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THE DIFFERENCE THAT MONEY MAKES: SOVEREIGNTY, INDECISION, AND THE POLITICS OF LIQUIDITY

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in

HISTORY OF CONSCIOUSNESS

by

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Authors Note:

This is the text of my doctoral dissertation submitted to the History of Consciousness program at UC Santa Cruz under the supervision of Robert Meister, which I successfully defended on December 3, 2021. Being a dissertation, it is "done" rather than "perfect." A combination of the California housing crisis, unnecessarily punitive UC policies, and the COVID-19 pandemic made it necessary — for reasons of health and personal finances — for me to complete the degree in something of a rush.

Nevertheless, I have decided to circulate the dissertation in its current, imperfect form rather than file it into the drawer until it can be revised and officially published. It is my hope that this work might bring some clarity to current theoretical debates over the nature of money and its relation to the state that has so far been sorely lacking, and since these questions are of some pressing concern to the serious problems that characterize our moment, I have decided to make it generally available despite any misgivings of my vanity that might wish to hide it away a little longer.

As a point of self-criticism, I will note that there are two slightly different, if closely related, books that are coexisting somewhat uneasily in the text as it currently exists. The first book — the main line of argument — is centered around the reign of James Stuart and the development of a permanent, peacetime fiscal deficit in the English seventeenth century. The second book is about the phenomenon of precious metal coinage, and the emergence of the earliest monetized coinage societies in the ancient Mediterranean. When I first proposed my project and assembled my committee, I dreamed that I might be able to adequately treat these two subjects together, in a single work; the imperfection of the text you hold now is a testament to my youthful hubris in this regard.

As of this writing, I have not applied for any academic jobs, and I am not sure that I intend to — for a variety of reasons that may be passed over, for the moment, in silence. What I am sure about is that I intend to continue my research, one way or another. To this end, I humbly ask the reader who appreciates the work and wishes to see more of it to contribute their financial support, which they can do at patreon.com/colindrumm.

Hate mail and other correspondence can be addressed to: colindrumm@gmail.com.
I'm on twitter: @drumm_colin.
Truly intrepid souls can find me somewhere outside of Silver City, New Mexico, which lies along the route to nowhere in particular. Make sure to bring your hat.

- December 5, 2021.

"The Difference That Money Makes"
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Abstract

This dissertation is concerned to rethink the relation between money and the state in a way that challenges both Marxist and chartalist stories about the history and nature of money and monetary phenomena. In doing so, it examines the problem of liquidity, or the question of whether or not there exists a market in money, as a problem of constitutional order and class struggle, and argues that this problem can be illuminated by means of a study of tragic drama. It traces a genealogy of "modern money" created through the monetization of public liabilities through the first emergence of a permanent peacetime deficit state in early modern England, and asks what we might learn about this genealogy through an attention to the works of William Shakespeare as a sensitive observer of the social and political fault lines out of which the system of modern money emerged. In doing so, it follows his historical gaze backwards through history, to medieval England and the earliest coinage societies of Mediterranean antiquity. Out of this discussion is generated a new theory of money that challenges all currently existing orthodox and heterodox theories, and which sees money as constituted not by an identity or equivalence but rather by a difference or a spread, in terms of which options can be created and priced.

Acknowledgements

Writing this dissertation was a lonely process, in the course of which I received much discouragement and hostile advice. It was made clear to me that I ought to learn my place and cease challenging the received wisdom of my betters. I am therefore doubly grateful to the friends and teachers who supported me in this journey.

First and foremost, I would like to thank my advisor Bob Meister. The greatest gift any headstrong young thinker can receive is the gift of a master, to whom they might bring themselves willingly to submit; I found such a master in Meister.

I am also very grateful to the other members of my committee — Karen Bassi, Martin Devecka, Sean Keilen — who have supported this project in ways that exceeded a strict interpretation of their job descriptions. I have trespassed on their pastures and been received with grace.

Special thanks are due to Lian Xin, who has supported my study more than anyone else. Many of the ideas elaborated here had their first glimmerings as improvised responses to her various and unrelenting questions. This work is dedicated to her.

I owe an unpayable debt of gratitude to all those who came before me and studied the coins. Working in the numismatic literature is a humbling experience, and a synthetic work like this one could never have been attempted without the many generations of scholars, both professional and amateur, who have given their lives to sorting through the minutiae of money's past. The coins have many more stories to tell than we can possibly imagine.

The earliest words of this dissertation were composed on the eve of the graduate student strike at UC Santa Cruz for a living wage in 2019, and most of it was written during the (still ongoing, as I write) COVID-19 pandemic, during all of which the University has made it clear that the health and well-being of its scholars are not foremost among its priorities. I am therefore extremely grateful to everyone who has "subscribed" financially to my intellectual production during this period: you have all helped make this work possible, and freed me from the weary and humiliating drudgery of applications.

I am also grateful to others, for friendship, conversation, and support. Some of them are: Jade Delisle. Hannah Manshel. Stephen Engel. Adrian Drummond-Cole. Delio Velasquez. Alirio Karina. Aaron Wistar. Spencer Coffey. Carl Dyke. Brittany Griebling. Stefan Siegel. Amir Hernandez. Alex Schmidt. Guettai Sami. Fabius Mayland. Solomon Liang. Dina al-Kassim. Brett Rogers. Tómas Kalmar. Dan Lidral-Porter. Brendan Lidral-Porter. Kieran Latty. James Sirigotis. Kyle Galindez. Thiago

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My parents, Ann and David. Matrilines and patrilines: Betty, Bill, Janet, Gary. My sister, Kai.

And most of all, Xafsa Ciise. *Dum loquimur inuita aetas fugit*.

“Now there's only one test to which monetary theories can be subjected, and which they must pass, and that is the test of history. Nothing but history can confirm the accuracy of our reasoning, and if our theory cannot stand the test of history, then there is no truth in it.”

(Alfred Mitchell Innes)

“Whether my discovery of a concept of liquidity inside Marx’s concept of value is a critique or an elaboration of what he actually said is for the reader to decide.”

(Robert Meister)

“For words are but wise men’s counters, they do but reckon by them: but they are the mony of fooles, that value them by the authority of an *Aristotle*, a *Cicero*, a *Thomas*, or any other Doctor whatsoever, if but a man.”

(Thomas Hobbes)

Introduction:
Money, In and Out of the Question

> Ron Paul: "Do you think gold is money?" Ben Bernanke: "…No."
> Paul: "It's not money." Bernanke: "It's a precious metal."
> Paul "Even if it's been money for 6,000 years, somebody reversed that, and eliminated that economic law?"
> Bernanke: "Well, you know, it's an asset. I mean, it's the same… would you say Treasury Bills are money, I don't think they're money either…"
> Paul: "Why do central banks hold it?" Bernanke: "Well it's a form of reserves."
> Paul: "Why don't they hold diamonds?" Bernanke: "Well, it's tradition. Long term tradition."
> Paul: "And some people still think it's money. I yield back, my time is up."
>
> (US Senate hearing, 4/14/2010)

0.1: Tragedy in Modern Dress

My interest in the topic of the relation between money, finance, and state power stems from my experience of entering into adulthood in the United States in the aftermath of the 2007 financial crash, feeling intensely the socially disruptive effects (and affects) of this event, and coming to the conclusion that it might be in my interest to attempt to understand them. I am not, by "training", either an economist or a historian, but a literary scholar with a background in Western classics and philosophy in the so-called "Continental" tradition. When I first turned to the study of political economy, during the early years of what was being called "The Recovery," I did so, naturally enough, through the lens of Marxism: I formed a *Capital* reading group and devoted myself to an attempt to master its theoretical vocabulary in the hopes that it would give me

some traction into understanding the crisis that I saw unfolding around me. This turn to Marx was part of a broader cultural trend, as many of my peers in a generation too young to remember the Soviet Union found in Marxism a tradition which could, potentially, both challenge the increasingly decrepit orthodoxy of Cold War liberalism and give us the tools to understand the nature and origins of our predicament. If the people who seem to be your enemies are at pains to tell you not to read a book, then you should probably go and read it; the logic is simple enough. So we read Marx, and Marx and the language of Marxism became increasingly important to our discourse at all levels of seriousness, from academic production in the university to the online world of flame wars and memes.

