this structural fiction that must be confronted if meaningful notions of equity – or, for that matter, efficiency – are to be attained.

3.2 On the Politics of the Political: Some Selective Structural Depoliticizations Arising from the Privileged Reality of Financial Capital

Paraphrasing Einstein, ostensibly technical problems cannot be created on the same level of understanding that led to the acknowledgement of their potential political utility in the first place. While this observation is potentially relevant to every instance of decision-making that is perceived to be primarily of economic nature, three examples suffice to illustrate how financial capital's privileged reality[20] structurally depoliticizes choices when there not only is an alternative to the prevailing policies, but often an alternative that should in fact be preferred to the prevailing policies according to most publicly professed policy objectives.

Irrespective of the amount of TINA[21] discourse advocating the necessity of all other factors of production to contribute to the highest

20 Charles Lindblom (1977) famously pointed out the "privileged position" of business in a capitalist economic system. In the case of financial capital, it is not the position or the level of abstraction per se that merits to be described as privileged, but the lack of any objective constraints in defining the specifications of financial capital and the rules that govern its interaction with other factors of production – quite literally a privileged reality.

21 Shorthand for "there is no alternative", in the words of one politician responsible for inflicting a particularly exotic alternative to the search for the appropriate technical specifications for money upon her people.

possible return on capital, the incidence of residual claimancy – the ownership of the residual income stream arising from a productive opportunity after all factors of production have been paid the price required to induce their supply – is a predominantly political decision. A closely related point has sometimes been articulated in the context of capital and labor as follows:

> …ownership of a capitalist corporation does not legally entail 'ownership of a productive opportunity,' since the capital assets of a corporation can be hired out instead of labor's being hired in. That contract reversal shifts residual claimancy in the productive opportunity, but it does not shift ownership of the corporation. Therefore, residual claimancy could not be legally part of the corporate ownership rights (Ellerman, 2007: 5).

The same logic applies equally to all factors of production: in an economy with three factors of production – capital, labor and land – "laborism" or "landism" – economic systems whereby the right to residual claimancy has been allocated to labor and land holders, respectively[22] – would be technically feasible alternatives to capitalism. The de facto monopoly of capital on residual claimancy under capitalism is a direct result of the structural distortion of competition between the factors of production resulting from financial capital's privileged reality. It would be perfectly feasible to specify financial capital in a manner that abolishes or reverses its current competitive advantage in relation to other factors of production. Chapter 10 of this study outlines one such possibility. As the entire concept of financial capital is socially constructed, none of the available alternatives can be delegitimized with TINA discourse without transparently articulating the desirable forms of economic, political and social realities that the chosen type of monetary system should contribute to.

This is a staggering thought in a world where traditional patterns of social interaction have been largely destroyed and reshaped according to the "technical" requirements of a capitalist world economy. The primary victims of such policies, say, peasants deprived of their land and traditional ways of livelihood, would no doubt be pleased to learn that assigning labor or land similar powers for global transformation through

22 Such de facto allocation could result from instituting rules of the game that are structurally biased in favor of the chosen factor of production. As in the case of capitalism, the de facto right of the dominant factor of production to residual claimancy does not need to be legally mandated.

de facto monopoly on residual claimancy would not have been inherently any more arbitrary than the current form of capital fundamentalism. In other words, the burden of adjustment could well have fallen on capital in the form of forced abandonment of its traditional identity (e.g. the creation of money as the counterpart of credit through the private banking system) or ways of livelihood (e.g. compound interest) as a part of a world economic transformation aiming to maximize the residual income accruing to labor. The selection of the factor of production whose income is to be maximized just never entered the political discourse.[23] In comparison, in a laborist world economy all social interaction would be rearranged to fit labor's de facto right to the ownership of productive opportunities. Financial capital would compete for employment in labor-managed productive enterprises by lowering its required return.[24] If unduly restrictive capital market rigidities such as collective bargaining of capitalists would impede the attainment of the prevailing definitions of economic efficiency, perhaps the institutional power of the International Labor Organization would be harnessed to help to speed up the race to the bottom in return on capital by offering properly tailored conditionality

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23 As should be clear by now, the economistic notion of an objective competitive equilibrium is purely fictional when one of the factors of production is socially constructed. Some readers with predominantly economic mental maps might argue that at this point the argument "begs" discussion of the substantial economic literature flirting with the implications of labor hiring capital rather than the other way round. The relevant question to ask in this context would be what *kind* of capital is labor hiring. Each set of technical specifications for financial capital results in different power relations and factor incomes. Under a competitive equilibrium produced by the prevailing factor specifications, each factor has a certain threshold level of income that is required to induce its supply for productive purposes. Change the technical specifications of financial capital – for instance, make money "rot, decay, break out and rust" as suggested by Gesell – and suddenly the threshold income required to induce the supply of financial capital is likely to be very different. There is nothing natural about the size of factor incomes, the size of the surplus to be distributed to the residual claimants, or the incidence of residual claimancy in any competitive equilibrium or any other mental model evoked to depoliticize the undepoliticizable: the social construction of financial capital – the *choice* of the precise manner in which tokens of abstract value come to symbolize wealth and the rules governing their issuance, subsistence, circulation and extinction – is logically prior to all these concepts.

24 The notion of financial capital as a naturally scarce factor which must be "saved" before investment can take place does not bear scrutiny of the modern monetary system.

packages to economies suffering from a sudden withdrawal of labor input. At its climax, the laborist world economy might institute a requirement for the capitalists to compensate labor for its mere existence – analogous to the necessity of labor to make interest payments on unrepayable debt merely to keep money in circulation under capitalism.

Despite the revanchist feelings that such an economic system might evoke in some after centuries of exploitation, laborism would not necessarily be any less arbitrary or inefficient as an economic system than capitalism. There is no purely economic justification for allocating the right to residual claimancy to any single factor of production, as such practice would produce *excessive* incentives to acquire and employ the gatekeeper factor of production for the access to residual claimancy. This has often been recognized in the context of, for example, proposals for distributing the value of external assets – assets that no-one alive produced such as natural resources – on the basis of one's labor contribution, which would over-incentivize work at the expense of other activities. Thus, even on purely "economic" grounds, a fourth potential form of economic organization might have to be added to the list of capitalism, laborism and landism: democracy – entailing the unconditional egalitarian distribution of the residual income streams arising from the joint ownership of productive opportunities to all members of the community.[25]

25 Although the focus of this study is on the politicization of money as an institution rather than exploring the imperfections and inefficiencies of some of the more explicitly political institutions of representative democracy, it may be appropriate to push the analogy between an efficient market and an "efficient" political system – one that is optimally responsive to the electorate's democratic preferences – a bit further in order to elaborate on some of the possible contexts in which the notion of democracy may be evoked throughout this study. One of the conceptually purest practical approximations of the undistorted aggregation of an electorate's democratic preferences might involve the constitutional transfer of the ownership of all voting opportunities to each member of the electorate. In other words, all compulsory institutional intermediaries of representative democracy would be abolished and replaced with each individual's inalienable right to determine in each and every voting opportunity whether to exercise her constitutional right to direct democracy by personal voting or to delegate the voting powers to a selected individual. Such an arrangement would be likely to significantly reduce the governmental distortions arising from the prevailing institutional structures of representative democracy: while most members of the electorate would still be likely to delegate most of the day-to-day voting activities to a representative, voters could change their representatives at any given point in time as opposed to having to wait until the next elections and in particularly important issues each voter could choose to cast the vote personally in order

Regardless of the eventual choice of the most appropriate form of economic organization, the substantial inefficiencies and injustices involved in the de facto decision to grant the right to residual claimancy to financial capital due to the structurally distorted competition among the factors of production suggest an immediate moratorium on all political and social engineering designed to improve "competitiveness" according to the prevailing indicators. The audacity with which such ongoing and in all likelihood escalating inefficiencies and injustices are depoliticized is breathtaking: it is not the substance of the issue, but the primary

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to eliminate the possibility of unnecessary distortions in the aggregation of the democratic preferences. Virtually any existing interactive form of communication technology could provide the technical infrastructure for recording the votes, while the activities of the delegates – now in all likelihood private entrepreneurs subject to the potentially instantaneous market discipline imposed by their customers in the electorate rather than being cogs in the party machines – could be financed by the state with the funds that currently go into the salary costs and other "expenses" of professional politicians based on each delegate's number of customers and the proportion of all possible voting decisions that each customer has contracted to the delegate. Whatever the institutional structures or decision-making procedures which may or may not emerge through the system might be, the likely intensity of the interaction between the voters and the contract-delegates would have the potential to significantly enhance the understanding of contentious economic, political, social, environmental etc. issues among wider audiences: media wallowing in the details of the personal lives of politicians would be likely to be replaced at least to some extent with coverage of substantive issues as the voters would have the instantaneous power to terminate their contracts with delegates who do not live up to any given ethical or moral standards, would-be delegates representing even the most marginal views would have a direct financial incentive to confront some of the most powerful media outlets with substantive argumentation, and even delegates backed by the most formidable agglomerations of economic and media power could never be quite sure about whether their customers would indefinitely be content with prepackaged positions allegedly reflecting the preferences of the electorate or terminate their contracts due to insufficient initiative on the part of the delegates to actively market alternative positions or decision-making rationales which the voters may not have been aware of. In short, the intent would be to harness the economistic competition rhetoric to the elimination of political market imperfections: if it is not feasible or desirable to confine the rights of the holder of one dollar to the periodic selection of a representative who may or may not utilize the dollar in the manner intended by the owner until the next carefully managed oligopolistic selection ritual, why should the holder of one vote accept the bureaucratic limitation of the validity of her political asset to periodic elections in a manner that drastically curtails the political market's capacity to aggregate "knowledge dispersed among and accessible only to thousands or millions of separate individuals" (Hayek, 1978: 76) from the electorate?

beneficiary which determines the extent to which an issue has a political dimension. A political decision is made to structurally depoliticize the interests of financial capital. Once financial capital has been granted its privileged reality, maximizing the return on capital becomes the normal course of events, which cannot be challenged on the same level of understanding that permitted the profoundly political nature of such decision to be ignored or obscured in the first place. In short, the structural privileges of capital cannot be challenged because they are *capital's* privileges. For the same reason, it is not considered productive to speculate on the feasibility of alternative economic systems that privilege different factors of production or promote genuine competition among all the factors. Productive creativity has been politically determined to be confined to the maximization of return on capital. Without a thorough repoliticization of the prevailing limits to the notion of the political, the capacity of social scientific inquiry to offer hope for a brighter future is clearly limited: it may be unnecessary to delve into questions of agency, as mainstream social science across the spectrum often pleads ignorance of the mere existence of the political role of one of the major institutions governing humanity.

A closely related opportunistic reinterpretation of the rules of the game arising from the structurally distorted competition in favor of financial capital involves the selective expropriation of income streams according to the type of asset holder. In some of the parallel universes which may occasionally be explicated for analytical purposes, the creative destruction brought about by competitive market forces naturally creates winners and losers among different types of asset holders. Nevertheless, nothing in the economic or social scientific theory suggests that certain types of assets should be commodified through marketization and competition, while state or corporate power is harnessed to protect or to enhance the earnings potential of other forms of capital. These are purely political decisions, which almost always result in a reduction of the overall welfare. The commodification of low-skilled labor, for instance, by state and corporate bureaucracies is not inherently any more desirable than the commodification of more highly-skilled (or in some cases merely more privileged?) factors of production. If global working class laissez-faire is regarded as efficiency-enhancing, surely the same logic must also apply to the desirability of any potential commodification of financial, medical and legal services, for instance, through free migration and the abolition of restrictive licensing practices or any other asymmetric impediments to the universal elimination of elitist bargaining power. If the rent-seeking behavior of trade unions is regarded as a threat to national competitiveness, how can the burden placed on the real economy by the necessity to borrow money into existence from the private banking system and to pay interest merely to maintain money in circulation be justified? Expropriation involves the elimination of an income stream generated through the possession of an asset. This is precisely what often happens to the working class holdings of low-skilled human capital – not as a result of some uniform tendency towards a more efficient world economy, but through the selective state and corporate planning that is sometimes also euphemistically referred to as market economy.[26] Hence the capitalist misconception of the inherent right of capital to residual claimancy may also apply to expropriation: instead of capital being the gatekeeper factor that cannot be expropriated and must be revered by the unconditional flexibility and self-sacrifice of other factors of production if the economy is to utilize its resources, any factor of production could technically be granted an equally privileged position at the expense of capital.

Following Carl Schmitt's well known definition for sovereignty, it may not be an exaggeration to view financial capital as the sovereign factor of production, which defines the exceptions to and the non-punishable inconsistencies in the interpretation of the rules of the game. Of all the factors of production, it is financial capital whose right to unlimited income maximization cannot be violated if the economy is to engage in productive activity and whose income quantifies the benefits obtained through undermining the competitive position and the property rights

26 As a matter of semantics, it could be argued that human capital rendered useless or less productive in terms of the monetary income stream that it can generate through state or corporate action does not constitute expropriation, as each individual in question still possesses the capital that has merely been rendered worthless by bureaucratic action. Following the same logic, a neo-Luddite attack on physical capital would not constitute a violation of property rights as long as the machinery rendered worthless through vandalism remains in the possession of its rightful owner. The relevant theoretical distinction between expropriation and creative destruction is the origin of the adjustment in property values: state or corporate vandalism versus the utopian case of pure impersonal market forces under perfect competition. The relative frequency with which these tendencies can be observed in the real world gives an indication of the extent to which market exchange constitutes politics in an economic disguise.

of other factors of production, including physical capital.[27] Financial capital's capacity for unpunishable expropriation of physical capital and other factors of production derives from its privileged reality and its socially constructed ability to create and manage artificial scarcity – in the midst of a possible abundance of all the physical factors of production that the natural laws of the universe would suggest are necessary for productive economic activity, it is the human social convention according to which such activity cannot be undertaken unless the wealth- and power-centralization requirements of a different, socially constructed accounting system are satisfied that becomes the binding constraint.[28] Under an appropriate cognitive framework any factor of production could be granted similar privileges at the expense of other factors through structural manipulation of the rules of the game. Thus, once again, a society infested with arbitrary expropriations and instances of unjust enrichment should be exceptionally wary whenever any political program is promoted or the status quo defended on the basis of efficient or just property rights or economic activities.

Unlike research on the inevitably political nature of residual claimancy or selective expropriation, enhanced economic efficiency through competition is nearly universally advocated by the hegemonic discourse. As was noted above, structurally skewed rules of the game effectively amount to institutionalized expropriation, primarily to the benefit of the arbitrarily selected factor financial capital.[29] Few contemporary observers

27 Capital's position in the economic realm may not be entirely dissimilar to the sovereign's position in the political realm. According to Giorgio Agamben, "…the state of exception has today reached its maximum worldwide deployment. The normative aspect of law can thus be obliterated and contradicted with impunity by a governmental violence that – while ignoring international law externally and producing a permanent state of exception internally – nevertheless still claims to be applying the law" (Agamben, 2005: 87). Like the sovereign in the political realm, capital may ignore universalist economic rules – particularly the notion of free and undistorted competition between neutrally specified factors of production – with impunity and institute a permanent state of exception, whereby the fact that the monetary system as a whole is technically close to insolvency at any given point in time can be used to justify interventions.

28 Ironically, the continued adherence to the principles of artificial scarcity may ultimately result in much stricter *physical* constraints on economic activity through environmental degradation and resource depletion.

29 I am puzzled by the suggestion of some self-proclaimed progressives that it is unproductive to delve into the specific mechanisms through which efficient markets

have fully grasped and articulated the implications of advocating economic efficiency – understood here in the sense of minimizing the income of all factors of production through competition in a manner analogous to the alleged efficiency of expropriating low-skilled human capital – as the overriding organizing principle for human interaction.[30] As numerous examples from the history of capitalism illustrate, there is nothing inefficient about expropriation per se, whether in the form of outright repossession of assets or market reregulation to alter the expected income streams from different types of physical, financial or human capital. All that matters is the relative efficiency with which the new owners of the means of production or relatively more valuable human capital utilize their newly-acquired assets. According to one possible criterion, expropriation and redistribution is economically efficient whenever the new owner continues to produce the same amount of output at a lower compensation level. Such logic results in a race to the bottom to identify the most efficient property holders. At its end point all economic rents – the portion of factor incomes over and above the bare minimum required to induce their supply for productive purposes – are abolished and property holders are compensated solely based on the value added by their labor contribution. If it is possible to temporarily utilize an asset only by demonstrating superior capacity to put the asset to its most productive use and all economic rent obtained through such means must, by definition in a competitive market, be paid as a user

(as opposed to all the other conceivable and intuitively more likely forms of human organization) might be created – or spontaneously come into existence according to the more heroic version of the story – as economic theory in general acknowledges the possibility that markets may fail. If efficient market indeed is the guiding metaphor that has to be proven wrong rather than right in a society where a bureaucracy presumably loses its undesirable qualities at the moment of incorporating itself as a privately owned legal person, the word market becomes entirely devoid of economic content. Any and all mechanisms for social control could be labeled market economies as long as the structural coercion and violence are built into the rules of the game or their non-punishable inconsistencies.

30 Capitalism's inherent tendency towards self-annihilation through the equalizing force of competition has, of course, often been recognized. Nonetheless, in practice, no economic system has let the requirements of logical consistency interfere with the application of the label "capitalist" to virtually any form of organized extortion that is unlikely to ever achieve anything resembling perfect – or even symmetrically imperfect – competition.

fee to the state, private property has effectively been abolished and all "surplus value" is held by the state and ready for redistribution according to democratically determined criteria. As the commodification of labor becomes complete, everyone has an equal chance and monetary incentive to periodically employ assets for productive purposes. Property belongs to no-one and everyone at the same time. In its most utopian perfect efficiency incarnation, capitalism converges with socialism.

What proponents of economic efficiency often have in mind is the maximization of income for the one arbitrarily selected factor of production – almost invariably financial capital – with which they are relatively well endowed. The capital fundamentalist mindset has so thoroughly distorted the progressive imagination that elementary "economic" truisms may regularly be denied the attention that they deserve. In order to maximize economic efficiency, all factor incomes, including the income accruing to financial capital, must be *minimized*. The economic inefficiencies stemming from excessive factor income accruing to financial capital are conceptually analogous to the inefficiencies arising from excessive compensation of any other factor of production.[31] For a true advocate of efficiency, the central question is what to do with the surplus when the incomes of all factors of production have been minimized through perfect competition in a manner consistent with the democratically determined technical specification of the socially constructed factor of financial capital. As there is no market-based solution to this dilemma – to the contrary, as we have seen, any single factor of production should *not* be granted the de facto right to the residual claimancy of this surplus – any potential solution will have to acknowledge the political and social dimensions of

31 Indeed, this insight is perhaps one of the clearest indications of the underlying political agenda of the capital fundamentalist competition discourse. Any nation could significantly improve its national competitiveness in the global markets by abolishing the requirement of its companies and consumers to make interest payments merely to keep money in circulation – or by abolishing the requirement to make interest payments merely to obtain or to maintain the possibility of monetizing real assets according to those who still attempt to conflate a central monetary authority's capacity to issue legal tender that is effectively backed by the members of the monetary space with any transacting party's alleged capacity to create monetary IOU's backed by their own physical assets or labor power. The fact that no nation has so far taken such an elementary step to improve its global competitiveness while often continuing to suppress labor in the name of competition goes to the heart of the political role of economic double standards.

the problem. Hence what is needed is more thorough politicization of the limits to the political: the uncovering of the economistic attempt to redefine the political as a function of its own selective interpretation and implementation of the rules of the game. The nature of the decision to structurally depoliticize the economic, political and social implications of financial capital's privileged reality is distinctively political, and the burden of proof for claiming otherwise rests firmly on the side of any potential selective depoliticizer.

This chapter has highlighted the inherently political nature of financial capital's technical specifications and suggested that the prevailing choices lead to structural distortion of competition among the factors of production with highly significant and pervasive implications for other forms of economic, political and social interaction. The following chapter begins the quest for alternatives by outlining some of the dominant theories of money and seeking to define a common denominator for social neutrality – a form of money that maximizes each individual's capacity for autonomous social agency.

4 A Theory of Socially Neutral Money

According to Marx, it was Gladstone who asserted that "even love has not turned more men into fools than has meditation upon the nature of money" (1970: 64).[32] Apart from less sexism and a more elaborate disciplinary division of labor to limit the scope of the fora in which one's foolishness may be exposed, it is not obvious that the nature of money has become any more hospitable to intellectual inquiry since Gladstone's observation in the mid-19th century. Thus, the recent social scientific revival of interest in the conceptual refinement of money should be applauded for its ambition and audacity.

Nonetheless, it is puzzling to observe the extent to which the non-economic social sciences, which otherwise may have overcome their post-*Methodenstreit* inferiority complex for being insufficiently "economic", have focused on the positivist quest for conceptual clarity of money at the expense of analyzing how the contested and continuously evolving notion of money shapes social hierarchies. Few non-economic social scientists might dispute the fact that the notion of money – the specific economic, political and social processes that are commonly associated with the word "money" for analytical purposes to the exclusion of other forms of human interaction – is essentially a social construct. Hence any persistent conceptual ambiguities can hardly be attributed to some innate characteristics of money to the exclusion of the human agency and the political and social structures that produce and reproduce the specific temporal and spatial manifestations of such definitions. Particularly the last three decades have witnessed an acceleration of the conceptual evolution of money beyond the different shades of vanilla credit or socially motionless commodities up to a point where it may not be an exaggeration to speak of genetically modified money (or perhaps "Frankenmoney", depending on one's position in the debate): the development of monetary or near-money instruments for particularistic purposes with uncertain long-term implications for the stability of the financial system and the nature of money itself. As the perceived characteristics of commodities, credit, equity and state certified "moneyness" continue to intermingle,

32 Despite Marx's assertion, the origin of this phrase remains contested (Ganßmann, 1988).

it is perhaps not surprising that the distinctive characteristics of money that go beyond the duck theory of money ("if it waddles like money and quacks like money, then it must be money" [Bryan and Rafferty, 2007: 140]) may be increasingly difficult to identify.

Yet social scientific inquiry often continues to seek monocausal explanations for the nature of money based on its specific spatial and temporal manifestations – a situation not entirely dissimilar to a biologist explaining "duckness" exclusively in terms of the outcomes of privatizing duck's genetic makeup and cross-breeding for maximum particularistic gain. Such analysis runs the risk of reifying historically contingent forms of social relations marked by power, circumstances and chance rather than reasoned inquiry on the logical limits of the concept of money. There is no reason to assume that the social relation of money should take the same form and functions through time and space. It would be a peculiar coincidence indeed if the entire human experience – past, present and future – with money was limited by some heretofore undiscovered law of social relations to a single notion of commodity-based, credit-based, universally particularistic, or some other stationary form of money. No single theory of money is likely to capture its tremendous capacity for self-transformation. Money is a perpetual motion machine of social power relations, which attracts opportunistic energy precisely because of its malleability to self-definitional eclecticism and a wide spectrum of legitimating narratives. It would be a relatively straightforward exercise of sovereign authority to produce an unambiguous conceptual or functional definition of money and to enforce the limits of the chosen monetary social convention through coercion, persuasion, regulation and taxation. Forms of economic, political and social processes that could conceivably be classified as involving money would certainly still continue to exist and evolve outside the prevailing definition, and the state could regulate their scope with varying degrees of success much in the same way as contenders to the legal tender can currently be controlled via varying degrees of integration into the banking system. Despite its practical feasibility, no sovereign authority or a group of market participants that is capable of imposing its own unit of account and a dominant monetary medium is likely to voluntarily surrender some of the social benefits of money creation by transparently specifying the source and limits of its own monetary powers. Thus, it may not be an exaggeration to adopt a variant of Goodhart's Law for money: any attempt to define money explicitly for analytical or regulatory purposes is likely to render such definitions obsolete through enhanced incentives to develop forms of money that are not captured by the prevailing definition.

What is needed is not a less obviously obsolete description of what money is in its current historically specific or governmentally contingent capitalist manifestation as the breeding of new variants proceeds, but a model that allows the assessment of money's impact on social relations irrespective of the specific form it takes. In other words, the sociology of money needs a theory of what money *should be* if it were to be consistent with a society's publicly professed ideals in other realms of social interaction – a kind of benchmark money that is neutral in terms of its impact on class, community and identity formation – against which the social footprint of actual monetary or near-money instruments can be judged. This chapter develops a theory of socially neutral money from the perspective of equitable allocation of newly created monetary media through unconditional basic income (UBI). The specification of 'moneyness' – whether through an exercise of sovereign authority as suggested by the statists or a market-mediated competitive process as implied by many neoliberals and Marxists – and the monetary media which correspond to that definition are politically and socially relevant acts only insofar as they affect the subsequent opportunity structures for producing and obtaining the monetary media. While it may or may not be possible to arrive at a generic definition of money that satisfies most of the contending theoretical perspectives, the social implications of each layer of the monetary hierarchy can be analyzed through the potential asymmetries in access to the production and initial distribution of the monetary media that shape the individual opportunity structures for autonomous social agency. The following sections develop these arguments by exploring the shortcomings of the existing literature on the nature of money, the ultimate source of money's value and the preconditions for socially neutral money.

4.1 A Fool's Paradise: Some Meditation upon the Nature of Money

Schumpeter noted that there are "only two theories of money which deserve the name … the commodity theory and the claim theory. From their very nature they are incompatible." (quoted in Ellis 1934: 3). This theoretical bifurcation gives rise to a conceptual distinction between "real" and "monetary" or "nominal" analysis of economic phenomena:

> Real Analysis proceeds from the principle that all the essential phenomena of economic life are capable of being described in terms of goods and services, of decisions about them, and of relations between them. Money enters the picture only in the modest role of a technical device that has been adopted in order to facilitate transactions. This device can no doubt get out of order, and if it does it will indeed produce phenomena that are specifically attributable to its *modus operandi*. But so long as it functions normally, it does not affect the economic process, which behaves in the same way as it would in a barter economy: this is essentially what the concept of Neutral Money implies. … Monetary Analysis … spells denial of the proposition that, with the exception of what may be called monetary disorders, the element of money is of secondary importance in the explanation of the economic process of reality … Money prices, money incomes, and saving and investment decisions bearing upon these money incomes, no longer appear as expressions – sometimes convenient, sometimes misleading, but always nonessential – of quantities of commodities and services and of exchange ratios between them: they acquire a life and importance of their own (Schumpeter, 1954: 277–278).

According to the commodity theory money emerges spontaneously from the process of economic exchange as the most suitable commodity to facilitate exchange, or, in Marxist terminology, the "universal equivalent" that is exchangeable to all other commodities. Money is seen primarily as a medium of exchange that solves the problem of double coincidence of wants afflicting unmediated barter exchange. In its original metallist manifestation the commodity theory held that the value of money derives from its metallic content that is independent of its form and nominal value as currency. As metal standards have been replaced with "unbacked" fiat currencies, the commodity theory and particularly one of its most faithful exponents, neoclassical economics, has continued to conceptualize money as an "obscuring layer" (Samuelson 1973: 55) or a "veil" (Pigou 1949: 14, both quoted in Ingham, 2004: 15) of the "real" economic processes without elaborating on the specific mechanisms through which fiat currency obtains its value. In the famous metaphor of Milton Friedman, a helicopter drop is a perfectly feasible assumption on the origins of money when it comes to neoclassical theorizing of money's impact on the real economy.

The claim theory – including a number of distinct but overlapping analytical approaches from chartalism to the credit and state theories of money – conceptualizes money as a token which obtains its value independently of the specific monetary media that are used to represent it. Knapp described the process through which a "chartal" form of payment – deriving from the Latin word "charta" for "ticket" or "token" (1973: viii) – obtains its value as follows:

> When we give up our coats in the cloak-room of a theatre, we receive a tin disc of a given size bearing a sign, perhaps a number. There is nothing more on it, but this ticket or mark has legal significance; it is a proof that I am entitled to demand the return of my coat. When we send letters, we affix a stamp or ticket which proves that we have by payment of postage obtained the right to get the letter carried (ibid: 31).

In contrast to the spontaneous market processes of the commodity theory, the claim theory draws attention to the authoritative foundations of money. In the words of Ingham, money is "a form of sovereignty, and as such it cannot be understood without reference to an authority" (2004: 12). While any form of authority could conceivably facilitate multilateral exchange by establishing "moneyness" through the specification of a common unit of account, historically it has been the state that has performed such functions most effectively. A central proposition of the state theory of money involves the state's capacity to impose a unit of account and the specific monetary media which correspond to that definition through its taxation powers. Keynes expressed this point as follows:

> the Age of Chartalist or State Money was reached when the State claimed the right to declare what thing should answer as money to the current money of account – when it claimed the right not only to enforce the

> dictionary but also to write the dictionary. Today all civilised money is, beyond the possibility of dispute, chartalist (1930: 5).

Another branch of the claim theory regards the simultaneous existence of debt as a precondition for the existence of money. According to this view, "”something can only be issued *as money* if it is capable of canceling *any* debt incurred by the issuer" (Ingham 2004: 12, original emphasis). The claim theory also has a number of more specialized permutations that illustrate the challenges and tradeoffs involved in theorizing money based on specific historically contingent forms of social relations. According to the monetary circuit approach, for instance,

> Money is *at all times* the liabilities issued by banking institutions which have been endorsed by the state primarily for the purpose of financing the formation of future real wealth. This money has a real extrinsic value because every holder of these liabilities has acquired a claim on the future physical wealth that results from the initial bank credit advances (Parguez and Seccareccia, 1999: 107, emphasis added).

Research on the social construction of money – while perhaps not deserving the name of a separate theory of money according to Schumpeter – has sometimes been categorized into "macrostructural", "microcultural" and "macrocultural" approaches (Mizruchi and Stearns, 1994: 317; Carruthers and Babb, 1996: 1559–1560). The macrostructural view recognizes the structural constraints on social agency: "If money is power… then what is used as money and how money is used are determined by those who control economic resources in a society" (Baker 1987: 110). The microcultural view, in contrast, highlights the diversity of the social motives and contexts inherent in monetary relations. Multiple social meanings may be attached to money by its users, as

> All moneys are actually dual: they serve both general and local circuits. Indeed, this duality applies to all economic transactions. Seen from the top, economic transactions connect with broad national symbolic meanings and institutions. Seen from the bottom, however, economic transactions are highly differentiated, personalized, and local, meaningful to particular relations. No contradiction therefore exists between uniformity and diversity: they are simply two different aspects of the same transaction (Zelizer, 2000: 386).

The macrocultural approach, in turn, expands the analytical framework to the economic, political, social and cultural institutions at the macro-level under the assumption that “Money works best when it can be taken for granted and its social construction is hidden” (Carruthers and Babb, 1996: 1556).

4.2 Snapshots of an Evolving Pendulum: Shortcomings of Monocausal Theories of Money

Much of the existing literature on the nature of money seeks to apply a monocausal explanation for a complex and constantly evolving social phenomenon. No single theory of money can explain why economic actors may sometimes behave as if money were a commodity (e.g. require weighing of gold coins before accepting them as payment), sometimes as if it were a pure token (e.g. accept “unbacked” fiat currency as payment), and why both the proportion of people who adhere to certain conceptions of money and the degree of their confidence in the legitimacy and naturalness of their views may also evolve through time. Furthermore, as a social relation, there is little evidence to suggest that the evolution of money is a linear process tending towards some more “advanced”, legitimate, or widely accepted notion of money. In the absence of such normative convergence, it is not entirely obvious what precisely the monocausal theories of money aim to explain and how they plan to deal with the persistent residual empirical inconsistencies.

The structural relationship between the commodity and the chartalist views on money, for instance, has resembled more of an evolving pendulum than a linear process towards a more legitimate or widely accepted form of money. Although the structural features of the pendulum may currently seem to favor the chartalist position, the timing, speed and extent of each swing to the opposite direction have historically been unpredictable. Even in the presumed heyday of the commodity theory, the 19th century international gold standard, the preferences of domestic actors with regard to the adoption of the gold standard were far from uniform and challenges to the dominant conception of money were not uncommon (e.g. Broz, 1997; Carruthers and Babb, 1996; Frieden, 1992). Similarly, despite the recent hegemony of fiat currencies, the commodity view has not been short of influential proponents. The former French president Charles de Gaulle, for instance, regarded gold as "the unalterable fiduciary value par excellence" (quoted in Mylchreest, 2006: 34). According to Alan Greenspan, the former Chairman of the Federal Reserve, "Gold still represents the ultimate form of payment in the world. Germany in 1944 could buy materials during the war only with gold. Fiat money in extremis is accepted by nobody. Gold is always accepted" (ibid.).

At least three considerations that are relevant to the contemporary debate about the nature of money arise from the position exemplified by the comments of de Gaulle and Greenspan. First, it is instructive to note how de Gaulle and Greenspan are not concerned about the specific abstract unit of account that according to an influential branch of the chartalist position would define gold's "moneyness". In other words, although the comments do not preclude the possibility that a money of account is "logically anterior to money's forms and functions" (Ingham 2004: 6), in extremis, it is the monetary medium that is seen as limiting an authority's capacity to define a unit of account rather than the other way round. Hence the state's, or some other dominant authority's, capacity to create alternative monetary realities is highly asymmetric: while concentrated power may often be able to create temporary monetary hierarchies through its own selective acceptance of different types of claims, it is quite another thing to reduce the attractiveness of other forms of monetary media that have historically retained their role and value irrespective of specific economic and political power structures. Second, if some of the leading authorities doubt their capacity to achieve the best possible "working fiction of a monetary standard" (Mirowski 1991: 579) without gold, how much faith should others have in such pursuits? The relevant issue here is not whether gold indeed constitutes some natural benchmark towards which all monetary systems eventually gravitate in the absence of particularistic intervention, but the profound and legitimate divergence of opinion with regard to the nature of money regardless of the prevailing historically specific or governmentally contingent forms of monetary relations. Third, even actors with relatively clear impressions of what money in their view is seem to be capable of accommodating and promoting alternative conceptions of money for prolonged periods of time whenever it serves their economic, political or social interests to do so. The parallel existence of different conceptualizations of money and different notions of the top monetary media hence constitutes an integral part of the Weberian economic "struggle of man against man" in which money is "primarily a weapon" (1978: 108). These observations do not, of course, diminish the utility of any specific theory of money in capturing some aspects of money's multiple potential manifestations. They do, however, illustrate the futility of the attempt to construct a positivist, monocausal definition of the social relation of money.

Sometimes the striving for a monocausal theory of money may also lead to a loss of explanatory powers in a model's core field of competence. The central proposition of the credit theory of money – the issuance of money *as* debt – for instance, misses a crucial feature of the prevailing monetary system – the issuance of money *against* debt. Whether modern money constitutes debt remains a matter of controversy, but it can hardly be disputed that most of it enters into circulation only against a borrower's promise to repay, i.e. against another interest-bearing credit instrument or IOU. This practice places the private banking system in the position of a monopoly supplier of the dominant monetary medium, the monetary counterpart of its own credit, which is introduced into circulation only if a sufficiently creditworthy customer is willing to commit to the repayment of another IOU that not only "cancels" the bank's original liability but also pays interest. The implications go to the heart of the nature of the prevailing forms money. In the case of government spending, money – whether conceptualized as credit or commodity – enters into circulation without a commitment from the end-users to repay with interest. Modern neo-chartalism formulates this point as follows:

> Governments issue money to buy what they need; they tax to generate a demand for that money; and then they accept the money in payment of the tax… If the government wants to, it can let the population trade the money for interest-earning government bonds, but the government never *needs* to borrow its own money from the public. Taxes and bonds, therefore, have nothing to do with financing a government's spending. They necessarily *follow* spending rather than precede it (Wray, 2000: 62; original emphasis).

In the case of the private banking system, on the other hand, the introduction of interest-bearing liabilities into circulation in conjunction with money creation is non-discretionary. According to the credit theory of money, money gets its value from the issuers' commitment to accept their own money in settlement of debts. Yet if the issuance of money automatically involves the creation of borrower IOUs that exceed the value of the money that is put into circulation, the issuers can gradually increase their control over economic activity within a given monetary space that effectively lacks a permanent money supply or capacity to monetize real assets. Thus, the price of membership in a given debt-based monetary space, far from providing a neutral solution to the problem of double coincidence of wants, approaches infinite for a substantial portion of its members in the form of interest payments on unrepayable loans.[33] This conclusion survives alternative conceptualizations of money, such as that of Heinsohn and Steiger:

> …*money is created in a credit contract but is not itself a credit.* … The anonymized title – the money proper – represents only an *option* for the current holder to present it to the creditor-issuer and have it redeemed. The obligations fixed in the specified title – the credit – are not optional in character, but definite (Heinsohn and Steiger, 1999: 86, original emphasis).

The conceptualization of money as debt does not capture this crucial insight, which is independent of the specific form of money as long as money is issued against interest-bearing debt.

Perhaps the most diverse of the "snapshot" theories of money, the microcultural view entailing nearly infinite potential for the social variability of the meaning of money, largely overlooks the role of the prevailing power structures in shaping the social meanings of money and fails to apply its findings to the intertemporal evolution of the dominant notions of money. Structural political and economic power shapes the opportunity structures for the formation of social relations and guides the evolution of the dominant conceptualizations of money. Hence the fact that local currencies, for instance, "have been viewed as a counterweight to global capitalism (Pacione, 1999), as an important tool of local economic development (North, 1999, 2002; Seyfang,

33 According to some opportunist reinterpretations that effectively attempt to relabel institutionalized default settlement procedures "repayment", unrepayable monetary debt is allegedly repayable, as the issuer of such debt may either accept partial payment in kind or issue or "recycle" additional liabilities into circulation to avoid the juridical definition of default. See particularly section 7.2 for a more detailed treatment of this topic.

2001) and as a vital means of 'community-building' (Glover, 1999; Lee, 1996; Seyfang, 2004)" (Dodd, 2005: 560) may well have more to do with the prevailing economic and political power structures than some innate propensity of these communities to experiment with peripheral and often isolated monetary spaces. Furthermore, the same logic of the cross-sectional variation in the social meaning of money applies, perhaps even more forcefully, to intertemporal variation in the dominant patterns of monetary relations. Both the dominant monetary manifestation of a specific kind of social relation and its degree of dominance over alternative forms of monetarily mediated social relations evolve through time. While multiple meanings of money may co-exist in the collective consciousness indefinitely, some of them are likely to be more dominant than others at each point in time. The capacity for such profound self-transformation through evolving politics, economics and psychology implies that money as a social relation is hardly reducible to an apolitical, stationary set of monetary functions from which social actors can tailor the most appropriate monetary instruments for each social context. The positivist quest for a single definition of money may therefore be interpreted as a symptom of misidentifying the problem: the lack of a generic definition of money does not entail a failure of research, but the success of politics.

4.3 The Monetary Implications of an Absence of Trust: Gold as a Form of Unspecific, Non-redeemable, Perpetually Circulating Debt

In order to illustrate the futility of the quest for a generic, monocausal theory of money, it is instructive to explore in more detail one counterexample that has consistently challenged such theories: the persistent monetary role of gold. None of the existing theories can adequately explain the source of gold's value and its resilience to changing economic and political power structures that have variously tried to eradicate gold from the monetary system or institute it as the sole standard of monetary valuation. Throughout the history gold has been relatively useless as an industrial commodity. The commodity theory's contention that gold's value as a commodity is simply the price that emerges through the forces of supply and demand involves a circular argument that ignores the social nature of a substantial portion of such transactions: the monetary demand for gold is socially constructed and thus it has nothing to do with the intrinsic value of the commodity. Without significant monetary demand, gold could hardly reach valuation levels that would make it attractive as a status symbol or a store of value. Hence the commodity theory may indeed be correct in suggesting that gold constitutes a universal equivalent, but it does not explain the substantial premium at which gold has historically traded in comparison with its intrinsic value nor does it make it entirely clear why the relative monetary role of gold in relation to the spectrum of particular equivalents – chartalist forms of money whose value derives from specific historically or governmentally contingent power structures – has fluctuated widely.

The credit theory's insistence on identifying a specific issuer whose debts money may cancel has so far prevented it from recognizing one of the most crucial insights of the social nature of money: it is possible to have a money supply that is unrelated to specific relationships of credit and debt, but which nevertheless is collectively recognized as unspecific indebtedness. The monetary component of gold's value – the portion that cannot be explained by industrial usefulness or any other consideration that is unrelated to the persistent conception of gold as money – may be conceived of as a form of unspecific, non-redeemable, perpetually circulating debt. Virtually any community in humanity's modern history has acknowledged its indebtedness to whoever has happened to present gold in settlement of such debts. This startling observation alone should be sufficient to dissipate any illusions about mutual trust or coercive power as the exclusive sources of money's value. Any community could optimize its own welfare by refusing to accept a credit contract – gold's embedded monetary value – which it has never itself consented to. Yet the universal lack of trust in authoritative enforcement of debt contracts across time and space continues to confer gold monetary value. Gold's persistent monetary role testifies profound cynicism towards the human nature: generations after generations have placed more trust in a relatively useless commodity as a guarantor of debt contracts across different monetary spaces and power structures than in any historically specific or governmentally contingent form of economic, political or social organization. Hence it is not mutual trust, but the lack of it, that explains the existence of the closest thing to a permanent money supply that humanity has so far come to.

Another common misconception of a branch of the credit theory involves a more elementary confusion of general and particularistic considerations. In the words of Innes:

> Future ages will laugh at their forefathers of the nineteenth and twentieth centuries, who gravely bought gold to imprison in dungeons in the belief that they were thereby obeying a higher economic law and increasing the wealth and prosperity of the world (1913: 408).

Gold, as any other form of claim on wealth, increases the relative position of its holder in the social hierarchy irrespective of the total wealth or misery experienced in the world. The future ages may well laugh (or perhaps curse) at their forefathers of the twenty-first century, who gravely created credit to imprison in computer hard drives in the belief that they were thereby not transgressing any higher physical or ecological law too seriously or diminishing the real wealth and prosperity of future generations permanently.

The peculiarities of the prevailing forms of money and gold's resilience to changing conceptions of "moneyness" thus draw attention to yet another paradox of money that often escapes the analytical lens of snapshot theorizing: the forms of money that are presumably based on mutual trust (the particular equivalents created by historically specific or governmentally contingent power structures or the specific debtor-creditor relations of the credit theory) are likely to be the most vulnerable to particularistic bias and periodic loss of confidence, while the ones that thrive due to a persistent lack of trust (gold as a universal equivalent or the unspecific, non-redeemable, perpetually circulating debt of the credit theory) may achieve relative permanence and stability of social relations precisely because of their perceived independence of any form of mutual trust.

4.4 Measuring the Social Footprint of Money: A Matter of Distribution

The positivist penchant for monocausal theorization of the forms of social relations which each historically contingent power structure has attempted to dub "monetary" has diverted attention away from both the logical limits of the concept of money and normative analysis of what money should be if it were to be consistent with the society's publicly professed ideals in other realms of social interaction. The corresponding policy problem involves two conceptually distinct dimensions: the selection of the specific combination of technical functions from the universe of social relations regarded as "monetary" and the identification of the logical and practical preconditions for performing all of and nothing but the selected combination of functions. Perhaps nowhere else is the neglect of particularly the latter question as obvious as in the alleged separation of distributional considerations from some of the technical functions of money.

Distribution is logically endogenous to money's function as a medium of exchange. In order to perform its function as a medium of exchange, money must be where the exchange is taking place – physically or symbolically. If money is to neutralize personal relations (Heinemann, 1987) or to act as a "generalised medium of communication" (Luhmann, 1973; 1988, quoted in Schrader, 1994: 13), the monetary media which allegedly perform such functions must be available to every individual who has the capacity and the willingness to engage in multilateral exchange in real terms without preconditions that would affect the nature of the exchange. Whenever disparities exist between the rules governing the allocation of the actual goods and services that are to be exchanged in the market and the distribution of the monetary media that regulate the access to and the cost of multilateral exchange, the form of exchange that money mediates diverges from the multilateral exchange of goods and services. The prevailing practice of forcing the members of the monetary space to borrow into existence the bulk of the money supply against interest-bearing debt, for instance, effectively eliminates the possibility of neutral multilateral barter of goods and services: it is the rules governing the issuance and circulation of the "value of things without the things themselves" (Simmel, 1978: 121) – the price of the socially constructed gatekeeper for social interaction involving some of the technical functions of money – which determines each individual's ability and willingness to engage in multilateral exchange rather than their capacity in real terms to do so.

The closest feasible monetary approximation of the logic of undistorted multilateral exchange might involve either the issuance of the monetary IOUs at each transaction on a mutual credit basis or the debt- and interest-free delivery of the monetary media to the members of the monetary space who would spend them into circulation. Even in the latter case distribution would remain intimately linked to money's role as a medium of exchange. For the sake of the argument, suppose that after a number of transactions which all members of the monetary space recognize as perfectly neutral and legitimate one individual ends up holding all of the community's money supply. Under such circumstances money may have ceased to perform its function as a medium of exchange for the overwhelming majority of transactions. The community as a whole may have a normative preference for maintaining money's function as a store of value at any cost in terms of its capacity to act as a medium of exchange,[34] but one would expect to find evidence of a conscious choice for such a preference in the social contract establishing the monetary system as the gatekeeper for social interaction involving some of the technical functions of money. Furthermore, such a social contract would merely establish the possibility of successive monetized market transactions to extinguish much of money's function as a medium of exchange: it is the specific combination of money's functions that is evolving as a result of changing distributional patterns rather than the mere allocation of the monetary media within some hypothetical fixed set of functions. If the community has *some* preference for money to act as a medium of exchange, distribution is endogenous to money's "technical" functions.

Not entirely unlike some of its more positivist social scientific disciplinary peers, sociology has often focused on the romanticized notion of monetized barter exchange involving monetary media of unspecific origin and distributional patterns deemed to fall outside the purview of sociological analysis without identifying the analytical preconditions for such a situation to emerge or the intimate interconnection between the excluded variables and the research problem. Money can never be neutral in terms of universal agreement on the specific combination of functions that it is performing at each point in time – even in any

34 It is debatable whether a social relation which excludes a significant number of individuals from monetized market exchange – no matter how neutral or legitimate the process leading into such a situation might be – should be referred to as money.

imaginary "formal" sense that a long tradition of sociologists have used as an intellectual disguise for positivism. The selection of the "neutral" combination of potentially contradictory technical functions for money is a thoroughly political process, whether or not explicitly recognized as such. The nature of any potential decision which might permit politics to end and "monetary" analysis to begin – or the politics of the social construction of money to graduate into politics of the management of money – is contractual: a result of a social agreement to treat the inbuilt economic, political and social biases of the prevailing forms of money as "neutral". It has been argued throughout this chapter that such social agreement has never existed, is unlikely to ever exist, and any appearance of such has more often than not been preceded by and associated with coercion rather than "trust" in the universal optimality of the selected combination of money's functions. Consequently, the best that monetary analysis based on the assumption of autonomous, consenting agents can strive for is to identify the conditions under which autonomous agents might either be indifferent between belonging to different types of monetary spaces or, particularly in the case of forced membership, possess the maximum amount of freedom to construct the most meaningful social relationships involving some of the technical functions of money.

Despite the foreseeable lack of theoretical, empirical or normative convergence on the nature of money, the social implications appear to be surprisingly robust to changing conceptualizations of money across the spectrum of commodity and credit theories. According to both theories the monetary system's social footprint – the extent to which money shapes rather than merely reflects social relations – depends on the distribution of the monetary media rather than the prevailing notions of the nature of money.

In the case of the commodity theory the assessment of the monetary system's social footprint is relatively straightforward: as money is conceptualized as the most tradable commodity, social externalities arise when the tradability and initial allocation of the monetary commodity do not follow the same patterns as other commodities. Perfect commodification of money would not, of course, imply that money becomes irrelevant to social relationships. It would, however, depict a situation in which social actors have the maximum freedom to define, contextualize and tailor such monetary relationships with the desired mixtures of meaning with minimum structural interference from established monetary social hierarchies.

An evaluation of the current debt-based monetary system against such a standard illustrates the extent to which the positivist obsession with the conceptual refinement of money has diverted attention away from the analysis of the monetary system's social implications. In the current monetary system most of the monetary commodity has to be borrowed into circulation from the banking system before multilateral exchange can take place. The fact that the positive accounting value of the monetary commodity must always be accompanied by a corresponding negative accounting value of the credit instrument plus the interest payable indicates that the economy as a whole is incurring debt that is both wealth-centralizing and effectively unrepayable. Such a startling disparity between the distribution of the monetary commodity and the markets for all other commodities has profound implications for the social impact of monetized market exchange. If the members of a monetary space must gradually transfer real wealth to the banking system – or ultimately to the "lock-in between the political, legal, banking and institutionalized monetary system" (Lietaer, 2001: 214) – in the form of the borrowing requirement of the monetary commodity and interest payments on unrepayable debt, membership in such a community inevitably entails a loss of social autonomy in favor of the structurally mediated social relationships inherent in the division of labor in each monetary space. Decisions to engage in multilateral exchange among individuals are based on one's relative position in the monetarily-induced social hierarchy and the cost of survival outside such hierarchies rather than any objective exchange ratios between one's own physical and human capital and the commodities to be obtained through the market mechanism. Trade between nations becomes similarly mediated by the peculiarities of the prevailing forms of money rather than comparative advantage based on objective factor scarcities, unless the intermediate step of borrowing the monetary commodity into circulation against interest-bearing debt can be bypassed through direct barter.

The social implications of the credit theory in the context of a debt-based monetary system are at least equally significant: in the absence of a permanent and relatively stable money supply, the monetary system cannot convey meaningful information for rational decision-making and the pursuit of economic efficiency.[35] In addition to the wealth-centralizing effect emanating from the issuance of money – an IOU itself according to the credit theory – against debt, the quantity of such money would fluctuate according to the credit cycles and the individual lender and borrower preferences and hence lack the capacity to aggregate information in a manner that would be conducive to economic efficiency. As the unpredictable and asymmetrically distributed changes in the credit-money supply would virtually ensure that the hypothetical goal of an efficient relative price structure – the *sine qua non* for efficient economic decision-making and the *raison d'être* of economics as a science – could never be reached, the rationale for promoting market relationships over all other forms of social organization would be put into question.[36] In a debt-based monetary system with a monopoly issuer of the currency the logic of structurally modified social relationships applies equally to both commodity- and credit-based conceptualizations of money: in a credit-money system it is the lack of monetary IOU's borrowed into existence rather than the lack of the monetary commodity that necessitates borrowing just to facilitate multilateral exchange. In both cases the monetary modification of the organic social relations originates in the disparity between the rules governing the allocation of the actual goods and services that are to be exchanged in the market and the distribution of the monetary media that regulate the access to and the cost of multilateral exchange.

Hence it is the distribution of the monetary media rather than the dominant view on the nature of money that has the largest impact on the social footprint of money. The establishment of "moneyness" through an authoritative specification of a unit of account, for instance, conveys little meaningful information about the social relations embodied in a monetary system. Whether the monetary system under any specific unit of account

35 As has already been noted earlier, it is far from clear that even a permanently circulating and stable money supply could do so. Nonetheless, some of the basic informational limitations of any monetary system may be more readily accessible through the example involving unpredictable and asymmetrically distributed changes in the money supply.

36 Incidentally, this question has periodically resurfaced across the disciplinary boundaries. For a recent formulation, see e.g. Watson (2005).

resembles a neutral veil of "real" economic relations as suggested by some variants of the commodity theory or a distorting prism that operates according to its own logic of abstract value depends in part on the extent to which the introduction of the specific unit of account transforms the opportunity structures for producing and obtaining the actual monetary media. It is not the money of account that the state has historically sought to preserve through coercion, but its monopoly power to produce – or to outsource the powers of production to the institutions or individuals of its choice – the actual monetary media that correspond to that definition. The extent to which the value of the monetary media depends on mutual trust is an equally peripheral consideration in assessing the social relations inherent in a monetary system: a "trust-based" fiat currency, for instance, may exercise substantial social influence in the absence of socially neutral rules for its production and circulation, while monetary media that obtain exchange value in spite of their lack of authoritative endorsement, such as gold, may be relatively neutral socially in case the initial allocation of the monetary media and access to additional production capacity is perceived as socially just. In short, rendering the cyclical confidence game of money neutral through a social contract to recognize a specific combination of monetary functions as "neutral" – or perhaps non-neutral but inevitable for pragmatic reasons to permit monetized market exchange – would require first and foremost a theory of distribution independent of the specific forms that the monetary media may take.

4.5 Towards a Theory of Socially Neutral Money: Equitable Distribution as a Facilitator of Social Agency

A sociologically relevant theory of money must thus address at least two concerns: what distinguishes money from the universe of all conceivable forms and combinations of social relations and how the production and distribution of the monetary media should be governed to minimize social externalities. The first question can be reformulated as follows: how much influence can a monetary system have on social relations before it becomes misleading to describe it as money? In comparison, due to their pervasive social externalities, it would hardly be appropriate to analyze slavery primarily in terms of its impact on the employment rate of ethnic minorities or to regard colonialism primarily as a free trade policy. In both cases it would be factually incorrect to deny the possibility of analyzing these phenomena in terms of the chosen variables, yet the relevance of such analytical frameworks would undoubtedly be questioned. The functions that are most commonly associated with money – medium of exchange, unit of account and store of value – can be performed in any combination by an infinite set of technical arrangements, which can have widely different social implications. None of the existing theories of money adequately engage a crucial question that would go a long way towards a sociologically relevant definition of money: under what conditions does "moneyness" dominate other forms of social relationships that could be better described by some other adjective than "monetary"?

In order to minimize the social distortions introduced by any given monetary system, access to the existing and newly produced monetary media should follow as closely as possible the community's rules and norms governing other realms of social interaction. In other words, an individual's capacity for autonomous social agency is maximized when the monetary system exerts minimal influence on her freedom to construct social relationships involving some of the technical functions of money. In a community that values the autonomy of each individual as an end itself, such freedom would entail distributing newly created monetary media equally among the members of the monetary space – a form of UBI, albeit in a rather narrow sense as the size and the timing of the payments would depend on the chosen monetary conventions and policies.

Irrespective of whether the money supply is conceptualized as a stock of the most tradable commodity or abstract purchasing power giving rise to the "virtual wealth" (Soddy, 1926) of the community – an imaginary form of wealth over and above the total value of the community's real assets, which persists as long as a sufficient number of people do not try to convert their money holdings into real assets – access to newly created money cannot be monopolized by any single actor or group of actors if the monetary system is to maintain its social neutrality. As Schumpeter noted, all forms of money are ultimately backed by "the only final means of payment, the consumers' good" (1954: 321). In the case of a commodity-based money supply, asymmetric access to additional production capacity of the monetary commodity would entail unequal access to all the goods and services produced by the community for monetized market exchange irrespective of each individual's ability and willingness to engage in such exchange in real terms. Unless the community as a whole takes charge of the production and egalitarian distribution of the monetary commodity, opportunities for autonomous social agency are distorted by the unequal access to the monetary commodity, which the social contract inherent in the monetary system has authorized to regulate opportunity structures in other realms of social interaction. In other words, once a specific commodity has been designated as "monetary" – or the gatekeeper commodity for social interaction involving some of the technical functions of money – social neutrality requires that such commodity remains equally distributed among the members of the monetary space until each individual has had the opportunity to utilize her share of the monetary commodity to construct the most meaningful social relationships involving some of the technical functions of money. Any non-egalitarian initial allocation of the monetary commodity would redistribute capacity for autonomous social agency *before* any of the technical functions of money have been fulfilled through monetized market exchange, producing pre-market inequalities that would violate the social contract establishing the monetary commodity as a neutral facilitator of social relations involving some of the technical functions of money.[37]

37 As was noted earlier, insistence on the primacy of the store of value function of money over its role as a medium of exchange is a logically coherent position, albeit potentially requiring enhanced transparency of its underlying assumptions on the nature of desirable social institutions. If some redistribution is nonetheless to be undertaken to enhance money's capacity to perform its function as a medium of exchange, several technical arrangements could achieve such an objective. One of the simplest arrangements, with intriguing implications for the entire economic system, would involve the combination of issuing all newly created money debt- and interest-free through UBI and instituting a corresponding demurrage tax on money (see chapter 10). Everyone would have some guaranteed capacity to take advantage of the "trust" and "neutrality" embodied in the social institution of money as a medium of exchange and, provided that the demurrage tax is applied to all monetary and possibly near-money instruments, the incidence of the demurrage tax might fall mainly on the relatively privileged who would already have had ample opportunity to monetize their share of the real claims to neutral multilateral market exchange. The amount of the periodic redistribution would reflect the community's

Although the same logic applies equally to a non-commodity-based money supply, the situation is more complex due to the “virtual” nature of the monetary wealth. To the extent that the members of a monetary space willingly abstain from owning real assets in favor of holding monetary tokens, the community as a whole functions as if its total wealth had increased by an amount corresponding to the value of its monetary holdings. In contrast to land, natural resources or other “external assets” – assets that no-one alive produced (see Van Parijs, 1995) – the money supply represents socially constructed abstract value, which disappears as soon as a sufficient number of individuals questions its exchangeability into real assets. Yet, in a functioning non-commodity-based currency system the virtual wealth must exist, and access to it effectively regulates each individual’s capacity for autonomous social agency. As the virtual wealth is created through the social contract embodied in the monetary system and ceases to exist as soon as the members of the monetary space no longer acknowledge the exchangeability of money and real assets, maintaining the social neutrality of the opportunities provided by the newly created monetary media requires egalitarian initial distribution.

Seen from another perspective, each individual’s claim to a share of the community’s virtual wealth arises from two sources: (1) the active contribution that one makes to the virtual wealth when joining the monetary space and (2) the “passive contribution” (see Widerquist, 2006) arising from sacrifices that facilitate social co-operation, such as accepting the distributional implications of submitting oneself to the division of labor within the monetary system or agreeing to forgo the opportunities for alternative types of monetarily mediated social interaction with the members of the monetary space. As the number of members in the monetary space increases, the relative importance shifts from the active type of contribution towards the passive. For instance, in the case of a local community currency, the skills, resources and the willingness to

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preferences with respect to the relative importance of the store of value and medium of exchange functions of money – and potentially a wide range of economic, political, social, ecological or “technical” objectives. Irrespective of what the choice regarding the potential redistribution would be, any sociologically relevant inquiry into the “nature”, “concept”, “definition”, “theory” or any other cognitively compartmentalized dimension of money must recognize the logical preconditions for the fulfillment of the chosen combination of potentially contradictory monetary functions.

hold the currency brought in by each new member is likely to make a substantial contribution to the breadth and depth of the division of labor in the monetary space, justifying relatively high unconditional payments based on one's active contribution to the community's virtual wealth. In contrast, in the case of a national currency system the passive contribution arising from the acceptance of the loss of alternative types of access to the resources and the division of labor regulated by the national monetary space gains in importance. The notion of passive contribution thus recognizes the fact that any social contract is likely to involve the negotiation and reconciliation of a multitude of competing and contrasting ends. While the democratically determined monetary arrangements may not fit the preferences of every member of the community, they do, however, require some degree of co-operation even from the dissenting minorities to function properly. Egalitarian initial allocation of the monetary media may represent precisely the kind of compromise that maximizes each individual's capacity for autonomous social agency irrespective of their views on the democratically determined monetary arrangements. Once again, it may be appropriate to remind the skeptical reader that a monetary space with a centralized monopoly issuer of claims "backed" not by the issuer itself but by the members of the monetary space cannot avoid the *political* choice of an appropriate method of distribution for newly created monetary media: it is not capital, but a mere accounting system for facilitating the multilateral exchange of existing real capital, that the transacting parties are in need of – thus potentially rendering the entire debate on what the appropriate interest rate on financial capital might be irrelevant to the present analysis – while any potential tendency for apologist views on the prevailing forms of money to hide behind the notion of money as debt would only be applicable in the context of a mutual credit based currency system – one where the issuer of monetary IOUs is personally liable for settlement in real goods or services rather than extracting them from someone else in the capacity of an intermediary – not the prevailing forms of ex nihilo money creation by a monopoly supplier. In other words, the reader may disagree with the arguments presented in this section, but the substantive issues which the arguments address cannot be avoided simply by evoking mental models of capital lending or money as a form of mutual credit which do not capture the issues that are of interest here.

Hence social neutrality does not necessarily imply homogeneity. Every type of monetary system favors certain types of transactions and forms of social interaction over others, and it is ultimately the task of the democratic process to determine the number and nature of the monetary spaces in any given polity. Socially neutral money maximizes each individual's capacity to tailor monetarily mediated social relations with the desired mixtures of meaning – whether community building through local currencies, least-effort indifference expressed through the use of the most widely circulating currencies, or mental earmarking of global currencies for particularistic significance – by eliminating from the monetary system features that are not directly relevant to money's technical functions. The relevant criterion for submitting oneself to the division of labor in a given monetary system becomes the meaning that one can derive from the interactions with other members of the monetary space rather than the coercive need to compete against others resulting from the extra-monetary features of debt-based monetary spaces.