As my studies advanced, however, I became less and less certain that the political economic theory of Marxism was the right conceptual language with which to understand the phenomena at hand. Specifically, the understanding of financial crisis in Marxism seemed to depend upon the notion that "fictitious capital" created by the lending activities of banks must eventually collapse and disappear if it grows too large out of proportion with the underlying value generating process in contrast to whose "reality" it is "fictitious." When, in the immediate aftermath of the financial crisis, the Federal Reserve engaged in what they called the "extraordinary monetary policy" of quantitative easing (QE) in which the central bank supported the price of financial assets by purchasing them with newly created reserve money, consternation was provoked across the political spectrum. Could the Fed really create money out of

nothing in order to defend the price of assets whose value had recently been shown to depend on little more than fraudulent mortgage applications and hope? This activity seemed to many to border on ontological scandal, and apocalyptic predictions of hyperinflation of the dollar or the collapse in demand for US debt abounded. While inflationary doomsaying of various kinds might have originated most loudly from the political right, exemplified by figures like Paul Ryan or blogs like zerohedge.com, it was not all that inconsistent with what the Marxists seemed to be saying either: since the central bank couldn't possibly actually defuse the contradictions of capitalism simply by creating money on its computer out of nothing, these measures could only be a temporary displacement of the fundamental problem. Surely the Federal Reserve couldn't prevent the terminal crisis of capitalist accumulation simply by forbidding it from happening?

As predictions of the imminent collapse of an obviously irrational financial system began to gather dust, pass their sell-by date, and mold over, however, this basic framework began to seem less and less plausible. The power of the Federal Reserve began to seem, paradoxically, both more omnipotent and more impotent than I had thought. It seemed increasingly omnipotent in its ability to put a floor on asset prices through the exercise of what seemed to be the power of sheer fiat, while at the same time it seemed to be totally impotent to do anything else, even if it wanted to. This impotence manifested itself in the events of May 2013, in which Fed Chair Ben Bernanke announced that the central bank was considering a reduction in the scale of

its asset purchases to begin at some point in the indefinite but near future. Markets reacted with a sharp sell-off in what came to be known as the "Taper Tantrum," prompting the Fed to stop in its tracks and expand, rather than shrink, the scale of its open market operations.[1] While the Fed was eventually able to end QE purchases in October 2014, it was consistently unable to raise interest rates as high as its stated policy objectives and, after a half decade of "dovish surprises" in the FOMC minutes, began new asset purchases in the wake of a run on short term funding markets in September 2019. While the central bank is reticent to name these purchases "quantitative easing," the differences are subtle at best, and it has begun to seem to many market observers that we have entered an era in which monetary mechanisms introduced as "extraordinary" have become the "new normal," or a permanent state of exception in which what were once thought of as emergency powers become a constant fact of life. (This turns out, as we will see, to be a theme of monetary history, and it is the thread which links our interest in immediate monetary contexts to a study of the *longue durée*).

The conceptual breakthrough that produced the line of thinking that I present in what follows came when I began to notice that these confrontations between markets and central bankers, which took place over and by means of *predictions* about what would happen *in the future*, bore a certain resemblance to a type of narrative structure found both in science fiction and in classical tragic drama. The central bankers make

[1] Ann Pettifor, "Quantitative Easing."

predictions about what they will do, or about what the market will do, and the market reacts to this by making predictions about what the effects of these predictions will be, creating a movement about which the central bank must then generate new predictions.[1] What is curious about interactions of this kind, characterized by self-reference or "feedback," is that they sometimes seem to oscillate between stable and unstable configurations, or between unanimity and dissensus. Sometimes, the power of the central bank is "performative" in that it seems to be able to call the future into being simply by predicting it: if the Fed announces that it intends to raise interest rates by selling bonds, the market may sell bonds in anticipation, causing interest rates to rise and thereby realizing the Fed's objective without requiring it to actually act. The Fed and the market thus achieve a kind of performative consensus or unanimity about the future. But sometimes, as happened in the aftermath of 2007 in a dynamic commentators dubbed "good news is bad news," this unanimity collapses. Instead, the relation between central bank and market becomes a kind of hall of mirrors or what I will call a "counterperformative dissensus," in which the Fed's predictions about what will happen instead bring about their opposite. During this period, whenever the Fed would predict an improvement of economic conditions, the market would take this as a sign that it intended to scale back QE, and would react by selling off assets. The market would thus interpret an improved *economic* outlook as a

[1] Donald A MacKenzie. *An Engine, Not a Camera*.

worsened *financial* outlook, once it had incorporated into its assessment of the future its own predictions about what the response of the Fed to that future would be.[1]

These kinds of self referential prediction games reminded me of a number of stories whose plots are, perhaps, ultimately derived from that of Sophocles' *Oedipus the Tyrant*, but which also include Shakespeare's *Macbeth* and, somewhat less canonically, a short story by Philip K. Dick called "Minority Report." Each of these stories explores, in various ways, the paradox of oracular knowledge, or a problem about what happens when characters attempt to act on the basis of supernatural knowledge of the future, received from characters who are not, themselves, active agents in the narrative. The paradox is that this knowledge about the future can either be true, or it can be useful, but it does not seem like it is possible to be both. If our knowledge of the future is useful, such that we can act upon the basis of this knowledge in order to change the future, then it can't be true, since we are changing the future by acting on it. And if it's true, then it must not be useful, since the future which it predicts would therefore be unavoidable. In all three stories, which I will examine in more detail shortly, characters attempt to act upon the basis of oracular knowledge only to, ironically, bring about the very outcome they sought to avoid by doing so. In these stories, three tyrants (Oedipus, Macbeth, Anderton) come to grips with three oracles (the Pythia, the Witches, the Mutants) and are, in the end, humiliated. Their desire to act turns out to be no match for the power of the oracles to

[1] Douglas R Holmes. *Economy of Words*.

predict, and these would-be rulers are each, in their turn, brought to submission through the very exercise of their own power. Tragedy as a genre, therefore, seemed to me to be concerned with precisely the same kind of paradoxical coincidence of omnipotence and impotence which I had found so interesting about the interactions between central bankers and their markets.

The breakthrough that noticing this narrative resonance allowed me to make was to begin to see monetary systems as characterized by a strategic disequilibrium rather than by a hydraulic equilibrium, as in the traditional theories. Most theories of money conceive of the monetary system as something like a bathtub, with various tubes connecting different parts of it. If you add water into one part, the water level will settle until it reaches equilibrium. (In the mid-century, economists actually build a hydraulic analogue computer as a model of the economy, known as the MONIAC machine). According to this way of thinking, if you create more money while the amount of goods and services which this money presumably represents remains constant, then the value of the money must settle through a process of inflation until it returns to an equilibrium. There is a relation of equilibrium between the real and the fictitious, which becomes upset by the overproduction of the fictitious, and which therefore rectifies itself again through inflation. The impression produced by this way of thinking is that money is, ultimately, a sterile medium, which exerts no causal effects of its own on what it signifies, at least not in the long term. All attempts to intervene into the world by means of money itself, therefore, can be imagined as

ultimately futile, in the same way that the attempts of Oedipus to use the oracle's prediction of his crime to avoid his crime must ultimately lead to the taming of his tyrannical *hubris*.

But what these stories show, however, is that if we are to believe that the downfall of the tyrant is necessary, it is a necessity that must be rescued from the jaws of contingency — and it is this tension between the moral-metaphysical necessity of the taming of the tyrant's hubris and the contingency of the process through which this outcome is brought about which make the story interesting. Yes, it is necessary that Oedipus must eventually bring about his own downfall, because the knowledge of the Oracle is true and cannot be therefore be avoided, but in order to bring this about there must be a whole series of contingent accidents: the shepherd's conscience, the accidental encounter with Laius on the road, and so on. There is always, until the very end of the story, at least the possibility that the tyrant will succeed in destroying the truth of the oracle's knowledge by making use of it, and successfully avoiding his fate: this is why the entirety of this story must, in Sophocles' play, take place in retrospect, as we uncover the details of a story which has already happened and which the audience already knows. But nevertheless, even in Sophocles, there is the question of whether Oedipus can ward off the consequences of the oracle's truth by refusing to recognize his own self identity. As long as Oedipus refuses to recognize that he is the same as himself, as long as he can insist against all

evidence that the "criminal" he vows to punish is not the same as the "I" that does the vowing, the plot can be prolonged. The situation remains open, and unstable.

Aristotle thought that the most important part of tragedy was the ending, or the resolution that brings what he called "catharsis" or the purgation of discordant emotions which unsettle the body and the body politic. But there is always, I think, in these stories, an anxiety that the apparent resolution is merely an illusion: that there is something unsettled about the future which might cause the consensus equilibrium, which has been achieved only at the price of the experience of suffering, to shatter once again. There is, perhaps, the problem of the secret burial place of Oedipus in *Oedipus at Colonus*, or the unsettled problem of the heirs of Banquo in *Macbeth*. The basic wager that led me down the path I have been pursuing was the hypothesis that we might make some progress on understanding the constitution of sovereignty in monetary systems along the lines of "tragedy without catharsis." If the relationship between monetary authorities and money markets are structured by paradoxes of self reference, which might either converge into unanimity or collapse into a hall of mirrors, then this relationship is one of permanent strategic disequilibrium — in the context of which all apparent equilibria merely constitute temporary solutions or a kind of unspoken détente between permanently warring parties.

Tragedy is a story told from the oracle's point of view: the oracle would have us believe in the total impotence of the tyrant, would have us believe that the tyrant's power to act is nothing compared to the oracle's power to predict what he will do. But

things are not as simple as that. Without the tyrant, after all, the oracle would have nothing to prophesy about. Without the tyrant, the oracle is nothing, says nothing, means nothing. And can we deny that we have some degree of sympathy for the tyrant? Perhaps it is not impossible that he might yet win, and destroy the oracle's truth by making use of it. Perhaps we should hold on to the unsettling affects that Aristotle would have had us purge… and, instead, put them to work. To do so would be to rescue the contingency of the tyrant's action from the seeming necessity of the oracle's victory, and, in this very gesture, to reopen the possibility that money itself might be a terrain of struggle upon which justice could, conceivably, emerge victorious.

0.2: Has Money Ever Been Modern?

In order to act in the world, we first need to locate ourselves within it — and the way we do this is by telling a little story. We have to tell a story about ourselves, about who we are and what we want, and we have to tell a story about what is going on in the world and how it got to be like that. These little stories are historical stories, but also metaphysical and theological ones: there is a little story about how the world basically works (a metaphysics), a little story about what happened to us (a history), and a little story about what it meant and what its value was (a theology). These narrative structures are what we understand as "ideologies" in the ordinary sense of

the word: the ideological contest between liberalism and Marxism we have inherited from the 20th century, for example, is not so much a disagreement about facts as a more or less irreconcilable conflict about what "little story" we should tell about 1) the metaphysics of how capitalism works, 2) the history of how capitalism came into being, and 3) the theology of what capitalism means and what its value is.

Now, the first thing that any little story must do is to decide when things begin: all little stories begin with the words, "Once upon a time." A determination must be made about what counts as the relevant past, and this determination must to some extent be an arbitrary incision into the fabric of history because, as will surely be apparent to anyone who has ever really tried it, the search for ultimate origins is almost always frustrated by the fact that the New is formed from the materials of the Old, and by the inherent epistemological dubiousness of the *argumentum ex silentio*: absence of evidence is not, as they say, evidence of absence. But nevertheless a decision must be made, because every little story must have a beginning, when things got started, and a middle, where things are at now, and an end, or a direction in which things are headed. What happens if we try to analyze the stories that are told about money and capitalism in these terms?

The basic "problem" that any story about money and capitalism has to resolve is the fact that capitalism is held to be the form of a society governed by the principle of monetary exchange, but money itself is obviously much older than capitalism. We need to tell a story not only about why money leads to capitalism but about why

money led to capitalism in the time and place that it did. Capitalism is generally held to have "arrived" on the historical stage somewhere around northern Europe and sometime around the 16th or 17th centuries. The origins of money itself, however, lie in the deep historical past, and our determination of exactly how deep this past is might vary depending on which anthropologically documented phenomena we deign to call "money."[1] Is anything that can preserve value, money? Is anything that can keep count or can be owed, money? Is anything that can circulate, money?

For liberalism, money is an outgrowth of human nature that takes place in the deep anthropological past as human beings emerge from what this tradition's earliest thinkers called the "state of nature." The state of nature is, like the garden of Eden, an original autarky in which everyone can provide for their own needs directly, but this original state has to be left behind in order for the human to emerge as the species that it is. Economic interdependence and the need for the exchange of goods is thus a species characteristic of the human animal, and money arises as a natural result of the need for some medium through which to conduct this exchange. Money is thus natural and ur-historical, but failed to produce capitalism until the modern period due to the inability of states to refrain from interfering in its operation: the condition of possibility of capitalism is that states understand and apply the principles of *laissez faire* to their relationship with economic processes. Once enlightened states learn to let things be, the powers of capitalism are unleashed, and the productive forces of

[1] On primitive money so-called, see George Dalton, "Primitive Money." Also Michel Aglietta, *Money*.

humanity are freed from the stagnation in which they had previously been mired. Since this expansion of the productive powers makes everyone's life better by creating more goods for distribution, the most important thing is to ensure that the process is allowed to continue unimpeded.

While the Marxist story also places the first origins of money in the deep past, it locates this origin in historical rather than anthropological time. It differs as well in that the original entity that arises as the subject of monetary exchange is the group rather than the individual. There is also, in this story, an original autarky, but on a different ontological level: a primitive communism rather than a primal self sufficiency. The fact of monetary exchange is thus not a fact about human nature but a result of a process that takes place in history, as its logic gradually "penetrates" the community and creates the atomized social relations that liberalism mistakenly confuses with human nature. There is, in the Marxist story, no original or essential need for humans to exchange: this comes about only at a historical moment when the process of monetization has reached the point that it separates people from the means to directly produce their own subsistence and thus shatters the original autarky. At this point peasants become workers by being subjected to the discipline of payments, or the dependence of basic social reproduction upon the acquisition of monetary funds. Since peasants, according to this story, always have what we might call an "option to subsist" by living off what they can immediately produce, they cannot be forced to work for money until they have been forcibly and violently separated from

this option by enclosures and other so-called primitive accumulations. It is this forcible separation and the consequent pricing of labor power in monetary terms that, for the Marxist story, constitutes the historical conditions under which money can finally lead to capitalism.