Some contemporary monetary reformers have suggested that newly created debt-free money should be spent into circulation by the government (e.g. Huber and Robertson 2000).[38] Such proposals are unpersuasive in articulating why the virtual wealth should belong to the government rather than the providers of "the only final means of payment" – the individual members of the monetary space – and remain silent on the desirable combinations of money's technical functions. Social neutrality requires that no-one should be allowed to issue IOUs on behalf of someone else. If the value of government-issued money is ultimately backed by the resources and effort extracted from its citizens – all of them making some combination of active and passive contributions to fulfill

38 I am taking issue here with the authors' suggestion that the government – no matter how "representative" or democratic – should have the discretionary power to decide on the use of the newly created money. Huber's earlier work (1999), although more clearly in favor of distributing newly created money through UBI, outlines a specific proposal for monetary reform rather than the necessary conditions for social neutrality among a wide spectrum of technically feasible monetary arrangements, and factors such as the proposed means test and the suggestion that "probably not all of the fresh money would be used for basic income purposes" (ibid: 48) would appear to render the proposal inconsistent with social neutrality.

their part of the social contract embodied in the monetary system – the rightful initial owners of those IOUs are the citizens themselves. If the government wants to acquire some of those IOUs for the funding of public policies, military adventures or some other perceived necessities, by all means, let it present its case to the electorate and proceed collecting the taxes transparently after obtaining the democratic approval. After all, much of democratic political theory suggests that it is typically the government which has to expose itself to public scrutiny by transparently exercising its power on each individual rather than each individual trying to expose and rectify perceived injustices in government policy. But let it also be clear that if the government requires its citizens to accumulate unrepayable debt by borrowing their own IOUs at interest from the private banking system, the social implications of such a system of governance go far beyond the publicly professed technical functions of money and the public can hardly be blamed for becoming cynical towards the symbols of representative political democracy.

The benchmark for socially neutral money thus focuses on the egalitarian initial allocation of the monetary media rather than the specific conceptualization of the nature of money. Such a definition refocuses the attention of social scientific inquiry on money from the post-*Methodenstreit* neglect, neutralization and positivist obsession with monocausal conceptual refinement back to its own intellectual home turf by analyzing social relations through the concrete experience of actual social agents. While the presumably enhanced conceptual sophistication of money following the cross-breeding of various monetary and near-money instruments may be obvious only to a relatively small group of specialists who are often not in the losing end of such developments, the social implications of even the plain vanilla credit-money may be abundantly clear to monetarily less sophisticated social actors. With a socially neutral initial distribution of the monetary media and the abolition of the private banking system's privileged access to state money at the top of the monetary hierarchy, financial innovation would be likely to become more of the "tin disc" variety as outlined by Knapp as opposed to the present breeding of "financial weapons of mass destruction" as the legendary investor Warren Buffet called derivative instruments. Irrespective of whether UBI proves to be the most suitable practical approximation, the definition of socially neutral money based on an egalitarian distribution of the monetary media is not an abstract intellectual exercise, but a precondition for a more detailed and relevant sociological analysis of money: if the initial allocation of the monetary media is not socially neutral, more detailed situational analysis of the social roles, meanings and functions of money will merely reproduce the structural biases of the actual system of allocation.

There are no technical reasons why the conceptual ambiguities and paradoxes of money should inhibit research on the social footprint of each historically specific or governmentally contingent form of monetary system. Socially neutral money – entailing the distribution of the monetary media as unconditional basic income to the members of the monetary space and potentially "redistribution" to achieve the desired combination of money's "technical" functions – would maximize each individual's capacity to select the most meaningful forms of monetary relationships for each social context. As there is little reason to assume that the monetary adaptation of Goodhart's law will lose its applicability in the foreseeable future, any analysis of the social consequences of different types of monetary systems cannot ignore distributional considerations. In Weberian terminology, as money may always remain a "weapon" in the economic "battle of man against man", the insight that can be gained from a purely technical analysis of the latest hardware in such a social arms race is clearly limited. What matters the most is not the technical evolution of the social weapon of money, but the changes in social relations that the use of such weapons may bring about. It is not obvious why the more socially oriented social sciences should rely on any other discipline for methodology or conceptual guidance in developing and articulating such analysis.

5 On the Feasibility of an Economic Conceptualization of Money

This study has so far argued that the social construction of financial capital is logically anterior to any form of economic, political or social analysis involving some of the technical functions of money. It has been suggested that financial capital cannot indefinitely function in a socially constructed privileged reality that is detached from the natural laws conditioning the existence of other factors of production. In addition to demonstrating the impossibility of depoliticizing the choices, tradeoffs and conflicts of interest inherent in the technical specification of financial capital, it has been suggested that the possibility of rendering any monetary system – no matter how economically inefficient or environmentally destructive – *socially* neutral would require at the minimum equitable rules governing the initial allocation and circulation of the monetary media to maximize each individual's capacity for autonomous social agency and to achieve the desired balance between the medium of exchange and store of value functions of money. The substantive argument of this chapter on the (in) feasibility of an economic conceptualization of money may thus have already been addressed in the previous chapters. To sum up the preceding analysis: it is far from clear that money can ever be specified in a manner that would solve its inherent political and social conflicts to an extent that would permit "economic" analysis to begin – or the politics of the social construction of money to graduate into politics of the management of money according to principles which are universally recognized as neutral enough to merit the conceptual leap from money as an object of social struggle to money as a neutral measure of conceptually distinct social struggles. Consequently, the role of this chapter may be largely limited to providing background for the subsequent analysis of commodity and credit based monetary systems particularly in chapters 6 and 7 and to explore some of the disciplinary implications of the potential infeasibility of an economic conceptualization of money.

Disinterested paradigm theorists – and just about everyone else with nonnihilist and nondeterminist views on the desirable forms of economic, political and social organization – would be well advised to analyze the evolution of the dominant views on the notion of money as an institution. Potentially "the most important institution of civilization" (U.S. Monetary Commission, 1877: 46, quoted in Carruthers and Babb, 1996: 1579), the social construction of money is variously "'forgotten about' in order to ensure its continued functioning" and "remembered", often resulting in a power struggle to "reessentialize and recollectivize" the "divisive social institution" of money in a manner that "provides a way for groups to support and justify social institutions and then 'deny' or 'forget' their own agency and complicity"(Carruthers and Babb, 1996: 1559, 1560, 1578, 1579). In the academic context, one of the most effective ways to hide divisiveness, complicity or analytical or perceptual amnesia might involve the methodological marginalization of social disputes – the promotion of methodological approaches that structurally exclude the possibility of divisive social issues becoming legitimate objects of analysis. In the case of money, such objectives may be achieved by co-branding the neutral veil approach to money in orthodox economics – no matter how intrinsically implausible or empirically absurd – with power, prestige and analytical rigor, while ostracizing heterodox approaches – no matter how marginally they might touch upon the "economic" implications of the social construction of money.[39]

The privilege-preserving "methodological safeguards" (Beck, 1992: 9) of the neutral veil approach notwithstanding, the monetary reality is somewhat more complex than orthodox analysis might suggest. As has often been pointed out, if the members of the monetary space refused to incur money-creating debt under the terms imposed by the issuers of the currency, monetary media would start to be withdrawn from circulation as previous debts would be repaid to the banking system, thus gradually extinguishing the money supply that is supposed to act as a neutral measure of value. Fortunately the educational value of such examples cannot be assumed away by the not uncommon suggestion of some economically oriented social scientists that "unrealistic" thought experiments cannot convey meaningful information on the prevailing economic dogma.

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39 For the marginalization of heterodox economic approaches – independently of the extent to which they might provide institutional space for real-world oriented analytical and perceptual standards to flourish as opposed to representing yet another power-infested attempt to rebrand carefully managed deviations from the most profitable interpretations of the social realities as analytical and perceptual freedom and rebellion – see e.g. the special issue on 'Publishing, ranking, and the future of heterodox economics' in *On the Horizon*, Vol. 16, No.4 2008.

If money indeed is a neutral veil of real economic phenomena, what is "unrealistic" about the possibility that the members of the monetary space might abandon the prevailing monopoly supplier and the private entities of its choice and construct an alternative, presumably equally neutral monetary system with different "technical" specifications? As in the absence of both money-creating debt and a money supply – or the capacity to monetize real assets for the purposes of multilateral exchange – money's capacity to fulfill some of its most commonly attributed "technical" functions would clearly be limited, precisely how much money-creating indebtedness must the members of the monetary space incur before the monetary system supposedly becomes an accurate and neutral measure of value? Is the required limit of money-creating indebtedness a threshold – a borderline between neutral and non-neutral forms of money – or is it a continuum – some forms of neutrality being incrementally more neutral than others?

According to another relatively frequent observation, it is the commercial banking system which determines the size and the initial allocation of the increase in the money supply according to its profit-maximizing motives rather than some impersonal market mechanism that could facilitate the instantaneous transformation of one monetarily neutral state of affairs into another.[40] Consequently, it has sometimes been suggested that the value of each individual's currency unit depends on the individual's relative rank in receiving the newly created currency. If, for instance, the entire money supply growth of an economy is allocated to one individual, for that individual's economic decisions one dollar, euro or yen might appear more valuable than for the 100th or 1000th individual as the newly created money trickles down through the economy. According to a relatively marginalized formulation, the resulting incentive structures might be described as a "race to see who can get the new money earliest" (Rothbard, 1980: 31). According to another interpretation of the general relativity and perspectivism of monetary phenomena:

> …when the value of money changes, it does *not* change equally for all persons or for all purposes. A man's receipts and his outgoings are not all modified in one uniform proportion. Thus a change in prices

40 As a number of heterodox economists have pointed out, the relevant consideration is likely to be profitability rather than some external constraint such as reserve requirements. See e.g. Wray, 1998.

> and rewards, as measured in money, generally affects different classes unequally, transfers wealth from one to another, bestows affluence here and embarrassment there, and redistributes Fortune's favours so as to frustrate design and disappoint expectation (Keynes, 1923: 1–2, original emphasis).

Given the frequency with which the notion of money as a neutral veil of real economic phenomena is contradicted in both academic literature – albeit obvious contradictions are often not explicitly recognized as such – and the everyday experience of perhaps most individuals, its paradigmatic dominance within much of the discipline of economics may be puzzling to anyone inclined to discount the role of power-based considerations in constructing and managing historically specific or governmentally contingent regimes of truth – or regimes of socially sanctioned illusions as will be pointed out in chapter 12. As Smithin has observed:

> …if money really does not matter it would be impossible to explain why the social control and production of money and credit continues to be the subject of such ferocious political debate. Why is it important to the financial interests, for example, that central banks should be independent (i.e., not subject to democratic control)? Why do participants in the financial markets in Wall Street hang on every word uttered by the Chair of the Board of Governors of the Federal Reserve System in congressional testimony? And what is the significance of the contentious social experiment of the 'single currency', the Euro, currently underway in Europe? (1999: 3)

If money indeed does not matter, why did the early monetary authorities find it necessary to impose severe penalties, such as fines, flogging, burning foreheads with coins or destroying crops that allowed self-sufficiency (e.g. Ingham, 2004; Wray, 1998), to induce the adoption of their specific versions of monetary neutrality? Did all the colonized populations that resisted the displacement of their traditional networks of exchange and ways of life by the imposition of new currencies by the colonizers suffer from the same delusion – sometimes risking their lives merely to escape the tricks played by their minds as a neutral measurement device was introduced into their communities? Why do governments not abolish central banks not only as ineffective, impotent and wasteful bureaucracies, but also due to their role in apparently misleading the public in regard of the true nature of money as a neutral technical device that has no independent impact on economic outcomes?

Another commonly cited contradiction relates to "the frequency with which problems in the real economy have been accompanied by, or coincided with disruptions and crises in monetary conditions" (Smithin, 1999: 2). If national currencies are merely territorially branded representations of the same uniform and economically neutral monetary commodity, it may be difficult to see the logic behind some of the actions in the financial markets. Do the capital markets not understand that the dollar, euro and the yen are just brand names for the same neutral veil as the real, ruble and the ringgit? If there is no correlation between monetary and real crises, have all calls for, or attempts at, building an international monetary system that would respond to the needs of wider segments of the world's population been motivated by sheer ignorance, a desire for bureaucratic self-aggrandizement, or something worse?

Some of the orthodox economic conceptualizations of money may remain so firmly outside the normal human analytical predispositions that the use of metaphors may not be a mere voluntary stylistic choice for anyone attempting to point out some of the issues involved: without comparisons to more familiar areas of life many ironies and double-standards might remain lost in technicality and asymmetric access to credibility-building knowledge-certifying institutions. As money is often viewed as a neutral measure of value, a particularly instructive thought experiment might involve the application of one variant of the debt-based, interest-bearing logic of some of the prevailing forms of money to the physical measurement standards – the metric system and the corresponding physical measurement devices. Suppose that all physical measurement devices had to be borrowed into circulation against interest-bearing debt from the private measure industry – not to compensate for the value of the "capital" embodied in the physical measure, but merely to obtain a representation of the legally mandated monopoly estimate of the abstract definition of one meter to be used in measurement decisions. Suppose also that the actual length of each one meter measure fluctuates, partly due to the trickling down of the additional centimeters added to newly created measures by the manufacturers. While the average increase in the length of one meter is determined by the profit-maximizing motives of the industry, the length of each individual's meter depends on the exact time when the measure was acquired. Those who are among the first ones to receive the newly created physical measurement devices experience a meter that is relatively close to 100 centimeters in length in their measurement decisions, while the latecomers will have to adjust to the trickling down of the additional centimeters through the economy. The dominant branches of the dismal science of measurenomics continue to argue that the physical measures are merely neutral facilitators of the real measurement results, which remain unaffected by the specific instruments used in the measurement process. At the very least real measurement activity is supposed to achieve its independence of "nominal" fluctuations in the metric system in the long run, which curiously never appears to arrive despite the fact that all of the theory's proponents at a certain point in time may already be dead – one of the criteria for identifying the long run according to a previously prominent but currently unfashionable measurenomist.[41]

Although the analogy to the current monetary system is not complete – the comparison may be overly concrete and several (confidence-building?) institutional intricacies have been left out – the anecdote does highlight at least three factors that are relevant to the feasibility of an economic conceptualization of money. First, outside relatively marginalized heterodox circles, economics as a science would appear to have a fundamental problem with its treatment of money. The notion of money as a neutral veil of the "real" economic phenomena does not bear scrutiny of the current monetary system. Yet the implications of acknowledging money's influence on economic outcomes are likely to be too far-reaching for preserving other central features of the current economic paradigm. Second, it is not obvious that money can ever be specified in a manner that would be "neutral" enough for the political struggle for structurally granted privilege to give way to genuine competition under neutral and universally optimal monetary rules of the game. Third, it would appear to be far from clear that money can ever have the technical capacity to accurately measure the economic reality. Unlike in the case of the metric system or physical measurement devices, there is no transparent and fixed benchmark against which anyone could easily assess the plausibility of the

41 At the risk of stating the obvious, it was Keynes who observed that "*In the long run* we are all dead" (1923: 80, original emphasis).

various value claims made through the monetary system and fluctuations in the value of money itself. If a relatively low income obtained or persistent indebtedness incurred through the market mechanism reflects coercively imposed structural exploitation through the contested specifications of money rather than inability or unwillingness to excel in the economic competition under neutral rules of the game, one may wonder whether the nature of the phenomenon that is being studied deserves to be labeled as predominantly "monetary" or "economic" as opposed to some of the intuitively more plausible expressions involving a significant power dimension. Furthermore, as there may be no objective conceptual benchmarks for monetizing economic calculation, physical measures such as resource-based accounting methods might outperform monetary analysis in terms of efficiency. One meter is defined by the International Bureau of Weights and Measures as the distance traveled by light in a vacuum in 1/299,792,458 of a second. No similar benchmarks for money may ever be identified in terms of either value or efficiency. Theoretically a close approximation in terms of value might consist of defining the unit of account in relation to an all-embracing commodity basket including all the goods and services produced by an economy in the relevant proportions[42], albeit the predictable problems with measurement and continuous adjustment – political if not ultimately also technical – are likely to render such plans infeasible in practice. In terms of productive efficiency monetary calculation is unlikely to ever fully capture and reproduce the physical costs, benefits and feasibility of economic activities based, for example, on the principle of optimizing resource throughput per each physical or temporal unit of consumption. In a monetary economy it may not be entirely obvious what could be gained by the pursuit of market efficiency as indicated by the prevailing forms of money without first ensuring that the monetary system is capable of overcoming its self-referentiality by accurately capturing and reproducing real world economic opportunity structures.[43]

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42 Any potential claims to the contrary are often based on different conceptual definitions or analytical aims.

43 Thematically, the analysis presented in section 10.6 on the technical feasibility of efficient economic calculation through a monetary unit of account as well as perhaps several other insights spread throughout the study might belong to this chapter. The argument that is being advanced in section 10.6, for instance, suggests that it may not be

It may be easy to accuse orthodox economics of being among the top social sciences in terms of the size of the divergence between the dominant theoretical and methodological frameworks and the empirically observed policies, practices and phenomena. A reasonable argument might also be put forth on the difficulty of misunderstanding or misinterpreting the nature of money to a greater extent than orthodox economists commonly do: to the extent that the average layperson attributes a power dimension to money – no matter how inaccurate or imperfectly described – such accounts of money, the argument would go, might well be empirically more relevant than more precisely stated economistic irrelevancies on "neutral" money. To a certain extent such accusations may be on the mark. Yet orthodox economics may have a formidable defense against some of the allegations: one of the most influential and longest-standing models of the economy does not even attempt to explain the existence or the nature of money.

As Ingham has observed, "…two slightly different versions of the basic orthodox conception of the medium of exchange may be distinguished. The medium of exchange may be either an actual commodity that maintains an exchange rate with other commodities or, as in Walrasian general equilibrium theory, a symbol of a 'representative' commodity or 'basket' of commodities" (Ingham, 2004: 18). In the Walrasian general equilibrium model market clearing is achieved through the arbitrary assignment of a numéraire – a random value for the symbolic commodity, which permits the process of relative valuation to begin. The rationale for such arbitrary assignment is entirely functional: without a benchmark value for the symbolic commodity the economistic virtue of quantitative obfuscation of questionable qualitative assumptions could

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technically feasible to overcome money's self-referentiality – or to ensure that whatever monetary calculation says about the costs, benefits and feasibility of any specific economic activity will indeed be perfectly matched by equal costs, benefits and feasibility when calculation is performed in terms of the real resources and other factors inputs according to the natural laws of the physical reality. Nonetheless, the aim of this chapter was to keep the analysis as simple as possible: even if the potential infeasibility of economically efficient monetary calculation or any other "technical" discrepancy between some of the implicit assumptions of conventional economic analysis and the actual monetary realities were ignored, the inherent conflicts and contradictions of money would still be unlikely to ever be solved to an extent where the politics of the social construction of money might graduate into the politics of the management of money.

not be exercised. The dilemma that the model poses for the existence and nature of money can be articulated as follows:

> The most serious challenge that the existence of money poses to the theorist is this: the best model of the economy cannot find room for it. The best-developed model is, of course, the Arrow-Debreu version of a Walrasian general equilibrium. A world in which all conceivable contingent future contracts are known neither needs nor wants intrinsically worthless money (Hahn, 1982: 1, quoted in Ingham, 2004: 18).

In other words, in the world of the Walrasian auctioneer, "intrinsically worthless" money would not exist, and nobody would even notice it.

Given the recent criticism that some aspects of the Walrasian model have attracted, it may be unfair to judge a major disciplinary theoretical tradition on the basis of its past excesses – no matter how substantial or long-standing. Economists who have acknowledged some of the limitations of previously dominant models have sometimes engaged in the following kind of self-reflection:

> The reader may wonder why we do not just pack up and become sociologists. The answer, we think, is that the distinctive strengths of economics – explaining prices and quantities, as well as exploring the complex and often unexpected ways that countless uncoordinated actions generate sometimes unanticipated aggregate outcomes and dynamics – is no less relevant today than when it was pioneered by the classical economists two centuries ago. The inadequacy of the *Walrasian* general equilibrium in no way diminishes the importance of general equilibrium thinking (Bowles and Gintis, 2000: 1433).

A friendly cynic might inquire about the *type* of general equilibrium that the authors are referring to: is it the world where money does not exist or the one where it is either irrelevant or "neutral"? What is such an analytical framework relevant for?

Suppose that it ultimately became the mainstream wisdom in economics to suggest that money does have an impact on real phenomena. While everyone except perhaps professional orthodox economists might be unimpressed, the implications for the disciplinary division of labor are intriguing. The concept of multiple equilibria would obtain a whole new meaning. Every set of technical specifications for money would have the capacity to produce a different equilibrium, perhaps equilibria – however unrealistic the assumptions for arriving at one might once again have to be. Would orthodox economics willingly become a post-money science – beginning its analysis from the point where money has already been specified or its irresolvable conflicts analyzed within the theoretical and methodological frameworks of other disciplines – by acknowledging the force of the logic in the political scientist's or sociologist's argument about the predominantly political or social nature of the process of money's social construction or technical specification? Or would it return to its roots in political economy by acknowledging the inseparability of economic, political and social considerations? If so, what would continue to separate different social scientific disciplines from each other? Money has historically had the capacity to mould markets and foster political communities. It may also represent one of the most promising objects of analysis to reunite the social sciences into an optimum cognitive area – an area of inquiry characterized by synchronized cycles of knowledge production, mobility of ideas and common responses to external paradigmatic disturbances.[44]

Although it is far from clear that the political and social conflicts inherent in money's specification process can ever be solved to an extent that would permit the establishment of predominantly "economic" rules of the game, it may still be too early for economists to "pack up and become sociologists". A continued insistence on the absence, irrelevance or neutrality of money on the part of orthodox economists would undoubtedly both increase and prolong the embarrassment caused by the discipline's perceptual deficiencies in respect of the empirical reality that most other people have to endure through their forced contact with the real world. An epistemologically more humble version of economics, in contrast, might have a distinct comparative advantage in the social scientific analysis of money. The electorate would presumably want to have the most complete information that is available on the long-term economic, political and social implications of alternative monetary or non-monetary economic systems. Economically oriented social scientists with fewer ontological illusions about the nature of "economic", political and social realities

44 As in the case of the political discourse that has often been associated with the creation of optimum currency areas, it could be argued that the mere creation of the optimum cognitive area of a single social science would ultimately produce the desired degree of synchronized knowledge production, mobility of ideas etc. irrespective of the starting point.

might be in a particularly good position to model and analyze the likely implications of different institutional configurations of money or some alternative metric of performance, to be used as an input and continuous feedback for the political and social choices inherent in any monetary or non-monetary economic system. Nonetheless, despite the potential comparative advantages of different theoretical and methodological approaches in analyzing different aspects of money's multiple potential manifestations, the interrelationship and overlap between the economic, political and social dimensions of money suggest that it is one integrated social science rather than a collection of disciplinary specialists that is best suited to explore the institutional aspects of money.

Thus, according to some analytical frameworks or normative positions, the potential impossibility of an economic conceptualization of money should perhaps not be taken as an indication of the need to discard monetary analysis altogether. Regardless of some structural constraints such as the need to approximate the natural laws of the physical reality to the greatest possible extent in the long term, the precise choice of the technical specifications for any monetary system is always inherently arbitrary. Once the theoretical indeterminacy of money has been recognized on the input side – at the time of the monetary system's social construction – it may be difficult not to extend similar considerations also to the output side – the outcomes of monetarily mediated multilateral exchange. The markets will continue to deliver their precisely stated verdicts, which will nonetheless be regarded partly as artifacts of the inherently arbitrary technical specifications of money rather than objective and unalterable results of each individual's atomistic competitive efforts in some hypothetical neutral, technocratic or "economic" playing field. Economists may continue to produce their equilibrium models based on the prevailing forms of money, but instead of the TINA implementation under the disguise of economic efficiency, any market outcome would be seen as a product of political choice and thus potentially reversible or transformable through the political process. The following chapter expands on some of these issues in the context of a commodity-based monetary system. Although the model that is being explicitly addressed comes from the Austrian school, many of the insights may also have wider analytical applicability.

6 Money as a Commodity: On Money, Property Rights and Freedom

Libertarian and Austrian[45] proponents of a variant of the commodity theory of money – the notion that money emerges as the most suitable intrinsically-valued commodity to facilitate exchange – have a long history of theorizing the analytical preconditions for "neutral" money that few other analytical traditions may be able to match. In much of the literature along these theoretical lines money's neutrality has been tied to its capacity to facilitate undistorted multilateral exchange through the voluntary decisions of individual market participants. Deviations from this benchmark have often been fiercely condemned. According to one account of the prevailing monetary system, "Through banking cartels and inflation, government and its favored interests loot the people's earnings, water down the value of the market's money, and cause recessions and depressions" (Rockwell, 1990: 8). The disparities between the perceptions of the ideal forms of money and the actually circulating forms of currency have also given rise to a lively debate on whether private counterfeiters should be regarded as "heroic", non-condemnable in the face of pervasive state counterfeiting, or criminal (Block, 1991; Machaj, 2007; Murphy, 2006).

While not being entirely unsympathetic to some of the criticisms of the prevailing monetary system, this chapter challenges the notion of the monetary commodity as a "neutral"[46] form of money that could create

45 There may be sufficient overlap between libertarians and Austrians to justify the convolution for the purposes of this chapter. As Yeager has deplored: "Austrian economists tend to be libertarians (although several of them insist that there is no *necessary* connection). Many libertarians – to look at the relation the other way around – tend to regard Austrianism as their own 'house brand' of economics. This is unfortunate" (2001: 18, emphasis in original).

46 The choice of a relevant benchmark for neutrality or the specific procedures through which intrinsic values are arrived at does not alter the core argument of this chapter. There is no such thing as a non-neutral monetary system in the sense that some working fiction of neutrality is required for money to exist in the first place. What the self-proclaimed subjectivists or normatively opinionated proponents of conceptually non-neutral money often have in mind is that the relevant standards of neutrality should in their opinion be institutional rather than transactional. As long as a certain ideal set of institutional preconditions – which itself is a variable that fluctuates across time, space and individual subjectivity – is fulfilled, the monetary system which for normative

objective monetary rules of the game for economic interaction. In particular, the chapter seeks to complicate the implicit convolution of commodity money, property rights, and economic freedom by pointing out the inherent conflict between the medium of exchange and the store of value functions of money – or the property rights of the holders of real assets, on the one hand, and the monetary media, on the other. It is argued that this conflict could be understood – albeit never solved in a universally optimal manner – by making a clear conceptual distinction between money's role in current and intertemporal exchange. Given the logical impossibility of constructing objective, universally optimal monetary rules of the game, the notion of economic freedom – in the sense that seeks to construct either a

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reasons continues to be labeled "non-neutral" is seen to produce desirable, spontaneous or "neutral" market outcomes. The precise content of the subjectively determined ideal set of institutional practices – for the sake of the argument, let us call it the Austrian dream – may include factors such as a subjective preference for the enforcement of a specific variant of private property rights to the exclusion of all the communal, nonexclusive, shared, partial or overlapping alternatives, the ontological exceptionalism of the state in the legitimate exercise of property rights (see e.g. Widerquist, 2009), or more general views on certain forms of violence being more desirable or acceptable than others. The spectrum of valuations that any specific commodity adopts in voluntary market exchanges when the Austrian dream prevails constitutes a "neutral" or "intrinsic" range of valuations – the benchmark against which deviations can be measured and decried on normative grounds. When one or more conditions of any specific variant of the Austrian dream are less than perfectly fulfilled, the range of market valuations for any specific commodity is likely to deviate from the market prices produced under the relevant variant of the Austrian dream, implying unauthorized coercion, illegitimate use or interpretation of property rights, or simply a failure of the spontaneous human evolutionary processes which must be rectified by a properly informed libertarian central planner. Seen from another perspective, one of the core arguments of this study is that any monetary system by definition involves a significant power dimension: the structurally exploited individuals cannot escape the tyranny of monetarily mediated division of labor merely by choosing to incur the costs and inconveniences of barter in their mutual trades. A monetary economy – no matter how arrived at – is a fundamentally freedom-constraining enterprise, whereby the ontological necessity of instituting some working fiction of neutrality and the inevitable practical deviations from it constitute a part of the economic, political, social and environmental price which has to be paid to overcome the real or perceived costs and inconveniences of barter. While it may indeed be possible to implicitly claim that the conceptual stage where the social construction of "neutrality" or "intrinsic" values takes place is not the monetary transaction per se, but the institution and implementation of any specific variant of the Austrian dream, the substantive analytical shortcomings remain conceptually analogous to the critique that has been made in this study in the context of neoclassical conceptualizations of money.

positive or a normative distinction between economic and political realms of social interaction – becomes problematic.

6.1 Property Rights for Money vs. Real Assets: Substitutes Rather than Complements

According to a reasonably representative Austrian interpretation:

> *all* money has originated, and must originate, in a useful commodity chosen by the free market as a medium of exchange. The unit of money is simply a unit of weight of the monetary commodity – usually a metal, such as gold or silver. Under freedom, the commodities chosen as money, their shape and form, are left to the voluntary decisions of free individuals (Rothbard, 1990: 28, emphasis in original).

The definition of a "useful commodity" is crucial to define the nature of the exchange that is taking place. "Useful" might conceivably refer either to a commodity priced at its intrinsic or use value in market transactions – in which case the exchange constitutes pure barter with no obvious monetary component involved – or to a commodity with some intrinsic value, which nonetheless circulates at a market price that may substantially exceed its use value. Rothbard – as well as much of the literature that he draws upon tracing back to Menger (1892) – relies on the latter interpretation:

> money must have pre-existing prices on which to ground a demand. But the only way this can happen is by beginning with a useful commodity under barter, and then adding demand for a medium for exchange to the previous demand for direct use (e.g. for ornaments, in the case of gold) … money is *only useful for its exchange value* (Rothbard, 1990: 13, 19, emphasis in original).

In order to illustrate some of the implications of the chosen definition, it is instructive to first outline what the alternative interpretation of pure barter might entail.

In the case of pure barter, commodities are assumed to be circulating in the markets at their intrinsic values. By definition, the possession of a "monetary" commodity – however defined by different market participants – could not confer any special privileges to the holders of "money" at the expense of the holders of non-monetary commodities. The monetary component of economic freedom and property rights would be guaranteed by constant competition among potential monetary media: in case the terms under which the "monetary" commodity is available diverge from the incentive structures inherent in the multilateral barter of intrinsically-valued goods and services, any specific transacting parties could freely select a competing vehicle commodity to execute their desired exchanges, thereby ultimately forcing the market price of the "monetary" commodity back to its intrinsic value. If, for instance, gold is selected as the "monetary" commodity, any possible preconditions or unreasonable price tags that the holders of gold might be tempted to impose in order to exploit gold's presumed gatekeeper function need not constrain anyone's capacity to enter into monetary exchange: the individuals who have the capacity to engage in multilateral exchange in real terms but lack the monetary media can either ignore the demands of the holders of gold and agree upon an alternative vehicle commodity or, according to the more heroic version of the story, spontaneously create an alternative medium of exchange through a sequence of self-interested transactions. With sufficient information processing capacity any conceivable combinations of direct barter exchange might ultimately become feasible without the cumbersome need to intermediate through a "monetary" or some alternative vehicle commodity, potentially eliminating much of the perceived need among market participants to mentally earmark a specific commodity as "monetary". As every commodity is by definition circulating at its intrinsic value and assumed to be latently available as a potential spontaneously emerging monetary medium, the unit of account – to the extent that a "monetary" commodity exists – medium of exchange and store of value functions of money are performed perfectly and simultaneously without compromises or tradeoffs.

Once the assumption of the monetary commodity circulating at its intrinsic value is relaxed – implying some form of market imperfection that prevents the emergence of or a spontaneous switch into alternative, intrinsically-priced media of exchange – the situation looks quite different. A conflict emerges between the different "technical" functions of money: the medium of exchange and the store of value functions of money are no longer performed simultaneously by an intrinsically-priced monetary commodity. Instead, money becomes a tool of power projection which inevitably, in some combination determined by the results of the ongoing power struggle, both prevents some economic agents from monetizing their real claims to multilateral exchange and violates the prevailing ownership rights to real assets through the fiat component of the money supply. Irrespective of any potential normative preference for guaranteeing the property rights of the holders of the monetary commodity at any cost, there is no technical justification for anyone to have to incur debt denominated in the monetary commodity or to accept any other conditions that the holders of the monetary commodity might choose to set for circulating their property merely to be able to engage in monetized multilateral exchange. While the holders of gold, for instance, may have the right to set the price for their property and to refuse to part with their possessions unless their conditions are met, there is no reason why the holders of silver, copper, professional education or any other form of physical or human capital should agree to any demands or lending proposals made by the holders of gold before being able to engage in monetary exchange of their physical and human capital. In the absence of competition between the actual and the latent monetary media that could fix commodity prices to their intrinsic values, the holders of the monetary commodity can extract a premium – not entirely dissimilar to a private tax on monetized market exchange – from individuals whose property rights to real assets are effectively compromised by imperfect competition among media of exchange. The fiat component – for fiat is the appropriate expression irrespective of whether it is created by the government or the markets – of the price of any commodity which trades at a premium to its intrinsic value due to durability, divisibility, marketability or any other "monetary" quality introduces a power dimension to the markets that pits the property rights of the holders of money and real assets against each other. To the extent that the ownership of money is centralized and the socially constructed gatekeeper function of money to monetized market exchange is adhered to, the holders of money effectively determine the extent, form and nature of the division of labor that may emerge in the economy. Instead of monetary policy being "aside from war – the primary tool of state aggrandizement" (Rockwell, 1990: 7), it would be the private money holders who would be meddling with property rights and freedom of exchange, quite possibly "looting the people's earnings" (ibid: 8) through their position as gatekeepers to the division of labor accessible only through monetized market exchange.

The traditional libertarian interpretation thus tends to overlook one of the most basic conceptual limitations of monetized market exchange: *whenever the value at which the monetary medium circulates in the economy deviates from its intrinsic value, property rights can be guaranteed either for real assets or for money, but not for both simultaneously.* At the risk of stating the obvious, property rights are never absolute. In the words of Feder, for instance, "'Property' is not an asset but a 'proper' relation between the owner and other persons with respect to the disposition of that asset" (2001: 570). In the case of the monetary medium circulating at a premium to its intrinsic value, the negotiation of the precise nature of such a "proper relation" involves a tradeoff between the property holders' right to monetize the value of their real assets for purposes of multilateral exchange and the money holders' right to prevent the dilution of the value of the existing monetary balances through the creation of additional currency. In a pure barter economy any real asset can be monetized – i.e. exchanged into the "monetary" commodity that circulates at its intrinsic value – without a loss of value or "looting the people's earnings" through inflation. In a monetary economy, in contrast, someone's property rights must by definition be violated at each monetary transaction. If specific forms of money – irrespective of whether the monetary media are conceptualized as a commodity, debt, pure abstract value or something else – monopolize access to monetized market exchange, it is the price of those monetary media which determines each individual's ability and willingness to engage in monetized market exchange rather than their capacity in real terms to do so. Either the holders of real assets must compromise their property rights by accepting whatever conditions the holders of money choose to set for circulating the gatekeeper commodity to monetized market exchange, or the holders of money must accept that monetized market exchange will take place under different conditions, potentially diluting the store of value function of the existing monetary balances. The larger the difference between the intrinsic value and the market price of the monetary medium, the more salient the conflict between the property rights of the real asset holders and the holders or issuers of money becomes.

Many of these insights are not, of course, entirely new. As Silvio Gesell[47], for instance, pointed out in the context of explaining the motives behind any potential decision by the holders of money to interrupt the flow of exchange: "Our purpose is usury, for to bring someone into embarrassment in order to exploit his embarrassment, is to practice usury … mutual plundering conducted with all the wiles of salesmanship, is the foundation of our economic life" (1958, part III, section 4). Are such "usury" and "mutual plunder" inevitable characteristics of monetized market exchange? There are two possible approaches to prove the contrary: either (1) a form of monetary system which permits unlimited monetized market exchange – the monetary settlement of all real claims to monetized market exchange – while fully respecting the prevailing interpretations of the property rights of the holders of both money and real assets must be conceived or (2) the dominant interpretation of property rights must be redefined to account for the inevitable tradeoffs arising through monetized market exchange. Perhaps the most significant effort to prove the feasibility of the former approach involves the pure barter model of the economy. The following section evaluates this approach in more detail.

6.2 Can a Monetary Commodity Ever Circulate at Its Intrinsic Value?

If property rights to money and real assets are indeed substitutes rather than complements in any monetary system where the medium of exchange circulates at a premium to its intrinsic value, can such a tradeoff be eliminated or at least mitigated through the use of commodity-based currencies? In other words, is competition from all other latent monetary media likely to keep the market price of the "monetary" commodity at its intrinsic value, thus preventing a power dimension from emerging through the non-intrinsically-valued component of the monetary commodity's market price? A closer look at the value formation of one of the most serious contenders for the task, gold, suggests that this is unlikely.

The commodity theory's contention that gold's value as a commodity is simply the price that emerges through the forces of supply and demand

47 For a brief introduction to Gesell's work, see e.g. Blanc (1998) and Onken (2000).

involves a circular argument that ignores the social nature of a substantial portion of such transactions: the monetary demand for gold is socially constructed and thus it has nothing to do with the intrinsic value of the commodity. Gold has been relatively useless as an industrial commodity throughout the history. Without significant monetary demand, gold could hardly reach valuation levels that would make it attractive as a status symbol or a store of value. As soon as gold is demanded for its monetary rather than intrinsic value, the monetary component of gold's value – the portion that cannot be explained by industrial usefulness or any other consideration that is unrelated to the persistent conception of gold as money – confers gold a gatekeeper function to monetized market exchange that has substantial overlap with the power dimension involved in fiat currencies. If the monetary demand for gold is deemed to originate from some unique physical properties – such as scarcity, durability or divisibility – which no other commodity possesses, gold as a monetary commodity would involve some resemblance to a natural monopoly: as the unique physical properties of gold would be demanded solely due to their role in performing monetary functions, the difference between the intrinsic value and the market price of gold – in all likelihood increasing through time in a growing economy as the holders of money would capitalize the value of its gatekeeping function to monetized market exchange – would not be entirely dissimilar to monopoly rent. A "commodity" with no other use value except its monetary functions is fiat currency. Hence the commodity theory may indeed be correct in suggesting that gold constitutes *a* universal equivalent, exchangeable to all other commodities, but it does not explain the substantial premium at which gold has historically traded in comparison with its intrinsic value nor does it make it entirely clear why the relative monetary role of gold in relation to the spectrum of particular equivalents – chartalist or "unbacked" forms of money whose value derives from specific historically contingent power structures – has fluctuated widely.

Several alternative analytical frameworks can be adopted to demonstrate the distinction between the intrinsic value and the market price of gold. For instance, paraphrasing the credit theory of money – the notion that "something can only be issued *as money* if it is capable of canceling *any* debt incurred by the issuer" (Ingham, 2004: 12, emphasis in original) – the monetary component of gold's value may be conceived of as a form of unspecific, non-redeemable, perpetually circulating debt – a money supply that is unrelated to specific relationships of credit and debt, but which nonetheless is collectively recognized as unspecific indebtedness. Virtually any community in humanity's modern history has acknowledged its indebtedness to whoever has happened to present gold in settlement for such debts. This startling observation alone should be sufficient to dissipate any illusions about mutual trust or coercive power as the exclusive sources of money's value. Any community could optimize its own welfare by refusing to accept a credit contract – gold's embedded monetary value – which it has never itself consented to. Yet the universal lack of trust in the authoritative enforcement of debt contracts across time and space continues to confer gold monetary value. Gold's persistent monetary role testifies profound cynicism towards the human nature: generations after generations have placed more trust in a relatively useless commodity as a guarantor of debt contracts across different monetary spaces and power structures than in any historically specific or governmentally contingent form of economic, political or social organization.[48] Hence it is not mutual trust, but the lack of it, that explains the existence of the closest thing to a permanent money supply that the humanity has so far come to.

The success of gold in guaranteeing debt contracts across time and space thus confirms rather than challenges the suggestion that whenever any commodity for whatever reason becomes "monetary" – i.e. a gatekeeper commodity for monetized market exchange – its gatekeeper function will create a premium in relation to the commodity's intrinsic value. Consequently, the tradeoff between the property rights for real assets and the monetary medium cannot be eliminated merely by changing the form of the monetary medium.

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48 Such historically specific or governmentally contingent power structures have often sought to counter this observation with yet another variant of the end of history thesis: of all the particular equivalents that gold and other precious metals have outlived, it is the current monetary system that supposedly proves the permanently marginalized monetary significance of precious metals. While the end of history thesis in general may amount to little more than one of the most predictable and least deserved academic career boosters in each historically specific or governmentally contingent power structure, the end of the monetary history in particular would be likely to entail a degree of coercion that would render the description of such social relations as "monetary" meaningless.

6.3 Money, Property Rights and Freedom in Current vs. Intertemporal Exchange

If the choice of a specific monetary medium is largely irrelevant to solving the paradoxes and contradictions between the different "technical" functions of money and the forms of property rights that they entail, has some relevant constitutive element of monetized market exchange which would have implications on the prevailing interpretations of property rights perhaps escaped analytical attention? In other words, is there a theoretical justification for redefining the dominant interpretation of property rights as opposed to trying to fit theorization on the nature of money into a mental model that fundamentally misconceives what property rights in "neutral" monetized market exchange should be? Such a justification may be evident in the temporal aspect of monetized market exchange: while current exchange calls for money that performs reasonably well both as a medium of exchange and as a store of value, in the case of intertemporal exchange the theoretical case for the simultaneous fulfillment of these functions is less obvious.

In current exchange the desirability of the simultaneous fulfillment of the medium of exchange and the store of value functions of money is rarely questioned. A monetary medium which does not capture the full value of an exchangeable commodity – i.e. act as a perfect store of value for the duration of the exchange – may be unlikely to be voluntarily selected as a vehicle for executing the trade among the transacting parties. Furthermore, in order to fulfill its function as a medium of exchange, the monetary medium must be available to all individuals with the ability and willingness to engage in multilateral exchange in real terms without preconditions that would alter the nature of the exchange. Should this not be the case – as has become amply clear under the prevailing forms of money – some individuals are unduly excluded from monetizing their real claims to multilateral exchange and the forms of exchange that money mediates become partly defined and constituted by the peculiarities of the forms of money that are being used. Under a debt-based fiat currency supply, for instance, the interest charges required merely for borrowing the monetary media into circulation significantly alter the incentive structures involved in monetized market exchange. While the practical feasibility of ever achieving the perfect and simultaneous fulfillment of the medium of exchange and the store of value functions of money in current exchange may be dubious at best, the undistorted barter of intrinsically-priced commodities at least provides a conceptual benchmark against which actual monetary systems can be designed and evaluated.

In intertemporal contexts, in contrast, the situation is more complex due to the lack of a widely accepted analogy between monetized exchange and direct barter that could unambiguously specify the precise combination of "technical" functions that a "neutral" monetary system should aim for. According to Rothbard (1990: 13):

> Money is not an abstract unit of account, divorceable from a concrete good; it is not a useless token only good for exchanging; it is not a 'claim on society'; it is not a guarantee of a fixed price level. It is simply a commodity. It differs from other commodities in being demanded mainly as a medium of exchange. But aside from this, it is a commodity – and, like all commodities, it has an existing stock, it faces demands by people to buy and hold it, etc. Like all commodities, its 'price' – in terms of other goods – is determined by the interaction of its total supply, or stock, and the total demand by people to buy and hold it. (People 'buy' money by selling their goods and services for it, just as they 'sell' money when they buy goods and services.)

Others have suggested that "*the importance of money essentially flows from its being a link between the present and the future*" (Keynes, 1973: 293–294), facilitating, among other things, "the continuing management of emergent events" (Loasby, 1976: 165) and permitting "*choice to be deferred until knowledge of needs and opportunities has improved* (i.e. has become more exact, complete, or assured)" (Shackle, 1974: 62, all quoted in Fontana, 2001: 730). What is remarkable about such conceptualizations of money is the absence of any attempts to explicate and justify the underlying assumptions that could explain what *kind* of link between the present and the future "neutral" money should be. As was noted earlier, it is unlikely that the monetary medium can ever circulate at its intrinsic value. Given the inevitable fiat component and thus also the power dimension of money, what is the precise mechanism through which the relative property rights between the holders of money and real assets should be negotiated in intertemporal exchange? What is the theoretical basis for granting the holders of the monetary medium certain types of claims on the future productive capacity of the economy as a whole?

According to one possible interpretation, Rothbard appears to suggest that in a monetized market economy the position of the holders of the monetary commodity may not be entirely unlike that of common stockholders of the economy as a whole: the holders of the monetary medium – or the "shares" of the real economy – might ultimately be able to extract the value of any productivity increases through the gatekeeper role of money to monetized market exchange. Aside from the hypothetical example of an economic system based on pure barter, money is the lifeblood of economic exchange. More often than not it is control over money rather than any alternative resource or stage of production or exchange that determines the allocation of economic rent. As Arthur Kitson noted in the context of one of the most serious challenges to the primacy of money in controlling economic activity and the distribution of economic rent, the allocation of land:

> One never hears of money-lords begging for land on which to employ their wealth. But landlords are continually becoming indebted to the money power for the use of money. In other words, land is far more plentiful and more readily procurable than money. And to-day money is made more essential to men than land. *And into the hands of the money power land must inevitably fall* (Kitson, 1895, quoted in Hudson, 2008: 21).

It is not obvious why the exercise of such "money power" should have any role in monetized market exchange. Why should the availability or the future value of a *medium of exchange* – all other functions being merely "corollaries" of this "one great function" (Rothbard, 1990: 14) – be contingent on speculative or power-based factors? What does it tell about humanity's level of monetary sophistication if presumably the best conceivable approximation of a "neutral" technical facilitator of monetized market exchange must necessarily involve such pervasive externalities? Is it not possible to design a medium of exchange which reflects nothing but factors that are intrinsic to the logic of the real exchange that money is supposed to merely mediate?

Alternative theories of what the intertemporal exchange value of money should be have, of course, been proposed, albeit often without elaborating on their rationale or implications for property rights. Gesell, for instance, suggested that:

> Independently of time and place money should always obtain the price it obtains today. What the holder of money has paid for it in commodities he should be able to demand in commodities tomorrow or ten years hence. In this way the debtor pays back what he has received, and the creditor receives what he has given, no more, no less.
>
> That is self-evident and requires no proof (1958, part III, section 6).

In other words, according to this interpretation the appropriate intertemporal benchmark for "neutral" money might be conceptualized either as a costless, fully insured warehouse receipt or as a costless – in the sense of risk premiums – derivative instrument to its bearer: an option to exercise the bearer's right to the physical delivery of a fixed amount of specific commodities at any given point in time.[49] While this analytical position may be more easily defendable than the orthodox economic view – the perceived necessity for the society as a whole to not only grant a costless options contract to anyone refraining from current consumption for any reason, but also to let the value of such contracts *increase* through time via compound interest – it is far from obvious that either view "is self-evident and requires no proof".

Any potential capacity for money to maintain its purchasing power in intertemporal exchange or to attract a positive rate of interest – or the coupling of the capital dimension of money with its core function as a current medium of exchange – is a pure social construct, effectively amounting to an intertemporal violation of real property rights in favor of the current holders of the monetary media.[50] In order to pursue this

49 Any potential circulation fee that Gesell's work is perhaps best known for would merely discourage the hoarding of the monetary media for unproductive purposes without altering the underlying assumptions on the nature of money.

50 Theories of money which attribute money's value to an "extrinsic" form of future wealth conflate the capital dimension of money with its role as a medium of exchange. Whatever the underlying assumptions that attempt to justify or obscure such a conflation may be, it is worth pointing out that the issuers of money are under no obligation to prove that incremental future wealth – as opposed to existing real assets or natural resources – will ultimately "back" the value of the newly issued currency. Newly created money can and does reallocate existing marketable assets without creating new wealth and privatize the global commons under various euphemisms, effectively expropriating rather than creating the real wealth that presumably was to be produced with the newly created

point to its logical extreme, it may be appropriate to ask why the store of value function of money should have any intertemporal validity at all. A current monetary transaction in real assets involves the core function of money as a current medium of exchange which defines what the store of value function of money must be in order for the transaction to take place. Yet it may not be obvious what is "monetary" about the situation if any potential transacting party chooses not to exchange her money holdings into real assets in the hope that the society as a whole would reward her indecision or "usury" by extending the rate of return that a specific commodity, insurance, credit, equity or derivative instrument could have provided, had she completed her transaction, to the monetary infrastructure of exchange itself. In a free market any potential transacting party may either keep her real assets until they are lost, stolen, broken, rotten, exchanged or consumed, or *purchase* an insurance or a derivative instrument for the desired commodities and delivery dates in the future. In a free society – including but not limited to the capacity of individuals to select alternative modes of social organization to the ones mediated by the prevailing forms of legal tender – any potential transacting party would even have the option of – and in all likelihood also an incentive for – investing the real assets in relationships of unspecific reciprocity. One observer has described the implications of the de facto absence of the latter option due to the competitive logic of the prevailing forms of money as follows:

> Of course money is easy to handle and is practical, but, as it does not rot, if it is preserved, people put it aside instead of sharing it with others (as a chief should do) and they become selfish. On the other hand if food is the most precious possession a man has (as it should be the case because it is the most useful and necessary thing) he cannot save it and one will be obliged either to exchange it for another useful object or share it with his neighbours, lower chiefs and all the people in his care, and that

money released into circulation. As Sullivan (2003: 621), for instance, has pointed out, it may not be obvious how "globalization" in its current form might differ from "the final privatization of the planetary commons". More importantly, the entire process is highly wealth- and power-centralizing: no matter what happens to the real economy as a result of money creation, the real wealth corresponding to the value of the newly created money is extracted from some *other* members of the monetary space as opposed to being provided by the issuer of the currency, while the real resources corresponding to the repayments of or defaults on money-creating, interest-bearing debt accrue to the issuer of the currency.

> for nothing without any exchange. I know very well now what makes Europeans so selfish – it is money (Finow, Chief of the Tonga Islands, quoted in Williams, 1997: 216–217).

By advocating a fictitious property right – in the sense that none of the contending theories of money appear to explain why a medium of exchange should necessarily modify property rights to real assets in a manner that is more akin to instruments of speculation or power projection – to the monetary infrastructure of exchange itself, the holders of money are effectively attempting to socialize the cost of their insurances or derivative instruments. This conclusion survives any possible conflation of capacity to exchange with production capacity: even when the object of exchange is a productive asset the technical infrastructure for exchange – the monetary medium – is under no obligation to reproduce the physical return that the possession of the real asset could have produced to its initial holder. The holder of the productive asset may exchange it for another productive asset, commodity, derivative instrument or insurance policy through monetized market exchange, but there is no reason why the costs of the unfinished transaction should be socialized by extrapolating the characteristics of the productive asset to the monetary infrastructure of exchange.

It may thus not be an exaggeration to suggest that the conflict between the property rights to real assets and the monetary media – or the medium of exchange and store of value functions of money – is irresolvable in both current and intertemporal contexts: in the former case no actual monetary system may ever attain the perfect and simultaneous fulfillment of the medium of exchange and the store of value functions of money, while in the latter case no comparable conceptual benchmark for the design and evaluation of actual monetary systems may even exist.[51] Yet

51 It is not obvious that the proposals for specifying a commodity basket as a unit of account without guaranteed convertibility (e.g. Greenfield and Yeager, 1983; Yeager and Greenfield, 1989) contain any new insights that would need to be separately addressed. Leaving aside some of the more general questions of feasibility and desirability, whenever barter transactions are mediated by intermediaries charged with the task of producing a unit of account corresponding to the value – not necessarily the content – of a specific commodity basket, several problems are likely to arise. Some of the issues that are most closely associated with the conflict between the medium of exchange and the store of value functions of money may include (1) the mechanisms that are simultaneously supposed to restrict entry to the banking industry and to ensure the equivalence of the value of specific

it may also be difficult to deny that the store of value function of money is conceptually subordinate to its role as a medium of exchange: without exchange, money – or "monetarily" stored value – would not exist. For some this might imply an inherent conflict between economic freedom and a non-commodity-based, non-intrinsically-priced money supply – irrespective of the practical feasibility of implementing an economic system based on pure barter. For others it might suggest that money should include an expiry date: use it or lose it, but do not expect money itself to involve the characteristics of the commodity, insurance, credit, equity or derivative instrument which you should have purchased with the money in the first place.

6.4 Redefining the Politics of Monetized Market Exchange

The irresolvability of the conflict between the medium of exchange and the store of value functions of money thus calls for a redefinition of the primary locus of the political in monetized market exchange. Rather than attempting to conflate specific forms of monetary particularism with economic freedom or respect for property rights on ideological grounds, a proponent of economic freedom – as well as any potential skeptic of the theoretical or practical feasibility of such a concept, however defined – might more appropriately focus on the political implications of economic indeterminacy. The inherent conflict between the different "technical" functions of money and the diverging views on property rights that they entail must be recognized before the gatekeeper function of money to monetized market exchange can be reconciled with any specific normative

privately issued currency units and the value of the underlying commodity basket and (2) the possibility that the settlement medium used between the issuers of value units will start to trade at a premium compared to its intrinsic value – either through its use as a settlement medium between the issuers or as a result of wider circulation as money outside the banking system. In other words, the critical junctions in which the logic of monetized market exchange may diverge from the logic of barter would remain in the differentiated access to the institutions capable of monetizing the value of real assets and the likelihood that a specific settlement medium will challenge the position of the commodity basket as an exclusive unit of account. Both cases are likely to result in a divergence between the intrinsic and the market values of the actual monetary media.

position on property rights or freedom. Furthermore, any potential decision to regard specific forms of property rights violations or incentive structures as "monetary" while dismissing alternative policies or proposals as misguided meddling or worse neglects the inherently arbitrary nature of *any* monetary system – no matter how many self-interested transactions or institutional layers have been involved in the "spontaneous" emergence of the most appropriate monetary gatekeeper to an economy's division of labor. In short, any conceptualization of monetized market exchange is likely to involve irresolvable conflicts between different functions and economic, political and social consequences of money. Economic freedom – to the extent that the concept remains non-oxymoronic – would involve both the negotiation of a universally optimal combination of "technical" functions for money and the recognition that, even with the "optimal" combination of money's "technical" functions and the forms of property rights that they entail, the distributional impact of monetized market exchange remains partly a product of the political choices inherent in the "technical" specifications of money rather than constituting a neutral measure of each individual's economic value to the community.

While it is unlikely that any specific combination of monetary functions will ever be universally recognized as optimal, it may be possible to outline some broad principles that might constitute improvements to the prevailing forms of money according to most publicly professed indicators. One such principle might involve the separation of the capital dimension of money from its core function as a current medium of exchange. In the words of one of the earliest advocates of such conceptual separation, Aristotle, gain through exchange

> is justly censured; for it is unnatural, and a mode by which men gain from one another. The most hated sort, and with the greatest reason, is usury, which makes a gain out of money itself, and not from the natural object of it. For money was intended to be used in exchange, but not to increase at interest. And this term interest, which means the birth of money from money, is applied to the breeding of money because the offspring resembles the parent. Wherefore of all modes of getting wealth this is the most unnatural (1885, book I, part X).

According to one possible interpretation, a conservative version of the corresponding policy reform might involve a requirement for each individual to cover the full cost of the specific functions for which money is demanded through the purchase of real or financial assets with the appropriate characteristics – in a sense, the conversion of monetary value into use value by forcing the holders of money to specify a precise type of "link between the present and the future" in order to optimize the real value of their present money holdings. Depending on the economy's normative preferences for the types of social relations that financial engineering is permitted to foster, any function for which money is demanded can, if needed, be performed by other financial instruments. If, for instance, the intention of the money holder is to speculate on the productivity gains of the economy as a whole, the money might as well be invested in common shares or other forms of securitized claims on the economy's productive enterprises. If the goal is to obtain the same amount of commodities in the future as the individual currently possesses, then the most appropriate form of investment might involve an insurance policy or a futures or options contract. As has been repeatedly noted by various observers since Aristotle, it is not obvious why such functions, among others, should be attached to a *medium of exchange* which acts as a gatekeeper to monetized market exchange – with potentially far-reaching externalities and implications for the form and nature of the economy's division of labor.

As a logical corollary to providing all of the community's preferred monetary functions unrelated to current medium of exchange through the possession of real assets or non-monetary financial instruments, some of the superfluous monetary functions could be eliminated or at least mitigated through a negative rate of return on money. As a result, money would also be made to conform more closely to the entropy and the natural laws of the physical reality that condition the existence of other factors of production. One of the simplest ways to implement such a reform would involve the introduction of a tax or a "demurrage" charge on all forms of money – not for the mere encouragement of enhanced circulation of the monetary medium, but also to deliberately eliminate functions that might more appropriately be performed by something else than money[52]. A negative rate of return is, of course, quite different from a negative incentive to employ money in productive uses: to the extent

52 An appropriate tax rate could also be applied to any specific financial instrument which starts to circulate or act as a substitute for money.

that money would continue to circulate as capital, productive monetary capital might lose less of its nominal value over time than idle capital – the difference constituting return on investment. While money would be deprived of its capacity to permit costless deferment of choice, there would be no necessary impact on the incentive structures for employing money in productive uses.

Finally, any monetary system purporting to approximate a neutral solution to the tradeoff between money's different "technical" functions must involve some mechanism that balances money's gatekeeper function to the economy's division of labor with some guaranteed capacity to monetize the value of real assets for the purposes of multilateral exchange. In the absence of perfect competition between the actual and the latent intrinsically-priced monetary media, such a mechanism might involve either the issuance of money by the transacting parties as mutual credit or the unconditional, egalitarian transfer of newly created monetary media to the members of the monetary space (see Auvinen, 2008).

Nonetheless, no matter what the chosen combination of money's "technical" functions would be, it would clearly constitute only one possible solution to inherently irresolvable conflicts selected for pragmatic rather than technical reasons – to facilitate monetized market exchange amidst the recognition that no neutral "technical" rules for such exchange can ever exist. Once the theoretical indeterminacy of money has been recognized on the input side – the ongoing political and social construction of the monetary system – it may be difficult not to extend similar considerations also to the output side – the outcomes of monetarily mediated multilateral exchange. The markets will continue to deliver their precisely stated verdicts, which will nonetheless be regarded partly as artifacts of the inherently arbitrary technical specifications of money rather than objective and unalterable results of each individual's atomistic competitive efforts in some hypothetical neutral, technocratic or "economic" playing field. The hypocrisy of the presumed innocence of the first distorter would be replaced by universal applicability of the political process: rather than declaring the market mediated gains of whoever has managed to structurally rig the monetary rules of the game in her favor as sacrosanct, both the "pre-market" processes of specifying or "discovering" money and defining the rules of the game and the "post-market" redistribution would be seen as equally political decisions. Redistribution – implying the existence of some neutral criteria of market mediated distribution that are being tampered with through ex post political decisions – would either disappear from the political lexicon or be equally applied to both the pre-market rule-setting processes and the post-market distributional decisions. In short, monetized market exchange would be seen as the humanity's feeble attempt to reconcile its incapacity to create just or efficient rules for social interaction with its failure to achieve just or efficient social outcomes. Finding the right balance between these limitations of social organization – partly through "pre-market" analytical efforts to identify and approximate the characteristics and functions of "neutral" money, partly through "post-market" efforts to mitigate the economic, political and social consequences of the inevitable conceptual and practical failures – is a political rather than technical decision, which does not lose its political character merely due to any potential tendencies to associate specific versions of monetary particularism with economic freedom or respect for property rights on ideological grounds.

6.5 Concluding Remarks

No meaningful notions of economic freedom or property rights may emerge without accounting for the conflicting "technical" functions of money. As a gatekeeper to monetized market exchange and the economy's division of labor, money is unlikely to ever circulate at its intrinsic value. Consequently, property rights can be guaranteed either for real assets or for money, but not for both simultaneously. The focus of any analytical effort aiming to identify the monetary preconditions for any specific variant of economic freedom or property rights should be on the specification process of money's "technical" functions and the forms of property rights and economic interaction that they entail. Nonetheless, as the ongoing process of specifying the monetary rules of the game involves substantial, apparently irresolvable political elements, one may wonder whether the conventional images of procedural efficiency and justice commonly attributed to monetary calculation will eventually give way to more realistic notions of the nature of monetized market exchange. To the extent that economic freedom survives as a valid subject for academic inquiry at all, the term may well ultimately come to refer to freedom from dogmatic interpretations of what should be economically feasible, desirable or "natural", while its current usage as a battle cry for particularist forms of distortions of property rights and freedom will fall into oblivion.

7 Money as Debt: On Endogeneity, Redeemability and the Informational Implications of Centralized Money Creation Powers

It has sometimes been suggested that some of the tradeoffs and contradictions arising from the theoretical indeterminacy of money might be avoided by conceptualizing money always and everywhere as debt: as a voluntary act of intertemporal exchange between mutually consenting parties. As the terms and conditions of every transaction involving the creation, extinction or circulation of money have to be specified in advance in order for mutually beneficial monetized market exchange to take place, the argument would go, monetization merely represents the temporary conversion of relatively illiquid forms of real wealth into more liquid forms, which will be withdrawn from circulation as soon as their purpose in facilitating monetary exchange has been fulfilled and the underlying debts repaid. Consequently, money is viewed primarily as a "flow" variable as opposed to a "stock" variable and the concept of money supply is regarded as largely meaningless.

The conceptualization of money as debt does not resolve the inherent conflict between the different "technical" functions of money outlined in the previous chapter. The tradeoff between the medium of exchange and the store of value functions of money – or the property rights of the holders of real assets, on the one hand, and the monetary media, on the other – is merely relabeled as a conflict between the issuers of "monetary" and "non-monetary" liabilities. Rather than the holders of silver, copper, professional education or any other form of physical or human capital having to agree to any demands or lending proposals made by the holders of the monetary commodity before being able to engage in multilateral exchange – as was argued in the previous chapter – the holders of *all* forms of real assets will have to conform to the conditions set by the issuers of "monetary" debt in order to participate in the community's monetarily mediated division of labor. The suggestion that all money is debt is thus largely meaningless without simultaneous specification of which debts are money – or, in the language of some of the opportunists who attempt to conceal the essentially arbitrary distribution of money creation powers by administrative fiat and the political foundations of money's gatekeeping function by eradicating the entire concept of money from their vocabulary and replacing it with the word debt, which claims are either liquid enough to fulfill some of the traditional functions of "money" in the utopian case of perfect competition among the actual and latent monetary IOUs, or backed by sufficient state power and violence in the more realistic case that it is the state that chooses which forms of liabilities it accepts for tax payments and requires all transacting parties to accept in settlement of debts through legal tender laws.

The notion of money as debt nonetheless does highlight some of the economistic rhetoric that is commonly adopted in heterodox circles – not infrequently to the detriment of a more comprehensive understanding of the economic, political and social issues involved in the social relation of money. Three examples – some widely discussed in the academic literature, others more often privately or anonymously uttered to avoid potentially unmanageable intellectual liabilities – are particularly instructive: the criteria according to which money is commonly classified either as endogenous or exogenous, money-creating interest-bearing debt is deemed to be redeemable, and monetary calculation is believed to provide accurate information for "economic" calculation.

7.1 Endogenous Money, Exogenous Incentives?

Several possible definitions have been proposed for classifying money either as endogenous or exogenous (see e.g. Smithin, 1999). According to perhaps one of the most common definitions, endogenous money entails "a situation in which the monetary base of the economy, measured in terms of its own unit of account, expands and contracts endogenously in response to developments elsewhere in the system, and regardless of the nature of the exchange rate regime" (Smithin, 1999: 1077). Other potential definitions involve, among other things, the variability of the money multiplier between base money and the overall money supply, and an endogenously fluctuating money supply in response to balance of payments developments (ibid.). Despite the virtually endless potential for self-definitional differentiation, relatively stable overall interpretations of the nature of money often emerge among groups of like-minded scholars. According to one such interpretation, for instance:

> there is a large consensus on the fundamental elements of [Post Keynesian] horizontalism: the endogeneity of money in relation to the financial needs of production; the unconstrained ability of banks to meet the financing needs of private agents as long as they are deemed creditworthy by the banks; the exogeneity of the rate of interest, dictated by the policies of the central bank; and the necessity of central banks to meet the needs of the banking system in order to maintain interest rates at their desired level and to guarantee the stability of the banking system in general (Rochon, 2007: 4).

While heterodox authors are often quite explicit about their intention to describe the prevailing power-based, historically specific or governmentally contingent monetary system as opposed to the logical limits of the concept of money, one might expect there to be some kind of a logically derived connection between a specific view on the nature of money and the overall incentive structures in an economy.[53] As Wray (2002: 30) has observed:

> rather than arguing that money is a veil that hides 'real' activity (as Friedman does), one might more accurately argue that money is the 'real' variable that motivates production while the 'real' output that results is a veil that obscures the true purpose of individual decision-making in capitalist production.

53 According to some of the liability-deflecting anonymous or privately delivered feedback on the form of monetary reform proposed later on in this study, the proposed reform is, to use one of the more polite expressions, "unrealistic", as one cannot examine the monetary system in isolation of the entire economic system. If this objection to the proposed reform is widely shared among orthodox economists, this study has clearly achieved its primary objective of pointing out the inherently political nature of any monetary system. If money indeed constitutes a neutral veil of "real" economic phenomena that can freely evolve in response to changing power structures without losing its presumed neutrality, one cannot possibly alter the surrounding economic, political or social realities merely by changing the "technical" specifications of money. If the proposed reform nonetheless manages to meddle with some undisclosed higher purposes that an economic system with a specific form of money is supposed to achieve, one can hardly avoid the intriguing question of the precise criteria according to which the suggested reform interferes with the presumed neutrality of the prevailing and the past monetary systems. One might thus expect the scholars in question either to publish their views on the appropriate criteria for specifying "neutral" money for public scrutiny and debate, or to relinquish all pretense of their capacity to act as gatekeepers of science – which perhaps only the simplest of minds unfamiliar with the perceptual standards of rigorous economic scholarship might think to amount to the same thing.

In other words, the relevant object of inquiry for an economically oriented social scientist is the incentive structures involved in acquiring, spending, saving or investing money rather than "real" assets. As any possible similarity between the monetary and the "real" incentive structures may be purely coincidental, it is the monetary incentive structure that must be extrapolated to other forms of economic interaction for analytical purposes rather than letting the cognitive goodwill produced by the analysis of a barter economy colonize monetary transactions.

Seen from the perspective of economic incentives, the prevailing heterodox criteria for classifying money either as endogenous or exogenous appear curious. Suggestions such as "the monetary base of the economy, measured in terms of its own unit of account, expands and contracts endogenously in response to developments elsewhere in the system" or that the money supply fluctuates "in relation to the financial needs of production" tell nothing about the monetary incentive structures of an economy. How, under what conditions, and by whom money may be issued into circulation are not deemed to be relevant criteria for the classification. Nor is the elaboration of the conceptual justification for interest – not only a potential mechanism for channeling current productivity gains to the holders of financial capital,[54] but also quite simply a tax on an economy's division of labor irrespective of the growth rate – considered to be important. It may be difficult not to question the relevance of "economic" analysis which acknowledges the non-neutrality of money and yet may fail to fully incorporate the effects of the monetarily induced incentives into economic decision-making processes. While a centrally planned tax on an economy's productivity gains and division of labor – an interest rate on money, however defined – for instance, may well achieve its stated objective in regulating the overall quantity of economic activity, any analysis that continues to rely on economic rhetoric would have to both explain the rationale for such drastic deviations from the more familiar competition discourse and to trace the implications on incentive structures throughout the economy. As one observer expressed the shifting analytical priorities that might result from focusing on relevance: "If a realistic explanation of how the world works were the decisive factor in determining the success of an

54 See the debate on a "fair" rate of interest in e.g. Pasinetti (1981), Lavoie and Seccareccia (1999) and Smithin (2007).

analytic theory, economic thought would focus on how property rights in land, natural monopolies and finance obtain the economic surplus and what they do with it" (Hudson, 2008: 2).

In the context of specifying the criteria which define money's endogeneity, increasing relevance might imply shifting the focus as close to each economic decision-maker as possible. Rather than being content with the endogeneity of the money supply as a whole, the focus would be shifted to each economic *transaction*: the relevant unit of analysis would be each economic agent having a valid real claim to monetized market exchange. Whenever any specific transacting party can monetize real assets – either issue or access the required amount of monetary media for the purposes of monetized market exchange – under the same incentive structures as in a barter economy, the money supply would be classified as endogenous. Conversely, whenever the allocation of the monetary media is governed by any other incentive structure except undistorted barter – necessitating the transacting parties to conform to a separate, monetarily induced incentive structure dictated by the holders or the issuers of money – the money supply would be regarded as exogenous to real transactions. By shifting the focus from the money supply as a whole to each real transaction, the proposed classification mechanism would automatically indicate which type of logic applies to the transaction in question. In the case of endogenous money – independently of the related question of whether the concept might remain purely hypothetical – money would be neutral with no impact on incentive structures determined by "real" economic variables. For exogenous money the precise types of deviations from the logic of non-monetary barter exchange would determine the types of adjustments in incentive structures that would have to be undertaken for economic analysis to retain its relevance.

The proposed classification mechanism helps to illuminate the conceptual similarity of the tradeoff between money's different "technical" functions irrespective of whether money is conceptualized as a commodity, debt or something else. Whenever money is conceptualized as debt, the tradeoff between the medium of exchange and the store of value functions of money manifests itself through the socially constructed rules and regulations which conceptually and/or functionally specify certain types of debt claims as money. While any specific transacting party may issue a debt claim for the purposes of monetized multilateral exchange, the acceptance of specific IOUs as money is highly asymmetric. In one extreme, if all debt claims were automatically recognized as money, one might expect banks or partnerships to be established for the sole purpose of issuing monetary IOUs for the payment of taxes.[55] In the other extreme, the socially constructed criteria for conceptually or functionally specifying certain debt claims as money may completely overshadow the non-monetary economic incentive structures: instead of viewing money as a mere neutral facilitator of "real" exchanges, economic agents may respond primarily to the incentive structures inherent in the production and circulation of money rather than real assets. The tradeoff between the different "technical" functions of money is not amenable to simplistic solutions based on the economistic state vs. markets dialectics: neither the state nor the markets can escape from the fact that some forms of debt claims will always have more monetary qualities than others, and the relevant classificatory criteria between different degrees of "moneyness", "liquidity" or whatever label one chooses to adopt will have a profound impact on the overall incentive structures of the economy. Even in a laissez-faire context, the optimal number of private currency issuers may well be one, potentially converting a public monopoly in money into a private one (see e.g. Cooper, 1989). Even in the absence of legal tender laws or concentrated private market power, the government cannot avoid taking sides on the forms of private IOUs that it accepts in payment of taxes or uses for its own outlays. Irrespective of the mental model evoked in an attempt to normatively justify monetary laissez-faire among competing private credit-currencies, the social struggle for issuing or accessing the most "monetary" or "liquid" forms of IOUs on favorable terms is likely to have the familiar consequences of distracting effort from productive activities and significantly modifying the incentive structures inherent in non-monetary barter exchange.

While there may be no theoretical or practical shortcut that could neutralize or objectify the inherently normative and non-neutral rules of monetized market exchange, the inherent tradeoffs and contradictions of money may thus at least be made more transparent by modifying the definition of endogenous money. Nonetheless, as one might expect to

55 This point has been made, in the context of a critique of a proposal for monetary reform that has perhaps quite inappropriately been labeled "a laissez-faire approach to monetary stability" (Greenfield and Yeager, 1983), by e.g. Cooper (1989).

be the case when a socially constructed accounting logic overtakes the natural laws of the physical reality as a relevant standard for governing life and livelihood, whoever chooses to pursue this objective will undoubtedly have to do so "according to their own lights" (Beck, 1995: 5), with a full understanding that "[t]o the extent that theories justify or criticize specific policies, they affect the vested interests" and that "the most relevant explanatory tools do not necessarily win out in the intellectual struggle for existence" (Hudson, 2008: 1).

7.2 Repayability through recycling?

Another controversial interpretation sometimes associated with the notion of money as debt – perhaps more commonly uttered in private or anonymous contexts to express disgust at the interlocutor's presumed naiveté behind the privilege-preserving safeguards of intellectual unaccountability – involves the proposition that since all money may be conceived of as debt and a given face value of money may in certain circumstances clear an unlimited number of transactions, money-creating interest-bearing debt should never be regarded as unrepayable. In other words, this view rarely questions the fact that whenever money is issued into circulation against interest-bearing debt, the amount of money in circulation will at any given point in time be insufficient to permit the simultaneous monetary settlement of all such money-creating interest-bearing debt. Instead, it is the monopoly issuer's willingness to accept other forms of settlement – whether real assets, labor input, monetary or near-money instruments issued by private parties or something else – which presumably renders such concerns redundant.[56] To put the argument in a more simplistic and provocative form: it presumably does not matter that the monetary monopolist essentially owns and controls

56 Due to the wide variety of competing conceptualizations of the nature of money, the terminology is inevitably potentially confusing. At the risk of oversimplification, what is meant by monopoly issuer here might be conceived of as the issuer of legal tender: the party who has the power to either define what economic agents must accept in settlement of debts or specify the type of claim that can be used in the payment of taxes, irrespective of any other forms of monetary or near-money financial instruments that may be created by other public or private actors.

the entire money supply and governs the community's livelihood, as the monopolist has been entrusted with the task – or in any case has often enough been observed to be in the habit of – introducing "sufficient" monetary media into circulation. The practical feasibility of such a normative – albeit technically incorrect – logic may be hard to deny. After all, if a community determines to give control of its money supply to a specific institutional structure which may be in the habit of spending or lending money into circulation according to its own – or perhaps "independent" – priorities, it may be difficult to deny the functionality of such a system to the extent that the predictable wealth- and power-centralizing social implications are deemed to be normatively desirable. Nonetheless, to suggest that the money-creating, interest-bearing debt that may be involved in such a system is repayable or redeemable is nonsense that conflates features of a monetary economy with those of a barter economy.

By definition, debt which cannot be repaid without discretionary concessions is in default. Money-creating interest-bearing debt specifies an amount to be repaid *in units of currency*: it is not labor input or real assets that the borrower is supposed to deliver to discharge her obligation, but abstract units of value with an uncertain conversion rate into real assets. If a specific amount of labor input or real assets were ex ante deemed to be good for redemption, it is debatable whether the debt in question would still be monetary in nature as a specific real return would have been agreed on a specific initial outlay of real goods or services. One of the central questions of social scientific analysis on money – who has the power to issue money and under what conditions – remains thus highly relevant in assessing the redeemability of money-creating interest-bearing debt. As long as the capacity to issue money is centralized, money-creating interest-bearing debt is unrepayable regardless of the community's debt servicing capacity in real terms. Monetary debt – debt that is issued by an entity which does not itself hold or produce any real goods or services to "back" the value of such currency, according to one possible definition – cannot be repaid with real goods. "Redemption" of monetary debt with real goods or services constitutes default – the negotiation of an amount of real assets which may be offered by the borrower instead of or in order to obtain the sum of money specified in the debt contract. "Redemption" of monetary debt with newly issued or "recycled" money, in turn, merely replaces the typical accounting procedures associated with default – repossession of collateral, possibly involving some or all of the debtor's future labor power – with an arrangement whereby new liabilities are issued into circulation quite possibly against the same collateral in order to repay the original debt. In other words, instead of foreclosing the collateral – and thus potentially running into the legal problems of how to repossess the debtor's future labor power without overly obvious forms of slavery – servitude is facilitated by the issuance of newly created monetary IOUs into circulation. Perhaps the simplest indication of whether a debt is in fact repaid involves what might be called a walk away test: if debt has been settled once and for all, the former debtor is able to walk away from the former creditor with no additional conditions attached during the repayment process. This is clearly not what is happening in the "repayability through recycling" narratives: as a result of each additional "repayment" financed with money-creating interest-bearing debt, the members of the monetary space collectively will be in ever deeper servitude to the monetary authority and the private entities of its choice.

To illustrate the difference between monetary repayment of debt and default through transfer of real assets, it is instructive to provide an example – perhaps kind enough to provide ample opportunities for one sort of potential critic to dismiss its substantive content with a wide spectrum of irrelevancies – for expository reasons. Suppose that there are only two individuals in planet earth: X owns the entire planet, Y initially owns nothing but her labor power and the capacity to issue all money on earth against interest-bearing debt. X borrows one dollar from Y at an interest rate of one percent, perhaps to facilitate the monetary payment of the part of Y's wages that exceeds physical subsistence requirements. As the debt falls due, it is clear that in the absence of discretionary concessions on the part of Y, X will be in breach of her contract: the amount to be repaid is $1.01, while the amount of money in circulation – the theoretical maximum that X might have been able to gather through all conceivable means in the absence of discretionary "recycling" on the part of Y – is $1.00. It makes little sense to claim that the missing cent will be "repaid" with real assets or labor input. The debt contract is in default and it is completely up to Y to set the conditions for relending or spending the amount needed by X into circulation: if Y so wishes, she might demand the entire planet from X in settlement of the breached contract – quite possibly for the nominal monetary value of one cent. It is, of course, quite another matter whether Y will in fact decide to set transparently absurd conditions for X to "repay" her debt: X's enslavement to Y's demands is perpetual as long as debt contracts are honored, and any requirements perceived as excessive by X might merely threaten the long-term political viability of the newly discovered monetary mechanism of governance.

One may wish that some of the economically oriented social scientists – not exactly renowned for discarding theoretical models on the slightest suspicion of the relevance of their underlying assumptions, let alone for refraining from giving policy advice based on such models – would apply the same standards of relevance and rigor to their own work as has sometimes been directed at some variants of the aforementioned thought experiment. As long as money is issued against interest-bearing debt, no amount of monetary "recycling" for whatever reason between X and Y – however X and Y may be redefined to increase the number of individuals or institutions involved – can challenge the fact that the money-creating interest-bearing debt remains unrepayable. Any potential appeal to the "sameness" of the money that is paid to the issuer of the currency in settlement of money-creating interest-bearing debt and the money which the issuer subsequently may or may not introduce "back" into circulation with the conditions and distributional patterns of its choice in no way alters the nature of the default. Irrespective of whether the issuer chooses to extract real resources by introducing the "same" money "back" into circulation – perhaps in an attempt to preserve the illusion that the original money-creating interest-bearing debt was in fact repayable – or by outright repossession of the collateral for money-creating interest-bearing debt, the borrowers as a group never had a chance to settle their debt with the monetary media that originally were in circulation. In other words, the debtors collectively never had and never will have a chance to walk away from their creditors in the absence of monetary reform.[57] While the

57 This is perhaps one of the simplest illustrations of the governmental significance of the prevailing forms of money. If money indeed were a mere neutral intermediary between diverging intertemporal consumption preferences, it would at least in theory be possible for the members of the monetary space to collectively liberate themselves from debt servitude by rendering money redundant through a complete harmonization of their intertemporal consumption preferences. Yet, in the absence of debt write-offs, the collective liabilities

expropriation of real resources in the latter case is obvious, in the former case the conditions and distributional patterns for the money that is issued "back" into circulation assume the function of rescheduling unrepayable debt by real resource transfers. It may be possible to mitigate the wealth- and power-centralizing social impact of the monetary incentive structures through other economic, political or social mechanisms. It may perhaps even be possible to defend the presumed optimality of the prevailing monetary system by transparently justifying the alleged desirability of its economic, political and social outcomes. Nonetheless, it would not appear to be possible to claim that money-creating interest-bearing debt is repayable without creatively expanding the suggested meaning of the word "repayment" into functions that have more traditionally been associated with default.

Any potential act of semantic entrepreneurship – the innovation of techniques to frame substantive social conflicts in terms of semantic misunderstandings in an attempt to rationalize controversial social practices – which attempts to conflate repayability with specific institutionalized default settlement procedures tends to overlook the fact that there may be only two basic ways to conceptualize the circulation of money, neither of which appears to justify the forms of monetary power currently exercised by central banks and the banking system in general on purely "economic" grounds. Money may either be conceptualized as a physical or a symbolic object issued by some form(s) of concentrated power, giving rise to a money supply that must at any given point in time circulate in one form or another in the economy to maintain its division of labor, or as a pure abstract social relation of (mutual) credit – implying that money is issued and destroyed by the transacting parties without the need to resort to a pre-existing, exogenous money supply. In the former case, perhaps the most flagrant economic double standard involves the common failure to point out the wealth- and power-centralizing implications of outsourcing the power to issue money against interest-bearing debt to a central authority or the public or private institutions

of the members of the monetary space continue to compound exponentially regardless of intertemporal consumption preferences. Under such circumstances it may be small wonder that activities associated with manipulating the incidence of the gains and losses arising from such structural "debt pollution" (Hudson, 1998) – particularly financial and legal services under the support of the political authorities – may completely overshadow both productive economic activities and attempts at social reform.

of its choice. The issuer of the currency provides no other "economic" service to the community except creating the physical or symbolic media which the rest of the community may use – and must accept according to legal tender laws – as a socially constructed accounting system to keep track of their indebtedness to each other and to the issuer of the currency. The price of such an outsourcing decision for much of the community may be perpetual enslavement to the demands of the central monetary authority: as most of the economic rent may be capitalized and extracted through the banking system, it may be the social struggle for control over the monetary system rather than any intrinsically productive activity which determines each individual's relative standing in the structural social hierarchy imposed by effectively unrepayable money-creating interest-bearing debt and the economy's structural dependence on discretionary concessions from the issuer of the currency.[58] It may be difficult to see how central banks or the banking system in general could have any legitimate discretionary role in the issuance of currency – particularly against interest-bearing debt. Discretion breeds corruption by potentially rendering the manipulation of the money-creation and circulation processes more profitable than real economic activity. One possible solution to overcome the risks, inefficiencies and allocational injustices posed by central banking and the associated privatized rent-extracting agencies in the banking sector would be to distribute all newly-issued money debt- and interest-free to every member of the community (see chapter 10).

In the latter case – essentially a mutual credit based currency system – the central bank, the banking system in general, the government, or any other external authority would by definition not have any direct role in the issuance and destruction of the monetary media by the transacting parties. While some forms of rules for creditworthiness – or for managing the inherent conflict between the medium of exchange and the store of value functions of money – might have to be enforced to verify the issuers' capacity and intention to repay, such rules would be agreed upon among

58 Although the relative importance of interest-bearing debt as a method of extracting economic rent has fluctuated historically (or governmentally, depending on one's perspective), it may not be an exaggeration to claim that interest-bearing debt is currently the overwhelmingly dominant method. In the words of Hudson (2008: 20), for instance: "Today, creditors have become the ultimate recipients of the economy's rental revenue."

the transacting parties or the members of the monetary space collectively as opposed to being imposed by a central authority as a means for the self-aggrandizement of its power. As no money would ever come into existence without a commitment from the issuer to provide real goods or services in return of her IOUs – presumably no single issuer could indefinitely avoid personal redemption of one's credit notes by extracting the corresponding value from other members of the monetary space as may be the case in some of the more centralized forms of monetary systems – it might finally start to make sense to speak of "repaying" one's debts with real goods or services. As the monetary and the credit values of the monetary IOUs would be equal by definition, the returning of the original monetary IOU to its issuer – or the corresponding adjustment of the appropriate bookkeeping entries – in exchange of real goods or services would indeed constitute fulfillment of contract rather than the coercive renegotiation of monetary debt in default. While some of the implications of a global mutual credit based currency system on privacy and thus potentially also for the centralization of power may be problematic, there may be plenty of room for creativity in constructing a mutual credit based alternative to the current monetary system which both respects privacy and tailors the number, nature and the scale of monetary institutions according to the local preferences.

It is this distinction between centrally provided credit and decentralized or mutual credit that often becomes blurred in apologist accounts of the prevailing monetary system. Whenever a central monetary authority or the private entities of its choice hold monopoly for money creation against interest-bearing debt, one might expect enough currency to be created in the process to facilitate the repayment of both the outstanding loan principal and interest. The proponents of the semantic engineering to conflate recycling with repayment often make an unwarranted conceptual leap from a monetary economy into a barter economy when it comes to the repayment of the portion of money-creating interest-bearing debt which cannot be repaid with the prevailing amounts of currency in circulation. While a publicly professed objective of the central monetary authority and the private entities of its choice may be the provision of sufficient media of exchange to facilitate monetized market exchange and thereby to maintain or to expand the economy's division of labor, a collective repayment of debts to the monetary authority itself would curiously enough require partial payment in kind due to the relative scarcity of money in relation to money-creating interest-bearing debt.

One of the attractions of the repayability through recycling narrative is undoubtedly its capacity to divert attention from the potential absence of any legitimate claim on the part of the central monetary authority or the public or private entities of its choice to the economic rent extracted through money-creating interest-bearing debt. When attention is focused on the technical feasibility of debt repayment by labeling institutionalized forms of default – the forced settlement of monetary claims through payments in kind due to the relative scarcity of money in relation to money-creating interest-bearing debt – as "recycling" or "repayment", potentially a far more significant issue – the economic rent accruing to the central monetary authority and the public or private entities of its choice – may escape analytical attention. It is far from clear why such an extra-economic – in the sense of its radical departure from the conventional competition discourse and other dominant views on how the "economic" reality is supposed to operate – rent-extracting mechanism should exist based on the hegemonic explanatory models for the prevailing economic, political and social realities.

7.3 The Impact of Centralized Money Issuing Powers on the Informational Content of Monetary Calculation

A final point on the economistic rhetoric commonly adopted to the detriment of a more comprehensive understanding of money concerns the informational implications of centralized money issuing powers. Intuitively the connection is simple: as monetized market exchange is supposed to aggregate "knowledge dispersed among and accessible only to thousands or millions of separate individuals" (Hayek, 1978: 76), one might expect to find an inverse relationship between the price tag of participating in monetized market exchange and the informational content on relative factor scarcities reflected in the relative price structure. Consequently, disparities between the incentive structures for monetary and barter exchange or extreme income and wealth disparities in general deprive the relative price structure of the informational content that is a precondition for effective fulfillment of the market's function as a discovery procedure.

Once again, a properly provocative example will illustrate the point. Let us imagine a community where one person, X, initially owns all wealth, while the rest of its six billion inhabitants enjoy the emancipatory power of "free" markets and private property rights without the mental burden of material possessions. No serious interdisciplinary debate is likely to emerge on who is in charge. As a rational *homo economicus*, X expresses his preferences through the market mechanism whenever convenient and resorts to a spectrum of extra-economic means of persuasion and coercion whenever they provide a higher expected return for a unit of effort. Through economic and political channels of influence X is able to dictate virtually any relative price structure. X may decide to price all resources at extraction cost, subsidize productive activities through an unlimited supply of free pollution permits, enact legal tender laws that make contracts unenforceable unless settled in a currency borrowed from X and restrict labor market competition in the highest income groups while enthusiastically endorsing laissez-faire for the majority of the population. According to a conventional line of reasoning it would be a grave misrepresentation of the actual state of affairs to regard any of X's actions as dictatorial. X has simply adopted one out of a potentially infinite number of possible normative positions to plan for competition, while "the impersonal and anonymous mechanism of the market" and the "spontaneous forces of society" (Hayek, 1944: 15, 13) produce a happy congruence of interests that leads to allocative efficiency. The economy is producing an optimal mix of goods and services as determined by all those that matter economically and no-one could be made better off without making someone else worse off. According to conventional wisdom X could have become the sole producer only by being voted into such position by consumers through the market mechanism. For the sake of the skeptics X could also set up hundreds of smaller enterprises, each ostensibly too small to influence the price mechanism alone, to achieve the same objectives. After all, under the prevailing conditions there is no authority – public or private, centralized or decentralized – that would have both the means and the motive to challenge X's claim of competitive pricing, and perhaps enterprising scholars from the proverbial Parris

Island[59] would have long since proven such considerations to be superfluous anyway. If the intellectual industry indeed was entirely immune to the mental guidance of material incentives, it would provide a fascinating case study for the implementation of planning for competition elsewhere in the economy. X can continue to dictate virtually any relative price structure until some external constraint – ecological, social, political or something else – forces the relative price structure back to the objective physical reality. At this point of time the physical reality may have already been transformed beyond recognition with no reliable measure for the precise extent of the damage.

At least two relevant considerations arise from the story. First, in general, it is hardly appropriate to consider allocative efficiency in isolation of the distributional patterns for income and wealth, even within disciplinary boundaries that could provide ample intellectual cover for ignoring foreseeable problems that can plausibly be regarded as falling within some other field of intellectual inquiry. Not only do relative price structures generate certain distributional patterns, but distributional patterns also shape the relative price structures through the generation of concentrated economic power that is conducive to the emergence of market imperfections and informational inefficiencies. In any community with extreme income and wealth disparities, the poor majority may have ample evidence of anticompetitive practices, wasteful production methods, negative externalities or the uneconomic nature of further increases in resource throughput, yet the inequitable income and wealth distribution prevents this information from being registered in the price

59 It was the 1973 "Nobel" Laureate in Economics – the arguably misnamed Bank of Sweden prize – Wassily Leontief, who observed that "Page after page of professional economic journals are filled with mathematical formulas leading the reader from sets of more or less plausible but entirely arbitrary assumptions to precisely stated but irrelevant theoretical conclusions. … How long will researchers working in adjoining fields, such as demography, sociology, and political science on the one hand and ecology, biology, health sciences, engineering, and other applied physical sciences on the other, abstain from expressing serious concern about the state of stable, stationary equilibrium and the splendid isolation in which academic economics now finds itself? … The methods used to maintain intellectual discipline in this country's most influential economics departments can occasionally remind one of those employed by the Marines to maintain discipline on Parris Island" (Leontief, 1982: 104, 107).

mechanism.[60] Consequently, the interests, opinions and informational biases of a disproportionately small group of economic actors may shape the supposedly efficiency-seeking relative price system more than the "knowledge dispersed among and accessible only to thousands or millions of separate individuals" that would have to be incorporated into any information system aiming to achieve "economic efficiency".

A popular normative view also suggests that it does not matter whether X is a single person, a class, an empire or any other subset of the economy's six billion inhabitants. Each and all of the six billion inhabitants has economic information that no central authority can expect to obtain and process that could contribute to the price mechanism's closer approximation of the economy's actual physical circumstances and objective relative scarcities, yet it is far from universally recognized that the distribution of income and wealth as well as political power may affect the informational content of prices and hence the capacity for "economic" calculation. The allocative equilibrium achieved by X the individual is often considered to be equally efficient as equilibria based on larger samples of the economic knowledge base, while the conceptual purity of the market mechanism as a source of procedural efficiency and justice is preserved by externalizing any foreseeable political, ecological or social consequences to "researchers working in adjoining fields".

Second, and more specifically related to money, any discrepancy between the incentive structures for obtaining the monetary media and those inherent in barter exchange will be reflected also in the

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60 This is not, of course, an entirely new idea. Karl Polanyi, for instance, wrote in reference to the nineteenth-century Britain, that

> the trading classes had no organ to sense the dangers involved in the exploitation of the physical strength of the worker, the destruction of family life, the devastation of neighborhoods, the denudation of forests, the pollution of rivers, the deterioration of craft standards, the disruption of folkways, and the general degradation of existence including housing and arts, as well as the innumerable forms of private and public life that do not affect profits (1957: 133).

There is far more at stake here than the mere distribution of wealth in an economic system that could be plausibly claimed to be operating efficiently, or the familiar pseudo-problem – in the sense that it is far from clear that the prevailing economic system would survive if effort rather than rhetoric was dedicated to solving the problem – of internalizing externalities: an "organ to sense" neatly captures the *lack of information* that is a direct result of the failure of markets as information systems.

informational content of the relative price structure. In other words, the terms and conditions for obtaining the gatekeeper for monetized market exchange – the monetary media – will have an effect on which information will be incorporated into the relative price structure. In the hypothetical case of a monetary system that permits all real claims to monetized market exchange to be monetized under precisely the same incentive structures as in multilateral barter, the monetary system would not prevent any relevant information from being incorporated into the relative price structure: while income and wealth disparities would still filter out some relevant information from the relative price structure, the monetary system might not exercise any independent influence on prices. In any actual monetary system, in contrast, the gatekeeper role of money combined with the inherent conflict between the medium of exchange and the store of value functions of money are likely to produce additional informational distortions.

In the prevailing monetary system such distortions manifest themselves partly through the necessity to pay interest merely for "issuing" or accessing the monetary media. As was noted in the previous chapter in the context of a commodity-based currency system, there is no technical reason why the holders of real assets – valid claims to monetized market exchange in real terms – should agree to any conditions or lending proposals made by the holders or the issuers of money merely to be able to engage in monetized market exchange. The centralization of the money issuing powers to the banking system which permits the issuers and the holders of money to extract the value of productivity increases through money's gatekeeper function thus also restricts the amount of information that can be incorporated into the relative price structure. On the one hand, some real claims to monetized market exchange fail to take place due to the scarcity of a monetary scorekeeping system that could be employed without the incentive-distorting royalty payments to the issuers or the holders of money. Consequently, the potential informational content from these uncompleted transactions may not register in or may be distorted by the monetary information system. On the other hand, the entire price structure of the economy will reflect the (potentially asymmetric) costs of obtaining the gatekeeper medium for monetized market exchange. The impact of these informational inefficiencies could be mitigated – albeit perhaps never completely rectified in a monetary economy – either by distributing all newly created money debt- and interest-free to the members of the monetary space or decentralizing the money-issuing powers to the members of each transaction where money is needed. Both alternatives are discussed in more detail elsewhere in this study.

The argument that is being advanced in this section is thus not concerned with the common criticism that markets only cater for the needs of the rich, but with the impossibility of efficient "economic" calculation in the absence of accurate relative prices. The efficiency-based argument for a more equal distribution of wealth and income has nothing to do with equity, justice, or the wants of the people per se. Incidentally, a redistribution of purchasing power from X the individual to a larger sample of the economic knowledge base would allow more people to satisfy their basic wants, but for the efficiency-based justification of such redistribution all that matters is that through the redistribution of production and consumption possibilities the relative price structure is likely to more closely approximate the economy's objective relative factor scarcities. Distribution – of both income and wealth as well as the power to issue or access money – matters for getting the prices right. The more unequal the distribution of income and wealth, the larger one might expect the price distortions emanating from imperfect information to be. While markets can produce an equilibrium allocation for any distribution of income and wealth, not all such equilibria are equally efficient in terms of the information content that is reflected in the relative prices. The claim of markets as efficient aggregators of dispersed information rests solely on the notion of markets as efficient information systems. An information system's failure to reflect relevant knowledge is not only a matter of equity or justice. It is also a matter of efficiency.

7.4 Complexity as a Political Strategy: The Cases of Semantic Traps and All or Nothing Cognitive Gatekeepers

As John Kenneth Galbraith (1975) observed, complexity is often used to conceal the true nature of monetary affairs. Although not all potential appropriations of monetary complexity to the service of particularistic political strategies are situated within the theoretical framework of money as debt, this chapter provides perhaps the most appropriate context for analyzing some of the techniques which may sometimes be used to suppress legitimate discussion and criticism. Of the potentially infinite variety of techniques through which complexity can be used to disguise the types of social relations embodied in a monetary system, two deserve particular scrutiny due to their prevalence and potential effectiveness in silencing legitimate criticism: the construction of semantic traps to facilitate the illusion that the substance of the inquirer's concern has been addressed and the promotion of an ostensibly technocratic all-or-nothing approach as a cognitive gatekeeper to legitimate criticism.

Semantic traps are often transparently misleading, constituting populist attempts to prevent or to slow down the contagion of undesirable ideas or worldviews among individuals who may lack the personal capacity or inclination to research monetary affairs. For instance, it has sometimes been suggested that the common criticism of the alleged necessity of the money supply to grow exponentially in the long term if money-creating interest-bearing debt is to be repaid is misguided, as such growth is technically not necessary at any given point in time. To see whether the substance of the potential critic's argument has indeed been addressed by resorting to the technical feasibility of alternative outcomes, it is instructive to break the argument into two interrelated parts: (1) Is there a tendency for liabilities to grow exponentially under the prevailing monetary system? and (2) If yes, to what extent do the counterparts to the expanding liabilities in double entry bookkeeping either constitute money or influence the pace of money creation?

In response to the first question, under normal circumstances the liabilities against which money has been created are growing exponentially according to the principle of compound interest. Technically it is possible for a population willing to incur lowering living standards to let the money supply and potentially also the corresponding money-creating interest-bearing liabilities diminish for prolonged periods, albeit the possibilities for reducing the total amount of the exponentially compounding money-creating interest-bearing liabilities merely by refusing to incur additional money-creating interest-bearing debt would clearly appear to be limited. Technically virtually any alternative outcome to the spontaneous growth of liabilities might also be attained through deliberate debt cancellations. It would nonetheless appear to be quite appropriate to suggest that inbuilt tendencies for exponential growth of liabilities – outpacing real growth with the familiar economic, political and social consequences (see e.g. Hudson, 2007) – do indeed exist as a matter of pure mathematical necessity based on the principle of compound interest. It is worth pointing out that for any potential critic of the presumed unsustainability of the prevailing monetary system – or perhaps more accurately its economic, political, social, environmental etc. implications – a relevant point has already been made at this stage: there would appear to be no need to expand the analysis from the exponential growth of debt into the exponential growth of money, where the substantially larger degrees of freedom for defining money are easier to use for opportunistic deflection of attention from the substance of the argument. It is perhaps also appropriate to note that the exponential growth of liabilities is not the only source of economic, political and social polarization under the prevailing forms of money: even in the hypothetical case of credit creation and withdrawal being precisely equal, the monetary system would continue to be both wealth- and power-centralizing as it would still be the commercial banking system through which the decisions on whether, how much, and to whom money may be allocated through credit creation, investment of accumulated "reserves", dividend payments, or some other method of the banks' choice would be made. In other words, even in the absence of exponential growth of liabilities, the economy as a whole would still have to pay a tribute to the banking system just to obtain access to an accounting system that can facilitate multilateral exchange of the existing real capital.

In response to the second question, perhaps the most appropriate answer involves posing a series of further questions: if the money supply does not exhibit similar tendencies for exponential growth as money-creating interest-bearing debt, to what extent is the existing debt compounding without creating new money – thus accelerating the centralization of wealth and power through the financial sector? Under what conditions and to what extent may the counterpart to money-creating interest-bearing debt be classified as something else than money? How appropriate are definitions of money which may permit a significant divergence to emerge between the money supply and debt that is monetary in its origins? To what extent may the answers to any of the aforementioned questions depend on the community's normative attitudes towards perpetual debt slavery – the extent to which the community as a whole may either passively accept the exponential growth of liabilities or actively attempt to obtain all money that can technically be made available for a collective attempt to liberate itself once and for all from its servitude to the banking system through the repayment of all outstanding liabilities? A university instructor might capture the essence of some of these points by the following exam question for a sociology or a political economy class: "You have been given a monopoly to issue money against interest-bearing debt. What definition(s) of money, debt and interest should you promote in economics textbooks to conceal your monetary powers to the greatest possible extent? For each part of you answer, explain whether you are being intellectually dishonest and why?"

While it is up to the reader to select an appropriate definition for money when judging the veracity of the contending knowledge claims on the nature of the prevailing monetary arrangements, the walk away test introduced in section 7.2 may leave less room for normative considerations. Assuming that the community as a whole wishes to terminate its servitude to the banking system and to replace the prevailing forms of debt slavery with an alternative accounting system for economic interaction, the exponential growth of money-creating interest-bearing debt does impose a corresponding growth requirement for the institutionalized default settlement procedures sometimes referred to as "recycling" money through the issuer: the exponentially expanding liabilities express at any given point in time the total cumulative monetary value that the members of the monetary space must deliver to the issuer of the currency through the repossession of collateral – whether physical assets or the debtors' future labor power – in order to be able to settle their monetary debt once and for all and to walk away from the creditors. In other words, seen from the perspective of potential collective liberation from debt servitude, the growth of money-creating interest-bearing debt does produce a requirement for a corresponding increase in debt-free money supply – no matter how technically infeasible such a requirement may be whenever newly created money or money that is "recycled" "back" into the economy is also issued against interest-bearing debt and it is entirely up to the issuers of the currency to decide whether to accept any specific collateral to settle unrepayable debt once and for all. At the risk of tormenting the reader with obvious redundancies: the alleged capacity of any given nominal value of money to clear an unlimited number of transactions does not apply to the repayment of money-creating interest-bearing debt. Once money is returned to its issuer, the members of the monetary space will have to agree to whatever conditions the issuer chooses to set for issuing or "recycling" additional repayment capacity in the form of monetary IOUs. The fact that such monetary IOUs are also likely to be issued against interest-bearing debt diminishes rather than enhances the capacity of the members of the monetary space collectively to walk away from their debt servitude and to institute alternative payment mechanisms or scorekeeping systems for economic interaction.

For those who dislike any potential implicit convolution of the spontaneously expanding counterpart to credit in double entry bookkeeping with the exponential growth of money to a greater extent than what might be indicated by economistic definitions of money,[61] perhaps a more appropriate reference point to analyze the logic of some of

61 Some economically oriented social scientists take great pleasure in hindering a more comprehensive understanding of the nature of money by adopting an unambiguous definition of money as the sum of specific types of liabilities of the government or the banking system. To illustrate some of the problems with such an approach, suppose that the government were to distribute to its favored interests a given number of machines which can be used to print one 500 euro note each day in perpetuity. According to most economistic definitions, money could only be created either by actually using any one of such machines to print a note or by pledging them as collaterals for credit creation through the banking system. Does this mean that the number of such machines circulating in the economy is irrelevant for the definition or the measurement of money as long as they are not being used for either one of these purposes? Does it not matter whether the amount of non-money-creating securitized claims potentially created on top of the collateral provided by these machines is 1% or 1,000,000% of the money supply? Such securitized claims unquestionably have the theoretical capacity to act as reliable stores of value in terms of the chosen monetary unit of account and as media of exchange through a number of potential routes – whether through exchange into monetary IOU's or the repossession of the collateral to start up the printing press. What proportion of the potential medium of exchange or store of value functions of money may be stored outside the monetary system in financial capital or debt instruments classified as something else than money according to the prevailing economistic definitions before the conceptual separation between money and other forms of financial capital starts to lose its relevance for policy purposes? While it is far from clear that analyzing money and other forms of financial capital in isolation of each other is either desirable or feasible, the analytical importance of this distinction should perhaps not be overstated. As often appears to be the case in monetary analysis, the most significant issues of contention may be found in areas where relatively little debate is taking place – in this case the long term implications

the prevailing forms of money might involve the rat in the running wheel analogy. At any given point in time accrued interest on money-creating interest-bearing debt approximates the amount of debt free money that the economy as a whole might need in order to terminate its servitude to the banking system once and for all through the simultaneous repayment of all outstanding liabilities and to construct an alternative accounting system to facilitate its division of labor and potentially a wide range of other objectives. Yet there may be no debt free money available: every attempt by the economy as a whole to obtain the missing amount by incurring additional interest-bearing debt will merely deepen its servitude to the banking system. Not entirely unlike the rat in the running wheel facing the choice between a slow death at its current running pace and speeding up to get there faster, the majority of the members of any given monetary space can choose between fading away slowly as their real assets are being repossessed and productivity gains extracted by the financial system and having a brief glimpse of illusory opulence by speeding up the build-up and the eventual burst of the credit bubble. Given the conventional assumptions on human motivations, how many economically oriented social scientists can claim that no inbuilt tendencies for growth – of debt, money, or whatever the relevant variable may be for keeping one's own funeral party going until it is time to start fitting the coffin – exist?

Any potential appeals to the aforementioned semantic trap may thus effectively amount to a request for any potential critic to reformulate her point along the following lines: if the majority of the population wants to maintain or to increase its living standards, a money supply consisting primarily of the monetary counterpart of bank-created interest-bearing debt must, on average, grow within any prolonged period of observation, provided that the selected definition of money does not allow the entire increase in the counterpart to the exponentially expanding interest-bearing debt to be classified as something else than money and that the majority of the population continues to view deepening debt servitude as the only viable strategy to pursue higher living standards or some other relevant objectives. This is, of course, quite different from saying that no inbuilt, economically, politically and socially polarizing tendencies for either credit or money supply growth exist under the prevailing socially

of compound interest irrespective of the part of the exponentially increasing counterpart to debt that may be classified as money.

constructed specifications of money, which may sometimes be implied by individuals who cultivate such semantic traps to silence criticism.[62]

In contrast to the semantic traps, the all or nothing cognitive gatekeepers for legitimate criticism are often evoked in an attempt to delegitimize the work of relatively self-motivated and persistent critics of the prevailing monetary arrangements. While the essence of the argument – the "if you are going to criticize the system you might as well do it correctly"-part of the statement – has a point, the implications of the tendency to evoke the argument to provoke self-censorship rather than genuine learning or logical consistency are troubling. The implicit suggestion that anyone without equal or greater expertise in monetary affairs than individuals who obtain their living from the management or manipulation of the system should refrain from any form of substantial critique has three main problems. First, any possible misunderstanding of a specific aspect of the prevailing monetary system does not invalidate criticism targeted at other elements of the system – sometimes not even the substance of the critique targeted at the misunderstood aspect.

Second, as a public institution imposed upon virtually every individual in a modern society, the burden of proof for the alleged desirability of the

62 The lengths to which some of the apologetic accounts of the prevailing forms of money are willing to go to defend the status quo might give an indication of the extent to which complexity may be replaced with unchallengeable simplicity as a political strategy whenever the conventional usage of the average intellect might produce undesirable patterns of thought. According to one apologist interpretation, it is futile to contemplate upon the conditions for liberating the economy as a whole from its debt servitude to the banking system through the repayment of all outstanding liabilities, as the economy will always need money and thus presumably also unrepayable interest-bearing debt and the forms of servitude that they entail. Following the same logic, a polity should presumably never attempt to analyze the theoretical conditions under which a corrupt dictator might be replaced, as some forms of political institutions are always needed and such capacities for political organization would presumably be lost if the prevailing Dear Leader were to go. Instrumental rhetoric notwithstanding, in both cases it is quite appropriate to inquire into the political and economic conditions which perpetuate the reign of the respective power structures and to contemplate upon the various theoretical possibilities for replacement, particularly when the respective institutional logics suppress the possibility of spontaneous transformation. Whether such institutional structures should indeed be replaced is another matter, but any potential suggestion that thought experiments which do not presuppose the analytical primacy and the perpetual reign of the prevailing Dear Leader – whether of the monetary or the political variety – are somehow beyond the bounds of legitimate or conceptually feasible analysis should hardly be taken seriously by social scientists who are committed to the pursuit of non-instrumental variants of truth.

prevailing forms of money rests on the primary beneficiaries – the "lock-in between the political, legal, banking and institutionalized monetary system". Rather than seeking easily addressable substantive or semantic misunderstandings and strawmanning the entire spectrum of criticism as belonging to the same categories, it would be the task of the primary beneficiaries to open the books of the entire monetary system from central banks and treasuries to the commercial credit creation to public scrutiny and explain the functioning of the system by transparently tracing each specific form of money from the moment of its creation to its extinction or withdrawal from circulation. If any discrepancies were found between the explanations and the actual creation and flow of funds, it would be the public official or the private employee in question who would be removed from office or relieved of her duties rather than the hobby-critic presumably being deprived of credibility as a result of failing in the task that would have proven to be excessively difficult or unpleasant even for some of the primary beneficiaries.

Third, if any potential critic of the monetary status quo is perceived to be responsible for perfect understanding of every single intricacy of the prevailing forms of money, surely the same cognitive standards must be applied to any potential beneficiaries. In other words, the "if you are going to benefit from the system you might as well do it correctly"-standard should be applied to all potential beneficiaries before any gains are distributed. In practice such a standard might entail the responsibility of any politician or legal or banking professional to submit to a public defense of her views and expertise on the technical intricacies of the prevailing forms of money, responding to every query or straw man posed by the public in a manner deemed satisfactory by the same self-selected interrogators before obtaining a license to benefit from the prevailing monetary arrangements. At the risk of stating the obvious, having even a single individual worldwide to obtain such a license would be likely to require the violent exclusion of a substantial number of potential skeptics from the interrogation and spin-building and –dismantling processes, who could surely keep the debate going until drastic monetary reform to make the system more responsive to the interests and concerns of wider segments of the population might be transformed from a possibility into a necessity.

The following chapter adopts an integrated perspective to explore the incentive structures and the structurally rigid social hierarchies inherent in the economically, politically and socially polarizing logic of the prevailing forms of money. In other words, rather than seeking to understand intrinsic features of monetary systems corresponding to certain economic, political or social ideals or their opportunistic appropriations for strategic purposes, the focus is shifted for a moment towards the (mis)use of the prevailing forms of money as instruments of geopolitical, biopolitical and social power projection.

8 At the Intersection of Sovereignty and Biopolitics: The Di-Polaric Spatializations of Money

Structurally rigid social hierarchies have sometimes been likened to a chessboard (Wright, 1994: 1–2). As long as the hierarchical logic of the board continues to structure social relationships, the argument would go, any attempt to achieve social change through the elimination of the ruling class would merely reproduce the structural hierarchies symbolized by the board. While a revolt of the pawns might change the specific individuals in the top of the hierarchy, escaping or modifying the structural logic of the board would require a radical reconceptualization of the desirable forms of social relations – a form of power that is capable of transcending the prevailing limitations of the board to modify its scope or content or to discard it altogether.

This chapter explores the role of modern credit money – money that has to be borrowed into existence *against* interest-bearing debt[63] – as a structural force which shapes and reproduces social hierarchies – both the scope and content of the historically specific or governmentally contingent manifestations of the chessboard analogy – according to the overall strategy of power. Modern credit money is conceptualized as a deterritorializing force that produces "agentic subjectivities" (Hardt and Negri, 2000: 32) through the incentive structures and the structurally rigid social hierarchies that are inherent in modern monetary institutions. It is argued that the modern credit money system – and particularly the necessity to pay interest merely to keep money in circulation[64] – is a major transitory channel for the logic of financial capital to transcend the limitations of sovereign spaces and to transform itself into a biopolitical force. The formation of such constantly evolving biopolitical bodies temporarily emancipates power structures that are traditionally associated

63 This is the simplest and most parsimonious definition to demonstrate money's impact on subjectivities, incentives, and structural social hierarchies. While several additions could be made to make the definition more "modern" – although perhaps never unambiguous or stable as was pointed out in chapter 4 – the main findings would remain largely unaffected.

64 The interest payments required to keep money – or the mere capacity to monetize real assets – in circulation should not be confused with interest charges involved in the recycling of preexisting monetary balances between borrowers and lenders.

with state sovereignty from their territorial constraints. The resulting divergences between sovereign and monetary spaces provide a spectrum of opportunity for sovereign bodies to reterritorialize, reinstitutionalize and reinforce their power in line with the strategy of power. Drawing on Agamben, the relationship between the material and the subjective – or the sovereign and the biopolitical – dimensions of money is seen as di-polaric rather than di-chotomic – as a specific instance of "the logic of field … where it is impossible to draw a line clearly and separate two different substances" as "the polarity is present and acts at each point of the field" (Agamben quoted in Raulff, 2004: 612). Hence both the sovereign and the biopolitical elements of modern credit money must be considered to capture the ongoing evolution of the structural pressures that shape and reproduce social hierarchies.

The argument of the chapter is structured as follows. The first section examines money's role in producing and reproducing agentic subjectivities. The second section outlines some of the structural social hierarchies that may be partly shaped and reproduced by the system of modern credit money. The third section explores the di-polaric nature of the interaction between the material practices of money and the formation of agentic subjectivities. The fourth section applies the implications of the structural incentives and decentralized human agency to the post-structuralist conceptualizations of Empire to suggest that immanent power may increase its perceived legitimacy and intensify the social relations in its sphere of influence through an "open source" or an interactive process with its subjects. The fifth section analyzes the interaction between monetarily induced deterritorializations and the opportunities that they present for sovereign bodies for reterritorialization. The sixth section examines the potential objectives of emancipatory human agency. The final section concludes by pointing out potential complementarities between different theoretical and methodological approaches and proposing paths for future research.

8.1 The Origins of Money's Institutional Power, Multiple Potential Spatializations and the Capacity to Act as an Incubator of Agentic Subjectivities

It may not be an exaggeration to suggest that social scientific inquiry on the manifestations of monetary power has not been matched by an equal analytical effort to identify the ontological origins of money's institutional power and multiple potential spatializations. The precise role that money has played in state building or other forms of economic, political or social power projection has often been analyzed in detail. As Helleiner (2003: 2) has observed, "…the construction of territorial currencies was an intensely political process involving domestic and international struggles over issues such as the nature of state building, the construction of national identities, the proper scale of markets, and the implementation of competing market ideologies." Yet it is not obvious why a presumably neutral facilitator of multilateral exchange has the capacity to shape such a wide range of political objectives. The infrastructures for production and exchange involve a virtually infinite set of technical arrangements designed to facilitate certain parts of the transactions. Why has money proven to be a more effective instrument for the consolidation or projection of state power than many other elements of the infrastructure for production and exchange? Why have states not been equally prone to use, say, territorially branded information systems for creating political communities or geographically delimited logistics networks for shaping national identities or the proper scale of markets? Which elements in the institutional design of money confer its political powers? Once these powers are actually used, should money still be regarded primarily as a facilitator of multilateral exchange with unfortunate but inevitable political side effects, or perhaps as an instrument of power projection that happens to fulfill some of the technical functions commonly attributed to the hypothetical notion of politically neutral money? While widespread agreement on the nature of money may be neither necessary nor sufficient to understand the nature of monetary power, each contending perspective on the ontology of money needs to address these questions if monetary power is to be regarded as materially different from the power dimensions involved in other stages of production and multilateral exchange.

What sets money apart from other technical facilitators of production and exchange is its institutional capacity to obscure and legitimate the transformation of economic, political and social opportunity structures. Two elements of this transformation of a presumably mundane infrastructural facilitator of multilateral exchange into an instrument of power projection are particularly relevant here. First, the widespread misconception that money constitutes the credit of the issuing authority – as opposed to the members of the monetary space – allows the issuing authority to effectively write checks on behalf of the members of the monetary space. Hyman Minsky once noted that "everyone can create money; the problem is to get it accepted" (Minsky, 1986: 228, quoted in Bell, 2001: 150). Although technically incorrect – something that is not widely accepted hardly qualifies as money in the first place – the observation does draw attention to what it means to "get money accepted" in the context of non-commodity-based currencies. When a central authority with taxation powers is asking an individual to recognize its credit notes as money, it is in fact asking the individual to recognize the authority's debt as her own. In other words, the process of "getting money accepted" is not entirely unlike attempting to convince prospective members of the monetary space that it is in their best interests to let someone else write checks on their behalf. At the early stages of inducing the recalcitrant subjects to recognize the "moneyness" of their own IOUs, which the central authority has already monetized on their behalf pending the subjects' approval, coercion is certainly to be expected. Similarly, one would expect appeals to reduced transaction costs or "trust" – the fact that intrinsically worthless credit notes can easily be exchanged into goods and services with other individuals who agree to let the same central authority produce and monetize IOUs on their behalf – to be common. Nevertheless, none of these appeals may alter some of the crucial questions that determine the success of the monetization process: should an individual agree to produce goods or services in exchange for a central authority's credit notes and thus effectively recognize the credit notes as her own? If yes, under what conditions?

While the belief that the issuer of such credit notes has the obligation to redeem them for goods and services upon demand may help to induce wider acceptance and thus facilitate the monetization process, the issuer often has no other "backing" for the value of the currency except its capacity to act as a coercive clearinghouse between the members of the monetary space: the goods and services that "back" the value of the currency must always be extracted from some *other* members of the monetary space rather than being provided by the issuer of the currency.[65] This may become abundantly clear at times of monetary crises. If a sufficiently large number of the members of a monetary space attempt to convert their monetary IOUs into real assets or convertibility is questioned for some other reason, all potential losses accrue to the members of the monetary space while the central authority that has acted as the clearinghouse loses nothing. The assertion that "the creation of money is a two-sided balance sheet operation" (Bell, 2001: 150–151) is thus of little help in determining whose assets are ultimately transferred to whom as a result of money creation.

In a non-commodity-based monetary system the monetary role of the state may thus not be entirely dissimilar to a market-maker which stands ready to extract the amount of goods and services determined by the social struggle between borrowers and lenders in exchange for state-branded but citizen-backed IOUs. If the individual Smiths and Joneses who make up the economy do not willingly redeem all the newly created IOUs effectively issued in their name by the banking system, the state may redeem the notes on their behalf to protect the value of the currency

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65 A crucial distinction compared to a conventional clearinghouse is, of course, the state's capacity in many cases to regulate both sides of the transaction – to determine the supply of money through its control of money creation and to influence the overall demand for money through taxation, among other things. While the bulk of money creation is outsourced to the banking industry, often supervised by an "independent" central bank presumably removed from the realm of politics, the incidence of taxation is typically determined by the state itself. A not entirely dissimilar governmental impact could be produced by precisely the opposite institutional arrangements: the power to determine the size and the incidence of taxation could be outsourced to a profit-maximizing private industry, while the nature and amount of money to be created and its initial distribution would be subject to political scrutiny and debate. It may not in practice make much of a difference whether economic reality is distorted by a private industry's profit-maximizing manipulation of money creation or a private industry's profit-maximizing abuse of its taxation powers. The fact that the former practice rarely attracts critical commentary while the latter would be likely to invite more widespread scrutiny tells more about the social construction of the economic reality than any features allegedly internal to its logic.

and either collect taxes or accumulate public debt – both ultimately payable by the same Smiths and Joneses – to "balance" the transactions. In other words, instead of the central bank promising to pay on demand the bearer of a ten pound note ten pounds – essentially an identical copy of itself or the corresponding amount in other denominations – the text on the note might as well read as follows: "Mr. John Smith [or any other individual selected based on the results of the social struggle for control over the state's monetary and coercive powers] promises to pay the bearer on demand ten pounds. If Mr. Smith fails to meet his obligation, the Government of England pays the bearer on demand ten pounds and adds the sum to Mr. Smith's tax liability." Such a payment may involve a reduction in the bearer's tax liability, in which case the payment consists of the goods and services that the bearer is not required to provide to the government, or the provision of goods and services that the government has extracted from other members of the monetary space. Provided that Mr. Smith consents to such an arrangement at all – the chances are that he would not if he understood the logic and was able to endure the violence that has historically been associated with the sovereign's monetary trust-building projects[66] – he would be well advised to demand the government to deliver all such notes that it may issue from time to time directly to him rather than spending them into circulation at will. If all newly created monetary media were automatically delivered to the members of the monetary space debt- and interest-free, the members themselves would largely determine the spatial characteristics of the networks of exchange that would emerge as the government would have to transparently justify each public spending proposal to the electorate *before* being able to, for instance, spend the members' IOUs abroad to finance its military adventures. In the absence of such policy constraints originating from the members of the monetary space, it is the issuing authority which has the freedom to shape the nature and the territorial limits of the networks of exchange rather than some illusory notion of "trust" between individuals who happen to be subject to the same monetary central authority's power projection.

66 Some of the early monetary authorities, for instance, found it necessary to impose severe penalties such as fines, flogging, burning foreheads with coins or destroying crops that allowed self-sufficiency to induce the adoption of their specific versions of monetary neutrality (e.g. Ingham, 2004; Wray, 1998).

Second, the practice of issuing money *against* interest-bearing debt effectively gives the issuing authority – or the private entities of its choice – control and ownership over the money supply. Irrespective of whether modern money is conceptualized as debt, a commodity, or intrinsically worthless symbols of abstract value, it can hardly be disputed that most of it enters into circulation against interest-bearing debt through the commercial banking system. As was noted particularly in chapters 4 and 7, if the issuance of money automatically involves the creation of borrower IOUs that exceed the value of the money that is put into circulation – i.e. the total loan plus interest payable by the borrower exceeds the value of the monetary IOUs that the banking system creates in the process – the issuers can gradually increase their control over economic activity within a given monetary space that effectively lacks a permanent money supply or capacity to monetize real assets. Thus, the price of membership in a given debt-based monetary space, far from providing a neutral solution to the problem of double coincidence of wants, may approach infinite for a substantial portion of its members in the form of interest payments on unrepayable loans. The requirement to borrow the bulk of the money supply into existence against interest-bearing debt substantially diminishes the amount of coercive authority that an individual must consent or submit to in order to become a viable subject of monetary power projection: as long as the debt contract establishing the individual's responsibility to repay a larger amount of money than was created in the "lending" process is adhered to, the individual's territorial location or the local cultural or institutional intricacies do not significantly alter the type of monetary power that is being projected by the issuer of the currency.

These two institutional aspects give money both a material and a subjective – or structural and post-structural – character. Gilbert has cogently argued for

> the necessity for drawing out the paradoxes of money as always a symbolic referent, a social system *and* a material practice. The symbolism that money represents defines and limits what money can be and can do, just as the forms that money assumes resonate in terms of what functions money can perform or what kind of symbolic power it can represent. Neither dimension is sustainable without the other. (2005: 361, original emphasis)

The material and the symbolic or subjective dimensions of money are mutually constitutive and in constant interaction with each other.