In the liberal story, money is a natural tendency which is impeded, while in the Marxist story, money is a historical process which is incomplete. Remove the impediments and produce universal plenty, or complete the process and abolish scarcity. In both stories, money "is what it is," or is governed by the principle of identity. Money does not change, in its nature, over time, but only more fully realizes what it always was or should have been. Money makes other things comparable to one another in virtue of the fact that it is absolutely identical to itself. Money has the form of the tautology, A=A, and it is through this self identity that it is able to render other things comparable. Both of these stories agree, in addition, that money itself is originally the product of an acephalous, horizontal consensus: money, as Marx put it, "crystallizes out of exchange." Both liberalism and Marxism agree, therefore, that there exists inside the monetary economy a tendency towards a spontaneous and unanimous consensus regarding the self-identity of money. For this reason, both agree that unilateral state intervention into the monetary system must, in the long run at least, be "sterile" or ineffective. The true goal of economic theory, then, is to look "through" money, as one looks through a window, at what is really going on "behind" it, and not be deceived by monetary illusions. The nominal is a veil over the real.

After 2008, this *shared* view of money began to be contested by a renewed interest in chartalist or state theories of money, most prominently by the proponents of "Modern Monetary Theory" or MMT. This theory presents a story about money that differs in very fundamental ways from the one shared, in broad strokes, by the liberal and Marxist theories. MMT is a "vertical" theory of money in that it sees the origin of money not in a spontaneous horizontal consensus arising out of exchange, but from the taxing and funding activities of states. Money, according to this story, arises "all at once" when states transition from direct expropriation in kind to taxing and fining in nominal units of account, or in terms of arbitrary signs which it can issue and define itself — a development that they tend to locate in the palace economies of Mesopotamian antiquity. The center of MMT is the theory of what they call "monetary sovereignty," or the ability possessed by some (but not all) states to denominate their debt in arbitrary units which they issue themselves, thus freeing themselves from the discipline of payments. The United States or other "monetary sovereign" can never, according to them, be forced to default on its debt obligations against its will, because what it owes is just another form of its own debt, since the US Dollars in which the bonds are paid are nothing but another paper liability of the same entity.

While MMT differs in a number of important ways from the horizontalist theories, however, it also relies upon the principle of identity according to which money "is what it is." The basic thesis is that money is debt, and debt is debt, and so

two different forms of debt of the monetary sovereign are both equally money. This can be readily seen in Wray's *Modern Monetary Theory: A Primer*, which takes a childlike and repetitious glee at moving things from one side of a balance sheet to another and then proceeding to observe their continued identity.[1] But the theory's fatal ambiguity is revealed, fittingly enough, in its very name. Is "Modern Monetary Theory" a theory of modern money, or is it a theory of money which is modern? Does it present a theory of how money is now or a new theory of how money has always been? In some moods, its proponents seem to be doing the former, pointing to the historical specificity of a US Dollar system unmoored from gold after Nixon's unilateral repudiation of gold convertibility in 1971. But in others they seem to suggest that this is how it has always been, tracing a history of verticalist money that begins with Mesopotamian units of account and continues without any truly fundamental changes until the present day. For this reason, MMT is less of a break with the coordinates of the liberal/Marxist story than it might seem at first: it simply provides a new historical origin for money and a new condition of its full historical realization. Money begins with the palace economy and is fully realized with the Nixon shock.

All three stories are "idealist" in the sense that they believe that money most essentially "is" an ideal abstraction, and is only inessentially embodied in some physical instantiation, the contingent limitations of which are what prevent it from

[1] Renée Baillargeon and Julie DeVos, "Object Permanence in Young Infants."

fully realizing this ideal self-identity. Liberals, Marxists, and chartalists all see their projects in terms of fully realizing *in history* the ideal logic of money: liberals by protecting the global free market from state interference, Marxists by pushing the contradictions inherent in monetary exchange to their limit and thereby sublating them into a post-monetary society, and chartalists by severing the reference of money to "barbarous relics," thereby dispelling what Marx would have called money's fetish-character and subjecting it to democratic control freed from the constraints of artificial, self-imposed scarcity. I will classify all three of these theories as "monetary Aristotelianisms" in the basic sense that they all explicitly cite Aristotle's theory of money at *Nicomachean Ethics* Book V (even the chartalists claim, on somewhat dubious exegetical grounds, to discover their position in his text) but, more importantly, in that they remain within what Daniel Smith called the "sphere of Parmenides" governed by the three principles of classical logic: the laws of identity, the excluded middle, and non-contradiction. That is to say that 1) money "is what it is" (law of identity), 2) either is or is not money (law of excluded middle), and 3) names things with a single, determinate price and thus commensurates them (non-contradiction).[1]

The starting point for the argument forwarded in this dissertation is the recognition that Modern Monetary Theory represents an important but incomplete break with the orthodox paradigm on money ultimately shared by both liberals and

[1] Daniel Smith. *Essays on Deleuze*, Ch. 1.

Marxists. Important, because it introduces the category of "sovereignty" into the discussion where it had been sorely lacking, but also incomplete, because the figure of "sovereignty" in this discourse stands under the sign of self-identity and thus ultimately reproduces the problem from which it also promises a chance at escape. Sovereignty, for MMT, "is what it is" because sovereignty is defined as the purely performative power of self-denomination: the sovereign is sovereign because it has the power to denominate its debt in terms of nothing but its own debt. At the level of institutional analysis, the theory's commitment to the self-identity of sovereignty leads it to collapse both the central bank and the treasury into the single category of "the state," which is the point at which the often-noted ambiguity between the theory's descriptive and normative force becomes most symptomatic.[1] The proponents of MMT are known for claiming that their theory "merely describes how things work," when in fact it describes how things *would* work if everyone understood what money *truly was*, fully embraced the truth of sovereignty's self-identity, and were led by this to dismantle the *de facto* institutional separation of monetary sovereignty from the reach of either executive or legislative power. The actually existing fact of this separation of powers is seen as a contingent deviation from money's true, self-identical essence, which is to be rectified by the work of history as money finally "becomes modern" - which is to say that it finally becomes what it always was.

[1] Marc Lavoie. "The Monetary and Fiscal Nexus of Neo-Chartalism," 1–32.

I argue in what follows that MMT represents a fatal challenge to Marxism as a program of positive economics because the horizontalist theory of money found in Marx's text, upon which the entire conceptual apparatus of the theory of Value depends, cannot be defended without abandoning the pretense of historical materialism: while I will argue that the historical story presented by the proponents of MMT is false in some important aspects, no serious historian of money today could tell a story about money which ignored, as Marx's story does, the central and constitutive role of state power in the nature and origins of this phenomenon. As a theory of economics, and even as a theory of history, Marxism falls to MMT. But as a theory of politics, MMT falls to Marxism: what the neo-chartalist story lacks, in its rather naïve suggestion that politicians would follow its policy recommendations "if only they understood how money works," is a theory of class struggle. If the primary opponent of MMT is austerity economics, the theory is limited in its ability to combat this opponent by insisting on characterizing it as the product of ignorance and confusion rather than as a conscious project of elite class power. We can, however, potentially raise the economics of MMT to the level of *political* economy by subjecting it to the critique of a Marxism which has abandoned its economics but continues to insist on its politics: namely, the fundamental assumption that all history, including the history of money, is the history of class struggle. My hope is that the new and more sophisticated theory which results would be powerful enough to decisively dethrone liberalisms both neo- and classical, and provide in doing so a

robust alternative for political economic thought in a 21st century dominated by the political and cultural power of global finance, on the one hand, and the threat of climate change, on the other.