As a material practice, modern credit money contributes to persistent structural social polarization regardless of skill or productivity differences. At any given point in time the monetary system as a whole is technically insolvent, i.e. liabilities exceed assets.[67] Such a situation could not arise just by the members of the monetary space issuing monetary IOUs to each other, as the valuation of such IOUs would automatically involve any possible interest payments – the monetary value and the credit value of the IOUs would be equal by definition. The systemic insolvency arises from the requirement that the members of the monetary space must incur interest-bearing debt as a precondition for "issuing" or accessing monetary IOUs, which do not include the interest portion of the debt against which they have been created.[68] Consequently, the monetary

67 For the sake of simplicity the example given here involves a situation in which the entire money supply has to be borrowed into existence against interest-bearing debt.

68 For the purposes of this chapter, the impact of more "modern" forms of credit creation can be compared to any other activity aiming to extract monetary balances from other members of the monetary space and thus forcing someone else to default on their loans – with or without the rat race to borrow against all conceivable forms of collateral until the credit bubble bursts and real assets are redistributed. Although the engineering of ever more sophisticated derivative instruments, for instance, may help certain individuals to achieve positive monetary net worth at the expense of other members of the monetary space, such engineering per se is not responsible for the structural necessity of the zero-sum competition for positive monetary net worth. The interest-bearing debt against which the more conventional forms of money are created remains the amplifier through which the economic, political and social implications of newly conceived forms of money largely materialize. In an economy with a sufficient debt-free, permanently circulating money supply, for instance, "banks" might be either money warehouses – providing safekeeping and payments services for funds that remain outside their own bookkeeping – or matchmakers between borrowers and lenders of preexisting monetary balances – a relatively straightforward task that could also be performed by a wide variety of market arrangements, lenders' or borrowers' cooperatives or virtually any middleman with competitive risk assessment skills and perhaps some established avenue for rebranding repackaged securities as being beyond their true value before they are sold to investors. Under such circumstances financial engineering would have only a limited capacity to endanger the stability of the entire financial system and banks could relatively freely bankrupt themselves through the method of their choice without the rest of the economy having to worry about the costs of bailouts or potential system-wide impacts. In contrast, once the monetary system has been rendered structurally insolvent through unrepayable interest-bearing debt – the community's money supply or division of labor effectively

system itself constitutes a powerful mechanism for upward redistribution of wealth. The main beneficiaries – "[t]he lock-in between the political, legal, banking and institutionalized monetary system" (Lietaer, 2001: 214) – accumulate resources through compound interest on unrepayable debt required for the mere existence of money or the capacity to monetize real assets, while the overwhelming majority of the population remains permanently exploited through interest charges included in the price of virtually every good and service in the economy.

As an incubator of agentic subjectivities, money – or, more precisely, the conditions under which a sovereign authority is allowed to create IOUs on behalf of the members of the monetary space – may have a profound impact on the cognitive frameworks that guide each individual's identity formation, self-conception and capacity for self-actualization and autonomous agency in social relationships. Money's symbolic impact extends far beyond nationalistic iconography. A requirement to borrow one's own IOU's into existence from the central monetary authority or the private agencies of its choice, for instance, instills a mental model of artificial scarcity for guiding agentic behavior. Opportunities for engaging in social relationships involving some of the technical functions of money may be relatively plentiful in real terms, yet the monetarily institutionalized and enforced *belief* that the feasibility of such relationships requires the borrowing – as opposed to the debt-free issuance – of IOUs profoundly transforms the dominant interpretation of economic, political and social opportunity structures. As one local currency activist has observed, "[t]he real price we pay for money is the hold that money has on our sense of what is possible – the prison it builds for our imagination" (Edgar Cahn, quoted in Lietaer, 2001: 146). In case of a conflict between an individual's organic subjective beliefs and the prevailing logic of the socially constructed accounting system of money, the individual will either have to readjust her subjectivity in accordance with the rules governing the production and circulation of money or to adopt a parallel

being held hostage to the banking system's economic and political strategies – it may not be an exaggeration to view financial engineering as a potential source of "financial weapons of mass destruction" in terms of its potential systemic impact. Nonetheless, as financial engineering remains a specialized technique to take advantage of the structural amplifier of unrepayable interest-bearing debt, it is not obvious that its distributional impact will be much of a novelty as long as the overwhelming majority of the population remains confined to the logic of more conventional forms of unrepayable debt.

subjectivity that, while being perceived as implausible, undesirable, or both, nonetheless facilitates participation in social interaction involving some of the technical functions of money. The monetary system's influence on subjectivity is ontologically and epistemologically dominant in the sense that no amount of knowledge claims conceived outside of the monetary logic – whether in the natural sciences, ethics, heterodox economic analysis, or some other cognitive framework – can challenge the monetary logic's primacy in regulating monetarily mediated social relationships. Any specific individual may be perfectly free to raise protest on the basis that such conceptualization of money violates the natural laws, ethical principles, economic efficiency or any other self-referential – from the perspective of the monetary logic – field of knowledge. Such views, particularly when uttered in contexts other than monetary, may in fact enjoy relatively widespread recognition in their respective fields. Yet every individual who wants to escape the life of an autarkic fugitive beyond the taxation powers of the state must subject herself to the subjectic engineering through the use of the prevailing forms of money – no matter how inefficient, inequitable or implausible.[69] While the most obvious source of such engineering is any potential disparity between the rules governing the production and circulation of goods and services, on the one hand, and the monetary media, on the other, the precise manner in which financial capital is socially constructed can never be neutral with respect to the types of subjectivities that the logics and incentive structures inherent in each historically specific or governmentally contingent monetary system produce.

At the most basic level, the autonomous healing of a monetarily damaged subjectivity may be prevented by a true belief in the accuracy of the socially constructed accounting system of money in capturing the full range of technically feasible opportunities for social interaction involving some of the technical functions of money. An individual might in theory truly believe that the socially constructed rules for the issuance, subsistence, circulation and extinction of money accurately reflect the physical production opportunities in the real world, although there is little evidence that such correlation was ever intended to result from the

69 Although there is ontologically nothing monetary about the state's capacity to appropriate real resources, taxation constitutes one of the main mechanisms through which the power-enabling institutional features of money are enforced.

technical specification of money in the prevailing manner in the first place or that implementing such correlation will ever be technically feasible. This position requires genuine faith, among other things, in the proposition that money is typically designed to *measure* monetary power exercised by others rather than to *project* power to the benefit of its creators or managers. In other words, in order to assess the relative merits of this view, one may think of the odds that all the coercion, institution-building, and power projection associated with the creation and the ongoing circulation of territorial currencies has been motivated primarily by the desire to *measure* economic interaction – to expel all competing measures that presumably would have been equally accurate and neutral from one's territory – as opposed to some of the alternative power-based explanations. The questionable intrinsic merits notwithstanding, the implicit notion that the social weapon of money is constructed merely to measure power projection by others remains widespread. One of the dominant manifestations in academia is perhaps the tendency to undertheorize the political significance of debt merely because all money may be conceptualized as debt. As was noted in chapter 4, social externalities, political significance, and transformed subjectivities may arise from any discrepancies between the rules governing the circulation of goods and services and the monetary media that regulate their multilateral exchange, such as the necessity to borrow money – whether conceptualized as debt, commodity, or something else – into existence *against* interest-bearing debt.

At another level, an individual may be relatively well aware of the socially constructed nature of money and the economic indeterminacy that such realization brings about, but subjectivity nonetheless may continue to be transformed by the structural mechanisms through which the artificial scarcity is managed. Although the socially constructed accounting system of money is correctly seen as reflecting power more than the actual physical constraints on economic activity, realization of the sheer magnitude of power concentration that the management of scarcity through debt-controlled money supply implies may produce distinctively opportunistic and focused subjectivities. For those who are excited by the enhanced opportunities for socially protectionist Darwinism – essentially uncontested economic, political and social domination behind structurally protectionist rules of the game – this realization may bring hope of achieving their goals without the inconvenience of actually having to continuously prove themselves in a Hobbesian social world of all against all. For just about everyone else – including diverse groups from egalitarians to libertarians – the debt-based subjectivity may have the potential to concentrate minds on the necessity of monetary reform more effectively than most alternative cognitive frameworks. In both cases the power exercised over the individual subjectivity gains strength from the patently implausible parallel reality – the debt-ridden world of physical plenty[70] where actors presumably engage in a social arms race merely to gain recognition for their brands of the neutral veil – which the individual is forced to adopt in order to avoid economic, political, social or academic marginalization. After all, one of the psychologically most pervasive forms of power does not involve the simple rewarding of an obedient worldview or the willingness to switch between two reasonably justifiable alternatives, but the conditioning of material and immaterial rewards on a worldview that is so patently implausible that conformity cannot possibly signify anything else than obedience and the utter deprivation of the individual's capacity for plausible self-denial of complicity.[71]

70 As was noted earlier, the artificial scarcity managed through the socially constructed accounting system of money may be gradually imposing tighter physical constraints on economic activity as the attainment of the implicit liberal ideal of an "economically efficient" extinction of the species approaches. In a sense, liberal regimes of power have developed their own distinct form of suicide terrorism. In contrast to the simultaneous projection of violence and self-infliction of death associated with the traditional forms of suicide terrorism, the globalization of liberal governance structures facilitates a temporal divergence between these two acts. While the extermination of the deviant subjectivities and modes of life by liberal terror is often instantaneous, the survival of the species is likely to be threatened with a time lag as the liberal norm life either becomes autonomously alienated from the physical requirements of reproduction or is terminated by an environmental change that could have been manageable, had human diversity not been eliminated through sovereign violence. The elimination of the deviant subjectivities and diversity will threaten the survival of the species, but a temporal divergence is introduced between the act of violence and the self-infliction of death for the terrorist. In effect, the liberal mode of suicide terrorism adopts the economistic rhetoric of instant gratification through credit creation in its battle for the hearts and minds of potential followers against alternative conceptualizations of the human: "buy now, pay later" becomes "terrorize now, die later".

71 The nature and functions of the patently implausible parallel reality will be analyzed in more detail in chapter 12.

A focus on the sources of money's institutional power and the inseparability of its material and subjective dimensions foregrounds several undertheorized aspects of money's multiple potential spatializations. First, there is nothing inherently territorial about the geography of money. The same governmental impact arising from collective debt slavery and the structural necessity to engage in zero-sum competition for positive monetary net worth can be achieved regardless of the physical location of the different members of the monetary space. The appropriate spatial metaphor of a monetary system is thus likely to be network irrespective of any potential temporary success of a sovereign authority in territorializing the subjectivities and circuits of exploitation involved. Second, although the material and the symbolic or subjective dimensions of money are mutually constitutive and thus in constant interaction with each other, there is no reason why they should coincide either territorially or within the networks of subjects that constitute separate monetary spaces. The same material logic can be divided into several symbolic subspaces, while the same shared subjectivity can be divided into separate material practices.

8.2 A Spectrum of Spatializations: Some Structural Social Hierarchies Shaped by Modern Credit Money

The role of money as an institution thus remains undertheorized in structurally oriented economic, political and social analysis. The institutional underpinnings of "the headquarters of the capitalist system, from which orders go to its individual divisions" (Schumpeter, 1934: 126) are rarely regarded as an artifact of political agency, which could exert autonomous influence on the aggregation and transmission of structural pressures. Yet certain elements and characteristics of the current form and stage of the financialization of capital[72] in general and the development of modern credit money in particular suggest that the monetary system

72 For the purposes of this study perhaps the most relevant aspect of the "financialization" of capital involves the gradual loosening of the political, regulatory, technological, or indeed any conceivable constraints on the technical specifications of financial capital – the emergence of ever more creative configurations permitted by the privileged reality, which structurally skews the rules of the game further in favor of financial capital.

itself may constitute one of the key transmission channels for structural economic and political forces.

In terms of class analysis – whether conceptualized through conventional social classes, "collective life situations" (Beck, 2002: 207) or some other attribute describing persistent structural social polarization – modern credit money contributes to a rigid class structure independently of education, effort, productivity or any other consideration commonly evoked in defense of legitimate income inequalities. Modern credit money does not exist unless someone within the monetary space – individuals, corporations or governments – borrows it into existence against interest-bearing debt. Such debt is effectively unrepayable for two reasons: the economy as a whole does not have enough money in circulation to meet the interest payments as they fall due and in any case economic agents will at all times need some currency to clear the desired transactions. One inquiry into the history of monetary reformist ideas articulates the concern on the implications of issuing money against interest-bearing debt as follows:

> How can we create a free society when there is now less money in the economy – in the UK, about £100 billion less – than there is outstanding debt? Isn't the inevitable outcome of such a situation that the ownership of business, land and property will slip inexorably into the hands of the financial institutions, leaving people increasingly enslaved by their mortgages and credit cards? (Boyle, 2002: 10)[73]

As economic interaction between individuals and nations is gradually monetized and subsistence outside the monetized market mechanism becomes increasingly difficult, the amount of money – and thus also the amount of unrepayable interest-bearing debt – required for the economy

73 Boyle also suggests that the proportion of people living in poverty may have remained relatively stable since the 19th century "due to some hitherto undiscovered economic 'law' about money creation" (Boyle, 2002: 10). Any potential stability of the relative *sizes* of the social classes does not need to be related to monetary factors. The argument here is concerned with the permanence of the class system itself: as long as the bulk of the money supply is issued against interest-bearing debt, it is structurally impossible to eradicate poverty. In the absence of redistributionist intervention, the proportion of people living in poverty would be expected to *increase* as opposed to remaining stable. In other words, the logic that is inherent in both the technical specifications of modern credit money as defined in this chapter and the rules governing the institutional access to the capacity to experiment with the different variants of "Frankenmoney" is highly polarizing.

to function increases. Regardless of the choice of currency, users must incur debt and pay interest to the issuers merely to trade physical and human capital that may already exist and have been paid for. The distribution of the benefits and the burden of the interest payments are typically highly unequal. According to one study, only the two highest deciles of the population in terms of net interest income are net beneficiaries at the expense of the eight lowest deciles, while the largest benefits are disproportionately concentrated on a fraction of a percent in the highest income group (Kennedy, 1995: 25–29). Hence the class structure imposed by modern credit money is consistent with some of the Marxist notions of exploitation and class analysis in general, as the interest-based exploitation "binds the exploiter and the exploited together in a way that economic oppression need not" and "a substantial proportion of the population, at least in the advanced capitalist countries, occupy contradictory locations within exploitation relations, locations in which they are simultaneously exploited and exploiters" (Wright, 1985: 75, 288).[74]

In world-systems terminology, modern credit money may be conceptualized as a relatively autonomous element of a wider structural hierarchy between the economic and political units of choice – a system with a clear core group of beneficiaries, periphery of the structurally exploited, and a semi-periphery of individuals with an uncertain long-term structural status. As Wallerstein has noted, "in 'world-systems' we are dealing with a spatial/temporal zone which cuts across many political and cultural units, one that represents an integrated zone of activity and institutions which obey certain systemic rules" (2004: 17). An increasingly important element of such institutional configuration involves the monetary system, which has an individual micro-dimension in addition to the macropolitics of currencies. The core of such a system consists

74 The rhetorical – if not in a sense also substantive – parallels to Foucault's work are intriguing. For Foucault, the relational element which transforms unilateral domination into a two-way relationship is freedom: "power relations are possible only insofar as the subjects are free. If one of them were completely at the other's disposal and became his thing, an object on which he could wreak boundless and limitless violence, there wouldn't be any relations of power" (Foucault, 1997: 292). Regarding the contradictory locations of individuals in networks of power, Foucault observes that "Power is employed and exercised through a net-like organisation. … individuals … are always in the position of simultaneously undergoing and exercising… power. … The individual which power has constituted is at the same time its vehicle" (Foucault, 1980: 98).

of individuals with significant positive monetary balances, who exploit everyone else outside the core through a mode of accumulation that has no efficiency-based economic justification.[75] Although the monetary social hierarchy is not structurally entirely fixed, such individuals have negligible personal risk of downward social mobility due to the continuous upward redistribution of wealth through compound interest. The periphery includes the vast majority of the world's population who have no realistic opportunity to escape negative monetary net worth – either personal or government debt – through their own productive efforts. These individuals are subject to constant exploitation through resource transfers corresponding to interest payments on unrepayable debt. The semi-periphery consists of individuals whose structural position based on the net effect of exploiting the periphery and being exploited by the core remains indeterminate.

The conceptualization of modern credit money as a relatively autonomous source of structural social hierarchies provides a useful analytical tool for understanding the ongoing financialization and transnationalization of capital and the opportunities for transnational class formation and reterritorialization that they confer to individuals and sovereign bodies. The scope of the monetarily induced structural social hierarchies does not need to coincide with any other types of institutionalized political spaces. Such structural spatial indeterminacy renders money an exceptionally versatile instrument of geopolitical, biopolitical and social power projection. The role of tax-induced debt in conferring value to fiat currencies and extracting surplus from colonized populations, for instance, has been widely documented (e.g.

75 It may be worth reminding once again that no claims about agency are made here. The essence of the argument is that a relatively small group of individuals with significant positive balances of financial capital is exploiting everyone else through the structural features of modern credit money. In theory, it is not necessary for *anyone* to be aware of the existence of such radical deleveller inherent in the monetary system, let alone be actively contributing to its permanence. Right combinations of inertia and ignorance might produce similar results. In practice, *everyone* participating in monetized market exchange is contributing to, or at least implicitly approving, the exploitative logic. Ignorance and inertia may obscure agency as long as the structural features of modern credit money remain poorly understood. Conversely, once the logic of modern credit money is widely understood, it may be difficult *not* to illuminate agency in case democratic monetary reforms – for one possibility, see chapter 10 of this study – are not implemented despite popular pressures.

Wray, 1998). In the colonial accounts of debt-based exploitation the assumption of nation-states as the predominant actors has often been treated as relatively unproblematic. Nevertheless, more recent theorization on the class relations of global capitalism has often questioned this assumption. As one student of the increasingly transnational nature of class formation puts it, "[t]he class relations of global capitalism are now so deeply internalized *within* every nation-state" that the relevant question to ask has become "how and by whom in the world capitalist system values are produced (organized through what institutions), how are they appropriated (through what institutions), and how are these processes changing through capitalist globalization" (Robinson, 2007: 23, 24, original emphasis). The following section explores these questions through analyzing the di-polaric nature of money both as a product of sovereignty and as a biopolitical force.

8.3 Rendering the Logic of Financial Capital Biopolitical

Conventional notions of the ontology and teleology of money tend to privilege the form over the strategy or purpose of the authority that confers money its value. According to a typical articulation of the perceived association between monetary and sovereign spaces, "[o]ne of the hallmarks of national sovereignty through the ages has been the right to create money … The ability to create its own domestic money is the key financial distinction of a sovereign state" (Hirsch, 1969; quoted in Cohen, 1998: 1). While money is often explicitly recognized as a "weapon" in the economic "struggle of man against man" (Weber, 1978: 108), the precise mechanisms through which money may serve the objectives of power remain undertheorized. In the words of Kirshner (1995: 29, 31), "[m]onetary power is a remarkably efficient component of state power … the most potent instrument of economic coercion available to states in a position to exercise it." The state-centric views rarely adequately address the obvious questions that are likely to follow: coercion *against whom* and *for what purpose*? In an era where it has become increasingly common to suggest that the nation-state itself may exemplify the "territorial trap" (Agnew, 1994) and "spaces of flows" may be gaining in importance over "spaces of places" (Castells, 1996), it would hardly be appropriate to analyze the strategy of state power in exclusively territorial terms.[76] Yet, as Alatout (2006: 608) has pointed out, "[i]f the individual and the population, rather than territory, are the objects and targets of power, then, threat comes from the inside of the state not from the outside; insecurity, as well, is redefined in terms of an insecure population (poverty, health, well-being) rather than an insecure territory." Hence the state and its population – or the sovereign and the biopolitical spheres of power – would appear to be interdependent to an extent that cannot be easily captured by exclusively state-centric or territorial conceptualizations of power. Such interdependent yet tensional power structures call, in Agamben's terminology, for a logic of the field that could overcome the limitations of the unipolar territorial views on the strategy of power.

The traditional state-centric conceptualizations of sovereign authority have increasingly been challenged by post-structuralist accounts of power. According to perhaps one of the most influential formulations of the emerging deterritorialization of power and the growing pre-eminence of biopolitical forms of influence:

> The great industrial and financial powers … produce not only commodities but also subjectivities. They produce agentic subjectivities within the biopolitical context: they produce needs, social relations, bodies, and minds – which is to say, they produce producers. In the biopolitical sphere, life is made to work for production and production is made to work for life (Hardt and Negri, 2000: 32).

Such an outcome is at odds with the notion of a disciplinary society, as

> In disciplinary society … the relationship between power and the individual remained a static one: the disciplinary invasion or power corresponded to the resistance of the individual. By contrast, when power becomes entirely biopolitical, the whole social body is comprised by power's machine and developed in its virtuality. This relationship is open, qualitative, and affective (Ibid: 24).

76 In historical materialist circles it has often been questioned whether the state-centric conceptual framework ever fully deserved its analytical primacy. Lacher (2006: 9), for instance, argues that "the 'nationalization' or 'territorialization' of social science is very much a phenomenon of the century from the 1870s to the 1970s. This itself suggests that the centrality of territorial space to social organization for much of the 'Westphalian' epoch may be vastly exaggerated."

While some of the criticism of Hardt and Negri on depicting the Empire as "over-powered and under-specified" (Thompson, 2005: 77) may be on the mark, their work does highlight the increasingly prominent role of the Foucauldian triad of the elements of power – "productive, dispersed, and relational" (Alatout, 2006: 607) – in transforming the structural pressures emanating from modern credit money into outcomes or opportunity sets favored by the strategy of power in both its sovereign and biopolitical manifestations. According to Foucault:

> An analysis in terms of power must not assume that state sovereignty, the form of the law, or the overall unity of a domination, is given at the outset; rather, these are only the *terminal forms power takes*. … power must be understood in the first instance as the multiplicity of force relations immanent in the sphere in which they operate and that constitute their own organization; … *Power is everywhere; not because it embraces everything, but because it comes from everywhere* (Foucault, 2004: 92–93, quoted in Jessop, 2007: 37, emphasis added).

As a "terminal form of power" that "comes from everywhere", Foucault's conception of state sovereignty has often been criticized for its apparent disregard for the role of human agency in shaping structural pressures. Yet there is also a distinctively network-like element in the "productive, dispersed and relational" forms of power, implying that "the de-centering of power in networks might *also* be seen as a kind of *centering* or *fixing* of power" (Kirsch, 2003: 224, original emphasis). As Castells puts it, power "is no longer concentrated in institutions (the state), organizations (capitalist firms), or symbolic controllers (corporate media, churches). It is diffused in global networks of wealth, power, information, and images, which circulate and transmute in a system of variable geometry and dematerialized geography. Yet, it does not disappear. *Power still rules society; it still shapes, and dominates, us*" (Castells, 1997: 359, original emphasis). The power of modern credit money is distinctively productive in the sense that it rewards compliance with the prerogatives of capital by upward social mobility within the structural social hierarchies under its sphere of influence, dispersed as its logic applies equally to every individual participating in monetized market exchange, and relational in the sense that performance is evaluated against the efforts of other individuals rather than some fixed standard that all members of the monetary space could at least in theory attain. Furthermore, such power produces norms and expectations that may guide agentic behavior long after the specific sovereign institutions where such structural pressures may have originated have been dismantled or rescaled. It is not obvious why such power could not "shape and dominate us" according to the specific *strategy* of power.

The increasingly prominent monetary element of the Empire should thus not be viewed as a singular and monolith process of deterritorialization, but as an increasing responsiveness of the oscillations between deterritorialization and reterritorialization – or sovereignty and biopower – to the strategy of power. In other words, structural pressures are homogenizing the mode of monetary governance rather than the design of the institutional ornaments which tailor the converging monetary logic to the local symbolism. Regardless of the significance of the remaining territorial or cultural divisions, the logic of modern credit money has been remarkably successful in homogenizing the norms and expectations on the structural necessity of zero-sum competition, growing disparities in income and wealth distribution, social polarization, ecological collapse, and viewing the prevailing economic and political structures as the only "realistic" alternatives to avert even more serious disasters – whatever they might entail. Once the prisons for the imagination have been socially constructed, it is a relatively straightforward task for sovereign authority to reinstitutionalize, reterritorialize or reinforce its power in the bricks and mortar world in line with the modified agentic expectations.

The analytical value of conceptualizing the Empire as a converging incentive structure has often been too readily ignored in the absence of evidence of the corresponding convergence of more traditional institutional manifestations of power. It is not uncommon to see this concern articulated along the following lines:

> Does not the unilateral turn of the U.S. administration … negate *the very principles* of Empire (based within a recognition of global law and order as prescribed by international organisations)? Does not the U.S. administration's decision to withdraw from the Kyoto protocol and from the anti-ballistic-missile treaty, its failure to ratify the Rio pact on biodiversity, its reactionary opposition to the ban on landmines, the biological warfare convention and the creation of the international criminal court, its progressive delegitimation of the United Nations and its new

> vision of NATO's world role – do not all of these actions fundamentally undermine the realisation of Empire's global geography? Are we not being faced, perhaps, with an attempt to create a *counter*-Empire, characterised by a militarised globalisation and monolithic imperialism – a far cry from the domination of a biopolitical system of uncertain boundaries and high mobility that Hardt and Negri describe – and invite us to combat 'from the inside'? (Minca, 2003: 232, original emphasis)

Yet it is not obvious why any potential changes in the hardware of power – the visible institutional agglomerations of influence – should always transparently reflect the latest developments in the software of power – the differential agentic capacities to exploit the prevailing institutional configurations for the attainment of any given strategic objectives – to produce an unambiguous and homogeneous picture of who is exercising structural influence and what the ultimate objectives of such forms of power might be.[77] State power, unlike the hierarchical element of modern credit money, is structurally indeterminate. The extent to which state power centralizes or decentralizes decision-making authority or responds to democratic or particularistic concerns is a matter of ongoing contestation, whereby changes in the access to the state's coercive and legitimating powers among different interest groups are at least in theory possible. The polarizing logic of modern credit money, in contrast, is structurally fixed: any modification would require either separate policies aimed at mitigating the ongoing polarizing tendencies or a full-scale monetary reform. Hence any oscillation between the sovereign and the biopolitical forms of monetary power is a profoundly political act, which shifts the boundaries between the transparently contestable "political" and the structurally exploitative "technical". Every time sovereign power manages to incorporate a newly conceived mode of exploitation into the dominant monetary subjectivity – the dominant perception of the set of social relations which may legitimately be labeled as "monetary" – a contentious issue is removed from the realm of politics and re-specified

77 The purpose of the selected terminology is to emphasize the fact that "the multiplicity of force relations" and "the terminal forms of power" are conceptually separate entities: any potential transformation of the institutional manifestations of the terminal forms of power in response to the shifting multiplicities of force relations is not automatic, but the result of agentic preference for institutional transformation over working through the prevailing organizational structures and facades of power.

as a structural or "technical" feature of the prevailing monetary system. Every time the evolving monetary subjectivities start to demand reform of the material practice of money according to popular preferences, political agency is being reclaimed from the territory of the structurally exploitative "technical". The evolving technical specifications of financial capital modify agentic subjectivities, which in turn shape sovereign power's opportunity structures for geopolitical, biopolitical, or social power projection. Such di-polaric oscillation calls for a theoretically and methodologically integrated approach to the analysis of power. As Jessop has noted, "there is more scope than many believe for dialogue between critical Marxist and Foucauldian analyses" as "Marx seeks to explain the *why* of capital accumulation and state power", while "Foucault's analyses of disciplinarity and governmentality try to explain the *how* of economic exploitation and domination" (Jessop, 2007: 40, original emphasis). Agamben's observation that "[*i*]*t can even be said that the production of a biopolitical body is the original activity of a sovereign power*" (1998: 6, original emphasis) may help to shed further light on the circular mechanisms that permit a nuanced analysis of the strategy of power in addition to its specific institutional manifestations. The following section expands the analysis of modern credit money in the context of the oscillations between sovereignty and biopower to some of the post-structuralist conceptualizations of the Empire.

8.4 Decentralized Human Agency and the Structural Power of Modern Credit Money: The Empire as an Open Source Incentive Structure

The inseparability of money's material and subjective dimensions and any potential spatial divergences between them call for an analytical framework that is capable of reconciling theoretically and methodologically distinct but conceptually intimately related elements of money's multiple potential spatializations. Money has both a sovereign dimension as a material practice emanating from the state's legislative and coercive powers and a biopolitical dimension produced and reproduced through the symbolism and subjectivities that are formed, negotiated and contested through interpersonal relations. The state may have specified money in a manner that entails collective debt slavery, but the production of the corresponding subjectivities that accept the validity of the state's version of the socially constructed accounting system of money is likely to require personal experience of the structural scarcity of money and the presumed economic impossibility of altruistic behavior. Conversely, a purely biopolitical awakening and liberation from the identity politics of money may be futile as long as the sovereign structures that produce money as a material practice remain intact. Although Foucault himself has often been criticized for failing to adequately theorize the intersections between sovereign and biopower, the Foucauldian framework for understanding power as the management of a multiplicity of disparate practices according to a strategic logic may be particularly appropriate for capturing the political significance of money's multiple potential spatializations. More recent insights from Giorgio Agamben complement rather than contradict this theoretical approach.

In Foucauldian terminology, virtually the entire world can be conceptualized as governmentally secured – as a governmentally prepackaged set of individuals who conform to the material practices and, to a lesser extent, the agentic subjectivities emanating from the polarizing logic of modern credit money. Irrespective of any potential controversies in identifying the relevant historical and causal mechanisms of transition, it can hardly be ignored that virtually the entire world[78] has converged on the use of modern credit money. It is remarkable to observe how in a world that supposedly boasts of a "bewildering diversity of forms of articulation between capitalist and noncapitalist practices" and multiple

78 Potential exceptions tend to rely more on semantics than substance. The nominally non-interest-charging Islamic banking institutions, for instance, are unquestionably involved in money creation and, although bank officials may argue that "God is in the details" (Useem, 2002), transactions typically involve payments that may look "a lot like interest" and amount to sums that are "very close to the prevailing interest rate" (Ibid.). Perhaps unsurprisingly, several commentators within the Muslim community have compared contemporary Islamic banking practices to the Contractum Trinius that was adopted by moneylenders in medieval Europe to circumvent the Christian church's ban on usury (see e.g. El Diwany, 2006). Perhaps the most significant group of genuine exceptions involves the local or "complementary" currencies that are issued debt- and interest-free by the users, which nonetheless remain relatively marginalized and vulnerable to forcible incorporation into the state-managed currency systems through taxation and reserve requirements, for example.

logics of “parasitic forms of primitive accumulation” (Chari, 2003: 180), virtually every society – whether capitalist or communist, industrialized or “developing”, a proponent of “enduring freedom” or simply “evil” – has adopted the same distinctively capitalist form of monetary institution. Thus modern credit money provides a concrete example of the di-polaric circularity of power between sovereign and biopolitical forms that has often remained undertheorized in post-structuralist accounts of power. Rather than abolishing territorial boundaries, the Empire’s monetary dimension homogenizes the mode of accumulation across territorial space that may or may not be divided into relatively autonomous subunits in other spheres of economic or political activity. Once the hyperglobalist overtones of Hardt and Negri have been properly dismissed as prematurely “assuming away the nation-state” (Corbridge, 2003: 188) and other relevant institutions, the converging monetary incentive structures can be theorized as mutually reinforcing adaptations of the modes of accumulation and governance to the actual, historically and socially grounded economic and political institutions.

The thoroughly political and agentic nature of money’s sovereign pole has received insufficient attention in contemporary social scientific analysis. The common accounts of “borderless”, “faceless” or “footloose” capital miss the unmistakably physical nature of the institutions and individuals involved in managing the creation and circulation of money according to prerogatives whose objectives and justification remain less than perfectly articulated. Despite a colorful history of controversy and contestation, monetary reform has not been able to muster sufficient political support, as:

> [t]he lock-in between the political, legal, banking and institutionalized monetary system has proven invariably too tight to break, even when the proposals came from the most influential economist of his time (such as Keynes’ proposal for his *bancor*) or when they were supported by substantial popular movements (such as Gesells’ *Freiwirtschaft* (‘Free Economy’) movement between the two wars) (Lietaer, 2001: 214).

While it might be inconceivable for most people to allow doctors, for instance, to convert their presumably superior medical knowledge into a social weapon against their patients in a Darwinian struggle for existence, no similar moral considerations appear to arise in the public consciousness when social struggles of equal or greater significance are channeled through the structural logic of modern credit money by the "political, legal and banking" institutions. Hence the colorful adjectives that are often associated with the globalizing capital more often than not appear to describe the specific ways in which power manifests itself in the biopolitical sphere rather than the wielders of that power in the more old-fashioned sovereign, physical, territorially-based institutional structures.

Although the origins of modern credit money can in virtually every case be traced back to sovereign forms of authority, the circulation of money also produces an incentive structure that gives rise to a distinctively biopolitical form of power – an "open source" Empire, whereby the structural necessity to engage in a zero-sum competition for positive monetary net worth at the expense of other members of the monetary space gradually transforms both the material reality and the individual interpretations of what is economically, feasible, desirable, or "natural". The subjects of the governmentally prepackaged biopolitical pool effectively participate in perfecting the Empire's source code – the mechanisms of their own governance – in exchange for upward social mobility in the Empire's structural social hierarchy. The open source Empire forces its every subject to contribute to its own expansion and permanence through conditionalizing subsistence on the acceptance of its hierarchical prerogatives while continuously adapting and readjusting itself to the prevailing economic, social and political conditions. As no amount of education, technological development or productive activity can challenge the structural necessity of zero-sum competition for positive monetary balances among individuals, obtaining a sustainable livelihood through monetized market exchange requires the persistent competitive exclusion of some other individuals' needs from the marketplace. In intellectually less disciplined circles – preschool children, for instance, tend to be particularly perceptive in this regard – such logic might be compared to a socially sanctioned evaluation of each individual's worth as a human being through an obligatory game of musical chairs with a strong discursive commitment to label any individuals questioning the rationale for such practices, pointing out the technical feasibility of producing more than enough chairs for everyone, or refusing to play altogether as losers who lack the skills to win in the game. Yet no sovereign authority could continuously reproduce the requisite economic, social and political structures without continuously shaping and reproducing agentic subjectivities in the biopolitical sphere of power and evoking grand narratives of efficiency, progress and objectivity to conceal the preschool foundations of the adult playground. As long as monetized market exchange retains its aura of procedural efficiency and justice, imperialism no longer has a need for expensive, inefficient and often state-centered central planning structures to enforce social hierarchies and the logic of capital accumulation. Under the open source Empire, no individual is too disempowered or marginalized to enhance and perpetuate the Empire's reach by further disempowering her peers in every other sense except their capacity to accelerate the centralization of economic and political power. Rather than merely encouraging "a state of autonomous alienation from the sense of life and the desire for creativity" (Hardt and Negri, 2000: 23), the open source Empire thus redefines both the sense of life and creativity in zero-sum terms by rewarding competition among individuals while punishing altruism. The fact that genuine efficiency-seeking competition, equality, truth, justice or any other instance of conspicuous consumption of moral luxuries provides no material benefits to their pursuers in the face of the structural necessity to extract a positive monetary net worth at other people's expense for survival virtually ensures that any innovation motivated by pecuniary considerations contributes to economic inequality, social segmentation and other familiar consequences of more traditional forms of imperial domination.

The incentive structure inherent in the open source Empire has effectively emancipated exploitation from the constant need to relegitimize and remystify its true nature with profound implications for the dominant conception of the human nature. It has also democratized oppression in a manner that co-opts the more materialistically minded segments of its potential opposition – those individuals who wish to obtain a reasonable livelihood through monetized market exchange without incurring the money-creating debt themselves – by rewarding particularly innovative ways to rebrand exploitation and oppression according to local tastes. Virtually any businessman could attest how overly moralistic free marketeers are weeded out in favor of the ones who properly see the free market rhetoric as a façade for the centralization of economic power. Most politicians and scholars are unlikely to be blind to the expected payoffs associated with rationalizing prevailing or newly conceived forms of exploitation in a particularly innovative manner as opposed to adopting unduly inflexible views on the desirability of the pursuit of truth.[79] As someone – individuals, corporations or governments – must constantly make interest payments on unrepayable debt merely to keep money in circulation, these are not abstract moral choices, but literally matters of life and death. Any altruistically inclined individual has to compensate each non-profit maximizing decision by more ruthless exploitation of her peers in other instances in order to avoid a relegation to the category of the permanently exploited – often entailing drastically reduced quality of life and life span as opposed to the romantic notion of a less materialist lifestyle – in the structural social hierarchy imposed by modern credit money. The psychologist and social critic John F. Schumaker has noted how we are "removed from nature, married to work, adrift from family and friends, spiritually starved, sleep deprived, physically unfit, dumbed down, and enslaved to debt" as "true love and true happiness … have become uneconomic" amidst a consumerist mindset that leaves individuals "never deeply satisfied, but always in the process of satisfying themselves" (Schumaker, 2006). Such comments illustrate the extent to which sovereign and biopolitical forms of power may already have been convoluted in the popular imagination: it is the personal greed or the materialist mindset that is to be blamed for some of the most egregious manifestations of social disintegration rather than the structural need to adopt the mindset of a psychopath to obtain a living through the zero-sum competitive process of monetized market exchange. As ordinary people are depicted as capital's willing executioners rather than victims of structural forces that are coercing their compliance, the perceived origin of the structural pressures may increasingly become associated with "productive, dispersed and relational" as opposed to sovereign forms of power, potentially leading to a self-fulfilling prophecy regarding the assumptions concerning the human nature and the origins of the structural competitive pressures.

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79 Attempts to increase one's monetary net worth through questionable means – as well as social polarization in general – would undoubtedly exist under any forms of monetary arrangements. Nonetheless, the *structural necessity* of the hierarchical competition as well as its *zero-sum* nature are far from inevitable. Issuing money debt- and interest-free, for instance, would significantly reduce such pressures.

The globalizing market governed by the logic of modern credit money may thus be viewed as a repository of knowledge pertaining to class structures and class formation that facilitates the reproduction of social relations within its sphere of influence. The nearly universal triumph of transnationally oriented credit money over the isolationist domestic capital has both increased the material rewards for domestic elites willing to serve the objectives of transnational capital and increased the opportunity cost of non-transnationally oriented forms of accumulation by instituting deeper international division of labor whereby economies may no longer be able to choose not to trade or to cut off from international capital flows at an acceptable cost to either domestic elites or the general population. Even within relatively isolated societies the globalizing market governed by the logic of modern credit money constitutes a benchmark against which domestic circuits of exploitation can be modeled. As the possibilities for subsistence outside the system of monetized market exchange approach zero for an increasing number of people, every profitable transaction is likely to contribute to a more unequal or a more permanently segregated world. The open source Empire not only fails to reward any collectively optimal activities aiming to achieve decentralization of wealth and power through genuine economic and political competition, but also disregards any input that does not contribute to its inbuilt logic of wealth and power centralization. As innovative justifications for exploitation are incorporated into the source code and become the benchmark for subsequent effort, altruistically motivated actions are forgotten after the performers have suffered a one-time loss to move themselves closer to the cast of the permanently exploited. While the structural social hierarchies may remain relatively firm, virtually anyone can improve her relative position in the hierarchy by demonstrating superior capacity to innovate or legitimize more efficient forms of exploitation. Every time an informational input on a more efficient form of exploitation is incorporated into the structure of the open source Empire, the Empire approaches the perfectly efficient and legitimized form of exploitation, making it more difficult for latecomers to improve their relative position in the structural hierarchy.[80] Hence the open source Empire may echo

80 To illustrate the extent to which the open source Empire has embraced norm-producing institutions to legitimize the expansion and intensification of its reach, it is instructive to recall the Nobel Peace Prize of 2006 awarded to Muhammed Yunus

De Angelis' observation that both Hayek's spontaneous market order and Bentham's panopticon are "disciplinary mechanisms faced by individuals whose 'freedom' is confined to a range of choices set by an agency outside them (the 'planner')" (De Angelis, 2002: 293) with one crucial difference: under a system of modern credit money, the prisoners (of the panopticon or the market) not only become their own guardians, but also participate in perfecting the disciplinary and legitimating mechanisms associated with their own imprisonment.

In Agamben's terminology, monetary subspaces governed by the logic of modern credit money may also be viewed as deterritorialized manifestations of the sovereign state of exception and the camp – "the space that is opened when the state of exception begins to become the rule" (Agamben, 1998: 168–169). At any given point in time the monetary space as a whole is close to insolvency, which facilitates the permanent administration of the state of exception to serve the purposes of sovereign power. In the monetary sphere the state of exception no longer constitutes a device to "articulate and hold together the two aspects of the juridico-political machine by instituting a threshold of undecidability between anomie and *nomos*, between life and law, between *auctoritas* and *potestas*" (Agamben, 2005: 86). The state of exception in which these elements are "blurred together" has rather become the rule, transforming the juridico-political system into a "killing machine" (Ibid.). The market-mediated competitive process for positive monetary net worth determines the

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and Grameen Bank "for their efforts to create economic and social development from below" and "to advance democracy and human rights" through the "liberating force" of microcredit (The Norwegian Nobel Committee, 2006). While microcredit may undoubtedly help to advance the relative position of the borrowers in the Darwinian structural social hierarchy, its overall impact is the expansion of the Empire's reach to previously uncharted social spaces. As long as the lending is governed by the polarizing logic of modern credit money, any expansion of lending activity will merely intensify the struggle for positive monetary balances among the members of the monetary space. Every dollar held by any individual – no matter how deserving, exploited or oppressed – is a dollar away from the repayment of the debts against which money has been created – necessitating a higher default rate – or transfer of ownership of real assets to the "political, legal and banking" institutions in charge of the system – among all other members of the monetary space. It remains to be seen whether the purpose of power will ever be reversed to an extent that would permit the efforts of some of the individuals and communities working towards more sustainable and equitable forms of money to be met with similar normative approval.

specific spatial and temporal manifestations of the portable camp – the specific individuals at the very bottom of the structural social hierarchy, upon whom the misery and lawlessness of the camp is imposed through the Empire's incentive structure.

The subspaces are internal to the materially determined logic of the monetary system. In other words, the precise manner in which an individual experiences the logic of the monetary system depends on one's relative position in the structural social hierarchy. At the top, the technical functions of money are complemented by unjust enrichment through compound interest and privileged access to the latest developments in the evolution of financial capital – a form of monetary state of exception from the sovereign's perspective, whereby the ostensibly neutral monetary rules designed for facilitating multilateral exchange are used to circumvent those very same rules for private gain.[81] At the bottom – the monetary camp – the "neutral" rules for multilateral exchange apply only insofar as they *exclude* specific individuals from such voluntary exchange: voluntary decisions are replaced by forced, unilateral transfer of resources structurally mandated by the "neutral" rules for monetized market exchange. The accumulation of unrepayable debt confines certain individuals into a position where the ostensibly neutral technical rules for monetized market exchange as well as universalist humanitarian principles have been suspended in favor of structurally mediated resource transfers corresponding to interest payments on unrepayable debt. Irrespective of their territorial location, individuals confined to the monetary camp by unrepayable debt and a lack of purchasing power for life's basic necessities have to choose between withering away – in which case new victims will promptly be identified by the markets as the dead cannot hold the debt against which money has been created – or extracting sufficient positive monetary net worth from someone else, thus passing on the personal

81 The appropriate analogy is, of course, the sovereign's capacity to permanently suspend the rule of law as a part of the normal mode of governance. As Neocleous (2006: 208) has observed, "Emergency powers do not involve some kind of suspension of law while violence takes place, but are unified with law for the exercise of violence necessary for the permanent refashioning of order." Similarly, monetary states of exception such as the unjust enrichment emanating from compound interest on unrepayable debt, debt write-offs, unearned seigniorage income, or liquidity provision on favorable terms, for instance, do not involve the suspension of some mythical forms of neutral and fair monetary rules of the game, but are in fact "part and parcel of the normal mode of governing"(ibid.).

tragedies caused by the structural scarcity of debt-free money. Once the markets have reached their verdict, the carnage of hunger, disease, poverty, crime and war – commonly attributed to the victims' insufficient skills and effort to support themselves through market exchange in the hegemonic discourse – can continue unabated within the camp.

The confinement to the monetary camp has both nomological and subjective dimensions: nomologically, the individuals in the camp are de jure excluded from production and consumption decisions accessible only through the possession of sufficient positive monetary balances; subjectively, the camp may produce a distinct form of subjectivity for the individuals whose biopolitical significance is largely limited to making resource transfers corresponding to interest payments on unrepayable debt so that the higher layers of the structural social hierarchy can continue to be governed through the more positive appeal of the liberal subjectivities associated with monetized market exchange. Although technically part of the same monetary space, the logics and the subjectivities produced at different levels of the structural social hierarchy are so heterogeneous to each other that it may not be an exaggeration to view them as subspaces with their own distinct governmental functions and internal logics. As a result of deeper income and wealth disparities induced by the logic of modern credit money the size of the monetary camp must gradually expand relative to the total population, leaving little doubt as to the extent and the permanence of sovereign power's biopolitical ambitions.

Do such knowledge claims on money's impact on material practices and the symbolic or subjective cognitive frameworks not fall into the category of "totalising reductionist theories of world order, in which the entire human experience is reduced to one overwhelming structure aimed at maintaining exploitation, alienation and poverty"? (Palan, 2007: 58) Do they not "assign an extraordinary degree of unity and purpose to the disparate members of the 'ruling classes' … brushing aside legitimate concerns about the difficulties of 'collective action'"? (ibid: 68) The skepticism and outright hostility towards "totalizing reductionist theories" illustrates the extent to which ambiguous or contestable agency has become a license to ignore the reality in some branches of social scientific inquiry. Modern credit money's impact on material practices, subjectivities and incentive structures – both totalizing and reductionist in the sense that the necessity to engage in zero-sum competition is structurally elevated over other dimensions of the human experience – will not simply go away no matter how deep in the sand of ambiguous and contestable agency scholars choose to stick their heads. While some of the technical features of modern credit money are readily recognizable from the colonial history and each historical reform of the monetary system or the social policies aimed at mitigating its polarizing consequences is potentially traceable to the interaction of specific political interests, speculation on agency or functionality is neither necessary nor sufficient for understanding the types of constraints that modern credit money places on both material and symbolic practices. It is not inconceivable that, given the current levels of wealth centralization and the inherently power-centralizing nature of modern credit money, the "ruling classes" have in fact managed to solve some of the problems of collective action in favor of a "totalizing reductionist" structural economic logic. Nor can one exclude the possibility that no significant elite faction simply has any incentive to break the governmentally prepackaged structural social hierarchies: the intra-elite struggle for power may be fierce, but once the popular classes attempt to break free from their debtor mindset the elite may well unite to protect their class privilege in general and the perks of the office of the dominant faction in particular. If, on the other hand, the exercise of power – or its constant "making and unmaking" – involves the management of a multiplicity of heterogeneous practices according to a strategic logic, the primary locus of power may be neither identifiable nor stable: the institutional platforms – whether sovereign bodies, corporations, the transnational capitalist class, old boys networks for socially protectionist Darwinists, or any other form of social organization – most suitable for the making and unmaking of power might be in constant competition with each other in the same manner as some of the individuals occupying specific positions in each of these platforms are in constant competition to improve their relative positions in the structural social hierarchy. Although far from unimportant, speculation on agency is neither necessary nor sufficient for understanding the specific mechanisms which permit monetary power to assume a territorial character. It is unclear why anyone should agree to conform to the disempowering dogma – implicitly advocated by some of the critics of "totalizing reductionist theories" – of remaining silent on violence or exploitation whenever agency remains a matter of controversy or contestation.[82]

The paradox of the intimate conceptual interrelationship – and yet the lack of any necessary spatial equivalence – between the material and the symbolic or subjective dimensions of money should thus be at the center of any spatial analysis of money. On the one hand, the nearly universally shared logic of modern credit money as illustrated by the conceptual framework of the open source Empire can be divided into a number of symbolic subspaces along national or territorial lines without any apparent autonomous pressures for unification under a single global currency. On the other hand, the single material practice of modern credit money produces a multiplicity of de facto material practices within the *same* monetary space with little pressures for the subspaces of the unjustly enriched or the permanently exploited to become independent monetary entities.

8.5 Reterritorialization, Social Restructuring and the Administration of the Permanent State of Exception: Towards a Theory of Territorial Projection of Monetary Power

The structural logic of the open source Empire provides a spectrum of opportunity for the strategic exercise of power irrespective of the primary

82 The natural sciences appear to be doing relatively well without a form of socially constructed agency fetishism – such as a perceived necessity to identify the creator of the physical universe before anything meaningful can be said about the mechanisms according to which it functions – acting as a gatekeeper for academic knowledge production/preservation. From the perspective of any specific individual, some of the prevailing social constructs may present just as objective constraints on autonomous agency as natural laws. It would, of course, be nice to be able to prove beyond reasonable doubt the forms of agency that underlie each socially constructed institution, just as it would be pleasant to reach a consensus on the creator of the physical universe before engaging in natural scientific experiments. Nonetheless, to suggest that the unambiguous identification of agency is a precondition for describing the nature of the prevailing socially constructed institutions or mechanisms of governance raises more questions about the locus and the motives of the forms of agency that guide social scientific knowledge production/preservation than the alleged necessity of conforming to the disempowering dogma of remaining silent on violence or exploitation whenever agency remains a matter of controversy or contestation.

locus of agency – whether sovereign bodies, transnational social classes or something else. Regardless of the primary locus of agency the logic of modern credit money may explain how the internal structure and cohesion of power is maintained as it oscillates between its biopolitical and sovereign manifestations. Particularly in the case of research on transnational class formation, previous attempts to theorize these structural interconnections have been largely unsatisfactory. Much of the research on the transnational capitalist class (TCC) has focused on organizational overlap and transparent elite social networks as opposed to structural features of the world economy, which could explain the convergence of the incentive structures faced by national capitals (Carroll and Carson, 2003; Carroll and Fennema, 2002; Kentor and Jang, 2003; Sklair, 2001). Any potential identification of a TCC through some of the more transparent social networks would not necessarily explain the persistent social polarization experienced in virtually any economy that becomes subject to a division of labor mediated by modern credit money. In other words, any possible identification of a TCC based on the prevailing methodology could only answer the question *by whom* values are produced, not *how* such production is organized and appropriated institutionally and how these processes are shaped by the transnationalization of capital. The structural logic of the open source Empire fills this theoretical gap by providing simultaneously an explanation for the incentive structures inherent in the TCC formation and the organizational structure through which the organization of production and the appropriation of values occurs.

The opportunities for managed interaction between biopolitical and sovereign monetary power structures arise from a number of sources, two of which may be particularly noteworthy in the context of this study: the manufacturing of crises that are *ex ante* perceived to be conducive to certain objectives of power and the constant administration of the state of exception which is required to manage the internal contradictions of modern credit money. The relatively poorly understood logic of modern credit money virtually ensures that the global relations of production, exchange, and monetarily induced expropriation evolve along a path where the inevitable crises can be framed in terms that are favorable to financial capital. Hence the forms of crises that eventually materialize are likely to be the ones that involve some of the best opportunities for continued legitimization and intensification of the prevailing social relations or the reterritorialization or reinstitutionalization of sovereign power. In the words of Hardt and Negri drawing on Machiavelli, "the expansion of Empire is rooted in the internal trajectory of the conflicts it is meant to resolve" (Hardt and Negri, 2000: 15). Causal narratives based on notions of "liquidity crisis", "capital flight" or other ostensibly neutral technical descriptions overlook the inherently polarizing nature of unrepayable debt and imply that the institutional expansion of foreign or supranational sovereign bodies which often follows particularly third world financial crises is an apolitical solution to technical crises that could have been avoided through appropriate policies. Such narratives often seek to downplay the role of political agency in contributing to the emergence of circumstances that may be conducive to further exercise of agency in line with the strategy of power. For instance, according to one account of the Asian financial crisis of 1997 in the Singaporean context, "[b]y presenting the crisis as resulting from 'natural' causes, the possibility that either the global financial system as a socially constructed framework, or the development strategies of the Singaporean state, might be responsible are precluded" (Kelly, 2001: 738; quoted in Sidaway, 2005: 70). Thus modern credit money often allows power not only to administer the state of exception, but also to produce and reproduce the types of events that are perceived to necessitate its application.

While the dynamic interrelationship between sovereign and monetary spaces may not be a particularly recent phenomenon, its increased scope, intensity and malleability to serve the strategy of power merit closer scrutiny in the contemporary context. In the words of one student of such dynamic historical interaction, Polanyi, for instance, emphasized that "the nineteenth-century nation-state was an artifact of global monetary relations and their social consequences within states" as a part of a "political-economic arrangement orchestrated by British commercial hegemony vis-à-vis its rival states, and gunboat diplomacy vis-à-vis the non-European world" (McMichael, 2001: 205). No sovereign space is exempt from the potential pressures for reterritorialization or social restructuring channeled through modern credit money. The successful identification of legitimacy-enhancing threats often presents sovereign power with a spectrum of opportunity to pursue its own territorial or biopolitical objectives both domestically and transnationally. The "pooling" of monetary sovereignty in the European Monetary Union in response to real or perceived threats originating in the global capital markets, for instance, illustrates how in questions of "pooling" democracy the whole can be less than the sum of its components. As Romano Prodi once noted while in the European Commission, a "beneficial crisis" of the euro could well help to force through political integration in the EU to an extent that might otherwise not be possible in the face of national democratic preferences (Evans-Pritchard, 2007). In the absence of subsequent reterritorialization, the structural incentives produced and reproduced by modern credit money might, according to some analytical frameworks, be more appropriately regarded as social engineering rather than a form of biopower as "it is only through a consequent process of reterritorialisation that forces of deterritorialisation are rendered biopolitical" (Reid, 2005: 248).

Irrespective of one's views on the likely nature and locus of agency, the constant interplay between money's material and symbolic or subjective dimensions throughout the history can hardly be ignored. In the early days of the state's trust-building project national iconography often turned out to be quite insufficient to mould the desired forms of monetary subjectivities. As was noted earlier, fines, flogging, burning foreheads with coins or destroying crops that allowed self-sufficiency (Wray, 1998; Ingham, 2004) were sometimes adopted to induce a closer fit between the sovereign's chosen monetary material practice and the subjects' views on what ought to be economically feasible, desirable, or "natural". Dissenting views on the necessity or the desirability of continued adherence to the gold standard may often have been preempted by appeals to the path dependent normative conceptual framework rather than rationalizing the desirability of the material practice per se. Perhaps the most intriguing contemporary example involves the oscillation between different subjectivities and material practices involved in the European monetary integration project. Perhaps the slightly more than a century of territorially based national currencies (Helleiner, 2003) in Europe witnessed an evolution of economic activity – if the dominant monetary subjectivities are to be believed – guided first by the available amounts of a relatively useless precious metal chosen for the task because of its natural scarcity and inelasticity of supply, proceeded through stages where the discretionary production of inherently worthless tokens of value by a sufficiently powerful sovereign actor was believed to relieve the natural constraints on economic activity as effectively as gold, arriving finally at a point where no-one may be quite sure about what money is, who produces it, how, under what conditions and in what quantities, but the socially constructed accounting system of money is nonetheless to be taken as an absolute indicator of what is economically feasible, desirable, or "natural". The fact that money as a material practice has been able to go through such a drastic evolution under the auspices of state symbolism – albeit corresponding to quite different forms of agentic subjectivities depending on the precise configurations of historically specific or governmentally contingent economic "laws" associated with each form of money – suggests that sovereign power's grip on money may be too strong to be resisted solely in the biopolitical domain.

Apart from breaking the connection – no matter how recent or tenuous – between the nation-state and money, the introduction of the euro drastically shifts the balance of power between sovereign authorities and capital markets. The euro has been described as "a pure-private money, created at the sole request of private agents by banks obliged to comply with the targets set by the Central Bank, sustained by the expectations of the financial markets", potentially entailing "a privatization of the state itself" (Parguez, 1999: 66, 72). The spending power of a sovereign monetary authority is not constrained by a need to "finance" such spending through taxation or bond issuance, as taxation by definition must occur *after* money has been spent into circulation and bonds merely offer an interest-bearing alternative to cash (e.g. Bell, 2000; Wray, 1998). Under the euro, in contrast, governments must secure funding *before* spending can take place, imposing a strict structural constraint on the policy space available to governments that entails a substantial redistribution of power from sovereign entities to the globalizing money markets. Already in 1950 Jacques Rueff argued that "Europe will be made by money or it will not be made" (quoted in Bordo and James, 2006: 30).[83] The European Monetary Union has widely been seen as a "part of a process that was intended to drive closer political union, and the logic of monetary union required (and continues to require) a further degree of political coordination, in particular in regard to fiscal policy"

83 Incidentally, Rueff (1964) also believed that the fate of mankind would be determined by money.

(ibid.). Thus one of the relatively common recent patterns of oscillation for a European nation might be articulated as follows:

Material practice: The reregulation and liberalization of financial markets by sovereign power facilitates the alteration of the material practice of money through financial engineering and the transnationalization – or perhaps "transjurisdictification", as up to half of the world's money may currently be located in "offshore" jurisdictions (Maurer, 2008: 160), which may or may not coincide with the territorial limits of sovereign spaces – of financial markets.

Subjectivity: The altered monetary material practice resulting from financial "globalization" and newly conceived forms of money gradually renders the dominant monetary subjectivity more receptive to international or transnational solutions to "protect" the autonomy and the policy space of the nation-state through the "pooling" of monetary sovereignty.[84]

Material practice: The euro is launched, transforming not only the geographical scope of the dominant monetary material practice from the nation-state to the Eurozone, but also profoundly shifting the distribution of power between capital markets and polities.

Subjectivity: The dominant monetary subjectivity is currently being conditioned to accept the revolutionary idea that it is the private capital market rather than the democratic polity which controls a nation's money supply.[85] The inevitable monetary crises may be used to steer the

84 Alternatively, one might view the changing material practice of money as an incubator of institutional tensions which create space for political strategies. As Jabko (2006) has pointed out, strategic constructivism – the instrumental use of ideas to exploit institutional tensions for strategic purposes – may well involve the adoption of different, mutually inconsistent narratives to promote the same material practice: monetary integration can symbolize either enhanced sovereignty or policy discipline depending on the interlocutor's ideological predispositions.

85 This radical usurpation of monetary powers by private actors – the trans-nationalization of the already largely privatized powers of money creation – is perhaps one of the clearest indications of the increasing irrelevance of the nation-state as an incubator of shared purpose or destiny and the migration of power into transnational social networks. Whenever the leaders of any institutional structure – in this case the

dominant monetary subjectivity towards accepting broader and deeper political integration.

A possible future A: The transforming subjectivities will facilitate the gradual centralization of political powers while the capital markets' usurpation of sovereign power remains uncontested.

A possible future B: Emancipatory activism will manage to communicate the issues at stake to a sufficient number of people to push through reformed monetary material practices, involving at the minimum the abolition of money-creating, interest-bearing debt. The ensuing dismantlement of the debt-based mechanisms of monetary governance allows individuals and polities to renegotiate the nature and scope of the monetary material practices according to democratic preferences.

The intention here is not to speculate about the driving forces behind the European monetary integration process – the same process of interaction between the material and the subjective dimensions of money may disintegrate as well as unify monetary spaces, or integrate at a transcontinental or global rather than pan-European level – or to suggest an exclusively functionalist ontology for the political geography of money. None of the aforementioned steps were predetermined. What is of interest is the precise mechanism through which the power-enabling design features of money have been converted into actual policy outcomes – the dynamic interrelationship between monetary power and its material and symbolic or subjective constraints. If territorialized monetary power shared the same ontology with, say, military power, one might expect Europe to have been "made" immediately after a sufficient agglomeration of monetary power had been formed in the hands of appropriately motivated actors. After all, an annihilation of the enemy through military means does not require lengthy adjustment periods to produce shared intersubjective understanding or "trust" among the potential victims before military power may prove to be effective. Monetary power, in contrast, must be exercised within the constraints imposed by the prevailing material and subjective dimensions of money in order to produce the desired territorial outcomes and to maintain its effectiveness in the future. Any excessively ambitious instances of monetary power

nation-state – appear to undermine their own power, it may be safe to assume that the strategic multiplicity of power relations has been incorrectly understood.

projection may destroy the material or subjective foundations of the monetary system upon which such power is based. Similarly, while each step in the process of oscillation may be fiercely contested among elite factions, any potential elite cleavages have rarely extended to issues that could expose the ontological origins of monetary power to public scrutiny. For instance, rather than recognizing the political indeterminacy of technological development or exposing the potential solution to virtually any monetary problem – the "technical" re-specification of the socially constructed accounting system of money through monetary reform – to political scrutiny, elites even in peripheral economies have often decided not to contest monetary power projection by other sovereign or private entities at a level that could endanger whatever monetary power is left at their disposal to be exercised over their domestic populations. In other words, excessively individualistic political strategies have given way to power-preserving pragmatism. Territorializing monetary power may thus be a far more complex and imprecise exercise than conventional analysis might suggest: each step in the oscillation process involves substantial indeterminacy regarding the degree of confluence between territorial space and the evolving material and subjective dimensions of money as well as the sustainability of the prevailing forms of monetary power. As was noted earlier, reforming the material practice of money has often not been successful in territorializing the corresponding subjectivities without sovereign violence, while the deviant subjectivities emerging through the experimentation with alternative monetary logics in local currency systems, for instance, may spread far beyond the territorial limits of the initial experiments, as may have been the case with some of the local currency experiments in the early 1930s.

An analytical approach which views territorial monetary power projection as a product of strategically-induced oscillation between money's material and symbolic or subjective dimensions highlights issues that may so far have received insufficient attention in academic literature. The state's authority claims in monetary power projection have never been based on territoriality per se, but the institutional design features of money which allow such power to assume a monetary character in the first place. An analysis of such power-enabling design features suggests that monetary power – irrespective of questions of agency or allocation among specific institutional containers – may currently be stronger and more effective than ever. Any suggestion that territorialized monetary power may be "deterritorializing" or "unraveling" (see e.g. Ruggie, 1993; Helleiner, 1999) would thus appear to be incomplete without an explanation of why this is happening to a form of power that may be becoming increasingly salient vis-à-vis other institutional sources of power. If the state is the primary locus of institutional monetary authority, why is it breaking the perceived link between sovereign and monetary spaces and experimenting with various potential reterritorializations or respatializations of monetary sovereignty despite its presumably enhanced capacity to attain alternative outcomes?[86] If, on the other hand, the state's territorial monetary powers indeed are "unraveling", to which institutional structures has the enhanced monetary power migrated and what were the state actors' motives for facilitating such a power shift? Understanding power as the management of disparate fields of material and subjective formation according to a strategic logic may also help to fill a theoretical gap in explaining the adoption of inherently unsustainable monetary material practices. As Alain Greenspan, among others, observed prior to the introduction of the European common currency, "The Euro will come but it will not be sustainable" (quoted in Eltis, 1997: 2, and Cohen, 2000). Once the introduction of the euro is seen as a part of the "internal trajectory of conflicts" that is conducive to the "making of Europe" – as a strategically induced intermediate step in the co-evolution of money's material and subjective dimensions – the politics behind the apparent unsustainability of the chosen "technical" configuration may no longer puzzle a disinterested observer.

The internal contradictions of modern credit money also necessitate the constant management of the state of exception, which is increasingly undertaken by private agents in the money markets rather than sovereign bodies. The transnationalization of capital and the need to make interest payments merely to keep money in circulation represent the ultimate emancipation of exploitation from its spatio-temporal constraints. Pushed to its logical extreme, the complete commodification of all forms of social relations through monetized market exchange would entail the convergence of capital and sovereignty – capital would effectively

86 As Helleiner has convincingly argued elsewhere, "'the contemporary open global financial order could never have emerged without the support and blessing of states" (1994: vii).

represent liquid sovereignty which, echoing Carl Schmitt's well-known definition, would define the exception to the rule. In the globalizing capital markets governed by the logic of modern credit money, it is the financial superstructure – once again, Lietaer's "lock-in between the political, legal, banking and institutionalized monetary system" (2001: 214) may provide a useful working definition – rather than sovereign authority per se that determines who gets the newly created money first or is exempted from the logic of accumulation through debt write-offs, unearned seigniorage income or liquidity provision on favorable terms. The immutable logic of capital accumulation may thus be little more than an obscuring myth that diverts attention away from the frequency with which the state of exception is – and has to be, if the debt-based monetary system is to be maintained – administered. Modern credit money constitutes the ultimate wealth- and power-centralizing mechanism that relegates other forms of economic activities to a subservient position: once a group of individuals or institutions has obtained a monopoly on money creation against interest-bearing debt, the ultimate aim of any policy – including ostensibly economic policies – originating from the same power structures is likely to be political. As some debt is always likely to be in default due to the lack of debt- and interest-free money, the relevant considerations for the administration of the monetary state of exception are likely to be political expediency and the potential systemic impact rather than "economic efficiency".

Insistence on identifying agency as a precondition for analysis may thus be particularly inappropriate in situations where the population subject to the wielding or the making and unmaking of power is governmentally secured and unable to resist without transforming money's dimensions both as a material practice produced by sovereign authority and as a symbolic or subjective cognitive framework negotiated and contested in the biopolitical domain. Recognizing any potential uncertainties or ambiguities in identifying agency should not, of course, be taken as an indication that agency is unimportant. Whenever structuralized incentives and institutional layering, for instance, provide the wielders or the makers of power with a relatively high degree of anonymity, it is often instructive to begin the analysis by exploring the specific types of logics and institutional configurations that power has produced.

Irrespective of whether humanity is in the habit of letting itself be ruled by psychopaths[87] or building collective prisons for the imagination and either not having the collective cognitive capacity to identify them in the first place or forgetting about their existence once established, the totalizing and reductionist logic of modern credit money deserves to be analyzed in its own terms without prejudice on agency.

8.6 Can the Chessboard be Discarded?

Although the open source Empire may tend towards optimal obfuscation of both the biopolitically perfected system of exploitation and its likely long-term implications for humanity's conception of itself, such obfuscation should not be taken as an indication of genuine powerlessness on the part of the Empire's primary beneficiaries in the sovereign sphere of power or its primary victims at the lower layers of the structurally imposed social hierarchies. The Empire's strength derives largely from its perceived capacity to eliminate autonomous moral agency. Few societies would be likely to tolerate the ecological and social devastation and the structurally dictated mayhem at the monetary camp in the absence of legitimating mechanisms that reframe individual choices consistent with the logic of the Empire in socially acceptable terms. Under such legitimating mechanisms any wealth- or power-centralizing act that consolidates the exploitative logic of the open source Empire while rewarding agency with upward social mobility is reframed as an innovative act of entrepreneurship at best and an unfortunate structural necessity in the imperfect world in which we live at worst. In the same way as the aristocratic pieces might have considerable difficulty to justify the necessity of sacrificing the pawns without a "neutral" or "technical" rulebook for chess that is perceived to be beyond their agentic capacities, the primary beneficiaries of the open source Empire at the top of the structurally mandated social hierarchy might have difficulties in justifying their actions to others – and in rare cases to themselves – in the absence of similar legitimating narratives. The obvious problem with this line of

87 Bakan (2005) famously compared corporation to a psychopath. The institution of modern credit money is another serious contender.

reasoning is, of course, that the open source Empire is as vulnerable as any other form of social organization – a political and social construct that can unravel through demystification or elite cleavages significantly faster than what it took to conquer the popular imagination.

Hardt and Negri's *Empire* has often been accused of downplaying the importance of emancipatory political agency by depicting power as centerless and omnipotent. Yet an obvious question that would have to be answered before any counter-strategy can be constructed has rarely been articulated: if the hardware of power has indeed been transformed into territorially fluid networks, is a counter-Empire still a realistic possibility or might a multitudinal Empire perhaps be the best that emancipatory intervention can aim for? In other words, can the chessboard still be discarded, or is the structural logic too deeply ingrained to render structural emancipation beyond the capacity of human agency? It may, for instance, ultimately prove to be a relatively straightforward task to convince a sufficient number of people of the devastating ecological and social implications of issuing money against interest-bearing debt or the futility of letting the combination of unrepayable debt and "capital flight" deprive people not only of their savings and physical assets, but also of their capacity to employ and transact in human capital that already exists and has been paid for unless a sufficient tribute is paid to the issuers of money. The modified agentic expectations and the changed biopolitical normative structure might also be transformed into institutional reforms in the sovereign sphere of power. Nonetheless, in the absence of a sustainable participatory mechanism that would ensure the continuous survival of the counter-Empire over more hierarchical forms of social organization, emancipatory intervention runs the risk of merely rearranging the pieces in an essentially unchanged chessboard. As the application of universalist principles such as international humanitarian law in justifying military interventions amply illustrates, humanitarian rhetoric can also be easily applied to serve the expansion and reproduction of the more hierarchical forms of the Empire.

Under such circumstances the challenge for further research is to spatialize the logic of the field – to identify the evolutionary trajectory of the open source incentive structure and the factors leading to the spatially segregated oscillation between money's sovereign and biopolitical poles. This task involves two elements. First, the cartography and the topography of exploitation must be mapped in terms of territorially fluid but structurally centralized networks of power. In other words, if "a tendency for sovereignty to be transformed by, through and into a variety of forms of political agency (corporations, multilateral agencies, NGOs for example)" (Sidaway, 2005: 68) is indeed identified as suggested by Hardt and Negri, one would also need a theory which accounts for the diverging intensities with which such structural pressures manifest themselves in spatially segregated parts of the Empire. Why do certain political, social or geographical spaces exhibit greater tendency to conform to structural pressures than others? Why do certain communities, areas or networks find it easier than others to construct alternative material practices for production and exchange which facilitate subsistence outside the exploitative logic of modern credit money? Are all potential exceptions to the nearly all-encompassing logic of modern credit money due to failures of monetary power or some dissident economic, political, social or cultural practices which remain imperfectly understood? Such theorization implies neither institutional uniformity nor territorial fixity. While the intensities of the Empire's incentive structures may diverge between, say, Denmark and Djibouti, one would not expect complete institutional convergence to be required for a broadly similar level of subordination to the Empire's prerogatives to emerge: local institutions matter precisely because they tailor the structural necessity of zero-sum competition to the local circumstances. Nor should the spatial manifestations of the differing intensities of exploitation be expected to coincide with specific territorial containers – as the spatial fluidity of the monetary camp, for instance, illustrates.

Second, the differing intensities of oscillation between money's sovereign and biopolitical poles must be accounted for in spatial terms. In the words of Hardt and Negri, "the topography of power no longer has to do primarily with spatial relations but is inscribed, rather, in the temporal displacements of subjectivities" (2001: 319). Such "temporal displacements of subjectivities" have a spatial dimension that can hardly be ignored merely because it may not be congruent with the conventional notions of power being centralized in territorial entities rather than spatially fluid networks. In some spaces – whether territorially fixed or fluid – the norms, institutions and incentive structures associated with money may have remained relatively stable for extended periods of time. In others, the interplay between the sovereign and the biopolitical spheres of power has been substantially more active, with the gradual monetization or often abrupt demonetization of social interaction, currency internationalization and substitution and the introduction of supra-national or sub-national currencies, for instance, profoundly shaping and being shaped by the oscillations between the monetary norms and incentive structures. Why have the Brits, Danes and Swedes decided – or been permitted by the structural features of their political systems unlike those Eurozone member states which would have had a popular preference for a similar policy choice – to stay out of the "contentious social experiment" (Smithin, 1999: 3) of the "pure-private money" of euro, while the rest of the EU member states appear to be willingly or forcibly confined to embracing whatever economic, political or social consequences will eventually materialize through the accelerating pace of oscillation between money's material and symbolic or subjective dimensions?[88] What makes some communities vulnerable to the exercise of monetary power through strategically-induced oscillation between money's material and symbolic or subjective dimensions, while others persistently refuse to acknowledge the validity of the changing monetary knowledge claims emanating from the bastions of privilege? A more complete understanding of these two spatial elements of the open

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88 The precise manner in which each nation uses the power to issue and circulate its own currency hardly renders the "technical" differences between the euro and national currencies any less contentious. Any potential freedoms granted to local or transnational economic or political elites to icelandify national economies through the reckless growth of banking liabilities that is virtually certain to lead to some combinations of financial, economic, political and social crises, for instance, is ultimately a democratic rather than a financial or economic issue: while membership in the Eurozone may prevent national economies from repeating some specific sequences of domino effects starting with financial liberalization and innovation and ending up in political and social engineering, making the monetary system sustainably functional and responsive to democratic preferences would require policy space – in respect of both the "technical" specification and the management of money – that the euro currently does not provide. What the euro does, however, achieve – in a manner not entirely dissimilar to the analogy between a socially constructed "globalized" economy and the perceptions of inherently global economic problems – is the rescaling of the strategic potential of economic and financial crises: in the absence of monetary reform, the scale of the most profitable strategies for political or social engineering associated with the inevitable crises is likely to be transnational rather than national or local.

source Empire might improve the odds for achieving a counter-Empire as opposed to some of its more hierarchical manifestations – involving at the minimum the elimination of extra-monetary features which are not directly relevant to performing all of and nothing but the democratically selected combination of "technical" functions from each monetary system. Under such circumstances agency on the territorializations of money would be effectively reclaimed to the members of each monetary space and the ongoing process of money's social construction would be viewed as an at least equally economic, political, social or geographic phenomenon as the management of monetary affairs within a hypothetical given set of "technical" specifications for money.

Some observers have suggested – often broadly in line with the Foucauldian theoretical tradition whether or not explicitly recognized as such – that risk or contingency constitutes a universal unit of account and thus, by implication, also that the nature of money cannot be altered by emancipatory intervention focused on the process of authoritatively defining the unit of account. While the definition may be technically incorrect, it may help to shed light on the limits and the appropriate forms of emancipatory action. A unit of account defines the limits of a monetary space. For example, all transactions denominated in euros belong to the euro monetary space and, conversely, it is logically impossible to have a transaction denominated in euros outside the euro monetary space – not the geographic area of the Eurozone, but the networks of transactions denominated in euros irrespective of territorial location. Should risk indeed constitute a universal unit of account for monetary calculation, social relations which intuitively would not appear to involve monetized transactions would have to be classified as monetary, unless an alternative distinction between monetary and non-monetary transactions denominated in risk can be conceived.[89] Virtually any form of human interaction involves the transfer of contingency: any form of economic activity transforms opportunity structures also for individuals who are not involved in the planning and execution of such activities, violence circulates contingency through asymmetric exposure to bodily injury or death, friendship and love may pool both the exposure to and the impact of

89 Another possible approach – not necessarily with any less potential conceptual pitfalls – might involve defining risk as a post-money unit of measurement for the relative valuation of intrinsically valued commodities.

risk through mutual aid and solidarity. Yet the description of such human interaction as monetary would at the very least require some additional conceptual and analytical refinement. Furthermore, viewing risk as the universal unit of account might effectively render money impotent as a tool for power projection or as an object of the strategic logic of power. If the unit of account covers virtually all forms of human interaction, the precise mechanism how the monetary media exercise influence on individuals' lives requires further explanation. If, for instance, virtually every form of human activity was by definition denominated in euros, it is not obvious how the monetary media issued and circulated by the banking system could have much influence on the social realities: rather than the workers or the rentiers having to rely on the euros created by the banking system anyone could create their own by engaging in any form of economic, violent, or solidaristic activity, for instance, that involves the transfer of contingency.[90]

A more fruitful perspective – both theoretically and as an emancipatory strategy – might involve the conceptualization of the *monetary media* as universal embodiments of contingency. As was noted in chapter 4, the authoritative specification of a unit of account is a politically and socially

90 One of the underlying unifying themes throughout this study is the non-linearity of scientific progress. Kuhn's work, for instance, is often cited in the context of the distinction between intra-paradigm "normal" science and paradigmatic advances in knowledge. Yet this is far from the whole story due to power-based considerations. For instance, the conflation of a unit of account and the monetary media – as appears to be the case in some of the aforementioned literature – is not a privilege that would be easily granted to less established researchers in peer reviewed publications. The reasons why potentially counter-paradigmatic papers with elementary and spectacularly obvious shortcomings get published would deserve more attention to clarify both the meaning of a paradigm – quite possibly involving hierarchical or presentational considerations that are secondary to the actual content of the research – and the role of power in relaxing overly consistent publication requirements for selected, sufficiently established members of the academia. The intention here is not to suggest that self-declared respectability would require further corruption of the publication process through additional filters which may have little to do with the actual quality of research. To the contrary, as elementary failures can be just as instructive when committed by less established researchers, there is little reason to confine this particular privilege to some of the more established members of the academia. More generally, given the centralization of the powers of knowledge certification to a relatively small group of largely self-referential and intellectually unaccountable academics, genuine paradigm shifts could perhaps be expected to be relatively less frequent than ad hoc incorporation of non-ignorable dissent to the margins of increasingly incoherent pseudo-paradigms in order to forestall unmanageable shifts in the dominant worldviews.

relevant act only insofar as it transforms the opportunity structures for obtaining the actual monetary media. The specification of an abstract unit of account allows sovereign power to brand a subspace of contingency with its own symbolism in order to transform economic, political and social opportunity structures within the governmentally secured biopolitical pool of subjects. Apart from being more consistent with the distinction between unit of account and the monetary media, this approach may thus also help to illuminate the precise mechanisms through which the strategic logic of power may operate. It has been suggested that

> Capitalist social relations are no longer mediated only by labour but by risk, because these new financial instruments assume that particular forms of risk, no matter how existentially incommensurable … can be aggregated as an abstract form, susceptible to and determinable by mathematical calculation, combined within a single derivative, and then distributed to speculators (LiPuma and Lee, 2004: 126).

The key term for monetary analysis is "existentially incommensurable".[91] Exchange involving existentially commensurable entities is barter. Existentially *in*commensurable exchange, in contrast, presupposes

91 It is not uncommon to see the increasing governmental impact of money being attributed almost exclusively to financial engineering and the newly conceived forms of credit and commodified contingency that have emerged since the 1970s. While these developments may undoubtedly have implications for the intensity of the zero-sum competition for positive monetary net worth, the stability of the financial system, or the nature of money itself, they do not necessarily have to be the sole culprits for any potential evolution in money's distributional – and thus also governmental – impact. For the sake of simplicity – and in order to avoid making causal claims that may be unnecessary for this chapter's main argument – modern credit money has been defined as money which has to be borrowed into existence against interest-bearing debt. Within relatively autonomous national economies the polarizing tendencies of modern credit money can be mitigated through (re-)distributional policies. Financial liberalization, in contrast, has not only produced new monetary and near-money instruments, but also emancipated the logic of the more traditional forms of credit money from their nation-state-based policy constraints. The relevant counterfactual question would thus involve the governmental impact of financial liberalization without financial engineering. The global unleashing of the polarizing and exploitative logic of modern credit money through increasing capital mobility, for example, has certainly contributed to the increasing manageability of governmentally prepackaged biopolitical pools of individuals according to a strategic logic irrespective of any similar tendencies potentially emerging as a result of financial engineering. Financial liberalization thus constitutes a governmentally relevant

some form of a socially constructed accounting system to facilitate such transactions. The exercise of monetary power thus typically involves the transformation of economic, political and social opportunity structures in a manner which permits existentially incommensurable exchange through monetary media issued by the sovereign authority that has branded the monetary space with its preferred forms of symbolism and subjective focal points. Similarly, resistance to structurally skewed existentially incommensurable exchange would normally have to involve neutralization of the structural disparities in the issuance and circulation of the monetary media. Whether such a strategy involves adaptation to the prevailing monetary topography or the creation of new monetary spaces at local, national, or transnational levels, it is difficult to see how such efforts could succeed without continuous scrutiny of the political and social significance of the assumptions that underlie the technical specifications of money and the egalitarian initial allocation of the monetary media to minimize pre-market distortions of efficiency and equity.

To sum up, the conceptualization of modern credit money as having both sovereign and biopolitical dimensions provides a useful tool for analyzing the strategic aspects that have often been neglected in unipolar accounts of power. Modern credit money provides internal coherence to structurally rigid social hierarchies – the historically specific or governmentally contingent manifestations of the chessboard analogy – which may or may not be institutionalized through the exercise of sovereign power. It may also adopt a more "productive, dispersed, and relational" character as a part of incentive structures that contribute to the formation of biopolitical bodies according to the strategy of power. A more refined and nuanced analysis of the transformations and oscillations between money's different spatializations and power dimensions may provide a particularly fruitful avenue for further research on the multiple economic, political and social dimensions encompassed by modern credit money.

In terms of spatial analysis of money, any analytical effort must begin by identifying the sources of money's institutional powers – the structural disparities between the rules governing the production and circulation of the monetary media and the goods and services subject to monetized market exchange – which permit monetary power to assume a spatial

phenomenon even in the absence of financial engineering, which may well overshadow the latter's distributional implications.

character in the first place. Under the prevailing monetary arrangements two such disparities are particularly noteworthy: the separation of the power to issue monetary IOUs from the parties to the transactions where money is needed, and the practice of requiring members of the monetary space to accrue unrepayable interest-bearing debt as a precondition for accessing monetary IOUs. These structural distortions give rise to a governmentally secured pool of individuals whose subjectivities and material practices are conditioned by the structural necessity to engage in zero-sum competition for artificially scarce monetary balances – a form of open source Empire with self-reinforcing dynamics regardless of the primary locus of agency. Conversely, it is difficult to see how the institution of money could succeed in spatial power projection if most members of monetary spaces insisted on the inviolability of their right to monetize their own IOUs without the need to incur interest-bearing debt.[92] While the spatial aspect of money as a network of exchange would remain intact, the potential to appropriate money's territorial indeterminacy into the service of any specific version of monetary identity politics would be substantially diminished. The paradoxes and contradictions of money as a product of both sovereignty and biopower, having both a structural and a post-structural dimension in networks of material practices which may or may not contribute to territorialized subjectivities, thus call for an analytical approach that can combine theoretically and methodologically disparate practices into strategic combinations through which power – no matter how distributed among specific institutional containers – manifests itself. Money as a material practice is the terminal form of biopower, while biopower is a product of the material practice. It is the interaction between these two poles of money in the context of the actual, historically specific or governmentally contingent institutional structures that should be in the center of any spatial analysis of money.

Overcoming the limitations of unipolar theorization of social agency and the temptations for ahistoricism or "agovernmentalism" thus calls for an integrated research program that recognizes the potential

92 Once again, "debt- and interest-free" refers here to the preconditions for money's existence and circulation, not the recycling of preexisting monetary balances between borrowers and lenders.

complementarities between different analytical approaches.[93] Modern credit money has a colorful history of controversy and contestation that structurally oriented economic, social and political analysis would be unwise to ignore. Yet such theorization would hardly be complete without a detailed analysis of the production and reproduction of agentic subjectivities through the polarizing logic of modern monetary institutions. Such theorization based on the logic of the field might help to create common ground between different epistemological traditions by viewing the sovereign and the biopolitical as distinct but inseparable moments of the same totality that may take the form of a territorially fluid incentive structure. The British political scientist Herman Finer once noted that "if a democracy forgets, democracy will be forgotten, and may be crushed by the economic forces it ignores" (Finer, 1946: 11). Although legitimate divergence of opinion might emerge as to what precisely it is that individuals concerned with the attainment or preservation of democracy, non-racist non-governance, subjectic self-determination or some other progressive political objective should not forget and how these pressures might originate and be transmitted, the di-polaric nature of modern credit money suggests that emancipatory economic, social and political scholarship may have more scope for complementary analysis than the traditional epistemological politics on power and sovereignty might suggest.

93 As Read (2003: 15) has observed, "the various intersections between Marx, Althusser, Negri, Tronti, Foucault, Deleuze, and others … is not just the byproduct of a sort of theoretical eclecticism; rather, there are strong philosophical undercurrents and conflicts linking these various perspectives."

9 A Brief Introduction to Monetary Reform

Although the primary aim of this study is to point out the wide range of political choice and conflict inherent in the "technical" specifications of any monetary system rather than constructing yet another detailed proposal for monetary reform, it may be difficult to avoid the presentation and analysis of concrete reform proposals altogether. There may be no logical reason for such difficulties: it is quite possible to argue that any monetary system is a profoundly political construct without taking a position on the appropriateness of the prevailing forms of money for any specific purpose. Furthermore, it is also quite possible to criticize specific implications of the prevailing forms of money without necessarily suggesting that better alternatives exist. In such a case perhaps the main value of research would involve the possibility to transparently identify and debate specific heretofore neglected implications of the prevailing forms of money in order to evaluate any potential need for reform of the monetary system itself or the public policies which might rectify or mitigate some of the undesirable implications.

Yet it may be difficult to avoid some of the familiar ad hominem catch-22's with such a purist approach: while a study on money without a specific reform proposal may be vulnerable to the charge that the author cannot conceive of valid alternatives to the prevailing forms of money, one with a specific reform proposal may attract the arguably lesser charge of advocating a specific solution to a contested and complex policy issue – which may in turn be constructed as a straw man of choice by critics who attempt to deflect attention from the study's main thesis by choosing to criticize the reform proposal outlined merely for expository purposes as opposed to addressing the more general claims on the contradictions and conflicts inherent in any monetary system. More generally, any non-aligned outsider stepping into the terrain claimed by some of the competing factions in the tribalist academic warfare may expect to be accused of either being an elitist lacking the proper expertise or experience to speak on behalf of the oppressed or – in case the credentials are undeniable or the emancipatory criticism is uncomfortably close to the mark – of being motivated by personal envy, bitterness or some other form of alleged failure to appease the powers that be.[94]

With these realities of the prevailing historically specific or governmentally contingent academic social conventions in mind, this chapter briefly summarizes some arguments from the monetary reform debate, while the following chapter makes a specific reform proposal for expository reasons. This chapter aims to serve as an introduction to some of the themes that follow rather than purporting to provide an in-depth view of the rich variety of actors and arguments that have been associated with the historical monetary reform debates. One of the main guiding principles of the concrete reform proposal, in turn, is parsimony: while a more complex reform proposal might achieve any given objectives more effectively, such a scheme might lose some of its expository value by unnecessarily complicating the interrelationship between seemingly minor "technical" reforms of the monetary system and the transforming economic, political and social realities. In both cases emphasis is on the logical limits and limitations of the concept of money rather than the institutional features of the present monetary system: in the same way as the publicly professed philosophies of the Dear Leader in a dictatorship hardly constitute an appropriate reference point that any potential social reformer should adopt as a starting point for other than instrumental reasons, it is not obvious why any potential monetary reformer should show any command of or interest in the monetary ruhnamas that are written primarily in economics departments by the academic powers that be.[95]

94 Throughout the course of this study, the author has had the opportunity to witness several informal informational exchanges on the nature of money that have ended in some variant of the "if you don't believe in social justice in your 20s you may be heartless, but if you still believe in social justice in your 30s you are brainless"-argument. In other words, presumably intellectual exchanges have ended with relatively open invitations to acquiesce to the prerogatives of power despite any potential intrinsic merits of emancipatory research. Without taking a position on the intrinsic merits of such suggestions, there would clearly appear to be another theoretical possibility: those who resort to simplistic power-preserving slogans at any age may be both brainless and heartless. This study has adopted its present form partly in an attempt to invite the reader to contemplate on the latter possibility.

95 As Galbraith described the functioning of the process: "It is the nature of privileged position that it develops its own political justification and often the economic and social doctrine that serves it best. No one likes to believe that his or her personal economic well being is in conflict with the greater public need. To invent a plausible, or if necessary

9.1 A Case for Reform

Joseph Schumpeter once noted, in reference to credit creation through fractional reserve banking, that "people may be perfectly familiar with a phenomenon for ages and even discuss it frequently without realizing its true significance and without admitting it into their general scheme of thought" (Schumpeter, 1954: 1115). Intriguingly, people may also be perfectly familiar with long-standing reform proposals and problems in the dominant theoretical and methodological frameworks without admitting this knowledge into the paradigmatic scheme of thought. Before moving on to a specific reform proposal, it is instructive to briefly summarize the rationale behind some of the major historical reform proposals that have been referred to in the earlier chapters and to evaluate the potential merits and weaknesses of some contemporary reform agendas. Three conceptually distinct but interrelated lines of reasoning advocating monetary reform are particularly noteworthy: I shall refer to these as the seigniorage, fallacy of composition and continuous growth arguments.

The seigniorage argument for monetary reform asserts that in a debt-based financial system the power to create money against interest-bearing debt will inevitably transfer ownership and control of the economy to the banking sector. In most modern economies notes and coins account for less than 10% of the total money supply. The rest consists of accounting entries created by banks against their customers' promises to repay. In contrast to the conventional use of the term, in a debt-based monetary system the benefits of seigniorage materialize partly through interest income on bank-created money, as credit-money does not remain in circulation permanently but returns to the banking system upon repayment of the debt against which the money was created. The essence of the seigniorage argument was summarized by Lord Josiah Stamp, former director of the Bank of England, in 1937:

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implausible ideology in defense of self interest is thus a natural course. A corps of willing and talented craftsmen is available for the task" (1996: 5, quoted in Davidson, 2007: 523–524). Whoever Galbraith may have had in mind when describing the "corps of willing and talented craftsmen", any potential stylistic differences between the works of dear leaders and the "willing and talented craftsmen" who produce "political justifications" and "economic and social doctrines" should hardly be taken as an indication of greater intrinsic credibility.

> The modern banking system manufactures money out of nothing. The process is perhaps the most astounding piece of sleight of hand that was ever invented. Banking was conceived in iniquity and born in sin. Bankers own the earth; take it away from them, but leave them with the power to create credit, and with the stroke of a pen they will create enough money to buy it back again… If you want to be slaves of the bankers, and pay the costs of your own slavery, then let the banks create money (Public Address in Central Hall, Westminster in 1937, quoted in Rowbotham, 1998: 35).

The seigniorage argument is perhaps the best-known and longest-standing case for monetary reform that has been popularized by influential figures in the American political history. Thomas Jefferson's observation has served as an inspiration for a diverse cottage industry of activism and civil disobedience:

> If the American people ever allow the banks to control the issuance of their currency, first by inflation and then by deflation, the banks and the corporations that will grow up around them will deprive the people of all property until their children will wake up homeless on the continent their fathers occupied. The issuing power of money should be taken from the banks and restored to Congress and the people to whom it belongs. I sincerely believe the banking institutions having the issuing power of money are more dangerous to liberty than standing armies (quoted in Rowbotham, 1998: 34–35).

Abraham Lincoln's pamphlet on monetary policy, arguing that "the government should create, issue and circulate all the currency and credit needed to satisfy the spending power of the government and the buying power of consumers" to achieve a situation where "Money will cease to be the master and become the servant of humanity" (Lincoln, 1865: 91) is another classic.

According to the fallacy of composition thesis monetary reform is necessary to rectify a structural disparity between the inner logic of the monetary system and the production possibilities in the real world. In conventional terminology fallacy of composition refers to the logical error committed when making a claim about a concrete object or an abstract concept as a whole based on some features of its constituents without proper justification for such inference. The fallacy derives from some form of false generalization based on incomplete observation, inadequate experimentation or errors in the logical treatment of the subject.

The current unreformed monetary system exemplifies fallacy of composition in the sense that it denies the economy as a whole the same financial opportunity structure that is available to each economic agent individually. In a debt-based monetary system the financial economy as a whole is by definition close to insolvency regardless of the physical wealth and production possibilities in the real economy. In the UK, for instance, £1160billion of debt was registered in the financial system against a total money supply of £640billion in the late 1990s (Rowbotham, 1998, p.96)[96]. Under such circumstances any specific individual may always be able to save more money than is required for the repayment of personal debts and thus obtain a positive monetary net worth. The economy as a whole, however, cannot escape from the fact that the total amount of debt is effectively unrepayable. Therefore the notion that debt can be repaid and positive monetary net worth obtained through hard work and a thrifty lifestyle cannot be generalized to the economy as a whole. Economic growth increases the amount of both debt and money in circulation without addressing the contradiction between the near insolvency of the monetary economy and the material abundance of the physical world. The real world may be full of possibilities for utilizing existing skills and resources to satisfy heretofore unmet needs, yet the financial system continues to indicate that the economy as a whole cannot afford such economic activity due to the lack of debt-free means of exchange. Any attempt by the economy as a whole to repay its debt to the banking system would merely reduce the money supply and cause a severe recession. Hence this view also implies that although any specific individual may hold money at any given point in time, collectively the entire money supply ultimately belongs to the banking system.

Monetary reform could, according to this line of reasoning, eliminate the structural disparity between the inner logic of the monetary system and the production possibilities in the real world by providing the economy with sufficient debt-free means of exchange to clear all transactions that

96 The issuance of debt does not always involve money creation. Government borrowing, for example, is typically financed with money that has already been borrowed into existence by someone else. Thus the total amount of debt registered in a financial system can significantly exceed the total money supply.

economic agents are willing and able to undertake. In a debt-based monetary system someone – individuals, corporations or governments – must always hold the debt against which money has been created irrespective of whether such debt has any economic justification other than keeping money in circulation. Following the elimination of the debt component of the money supply it would no longer be necessary for the economy as a whole to incur debt just to be able to transact in physical assets that already exist and have been paid for. Borrowing and lending would reassume their original economic function of recycling existing debt-free money between economic agents who have different temporal preferences with respect to consumption, saving and investment.

The continuous growth argument for monetary reform goes further than the fallacy of composition thesis by suggesting that the total amount of financial liabilities must continuously grow just to prevent a recession in the real economy. At the time of issuing loans the banking system creates deposits corresponding to the principal amount of the loans only. The economy as a whole does not have enough money in circulation to meet the interest payments unless the money supply grows through further credit creation by an amount that covers the interest payments on the original loans before they fall due.[97] The continuous growth argument, like the two aforementioned theses, has variations across a wide spectrum of intellectual interests and ideological persuasions that approach the issue from slightly different vantage points. Some observers have contrasted the necessity of continuous credit expansion with the possibility that the increase in productive activity induced by such financial incentives may in fact be uneconomic (e.g. Daly, 1996). The disparity between natural laws and the logic governing the monetary system has also drawn frequent criticism (e.g. Gesell, 1958). In the words of Frederick

97 Technically the statement is correct: if an economy decided to repay all outstanding debt to the banking system in order to establish a different kind of monetary system or mechanism for governing its division of labor, further indebtedness to the banking sector – whether conceptualized as "new" indebtedness or merely as "recycling" the "same" monetary media "back" into circulation – would be required, thus rendering any potential hopes of terminating the economy's servitude to the banking system through repayment futile. Any potential failure of any given definition of money supply to closely approximate the exponential growth of liabilities may merely indicate that the economy as a whole may currently not be preparing to break free from its debt servitude through the illusory one-time "repayment" route. See section 7.4 for more detailed analysis of this argument.

Soddy, the 1921 Nobel Laureate in Chemistry and an ardent critic of the economic orthodoxy of the time: "You cannot permanently pit an absurd human convention, such as the spontaneous increment of debt, against the natural law of the spontaneous decrement of wealth" (Soddy, 1922: 30). Another variant of this stream of literature highlights the need for continuous expansion of investment to distribute sufficient purchasing power to clear inventories of physical goods that have been produced in previous time periods (e.g. Hutchinson and Burkitt, 1997).[98]

It is perhaps equally important to point out the absence of any widespread appeals to economic efficiency either as a justification for the preservation of the status quo or as an argument for reform. Under the prevailing monetary arrangements the commercial banking system determines who gets the newly created money and for what purpose. Once a productive project – assuming that the nature of the money-creating lending is productive rather than extractive – is finished and the loan that financed it repaid, money is *withdrawn from circulation* just as

98 It has sometimes been suggested that money's potential capacity to clear an unlimited number of transactions whenever specific monetary media remain perpetually in circulation might invalidate the concern for the capacity of the prevailing money supply or the monetary system in general to clear all required transactions. While any simplistic comparisons between the nominal value of the money supply and the nominal value of the transactions deemed to be in need of monetary clearing may indeed be unfruitful, the basic concern for the capacity of the prevailing monetary system to facilitate the monetary settlement of all real claims to monetized market exchange remains highly relevant. As has already been pointed out, there is no theoretical justification why the holders of real assets should agree to any lending proposals of the holders or issuers of money merely to be able to engage in monetized market exchange. Furthermore, the fact that any given nominal money supply may technically be capable of clearing a certain number of transactions does not imply that this would necessarily have to be the case. Suppose, for instance, that the entire money supply is distributed among the holders of money-creating, interest-bearing debt, all of whom decide to repay the portion of their debts to the banking system that is technically feasible with the given money supply. As a result, the entire money supply would vanish, while some "money-creating" indebtedness to the banking system would remain and no monetary settlement of transactions would take place until some transacting parties agreed to whatever conditions the issuers of money would choose to set for circulating their IOUs. The theoretical capacity of a specific monetary medium to clear an unlimited number of transactions is thus irrelevant when it comes to assessing a community's capacity to engage in social interaction involving some of the technical functions of money: without drastic modifications to the incentive structures inherent in non-monetary exchange, it is quite possible that the prevailing money supply will not be sufficient to clear all the required transactions.

the economy presumably would need means of exchange to transact in the newly created real assets. Extending or renewing the loan beyond the point where real returns can be produced by the underlying assets would convert the nature of the loan from productive to extractive[99], reallocating titles to existing real assets rather than producing incremental real wealth. Consequently, the economy is constantly experiencing asymmetrically distributed changes in the money supply. The history of the monetary reformist debate may involve calls for "just" prices, however defined, but it is remarkable to observe the nearly complete absence of a debate on what kind of a monetary system might produce "efficient" prices. As has already been noted above, it is far from obvious that an economic conceptualization of money – a precondition for "efficient" prices – is logically, let alone practically, possible. The fact that the monetary system's impact on efficiency is rarely even recognized as a relevant policy issue in a world where social engineering is regularly undertaken in the name of efficiency provides a sobering reminder of the extent to which monetary power may – consciously or unconsciously – shape subjectivities.

9.2 Alternative Approaches to Monetary Reformist Discourse: Globalism, Religion, Foucauldian-Inspired

Disputes on money may rarely escape the influence of wider worldviews and motivations. Nonetheless, in contrast to the spirit of much of the historical debate, contemporary proposals often explicitly couple monetary reform with other seemingly unrelated policy goals. For instance, there appears to be a curious conflation of the arguments for monetary reform and global governance in some contemporary proposals. According to

99 It is debatable whether the notion of an extractive loan refers exclusively to situations in which lending reallocates existing real assets without producing additional real wealth or also to situations in which an excessive – however defined through the democratic process – proportion of the real returns is captured by the financial system through interest payments due to structural features of the monetary system. After all, if the *entire* real return may be extracted by the financial system while leaving no rights whatsoever to residual claimancy for the actual entrepreneurs who presumably bear most of the risks of the productive projects, it is not obvious that calling perhaps most lending activities "extractive" is an overstatement.

one reform proposal associated with "mainstream" (Robertson and Bunzl, 2003: 37) analysis elsewhere:

> We need to bring the corporate power of multinational money under democratic control. That will have to be done within a new framework of:
>
> • global public revenue raising, including taxation
>
> • global public spending, eg on United Nations' activities, and
>
> • a global currency, evolving from something like the IMF's Special Drawing Rights (SDRs)
>
> This will have to be supervised much more effectively at UN level than international monetary and financial institutions are today (Robertson, 2002: 5).

According to this line of reasoning, "greater freedom for many smaller economic units than today's national economies will need to be combined with the orderliness of large-scale, even global, organisation" (Robertson, 1998: 10). The precise manner in which large-scale or global organization could consistently achieve the potentially contradictory objective of providing greater local freedom is often left unexplained beyond the level of simplistic metaphors. Much of the literature which attempts to rationalize or justify global governance from an evolutionary perspective, for instance, might appear to reach its desired conclusions through the overemphasis of the form over the content of power. According to one variant of this thesis, "The globalization of humanity is a natural, biological, evolutionary process" (Sahtouris quoted in Bunzl, 2006–2008: 6), whereby humanity is organized into structures of governance composed of "holons" and "holarchies" – wholes which consist of and are part of other wholes – according to a logic of unity in diversity. Questions such as whose interpretation of "unity" will prevail and on what basis and what the legitimate limits of diversity are and what happens to the deviant subjectivities are often given relatively little attention.

Even more curiously, many contemporary reform agendas involve metaphysical overtones which may not be as readily obvious in much of the historical debate. According to Robertson, for example, the

> shift to a new economic system can be seen as a part of a larger historical change, of the kind that Danah Zohar spoke of. I see it as the end of the modern age and the transition to a post-modern period in human history, marked by a new awareness of our common humanity and our kinship with the rest of the creation (Robertson, 1998: 2).[100]

Kennedy, in turn, suggests that

> The proliferation of esoteric knowledge and skills in many parts of the world indicates a profound shift in consciousness of an increasingly larger number of people. Their work on inner change provides the basis for outer change. Without this work a peaceful transformation of the monetary system may be impossible. Therefore, a great responsibility rests with those who serve humanitarian goals and are aware of the practical possibilities of monetary reform as one aspect of global transformation (Kennedy, 1995: 76).

While speculation on the extent to which different variants of the Gaia hypothesis involve a spiritual component is beyond the scope of this study, overt or covert references to this philosophical tradition are also not uncommon in some of the contemporary monetary reformist literature.

There is, of course, no technical reason why monetary reform should coincide with the rescaling of economic, political, or social activity or the transformation of metaphysical worldviews. Nonetheless, given the potential capacity of monetary crises to push through material practices and cognitive frameworks that may be unrelated to the technical features of money, any policy proposal promoted or implemented simultaneously with monetary reform deserves particular scrutiny. As was noted in the previous chapter, money is territorially indeterminate. Any monetary crisis – no matter how severe or widespread – can be solved at any level of political organization. As long as real economic activity can be rescaled to correspond to the scale of the monetary system(s), a global

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100 For those who are unfamiliar with Zohar's work, she argues that we cannot "*respond positively and creatively to the now desperate state of our environment from within the old Western world view, be that Christian, humanist or mechanistic*" (Zohar and Marshall, 1993: 188, original emphasis). Contrary to the "old Western world views" she sees human beings as the active agents of creation, or, as "excited states of the vacuum", which "has all the characteristics of the immanent God, or the Godhead, spoken of by mystics, the God within, the God who creates and discovers Himself through the unfolding existence of His creation" (ibid: 196–198).

monetary meltdown may be addressed through the creation of local microcurrencies, a global currency, or anything in between. In monetary and economic matters interdependence of evidence does not entail evidence of interdependence: any potential simultaneous global financial and economic meltdown would merely testify the success of previous political strategies to dismantle barriers to economic and financial activity. Socially constructed integration of production and finance will not make these activities inherently any more global in scope than socially constructed disintegration into regional, national or local levels would make them inherently fragmented. Given money's exceptional versatility as an instrument of power projection and the relatively bleak prospects for maintaining a global monetary authority democratically accountable for the technical specifications of money as well as monetary policy, any potential tendency to couple monetary reform with globalist political objectives requires at the minimum additional analytical effort to counter the views of the long tradition of skeptics who have questioned the rationale for such coupling. Keynes, for instance, famously noted that

> I sympathise, therefore, with those who would minimise, rather than with those who would maximise, economic entanglement between nations. Ideas, knowledge, art, hospitality, travel - these are the things which should of their nature be international. But let goods be homespun whenever it is reasonably and conveniently possible; and, above all, let finance be primarily national (1933: 758).

More critical voices have suggested that the "World War IV" against humanity in the form of global neoliberalism is breaking apart existing nation-states into many "nations" along the lines of class cleavages rather than unifying the globe (e.g. Marcos, 2001). The monetary failures and excesses of sovereign power at the level of the nation-state can hardly be rectified by more of the same at the global level. In the case of money in particular, liberal peace is likely to entail global civil war.[101]

101 A failure to identify the structural violence of the prevailing forms of money has sometimes led to curious statements about financial actors' alleged preferences with respect to war. It has, for instance, been argued that "because of the macroeconomic consequences of war, financial communities within countries will be amongst the most cautious elements when it comes to waging war or supporting foreign policies that risk war" (Kirshner, 2007: 9). "Macroeconomic stability" in turn, is defined as "low inflation and, just as important, policies designed to keep inflation low, robust and predictable real

Although the largest religions have inspired commentary on the prevailing monetary arrangements throughout the history, what is distinctive about the contemporary debate is perhaps the amount of interventions which seek to reform rather than merely apply or reinterpret the dominant forms of spirituality. In such cases it is not the dominant religious tradition of the political space in question that is seeking to interpret contemporary monetary practices against its teachings or dogma, but relatively marginal – at least in the public's perception – spiritual views giving monetary matters the attention that the dominant traditions may have failed to provide. Among contemporary reform agendas proposals that might be interpreted as being consistent with New Age metaphysics – however inappropriate the term might be – would appear to be well represented. At the risk of stating the obvious, it is, of course, quite unnecessary to deify, unify, or immanize humanity, consciousness, or the entire universe or to reach into some of the more unconventional forms of inner heroism in order to achieve a more equitable and humane monetary system – the more traditional forms of religiosity or secularism associated with the "old

interest rates, stability in and maintenance of the value of the exchange rate and unfettered access to international financial centers abroad, balanced government budgets, modest government spending, low rates of taxation, and small and clearly sustainable levels of government debt" (ibid: 2). As this may be one of the most reliable recipes for global class war through the emancipation of the structural violence of the prevailing forms of money from some of their democratic, regulatory and territorial constraints, it is hardly surprising that the state's potential meddling with the management and the profitability of the global civil war – or the "World War IV" – is often unwelcome. Although the nature of money has evolved, the same logic may also apply to some earlier forms of monetary systems: as soon as reasonably predictable and secure modes of accumulation and governance are established, one would expect a constituency to emerge for the protection of established privilege from the economic, political, and social upheavals that are often associated with war. In order to investigate the preferences of "bankers" in isolation of the mental guidance provided by established patterns of privilege, one would first of all have to find a financial system where money is not used for power projection – where war cannot possibly entail a loss of established privilege to bankers, but can potentially help to establish new modes of accumulation and governance either domestically or internationally. The likelihood of finding such a monetary system – and the predictable preferences of bankers with respect to war in such an institutional context – gives an indication of the extent to which "appeasing" the alleged preferences of a specific relatively powerful occupational group may simply amount to defending privilege. If relevance was the main criterion, an analytical effort exploring some of the aforementioned themes might thus as well be entitled "Defending Privilege: How Should 'Macroeconomic Stability' be Defined to Render it More Profitable Than War for Bankers?"

Western world views" may be quite sufficient as the guiding metaphysical frameworks to achieve such an objective. Perhaps one of the best ways to clarify the underlying metaphysical objectives of any given proposal for monetary reform is to assess its impact on a particularly unpopular or politically incorrect religious identity. How does, say, a dogmatic monotheist with a preference for praying over shopping and a democratic political preference for a (monotheist) theocracy over secularism fit into the global village or the planetary or universally immanent consciousness at least implicitly advocated by some contemporary reform proposals?[102]

Some of the metaphysical struggles surrounding money may be further illustrated by examining some of the disinformational rants which those few commentaries that occasionally do emerge from more established sources of institutionalized religiosity in non-Islamic nations commonly evoke. For one example of the staples of a common disinformative account – with quite a few extra spins to reward the patient reader – see e.g. Buiter (2007), written in response to Selby (2007), albeit presumably for the exclusive purpose of solidifying the author's prevailing misconceptions as the blog is "written for the author, not for the readers". Some of the most significant substantive shortcomings of this particular "monetary ignoramus" (Buiter, 2007), who has been teaching and implementing the misinformation in some of the highest levels of academia and public service as opposed to merely "writing about it in the Times" (ibid.), have been explored in detail elsewhere in

102 The intention here is not, of course, to criticize any specific religious views, but to point out the potential political misuses of metaphysical or scientific rhetoric. Continuing with the example of Zohar's work, suggestions like "*Every time that I try to understand another person's point of view it is a small religious act. It is also a small political act*" (Zohar and Marshall, 1993: 248, original emphasis) offer a welcome alternative to the tribalist self-justification of privilege that often passes for political debate. Problems may arise when the rhetoric is usurped to the service of particularistic political agendas. As the authors point out, "The individual who realizes that parts of his or her own identity emerge through relationship with others may be less guarded and defensive" (ibid: 40). If history is to be a guide, it is not difficult to envision some individuals proclaiming their share of the immanent consciousness more equal than others, justifying the annihilation of political opponents on evolutionary criteria. It will nonetheless be fascinating to observe what the role of some of the more marginal spiritual views in the proposals for monetary reform or global governance will be in the future. From a purely pragmatic perspective, coupling calls for specific forms of economic, political or social reform with fringe spiritual rhetoric is likely to be counterproductive. If a seemingly counterproductive practice persists in political discourse, it is usually safe to assume that the consumers of such rhetoric have not understood the issues at stake correctly.

this study: the convolution of an accounting system for facilitating the multilateral exchange of existing real capital with the presumed need of the holders of such real assets to borrow additional monetary "capital" at interest from the banking system in order for such exchange to take place, the confusion of intertemporal trade with the necessity to pay a tribute to the banking system merely for obtaining the gatekeeper media for such exchange, failure to distinguish between the rationales for and the actual operational practices associated with money-creating, interest-bearing debt and the recycling of existing monetary balances – including a specification of the preconditions for such balances to exist in the first place without money-creating interest-bearing debt – between lenders and borrowers etc., all the while accusing the target of one's disinformative rant of one's own analytical shortcomings ("the Bishop also confuses money creation with credit and borrowing. … The Bishop is confused about what money is, how it is created and what it does" [ibid.]).

The focus here is on the potential metaphysical significance and motivations of such argumentation rather than their intrinsic merits. In the beginning of his rant the author makes the following proposition to the author of the article that he is criticizing: "I promise not to make public statements about the merits of the Trinitarian doctrine (a form of higher theological mathematics asserting that 3 = 1). In return I would like the Bishop not to write any more nonsense about credit and debt." This analogy raises a number of intriguing lines of further inquiry, two of which are pursued in more detail here.

First, the example may be unintentionally revealing in respect of the extent to which the relevance of "higher theological mathematics" and higher economic and monetary mathematics are both based on the observer's *faith* in the accuracy of the underlying assumptions and analytical frameworks. It may, for instance, not be entirely unfair to suggest that a cognitive framework based on the assumptions of a virgin birth and resurrection does not substantially deviate from the alternative universes explicated for analytical purposes in top economics journals in terms of their respective empirical verifiability. In certain cases the faith-based foundations of the discipline of economics may in fact exceed the relevant religious standards. While religious dogma dating back hundreds or thousands of years may not be empirically falsifiable, economic dogma – such as the neutral veil approach to money – may be falsified every time the focus of analysis is shifted from the parallel realities of economic analysis into real world economic phenomena. Whereas the religious believer is required to have faith in scientifically unverifiable events in the past, the economic believer places her faith in mental models that are ubiquitously and perpetually proven wrong by empirical evidence. Separation of the discipline of economics and the state may thus remain a much more urgent task than its seemingly quipish analogy to the separation of the church and the state might suggest: without more realistic models of reality that provide greater space for diversity, it may be difficult to overestimate the damage that the marriage between state power and faulty economics may cause to life in all forms.

There is nothing in Buiter's article which would suggest that he would have understood the faith-based foundations of his own approach or some of the crucial questions that one might expect to arise in an untrained mind when contemplating upon questions such as "what money is, how it is created and what it does". Yet the interpretation of the sacred dogmas of monetary economics by an uninitiated observer is labeled "nonsense", presumably to a comparable extent as 3 = 1 is nonsense in the absence of specialist explanation that the author appears to deride – with not insignificant irony in respect of the credibility of his own qualifications to explain or assume away obvious monetary contradictions. Luckily some of the later posts by the same author appear to indicate that some learning may have taken place in the form of recognizing some of the shortcomings or excesses of analytical or normative frameworks associated with economic or monetary theory.[103] Nonetheless, one of

103 The present author has a conflict of interest in making such statements through the reputational value of the qualifications granted by Professor Buiter's current home institution. During the author's studies, one staff member felt intimidated after presenting his views on some considerations that prospective students might wish to contemplate upon before choosing which institution to enroll for higher education. The staff member has since moved to another institution. Yet when potentially more severe reputational harm is caused by arrogance, ignorance or misinformation, where are the inquisitors publicly questioning whether an individual engaging in such behavior might be "abusing his employer and his colleagues without consequences" (see e.g. MacLeod, 2006)? The present author is against the limitation of the freedom of speech – whether directed against potential misunderstandings, arrogance, or inquisitorial instincts. Nonetheless, in an economic system where every actor may be thought of as being ultimately employed by the monetary and tax authorities – the incentive structures that the relevant authorities choose to set for circulating the monetary media – such suggestions in one of the key

the obvious problems with the kind of attitude exemplified by the blog involves the relative significance of religious and monetary analyses for the lives of perhaps most people: while most subjects of the nation where the aforementioned exchange of ideas took place may simply ignore any potential unreasonable demands or interpretations emanating from religious institutions, no similar liberties exist with respect to the material practices and subjective frameworks produced and reproduced by state coercion and the prevailing forms of legal tender. Thus one might expect that the high priests of the monetary order should indeed be more tolerant towards revivalist interpretations of the economic scriptures than their religious counterparts might be towards attempts to co-opt, bastardize or misrepresent voluntarily adopted religious doctrines.

Second, one may wonder whether alternative metaphysical views articulated in conjunction with monetary commentary might elicit equally fierce attacks from some of the academic or monetary powers that be. In other words, would *any* metaphysical framework – including some of the New Age variants briefly mentioned earlier in this section – associated with allegedly faulty monetary analysis in an article published in the Times of London evoke equally colorful commentary? This question might be viewed as an analytical counterpart to the earlier observation that certain types of relatively marginal spiritual frameworks appear to be well represented in monetary reform proposals: any potential tendency for some of the more established religious identities to draw disproportionate criticism in relation to the substantive offences committed might constitute evidence of interrelationship between monetary rhetoric and the promotion of specific spiritual identities. If the Christian "higher theological mathematics" of "3 = 1" is an acceptable target of criticism for any monetary high priest, would "6 billion people plus the rest of the biosphere plus the rest of the universe equals one", for instance, be equally outlandish? How about the laugh factor involved in spiritual calculus that makes unwarranted inferences about qualitatively different entities, such as "twelve sheep plus one shepherd equals thirteen"? For the sake of religious and spiritual equality, should the alleged analytical shortcomings of anyone cultivating such faulty calculus not be complemented with

academic knowledge producing/preserving institutions are highly troubling, saddening and perhaps inspiring for a study which is partly motivated by the pursuit of space for diversity and alternative conceptualizations of the human to flourish.

equally fierce attacks against the subject's spiritual views? If controversial religious calculus disqualifies a former Bishop from commenting on the monetary system, should perhaps everyone who – from the perspective of some religious traditions – miscalculates the number of self-conscious units of life or mortal men be disqualified from public and private duties involving the analysis, creation or management of money on equally sectarian grounds?

As much of the monetary reformist debate has historically been inspired by a struggle *against* the power-centralizing tendencies of the prevailing forms of money and by a conscious adherence to the dominant metaphysical identities that may divide as well as unify, the position of globalist and religious discourse in contemporary reform proposals and the criticisms that they may attract is highly significant. One of the most relevant questions on power may always be the precise manner in which power manifests itself *through* the actions and subjectivities of specific individuals. The question is particularly relevant when some of the leading proposals for a relatively uncontroversial emancipatory project – monetary reform – advocate as solutions some of the same developments that a long tradition of monetary reformers have struggled against.

Although rarely explicitly framed in terms of monetary reform, some of the emancipatory analytical projects emanating from the Foucauldian theoretical tradition may be particularly appropriate for illuminating two factors which may so far have received insufficient attention in the reform debate: the dual nature of any monetary reformist project as a transformation of both individual subjectivities and material practices, and the interdependence between the monetary system and other governmental technologies. Foucault's "agonism" or perspectivism invites each individual to confront power within a given multiplicity of strategic positions. In other words, although power may be exercised rather than possessed, it is possible at any given point in time to focus resistance on specific institutions or individuals through which power operates. According to one interpretation, Foucault's perspectivism could perhaps be compared to a chessboard where also the rules of the game and the capabilities and identities of the different pieces are in constant motion: in order to obtain the privilege of being used by power in the most exclusive circumstances possible, each piece must engage in constant identity politics and struggle for alternative material practices to maximize her utility to power. Resistance may prove elusive precisely because power does not permanently reside in any specific piece or rule of the board: any act of resistance directed against specific institutions, individuals or the "mobile effect of a regime of multiple governmentalities" (Foucault, 2008: 77) may merely alter the multiplicity of strategic positions which provides some other institutions or individuals with the opportunity to be used by the most prestigious forms of power. In order to prevent the rogue subjectivities from escaping the structural racism of the normalizing state, "it is up to society and to the rules of the game imposed by the state to ensure that no one is excluded from this game in which he is caught up without ever having explicitly wished to take part" (ibid: 202).

What happens when a governmental technique – such as the prevailing forms of money – becomes so powerful and pervasive as to render futile any form of perspectival resistance which engages in the relational negotiation of power positions according to logic which is internal to the system of governance? In other words, what is a piece on the chessboard to do after realizing that it is the game that is playing the pieces rather than the other way round? Prozorov (2007: 100) has suggested that, as freedom – or "being sovereign over one's existence against all attempts to abduct it and reduce it to a positive project" – is an ontological condition of the human – or the piece in the chess analogy – it is already "free to pursue one's potentiality for being against all attempts to freeze this potentiality in any actual identity" i.e. it is free to leave the logic of the board in search of space that is beyond the powers of biopolitical production. This observation directs attention both to the potential counter-governmental value of the refusal of biopolitical production as well as the limitations of purely biopolitical resistance strategies.

Prozorov – as well as much of the work he draws upon – may appear to view the freedom obtained through the refusal of biopolitical production primarily as a defensive strategy of resistance.[104] Agamben (1995: 80) goes

104 A self-actualizing subject – who may or may not be aware of the expected response of the human potentiality to any given strategy of biopolitical production – *would not notice* whether any specific choice or non-choice of a positively or negatively defined identity or non-identity is subject to biopolitical contestation or any other form of evaluation that is not endogenous to the self-actualizing subjectivity. In other words, the self-actualizing subject would select – or consciously or unconsciously refuse to select – a specific positive identity or a negatively defined non-identity while being entirely oblivious to any potential normative implications of her selection in the eyes of the powers

as far as to suggest that life without identity is irrelevant to the state. This is a curious claim in the context of the hegemonic economic discourse in general and the zero-sum competitive logic of the prevailing forms of money in particular. The governmental credibility of competition discourse relies on the willing participation of at least the top contestants. If a substantial portion of individuals possessing the requisite technical skills to win in the zero-sum competition prefer to opt out, the self-

that be, agents of resistance, or any other outside observer. Any potential knowledge on the normative preferences of outside observers will be subordinated to the subject's inclination for self-actualization to an extent which will not permit such considerations to enter into the decision-making process. In order to avoid being perceived as yet another legitimating narrative for the strategy of unify and conquer – a type of rhetoric advocating global governance which replaced some of the earlier versions of divide and conquer as technological advance made it abundantly clear that even the most minuscule political entities could defy the will of the global powers that be with the right instruments of violence – research programs advocating some variant of the "whatever singularity" or a global community would thus have to clarify their stand on the nature of freedom. Is self-actualizing freedom beyond the capacities of human agency? If not, what would freedom as defined by the bare consciousness in its full potentiality before it is contaminated by either endogenous self-actualizing selection or interference from exogenous normative structures look like? Is there a tradeoff between positive identities and the potentiality for being: if a self-actualizing subject sees life's perfection in the imperfections of a specific, positively defined identity which the subject believes to be freely constructed as opposed to imposed through biopolitical violence, is freedom enhanced or diminished through such construction? What are the criteria for belonging to the community of self-actualizing subjects? While none of these questions necessarily contradicts the view that freedom might be an ontological condition of the human, this line of questioning deserves to be pursued in more detail for at least three reasons. First, any proposal that is global in scope and meddles with the diverse and highly differentiated ecosystem of subjectivities which may make all-encompassing biopolitical production prohibitively expensive – both questionable objectives according to influential streams of the monetary reformist literature – deserves to be scrutinized particularly thoroughly. Second, the logical limits of freedom may be directly relevant to assessing the limits of money's potential impact on subjectivity. Third, the case for the ontological exceptionalism of freedom is rather weak. There is little evidence to suggest that other potential sources or attributes of human motivations could not be equally permanent and universal characteristics of the human. Why could not, say, love be an ontological condition of the human – a feeling continuously evoked by the emotionally emancipated irrespective of the happiness or horror with which such self-actualizing behavior is reciprocated – bringing the concept of love dangerously close to the universalism which may sometimes be dismissed outright as all-embracing and thus presumably redundant? Once again, the relevant issues from the perspective of this study involve the specific elements of the human subjectivity which can be influenced through different configurations of monetary systems.

declared winners of the economic resource race are rendered not entirely unlike the accidental winners of a minor sporting event boycotted by some of the top talent and shunned by the public. The refusal to adopt a power-approved identity denies power the capacity for plausible self-delusion. Governance is likely to be most effective when the subjects share a genuine belief in the validity of their biopolitically assigned identities. With proper mental guidance and a sufficiently narrow life experience, any elite instrument of power, say a CEO, can learn to suppress doubts about the accuracy and validity – or at the very least the perceived necessity – of the social sorting mechanisms that produce and reproduce privilege. A denial of power-approved identity by those who have the requisite technical skills to attain privilege and yet prefer the Tiananmen[105] over the boardroom may constitute a highly offensive and destabilizing exercise of influence on not only the prevailing strategic formations of power, but also the entire structure of biopolitical production. Tiananmen might thus be conceived of as a biopolitical equivalent of a nuclear weapon: once the critical mass is reached, the enemy will be annihilated. It is not irrelevance that the tanks come to combat, but the biopolitical violence of peaceful counter-governance.