Accomplishing this will, I argue, require rethinking money in a way that begins by breaking definitively with the law of identity and thereby escaping from the "sphere of Parmenides." To wit: it is not the case that money is what it is, it is not the case that everything either is or is not money, and it is not the case that money commensurates things by naming them with non-contradictory prices. My story contests the three "little stories" presented above in terms of metaphysics, but it also does so in terms of history and theology. At the level of history, I argue that "the coin" is a phenomenon which represents a scandal to all three theories because a materialist analysis of the phenomenon of coinage must reveal that the coin is, essentially and constitutively, non-identical with itself due to the operation of "Gresham's law" and the necessary divergence between nominal and intrinsic prices which results. And at the level of theology, my story challenges the tautological performativity of sovereignty in MMT by means of a critical reading of Carl Schmitt's political theology developed through an analysis of the "problem of tyranny" in tragic drama, which is, I argue, fundamentally and directly concerned with issues in monetary politics to an extent which has not generally been appreciated. What we find in tragedy is an idea of sovereignty that is not at all tautological or self-identical but rather marked by the contradictory coincidence of

power and impotence, or what the ancients called "hubris." Difference, sovereignty, and the coin: these are the basic terms around which my intervention takes shape.

If money is not what it is, then it cannot become what it is in history. Money is not a notion rising in and through historical experience to the level of its concept. An attention to the phenomenon of money that is both historical and materialist will reveal that money is not all one thing (the monetary system is composed of an assemblage of different things which we nevertheless group together under the name "money") and, additionally, that the history of money is characterized more by open-ended contingency than by the inexorable development of an immanent logic. The legal historian Christine Desan has spoken of money as a "constitutional project"; I follow her lead in seeing the configuration of any given monetary regime as the outcome of a process of political negotiation between a set of diverse constituencies that compose the monetary polity, but I will depart from from her terminology in referring to this process as a constitutional *struggle*, rather than a *project*, so as to capture a more Marx-inflected conception of political antagonism. Monetary systems, I argue, are constituted by a struggle between social classes that is a sight of ongoing ambiguity and indecision

During the "normal" operation of monetary systems, in which the illusion that all money is equally money is successfully maintained by monetary authorities, the nature of the monetary system as an outcome of a social struggle is effaced: money is "put out of the question" in the sense that the configuration of the monetary system is

taken off the table as an object of political negotiation and contestation.[1] In contrast, during episodes of what we call monetary crisis, money is "called into question" in that the differences between different moneys leaps into focus — the difference between good moneys and bad moneys, the difference between the money of the rich and the money of the poor — and money itself, and the constitution of the monetary system, reappears to the political imagination as an object of intervention or as a vehicle for the pursuit of justice. The history of money is the history of a struggle between those who want to call money into question and those who seek to put it out of the question, and the monetary system that we have today is the outcome of this complex and contingent process. I thus agree with the Modern Monetary Theorists that money is constituted by sovereignty, but I disagree with them in that I maintain as well that sovereignty is, in turn, constituted by a struggle over money. Sovereignty, like money, is not what it is and so cannot be reduced conceptually to the pure power of self denomination. Rather, monetary sovereignty can be and has been configured in different ways in different monetary regimes and in different historical epochs, and always this sovereignty is marked by the problem of immanent contradiction or difference from itself, the logic of which it is the task of this project to explore. The goal of this analysis is to show that the configuration of sovereignty that characterizes the modern monetary regime under which we live is only one possible configuration

[1] Stefan Eich, "John Locke and the Politics of Monetary Depoliticization."

of monetary sovereignty among others, and that it can be configured differently. Money is, itself, the site of political struggle.

According to the theory of the "univocity of money" found in mainstream textbooks — which always speaks the word "money" in the same sense — there is a single thing, money, which has the three functions of being a store of value, medium of exchange, and unit of account. Believing this requires an active suspension of attention to what there really is. It is clear even to a casual observer of 20th century monetary history that "money" has not served as a particularly good or reliable store of value given the numerous and sometimes infamous episodes of both abrupt and secular inflations which characterize the period. This seemingly clear falsification of the concept can, however, be ideologically recuperated by identifying this situation as an anomalous state of affairs which differs from how money "should be" according to its essential concept. In the liberal narrative, the failure of 20th century monetary systems to be a store of value is a symptom of the folly of populism and the inherent danger of any and all state power over money, while in Marxist narratives it is the result of a progressive abstraction of the monetary symbol from its material commodity substrate, taken to be gold. In both theories there is the sense that the past is a past of commodity money, in which money has a natural equilibrium due to its articulation with the real in the form of the metallic essence, while the present is the present of paper money which has "lost touch" with the real of Value and therefore has been stripped of its capacity to store it.

But it would have been more difficult for a person living prior to the advent of the modern monetary regime to fail to notice that money was not all one thing — although they often did, impressively enough, succeed in doing so. The modern monetary regime, which, roughly speaking at least, took form over the course of the 18th century between the founding of the Bank of England (1694) and the French Revolution (1789), is characterized by the fact that the monetary authority, acting in concert with powerful private monetary actors, "produces par" in the sense of creating the conditions of possibility for different forms of money to be exchanged for one another at a zero or negligible cost. A note which "trades at par" is one whose price is identical to its face value and which, therefore, serves all three of the functions of money equally and indifferently: it is a means of exchange which is identical to itself as a store of value and identical to itself as a unit of account. As recently as the 17th century, however, these three different functions of money were very obviously different things: there is a unit of account (pounds sterling or livres tournois, which exist only in notations in account books), there is a medium of exchange (a penny or an écu), and there is also a store of value (silver and gold plate kept in the cabinet). These three different things had different names and different physical instantiations. While these different things can be exchanged for one another in the monetary ancien regime, it is not always possible to do so very cheaply, and the quantitative relationships between these different forms of money is not necessarily stable: if, for example, a minting fee is paid to the state to coin bullion, or if the prices

in international metals markets rise or fall against the coin of the realm, or if the king "cries up" or "cries down" the value of the coin in terms of units of account by issuing a proclamation. While coins can, indeed, be used as a store of value, the operation of Gresham's Law — according to which "bad money drives out good" — means that there is an inherent tension between these two potential monetary functions: the better of a store of value a coin is, the worse it is as a medium of exchange, because it will tend to be melted down and driven from circulation.[1] Sovereigns, in turn, manage this tension by intervening, on an ad hoc basis, into the relationship between the coin and the unit of account by means of revaluations, debasements, lightenings, and so on.

All of these details do not need to concern us quite yet. The point for the moment is simply to illustrate that money is not, and is in fact rather obviously not, "all one thing", and that it in fact takes an enormous amount of work and effort to make it appear that it is so. The history of this work of the "disappearing" (in the Stalinist sense) of the heterogeneity of money is the prehistory of the monetary monetary order, and also the history of monetary crises *within* it. This is because what happens in a monetary crisis, I argue, is the return of money's repressed heterogeneity — an irruption into what we *thought* was money's modernity by a specter of money's premodern past, before it became, or seemed to have become, "all one thing." The illusion of a politically costless par is shattered, and money is once again called into

[1] Frank Whitson Fetter. "Some Neglected Aspects of Gresham's Law."

question as the possible object of direct political intervention, by any number of different potential actors.