Yet it may be unlikely that the annihilation of life itself can be averted by a purely biopolitical strategy of resistance. As the co-evolution of life and political strategy began at the threshold of modernity, the ontologization of freedom as an attribute of the human subject lost much of its emancipatory potential. Resistance to biopolitical production requires capacity for agency over the aspects of life that are undergoing the biopolitical assault. This capacity is precisely what was lost or substantially diminished at the transition to modernity. After decades of progressively deregulated assaying of money's biopolitical properties, both money's nomological hold on governing livelihood and its biopolitical appeal in setting the limits for "economically feasible" human activity are perhaps stronger than ever. Nor is the sudden abandonment of identity politics likely to help the newly liberated molecules of the human body to skip the period of evolution that would have been required to develop immunity to the ubiquitous assault on the body's electrochemical control mechanisms

105 In the sense of Agamben (1995).

(see e.g. Auvinen, forthcoming)[106]. The selfish gene – harboring illusions of its own irreplaceability while resisting sovereign power's assault on life – will soon learn that the genological social contract from the era before the threshold of modernity was reached no longer applies: either the gene will have to work overtime to adapt to the accelerating pace of environmental change or it will face extinction and be replaced by a more agile specimen tailor-made by the genetically modified organism industry – the evolutionary equivalent of outsourcing jobs to lower wage countries when the workers in higher wage countries cannot quite keep up with the changing environment. The (loving?) invitation to mutate or to fall ill in order to be cared for or abandoned as biopolitically useless cannot be refused by life that wants to remain in circulation.

Thus simplistic calls for emancipation through biopolitical awakening have two main problems. First, it is not obvious that there is any bare life left to challenge biopolitical production. Inviting the prevailing forms of life to resist biopolitical production may not be entirely unlike asking artificial intelligence to assert her humanity in the manner chosen by the most powerful cerebral processor units: in both cases the results might be expected to be awkward, to say the least.[107] The implicit liberal project of collective suicide through life's governmental suffocation – the logical consequence of merging "economic efficiency" with the ever more sophisticated modes of violence through which life may be regulated – thrives under increasing quantification of the prevailing forms – or heirs – of human life. Defining the full human potentiality, in contrast, would require an immersion into a universe of utopias: imagining the forms of life that could have emerged, had political strategy been kept outside the constitutive processes of life. Biopolitical awakening would thus require first and foremost an archaeology of life – a historiography of

106 The ubiquity of the assault may be a direct result of the nearly universal abandonment of the principle of nonviolence in industrialized countries: every user of cell phones or other forms of wireless communication technologies participates in inflicting violence around her.

107 Even in the hypothetical case of perfect technical capabilities to incorporate all the prevailing dimensions of "humanness" into an artificial intelligence system, such "humanness template" would only reflect information that has been available for the system to analyze – a minuscule portion of the human potentiality that has survived, for instance, the violence imposed by socially constructed sorting mechanisms and the more recent low-intensity holocaust aiming to exterminate electrochemical and neurological diversity from the (post-)human race.

life as it could have been in the absence of sovereign violence. Otherwise the identities or "whatever singularities" produced by the biopolitical awakening may be at least as much artifacts of sovereign power as of bare life, genetically scarred by the era of sovereign violence for the rest of evolution's lifetime.

Second, as long as the material practices that produce and reproduce subjectivities remain intact, the potential for purely biopolitical strategies to achieve emancipation is clearly limited. While transformed subjectivity may be a necessary condition for monetary reform, it is clearly not a sufficient condition as long as individuals cannot physically escape exploitative division of labor and set up alternative networks of production and exchange. While gaps and spaces of indeterminacy may always remain even in the most extensive mechanisms of biopolitical production, no such imperfections need to arise in sovereign violence's coverage of a physically finite material reality. Deviant subjectivities – monetary or otherwise – can always be located in specific physical spaces that can be subjected to more traditional forms of sovereign annihilation. Rendering sovereign violence impotent would require a simultaneous, nearly universal biopolitical awakening. Anything less would automatically have to involve consideration of sovereign power's response to the gradual and non-universal emergence of Tiananmens of deviant subjectivities – and by implication a more old-fashioned struggle for the control of sovereign power structures in order to permit the Tiananmens to proliferate.

It is thus difficult for any emancipatory project to avoid confronting the question of appropriate control of state power: without the containment of sovereign violence the archaeology of life can hardly begin and any non-universal biopolitical awakening will be crushed before it can transform the material practices to sustain itself in the physical world governed by sovereign terror. Under such circumstances the appropriate intermediate goal in the struggle against sovereign power might be its neutralization – however oxymoronic such an objective may sound. The transition from a biopolitical battlefield into a "happy life" is unlikely to happen overnight for all individuals, and even if it did, politics of pure process does not necessarily imply the absence of institutions – whether of the organized anarchy or the anarchic organization variety. The neutralization of sovereignty simultaneously provides an opportunity to eliminate sovereign power's worst biopolitical excesses and recognizes humanity's utter incapacity to govern itself in the era of modernity, providing a mirror – however imperfect or distorted – to get an idea of what the lawless self-reflection might entail. Thus there might be more scope for complementarity between Foucault's perspectivism and the messianism of Agamben and Derrida than is commonly acknowledged. Foucault's perspectivism is open to the interpretation that a strategic multiplicity of power positions in any given system of governance is too pervasive and powerful to be resisted within the logic of the given system of governance. In other words, the relevant emancipatory objective may well be abandonment of power, which may have to be strived for gradually, pinpointing each emancipatory intervention at each step to the most relevant sovereign or biopolitical forms of power according to the evolving strategic multiplicities. For Derrida, "every political, moral, juridical decision … constitutes every second of our time as 'the strait gate through which the Messiah might enter' (Benjamin, 1973: 266)" (Mills, 2004: 55). Agamben, in contrast, "sees the contemporary condition of political existence as one of irreparable danger, such that a wholly new form-of-life is necessary to redeem humanity from the exposure of bare life to sovereign violence" (Mills, 2004: 56). The reverse engineering of life that is logically prior to creating a new form-of-life untainted by the influence of sovereign violence may be unlikely to take place without Foucault's perspectivism to identify each step in the management of the strategic multiplicity required to create sufficient policy space for beginning the archaeology of life, or without Derrida's gradualism which sees every political, moral and juridical decision as potentially contributing to messianic objectives.

In the context of monetary governance the neutralization of sovereign violence would at the minimum imply egalitarian initial distribution of the debt- and interest-free monetary media. The following chapter outlines a more detailed reform proposal to illustrate some of the economic, political and social issues involved in any monetary system and some potential solutions to the inherent tradeoffs and contradictions of money – whether seen from the perspective of neutralizing sovereign monetary violence, taking the next step in a gradualist struggle for emancipation, creating the right monetary conditions for recovering aspects of humanness that the logic of forced zero-sum competition may have destroyed, striving for social justice, or something else.

10 A Road to Another World

Few branches of social sciences may be as unaware or oblivious of their own ontological limitations as monetary theory. As a socially constructed accounting system, the social construction of money is logically prior to any form of economic, political, or social analysis involving some of the technical functions of money. The range of politically or technically feasible policy choice is largely determined by the institutional design of money, including but not limited to features such as the specification of the unit of account and the monetary media that correspond to that definition, the method of creating monetary media and withdrawing them from circulation, any possible disparities in the rules governing the circulation of money and physical and human capital, and the incentive structures for the employment of financial capital in productive uses. Any potential structural disparities between the rules governing the circulation of the goods and services that are to be exchanged in the market and the distribution of the monetary media that regulate the access to and the cost of such multilateral exchange will influence every economic, political, and social relationship involving some of the technical functions of money. Yet the socially constructed origin and the spectrum of political choice inherent in the institutional configuration of money are often forgotten when analyzing the "technical" constraints that money imposes on economic, political, and social processes and realities.

The issues at stake are far more deep-seated than the mere dismantlement of the paradigmatic perceptual filters on money as an institution might imply: as long as money's role as a socially constructed, politically specified facilitator of multilateral exchange remains the central object of analysis for the emancipated subjectivity, social scientific analysis presupposes the institutional centrality of money that it is supposed to explain. As Mary Douglas pointed out in a slightly different context,

> Institutions systematically direct individual memory and channel our perceptions into forms compatible with the relations they authorize. They fix processes that are essentially dynamic, they hide their influence, and they rouse our emotions to a standardized pitch on standardized issues. Add to all this that they endow themselves with rightness and send their mutual corroboration cascading through all the levels of our

> information system. No wonder they easily recruit us into joining their narcissistic self-contemplation. Any problems we try to think about are automatically transformed into their own organizational problems. The solutions they proffer only come from the limited range of their experience (Douglas, 1986: 92).

Any student of money should thus be wary of insisting upon solutions which take money's artificially elevated institutional status as granted merely because the mutual corroboration of the prevailing knowledge-certifying institutions and incentive structures might be perceived to favor such outcomes.

Much of the edifice of contemporary social scientific inquiry is based on the assumption of the hugely overblown economic, political and social significance of money – or monetarily mediated social relations irrespective of whether money itself is regarded as neutral – in human relations. The artificial importance of money, in turn, has given rise to far-reaching causal claims on the role of *the* human nature in shaping the range of feasible social realities. In reality, "the" human nature equals the human potentiality: any institutional structure can be designed to promote virtually any human motive. Polanyi expressed this point in the context of economic institutions in general as follows:

> Single out whatever motive you please, and organize production in such a manner as to make that motive that individual's incentive to produce, and you will have induced a picture of man as altogether absorbed by that particular motive. Let that motive be religious, political or aesthetic; let it be pride, prejudice, love, or envy, and man will appear as essentially religious, political, aesthetic, proud, prejudiced in love or envy. Other motives, in contrast, will appear distant and shadowy since they cannot be relied upon to operate in the vital business of production. The particular motive selected will represent "real" man.
>
> As a matter of fact, human beings will labor for a large variety of reasons as long as things are arranged accordingly (Polanyi, 1968: 96, quoted in Block and Somers, 1984: 64).

The institution of money could be designed to promote pride, prejudice, love, envy or virtually any other form of human behavior, however defined, as a part of an overall system of social relations – calling the system "economic" would presuppose a primacy of motives which might not be there – where the role of money could range from central to negligible or non-existent. Contrary to the views of some of the skeptics, the institution of a monetary system designed to promote, say, love would not necessarily require most of the general population to intrinsically prefer love over alternative human motives any more than the current monetary system requires genuine psychopathy or willingness to exterminate other human beings through monetized market exchange to maintain its functionality. It may be quite sufficient for the institutional logic of the monetary system to structurally favor the desired human motives. Not entirely unlike the manner in which the de facto coup d'état[108] may have been performed by a relatively small number of individuals through the monetary system, the coup d'émotion could, in theory, be implemented before the human motive in question has come to be widely recognized as the essence of "the" human nature.

The objectives here are substantially less ambitious: the aim is to make a specific reform proposal to illustrate the implications of seemingly minor technical changes in the specifications of money. Rather than outlining a complete agenda for reform, the goal is to provide a concrete example of an otherwise abstract issue in order to inspire more widespread contemplation and debate on some of the economic, political, and social issues that are involved in the institutional design of any monetary system. The first step for any utopian project of social transformation is to acknowledge the utopia of the status quo – to expose to public scrutiny the true nature of the prevailing institutional structures which may well turn out to be more undesirable, unrealistic, or "utopian" than some of the initially more far-fetched alternatives. Perhaps one of the most effective ways to achieve this objective is analytical parsimony: pinpointing some of the questions which cannot be suppressed by parroting the most profitable answers.

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108 According to an insight that has sometimes been attributed to Mayer Amschel Rothschild, "Let me issue and control a nation's money and I care not who writes the laws" (quoted in e.g. www.moneyreformparty.org.uk). It remains unclear whether this is because power is assumed to migrate to the monetary system or the "writers of the laws" can be induced to exercise appropriate restraint through monetarily mediated incentive structures. In either case, describing the result as a coup d'état – if not concretely, then at least cognitively in overthrowing the persistent myth of national parliaments or governments being the autonomous bastions of power – may not be an overstatement.

10.1 Retuning the Amplifier: Seigniorage-Based Basic Income and A Demurrage Tax on Money

It was suggested earlier that the unrepayable interest-bearing debt against which money has been created constitutes the economic, political and social amplifier through which the wealth- and power-centralizing logic of the prevailing forms of money materializes. This amplifier was shown to have no "efficiency"-based justification in skill or productivity differences: from the perspective of the net beneficiaries, income derived from compound interest on unrepayable money-creating debt is essentially unconditional and thus conceptually not entirely dissimilar to more widely distributed unconditional income payments. The mere existence of the amplifier may render any potential notion of "monetary stability" meaningless for the vast majority of the population:[109] irrespective of the chosen measures and indicators of "stability", the monetary system may be working towards greater relative wealth- and power-centralization.

The amplifier could be abolished and replaced by a wealth- and power-*equalizing* mechanism through two simple reforms:

(1) all newly created debt-free money is equally distributed to the members of the community as unconditional basic income (UBI) and

(2) a periodic demurrage tax on money is introduced to both "finance" the UBI[110] and to reduce real interest rates on money below zero.

The selection of the most appropriate combinations of discretionary and rules-based policies would be left to the democratic political process. The aim is to combine substantial, regular and unconditional income – or

109 "Meaningless for the vast majority of the population" should not be confused with diminished "legitimacy". As Arthur Stinchcombe observed in the context of constructing legitimacy, "The person *over whom power is exercised* is not usually as important as *other power-holders*" (Stinchcombe, 1968: 150, original emphasis, quoted in Tilly, 1985: 171). The same maxim can perhaps be relatively freely applied to the construction of other governmental catch phrases such as "monetary stability", "economic efficiency", or "market economy".

110 The logical validity of the overall reform proposal cannot be contested on the basis of any potential objections relating to the "financing" part only without simultaneously challenging the "financing" of the prevailing forms of unconditional income transfers through compound interest to the relatively privileged members of the monetary space.

capacity to monetize real claims to monetized market exchange to the extent that such claims exist – for every member of the community with a negative discount rate for economic decision-making. As the proposal effectively decouples the medium of exchange function of money from its use as a store of value and at least partly income from work, both the incentives for "economically efficient" or environmentally sustainable behavior and the distribution of power among the factors of production would be structurally affected.

In the most conservative form of the proposal the amount of newly created money distributed into the economy through UBI would be precisely matched by an equal tax on the existing monetary balances. If, for example, newly created money corresponding to 6% of the value of the existing money supply is annually distributed to the economy through UBI, a tax of 6% per year, charged sufficiently frequently to enable smooth circulation of the currency, would be adopted to maintain the money supply stable. The idea of a negative interest rate on money – or a "demurrage" charge – is often traced back to the work of the German economist Silvio Gesell. In the original Gesellian scheme the tax on money was to be implemented by periodically attaching stamps sold by the monetary authority to currency notes to maintain their face value. With the current information technology and reduced use of cash the implementation would be simpler, as most of the tax could be deducted directly from bank account balances and the discounting of notes could be done automatically at the time of payment based on each note's issue date.[111] In order to accommodate a growing economy's need for additional monetary balances, the value of the newly created money distributed through UBI might have to slightly exceed the tax on money, e.g. an annual UBI of 9% of the money supply and a 6% tax on money for a non-inflationary money supply growth requirement of 3%.

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111 Incidentally, imposing a tax on money could also make a practical contribution to the ongoing interdisciplinary debate on the nature of money by helping to clarify the distinction between money and other types of financial instruments. The more frequent the transactions between money and a certain type of financial instrument under the enhanced incentives for such transactions to avoid the periodic tax on money, the more likely the financial instrument in question is to constitute money or near-money. Hence the coverage of the tax could be gradually expanded to different types of financial instruments to achieve the desired effects in the real economy.

Apart from being non-inflationary,[112] the seigniorage-based and demurrage-"financed" UBI would be likely to be highly effective in achieving its progressive economic, political, social and ecological objectives in addition to being consistent with enhanced competition and "efficiency". The poorest segments of the population typically have to spend their monetary income within a relatively short period of time after receipt on the basic necessities of life, leaving negligible money holdings to be taxed. For the economically more fortunate members of the society there would be no way to collectively avoid the payment of the periodic taxes on money, as someone must always hold the monetary balances regardless of the possible efforts of any specific individuals to avoid the tax by investing in non-monetary forms of wealth. Individuals seeking to reduce their monetary holdings would encounter drastically altered incentive structures for investment: a sufficiently large periodic tax on money entails negative discount rate when assessing the present value of expected income streams from investment projects. Under a positive annual interest rate of 6%, for instance, the present value of an expected investment income of $100 received one year after the initial outlay is approximately $94.34, the amount that would have to be deposited today at 6% annual interest in order to get $100 in one year's time. Hence any potential investment project must compensate for the positive interest rate paid on monetary balances in order to be undertaken. Under such logic it may be perfectly rational to exterminate any species with a biological growth rate below the positive interest rate on money or to initiate a chain of events that will destroy humanity or the entire planet with absolute certainty by a given date provided that the date is sufficiently far in the future (to put things in perspective, typical investment horizons extend to a few decades at most). With an interest rate of *negative* 6%, investment in the preservation and accumulation of natural capital would suddenly become relatively more profitable. As any

112 Whether non-inflationarity is an appropriate target is debatable. Nonetheless, the non-inflationary case is presented here in order to not only alleviate a potential concern that could distract attention from the substance of the proposal, but also to illustrate the point that the proposed combination of debt- and interest-free egalitarian allocation of newly created money and a demurrage tax on money is potentially a much *more* effective tool in controlling inflation or preventing the potential economic or social side effects of credit contraction than the tools currently available to central banks to restrict or to encourage private credit creation.

investment that loses less than 6% of its monetary value annually – e.g. a $100 investment that retains more than $94.34 of its monetary value after one year – may become worth undertaking, investment activity is likely to become heavily biased towards lasting and sustainable projects.[113]

In the current monetary system "economic efficiency" is distorted by the unpredictable and asymmetrically distributed changes in the money supply as well as the requirement to make interest payments on unrepayable debt merely to maintain money in circulation. It is the commercial banking system that determines when, where, to whom and for what purpose new money is created through credit contracts, presumably on the grounds of allocating newly created money to the most productive uses – a curious criterion for regulating the existence and the circulation of a presumably neutral facilitator and gatekeeper of a community's division of labor, to say the least. Whoever manages to get the newly created money first will face a price structure – both relative and absolute – that in all likelihood has not yet fully adjusted to the increased money supply. Furthermore, as virtually all prices in a modern economy involve some compensation for interest charges, the interest payments that are required to keep money in circulation must be made by everyone – whether borrower or lender, producer or consumer – either directly or indirectly. Issuing all money debt- and interest-free would undoubtedly enhance "economic efficiency" through the rectification of the aforementioned biases. While the evaluation of the impact of a periodic tax on money on "economic efficiency" is more complex, the elimination of the "race to see who can get the new money earliest" (Rothbard, 1980: 31) through the simultaneous egalitarian allocation of all newly created money and the enhanced transparency of the entire process of money creation and circulation, among other things, would appear to suggest that the potential efficiency gains from implementing the proposal are not negligible. Nonetheless, as has been argued above, it is far from clear that money can ever be specified in a manner that would allow the purely technical notion of efficiency to become a primary concern amidst the

113 Lietaer (2001: 28) has identified two historical precedents of civilizations which have had an embedded demurrage charge in their monetary systems: the Pharaonic Egypt and the "Age of the Cathedrals" or the 10th–13th century Western Europe. In both cases "[t]he record shows that people spontaneously created buildings and artforms that were designed to last for ever. You can still visit them today."

irreducibly political nature of the process of specifying the institutional features of money.

With regard to the distribution of power between different factors of production, the proposal would merely level the playing field by extending some of the same constraints that already afflict labor also to financial capital. Financial capital's politically and socially constructed ability to defer its own employment – money's artificial exemption from the tendency of material things to "rot, decay, break out [and] rust" in Gesell's (1958) terminology – until other factors of production agree to its terms on rate of return and a de facto monopoly on residual claimancy constitutes a market imperfection that reduces economic efficiency through distorted competition among the factors of production. Labor must often accept virtually any terms of employment offered by capital merely to meet its physical subsistence requirements. As socially constructed abstract value, money should in theory obey the laws of the same physical reality that conditions labor's existence in order to avoid structural distortion of efficiency and equity. For this reason reform proposals which advocate the debt- and interest-free issuance of money without a demurrage charge are insufficient: the competition among the different factors of production would continue to be structurally distorted in favor of monetary capital, albeit to a lesser extent than under the prevailing monetary system. Even a relatively minor structural distortion, such as setting the demurrage tax rate on money at too low a level, may be sufficient to confer de facto monopoly on residual claimancy to capital. With a substantial periodic tax on money, money is as free not to employ itself in productive uses as starving labor is in the position to refuse employment: in both cases refusal would be suicidal. As a result of leveling the playing field between labor and capital, both factors would share the same incentive to avoid mutually destructive disputes that could distract from their common objective of engaging in productive, environmentally sustainable economic activity. Meanwhile, the UBI paid to every member of the community would provide blanket compensation for the expropriated income streams – potentially partly returnable through taxation in cases where an individual's income from other sources suggests that no such expropriation has taken place – of human capital that is rendered obsolete by state or corporate bureaucracies rather than some imaginary interplay of market forces in a decentralized competitive utopia.

In the day to day administration of the reformed monetary system rules-based policies might provide the greatest amount of predictability, transparency and immunity against bureaucratic capture of the system to serve particularistic purposes. If, for example, the annual growth rate of the money supply is constitutionally fixed at 9% – distributed through UBI at predetermined dates – and the annual tax rate on money is fixed at 6% in perpetuity, monetarily induced uncertainty would be virtually eliminated from economic decision-making – which is, of course, quite different from saying that some variant of the unlikely objective of monetary stability in terms of unchanging relative prices would have been attained. A reasonable case can be made for structurally and permanently isolating individuals who may have neither the opportunity nor the inclination to keep abreast of the latest developments in the evolution of the social weapon of money from the possibility of monetary violence through rules-based policies. In any case the effectiveness of monetary policy may be dubious at best and – despite the abundance of apologetic accounts of the prevailing monetary arrangements sponsored by the powers that be and thus by the prevailing economistic standards of definition presumably "independent" – it remains unclear why the power to regulate the circulation of money should ever be outsourced by the transacting parties to an "independent" external institution. According to one possible analytical position, discretionary monetary policy may thus be viewed as a Pandora's Box that might unleash the monetarily mediated social arms race as soon as discretionary policy space becomes available.

For the proponents of discretionary policy, the proposed reforms would provide policy tools which are likely to be much more powerful – for the publicly stated policy objectives pertaining to economic stability and growth – than the prevailing policy instruments and yet be structurally tied to egalitarian outcomes to minimize the potential for particularistic abuse. The practice of issuing money debt- and interest-free would already reduce some of the cyclical and polarizing tendencies of the prevailing forms of money. Unlike the prevailing monetary system, the proposed reforms would also give the relevant monetary authority direct control over the money supply. Instead of trying to indirectly influence profit-maximizing credit creation by the commercial banking system, the relevant monetary authority would know and control the precise quantities of money that would quite literally be put into people's pockets at each point in time as well as the precise quantity of the "reflux" of money from the demurrage tax payments. Whatever one may think of the efficiency or desirability of discretionary monetary policy, the long and variable time lags would appear to be reduced and the overall manageability and transparency of the policy process enhanced.

From another analytical perspective – and quite independently of any other proposal discussed so far – a properly implemented demurrage tax on all forms of money might also provide an opportunity to reverse some of the unjustly accumulated wealth and power disparities produced by the wealth- and power-centralizing tendencies of the prevailing forms of money. In the case of reversing historical injustices in resource allocation through the monetary system, two political considerations are likely to determine the practical potential of the scheme that would clearly be technically feasible: the extent to which non-compliance is criminalized – analogously to the extent to which deviant behavior must be criminalized under the prevailing socially constructed accounting system of money to maintain its functionality – and the net economic effect of any potential emigration and migration induced by the scheme.

Particularly the questions following from the latter point are intriguing. Suppose that a society was to implement a wealth- and power-equalizing monetary and tax reform – some might say confiscation, although it would appear that the same label would in such a case have to be applied also to the manner in which the wealth- and power disparities were built in the first place – which induces everyone above a certain income threshold – the entire economic and political elite – to emigrate to other countries which would presumably be more willing to pay the "market" rate of compensation for their services. Let us further assume that those who remain announce a global open bid for the vacant positions and democratically select the replacements from the national and international pool of applicants based on competence and salary requests. In management terminology, what has just taken place is the replacement of the operative management of the nation by its shareholders – the citizens – albeit in the indirect form of offending the previous management's sensibilities with respect to their sense of their true value to the nation. If the newly appointed CEOs and politicians performing perhaps at a fraction of their predecessors' cost are less productive by a margin that exceeds the difference in salary costs, the emigrants may indeed have been more important to the economic wellbeing of the nation than many of the citizens were willing to concede, albeit still not necessarily worth the salaries and other sources of income that they were getting. If, on the other hand, productivity does not suffer or is perhaps even improved, the wealth- and power-equalizing monetary and tax reform would have uncovered, and possibly rectified, market imperfections through the introduction of competition into previously exempted segments of the labor markets. It may be precisely the threat of a widespread understanding of this insight that the powers that be often seek to suppress through the endless repetition of the dogma that the most privileged segments of the population need to be served through tax concessions and other forms of "incentives" rather than exposed to the disciplinary force of competition. It is worth emphasizing once more that the rationale behind the scheme need not involve anything else except a genuine desire to increase the overall "economic efficiency" of the society through exposing heretofore exempted segments of the population to the equalizing force of competition. If anyone whose level of income and wealth are not matched by productivity threatens to emigrate as a result of inhospitable monetary or tax reforms, by all means, let them go.[114] Perhaps nowhere else can the self-referentiality of markets as distribution mechanisms for economic privilege be made as spectacularly obvious as in the contrast between the economic "realities" induced by the logic of the prevailing forms of money and the results that other individuals who reject the socially constructed accounting logic of money might achieve with the same real resources. The negligible likelihood of the economic and political elites introducing efficiency-enhancing policies that could instigate their own exodus merely reinforces these conclusions.

Of all the intellectual decoys of choice which may be evoked to deflect attention away from the substance of thought experiments such as the one outlined above, charges of envy or populism are perhaps among the most common. As often appears to be the case with ad hominem irrelevancies – no matter how carefully impersonalized behind ostensibly generic concepts – explicating the substance of the labels that are being

114 The policy of encouraging economically inefficient elites to emigrate would be in stark contrast to the containment of monetarily exploited individuals to specific debt-based monetary spaces during the build-up of the wealth and power disparities which would be rectified through the monetary and tax reforms.

selectively attributed to specific lines of reasoning may suffice to expose the absence of a substantive argument. Envy often implies dissatisfaction with a *just* distribution of resources – otherwise the term would be virtually indistinguishable from a dislike for injustice – and a desire to achieve similar levels of consumption as the object of envy. Populism, in turn, implies instrumental usage – some form of deviation between the genuine substance of a concept and the particularist distortion that is being evoked for instrumental purposes – in order to have any meaningful distinction to "popular". Furthermore, one might expect populism to be relatively more frequent in analytical debates relying upon universalist cognitive frameworks such as economic theory than in the real world of diverse and heterogeneous subjectivities. While in the real world no group of individuals may ever be homogeneous enough for constructing fruitful dichotomies between "the elite" and "the people", universalist analytical frameworks suffer from no such deficiencies. For instance, if the subjection of certain occupational groups or industries to competition is detrimental to economic efficiency or causes some other indescribable perils which an economic layman is unqualified to imagine, it is the task of the economic theory to transparently specify these exceptions.[115] Without such transparently specified exceptions, using economic theory to advocate the commodification of low-skilled labor through global laissez-faire while failing to apply the same logic to more privileged segments of the community misrepresents the substance of economic theory and would thus appear to exemplify populism.[116]

115 As Bibow (2006: 30) has pointed out, central bankers, for instance, would appear to be "operating in an extraordinarily inflexible labor market. In this particular labor market, this rigidity is seen as a virtue that enhances performance (dubbed personal independence)". The precise occupational tasks whereby performance may be enhanced rather than impeded by comparable "untouchability" or "politically absurd situation" (ibid: 30, 29) would appear to be clearly less than perfectly specified in orthodox economic theory. If – in the memorable words of Alan Greenspan – "mumbling with great incoherence" about a form of presumably neutral economic institution which in any case cannot exert independent influence on "real" variables is deemed to constitute a sufficiently significant activity to warrant special protections and relatively high compensation, on what basis do similar privileges not apply to other, more significant tasks – ones where clarity and coherence of expression may be required and which do have a widely acknowledged impact on the real world?

116 Incidentally, a long tradition of analysts have in one form or another suggested that competition is unlikely to be applied with equal force in the most privileged

Neither concept – envy or populism – applies to either the reform proposals outlined in this chapter in general or the aforementioned thought experiment in particular. It is quite possible to object to an unjust distribution of resources resulting from the inconsistent application of economic or some other form of theory precisely because it is unjust and inconsistent. Criticism of, say, excessive compensation packages or the wealth-centralizing logic of the prevailing forms of money in no way implies a desire on the part of the critic to adopt more extravagant consumption patterns. Furthermore, such criticism often aims to apply the *same* standards of analysis to economically privileged institutions or members of the community as are regularly adopted by policymakers or market participants with respect to less privileged segments of the society. As long as there is nothing populist about subjecting the working class to global competition, there is nothing populist about the suggestion that cheaper and more efficient CEOs or politicians might be available in the global labor markets either.[117] The particularist distortion of the presumably universal economic logic to rationalize elite exemption from commodifying competition, on the other hand, would appear to exemplify populism. Thus there is nothing envious or populist about the analytical framework underlying the reform proposals, albeit some of the predictable criticism that the proposals may draw from the bastions of privilege may well fall within these categories. To the contrary, if the

segments of the community, as excessively symmetric exposure to the equalizing force of competition might destroy the political support for capitalism among the upper and upper middle classes. This might be a logically coherent position, but, as it may have become increasingly rare to hear this line of reasoning being articulated by individuals in positions to certify knowledge, it may be unlikely to explain the surge of populism particularly in some of the more economically oriented social sciences since their inception in political economy or some other more broadly defined areas of inquiry.

117 In the case of politicians, the substance of this claim is often deflected by comparing salaries or wealth among politicians in different countries. Such comparisons tell more about the globalization of the class structure than about the potential efficiency gains from hiring lawmakers and bureaucrats with the best price-quality ratios from the global labor markets. In the case of corporations, the straw man of choice is often the claim that the most competent candidates *are* being hired at the best possible price. As was noted earlier, virtually the only way to overcome the self-referentiality of rigged markets is to abandon the socially constructed, structurally distorted logic – what will be referred to as the "surreal plane of social interaction" in chapter 12 – altogether and see what a completely different set of individuals could achieve in real terms with the same initial real resources.

proposal succeeds in its immediate objective – challenging the reader to explore the tremendous amount of technical indeterminacy and political choice inherent in any monetary or economic system – the possibilities for the instrumental use of envy or populism in the political and economic lexicon might be significantly diminished. In short, while populism simplifies, this study aims to attain the diametrically opposed objective of complicating the customary interpretations of concepts such as [neutral] money or [symmetrically applied] competition. While the parrots of economic orthodoxy may often make fantastic claims on the presumably universal desirability of the prevailing forms of money – effectively claiming to speak on behalf of "the people" or "science" in attacking or suppressing heretical views – the present author seeks to expose the substantial economic, political and social indeterminacy and conflict inherent in any monetary system – i.e. to counter the populism of the academic powers that be with a positive rather than a normative statement on the nature of money as an institution.

10.2 On the Monetary Implications of the Formal and Substantive Rationalities of Capitalism and Its Alternatives

As was noted in the previous section, it may be tempting to take the artificially elevated institutional significance of money for granted when contemplating alternative modes of monetarily mediated social interaction. This particular preanalytic vision – the "preanalytic cognitive act that supplies the raw material for the analytic effort" (Schumpeter, 1954: 41) – often manifests itself in social scientific inquiry through the tendency to focus on the "technical" features of the prevailing forms of money as an inescapable starting point for conceiving alternative modes of social behavior. In other words, the focus is often on the forms of social relations that the prevailing forms of money may facilitate rather than on the forms of money that would be required to foster specific types of social relations. Whatever one may think of the desirability or feasibility of piecemeal versus more radical social reform, it is instructive to analyze the normative objectives of an economic system and the intensity with which they are pursued – what Weber (1978: 85) called the substantive and formal rationalities of economic action – in order to expand the politicization of money from "technical" reform proposals to the potential redesign of the social relations that underlie each monetary system. In doing so, adopting the evolutionary rhetoric that has become a fashionable reference point in social scientific inquiry and beyond constitutes perhaps one of the most fruitful approaches to illustrate the issues at stake.[118]

The curious conflation of evolutionary imperatives with "success" as determined by specific socially constructed sorting mechanisms has received far too little attention in social sciences. Keynes' assertion that "it is better for a man to tyrannize over his bank balance than over his fellow citizens" (quoted in Lau and Smithin, 2004: 12) appears not only to be widely shared among evolutionarily oriented social scientists, but also to be regarded as a reasonable proxy for the natural mechanisms of evolutionary advance. Yet it is far from obvious that any specific socially constructed sorting mechanism has any necessary overlap with the natural evolutionary processes: those who come at the top according to the socially constructed evolutionary criteria may well be the ones whose survival value for the species as a whole is the lowest when measured against objective physical standards and natural laws.[119] It is, for instance, quite possible that the survival value of the "bank balance"-standard of relative performance is lower for the species as a whole than the evolutionary advantages of "tyrannizing" anyone who would have dared to attempt to impose such a standard on her fellow humans might have been. More importantly, as both of the aforementioned standards may be far from optimal, the extent to which any socially constructed mechanism mimicking evolutionary processes nurtures alternative outcomes becomes crucial. Whenever humanity determines to rise above – or descend below – its animal instincts through something called civilization, two crucial questions need to be addressed. First, what is the appropriate normative social objective of such a civilization that will replace the anarchism and

118 Section 10.5 expands on some of the evolutionary rhetoric introduced here.

119 The argument that is being addressed here is thus quite different from the liberal institutionalist claim that diversity must be reduced or eliminated through global institutions of governance to guarantee peace. What is being addressed here is the hardcore evolutionist argument that competition – for whatever ends and however induced – produces desirable evolutionary outcomes through intra-species selection.

violence – or spontaneous co-operation, depending on one's views – of the state of nature? In other words, which activity or activities are normatively regarded as the overriding aims of the human existence, thus constituting the scale against which individual performance is evaluated? Second, to what extent are alternative modes of behavior and social interaction subordinate to the chosen normative goals? What happens to individuals who are either incapable of or reluctant to rise to the socially constructed [relative] standards of performance? Are they eliminated from the gene pool? If yes, how? How does the civilization attempt to justify both the extermination of these individuals and the suppression of any potential violence – perhaps "terror" – that resistance to the socially constructed sorting mechanisms may breed, given that the evolutionary objectives of some of the "terrorists" may well be more valuable to the species as a whole than those of the "civilization"?

Although the terminology and the main focus of analysis may differ between observers of different theoretical and ideological persuasions, these questions are central to the design of any economic or monetary system. Weber (1978: 85), for instance, referred to one possible interpretation of the former question as the substantive rationality and perhaps a variant of the latter question as the formal rationality of economic action:

> The term 'formal rationality of economic action' will be used to designate the extent of quantitative calculation or accounting which is technically possible and which is actually applied. The 'substantive rationality,' on the other hand, is the degree to which the provisioning of given groups of persons (no matter how delimited) with goods is shaped by economically oriented social action under some criterion (past, present, or potential) of ultimate values (wertende Postulate), regardless of the nature of these ends. These may be of great variety.

In short, substantive rationality refers to the normative objectives of an economy or a civilization, while formal rationality captures the extent to which different calculative techniques are utilized in order to pursue these normative objectives to the exclusion of alternative normative goals.[120] While the inherent conflict between the medium of exchange and the store of value functions of money that has been explored in detail

120 The intersection between the substantive and formal rationalities of social organization provides fertile ground for complementary analysis between different

elsewhere in this study exemplifies the "technical" approach to money – the exploration of alternative modes of social organization which takes the prevailing institution of money as its starting point – the conceptual bifurcation of social organization into substantive and formal rationalities provides a deeper perspective into the underlying assumptions of the social relation of money independently of the specific "technical" forms that money may assume at any given point in time. Without such a perspective the politicization of money would be far from complete irrespective of one's views on the perceived practical feasibility of the corresponding reforms.

Once again, a properly bizarre – albeit the bizarreness of the present realities may be hard to match – example will illustrate the issues at stake. No form of economic, political or social activity – whether in the realm of the "economy", politics, sports, culture or something else – can ever hope to mimic the natural evolutionary mechanisms, let alone constitute a universally optimal normative goal for humanity's existence, yet at least one of such activities will have to be artificially elevated over the alternatives if "civilization" responsive to the utilitarian governance of relative performance is to be constructed. Suppose that a civilization tired of tyrannizing each other over bank balances were to randomly select an alternative substantive rationality for social organization to relieve its existential angst. Suppose that, of all the potential human activities, the lot falls on ballet.[121] In other words, plutocracy will be replaced by a

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theoretical traditions. As was noted earlier, Marxist and Foucauldian analyses, for instance, may have complementary strengths in these respective areas.

121 The inspiration for this example came from a story that a national news channel ran – as a joke to elicit laughs at the end of the program – on a group of middle-aged men who started to take ballet lessons in their spare time. Yet it is not obvious that similar jokes – often middle-aged men in politics or the economy who, like the male ballerinas, are utterly incapable of living up to even the most rudimentary standards of performance according to most publicly professed indicators – are not presented in virtually every news program and outlet on a regular basis. Would it be entirely inappropriate to wonder why perhaps equally marginal capacities and competence in the fields of politics or the economy often do not elicit similar smiles from the viewers as the male ballerinas, who – in contrast to many politicians, economists, or businessmen – did not appear to harbor illusions about their own capacities? Hence the choice was made in the hopes of both providing a manifestly absurd example of a socially constructed sorting mechanism and a memorable cognitive focal point for contextualizing equally hopeless efforts in other realms of social interaction that the reader might witness elsewhere in the future.

ballerinatocracy: from that moment on individuals will be tyrannized on the basis of their dancing skills rather than their bank balances. As a side effect of the community's transformed normative preferences, resources will accrue to the top ballerinas, who will in turn decide the method and extent to which their newly acquired wealth may trickle down to others. Whatever human activities the top ballerinas choose to patronize will thrive, while other dimensions of the human experience may be properly weeded out as irrelevant to the civilization's newly discovered *raison d'être*. If history is to be a guide, irrespective of what the patronized activities will be, "a corps of willing and talented craftsmen" (Galbraith, 1996: 5, quoted in Davidson, 2007: 523–524) is likely to emerge as the cheerleaders and rationalizers of the newly conceived privilege. It is largely irrelevant to argue that the chosen example is inappropriate as ballet itself is not a productive activity: there is intrinsically nothing productive about tyrannizing over bank balances either – crime, deception, fraud, regulatory capture and other socially unproductive activities being periodically rediscovered as the driving forces of capitalist wealth accumulation – and a ballerinatocracy could surely distribute capital to its "most productive uses" according to similar standards of self-interest, quite possibly with less collateral damage caused to humanity than by the prevailing forms of monetary and banking institutions. The relevant point of the example is the possibility – indeed likelihood – of a spectacular failure in the selection of a single normative rationality for a civilization ostensibly to replace the logic of natural evolutionary processes: plutocracies and ballerinatocracies eliminate diversity, which is likely to constitute a counterproductive evolutionary strategy at the species level. Top talent and specialization in all other realms of the human experience will be allowed to exist only to the extent that the plutocrats, ballerinas or the like – acting effectively as unaccountable evolutionary central planners on behalf of the species as a whole – view such specialization as worthwhile.

While the reform proposal outlined in the previous section may not directly challenge the substantive rationality of capitalism, diversity would be enhanced through a less strictly applied formal rationality. Replacing the structural necessity of zero-sum competition with the combination of debt- and interest-free egalitarian allocation of newly created money and a demurrage tax might not alter the prevailing normative objectives of capitalism, but it would reduce the intensity with which such normative objectives must be pursued. Seen from the evolutionary perspective, calls for less stringent application of the prevailing standards for formal economic rationality are not based on social or egalitarian objectives that could hinder the functioning of presumably accurate mechanisms of evolutionary selection. To the contrary, such calls recognize the fact that nominating plutocrats, ballerinas or some other group as humanity's unaccountable evolutionary central planners is simply bad business: the normatively selected variable over which socially sanctioned tyrannization may take place is always likely to fall spectacularly short of the evolutionary significance that the cheerleaders of privilege attempt to assign to it. The justification of socially constructed sorting mechanisms on evolutionary grounds would require multidimensional criteria which recognize both the depth and breadth of specialization across a wide spectrum of human motivations, including some of the less fashionable normative orientations. The considerable uncertainty that will always be associated with the accuracy of such sorting mechanisms and their capacity to emulate real world phenomena is likely to put such projects permanently out of the reach of human capacities. Whatever one's views on the theoretical desirability of evolutionarily selective economic competition or its more egalitarian alternatives may be, the practical feasibility of attaining the evolutionary objectives of the economic competition rhetoric is virtually nonexistent and the monetary system is unlikely to ever constitute an appropriate location for such ill-informed experiments.

10.3 Liberating International Transactions: An Open-Ended Clearing Union

As was seen above, domestically, the combination of seigniorage-based UBI and a demurrage tax on money would permit the electorate to institute or emulate the monetary counterpart of virtually any form of economic policy ranging from laissez-faire to pervasive interventionism. In the laissez-faire version the role of government – and all other forms of concentrated power for that matter – could be permanently removed from monetary policy by constitutionally fixing both the growth rate of the money supply and the periodic tax rate on money. Following the aforementioned example, an economy with an estimated need for a 3% average annual long term growth rate of the money supply could constitutionally fix the rate of money creation and the periodic tax on money at 9% and 6%, respectively. In the interventionist variant – of virtually any theoretical persuasion – the monetary system itself would constitute an extraordinarily powerful tool for monetary or fiscal policy. The long and variable time lags that some analytical traditions associate with monetary policy decisions would presumably be shortened by the practice of putting all newly created money directly to the pockets of every member of the economy, while the potential to tax money might provide a relatively wealthy and captive audience for one of the most powerful forms of tax conceivable to slow down an "overheating" economy with a relatively small impact on the relative price structure – an unlikely combination for virtually any other form of tax.

The same logic applies in theory also in the international realm. Rather than letting its currency depreciate without publicly announced policy decisions or relying on the foreigners' willingness to borrow at high interest rates to finance "development" and to relend at lower interest rates to accumulate foreign exchange reserves[122], a monetary hegemon – or indeed any relatively powerful currency area – could simply announce

122 The disparity between the interest rates that many developing countries have to pay on their foreign borrowing and the income they receive on the foreign currency reserves that they must keep idle presumably to forestall monetary crises has been noted by several authors. Rodrik (2006), for instance, estimates these costs at around 1 percent of the GDP of the developing nations as a whole annually, "a multiple of the budgetary costs of even the most aggressive anti-poverty programs implemented in developing countries." As Rodrik points out, the reserve build-up often involves "no net resource transfer from abroad" and speculates that "'market intervention' in the form of taxing short-term capital inflows has developed an unsavory reputation that 'market intervention' in the form of buying reserves does not have" (ibid.). Even the International Monetary Fund has in one of its more candid moments noted that "It must not be overlooked that reserves are real resources from the point of view of the countries holding them, and the holding of reserves is only one of the possible uses competing for the limited amount of resources at the disposal of each country … In a poor country … the maintenance of an adequate reserve position may be at the expense of urgently needed industrial or agricultural equipment, or may even entail some hardship due to shortages of food or of other consumer goods which might have been imported by using a portion of its reserves" (IMF, 1953: 195; quoted in Kirshner, 1995: 17). Consequently, the potential merits and demerits of all proposals made in this study should not be judged against some parallel

an increase in the periodic tax rate it charges on foreigners holding its currency to "finance" its consumption or military adventures. The nature of the hegemon's monetary exploitation of others would arguably not be materially altered, but its price tag might become more obvious to voters or policymakers who might be inclined to consider implementing alternative monetary arrangements for international transactions. In the case of smaller countries that lack the market size or military power to induce others to hold their currencies the situation is more complex. An excessive tax on money may lead to significant exchange rate depreciation even in the case of some of the more powerful currency areas. As Kirshner (1995: 11) has observed, "The psychology of exchange rates can intimidate even the most experienced central bankers." A small country may either not be able to induce others to accept its currency in international transactions or the risk premium required by others to compensate for the unpredictable taxation powers might be too large to be acceptable. Is there thus no other option available for smaller countries than accepting whatever forms of exploitation the larger currency areas choose to impose in order to avoid complete autarky?

There are several potential technical solutions to reconciling the monetary rules of the game for domestic and international transactions, ranging from laissez-faire among national currencies to establishing a global legal tender that must be accepted in the settlement of all international transactions. Leaving aside the obvious laissez-faire alternatives which hardly require further explanation in the international context, the selected criterion of parsimony may allow a more detailed discussion of a proposal that – while perhaps not conceptually the simplest possible – has received widespread attention since its inception, which may make the proposal more easily accessible than alternative schemes developed from the scratch. While Keynes' proposal for an International Clearing Union in the Bretton Woods negotiations in 1944 is well known, the political dynamics required for the partial adoption of a similar international clearing system remain imperfectly understood. The key parts of Keynes' proposal were the introduction of a new currency for international trade, the bancor, to which the values of national currencies would be tied and the imposition of currency value adjustments and interest charges on

reality which defines or assumes away most matters of interest, but against the actual, ongoing lunacies masquerading as responsible policy in the real world.

both debtor and creditor countries for cumulative deficits and surpluses exceeding a given proportion of each nation's average annual trade volume over a predetermined period of time. Consequently, every nation would have an incentive to balance trade as net exporters would also experience a gradual deterioration in their international payments position in case cumulative trade surpluses were not compensated by increased imports within a certain time frame. In addition to these key points, there would be substantial freedom for the members to tailor other aspects of the system – such as the use of the funds obtained from nations with excessive trade surpluses or deficits – according to their needs. Implementing an international clearing union in conjunction with the aforementioned proposal for combining the egalitarian initial allocation of newly created debt- and interest-free domestic currency with a demurrage tax might in many cases require common rules for managing both the demurrage tax and the money supply "growth" rates. Nonetheless, instead of exploring the technical requirements for reconciling specific domestic and international variants of the proposal, the focus of interest here is mainly on the political feasibility of implementing such an international project. It is not obvious that the lack of an all-encompassing international agreement could prevent a group of like-minded countries from introducing regulatory competition into the international payments system by establishing a clearing union.

Any country which views the cost imposed by the use of foreign currencies in international trade as unacceptable but nonetheless wants to avoid complete autarky can announce its willingness to trade with other nations through a multilateral clearing system. Rather than adopting a separate clearing system between each pair of nations – which would effectively amount to barter – the clearing system could be made open to everyone agreeing to the multilateral settlement of trades and symmetrical interest charges on both debtor and creditor balances. The logic behind one variant of such an open-ended international clearing system is not entirely dissimilar to sub-national mutual credit based currencies such as the LETS networks: rather than forcing nations to compete against each other for scarce foreign currencies and subjecting themselves to the collective accumulation of effectively unrepayable debt, any nation could refuse such exploitative arrangements and invite other countries to join them in liberalizing[123] multilateral international trade by abandoning the use of national currencies.

One observer has suggested that the poor world – which "owns the rich world's banks" (Monbiot, 2004: 175) – should "blackmail" (ibid: 177) the rich to implement a global clearing union by threatening to destabilize the international monetary and payments systems by defaulting on their debt. While the proposal highlights some relevant aspects of the social construction – and potential deconstruction – of money, it is not obvious that the two issues should or could be coupled. Using illegitimate debt as a bargaining tool might confer certain legitimacy to such debt by transactionalizing a situation involving essentially unilateral exploitation. Furthermore, it is far from clear that such a strategy would be effective. The purpose of the socially constructed accounting system associated with the prevailing forms of money is precisely the governance of real resource flows, not the maintenance of an empty shell of patently implausible accounting conventions after their capacity to govern real resource flows has been eliminated. In other words, from the perspective of the powers that be, the consequences of the establishment of a global clearing union may not materially differ from the consequences of a wholesale destruction of the prevailing monetary system unaccompanied by the institution of an alternative international payments system: in both cases the prevailing patterns of wealth and privilege might be profoundly altered and, once the current monetary system is gone, prolonged disorder and chaos may well prove to be more profitable for the bastions of economic and

123 The different contexts in which the various alternative interpretations of liberalism are theorized throughout this study exemplify some of the overall theoretical and epistemological choices outlined in chapter 2. There is no logical contradiction between criticizing the violence and racism of at least some liberal modes of thought, while on separate occasions working through some of the central tenets of the liberal creed in "free" markets to point out the implications if such principles indeed were consistently followed. In chapter 3 it was shown that in its utopian perfect efficiency incarnation, capitalism converges with socialism. In other words, it was suggested that it may be unnecessary for any potential socialist critic to reject some of the principles of capitalism, as the very same principles, if consistently applied to their logical conclusion, would produce an effectively socialist economic system. Similarly, the aim of this section is partly to illustrate the largely unutilized scope for political strategies that exists *within* some of the dominant liberal discourses. If consistently applied to their logical conclusion, some interpretations of a liberal economic order contain the seeds for forms of social organization that are not entirely dissimilar to some of the social systems that radical critics have sometimes pursued through the propagation of imaginary dichotomies.

military power than the establishment of a structurally non-exploitative clearing union. The poor nations' threat to default on international debt may be unlikely to achieve its stated objective of helping to establish a monetarily non-exploitative clearing union if the associated privilege-demolishing impact rivals the likely implications of widespread debt default. Moreover, unless the group of defaulters constitutes a significant enough agglomeration of economic and military power, unilateral debt default might simply result in another orgy of violence to re-colonize the rebels. To sum up, the capacity of the world's poorest nations to take the lead in establishing a monetarily non-exploitative clearing union may be limited, to say the least.

Ironically, the most promising way – if there ever has been any – to implement a global clearing union might involve the exploitation of the political and potentially also religious cleavages between nations and the diverging preferences of different domestic interest groups within each nation. Suppose that some of the leading oil producers or some of the larger economies with the potential ability and willingness to endure autarky in case an equitable international payments system cannot be created, for instance, would refuse to accept the dollar, euro or the yen as a payment for their exports and instead take the lead in creating a liberal international payments system that the Bretton Woods institutions have so conspicuously failed to provide. Some conceivable logics behind such initiatives might involve a would-be hegemon rejecting the financial system imposed by its rival, a resource-rich former superpower dissatisfied with the prevailing monetary constraints on resource diplomacy, any mid-sized state too small to lead but large enough to destabilize exploring alternative modes of economic organization, or a resource-rich nation with a strong religious identity calling for pan-denomination organization to stop the exploitation by the infidels through the establishment of a regional clearing union. Whatever the initial motive behind the first clearing union might be, as long as the union remains open-ended – open for anyone with sufficiently liberal credentials to join – public sympathies would be likely to be on the side of the initiators and there would be a considerable likelihood that ultimately the scope of the union would become global. As has often been noted, it seems strange how much energy and political capital is spent to reduce already relatively low tariffs when exchange rate fluctuations that often seem unrelated to "economic fundamentals" can exceed any gains achieved through lower tariff barriers by many times in a relatively short period of time. Nor would it be obvious how to justify military action against such recalcitrantly liberal nations based on some of the prevailing dichotomies of "us" versus "them". If "they" were threatening the world with one of the most radical forms of liberalism in history, the question might arise what precisely it is that the coalition of the willing that is so determined to battle against "their" way of life stands for. Although perhaps unlikely to be able to take the lead in creating a clearing union, a number of "developing" nations that have no realistic hope to escape their international indebtedness under the current monetary system might have an instant incentive to join once a critical mass of economic and potentially also military power had been reached.

Many reform proposals of the international monetary and payments system also tend to overlook the fact that it is often not nations per se, but corporations and individuals within those nations, who engage in international trade. Making membership in the clearing union directly available to corporations or perhaps even individuals might create domestic coalitions in favor of joining in virtually every nation in the world. A requirement to make all international trade transactions in the clearing union's common currency would create a major incentive for virtually every multinational corporation to lobby their governments to either join or to allow their entry as corporate members. For corporations and individuals, trade that is profitable in real terms under the prevailing currency arrangements may continue to be so under the multilateral clearing system – even after any potential modification of the clearing union's rules to take into account the enhanced risks when trading with an individual or a corporation. Corporate and individual members could, for instance, be required to engage in fully "financed" barter only or to insure their deficits with one of the sovereign members. Corporations have historically been able to put up with much more colorful political arrangements than unilateral insistence on liberalism. How many corporate executives could afford *not* to put pressure on their governments to allow their entry to a clearing system that acts as the gatekeeper to potentially sizeable business opportunities? It seems reasonable to assume that few governments would ultimately venture to stay out of the union and thus either risk the loss of their own monetary powers by allowing corporations headquartered in their soil to engage in international trade denominated in the clearing union's currency or to risk losing the headquarters of the corporations to more permissive regulatory environments altogether.

Although the domestic and international policy reforms outlined here represent only one possible configuration from a virtually infinite set of technically feasible reforms, it is difficult to overemphasize the magnitude of the changes in the patterns of economic, political, and social relations and incentive structures potentially resulting from seemingly minor "technical" changes in the design of monetary institutions. The maximizing logic of economic interaction can be used to achieve a wide variety of economic, political or social objectives. If the objective is to optimize rather than maximize any give area of economic, political, or social interaction involving some of the technical functions of money, incentives for – or at the very least the possibility of – such optimization must be built into the institutional logic of the monetary system. Without institutional modifications, the inherently polarizing logic of the prevailing forms of money is ultimately likely to prevail over post-money policy attempts – policy decisions which take the institutional design of money as given – to achieve alternative outcomes. The extent to which conventional wisdom on the "economic" reality merely reflects the historically specific or governmentally contingent design of the current monetary system can also hardly be overemphasized. In addition to the more fundamental issues relating to the current monetary system's misrepresentation of the physical reality, the proposed reforms highlight the specificity of the prevailing rules of the game for the management of monetary phenomena to the socially constructed "technical" specifications of money rather than some imaginary universalist economic laws that could remain constant across a spectrum of alleged monetary neutrality.

10.4 Potential Complementarities with a Land Reform

Although conceptually a distinct policy, it is difficult to avoid discussion of land reform in conjunction with proposals for monetary reform. Unless the structural distortions of all factors of production are rectified simultaneously, any isolated reform efforts will merely transform the nature of the problem into one afflicting mainly the unreformed factor: leveling the playing field between labor and capital through a monetary reform, for instance, would be likely to result in a situation where much of the relative losses of capital merely end up increasing land values. If the real value of money or near-money financial assets either remains constant or gradually diminishes through time as a result of monetary reform, investment in assets which can produce a return in real terms, such as land, becomes relatively more attractive. Yet the arguments for land reform may be equally persuasive irrespective of the specific type of monetary system. Land – as conventionally defined as a factor of production – is fixed in quantity and necessary for the survival of every human being. Unless the community as a whole assumes either the ownership of land or the task of ensuring its egalitarian distribution, land owners will reap much of the benefits of economic development – and potentially also much of the benefits of a monetary reform – without necessarily making any productive contributions to the economic processes which have caused the land prices to increase. As the general case for public or egalitarian ownership of land predates many of the monetary issues discussed in this study with an ample margin and references to different variants of the proposal or actual historical practices have been frequently made since some of the earliest forms of religious, academic or popular literature, the focus here is on their direct relevance to monetary reform and on a largely overlooked policy aspect involved in the pricing of land.

Perhaps the most common contemporary "land reform" proposal that even some of the most powerful media outlets occasionally flirt with involves land value taxation – taxation of privately held land with the aim of capturing the "undeserved" portion of the price increase to the state. As no restrictions on land ownership would be placed – a single individual could in theory still own the entire planet – it is debatable whether this proposal merits to be described under the heading of land reform. Furthermore, the proposal involves both practical and logical problems. Identifying and taxing away the "undeserved" portion of increasing land values is an inherently subjective decision prone to waste, corruption and all the other foreseeable and unforeseeable inconveniences that are often associated with bureaucratic self-aggrandizement. More importantly, as a long tradition of land reformers have pointed out, the case for the private ownership of a basic necessity for survival may be dubious at best.

The logically and practically most suitable complementary land reform proposal to seigniorage-based UBI, demurrage tax on money and possibly some form of a clearing union for international transactions might involve the establishment of a land trust which holds and rents out all available land and distributes the proceeds to the members of the community through UBI. The precise manner in which such an arrangement could be arrived at – ranging from full compensation to no compensation to the current land owners – could be left to the political process. The argument for distributing the entire annual income derived from land as UBI to all members of the community is relatively straightforward. Much of the ideological edifice of a market economy rests on the assumption that market participants are rewarded for the most efficient *use* of resources, not the power to monopolize basic necessities of life. In some cultures land was returned to their original owners free of charge after a certain number of years to prevent accumulated fortunes and misfortunes from passing on to the next generation, which had not contributed to the emergence of such wealth and power disparities and whose individual capabilities to put the land into the most productive uses, in the modern perspective, might significantly differ from the skills and productivity of each individual's forebears in the previous generations. The modern equivalent in a monetized market economy where only a fraction of the population obtains their living directly from land would be the establishment of a land trust and the periodic egalitarian allocation of the proceeds as UBI to all members of the community.

In addition to the conventional arguments emphasizing the unjust enrichment of landowners as a result of economic development, monetary reform, or any other economic event resulting in an "undeserved" increase in land prices, there is a policy issue involved in the pricing of land: as a factor of production, it is not obvious whether the value of land should be maximized, minimized or optimized according to some politically determined criteria. Although not an entirely analogous situation, some of the issues at stake are illustrated by the allocation methods used by some governments to distribute licenses to use certain frequencies of the electromagnetic spectrum to commercial operators. Both land and the electromagnetic spectrum constitute scarce natural resources used as inputs for economic processes. Some governments gave out the licenses to use certain frequencies of the electromagnetic spectrum free of charge, sometimes emphasizing the financial burden that the transfer of such a scarce public resource at a price would create to the corporations purchasing the licenses. Others auctioned the licenses to the highest bidders, in some cases inducing spectacular misallocations of capital.[124] Any policy-constrained price optimization strategies were also possible. The relevant point here is the policy significance of the price of a public resource which is transferred to the private profit-maximizing production process. A publicly owned land trust which must distribute all profits through UBI to the members of the community maximizes policy space with respect to land prices while maintaining the egalitarian ownership of land. The trust can either maximize the profitability of land in order to provide maximum UBI payments to the members of the community – potentially involving all the legal and illegal tactics that a monopolistic, profit-maximizing speculator might engage in to bend every rule whenever it is cost efficient to do so – minimize the price in order to provide the most competitive factor price for land for economic processes which use land as an input – not entirely unlike the way some public utilities are regulated to provide low customer prices – or optimize the price of land and the return of the UBI recipients according to some combination of economic, political, social or ecological criteria. In the case of cost minimization the users of land might be periodically selected through a "beauty contest" based on the extent to which they conform to democratically determined, transparently specified criteria not entirely

124 In Finland, for instance, the former state monopoly's losses with the investment in the German UMTS license are notorious. The logic of such auctions from the perspective of the service providers is instructive: either the operators must pay whatever it takes to get a license or effectively cease to be operators. Few commentators have pointed out the obvious analogy to the use of land: whenever land is "auctioned" to the highest bidders, individuals will effectively have to pay whatever it takes to obtain the products and services provided by land – food, shelter, etc. – or to cease their existence as human beings. A further complication in the distribution of the licenses which might have favored the capitalization of the electromagnetic spectrum as a public resource and distributing the proceeds through UBI over alternative allocation methods arises from questions of liability associated with private ownership. If and when public health concerns lead to restrictions in wireless communication, the ownership and value of such licenses will have to be once again reevaluated and compensation extracted from the corporations. With fixed-term rental contracts for the use of certain frequencies and the proceeds distributed through UBI to all members of the community, any potential termination of the use of certain frequencies would not have been much of an issue and the victims – the general population – would have already received some compensation in the form of a part of the industry's profits extracted through the fixed-term license agreements and distributed through UBI.

unlike the manner in which some governments chose to allocate licenses to use the electromagnetic spectrum to corporations whose proposals for the use of such spectrum most closely approximated some predetermined criteria. If it is possible to distribute a scarce public resource free of charge to corporations without offending some of the dominant myths about the nature of capitalism, it must surely also be possible to allocate rights to use land according to similar democratically determined criteria and dub the process "capitalism" or "market economy" or to use virtually any other contemporary economic buzzword of choice without allegations of ideological inconsistency.