0.3: Barbarous Relics

As we saw in the previous section, all three of the most relevant theories of money on the contemporary landscape (liberal, Marxist, and chartalist) suffer from a teleological framework according to which money is constituted by its essential self-identity, in consequence of which the history of money is the history of money's becoming more fully what it truly is. I suggested above that out of these three alternatives the (neo)chartalist story, perhaps more widely known as "MMT", most closely fits the historical and institutional facts. Both liberal and Marxist stories rely upon a "horizontalist" theory according to which money arises spontaneously out of exchange: a view which cannot be reconciled with the growing consensus among monetary historians that monetization proceses are fundamentally connected to the "vertical" dimension of the military-fiscal apparatus and projects of state-building. Warfare, and state expenditures surrounding warfare, drive the monetization of societies, which we can define as a process by which personally marked credit relations are disrupted, replaced, and/or overcoded by impersonally negotiable monetary instruments or "currency." In putting things in this way, I have already picked something of a fight with the orthodox theory of MMT. That is because their

story, which tends to see money primarily in terms of unit of account, rather than as a store of value or means of exchange, locates the origin of money in the "central place" or "palace" economies of bronze age Mesopotamia, and sees the development of coinage in the iron age Aegean as fundamentally continuous with or a mere extension of the technology of abstract unit accounting: "Even after their invention," write Stephanie Kelton et. al. in an important early MMT essay, "coins played a rather minor role."[1] Money, for the MMT theorists, "originated in early class societies (palace or temple societies with institutionalized mechanisms of coercion) with the imposition of various forms of debt on the population," and the development of coinage is merely a qualitatively continuous development within this tradition.

The neochartalists raise a fundamental challenge to the theory of money that is more or less implicit in both liberal and Marxist stories about political economy: that the existence of money itself can be taken for granted and then assumed away in order to theorize what lies "behind" money, whether this is conceived of as the immanent laws of Value or the rational optimization of utilities.[2] As the neochartalists correctly point out, such a conception ignores the theoretically and historically crucial role of the state in producing and reproducing money and monetary relations by means of its fiscal and juridical institutions. But as many critics of MMT have pointed out in return, however, the neochartalist story introduces the state in order to

[1] Stephanie A Bell, John F Henry, and L Randall Wray, "A Chartalist Critique of John Locke."

[2] For a critique of Value and utility as metaphysical substance theories, see Jonathan Nitzan and Shimshon Bichler, *Capital as Power*.

explain money, which had previously been taken for granted, but in doing so takes the state for granted in turn. The state or sovereign monetary authority is simply assumed to exist and enjoy an unquestioned legitimacy that bears no relation to the actions it takes in the space of monetary and fiscal policy. Having made this objection to a fairly obvious blind spot in the neochartalist theory, however, such critics tend to have little themselves to say about the problem of monetary theory, and usually retreat back into asserting that money itself doesn't really matter in the sense of exerting independent causal efficacy over that which it is taken to represent.[1] In doing so, critics of this mold cede the question of monetary theory entirely to the neochartalists, since, having pointed out the flaws of this approach, they then decline to take up the question of money and monetary power for themselves. Since, for them, money must be understood as a "fetish," theorizing money at all is a distraction from the real issue.[2]

In order to move beyond this impasse, it will be necessary to accomplish something that seems to have eluded most of the participants in the debate thus far: to say something about class struggle and about money both at once. While liberals and the Econ 101 curriculum generally prefer to say as little as possible about either money or class struggle, the neochartalists suggest that we can think about money as a way to *get around* class struggle, and the Marxists insist that we need to avoid

[1] See e.g., Jamie Merchant, "The Money Theory of the State."

[2] Interestingly enough, the notion of the "fetish" itself seems to have originally derived from the inability of European traders to understand West African practices surrounding commercial contracts. See James Lorand Matory, *The Fetish Revisited*.

getting distracted by money so that we can *focus* on class struggle. Thus, the latter two camps agree that talking about money is a way to avoid talking about political antagonism, but simply disagree about whether this is a good or bad thing. In what follows, however, I will reject this shared premise: instead, I will try to demonstrate that it is not only possible but also necessary to think about money when we think about class struggle, and also to think about class struggle when we think about money. Thinking about one while assuming away the other can only lead to inadequate concepts.

The neochartalists have done a great service to advance the state of the conversation about monetary theory by emphasizing the constitutive role of the state in creating and reproducing monetary order, which had been unduly neglected in the stories about money told by thinkers on both right and left. But what is truly needed, on the final analysis, is not a state theory of money but a monetary theory of the state: rather than introducing the monetary authority as a *deus ex machina* that not only explains the existence of money but also solves all of the problems and contradictions of money as a social phenomenon, I will seek to understand the development of monetary order and the state as mutually constitutive and politically contingent results of an ongoing historical process. Thus, I will reject the framework already criticized, according to which money becomes more identical to itself in history, entirely. Money, as I will argue, is itself a difference, and it is always becoming different from itself in history. All of monetary history, including that strand of

monetary history that forms the genealogy of the modern global financial order, is the history of the reactions and adaptations of various actors and social factions — sometimes mediated through the state, and sometimes not — to the ever-present tendency of money to become something other than itself.

In what follows, I will put this abstract formulation on some firmer materialist and historical footing. My main point of attack will be an attention to the history of precious metal coinage, which is a symptomatic weak spot in the historical narrative presented by neochartalists. The neochartalists attempt ground their claims, vis-a-vis the neoclassical orthodoxy in the economics department, in an attack on the historical veracity of the textbook's "myth of barter."[1] In doing so, they are left with the rather awkward question of what to say about precious metal coinages, which were the "main character" — if not, certainly, the only character — in monetary history for well over two thousand years. The neochartalist attempts to deal with the question of understanding the role of precious metal coinage in monetary history all ultimately stem from Alfred Mitchell Innes, who argued in 1913 that the concept of a coin could be completely subsumed under that of the token, implying in effect that what numismatics would term the "intrinsic value" of a coin — its precious metal content, as opposed to its nominal legal value — is now and has always completely irrelevant: "Throughout the whole range of history," writes Innes, "not only is there no evidence of the existence of a metallic standard of value to which the commercial monetary

[1] The critique of the myth of barter was most famously popularized, of course, by David Graeber, *Debt: The First 5,000 Years.*

denomination, the 'money of account' as it is usually called, corresponds, but there is overwhelming evidence that there never was a monetary unit which depended on the value of a coin or on a weight of metal. It is impossible within the compass of an article like this to present the voluminous evidence on which this statement is based…"[1] This astounding statement is, in fact, quite trivially false. For most of English monetary history, the monetary pound was defined as a quantity of 240 pennies, and the penny itself was defined in terms of a purity standard (sterling) and a weight standard defined by an indenture or contract that the mint master signed with the king entitling him to produce the coin of the realm. While it is certainly true that an English monetary pound, in silver, contained less silver than a pound by weight, the monetary pound was like most other monetary units of account in the pre-modern world, defined in terms of a coin that was itself defined in terms of precious metal. Innes observes that the empirical weights of coins often vary, and concludes from this that what varies must be *ipso facto* irrelevant. But this would be a strange claim to make about any sort of economic phenomenon: should one conclude that, because the prices of goods often vary, that the prices of goods are therefore irrelevant? We might rather begin with the assumption that variance is a sign of relevance: if the amount of metal in the coins varies, doesn't this mean that it was salient enough to the people who produced them to make it worth changing?

[1] L. Randall Wray and A. Mitchell Innes, eds. *Credit and State Theories of Money*, 16.

In attacking the "gold-bug" thinking and its wild-eyed insistence upon the absolute identity between a unit of account and a weight of precious metal, Innes has led himself into some dubious leaps of logic that are still echoed, over a hundred years later, by neochartalist thinkers. Following him, they seek to reduce the coin to a credit instrument, or a token whose value has nothing whatsoever to do with the fact that it is made of a rare material laboriously mined, refined, and minted into a coin — but rather depends purely on the promise of the issuing authority to take back the token it had previously issued. "A priceless gem or a worthless bit of paper may equally be a token of debt, so long as the receiver knows what it stands for and the giver acknowledges his obligation to take it back in payment of a debt due. Money, then, is credit and nothing but credit."[1] This claim is in fact equivalent to saying that the vast majority of monetary history is actually about nothing, since when rulers and their subjects from antiquity onwards worried about and fought over the quality of the coinage and the state of the public finances, they were fighting over things that have now been — scientifically, as Innes insists — demonstrated to be utterly irrelevant. Since this cannot possibly be true, and because the claims of neochartalist writers about the history of precious metal coinage reliably crumble under scrutiny, telling a more satisfactory and historically grounded story about precious metal coinage has a good chance of leading us towards a theory that can incorporate what matters about the intervention of the neochartalists while avoiding its pitfalls. Precious metal

[1] ibid., 42.

coinage may very well be, as Keynes famously quipped, a barbarous relic. But a barbarous relic cannot be properly buried if it has not been understood; thus, it continues to haunt us, and will have to be conjured up and interrogated if we are to better understand the political dimensions of the problem of money.

0.4: Sovereign Servility

There are, as we have seen, some serious limitations to the historical story about money presented by Modern Monetary Theory. But do these limitations really matter? The concerns of this theory are, after all, mostly with the here and now: why does it matter if we fudge the details of the past a bit in order to say something important about the present? Wouldn't it be worth it to get the ancient world wrong if by doing so we can get the operational realities of the present right? While I certainly hope that the reader will find the details of money's past as interesting as I do, in their own right, the stakes of what I hope to accomplish here are clearly of more than antiquarian interest. If we are to begin excavating the deep past, we must first plant our shovels in the soil of the present and then proceed backwards, layer by layer. But what is it that we are looking for, as we dig?

A common first response to MMT by those on the political left is to accuse it of being limited in perspective to the national economies of the global North. "MMT only works for the United States," is a common refrain. "What about the periphery?"

But this response, even though it does correctly identify a suspicious oversight in the rhetoric of many of the school's proponents, somewhat misses the point. That is because MMT is explicit about the conditions under which its analysis, and therefore its policy prescriptions, obtain: 1) the state issues its own money, 2) taxes in this same money, 3) borrows in this same money, and 4) has a floating exchange rate.[1] Peripheral states generally fail to meet conditions (3) and (4), since they generally find that they must borrow in dollars rather than in domestic currency and also experience pressure to peg their domestically issued currencies to a fixed exchange rate with dollars (or euros, etc) within a fairly narrow tolerance. Much of what passes for a critique of MMT, therefore, is really just a restatement of the theory's own implications: countries that lack monetary sovereignty cannot act like sovereigns. To be dependent on foreign denominated debt and foreign denominated imports is to be subjected to the foreign sector, and Subjects are not Sovereigns, as a matter of definition. Far from suggesting that colonized economies of the global periphery could solve their problems simply by printing money, the MMT framework offers a perfectly plausible account (if a thin one) of why they would find themselves unable to do so. At most, MMT might suggest that monetary sovereignty is something towards which peripheral economies might work as part of a liberation project, rather than that they should act now as though they already possessed something which they do not. So it is safe to say that this criticism, at least as posed, rather misses the mark:

[1] Bruno Bonizzi, Annina Kaltenbrunner, and Jo Michell, "Monetary Sovereignty Is a Spectrum."

proponents of neochartalism can meet this criticism with the response that it is not a criticism of the soundness of the theory, but merely a criticism of a world that the theory correctly describes.

I agree with these critics, however, that MMT has a blind spot when it comes to questions of empire… just not in the way that they think. The real question, on my view, is why, if the United States is different from other states in that it meets the criteria for monetary sovereignty and therefore cannot experience funding constraints on its fiscal policy, does it not behave *as though* this really were true? If the king really is the king, why doesn't he act like one? Why does so much of the policy debate about the federal government, from the popular to the wonky, center around the problems of deficits and debt ceilings and "where will the money come from"? The party line of the MMT school is that their analysis is technical, and "not political": they are generally at pains to deny that their analysis favors, in itself, one kind of politics or political party over another. It is just, they insist, the way the system works. In the face of this prior commitment, the only possible explanation for why the state does not in fact behave in the way that they claim it should is false consciousness: policy makers act as though fiscal policy is funding constrained, when it is in fact not, because they are simply confused about the way that the monetary system works.

Ironically, given its generally tense relationship with Marxism, the problem with MMT is, at the end of the day, that it is Hegelian… all too Hegelian. Money is an

alienated product of human social relations, which we have made and then forgotten that we made it. It is, therefore, not yet for-us what it is in-itself: we believe that it is a scarce resource only because we have misrecognized our own creation. What MMT holds out, by contrast, is the promise of an Absolute money, or a money which would be in-itself and for-itself: which would be what it is, and be known to be what it is, without any contradiction. As long as MMT explicitly distances itself from the status of *political* economy, and insists on presenting itself as most fundamentally a neutral or technocratic discourse about "operational realities," then all it can say of the proponents of austerity is that "they know not what they do." From the perspective of MMT, the self-imposition of austerity by the imperial hegemon on its own domestic economy can only be a matter of confusion.

I argue that this lacuna in the MMT theory can be filled in if we can develop a theory of austerity economics as being, first, a conscious class project rather than a result of theoretical confusion, and, second, as being imbricated with the status of the US as a global imperial hegemon. The United States, that is, is willing and perhaps even eager to crush its own domestic economy under austerity and deflation, while knowing perfectly well what it is doing, because this project is in the interest of domestic elites and also in the service of empire. The notion that there might be a conflict between the international and domestic policy priorities of a reserve currency issuer is usually called "Triffin's dilemma," after the 20th century economist Robert Triffin, who pointed out that there was a conflict in the post-War Bretton Woods

monetary system between the demand of the global financial system for dollars pegged to gold and the ability of the US to manage its own economy through fiscal policy. If the US must run a current accounts deficit, in order to supply the world with dollars, and these dollars must be exchangeable at a fixed rate for gold, then it must *ipso facto* give up its ability to stimulate its own industrial export sector through inflationary spending or devaluation. This is, essentially, a special case of what would later be called the Fleming-Mundell Trilemma or "impossible trinity," which asserts that a country cannot have a stable exchange rate, a free flow of capital, and an independent fiscal policy, all at once.[1] One of the fundamental claims of this book is, perhaps, that there is a deep history to the impossible trinity, and that imperial monetary dilemmas have been operational in monetary systems since the beginning.[2] But we will come to this in due time.

For now, I want to suggest that supplementing the "thin" sovereignty of MMT with the notion of an "imperial monetary dilemma" will produce a "thick" conception of sovereignty that will shore up some of the flaws with the theory and give it increased analytical power, especially when it comes to questions of class struggle both domestic and international. It would be able to explain, that is, why the Sovereign acts "as though" it were Subject when it comes to domestic fiscal policy and its distributional consequences. But this is, in itself, only half of the puzzle. The

[1] R. A. Mundell, "A Reconsideration of the Twentieth Century." Daniela Gabor, "The (Impossible) Repo Trinity."