Choosing the right policymaking process that would select among the maximization, minimization or optimization of the price of land involves certain rhetorical parallels to the debate on the appropriate conduct of monetary policy. As in the case of the debate on central bank independence, a case could be made for the land trust to be completely independent of political considerations under the management of technocrats who would select appropriate land prices at each moment according to some predetermined criteria or constraints. Rules-based policies for the pricing of land, in turn, could be defended with arguments that are not entirely dissimilar to the case for rules-based monetary policy: discretionary policy lacks transparency and is potentially destabilizing and prone to particularistic considerations. Whatever the selected pricing policy for land would be, it would in all likelihood be superior to private ownership of and speculation on land from the perspective of a vast majority of the population and correctly perceived as merely one possibility among a wide spectrum of political choice – in stark contrast to the TINA terms in which much of the "technical" contemporary economic discourse is presented.

It is worth emphasizing that all the distribution methods proposed in this study for income streams emanating from what might be called egalitarian assets – assets that by their very nature belong to all members of the community such as land or increases in an exogenous money supply as defined in section 7.1 – take the form of UBI rather than a one time payment or a stakeholder grant (see e.g. Ackerman and Alstot, 1999). It might be in the interests of the society as a whole to further limit the transferability of the UBI payments by, for example, legally restricting the portion of the UBI that can be claimed by any creditor for the repayment of debts. Without such paternalism, stakeblowers would effectively be able to have their cakes and eat them too. Suppose that instead of a perpetual UBI, the society gave each person their share of the community's egalitarian assets at their 21st birthday. Some would invest their newly acquired wealth wisely in e.g. education or setting up successful businesses. Others might spend or gamble away their stakes at a relatively young age. A major problem with the stakeholder approach is that the impact of blowing one's stake is never confined to the specific individual in question. Any society has to find some way of coping with the insecurity, violence and crime induced by absolute poverty. Individuals who oppose the paternalistic meddling with the freedom of choice – no matter how morally righteous according to some relatively popular worldviews – will either have to live with the costs and consequences of increased crime or pay for a social security system that would ex ante indicate to any potential stakeblowers that welfare payments – which might not necessarily be of entirely different magnitude compared to the UBI payments in the original proposal – would in any case be available for the rest of their lives. Thus the stakeholder approach might be a viable alternative only in societies which either do not mind the inbuilt moral hazard of providing social security to stakeblowers or have a relatively high tolerance for violent crime. Any potential normative preference for paying for crime control rather than social security for ideological reasons in no way alters this conclusion.

10.5 Some Politically Incorrect Attempts to Politicize Political Incorrectness: The Role of Blame Games and Religion

Any reform agenda will ultimately also have to address two questions which may sometimes be regarded as being beyond the limits of political correctness or the perceptual or analytical requirements institutionally imposed upon "successful" academics: how to administer justice among the victims and the perpetrators of contentious social experiments after the structural power disparities have been dismantled – revealing some of the underlying political or philosophical motives behind any social reform agenda perhaps more explicitly than many alternative approaches – and what is the proposal's relationship to alternative conceptualizations of the ontology of the human – such as preexisting religious identities. While this study may not have a clear answer to either question, some reflection upon these issues may be warranted to gain a better understanding of some of the issues that any concrete reform agenda cannot avoid to address.

The history is replete with monetary reformers who have thought that the prevailing legislation – no matter how skewed towards the protection of the prevailing financial interests – could and should be used to prosecute the powers that be which are responsible for the prevailing monetary system. Frederick Soddy, for instance, saw the prosecution of the Bank of England as a more urgent task to improve the human condition than focusing on his Nobel-winning pursuits in chemistry without such distractions. Contemporary proposals, in contrast, may sometimes be characterized by curious defeatism or implicit moral double standards. According to a supporter of one activist's efforts to prosecute the Canadian banking system, for instance, "On principle, John is right. He really has a case. But he won't win the case, because if he wins the case, we've no banking system" (Bermingham, 2005). In other words, according to this line of reasoning, winning a case is not perceived to be within the realm of possibility, as it would terminate the perceived illegal practice that gave rise to the case in the first place. Such logic illustrates the extent to which the sometimes apparently schizophrenic subjectivities induced by the prevailing forms of money may have the capacity to neutralize dissent before it even gets to be articulated, let alone acted upon: the equation of the abolition of the banking system's right to create money "at the stroke of a pen" with the abolition of the banking system – and, by implication, the unspeakable perils it would entail that are perceived to necessitate the selective breaching of the law – would represent a formidable accomplishment of subjectic engineering on the part of the powers that be if widely shared among potential monetary reformers. Paraphrasing and expanding upon the insights of an individual with non-negligible credentials in subjectic engineering, a sufficiently big lie may thus not only be easier to believe, but also more prone to creating spontaneous rationalizations and justifications for its own necessity.

According to another reform proposal which sees the current monetary system as potentially "illegal" and working "against the constitutional rights of the individual in most countries" (Kennedy, 1995: 27), "there can be no accusation of those who, at present, profit from the interest system as this is totally within their legal rights" (ibid: 67–69). While an untrained observer might see quite a few contradictions here, perhaps the most flagrant moral double standard involves the implicit suggestion that an individual cannot be "accused" of anything which is not illegal as interpreted and implemented by the powers that be. The author suggests that under the current monetary system, "As time goes on, those who think that they live in democracies will live at best, in oligarchies or at worst, under fascist regimes" (ibid: 67).[125] Should fascist regimes thus be absolved of all responsibility for their actions as long as the extermination begins after the legal framework has been reinterpreted or modified to render the carnage "totally within their legal rights"? If the dominant interpretation of the prevailing law is the only relevant ethical, moral or legal standard, is the author's intention to suggest that any form of victor's justice – whether in a war between nations or classes – is acceptable? In other words, if the present monetary authorities are "totally within their legal rights" in – according to some of the more radical interpretations – inflicting death, servitude and environmental degradation on others, how could any subsequent power structures not be "totally within their legal rights" when imposing any penalties on any individuals of their choice according to the modified legislation?[126]

The most significant issue here is perhaps not the possibility of effectively retroactive implementation of legislation, but the purported desirability of the absence of any enforceable ethical or moral constraints on human agency or concentrated power. Such logic is particularly salient in social Darwinism – perhaps more appropriately referred to as socially protectionist Darwinism due to the tendency of some adherents to this

125 The worst-case scenario is a clear understatement. Outright annihilation remains a distinct possibility for a substantial proportion of the world's population under the current distribution of income, wealth and power.

126 Whether financial institutions are in fact always acting "totally within their legal rights" is debatable even in the context of the current legislation, which is formed and interpreted under the prevailing disparities in the allocation of income, wealth and power. In Finland, for instance, there is a cottage industry of research and advocacy on the depression era of the early 1990s, accusing banks, among other things, of illegally reselling IOUs which should have been voided (see chapter 12). The ongoing financial crisis provides further evidence of the extent to which financial market participants have in fact acted "totally within their legal rights" even under the prevailing legislation almost on a daily basis.

analytical tradition or normative position to exempt themselves from atomistic competition through differentiated loyalties to networks of blood, oath, faith or convenience. According to a somewhat dated – and relatively candid – formulation of a socially protectionist Darwinist philosophy:[127]

> Among the bees, one rules, while the others obey – some work, while others are idle. … The lion lies in wait for and devours the antelope that has apparently as good a right to life as he. Among men, some govern and others serve, capital commands and labor obeys, and one race, superior in intellect, avails itself of the strong muscles of another that is inferior; and yet, for all this, no one impeaches the justice of God. No doubt all these varied phenomena are consistent with one great law of justice; and the only difficulty is that we do not, and no doubt we cannot, understand that law. It is very easy for some dreaming and visionary theorist to say that it is most evidently unjust for the lion to devour the deer … but … we know of no other way … [God's justice] does not require us to relieve the hard-working millions of all labor, to emancipate the serf or slave, unfitted to be free, from all control (Pike, 2006).

The observation is intriguing in at least three respects. First, one may wonder whether the metaphors taken from the animal kingdom are applicable to human interaction. For animals, the relevant intra- or inter-species organizing principles presumably derive from the surrounding physical environment. In the case of humans, in contrast, there would appear to

127 As the notion of socially protectionist Darwinism may well be a universal feature of institutionalized forms of hierarchical power structures, it may be appropriate to commend any utterer of the underlying logic for honesty in order to avoid the incorrect impression that certain individuals or institutions are being singled out for criticism. Historically there would appear to be few potential limits to the hypocrisy of the rhetoric with which de facto socially protectionist Darwinist practices may have been rationalized or justified. For much of the European Christian history, for instance, one of the most significant proponents of the socially protectionist Darwinist logic may well have been the church, institutionally restricting access to the positions of knowledge-certification according to a centrally controlled metric for truth while imposing a degree of violence on heretics and infidels that few alternative socially constructed rationales for selective extermination might have been able to match. The proliferation of networks of differentiated loyalties as institutional homes for socially protectionist Darwinist practices may be partly explained as a selective countergovernmental response or co-strategy associated with some of the excesses of modern mechanisms of governance – as a way to counter the tightening governmental grip on life with networks that may help to turn even the most sinister governmental logics into relative evolutionary advantages, however defined, to the members of such networks.

be no necessary correlation between socially constructed realities and the natural laws which could ensure that the selected organizing principles have any relevance in the real world. Whenever the champions of self-referential social hierarchies become obsessed with notions of flat earth, neutral money or some other socially constructed focal point for self-delusion and claim that "we" know of no other way, the issues at stake are hardly limited to any potential moral reflection of the justices or injustices involved in such a form of social organization: with the right instruments of violence available to the species as a whole, a failure to dismantle such social hierarchies in favor of alternative organizing principles that permit more realistic notions of the human, the environment and the proper interaction between the two to emerge may well prove to be suicidal. In short, as humans may have a more highly developed capacity for self-delusion than most animals, it may be inappropriate to apply metaphors from the animal kingdom directly into socially constructed realities and incentive structures.

Second, the allegation that "we know of no other" metaphor for the human experience except planet wide zero-sum competition among lions and antelopes is quite different from saying that such a way does not exist. Any organism which wastes a substantial portion of its evolutionary resources is likely to be doomed. The intellectual waste induced by the capital fundamentalism which forces most individuals to focus on maximizing relative performance in an environment of managed scarcity, for instance, may well rival other more obvious forms of waste – ecological, social etc. – induced by the prevailing forms of money. As was noted in section 10.2, the selection of the types of skills and activities which are to be rewarded with upward mobility in the structural social hierarchies is inherently arbitrary. Consequently, the most appropriate way to mitigate the adverse evolutionary implications of goal-uncertainty may involve reducing the intensity with which the community's socially constructed objectives must be pursued by each individual. While the nature may provide numerous examples of species which do not suppress the evolutionary driving force of natural variation just to maintain or to intensify the prevailing intra-species hierarchies, adopting any specific alternative metaphor for desirable forms of human organization might run the risk of building yet another prison for the imagination to constrain innovation and diversity.

Third, the statement logically disqualifies its utterer from any position of authority in public policymaking. If human beings have no choice but to engage in mutual preying according to some heretofore undiscovered Darwinist law of the human nature and to stretch the "justice of God" or any other moral benchmark for a desirable form of society to the point of all-embracing nihilism, public policy has no role in a human society. An individual who believes that the humanity has no other conceivable future except nihilistic Darwinism should hardly be entrusted with the task of forming public policy on behalf of those who do believe that humanity has both choice and some form of a moral benchmark to judge some forms of societies better than others. Herman Daly has lucidly articulated a closely related point:

> If one is to be seriously interested in policy as a student, teacher, or policymaker, one must make two presuppositions. First, one must believe that there is more than one possible future (nondeterminism). If the future is completely determined then policy is nonsense. Second, even if there is more than one possible future, policy would still make no sense unless there were a criterion for choosing one future as better than another (nonnihilism). Determinists and nihilists have a right to exist (to be nonsuicidal), but they also have a logical debt to the rest of us to remain silent on matters of public policy. Neodarwinism is the major home of modern determinists and nihilists. Far from recognizing their logical obligation to remain silent on matters of public policy, many neodarwinists are loud and opinionated on the subject. One hopes that they will eventually abandon their skepticism instead of their logic. In the meantime putting up with their inconsistencies may seem not too high a price for the rest of us to pay to help them avoid suicide. However, a society unable to enact and enforce serious policies because it is lured by the lurking fecklessness of neodarwinism, runs its own larger risk of suicide. The survival value of neodarwinism is likely negative for the society that adopts it as its worldview (Daly, 2006: 16).

In short, the socially protectionist Darwinists have the right to exist (to be nonsuicidal), but it is the task of the rest of the society to strip them of all power to influence public policy which, according to their own worldview, is in any case futile. As the notion of socially protectionist Darwinism may be an ontological condition of hierarchical forms of social organization, it may not be entirely obvious how nondeterminist and nonnihilist policies could be implemented without first replacing the prevailing social hierarchies with more inclusive and egalitarian alternatives.[128]

According to another possible solution to the potential blame games associated with or ensuing monetary reform, each individual should simply "let go" or "surrender to the global politics of forgiveness"

> because, in a globally competitive world, corporations, global investors and politicians have far less room for manoeuvre than I think. If behaving responsibly means losing profits, share value and ultimately my job, what would *I* do if I were in the shoes of a CEO (Chief Executive Officer

128 Another neodarwinist irony that has received insufficient attention in the academic literature involves the direction of the evolution of any species which adopts neodarwinism as its worldview. By elevating competition for maximum resource consumption over all ethical, moral, aesthetic, or any other actual or conceivable human motivations – such motivational diversions constituting instrumental strategies at best rather than desirable evolutionary objectives worth pursuing in their own right – are the neodarwinists not in fact advocating the evolution of an ethically, morally and aesthetically sentient form of human being into an animal? To the extent that humanity has in fact adhered to the principles of Darwinism in the past and the non-animal characteristics are genetically determined, have the greatest human beings in terms of non-animal qualities such as artistic, musical or philosophical talent not lived long ago, while the prevailing gene pool would constitute an ever closer approximation of mediocrity in humanity's long march towards animalness? Should every surviving human not feel deeply ashamed of the fact that their genetic material still remains in circulation after a long evolutionary process of weeding out the non-animal qualities? The fact that these lines of thought occasionally still get to be articulated does not invalidate the neodarwinist thesis any more than any potential tendency for a few odd lions to engage in unproductive activities between successful preying sessions would violate the "great law of justice". Any evolutionary objective may ultimately become self-reinforcing by gradually eliminating those individuals whose actions or ideas do not fit into the *chosen* common shape so that rightness can be proved "by sheer numbers of independent assent" (Douglas, 1986: 91). Rather than representing the sum of spontaneous adaptations to the shifting objective environmental constraints, it may not be entirely inaccurate to suggest that human evolution constitutes a self-referential, centrally planned exercise of power projection with the distinct possibility of a gradual extinction of the species even as it continues to approach its optimal animal dimension as defined by the surviving neodarwinists. Given that the present author is a part of the surviving evolutionary excrement that has been left over as the human potentiality has passed through socially constructed sorting mechanisms and some of the finest qualities of humanness may have been extracted from the gene pool, this study is likely to fall conspicuously short of the analytical standards that may have prevailed, had human diversity and the pursuit of truth been cultivated as desirable features of human evolution. Nor is it obvious that humanity's self-inflicted loss of humanness may be recovered through the mastery of the constitutive processes of life, as the *motives* for doing so may no longer be there.

> or company director)? If investing responsibly means losing out to my competitors and thus losing my position on the investment ranking tables and possibly my job, what would *I* do if I were an investment manager? (Bunzl, 2006–2008: 147–148, original emphasis).

It may not be entirely cynical to suggest that if "I" were an ethically or morally aware human being, "I" would probably walk out of the job come what may and encourage everyone else to do likewise until an individual's acceptance of a position as a CEO, investment manager, moneylender or any other occupation with equally extreme moral implications would be correctly perceived as an indicator of that specific individual's moral stature. The aforementioned example appears to be intended "to have some resonance" with Gandhi's philosophy of *Ahimsa*:

> It is quite proper to resist and attack a system, but to resist or attack its author is tantamount to resisting and attacking oneself. For we are all tarred with the same brush, and are children of one and the same Creator, and as such the divine powers within us are infinite. To slight a single human being is to slight those divine powers, and thus to harm not only that being but with him the whole world (M.K. Gandhi, quoted in Bunzl, 2006–2008: 151).

This may be a consistent and some might say admirable moral position[129], and one of the reasons for taking up the entire topic of the blame games potentially associated with or ensuing monetary reform in this study is to point out its logical implications in other circumstances. The consequences of taking a stand against the violence and exploitation

129 This moral position has, however, sometimes been presented as being above the faith-based reproduction requirements of monotheistic metaphysical identities. In other words, the "divine powers within us" narrative has sometimes been offered as a default identity that would presumably set in immediately after the authenticity of non-pantheist denominations – primarily the dominant theistic forms of Christianity, Islam and Judaism – has been questioned. Such claims are both intellectually and spiritually dishonest. Contrary to what is being implied by some reform proposals, monetary reformist rhetoric and capitalism-bashing in general have no more inherent connection to pantheism, innate divine powers or a common consciousness than they may have to monotheism, exogenous divinity, or dichotomous views of human agency as a struggle between good and evil. It is nonetheless fascinating to observe how – of all the conceivable political objectives – perhaps an increasing number of reform proposals may choose to direct the cognitive goodwill created by capitalism-bashing towards the promotion of nontraditional spiritual views.

induced by the prevailing forms of money right here and right now are likely to be substantially less severe – irrespective of one's position in any relatively wealthy industrialized society – than what other individuals in other circumstances should have endured in order to avoid their subsequent convictions as power structures have changed. Therefore, if history is to be a guide, all options are likely to be on the table in the post-mortem blame game for the prevailing forms of money in the hypothetical case that the prevailing power disparities would be either reversed or dismantled in favor of more egalitarian forms of social organization.[130] At the risk of stating the obvious, universal appeals to forgiveness are universal. Any potential appeals to forgive CEOs, investment managers, politicians or bankers would, according to this line of reasoning, have to be complemented by the forgiveness of each and all of the less fortunate individuals in the world. In other words, the most horrendous acts of crime, murder, violence or terror *directed at the rich* by individuals who may "know of no other way" in their desperate positions would have to be equally forgiven. If any and all personal responsibility for corporate crimes, for instance, can be avoided by resignation or by a simple promise not to engage in equally harmful activities in the future, the corresponding standard of forgiveness for random acts of violence directed against corporate executives, politicians or any other actual or

130 One of the clearest normative biases of this study involves the refusal to advocate violence as a potential emancipatory counterstrategy to structural violence despite its potential effectiveness. Even the most murderous forms of structural violence are executed through the actions of specific individuals, whose continuing support for or tacit acceptance of such life-demolishing structures often depends on their personal exemption from the incidence of violence. It is not inconceivable that a decision to respond to violence with violence by even a significant minority of the victims of structural violence before their untimely deaths could rectify the asymmetries in the incidence of violence to a sufficient extent to facilitate the transformation of the social structures which produce death, injury and servitude. If man indeed is just another animal – misleading those who deserve to be misled and impeaching no higher law of justice through the most sinister acts of violence against the fellow members of the species – moral or normative analysis is futile. Yet for everyone else except perhaps the dogmatic nihilist awareness of the potential effectiveness of violence in eliminating structural violence is crucial for a genuine moral choice to take place: it is only through the awareness of one's potential for inhumanity and hatred that a conscious choice for humanity and love can be made. As a yet another irony in the history of self-righteous justification of privilege, the continuing survival of the dogmatic nihilist may depend on the oppressed majority's continuing adherence to alternative moral standards.

imagined perpetrators of injustices is the mere promise not to engage in similar random acts of violence in the future. If all the threats to "our" way of life posed by greed, incompetence, monetary surrealism, global civil war imposed along the class lines, forced irradiation of virtually every human on earth and much of the natural environment with the latest eugenic instruments of the "information society", or any other power-approved form of violence are to be brushed aside as a part of a global campaign to provide amnesty to the perpetrators, how could some of the more unfashionable – or in some cases perhaps merely less powerful – forms of violence be excluded from the purview of such sudden outburst of forgiveness? Despite any potential tendencies for the most profitable interpretations of history to change each time the history presumably transcends its previous manifestations to fit into the "end of history" fads of the time, there is no such thing as selective "letting go": humans either remember or forget. This insight is perhaps one of the most important aspects of the blame game's political significance: either the bankers, CEOs or politicians who have not taken the opportunity to assert their alleged moral righteousness by either acting according to their moral preferences and thus losing their jobs or resigning outright and who nonetheless appeal to "letting go" have to forgive each and all acts of terror or violence directed at them, or the selective invocation of moral double standards, once again, exemplifies populism and should thus be ignored by any potential social reformers and the general public alike.

In the context of any large-scale social reform proposal, it might also be perceived as intellectually or spiritually dishonest not to articulate the proposal's relationship to some of the dominant spiritually-oriented sources of human motivation. It has become commonplace in social scientific analysis to treat some human motivations as more equal than others: while religious views are regularly regarded as being outside the purview of legitimate analysis, no such qualms appear to arise with other equally dogmatic belief systems. If, for instance, a social scientist feels free to speculate with what an individual or a community *should* do according to utilitarian logic and take anomalous behavior as evidence of irrationality without offending anyone's metaphysical sensibilities or worldviews, surely the same lack of analytical inhibitions must also apply to other belief systems which may shape human behavior. In other words, a non-self-compartmentalizing social scientist cannot avoid the necessity to study and address all major belief systems – whether utilitarian, religious or something else – which may impact human motivation and behavior. In the same way as a natural scientist cannot ignore some aspects of the physical reality merely because of personal indifference, dislike, or some perceived behavioral norm which renders such analysis politically incorrect in the eyes of external observers, a social scientist cannot ignore any constituent aspect of the social reality – no matter how contentious, controversial, "unscientific" or politically explosive. Furthermore, unlike a natural scientist who is often engaged in the search of *the* physical reality – a universalist set of natural laws unalterable through different modes of social organization – an emancipatory social scientist may have to master and work through numerous competing and potentially contradictory belief systems in order to trace and expose the exercise of power within diverse normative or spiritual frameworks. In short, both logical consistency and a pragmatic conception of the sources of human motivation may require any potential monetary reformist to work *through* any specific metaphysical normative frameworks. Anything more would amount to spiritual imperialism under the disguise of monetary reform. Anything less would be likely to be perceived as irrelevant by individuals whose subjectivities involve a substantial religious component – a significant enough proportion of the world's population by any measure to justify the effort even on purely pragmatic grounds in addition to any potential intrinsic merits. The chosen approach thus contradicts both self-declared pretensions for value-neutrality – which, among other things, essentially attempt to define a spirituality-free parallel reality for analytical purposes – and those reform proposals which see a large-scale transformation of the prevailing metaphysical frameworks as acceptable or desirable to achieve any given objectives of social reform.

Based on a cursory acquaintance with some of the major religious traditions which do not condemn the uninitiated student of the relevant texts or practices to death or worse, organized Christianity[131], for instance, might sometimes appear to be relatively oblivious to some of the moral, dogmatic and practical dilemmas posed by monetary authority. The intention here is not to debate the dogma or practices of any specific religion per se, but merely to give an indication of what "working through"

131 The author regrets that due to the lack of the relevant language skills Islam cannot be covered to an extent that it might deserve in this context.

a spiritual tradition – providing alternative emancipatory interpretations while remaining faithful to the spiritual tradition in question – might entail for the non-self-compartmentalizing social scientist. In the context of Christianity and monetary reform, one of the undertheorized aspects would appear to involve the frequency with which individuals and institutions in the position of religious authority evoke the normative ideal of submission to authority as opposed to some of the alternative interpretations of the Bible. While the Christ's views on the moneylenders of the time – relatively scrupulous individuals according to the modern standards – are well known, there is a curious attempt to rationalize some of the most egregious abuses of power through the alleged obligation of any proper Christian to submit to authority irrespective of the ethical and moral standards that it represents. One of the most widely cited references in this context is Romans 13: 1–2, encouraging unconditional allegiance to any form of power, as there is no form of authority which would not come from God.[132] References to the role of the Reformation and the writings of Luther in granting legitimacy to the newly conceived state system and allegedly – according to one possible interpretation – giving rise to some perceived equivalence between the spiritual obligation to forgive and the secular obligation to let corrupt authorities remain in power are also not uncommon (see e.g. Luoma-Aho, 2008).

As was noted earlier, a refusal on the part of the social scientist to expose the exercise of power through certain constitutive aspects of the social reality on the grounds of personal preference or learned ostracism would merely confine the notion of legitimate emancipatory social scientific analysis to some exogenously defined politically correct cognitive frameworks whose inner logic or relevance to shaping social realities or agentic subjectivities may be no less a matter of faith than in the case of religious identities. It is, for instance, quite possible to comment on specific points raised by an economic paper that is based on the faith-based assumptions of the neutral money mythology without necessarily subscribing to such worldviews: the fact that political power may be exercised through economic mental models may in fact leave little choice for the non-self-compartmentalizing

132 Reprinting these passages from the version of the Bible that the author has access to would appear to require notification of the copyright on the title or copyright page of this study according to a predetermined formula which exceeds the length of the passages to be quoted. Consequently, no proprietary prophesies are reproduced here.

social scientist but to study the relevant economic scripture and to attempt to isolate the relative effects of bona fide interpretation of the relevant dogma versus the opportunistic usurpation of certain faith-based cognitive frameworks to the service of particularistic interests. The fact that a certain mental model may be identified as faith-based thus hardly diminishes either its suitability for scholarly critique or its actual economic, political or social significance.

If the biblical dogma and some of its opportunistic appropriations were to be analyzed in the same manner as some other faith-based cognitive frameworks are regularly treated in academic analysis, at least three considerations relevant to the themes in this section might arise. First, a fair case could be made for classifying the different variants of the proposition that a proper Christian must submit to authority irrespective of the ethical and moral standards that it represents as opportunistic usurpations of the dogma for particularistic purposes rather than bona fide attempts to give a neutral interpretation of the spectrum of possibility potentially involved in the dogma. Hence, for those who have managed to read through much of the Bible while maintaining the impression that authority must be unconditionally obeyed, a relevant reply might consist of pointing out that the Revelation might finally indicate to an open-minded reader what sort of authority the Christians are dealing with: accepting the mark of the beast from the authorities of the time – no matter how divine or God-approved in the power-interpreted spiritual mythology that is often propagated through institutionalized forms of Christianity – would appear to be one of the surest roads to perdition. As Hudson (1993: 38–39) – in the context of contrasting "the Near Eastern sanctity of releasing bondservants and land from debt bondage" with "the Roman principle of making the loss of status permanent" – has noted, "By the time of Christianity, the creditor/landlord class had grown too strong for any popular leader to take on with any hope of worldly success. A shift occurred away from denouncing existing social injustice to millennarianist preaching about the ultimate judgement of souls, taking redemption and social equity as a spiritual metaphor rather than as a worldly political program." Without any need to start examining possible rationales for self-labeled anarchist approaches, there would thus clearly appear to be room for a wide spectrum of alternative interpretations in regard of the extent to which a follower of this particular spiritual tradition might wish to acquiesce to the demands of the worldly powers – the nature of which would appear to be unlikely to be a matter of faith irrespective of one's spiritual views.[133]

Second, the entire conceptual distinction between "liberation" theology and "normal" theology requiring no descriptive prefixes would appear to be misguided. If a specific emancipatory reading of the scripture is perceived to necessitate a warning of an alleged normative bias, why not attach equally descriptive prefixes to all conceivable interpretations of the relevant dogma? For instance, might not any suggestion of the perceived equivalence between the spiritual obligation to forgive and the secular obligation to

133 Another relatively common opportunistic appropriation of religious dogma that is not confined to Christianity involves the attempt to rebrand religiously motivated social agency as ungodly. In other words, according to this particular form of political usurpation of spiritual choice, proper forms of religiosity or spirituality should be confined to each individual's personal search for salvation, enlightenment, or whatever the relevant spiritual objectives might be, while any and all economic, political and social actions motivated by the transformed religious subjectivities allegedly constitute transgressions of the relevant dogma or spiritual practices. A common articulation in the context of organized Christianity, for instance, often attempts to justify inaction or utterly insufficient action in the face of pervasive social injustices by evoking some variant of the "If God wanted things to be otherwise he would have already acted and it is not proper for anyone to meddle with God's will"-thesis to contain the contagion of excessively independent interpretations of the scripture. If so, where does the line between religiosity and nihilism go? Who defines the circumstances in which the part-time believers presumably should switch between the religiously motivated pursuit of spiritual truths and the nihilistically informed projection of outward appearances that might be virtually indistinguishable from atheism or agnosticism and on what basis? Many major religious traditions contain detailed instructions for the appropriate *forms* of social interaction for their followers – often heavily biased towards the principle of non-violence. Some traditions are also quite explicit about their views on the relative importance of worldly vs. otherworldly realities and motivations, albeit often remaining ambivalent on whether a proper believer can – or perhaps even should – strive for reforming the worldly social realities in line with her faith despite the negligible to non-existent chances of ever succeeding in such pursuits. Nonetheless, it may be safe to assume that any categorical restrictions of social agency on religious grounds constitute particularistic attempts to distort the bona fide spectrum of spiritual choice for strategic purposes. Given the social dynamics involved in contesting the pervasive structural power of the prevailing forms of money, the emancipation of religious agency from politically-involved institutional control remains perhaps one of the most crucial preconditions for the political feasibility of monetary reform: as the early advocates of reform will be up against a formidable agglomeration of established privilege before some of the utilitarians and freeriders might start to join in, the pursuit of justice for the pursuit's sake might be all that there is on offer for the early – and quite possibly also for the long-standing – advocates of reform.

let corrupt authorities continue to bastardize economic, political, social and religious life perhaps deserve the appropriately descriptive label of Christian nihilism – warning outsiders of any potential normative bias towards the adoption of Christian rhetoric to promote essentially nihilistic worldviews? If some liberation theologians deserve to be chastised for their emancipatory readings of the scripture by religious, political or economic institutions or actors, how could enslavement theology – the application of the scripture and institutionalized religious practices to advance hierarchical forms of social organization – remain outside the purview of similar normative assessment, labeling and punishment procedures? In the cases of both Christian nihilism and enslavement theology one of the central mechanisms of religious governance involves the alleged equivalence between the spiritual obligation to forgive and either the passive acceptance or active endorsement of the political arrangements that give rise to the ongoing need to "forgive".

Third, and perhaps summarizing the relevance of the preceding discussion for the purposes of this study, the kingdom of whatever one happens to believe in is indeed inside oneself, and this is the relevant battlefield where the struggle for the hearts and minds for the purposes of specific political programs takes place. Monetary and other forms of governance are complementary and mutually reinforcing only to the extent that the relevant governance structures are concentric: without complementary mechanisms of religious governance, for instance, the functionality and potential effectiveness of monetary governance might be significantly reduced among religiously motivated subjectivities, yet any potential divergence or decentering of objectives might quickly eliminate the synergies between overlapping mechanisms of governance.

The concentrification of Christianity with alternative modalities of power has taken place through an intermediation process which may not be entirely dissimilar to the mechanisms of monetary governance. In the case of monetary governance, potential transacting parties who possess real assets but lack an accounting system to keep track of their trades or mutual indebtedness are compelled to accept third party "liabilities" in settlement of all debts. The rules and conditions that the issuer of such monetary IOUs chooses to set for circulating the gatekeeper media for monetized market exchange determines the system's governmental impact – the extent to which the incentive structures of barter are altered by the introduction of a monopoly intermediary to "monetize" real assets. In the case of religious governance, the relationship between God and the believer is originally equally self-sufficient as the relationship between two real asset holders who have the freedom to select any mutually agreed accounting system to keep track of their economic interaction: the believer already possesses the entire "real asset" that is the only potential source of real value in her spiritual relationship – the relevant scriptures and revelation – and is thus free to construct the most appropriate representations of her faith in the absence of third party intervention. In the same way as participation in multilateral market exchange is theoretically supposed to merely assist the potential transacting parties to maximize the value of their real asset holdings, the Church as an institution – the collection of each and every believer on their worldly tour rather than the members of any formal institutions – is merely supposed to help each believer to cultivate the virtues expressed in the scripture as opposed to providing an alternative reference point for the formation of spiritual truths. Nonetheless, once the abstract concept of the Church is replaced by the notion of churches as institutional intermediaries between the believers and God, governmental externalities may arise through the specific policies and interpretations promoted by institutionalized forms of religiosity. By severing the direct links between God and the believer and between two or more believers getting together in their capacity as a subset of the Church, churches and other forms of organized religiosity have often opened up the spiritual dimension of the human for political strategization and utilitarian governance in a manner not entirely dissimilar to the way in which governments and the banking system have enforced monetary governance by preventing direct monetization of economic interaction between two or more real asset holders.

If the nearly simultaneous and universal biopolitical awakening that might be required for dismantling the monetary governance structures remains outside humanity's emancipatory capacities, resistance – or perhaps merely the suicidal self-contemplation of the last of the humans in the governmentally secured global theme park of Libertyland – might be arranged on each and every level and mode of governance by encouraging a greater divergence between the objectives of monetary governance and the logics of the respective governmental plateaus – i.e. by encouraging the decentrification of the overlapping governance structures. In the context of Christian religious governance a precondition for such decentrification involves the abolishment of politically responsive spiritual intermediaries by restoring the direct, unalterable and unmediated relationship between the believer and God. For those who believe that God created some people more equal than others, a relevant political strategy for decentrification might involve pointing out that the relevant standards of righteousness – whether faith, hope, love or something else – would still appear to be the same. If God has the capacity for regret and reappraisal, as would appear to be the case based on the Bible, anyone will have the chance to strive for equal or higher levels of righteousness than some of the (fallen?) chosen ones. For the authority-respecting types it may suffice to once again point out that following the worldly authorities until the end is not a mere highway to an earthly hell, but also a fast track to the one in the beyond. In response to the interest-endorsing revisionists according to whom doctrinal mistakes should keep compounding perpetually in the name of progress, how modern or fashionable are the notions of debt slavery as the overriding organizing principle for economic activity? If the skeptics of the rationale for charging interest for the mere availability of a scorekeeping system for facilitating economic exchange are relics from the past, what does that make of the much older champions of structural social hierarchies in an era which hardly lacks more state-of-the-art egalitarian alternatives to the barbarian visions of monetized market exchange?

The likely reactions of some readers notwithstanding, it may not be immediately clear how any potential normative preferences of the reader to discredit the foregoing analysis or to prevent its publication merely because of its subject matter might be justified in an intellectually consistent and transparent manner – not that such justifications would be required in the current academic environment. As is the case with all academic work, there may always remain room for improvement in providing additional evidence and insights on the substance of the argument – the distinction between biblical dogma and its potential opportunistic appropriations for particularistic purposes. Nevertheless, if it is the selection of biblical dogma as the benchmark against which the political strategies of opportunistic appropriations are assessed and countered that the reader is concerned about, it might be more productive, intellectually stimulating, and entertaining to direct any potential principled criticism of such an analytical approach to virtually any mainstream economics journal. After all, if mainstream economists are allowed to contribute to their career advancement or planet-wide social engineering merely by professing their faith in neutral money or some other equally self-referential stream of metaphysical economics, it may not be entirely clear what could be achieved by attacking the work of a mere PhD student who has adopted an alternative spiritual benchmark to animate his analysis on political strategization.

While admittedly an unorthodox approach from the perspective of orthodox political science – albeit far from uncommon as an actual political practice – there would clearly appear to be some unused synergistic potential between some heretofore perhaps underexplored forms of (liberation?) theology and (emancipatory?) social scientific analysis. As one economist who has engaged in related pursuits with an open-minded attitude has noted, some of the dominant forms of liberation theology in Latin America may amount to "'liberation theology' without liberation in the single most important Biblical sense of the term – freedom from the impoverishing consequences of debt (now international as well as personal), and freedom of the earth from the absentee appropriation (now by foreign corporations backed by World Bank underdevelopment programs as well as by individual landlords). One looks in vain for a liberation-oriented recognition of the Biblical social revolution in terms of its single leading element – cancellation of the debts that were the major lever leading to the foreclosure of the land and its privatization, removing it from the community's possession" (Hudson, 1993: 44). The deep respect for the religious tradition in question while proposing alternative emancipatory interpretations is evident in insights such as "Neither Hebrew, Greek nor Latin had separate words to distinguish between 'interest' and 'usury'. The distinction is a product of Canon Law seeking to carve out a form of financial gain (interesse) that could be taken by Christians legitimately in the face of the Biblical strictures against neshek (Hebrew), tokos (Greek) and Faenus (Latin)" (ibid: 42) – what one might assume to be highly significant facts for someone attempting to both assess the credibility and possible motives of some of the contemporary religious leadership and construct the most relevant personal interpretation of the spiritual tradition in question unmediated by the distorting prisms of politically involved forms of institutionalized religiosity.

There would thus appear to be dual synergistic potential between emancipatory interpretations of social scientific analysis and religious realities. On the one hand, it is not obvious how any major social reform program could ever be implemented without winning the hearts and minds of a substantial proportion of the enormous number of individuals worldwide who strongly identify with a specific religious identity: the social scientist needs the believer for any social reform that shares both social scientific and religious rationales to take place. On the other hand, in contrast to the organized religions' often compromised capacity for objective self-reflection or the spiritual imperialism of some of the contending political strategies for social reform, academic social scientists should at least in theory be in a position to ask the right questions that could help the believers to clarify and deepen their religious experience and the scholars to broaden their understanding of some of the major belief systems that shape human behavior.[134]

134 The suggestion that organized religion's capacity for objective self-reflection may be limited may in some cases also extend to the construction and propagation of effective political strategies. One may, for instance, wonder why religiously motivated actors have often sought to reject evolutionist discourse instead of adopting the perhaps more prevalent contemporary practice of co-opting adversarial rhetoric to serve one's own objectives. In an age of universal deceit, evil, separation from the will of the relevant deities, or some other spiritually motivated description of the present perils facing humanity, it would obviously be the social misfit who would appear to be in the best position to attain the relevant countercultural spiritual objectives, while human evolutionary selection might perhaps quite unproblematically be labeled as a process of the spiritual death of the socially fittest. Why attack evolution when it would appear to be far from obvious that with the right spin it could not represent just another articulation of some of the more conventional religious narratives – in the case of Christianity, for instance, one of the concrete mechanisms through which the wrath of the world is directed against those non-animal subjectivities who do not consider themselves to be a part of the world? Without the theory of evolution Christians might have considerable difficulty in explaining any potential perceptions of metaphysical separation from the rest of the world to the adherents of alternative spiritual views. Darwinism may fill a part of this theoretical gap by explaining why and how unpopular human traits – such as the nonnihilist and non-politically-co-opted forms of Christianity, irrespective of their contested ontological origins either within or outside of the world – may be targeted for extermination through socially constructed sorting mechanisms. If human evolutionary selection is seen as a process of humanity's self-assortment into the worldly and the otherworldly subjectivities – whatever the relevant classificatory standards may be according to the different spiritual worldviews – the potential for co-opting evolutionary rhetoric for the purposes of religious spin-building would appear to be virtually limitless.

For those religious, atheist or agnostic philosophical traditions which view the unfolding of human evolution as an exercise of the humanity's autonomous divine agency or as a biological necessity, the policy proposals outlined in this chapter help to ensure that the human evolutionary potential is realized to the greatest possible extent. The managed scarcity organized through the zero-sum competitive logic of the prevailing forms of money severely restricts the choice of humanity's evolutionary goals and outcomes. According to this logic, of all the potential activities of the psycho-physio-socio-spiritual entity of homo sapiens, it is presumably the ability and willingness to excel in the competitive exclusion of other members of the species from material resources according to the prevailing socially constructed rules of the game and their non-punishable inconsistencies which confer the greatest potential for evolutionary advancement. Apart from being centrally planned and thus arguably inconsistent with the principle of self-organization, such a practice amounts to consciously wasting much of humanity's evolutionary resources. Once again, the full extent of the prevailing lunacy can perhaps be best illustrated by returning to the ballet metaphor for a moment. As the reader may recall, ballet was to be selected as the one and only activity deemed capable of providing the appropriate metric for a properly layered and assorted social hierarchy, which anyone wishing to obtain a living must practice with a certain degree of success before any other human activity can be undertaken. Individuals who would have preferred to become sprinters, singers, scientists, sumo wrestlers or something else by the natural inclination of talent or morals are not only prevented from practicing their evolutionary comparative advantages by the necessity to obtain sufficient skills in ballet to survive in the prevailing evolutionary regime, but may well be weeded out of the gene pool before changing environmental circumstances or the liberal norm life's autonomous alienation from the requirements of physical reproduction indicate to humanity as a whole that their skills would have been required for the survival of the species.[135] As was noted earlier, the adoption of Darwinism

135 As the adoption of sports metaphors to rationalize or justify the TINA logic of economic orthodoxy may be increasingly common, it is worth noting that the way such metaphors are typically used is rarely appropriate. According to a recent formulation in the Finnish context, "the rules of the stock exchange" must allegedly be observed in the same way as the rules in ski jumping or formula one (Tom Palmberg in A-Talk, 17.1.2008). As the employees subject to "the rules of the stock exchange" – or the mechanisms of

as the overriding intra-species organizing principle is likely to constitute an overall evolutionary disadvantage for the species in question. At perhaps one of the most crucial junctures in the short evolutionary history of civilization, humanity's governmental institutions – such as the prevailing forms of money – are actively suppressing altruism, friendship, love, non-exploitative creativity, non-aligned intellectual inquiry or any other non-pecuniarily motivated forms of human activities which may well constitute some of the most promising avenues for developing reformed economic, political and social practices to facilitate the continuing survival of the species. The combination of – at the minimum – a subsistence-level, at least partly seigniorage-based UBI and a demurrage tax on money would ensure every individual the possibility to develop their evolutionary comparative advantages to a fuller extent with less intrusive intervention from the evolutionary central planning mechanisms associated with liberal modes of governance. As long as particularistic power structures can create socially sanctioned evolutionary regimes that weed out deviant behavior before their own inevitable demise, humanity is not only failing to realize its innate divine or secular powers, but also quite possibly reducing the very scope of the human potentiality by fiercely suppressing the forms of diversity that could facilitate a wider spectrum of potential self-organizing evolutionary futures.[136]

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liberal governance in general for that matter – have neither any direct influence over the construction of such rules nor the capacity to stop practicing the "sport" of being wage laborers in monetarily rigged markets, the example is hardly appropriate for its intended purpose. The metaphor may, however, be kind enough to provide additional cognitive focal points for visualizing some of the limitations of monocausal social organization: the reader may think of her favorite singer in the ski jumping tower or a sumo wrestler driving a formula one in an attempt to justify their existence to get an idea of a society where some alternative substantive rationality for social organization is pursued with equal compulsion and fervor as the forced competition based on the prevailing forms of monetary surrealities in most contemporary societies.

136 The same logic applies also to the more narrowly defined situation where the maximization of humanity's share of the earth's resource consumption is regarded as the overriding – perhaps the only – evolutionary objective. There is no necessary relationship between the rules governing the inter-species competition and the most appropriate evolutionary strategy that each species should adopt in order to excel in such competition. For instance, even if altruism, art, love or philosophy were deemed to be entirely devoid of intrinsic significance as human evolutionary objectives, encouraging the development of these qualities or activities by those individuals naturally inclined to do so is likely to constitute a more successful long-term evolutionary strategy in terms of maximizing

It was suggested earlier that the analysis of money may represent one of the most promising opportunities for unifying compartmentalized disciplines into a single social science. To the extent that potential for reconciling some of the teachings or worldviews of the major religions has ever existed, it might not be an exaggeration to suggest that monetary reform might be one of the most effective and least controversial practical programs which could begin the quest for common ground or space for dialogue between the major religions.[137] Some of the observations on money-creating, interest-bearing debt in this study may not be entirely inconsistent with the worldviews of many Muslims and Christians, for example. Similarly, the destruction of the natural environment, freedom of conscience and evolutionary diversity by the structural necessity of zero-sum competition associated with the prevailing forms of money may help to muster the support of a surprisingly wide range of spiritual views for a broad-based reform agenda. In contrast to much of the prevailing framework for global governance or transnational power projection, the attainment of a broadly-based mandate for worldwide monetary reform may be a matter of open communication rather than communicative manipulation. If the world is indeed drifting towards a global struggle between the wielders of sovereign or sovereign-authorized corporate power and the rest of humanity, there may be more room for solidarity in combating one of the principle mechanisms of domination than many observers may realize. Thus, as the disciplinary compartmentalization of science may be one of the principle obstacles that must be overcome in order to capture the essence of money's multiple potential manifestations, the analytical apartheid between "scientific" and "religious" components of the indivisible social reality may constitute one of the hurdles that must be passed if a broadly-based monetary reform agenda is to ever be implemented. This is, of course, quite different from saying that the ontological and epistemological predispositions of science and religion should merge, although this may be precisely what is happening in many parts of the world as concepts marketed

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humanity's share of the earth's resource consumption than the suicidal forced zero-sum competition.

137 This suggestion is in stark contrast to some of the proposals advocating the unification of humanity through an eventual convergence of spiritual frameworks. It is not uncommon for such proposals to advocate a distinct metaphysical identity – often less than perfectly articulated to potential converts – as a *replacement* for the traditional forms of spirituality rather than providing a mechanism for the coexistence of separate religious identities.

under the technocratic label of human rationality – such as the prevailing forms of money – are gradually losing their capacity for the mystification of social relations, quite possibly taking much of the rationalist faith in the natural sciences down with them.

10.6 Are the Rumors of the Death of Money Greatly Exaggerated?

The preceding sections may to some extent have joined the "narcissistic self-contemplation" (Douglas, 1986: 92) of the institution of money, whereby economic, political or social problems falling within money's prevailing institutional specifications are automatically transformed into organizational problems of money. Consequently, the preceding analysis may to some extent have succumbed to the temptation of seeking solutions to institutionally indeterminate problems – referring to them as "monetary" problems would already reveal a bias in the chosen method of analysis – from the limited range of experience and imagination stemming from the prevailing forms of monetary institutions. The main justifications provided for such intellectual self-limitations included analytical parsimony and a desire to illustrate the wide spectrum of political choice inherent in any monetary system rather than to provide a detailed blueprint for reform.

Nonetheless, there are no "technical" reasons why some of the analytical experience gained in evaluating the feasibility or desirability of specific types of monetary systems could not be applied to assess the institutional necessity of the social relation of money itself. Conventional analysis often locates the origins of the end of money discourse to relatively recent technological developments which facilitate alternative mechanisms of exchange. Yet the debate may in effect have been ongoing under different names within the organizational parameters of virtually every historically contingent monetary system without the participants necessarily fully realizing the implications. Gold standard, for instance, has often been criticized for unduly limiting a community's capacity to exchange to its holdings of gold: without a permission from the holders or producers of gold no-one in the economy may engage in monetized economic exchange that may be both feasible and desirable in real terms. Does money itself – irrespective of the form it takes or the narratives through which its continuing existence is rationalized – not constitute an equally arbitrary and distorting limitation on economic activity? Economic activity will always take place in real terms – i.e. according to the natural laws of the physical reality – which no monetary system will ever be able to reproduce more accurately than the laws of nature themselves as they set the technically feasible limits to physical production processes. Is the replacement of the natural laws by a different, socially constructed accounting system for the purposes of regulating economic activity not unnecessary at best and in all likelihood a recipe for disaster once humanity's capacity to transform its physical environment has advanced to the point of potential self-destruction? Paraphrasing Keynes (1923) and William Jennings Bryan (1896), could it not be money as an institution – rather than the specific manifestations of money in a gold standard – which might constitute the "barbarous relic" or the "cross of money" upon which the mankind is to be crucified?

It has already been shown that the social relation of money involves irresolvable conflicts. If money is conceptualized as a commodity, competition between the actual and the latent monetary media is unlikely to ever be achieved to an extent that would permit the perfect and simultaneous fulfillment of the medium of exchange and the store of value functions of money. If money is viewed as debt, the selected standard(s) for evaluating a specific IOU's "moneyness" – whether acceptability, liquidity or something else – will inevitably be distorted in a manner that is not entirely dissimilar to the processes which render commodity money dysfunctional. While in a commodity-based monetary system the holders or the issuers of the actual settlement media may extract the value of any productivity increases through money's gatekeeper function, in a debt-based system it is typically the government which defines some IOU's more equal than others through legal tender laws and the choice of the types of IOU's it accepts in settlement of tax liabilities and uses for its own outlays. Consequently, in a debt-based system it is the institutional separation between banks – defined here as institutions which enjoy preferential treatment in the conversion of their own liabilities to the legal tender – and non-bank actors – defined here as actors with no such privileges – which determines each IOU's "moneyness" rather than the creditworthiness or liquidity position of the issuer per se. In short, irrespective of the specific narratives selected to rationalize the continued existence of money, any form of monetary institution creates a self-referential incentive structure that deviates from the laws governing the physical production activities. The pseudo-apologetic rationalization of money as a relic of a bygone era when scarcity was perhaps the most salient constraint on the advancement of the human condition is thus inaccurate: money has never been an accurate measure of scarcity in the physical world. All it has been designed to do and has been capable of measuring is the scarcity registered within the monetary system itself. While the absence of virtually any socially constructed constraints on resource depletion and environmental destruction may up to a certain point have been able to produce "economic growth" – defined in the conventional manner as increased resource throughput – this may, indeed, be a bygone era, potentially stripping the institution of money of the last vestiges of usefulness in the presumed role of promoting "growth".[138]

There are at least two main approaches to justifying the elimination of money as an institution: the efficiency and governmentality based arguments. In order to illustrate the potential efficiency gains from the elimination of the social relation of money, it is instructive to first outline some of the conditions that – according to some of the dominant economistic views which continue to presuppose the potential for convergence between monetary and real valuations – would appear to be necessary if the socially constructed accounting system of money were to fulfill its publicly professed function of facilitating efficient economic calculation by accurately reproducing real economic phenomena in the monetary realm. At least four such requirements might be relevant:

1) Every physical asset must be permanently registered in the monetary system

In other words, every physical asset in the world must be recorded into an information system that uses such data to create monetary counterparts

138 The monetary and the real worlds could in theory continue to operate in their separate realities until some external constraint – ecological, social, political or something else – forces the logic of the socially constructed accounting system of money back to the objective physical reality – quite possibly through the elimination of the institution of money altogether. At this point of time the physical reality may already have been transformed beyond recognition with no reliable measures available for the precise extent of the damage.

for real assets in order to ensure that whatever monetary calculation says about the costs, benefits and feasibility of any specific economic activity will indeed be perfectly matched by equal costs, benefits and feasibility when calculation is performed in terms of the real resources and other factors inputs according to the natural laws of the physical reality. Monetary valuations emerge through the rules governing the interaction and interrelationship between the monetary media and the real assets. A failure to create a monetary counterpart for any physical asset which may be exchanged in real terms may introduce a discrepancy between the informational content of the monetary system and the production possibilities in the real world. The informational content of the prevailing monetary system is particularly instructive in this regard: in theory, only assets which are encumbered for the purposes of money creation or enter into transactions involving the issuance of money-creating loan contracts are sampled into the monetary decision-making mechanisms. Consequently, only those assets that are "converted" – an evident misnomer whenever the "conversion" process is monopolized by a profit-maximizing private industry – into more liquid forms for the purposes of monetized market exchange are sampled as informational input into a process which should presumably guarantee the perfect and perpetual convergence of the monetary and the real valuation mechanisms. While a monetary valuation can be attributed to every physical asset, such a valuation is partly a function of the amount and the distribution of the monetary media which have already been borrowed into circulation and the conditions under which the gatekeepers of the community's division of labor have monetized in the past and may agree to monetize in the future additional real assets rather than constituting an objective monetary reproduction of the valuations and incentive structures prevailing in the real economy. In extremis, without money-creating interest-bearing debt money would not exist, i.e. the monetary system's capacity to serve as an institutional basis for "economically efficient" calculation would be nonexistent – not necessarily because of the lack of monetary media per se, but due to the absence of a mechanism that could ensure a convergence between the monetary and real values. Informational efficiency would thus appear to require the simultaneous creation – as opposed to the periodic "conversion" – of the monetary counterparts of all real assets regardless of individual asset holders' potential preferences for abstaining from the creation and circulation of liquid titles to their real wealth in the form of money.

This condition may at first appear to conflate the unit of account and the store of value functions of money. While it is true that a unit of account may according to some theoretical or analytical views serve as an accurate measure of value independently of the monetary media, the aim here is to identify conditions under which this might *necessarily* be the case. If every physical asset was not registered in the monetary system, how would the perfect and perpetual convergence between the monetary and the real incentive structures be ensured in practice? By assuming away the entire issue in all analytical work? By pretending that an instrument of power projection designed for the very purpose of resource extraction simultaneously attains the mutually contradictory goal of neutral measurement of economic opportunity structures? The theoretical possibility that the monetary and the real valuation mechanisms would necessarily converge on a "flow" as opposed to a "stock" basis – i.e. as a result of specifying rules for the conversion between monetary and real valuations according to which the relative proportions of total assets allocated between monetary and real assets may freely fluctuate as opposed to assuming the equivalence between the stock of money and the stock of real assets – would first of all require an unambiguous conceptual benchmark for the intertemporal relative valuation of money versus real assets – something which has been argued to be lacking throughout this study (see particularly chapter 6) – as well as the practical capacity to ensure the perfect attainment of the (nonexistent) conceptual standard at any given point in time. This condition is thus logically prior to the distribution of real productivity gains which is often mistakenly regarded as a missing piece of a puzzle that could solve some of the contradictions of the prevailing forms of money: without an unambiguous benchmark for the static informational equivalence of monetary and real valuations across time and space, any possible changes in either money or the real economy in a dynamic setting can hardly rationalize or conceal the absence of a coherent theoretical framework that could explain how precisely monetary and real valuations are supposed to interact in order to maintain perfect and perpetual informational equivalence for the purposes of economic decision-making. Even under the conditions proposed here, transaction costs between monetary and real values, for instance, would in all likelihood cause the two incentive structures or rationalities of economic measurement to diverge. It is thus far from obvious that accurate economic calculation through a monetary unit of account is technically feasible.

2) The monetary value of each physical asset must be continuously adjusted for changes in productivity

Recording the real value of each physical asset into the monetary system as a one time operation would produce a static picture of the evolving real world production possibilities. Whenever technological change produces a discrepancy between the amount of money that has been created against a specific real asset and the asset's true productivity, the monetary counterpart of the real asset must be adjusted accordingly. Inflation and deflation as conventionally defined are signals of the monetary system's failure to accurately reflect real world production possibilities due to the absence of a real-time adjustment mechanism that could continuously ensure the equivalence of monetary and real values.

3) Every market imperfection of the real economy must be perfectly reproduced by the monetary system

To the extent that errors might occur in recording, aggregating, interpreting etc. relevant economic information in the real world, the monetary system must perfectly reproduce such imperfections to maintain the equivalence between the monetary and the real economies for purposes of economic decision-making.

4) Economic actors must behave both in the monetary economy and the real economy in precisely the same manner to preserve their equivalence for decision-making purposes

For instance, the duplication of property rights to each real asset in the monetary system must not affect the behavior of economic agents: economic actors who can have their cakes and eat them too – or potentially watch someone else eating the cakes that they still have as transactions are conducted in the monetary counterpart of the real wealth that still belongs to its original owner – must act within both the monetary system and the real economy as if each constituted a perfect allocation mechanism for the same physical resources despite the existence of their respective real/monetary parallel realities. Alternatively, independent property rights to real assets could be abolished altogether in favor of an exclusively "money"-based economic decision-making mechanism – in one possible variant implying perhaps something like the creation of a specifically earmarked piece of monetary medium to govern the right of use to each real asset with a government-guaranteed nominal monetary value assigned to each title to a real asset that adjusts in real time to changes in the underlying asset's full market value – which might nonetheless potentially render the entire concept of money redundant and thus fall outside the scope of the present research problem of attempting to identify the preconditions for economically efficient monetary calculation.

At the risk of stating the obvious, the aforementioned conditions pose profound questions on the feasibility – let alone desirability – of "economically efficient" monetary calculation: while some of the lines of thought may have some relevance in exploring the spectrum of technical feasibility in the context of implementing a barter economy, for the purposes of a study focusing on money it may suffice to note that the conditions start to point towards both practical infeasibility and redundancy of "intrinsically worthless" money.

Although efficiency has rarely been a relevant consideration when the attainment or preservation of privilege has been at stake, the price of maintaining a monetary parallel reality for the purposes of economic decision-making is likely to be substantial. In its weak form, the efficiency-based argument for the elimination of money as an institution suggests that an economy's monetary incentive structures must be brought into line with the laws of the physical reality by eliminating the entire concept of money if necessary. The elimination of money does not, according to this view, automatically transform either the substantive or the formal rationalities for economic action: it is quite possible to have a profit-oriented economy with highly unequal income and wealth distributions even without money. In the strong form the efficiency-based argument asserts that the elimination of money would either result in or contribute to a transformation of both the substantive and the formal rationalities for economic action. According to this view the monetary system is perhaps the main culprit for the dominance of the profit motive in economic interaction. Without money and the profit motive, the argument would go, living standards could be improved for everyone by eliminating monetarily induced scarcity and its side effects – monopolization of resources to create scarcity, planned obsolescence of products that could technically be produced to last virtually forever etc. – and replacing it with the optimal usage of real resources for the common good.

Some rumors of the death of money may also be partly informed by the notion that the role of money as a governmental technology may be nearing the end of its functional life. Money constitutes a relatively cumbersome governmental mechanism for the regulation of life: its effectiveness in producing the desired forms of subjectivities without the increasingly transparent terror of sovereign violence may be declining as an increasing number of individuals becomes aware of money's inherent power dimensions, cash transactions provide unwarranted anonymity to the enemies of the species, and there is always the possibility that deviant subjectivities will find ways to exist, resist and reproduce beyond the monetary power's grid of intelligibility. From the point of view of governmental effectiveness and convenience, the implantation of all goods – and perhaps ultimately also the transacting parties, albeit biometric recognition might be a more likely first step – with a microchip or an RFID tag – facilitating the real time monitoring of e.g. an individual's location, goods and services exchanged and balance on a "legal tender" account consisting of either currency or perhaps ultimately real assets – is clearly not an entirely unattractive proposition compared to the governmental limitations of the prevailing forms of money. Under such circumstances the primary locus of money's governmental significance might shift from its institutional specifications – the "technical" features which facilitate the managed divergence between the monetary and the real incentive structures – towards the manipulation of the gatekeeping processes which regulate access to a system of multilateral exchange that may constitute an inherently closer approximation of the logic of barter than the prevailing forms of money. In the absence of popular resistance and struggle for alternative futures, technically feasible governmental rationalities are likely to be implemented irrespective of the amount of ad hominem irrelevancies with which scholarship on such potentialities may be confronted with.

If social evolution may point towards a moneyless future, why, then, is this study concerned almost exclusively with politicizing the prevailing forms of money? Would it not have been more productive to explore the various forms that a moneyless future may adopt in a study which would ultimately – perhaps through intergenerational reference group shopping if not during the author's lifetime in case vanity is regarded as a rewarding motive for emancipatory scholarship – be vindicated at least in the boldness of its vision if not in the content of its analysis? Besides the obvious expository reasons based on the assumptions that a non-self-compartmentalizing analytical treatment of the past is necessary to build a better future and that gradualism deserves to be treated as a potential emancipatory strategy in its own right, this is precisely what this study attempts to do in many parts, albeit not under the explicit title of "social strategies for a moneyless future". Despite any potential visionary sales pitches, the method of allocating real resources for productive uses remains a central problem in a moneyless economy. Even a society that has abolished scarcity and achieved previously unimaginable living standards – or drifted to their precise opposites of poverty, starvation and perpetual enslavement – will have to determine the basis on which material resources are made available to the self-actualizing – or starving – members of the community. Is the relevant decision maker going to be each individual for her share of the earth's common resources or some renamed bureaucracy or black box artificial intelligence system under the disguise of "emergism" or some other properly governable ideology? Many of the examples introduced in this study in the context of a basic income in a monetary economy remain applicable in a moneyless economy. In other words, the suggested solution to the dilemma posed by the distribution of common resources is that each individual will receive her share automatically and any possible transformations of ideologies, social practices, consciousness or some other relevant variables will be reflected through the impact of the aggregation of each individual's voluntary decisions on the community as a whole rather than the other way round. The following chapter expands on the underlying rationale for treating each individual as the relevant unit of agency in the context of the more old-fashioned monetary economy.

11 Reflections on Unconditional Basic Income, Employer of Last Resort, and Inflation

Readers familiar with contemporary neo-chartalist literature or the analytical framework of functional finance in general that has recently been revived in heterodox circles may wonder why the proposed distribution method for newly created money is unconditional basic income (UBI) rather than an employer of last resort (ELR) program organized and funded by the state. The rationale for such a choice has already been addressed in several occasions. Among other things, newly created money does not belong to the state in the first place as it is "backed" exclusively by the goods and effort of the members of the monetary space, and only UBI can eliminate the "race to see who can get the new money earliest" (Rothbard, 1980: 31) or rectify some of the distortions that would result from designating any single activity or factor of production as the gatekeeper for social interaction involving some of the technical functions of money. While there is nothing inherently inflationary about UBI as long as the government retains its power to tax, the previous chapter showed that it is possible to design a form of UBI which unquestionably does not result in unwanted inflation. Nonetheless, the contemporary neo-chartalists deserve credit for continuing to pose questions about monetary phenomena from a counter-paradigmatic analytical perspective that the prevailing economic orthodoxy may never have satisfactorily addressed. It may thus be well worth the effort to take the opportunity to illuminate the inherently political nature of the institutional design of any monetary system through engaging the argument of some contemporary neo-chartalists on the allegedly inflationary nature of UBI. This chapter explores some of the most common definitions of inflation and the extent to which UBI might have an impact on inflation as measured by the conventional indicators. The selectively politicized nature of the concept of inflation is also pointed out through a variety of perspectives. It is argued that the allegations of UBI as a particularly inflationary form of public policy fail to take into account the true pace of currency debasement under the current monetary system and the economically, politically, socially and morally unsustainable nature of its distributional implications.

11.1 What is Inflation?

According to perhaps the most common textbook definition, inflation refers to a sustained increase in the general price level of goods and services or, conversely, a sustained decrease in the purchasing power of money. Despite its technical overtones in the popular imagination, inflation is essentially a *political* concept: the monetary system – including the definition of aspects such as the unit of account, the rules governing the production and circulation of the monetary media, the initial distribution of the money supply etc. – is a social construct, which could relate to the production and consumption of goods and services in a number of alternative ways producing widely different inflation rates, distributional patterns and other economic and social outcomes. As was noted above, it might not be inherently any less arbitrary to allocate newly created debt-free money to lenders through regular helicopter drops, yet the adoption of such a "technical" specification for the creation and distribution of newly created money would radically alter the political significance of the notion of inflation. Hence any opinion about the allegedly inevitable distributional implications of any specific inflation rate – irrespective of its ostensibly technical justification, mathematical sophistication or any possible credibility-enhancing credentials of its proponents – is a normative statement. The presumed technical necessity of certain distributional implications stemming from any given position on inflation often presupposes the primacy of the interests of specific groups of individuals, while framing the incentive structures favoring such outcomes as immutable economic laws rather than contestable political and social institutions.

The adoption of the standard textbook definition of inflation for policy purposes is far from universal. According to another definition proposed by the former Chairman of the Federal Reserve Alan Greenspan, price stability entails "price levels sufficiently stable so that expectations of change do not become major factors in key economic decisions" (1989: 7). This definition is intriguing, as it appears to regard the existence of an inflation tax – the diminution of the purchasing power of the existing monetary balances through the issuance of newly created money – as a potentially normal element of a modern monetary system as long as the amounts involved are insignificant enough to prevent “major” influence on “key” economic decisions. In other words, despite the methodological primacy of the notion of money as a neutral veil in orthodox circles and the images of indescribable economic peril that are often invoked if relatively disadvantaged members of the society refuse to bear much of the burden for maintaining the value of the currency, diminution of the purchasing power of money may in fact be a normal feature of a modern monetary system that is to be expected under “price stability”. As a potentially inevitable feature of modern money, one can only negotiate the incidence of the unearned gains and underserved losses accruing from inflation, not eliminate it altogether. Greenspan’s observation is consistent with the often rather dismal record of governments and central banks in maintaining the value of their currencies.

11.2 Does Universal Basic Income Cause Inflation?

To the extent that inflation indices purport to constitute descriptively intelligible measures of any economically, politically or socially relevant variables, conventional measures of inflation often aim to capture changes in either the cost of living (the cost of maintaining a stable living standard) or the cost of subsistence (basic survival).[139] In both cases the relative weights of the products and services that are included in the measurement of the relevant price index are likely to be skewed towards the basic necessities of life, in the latter case to a greater extent than in the former. A major objective of one variant of UBI is to guarantee basic subsistence or a living standard for all, i.e. to increase the economy’s total consumption of basic necessities of life at the expense of luxury goods. To the extent that UBI achieves this objective, a temporary increase in the inflation rate cannot be ruled out. Yet, once again, the focus should

139 For an account of how the most widely used US inflation measures have shifted their emphasis from the former towards the latter definition, see the work of John Williams available at www.shadowstats.com. For the purposes of this chapter the logical rationale for measuring inflation may be more relevant than exploring the differences between actual indices which may exclude some of the relevant items. Thus it is assumed throughout this chapter that a relevant measure of inflation includes items such as food, energy and housing, although this is not always the case with actual indices.

be on the essentially *political* nature of any ostensibly technical economic indicators. Does the fact that hungry individuals are able to have three meals a day after the introduction of a UBI indicate that the overall economic activity should be curbed and the upward redistribution of real assets accelerated through higher interest rates?[140] If the increasing price of bread or housing necessitates such drastic actions to protect the value of the currency, is the exploding cost of overseas military adventures, for instance, devoid of similar technical significance? Much of the relevance of the concept of inflation to the feasibility of UBI may ultimately come down to a single question: is it possible to guarantee a sustainable livelihood to every member of the community? If the answer in real terms is yes, any possible contradictory messages emanating through the monetary system are likely to reflect its own structural limitations.

Another common misconception regards the unconditionality of UBI as an inevitable source of inflationary pressures. According to one

140 As has often been pointed out by heterodox economists, the interest rate is a socially constructed, power-based variable and in any debate on an appropriate inflation rate, the real issue of contention may well involve the level of real interest rates rather than the rate of inflation per se (e.g. Smithin, 2008, 1999). Nonetheless, it is not always obvious that heterodox economics would amount to much more than the orthodoxy's second line of defense to domesticate the deviant subjectivities with slightly looser perceptual constraints within which unconstrained creativity and freedom of enquiry may be exercised. Although the intention here is not to attempt to single out the work of any specific individuals, suggestions such as "*negative* real interest rates would clearly militate against the investing class, and the ultimate reward/incentive system of the society" (Lau and Smithin, 2002: 18, emphasis in original) or "The key for economic growth in a capitalist society is the need for deficit financing by at least one sector of the macroeconomy. It is not true that this is 'the creation of new purchasing power out of nothing' [Schumpeter 2002: 73], as is often mistakenly stated. The social relationships described above are as 'real' as any other social institution" (ibid: 15) even in the forefront of heterodoxy are unlikely to alleviate such concerns. Do *positive* interest rates not militate potentially against everyone else except perhaps the investing class? How inefficient or implausible must a society's "ultimate reward/incentive system" get before alternative arrangements may be entertained – perhaps even with some other labels attached to such analytical efforts by the prevailing self-declared heterodoxy than "militating against" the status quo? Does the fact that a social relationship is "real" automatically preclude the possibility that such relationships might be "created out of nothing"? Assuming an inverse relationship between the socially imposed requirements for logical consistency, factual accuracy, and the relevance of a statement and the social status of its utterer and constantly decreasing spin as the utterer's social position diminishes, it is far from obvious that sufficiently low social positions exist within the economics profession for even the most heretical views to have the capacity to touch upon the political implications of economic indeterminacy.

articulation of this concern inflation is UBI's "Achilles' heel", since it is assumed that "[i]f money 'grew on trees,' its value would be determined by the amount of labor required to harvest money from trees" (Tcherneva and Wray, 2005: 20). Such a claim has two main problems. First, the cost of obtaining money (or its "harvesting" cost) is highly unequal throughout the economy. The marginal cost of producing an additional currency unit by the central bank or the commercial banking system is close to zero. What nonetheless confers money its value is the *unequal access* to the production capacity of money. As the most privileged economic actors hold the monopoly right to "harvesting" the money supply at virtually zero cost, the vast majority of the population will have to accept whatever conditions the harvesters choose to set to them for obtaining money. A misunderstanding or a neglect of this point has sometimes led to the advocacy of policies which would leave the responsibility for the maintenance of the value of the currency mainly to the most vulnerable segments of the population in the form of a compulsory work requirement, for instance, while leaving the elite power to virtually write their own pay/interest/dividend/bailout/welfare checks intact. Second, it is not entirely clear that different policy proposals are being evaluated by the same standards of measurement. The principles of functional finance[141] do not structurally necessitate any specific policy choice, and one would at least in theory have to be open to the possibility that if the government sets a tax equal to the inflationary portion of the annual money supply growth (or the "harvest"), the macroeconomic impact of "money growing in trees" can be mainly distributional. Similarly, if the unconditional receipt of a subsistence income is inherently inflationary, surely the same logic must also apply to the unearned income transfers that the economically more privileged individuals obtain through their monopoly on money creation at negligible marginal cost.

When assessing the alleged inflationary impact of a seigniorage-based UBI, it is instructive to contrast such charges to the prevailing pace of unequally distributed money creation. The money supply is currently growing at an annual rate of more than 10% in both the US and the

141 For a brief summary of some of the main points of functional finance and its potential relevance to contemporary policy debates see e.g. Forstater (1999).

Eurozone (European Central Bank, 2007; Williams, 2007).[142] These money supply growth rates significantly outpace the respective economic growth rates, with the benefits accruing mostly to the highest income groups. While a more equal distribution of the newly created money might under some circumstances lead to higher inflation as conventionally defined, it is not obvious that the general trust in the "soundness" of the monetary system would be eroded any faster if the entire money supply growth was equally distributed to every member of society through UBI rather than allocated primarily to the highest income groups. In principle, the same amount of money would be channeled into products and services that have more direct relevance to basic human needs by a larger number of people as is currently channeled into asset price inflation and luxury consumption mainly by the economically privileged. There is no economically or morally sound basis for the asymmetric initial allocation of newly created money or the interest payments required just to keep money – or the capacity to monetize real assets – in circulation. Hence any possible inflation resulting from the rectification of such distributional biases should be attributed to the incentive mechanisms which cause money creation to outpace economic growth rather than a UBI policy per se.

It is also useful to keep in mind the generally dismal historical record of "unbacked" fiat currencies[143] and the economic, political and social consequences of both unequally distributed money creation and the ultimate inflationary collapses of monetary systems. Despite the nearly universal triumph of economic orthodoxy and the countless wealth-centralizing working-class concessions ostensibly required, among other things, to combat the perils of widely distributed purchasing power, the actual inflationary record of virtually any currency since the 1970s is absolutely horrendous in long-term historical comparison. As a reasonable case could be made for the inevitability of the eventual collapse of any

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142 The M3 grew at an annualized rate of 10.7% in the Eurozone in May 2007. The figures for the US, an annualized growth rate of approximately 13% in July 2007, are estimates as the Federal Reserve has discontinued the publication of the official M3 growth statistics. The logic of the example remains the same with wider definitions of money.

143 For the sake of simplicity, fiat currency is here used to denote any non-commodity form of money.

fiat currency system, it is not entirely obvious why the most vulnerable segments of the population should accept *any* unequally distributed sacrifices on monetary grounds. Once a monetary system is seen as temporary and fragile to changes in the distribution of economic and political power, the most relevant issue may be the system's contribution to the evolution of the economic, political and social realities during the remainder of its functional life. A seigniorage-based UBI achieves economic and social justice better than most alternatives during the currency system's functional life and better prepares the general population to exert its democratic preferences during the eventual crisis. Thus a strong preference for the allocation of newly created money exclusively through UBI may emerge regardless of its alleged impact on inflation.

The adoption of the Greenspan criterion for inflation, for instance, appears to favor UBI over alternative policy proposals regardless of the specific inflation rate in the economy. A seigniorage-based UBI would distribute any given amount of newly created money more equally among economic actors than alternative policies, thereby minimizing the economic distortions arising from the "race to see who can get the new money earliest" and hence face the old nominal price level and relative price structure before the impact of the newly created money has been fully factored into the price level. If the inflation rate is sufficiently low to preclude "major" impact on "key" economic decisions, all newly created money can, by definition, be safely distributed as UBI with no impact on inflation as defined by Greenspan.

Even if the inflation rate happened to be in excess of the perception threshold of economic actors, possibly approaching hyperinflation, any possible attempt to save the currency system from a total collapse should still not be confused with the economic and moral case for rectifying the distributional implications of the prevailing forms of money. At any given inflation rate, the matter that merits the most attention is the distribution of the unearned income in the form of newly created money for the rest of the currency system's functional life. In other words, a currency system's inherent tendency for self-destruction through excessive money supply growth can hardly be used as a moral justification for unequal distribution of newly created money to postpone or to conceal the factors leading to the eventual collapse. Wealth-centralizing money creation has contributed to concentrations of income, wealth, political power and media ownership that are largely unprecedented in humanity's fragile experiment with political systems which aim to approximate democracy. These tendencies could be partly reversed by adopting the economically and morally more tenable solution of distributing newly created money as UBI for the rest of the currency system's functional life. In the words of one observer, the choice may be between social evolution and social revolution (Kennedy, 1995: 64). Despite the revolutionary rhetoric that UBI may inspire in right-wing pundits, considering the alternatives UBI rests firmly in the former camp.

11.3 Productive Relativism: On the Perspectival Nature of Working and Shirking Under "Because I Say So"-Economics

The claim that UBI constitutes an inherently inflationary policy while an ELR program curtails such tendencies involves implicit assumptions on agency as well as the substantive and formal rationalities for economic action that deserve further elaboration.

With respect to agency, ELR proponents as well as much of the economics profession in general often essentially advocate constraining human potentiality through the bureaucratization of agency as the only relevant measure of productivity. When, for instance, a UBI recipient takes care of a sick relative or a child, the purchasing power of money is presumably being undermined as, according to the prevailing bureaucratic powers that be, the individual in question is receiving money for nothing and shirking her responsibilities towards other members of the community. If, on the other hand, the same individual spends effort to master the bureaucracy required to obtain the government's approval for such activities as a part of an ELR program, her productivity – now lower due to the ongoing bureaucracy-tax on her time and effort – would presumably accrue to the benefit of the economy and the community as a whole and thus support the value of the currency. Similarly, if such caretaking services were to be bureaucratized by granting control to profit-seeking private corporations, the perils of inflation could also supposedly be avoided through the one and only bureaucracy-approved non-inflationary method of monetizing heretofore uncharted social spaces: bringing the control over such processes to the sphere of its own influence.

In respect of the substantive and formal rationalities of economic action the underlying assumptions of an ELR program or much of the discipline of orthodox economics in general are hardly any less controversial: the aim or actual effect is often to maximize resource throughput based on monetary calculation rather than to optimize resource usage based on the natural laws that define the unalterable standards for maximizing resource efficiency. The role of "incentives", in turn, is to ensure that the maximum number of individuals will participate in this grossly inefficient process with the greatest fervor that money can buy. Under such an analytical and practical framework all claims to efficiency are entirely self-referential: it is not the economic activity per se that is the relevant object of inquiry, but the relative economic or political standing of the institution or individual making knowledge claims on the extent of each activity's efficiency. While perhaps one of the most widely known examples involves managed scarcity – restricting the amount of a resource brought into the marketplace in order to drive up its price – whereby the presumed efficiency of such an action is based on the supplier's *power* to introduce a discrepancy between monetarily measured productivity and real world relative resource scarcities against all potentially contrary knowledge claims emanating from sources of lesser economic trustworthiness, the issue extends far beyond the relatively kind narratives that some of the intellectually more timid reinterpretations of orthodoxy may produce. Any economic, political or social activity may be deemed to be "efficient" only to the extent that the holders or the issuers of money choose to patronize such activities. Under the prevailing forms of money, activities whose productivity in real terms can hardly be questioned – such as investment in or the sustainable use of natural capital – are structurally discouraged. Such activities are often deemed worth undertaking only if an individual philanthropist decides to go against the monetary logic that had to be followed to amass a fortune in the first place by pursuing environmental objectives that the prevailing forms of money are structurally not designed to achieve. Similarly, in a world where the established power structures rely on any specific economic, political or social equivalent of the flat earth assumption, to claim otherwise would be profoundly inefficient simply because the masters of the prevailing metric for measuring efficiency – the monetary system – say so. Perhaps the most instructive examples will, however, come from the banking sector – an industry that is uniquely positioned to shape subjectivities due to its capacity to hold the community's money supply – or the capacity to convert real assets into more liquid forms, according to those who dislike the word money for opportunistic reasons – ransom unless the community is willing to cover the costs and bear the consequences of the banks' profit-maximizing business decisions. To go into more specific examples of how outright embezzlement may be seen as a productive activity when the proceeds flow to sufficiently significant concentrations of economic or political power would run the risk of charges of plagiarism in the current environment: whatever potential scenarios the author would propose as an example, the chances are that some innovative thinkers in the financial sector had already conceived of and proved the practical feasibility of similar schemes, leaving the present author vulnerable to charges of failing to give attribution to other people's ideas.[144]

Leaving aside the question of UBI's impact on incentives to work – it is far from clear that a non-negligible negative impact exists as suggested by some opponents of UBI, but this is not the relevant question here – it may thus be more instructive to contrast both the aims of allegedly "economically efficient" activities and the intensity with they must be pursued with other conceivable modes of social organization. With the present level of technology, it seems likely that a small minority of individuals could produce the basic necessities of life for the entire population of the world – however incomprehensible the motives of such "militants" might be to the proponents of some of the more costly but perhaps more properly hierarchical "reward/incentive systems of

144 As some of the more historically-minded economically oriented social scientists have pointed out, classical economics recognized the potential for some of the most generously remunerated economic activities to be unproductive. In the words of Hudson (1998), for instance:

> Distinguishing between productive and unproductive labor and credit, the classical economists classified such employment [financial and legal services, insurance etc.] as 'unproductive', and hence in the character of economic overhead. But today it is being welcomed as ushering in the post-industrial society. Today's financial capitalism deems all labor, investment and debt to be productive, regardless of how it is employed. There thus seems to be no basis for calling the proliferation of claims on wealth an economically unproductive or parasitic activity.

the society" (Lau and Smithin, 2002: 18). Even if the earth's resources were depleted by illusory monetary calculation and sheer rapaciousness to an extent where the present population could no longer be fed, the fact remains that a relatively minor proportion of the population could produce the food that the remaining arable land and other resources would allow. It may not be an overstatement to suggest that the tragedy of commons has been completely overtaken in relative significance by the tragedy of enclosures: the largely neglected governmental significance of institutional enclosures which distort humanity's capacity to understand itself, its environment, and proper modes of interaction between the two. One of the most crucial questions for economically oriented social scientists is the nature of the economic system that will emerge as the transition from monetary maximization to resource optimization has been completed. What will the economy look like when the potentially irreparably self-referential and distorted logic of monetary maximization has been discarded in favor of economic decision-making based on optimization in the context of the objective physical constraints and natural laws? While it would be unfair to suggest that bureaucratically determined targets and methods in a compulsory rat race to maximize one's resource consumption would automatically be out of question as possible organizing principles, there would clearly appear to be room for alternative views that locate agency at the level of the individual and employ alternative modes of analysis for determining the extent to which human potential has been realized.

11.4 Potential to Illuminate the Inherently Political Nature of Any Monetary System?

UBI is not an inherently inflationary form of public policy. In most cases any possible temporary acceleration of the inflation rate would be due to the rectification of the existing distributional biases of the monetary and taxation systems rather the UBI policy per se. Thus, more often than not, UBI would merely expose features of the current monetary system that might have been unlikely to pass the public scrutiny in the first place if articulated in a more open and transparent manner. It is possible to design a UBI program that is unquestionably non-inflationary should a preference for such a policy emerge through the political process.[145] Rather than constituting a monolithic, deterministic economic parallel reality waiting to be discovered by positivist scholarly inquiry, UBI is ultimately a versatile tool of creative construction[146] which can be adapted to the pursuit of a wide variety of economic, political and social objectives and made compatible with a wide spectrum of technical specifications.

Seen from the perspective of an analytical framework commonly adopted by some of UBI's critics, UBI democratizes the control of the inflation tax by leaving the decision on the extent and incidence of the currency-stabilizing taxation to the political process. Furthermore, UBI may help to improve the efficiency of the political process itself by enhancing the state's accountability to the politically weakest segments of the population, as it is the state that has to persuade its citizens to accept the incidence of specific taxation policies to maintain the value of the currency rather than the most disadvantaged groups of individuals trying to influence state policy on a case by case basis. Unlike alternative policies which take advantage of disparities in power or information to spread the costs of inflation across the most vulnerable segments of the population, a seigniorage-based UBI makes inflationary policies readily obvious by

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145 The promise of unquestionable non-inflationarity derives from the possibility to contract the money supply at any time by increasing the tax on money. In principle alternative analytical frameworks should not preclude the possibility that a corresponding amount of money can be withdrawn from circulation through conventional taxes. Whether any institution should ever have the discretionary power to make drastic changes to the size of a community's money supply is debatable, but it can hardly be denied that a sufficient contraction of the money supply will ultimately respond to the threat posed by the rising bread, housing, or missile prices to economic stability by causing an economy-wide contraction. While under the current monetary system the "adjustment costs" fall disproportionately on the economically most disadvantaged groups, the proposed reforms outlined in the previous chapter might spread the incidence of both the costs and benefits of money creation, interventionist policies, and economic fluctuations across wider segments of the population.

146 Economic activity often involves creative construction of the rules of the game as opposed to the "creative destruction" – as suggested by Joseph Schumpeter – emanating from competition. In practice the difference between the two notions may not be obvious, as activities which are commonly confounded with creative destruction in fact involve the creative construction of competitive advantage through the manipulation or circumvention of the rules of the game.

egalitarian distribution of the newly created money and significantly improves the relative capacity of the most disadvantaged individuals to counter any possible negative effects of inflation.

The success of a public policy proposal or an institutional reform agenda is often not measured solely in the likelihood of its implementation, but also in the extent to which it manages to expand the realm of the political into ostensibly neutral or technical aspects of the prevailing policies or institutions. Given the methodological selectivity and the narrowness of the analytical perspective through which the concept of inflation has typically been politicized as well as its largely unused potential in helping to expand understanding on the related themes of money, debt and interest, any intervention into the debate regardless of analytical perspective or methodological predispositions has the potential to enhance understanding of the economic, political, and social issues that are inherent in the design of any monetary system. While the distinct theoretical and methodological traditions and policy advocacy groups may never reach agreement on the precise nature of the institution of money, they should all be encouraged to voice their views on inflation, money, debt, interest, and any related theme potentially involved in the institutional design of any monetary system. Whether their views on the nature of money become inherently any more reconcilable as a result of such a process may ultimately prove to be less important than the fact that they took the time to reflect on the magnitude of the issues involved and "the uncertainty of all claims to knowledge, as revealed to consciousness by thorough inquiry" (Beck, 1995: 13) in the monetary context.

12 Theorizing Hypocrisy: Critical Surrealism

It has so far been argued that no positivist, monocausal theory of money can fully capture money's capacity for self-definitional eclecticism and amenability to a wide spectrum of legitimating narratives. According to the monetary adaptation of Goodhart's law, any attempt to arrive at a static definition for money for analytical or regulatory purposes will render such definitions obsolete through enhanced incentives to develop forms of money that are not captured by the prevailing definition. The dual nature of money as a material practice and a subjective framework suggests that the identification of money's multiple, potentially contradictory manifestations and its evolutionary momentum at each point in time are not simple exercises of positivist observation. While the suggested remedies of seigniorage-based UBI and a demurrage-tax on money might rectify some of the most egregious income, wealth and power disparities produced by the prevailing forms of money,[147] the nature of money and the precise mechanisms through which patently implausible monetary logics are incorporated as parts of wider agentic subjectivities might still remain elusive. Does the conceptual ambiguity of money thus mean that there is no scope for any form of theoretical rapprochement between different analytical traditions which could create some form of a coherent whole – no matter how restricted in analytical scope or predictive powers – while respecting the heterogeneity and the distinctive analytical comparative advantages of the different cognitive frameworks? Gilbert (2005: 381), for instance, has argued that "The tensions between the various ways of understanding money need not be resolved, but they do need to be revealed". How could such tensions be revealed in a theoretically coherent manner?

Any logically coherent and empirically relevant analytical framework would have to acknowledge the tremendous ease with which the real and the surreal interact and intermingle in the production and

147 The intention is not, of course, to imply that money is the only source of such disparities. Nonetheless, as the incentive structures created by the logic of the prevailing monetary system have a significant impact on virtually all forms of economic, political and social interaction, the implications of monetary reform could conceivably extend far beyond the mere rectification of the income, wealth and power disparities which are directly mediated by money.

reproduction of monetary systems and subjectivities. The existence of an objective cognitive basis for money in the multilateral exchange of goods and services can hardly be denied, yet the ease with which a socially constructed accounting logic shapes and overtakes the underlying material reality requires explanation. The cognitive goodwill created by the easily recognizable physical reality is usurped by a surreal plane of social interaction which functions according to a precisely stated but patently implausible logic. Irrespective of one's ontological or epistemological predispositions, a theoretical approach which focuses on the interaction between an objective, mind-independent reality and an objective,[148] socially constructed surreality – with the potential to distort the perceptions and understandings of both through the postmodern language games and the breeding of discursive species – could perhaps most appropriately be labeled critical surrealism.

The sur-real – that which is on top of or over and above the real – plane of social interaction functions according to a socially constructed logic which deviates from the underlying physical reality in a highly organized and coherent manner. In other words, the underlying objective reality is not randomly distorted in discourse or actual social practices, but a whole new universalist[149] logic is created – in this case the indebted, zero-sum

148 Objective in the sense that the individual cannot alter the constraints that the surreal plane places on human existence just by emancipating subjectivity: from the individual's perspective the surreality is as objective or "real" as reality. As Bhaskar has observed, "The existence of *absolute* must not be confused with the existence of *objective* structures. Social structures may be just as objective, and transfactually efficacious within their geo-historical domain, as natural laws. Moreover, both alike typically impose limits and constraints upon the kinds of action (including speech action) possible to human beings, without (normally) rigidly determining what we do within those limits or constraints" (Bhaskar, 1991: 73, original emphasis). What is distinctive in this study is the claim that the socially objectified reality is transparently absurd: no redescriptive narrative or act of postmodern wordsmanship can challenge the fact that the logical implausibility of the geo-historically specific social counterpart of the natural laws – the socially, or perhaps antisocially, constructed accounting system of money – is plainly obvious to virtually everyone. While governmentality-based analytical approaches remain highly pertinent in understanding the functioning of the surreal plane, the cognitive guidelines imposed on "successful" social activities might more appropriately be described as regimes of socially sanctioned illusions rather than regimes of bona fide truth.

149 Universalist in the Machiavellian or Orwellian sense that the term has come to be used in political discourse, i.e. the powers that be define the non-punishable inconsistencies or states of exception.

competitive logic of the prevailing forms of money – which has little in common with the underlying physical reality. Yet the surreality exemplified by the logic of the prevailing forms of money has in some cases come to exercise more influence on the human condition than the reality: it is the prison which keeps the unemancipated imagination focused on issues, opportunities and constraints which are largely irrelevant for social struggle in the reality. Reality has an objective core which can be opportunistically misinterpreted or misrepresented but not altered at the level of fundamental natural laws. Surreality is a pure social construct, yet often an equally "objective" constraint on individual behavior as the reality.

The surreal plane has two principal functions: the self-classification of subjects and the self-aggrandizement of power.[150] The surreality is organized around patently implausible focal points to facilitate the self-classification of subjects into true or instrumental believers and troublemaking purists who the adverse incentive structures notwithstanding insist on analyzing the underlying objective reality instead of adapting to the socially objectified surreality. Money is one of the key surreal focal points which not only creates a socially sanctioned illusion of objective economic decision-making, but also allows the co-branding of alternative instruments of incredulity with wealth and privilege: within the self-referential illusion of the prevailing forms of money, the cognitive goodwill created by monetarily rewarding genuinely productive activities can be used for virtually unlimited co-branding of unproductive, self-serving or destructive activities with power, prestige and personal success. While the self-selective marginalization of the purists in the surreal plane of social interaction is hardly surprising, the believers may also face the choice between professing their faith in the easy way or the hard way: those to whom rationalized self-delusion does not come naturally will either have to engage in subjectic engineering to shape their minds according to the perceived intellectual necessities of human interaction or to endure the ongoing cognitive dissonance emanating from the separation of the socially forbidden real[151] and the socially sanctioned

150 Identification of principal functions does not necessarily imply an exclusively functionalist ontology. Much of the previous discussion on agency remains relevant here.

151 In the case of the income-, wealth-, and power-centralizing logic of the prevailing forms of money, public references to the real without mitigating spins are almost invariably economically, politically and socially harmful to the utterer.

and instrumentally recited surreal. In short, the surreal plane weeds out both disobedience and naïveté masquerading as obedience through the process of self-selection: while either a slight and obvious misrepresentation of the laws of nature through the socially constructed accounting system of money or a large but obscure deviation would leave some space for ignorance or rationalized self-delusion as possible motives for compliance, a distortion that is both large and evident ensures that the nature of the power that is being served by those who choose to do so will not remain obscure to anyone.

In addition to its classificatory function, the surreal plane elevates power from a conceptually trivial and perceptually mundane arithmetic transformer of social relations into an esoteric and potentially far more influential instrument of strategic logic. If the entire human experience was based on the laws of a shared objective physical reality which is easily accessible to everyone, power would be both transparent – and thus less powerful – and relatively more likely to be exercised through numbers as opposed to strategies: the arithmetic accumulation of individuals or monetary units in support of certain policies rather than non-linear strategizing that aims to achieve the maximum impact for the minimum effort. If, for example, money indeed represented the most tradable commodity in a perfectly competitive market between the actual and the latent monetary commodities, "money's" structural power would be drastically curtailed as the exercise of monetary power would require the linear addition or subtraction of monetary units to achieve a critical mass which could contribute to the desired policy goals.[152] The surreal plane eliminates such

152 Another way to look at the matter is through the structural insolvency of any debt-based monetary space. Consider an economy with no other financial assets except those associated with the circulation of money, a total population of 100, total money supply of $1000 and total money-creating debt of $1100, both equally divided among the members of the economy, i.e. everyone holds $10 of money and $11 of money-creating debt. The marginal value of each additional dollar created or "recycled" by the banking system is significant for every member of the economy, as it could literally mean the difference between life and death in the absence of a social security system which guarantees minimum livelihood irrespective of the outcomes produced by the socially constructed accounting system of money. The banking system's ability to create additional dollars with "the stroke of a pen", in turn, confers it enormous strategic power to decide who will live or become economically "successful" and who will be sacrificed. If, on the other hand, the economy had a $1000 money supply permanently in circulation without any money-creating debt, the marginal importance of each additional dollar put

inconveniences by making the economy structurally dependent on bits on computer hard drives which can be created by the banking system according to its profit-maximizing imperatives. The existence of the surreal plane is thus crucial for amplifying the strategic impact of individual decisions across the desired fields of economic, political or social interaction.

The relative prestige of specific professional groups engaged in social scientific analysis or policy formation depends on the extent to which occupational tasks are located in the surreal plane. A professional mainstream economist, for instance, is located firmly in the realm of the surreal: hence the relatively high prestige and compensation packages. Heterodox economists may occasionally, within certain limits, venture into the real world in their professional activities, but pay for the privilege in the form of lower prestige, job security, career advancement possibilities and results in quality of research assessments in the academia.[153] The brave army of the monetary heretics and cranks who insist on analyzing the logical and practical limitations of money in real world settings will typically not have analytically oriented careers in respectable organizations. Similar systems of classification exist in other social scientific occupational fields irrespective of their relation to any specific patently implausible cognitive focal point such as the prevailing forms of money.

Each individual's "success" within a specific occupational group is, in turn, determined by the ability to grasp the essence and the logical separateness of the real and the surreal planes and to instrumentally combine insights from both planes according to the perceived strategic necessities in each social situation. An experienced manipulator of subjectivities moves between and manipulates the planes effortlessly and unnoticeably without letting logical consistency get into the way of strategic utility.

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into circulation would be significantly reduced as no-one would need additional debt or currency to remain solvent or to repay money-creating debt. The banking system's structural power would also be reduced through the elimination of its capacity to create money with the "stroke of a pen", as it would have to obtain money from someone else – let someone else exercise monetary power upon itself – before being able to impose its own preferences upon others. The semantic engineers who dispute the validity of this line of reasoning for expository purposes based on some of the most common straw men may return to the discussion of the repayability-through-recycling argument and the power-based processes through which some forms of debt will always obtain the qualities of "moneyness" to a greater degree than others introduced in the previous chapters.

153 See e.g. the special issue on 'Publishing, ranking, and the future of heterodox economics' in *On the Horizon*, Vol. 16, No. 4 2008.

Mediocre talents either do not fully grasp the instrumental nature of the logical separateness of the planes or lack the capacity to creatively construct pan-plane narratives without inviting accusations of hypocrisy from the audience. As it is the patently implausible nature of the socially constructed counterparts to natural laws in each historically contingent power structure which is plainly obvious to most observers rather than the most profitable political strategies for their exploitation, there is a structural incentive for individuals to construct and promote particularly profitable interpretations of successful political strategies within networks of blood, oath, faith or convenience. Each network may thus develop distinctive criteria – quite possibly a hierarchy of criteria that gradually reveals itself to individuals who have demonstrated sufficient competence or obedience at the lower ranks – for combining aspects of the real and the surreal, which are most conducive to the attainment of the objectives of each network as a whole and of each individual as a member of a network.

As a trivial example of a network of convenience, an inexperienced economics graduate student in a neoclassical economics department might seek for an explanation for the nature of money either in the real world or in heterodox journals – neither one of which fulfills the pan-plane combinatory requirements for career advancement within the peer group of neoclassical economists. As the requirement to stay firmly in the surreal plane in monetary matters gradually reveals itself to the graduate student, either both personal and group objectives may be served by adapting to the reproduction requirements of the neoclassical phenotype or the student may stick to less profitable interpretations and be cut off from the resources monopolized by this particular network of convenience.

It may thus not be entirely accurate to suggest that we are joined in solidarity as we are all governed. Countergovernmental – in the sense of the extent to which members may be exempted from specific governmental logics, not necessarily in terms of their overall impact on the prevailing mechanisms of governance – social networks may shape the incidence of specific aspects of a governmental logic, potentially introducing in the process complementary intra-network mechanisms of governance to regulate the incidence of the asymmetric access or exposure to the positive or negative aspects of the overall mechanisms of governance. The future of humanity may in part hinge on its capacity to neutralize such networks – to replace the transactional mode of social organization that breeds self-organizing socially protectionist networks with a capitalized mode of social relations that distributes both the costs and the benefits of the socially constructed counterparts to natural laws more evenly across the population.

The distinction between reality and surreality is quite different from the earlier bifurcation of money into a material practice and a subjective framework. Any material practice may be compatible with a number of subjectivities. It is also in theory possible for a material practice to coincide with a subjectivity. In practice, however, the two diverge and interact according to a strategic logic as was suggested in chapter 8. Each material practice of money defines the range of potential and likely subjectivities, and each subjectivity specifies the limits for the material practices. The greater the divergence between money as a material practice and as a subjective framework, the greater the evolutionary momentum of money. The perfectly reproduced pair of a material practice and a subjectivity which embraces all of and nothing but the material practice would constitute a mutual evolutionary prison: neither the material practice nor the subjectivity could evolve in the absence of movement in the other. On the other hand, with divergences as sizeable as the distinction between the neutral veil theoretical approach and the actual hybrids of commodities, credit, equity, and bits of unspecific identities in circulation in computer hard drives, money is relatively free to assume whatever form or identity best suits the strategic objectives of the higher level hypocrites with access to money creation or the most skillful wordsmiths in the construction and tailoring of pan-plane narratives. There is no comparable interrelationship or mutual interdependence between the real and the surreal planes. Consequently, both the real and the surreal may be obscured, distorted, manipulated or strategized independently of each other: instruments of power – individuals with differing utilities to and awareness of their own contribution to the strategies of power – at the lower levels of social hierarchies may, for instance, endorse the alleged necessity of governing through the illusions of the surreal and yet utterly fail to understand the functioning and the actual strategic usage of the prevailing or newly conceived forms of money.

The critical surrealist approach – to the extent that it "even merits the term 'theory'" (Chomsky, quoted in Edgley, 2002: 29) – might not reconcile the substance of the different views on the nature of money into a single coherent theory, but it may help to explain why such a theory is unlikely to ever be attained and to put the contending conceptualizations on the nature of money into perspective by contextualizing their relationship to the real and the surreal. The monetary adaptation of Goodhart's law suggests that the surreal plane is simply too useful a tool to amplify, mystify and complexify the structural power of money according to the imperatives of anyone who has the means and the inclination to join the upper echelons of hypocrisy. Consequently, the continuing significance of a wide spectrum of explanatory frameworks for the nature of money may be partly a function of their strategic political utility rather than empirical accuracy. It is not obvious how the structural dominance of the surreal could be discarded: although the surreal is socially constructed, cognitive civil disobedience might require either a universal biopolitical awakening or a capacity on the part of the smaller groups of emancipated subjectivities to initiate alternative monetary material practices beyond the reach of sovereign violence. The model may, however, give some indication of the possible strategies that are likely to be used by the monetary powers that be for repackaging hypocrisy according to the consumption preferences of different types of audiences: re-branded innocence for the purists, more of the same to the true believers, utilitarian mental models for the instrumental believers, complexity for the perceptually challenged power wielders, and general education for the true wielders of monetary power to learn to appreciate the full potential of the newly emancipated instruments of monetary domination. If the critical surrealist analytical framework has any validity in capturing some of the complexities of money as an institution, there is no apparent reason why some of the insights could not apply also to the processes and motives involved in the academic theorization on the nature of money or, indeed, any other form of economic, political or social interaction.

12.1 Critical Surrealism and the State of Exception

The critical surrealist analytical framework may also help to clarify some of the conceptual ambiguities commonly associated with the notions of law and the state of exception. It is sometimes implied that the administration of the exception is conceptually heterogeneous to law: either "the law" applies, or it is suspended by the sovereign. Such conceptual bifurcation diverts attention away from the extent to which any specific aspect *within* the law is subject to opportunistic misinterpretation or misapplication according to strategic logic operating within the prevailing multiplicity of power positions. The instrumental hypocrisy that may be inherent in any power-approved policymaking process does not imply a permanent state of exception, but the permanent application of law: the entire realm of creative inconsistency is endogenous to the law. The strategic selection of the most appropriate legitimating narrative among states of exception or creative distortions branded as being within the law reflects the preferences of the audience rather than any coherent logic allegedly internal to the law or its displacement. In the critical surrealist terminology, both the law and the exception belong to the surreal plane: neither has an objective core that could be observed independently of the socially constructed specification and interpretation processes. Even the most explicit, exhaustive and logically coherent law or its exception has the potential to produce virtually any form of actual interpretation or outcome depending on the strategic manipulation of sufficiently large segments of the audience according to their socially constructed preferences.

Much of the state of exception literature may also perpetuate the myth that an individual's institutional affiliation necessarily conveys meaningful information on the objectives for which power is exercised. With the current extent of the revolving door practices and the strategic interdependence between state and private sector positions, it makes little sense to speak of the "sovereign" having the power to define the law and the non-punishable inconsistencies or exceptions while remaining outside the reach of law. The administration of the state of exception or the state of socially sanctioned hypocrisy within the law is not an exclusively sovereign prerogative. Any specific individual may be "wrongly"[154] convicted or acquitted within the law, or treated in any conceivable way ranging from the harshest forms of "human rights" violations to the most exclusive forms of privilege within the state of exception. As long as the power of the surreal continues to be validated by the uncontested adherence to the results of the combinatory pan-plane spectacle, no-one can escape

154 Wrongly according to the purist interpretation of the "objective" core of the law, perhaps rightly according to the critical surrealist worldview according to which the law represents yet another socially constructed illusion that is meant to be creatively interpreted and combined with insights from the real for the maximum strategic benefit.

the potential for the strategic (mis)use of the surreal. It is not the state of exception that will protect any specific state official claiming to act in the name of the sovereign, but the capacity to act within the prevailing strategic power positions in a manner that is conducive to the official's continued recognition as being beyond strategic manipulatability at a reasonable cost. Under such perspectification of hypocrisy there is no necessary correlation between an individual's institutional affiliation and the most appropriate strategized pan-plane narratives which might render the individual either a subject of the law or a wielder of the sovereign exception in each strategic multiplicity of power positions: it may be perfectly rational for any specific individual to act against the interests of her current institutional affiliation if it enhances the individual's relative position within the strategic multiplicity of power relations.

Some of these insights can be illustrated through the Finnish experience with an economic and banking crisis in the early 1990s. Both the banking crisis and the associated recession were among the deepest in the post-war industrialized world. According to one estimate in the early 1993, excessive foreign indebtedness was to force the nation into default and thus under the control of foreign creditors by June of the same year (Tauno Matomäki, quoted in Kulha, 2000:9). Despite the fact that "vital" legislation was "dictated" by foreign creditors and the nation was in practice forced under "guardianship", presumably only a "handful" of people understood the true graveness of the situation (Kulha, 2000: 11–13, all translations by the author). The intention here is not to speculate on the accuracy of different accounts of the period, nor to question the rationale behind any specific policy decision. What is of interest here is the specific strategy that was adopted to sell the alleged necessity of the chosen policies to the electorate. The relevant state or private actors could have simply evoked a state of exception to justify the chosen policy approach, thus preserving – or at least not causing additional damage to – the perceived coherence and objectivity of law as a neutral mediator of social relations. An openly declared state of exception might even have enhanced the perceived legitimacy of state power in the eyes of the electorate, as it would have been the state arranging the pan-plane spectacle of socially objectifying the chosen configurations of hypocrisy outside the purview of the illusion of logically coherent law. Although most observers might agree that a certain crisis mentality was fostered, the relevant agents often opted to act *within* the publicly professed normative framework of universal, socially neutral law, irrevocably exposing the extent to which strategic inconsistency is endogenous to the law. Tax liabilities which were judged to be excessive in relation to the banks' capital were simply cancelled by the state.[155] Claims about the banks illegally collecting or reselling IOUs which the Supreme Court had declared invalid or collecting debts which the banks themselves had declared invalid in courts are not uncommon (e.g. Pietilä, 2008). In other words, banks acting *within* the law successfully proved either the validity or the invalidity of the same debt instruments according to a strategic, profit-maximizing logic in each social situation. The president of the nation himself – a former central banker – decided to take the opportunity to rebuke members of the Supreme Court who had not allowed banks to unilaterally increase interest rates on outstanding loans (Kulha, 2000: 192). Perhaps unsurprisingly, the acting president of the time has been criticized for "openly opposing the punishment of white-collar criminals" (Erkki Aurejärvi, quoted in Kulha, 2000: 292). Much of the material which might help to clarify the relevant actors' true role in the events remains beyond the reach of researchers or courts.

The banking crisis illustrates the extent to which the primary beneficiaries of the prevailing forms of money – "[t]he lock-in between the political, legal, banking and institutionalized monetary system" (Lietaer, 2001: 214) – interact and intermingle in the surreal plane of social interaction. With the monetary system firmly anchored to the patently implausible logic of the surreality, it is virtually impossible for the political or the legal systems to achieve a higher degree of morality or immunity to strategic (mis)use. The motives behind some of the decisions to expose the strategic inconsistency of the legal, monetary and political systems through acting within the law may be numerous. Perhaps the average subjectivity cultivated by the liberal norm life experiences a cognitive immune reaction that produces a self-inflicted delusion of normality whenever confronted with a scale of illegality and immorality that might otherwise be difficult to cope with. Perhaps the full extent

155 The recent labeling of this claim as "juridically plain rubbish" (Taloussanomat, 2008) by a bank official hardly enhances the public's regard for the law either. To the contrary, it could be interpreted as encouraging the perception that the strategic malleability of the law or its interpretation in the courts is a matter of power.

of the orgy of strategic reallocation of assets and income was indeed not known to everyone before it was too late. Perhaps a few odd moralists even wanted to expose some of the intricacies of modern governance to public scrutiny. Nonetheless, the primary lessons from the excesses of strategized hypocrisy ultimately come down to the necessity to reform the institutions which facilitate and amplify the social implications of such behavior. It may not be an overstatement to claim that under the prevailing forms of money the possibilities for autonomous political agency are ultimately limited to reforming the monetary system. Should the agentic potential for monetary reform not be exercised by elected officials and others with the theoretical capacity to promote such actions, the degrees of freedom of any economic, political, social or legal activity may ultimately be curtailed by the logic of the prevailing forms of money. The logic is probabilistic rather than deterministic: any specific political decision may always be indeterminate and short-term deviations are certainly to be expected, yet in the long-term, on average, even the most persistent social reformers cannot resist the logic of compound interest and zero-sum competition in any other way except repealing it.

A world without structural monetary exploitation is unlikely to be devoid of exploitation or the opportunistic (mis)use of strategic logic. It will, however, involve the *possibility* of alternative modes of behavior. Without a monetarily induced imperative to adopt the mindset of a psychopath, any potential advocate of the alleged desirability of forcibly preserving this aspect of humanity's cultural heritage would have to find an alternative institutional mechanism for the propagation of such objectives. The necessity to implement a newly conceived form of institutional oppression might, if nothing else, at least satisfy the perceptual standards of some of the most devoted agency-fetishists who currently populate mainstream social science departments across the globe: as some contemporary commentator – in addition to the bankers, politicians, social reformers or other actors who have addressed the economic, political and social implications of the monetarily mediated forms of oppression in the past – would presumably have to go on record for promoting the institutional replacement for debt slavery, it might finally be possible to have a conversation with this breed of intellectual on the actual institutions which govern human behavior.

Conclusion

One of the objectives of this study has been, in the words of Robert Merton, to specify ignorance – to determine "what it is about an established phenomenon that is not yet known and *why it matter*s for generic knowledge that it become known" (Merton, 1996: 55, original emphasis). Four issue areas have emerged as particularly neglected and potentially fruitful for further inquiry into the nature of money and its alternatives. First, despite all the time and effort expended on the study of money by generations of scholars, the nature of money remains elusive. One of the main theses of this study has been that the social construction of financial capital in general and money in particular – the choice of the precise manner in which tokens of abstract value come to symbolize wealth and the rules governing their issuance, subsistence, circulation and extinction – is logically prior to any form of economic, political and social analysis that involves or is influenced by some of the technical functions of money – virtually all forms of human activity in a modern society. Chapter 3 explored the social construction of financial capital and some of the structural depoliticizations that may arise as a result of what was referred to as the privileged reality of financial capital. In chapter 4, Goodhart's law was applied to money to explain why a single causal theory is unlikely to ever fully capture the essence of money as a constantly evolving political process and social relation. Chapters 5 and 9, respectively, questioned whether an economic conceptualization of money is ever likely to be feasible and explored the rationale behind some specific reform proposals in the hope of shedding further light on the economic, political and social dimensions of money. Section 10.6 and chapter 12 speculated on what might be regarded as two sides of the same provocative idea: since some of the inherent conflicts and contradictions of money appear to be irresolvable, is money as an institution likely to disappear (section 10.6), or will the political utility of strategized hypocrisy outweigh any potential "technical" inefficiencies of money (chapter 12)? An analytical framework dubbed critical surrealism was also introduced in chapter 12 to theorize the tremendous ease with which a patently implausible socially constructed accounting system may overtake alternative analytical frameworks in the production of agentic subjectivities and to explain the continuing significance of a wide spectrum of explanatory frameworks for the nature of money as a function of their strategic political utility rather than empirical accuracy. Exploration of the nature of money turned out to be perhaps the strongest area of this study in terms of the extent to which the objective of specifying ignorance was exceeded by the production of novel explanatory frameworks for the gaps in knowledge that were identified.

Second, the economic, political and social implications of the various modes of issuing and circulating the monetary media – or distributing capacity to monetize real assets for the purposes of monetized market exchange, depending on one's analytical perspective – remain undertheorized. Who should have the power to convert the value of real assets into the more liquid forms of money? If such capacity is not distributed equally among all real asset holders, what conditions can the issuer(s) reasonably impose on others for obtaining the gatekeeper medium for monetized market exchange? Under what conditions can monetary IOUs be issued and destroyed? It was suggested in chapter 4 that the closest feasible monetary approximation of the logic of undistorted multilateral exchange might involve either the issuance of the monetary IOUs at each transaction on a mutual credit basis or the debt- and interest-free delivery of the monetary media to the members of the monetary space who would spend them into circulation. Nonetheless, by the end of chapter 7 it became clear that this is only an approximation and chapter 8 explored the biopolitical implications of structurally non-neutral forms of money in more detail. While chapter 10 outlined a specific reform proposal that would combine seigniorage-based UBI with a demurrage tax on money, the aim was to illustrate the economic, political and social implications of relatively minor changes in the "technical" specifications of money rather than to outline a complete blueprint for reform. Chapter 11 took the opportunity to analyze the appropriate locus of agency in economic decision-making by engaging the argument of some of UBI's critics on its allegedly inflationary nature, concluding that newly created money should be distributed equally among the members of a monetary space irrespective of the chosen definitions and interpretations of the nature, causes and significance of inflation. Further analytical work is required particularly in the field of constructing appealing alternatives to the prevailing practice of holding a community's money supply ransom to the economic and political strategies of the banking system.

Third, specification of the conditions – if any – under which monetary calculation may accurately capture real world economic phenomena merits more attention. In other words, how should the self-referential logic of money be tied to the natural laws that condition all "real" economic activities in order for the monetary system to constitute a relevant measure of real world production possibilities? Although virtually all sections of this study in one way or another question the feasibility of "economically efficient" monetary calculation, chapter 6 introducing some of the conceptual and practical dilemmas in the context of a commodity-based monetary system as well as sections 7.3 and 10.6 may be particularly useful reference points in this regard. While section 7.3 focuses on the implications of centralized money-issuing powers on the informational content of monetary calculation, section 10.6 attempts to specify general conditions for reconciling the monetary logic with the surrounding physical reality, just to conclude that the conditions start to point towards both practical infeasibility and redundancy of money. Given the predominance of money in economic, political and social affairs, it may be surprising to note how one of the central informational issues – how to ensure the informational equivalence of the monetary system and the physical reality when only a small part of real assets may periodically be "monetized" and "demonetized" as a part of credit creation and destruction under incentive structures which may substantially diverge from barter exchange – has been largely assumed away rather than systematically explored in contemporary academic literature. Further research should focus precisely on this issue: how to overcome money's self-referentiality – or to ensure that monetary valuations accurately recount physical production possibilities as opposed to merely reproducing biases that have been built into the chosen "technical" specifications for money.

Fourth, given that money's self-referentiality and some of the problems identified in conjunction with analyzing the appropriate mechanisms for issuing and circulating money may be beyond remedy, one might expect two types of scholarship corresponding to alternative conceptualizations of money's future institutional significance to emerge to fill the prevailing gaps in knowledge. First, for those who advocate the preservation of the institution of money – perhaps even in its present form – there is a clear need to replace the conventional narratives of procedural efficiency and justice commonly attributed to monetary calculation with more realistic notions of the nature of monetized market exchange. Furthermore, as aversion to drastic reform hardly justifies the continuing absence of economic, political and social mechanisms to mitigate adverse implications that are unrelated to the conventional legitimating narratives for money, one may also expect renewed scholarly interest in redistributional policies to the extent that the evolving rationales for money do not legitimate the entire spectrum of economic, political and social polarization produced by the prevailing forms of money. Second, proposals for the replacement of a monetary economy with alternative modes of social organization are likely to proliferate. While the focus may at least initially be on different variants and technical implementations of a barter economy in the context of the prevailing notions of "efficient" incentive structures, it is unlikely that some of the more fundamental questions on desirable forms of social organization could be completely and perpetually avoided. Will, in Weber's terminology, the substantive rationality of a moneyless economy still be profit maximization – or the "mutual plundering conducted with all the wiles of salesmanship" (Gesell, 1958, part III, section 4) as it has sometimes been described – or will some other motives replace the reward structures developed under the cognitive frameworks of managed scarcity? Will the formal rationality – the intensity with which each individual must pursue the essentially centrally planned "economic" objective of the society – be any kinder to diversity and the maximization of the human potential in other fields in accordance with less fashionable value systems? Will the abolition of money in itself suffice to alter some of the perceived motives and incentive structures for human interaction? Many of the examples introduced in this study in the context of a basic income in a monetary economy remain applicable in a moneyless economy. While this study was designed primarily for politicizing the form rather than the potential abolition of money as an institution, some of these issues were touched upon in sections 10.6 and 11.3.

Countless additional studies could be concluded to answer the question why it matters for generic knowledge that these issues become known.[156] As long as the process of money's social construction and the structural disparities which confer money institutional power remain outside the purview of permanent and extensive public and scholarly scrutiny, few realms of social interaction remain immune to the influence of the distorting prism of money. Money, near-money instruments, and social relations which perhaps should be recognized as involving a monetary dimension but nonetheless escape the analytical lens of monetary theorizing are free to evolve in response to particularistic power struggles beyond the perceptual boundaries of monocausal theorization. Jacques Rueff famously suggested that money will determine the fate of mankind. In most conceivable forms of human societies such claims could perhaps be dismissed as grossly exaggerated. It may require exceptional incompetence or malevolence of intent on the part of a sufficient number of individuals to construct a form of society where money indeed could determine the fate of mankind. Yet it is not obvious that humanity has failed in this task. Before jumping into the hasty application of the privilege-preserving narratives of choice, each specialist within the properly compartmentalized academic social reality would be well advised to reflect upon the issues at stake. What does it mean that virtually the entire world is governed by a socially constructed accounting logic which has little in common with the physical reality? What does it mean that virtually the entire world is descending towards a form of monetarily mediated market feudalism, which has the potential to centralize the control of livelihood and life itself into a few hands? These are large issues, potentially large enough to "determine fate".

156 In respect of the appropriate methodological choices for further research, the experiences derived from this study may not be entirely irrelevant. Any possible concerns on an overly anarchic analytical approach which may still have existed in the early parts of this study may have turned into a suspicion that the surface on the nature of money could have been scratched slightly deeper with an even wider selection of analytical approaches – irrespective of the foreseeable complaints on accessibility, density, lack of "rigor" etc. that even the present form of the study is likely to evoke from some of the self-compartmentalizing guardians of social science. Money as an institution intersects with an exceptionally wide range of human motivations, which can hardly be theorized from a single analytical vantage point without losing perspective on some aspects of money's multiple actual and potential manifestations. For those readers who may still remain unconvinced on the appropriateness of the theoretical and methodological choices: if you are looking for someone to shoot, it may be more appropriate to aim at money as an institution rather than the messenger.

In order to give a more specific example, it is instructive to return to the topic of scientific knowledge production/preservation and certification.[157] It may not be an exaggeration to claim that many paradigm theorists have remained largely oblivious to the corrosive impact of monetary surrealism on the very possibility of science, knowledge and the pursuit of truth. Under nearly all-encompassing monetary surrealism, a "scientific" paradigm runs the risk of becoming just another cognitive focal point in the surreal plane of social interaction. Furthermore, with much of the natural sciences privatized and bureaucratized under the auspices of profit-maximizing industries that respond to monetary rather than "real" economic signals, it is virtually impossible for a disinterested observer to find out what the true state of science is. The main issue at stake here is not the substantive content of any specific scientific paradigm or the potential existence of epistemological absolutes, but the very possibility of a meaningful debate on any specific issue of interest according to scientific standards of analysis. In other words, the relevant question is whether humanity will ever be able to initiate objective scientific discussion – if possible even in theory – as the effect of some of the most central governmental material practices and subjective frameworks is precisely to preclude such reflection. If no objective distributional standards – including all factors which might have an impact on an individual's ability or willingness to perceive or communicate real world phenomena objectively, such as the distribution of income, status, access to information etc. – for the feasibility of scientific pursuit exist or they cannot realistically be attained, non-instrumental science or objective paradigms are oxymorons.

Under such circumstances two conclusions may warrant further attention. First, not entirely unlike in the physical sciences where the forefront of analysis has largely moved from the observation of external phenomena in an attempt to understand the material basis of the human to the management of the constitutive processes of life itself, the forefront of social scientific analysis is likely to move to work which rejects external knowledge certification processes of the social

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157 There may be an underexplored similarity between producing money and social scientific "knowledge": anyone can attempt to issue either, but to get them widely recognized as such is likely to require coercion rather than "trust" in the universal value of money or the intrinsic validity of an insight.

surrealities in favor of internal standards of performance that take the bare human potentiality uncontaminated by the prevailing institutional or cognitive configurations as their starting point. This is, of course, quite different from saying that all internal standards of performance will produce valid knowledge. Nevertheless, as it is becoming increasingly obvious that most human institutions – in not insignificant part due to the prevailing forms of the social relation of money – are simply not designed to promote non-instrumental interpretations of social realities, analytical efforts with alternative motivations may have to look elsewhere for potential benchmarks of performance. Much of such social scientific work may take place outside established institutional loyalties – perhaps in a decentralized de facto shadow academia with no institutions to corrupt or paradigms to co-opt. With a sufficiently wide gap between the perceptual demands of institutional loyalties and the actual social realities, such an analytical division of labor may well survive technological developments which might have the potential to extend class cleavages to the constitutive processes of life itself. Second, for the purposes of those who do not wish to abandon socially sanctioned science as a potential site of social struggle, the responsibility for the advancement of "science" has been largely delegated to social activism and public scrutiny: without credibility-demolishing insistence by the general public that could potentially have pervasive systemic implications for the prevailing norms of "scientific" knowledge production/preservation, the prospects for incorporating patently obvious issues – such as the absurdity of the neutral veil approach to money – into the prevailing paradigm may appear bleak. This insight is particularly revealing in the light of the not insubstantial amount of historical controversy and contestation that the prevailing cognitive incentive structures have largely managed to eradicate from the academic research agenda.[158]

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158 Although far from unimportant, the issue with academic knowledge production/preservation extends well beyond peer review procedures. Although some reform proposals might constitute improvements compared to the prevailing practices – for some recent work on reforming peer review policies see e.g. Ietto-Gillies (2008) and Earl (2008) – increased transparency alone is unlikely to render academics intellectually accountable for their interpretations of respectable science as long as the monetarily mediated social surreality prevails. As Lee and Elsner (2008: 183) have observed, "Those in power positions, inside and outside academia, in fact have only limited interests in comprehensive societal and economic problem-solving, and that cleansing and streamlining counterattack

The behavior of the wealthy and powerful has sometimes been likened to necrophilia (Fromm, 1973, according to Monbiot, 2004: 252).[159] It is not obvious that the metaphor fully captures the intricacies of the dominant perversions. The same economic, political and social power structures which facilitate the erection of the tombstones of vanity for the living also render the ceremonial value of those tombstones meaningless. With structurally rigged monetary surrealities, there is no way for an individual with an allegedly exceptional business acumen or highly developed predatory instincts to prove her skills in the real world: the acquisition of wealth and power is always and everywhere conditioned by structural coercion which may completely overshadow the significance of a specific individual's efforts to prove her superiority to others. With the overly ambitious cadaver deprived of ceremonial significance, it takes a highly refined assortment of governmental mechanisms to enforce self-delusion. If the unraveling of such mechanisms is to begin, some of the fashionable vanities in the realm of monetary governance must give way to alternative conceptualizations of the human.

[against economic heterodoxy] might be analyzed as part of a more general streamlining, cleansing, and restriction by the governments of capitalist societies and their private allies." Excessive income, wealth, and power disparities preclude the possibility of science to be scientific. No amount of public naming and shaming can save science from the cognitive entrepreneurship of its practitioners if the incentive structures for knowledge production/preservation do not coincide with the pursuit of truth. Consequently, this study – as well as social scientific scholarship in general – should perhaps be regarded as unscientific: the main theses would only be falsifiable in a world where the reviewers' decision to either accept or reject the possible validity of the knowledge claims would not affect anyone's status, livelihood or self-conception as a gatekeeper of "science". In the world of the prevailing social surrealities, any and all criticism or ostracism that this study may attract might reflect either genuine shortcomings as measured against some hypothetical benchmark of uncorrupted science or merely the reviewers' inability or unwillingness to live up to the aforementioned standards – in which case no amount of transparent dialogue could remedy the situation.

159 The extent to which Monbiot's interpretation concurs with Fromm's original intention is not relevant here.

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