[2] Mundell himself recognized the existence of this deep history, though he did not treat it in great detail. Robert A. Mundell "Monetary Unions and the Problem of Sovereignty."

other half of the puzzle is what happens when monetary sovereignty is actually exercised, as it was during the crisis of 2007 and its aftermath. To gloss over, for the moment, the technical details, we can put it this way: while the "Great Financial Crisis" is usually presented as being fundamentally a crisis of US housing mortgage markets, and it did originate in that sector, the true heart of the panic was a run on the short-term lending markets known as "Eurodollars."[1] The Eurodollar market consists of overnight lending of dollar-denominated assets which are, importantly, outside of the regulatory jurisdiction of the Federal Reserve. During normal times, these assets, which are in effect synthetic US dollars, trade within only a few basis points of the "real" dollars traded between the official Federal Reserve banks on the Fed Funds market. During the panic, however, the spread between the rate at which these Eurodollars traded (LIBOR) began to rise precipitously against the Fed Funds rate, indicating the collapse of the previous market confidence that these assets were, for all practical purposes, equivalent to "real" dollars existing within the bounds of Fed oversight. The Federal Reserve's response to this crisis was to initiate a quiet arrangement with foreign central banks to set up "swap lines" in which the Federal Reserve would supply them with dollar liquidity in order to restore confidence in overseas dollar assets and, by doing so, halt the run on short term funding markets. What this meant, in effect, was that the Federal Reserve was acting "as though" it had guaranteed these assets *when in fact it had not*.[2] The swap lines were, essentially, a

[1] Adam J. Tooze. *Crashed*. Steffen Murau, "Offshore Dollar Creation."
[2] Nina Boy. "The Backstory of the Risk-Free Asset."

retroactively issued guarantee on dollar denominated assets outside of the Federal Reserve's remit. And of what, precisely, did this guarantee consist? It consisted of a pledge to use the Federal Reserve's control of US monetary sovereignty (delegated to it, at least mostly, by Congress in 1913 through the Federal Reserve Act) to defend the value of dollar debt by means of the issuance of newly created money. Short term debt within the Fed Funds system, that is, was considered by the market to be safer than Eurodollars precisely because the Fed could do what MMT said it could do: create more dollars out of thin air in order to guarantee the debt.

The thick conception of sovereignty we are digging for, then, must be able to account for two "as thoughs": the fact that the sovereign acts *as though* it were *not* sovereign, when it comes to its domestic policy, and, in addition, the fact that the sovereign, in a crisis, acts *as though* it *had* issued a sovereign guarantee to private money when it in fact had not. In the absence of an active crisis, the sovereign refuses to recognize itself as what it really is, as sovereign. And in the midst of a crisis, the sovereign recognizes sovereignty in something that never was sovereign, but only a private contract. It is this second gesture, I suggest, that holds the key to the mystery of the first: if we can understand precisely what is at stake in the gesture by which the sovereign empties itself of its own sovereignty, in order to bestow this sovereignty as a free gift on something outside of itself, then perhaps we can understand this same sovereign's refusal, during normal times, to recognize its own sovereignty in itself as something other than a problem of confusion or false consciousness. This gesture, by

which the sovereign empties itself of its own sovereignty, sovereignly, is what I term "sovereign servility," and it can be readily found in some of the most famous figures of tragic drama, from Oedipus to Richard II. It is in tragedy, therefore, that we will go digging for answers.

0.5: The Tyrant and the Oracle

The earliest glimmer of the ideas presented here appeared to me when I noticed a certain resemblance between the plot structure of three, apparently rather dissimilar, texts: *Oedipus the King*, *Macbeth*, and a short story by the science fiction writer Philip Dick called "The Minority Report." (This latter is perhaps more well known in the form of the 2002 Stephen Spielberg movie, but this version distorts the ending of the story in such a way as to make it a completely different text.) They are, in some ways, simply three different versions of the same story, which is a story about what happens when the king finds out what the future will be. It turns out that it is not really metaphysically permissible for the king to find out what the future will be. It produces a paradox.[1] The paradox is that if the knowledge the king receives about the future is true, then it can't be useful, and if it is useful, then it can't be true. This is because if the king finds the knowledge about the future which the oracle gives him to be useful, and that means that he can act upon that knowledge; he can use it to

[1] Robert K Merton, "The Self-Fulfilling Prophecy."

change the future… in which case the knowledge he was given will turn out to have been wrong, because the future it predicted will have changed. But, on the contrary, if the knowledge he has been given must turn out to have been true, then that means that it will be entirely useless, because the future about which it is knowledge cannot be changed.

An alert reader will have noted, at this point, that the problem I have just described has a name, in the discourse of modern economics. It is called the efficient markets hypothesis.[1] But let us leave this aside for a moment and remain at the level of pure narrative, at the surface level of a simple story. As everyone knows,[2] the basic structure of the Oedipus myth is that the parents of Oedipus are informed that their child will kill his father and marry his mother, so they — reasonably enough — get rid of him. They give him to a shepherd. The shepherd is to dispose of the child, to expose it to the elements until it dies. There is nothing unusual about this. It is a common human practice. But the shepherd shies away from his duty and passes the child along to another shepherd, who takes it away to another city, where, as it happens, the child is adopted by the king of that other city. The foreign aristocracy automatically recognizes the inherent nobility of this orphan child and adopts it as its own. The child grows up and hears the same prophecy: that he is fated to kill his father and marry his mother. The child either does not know that he has been adopted,

[1] Burton G Malkiel, "The Efficient Market Hypothesis and Its Critics."

[2] As we will see in Chapter Four, what "everyone knows" about the Oedipus myth should not be taken for granted.

or it does not matter. (Perhaps there is nothing fictitious about fictive kinship.) But at any rate he, naturally enough, takes the prophecy to refer to those who have brought him up, and, in horror at its implications, he flees. This flight brings him to Thebes, his city of birth, where he encounters his father and, in an episode of classical Greek "road rage," slaughters him on the spot. He then goes on to solve the riddle of the Sphinx, for which he is rewarded with the hand of the (recently widowed) queen of the city, his mother. The moral of the story is that the king, the *tyrannos*, is helpless in the face of the oracle: knowing about the future can't help him, precisely because the oracle's knowledge is true.

In *Macbeth*, there is a similar sort of problem, but it is arranged a bit differently. *Macbeth* is what happens when we recognize that the solution produced at the end of *Oedipus the King* is unsatisfactory. The solution is unsatisfactory for the following reason: if the king actually learns the lesson of *Oedipus*, if he actually learns that his power is nothing in the face of the power of the oracle to predict his own future, then the oracle will turn out to have been defeated. Why? Because if either Oedipus, the child, or Laius, the father, had understood this lesson, and had not attempted to act in response to the knowledge which he gained from the oracle, then the oracle's prediction would not have come true. In order for what the oracle predicts to come true, someone must receive this prediction, and must act as though being in possession of this prediction made a difference. Oedipus must believe both at once that he possesses true knowledge of the future and that his possession of this

knowledge will give him the power to change what happens. If the lesson of *Oedipus* were to be incorporated into the plot of *Oedipus*, then the plot of *Oedipus* could no longer remain what it was. It would have to change. It would have to become *Macbeth*.

Macbeth does not go to visit the oracle. The oracle visits *him*, in the form of the three witches, who predict a number of things that turn out to be true and, in addition, that Macbeth will be king.[1] But Macbeth does not want to be king; he is loyal to Duncan. "If chance would have me king," he declares, "why, chance / May crown me without my stir" (I.3.142-4). It falls, then, to Lady Macbeth to goad him into fulfilling the destiny that the witches have assigned to him. Macbeth says to Lady Macbeth what the witches have said to him, but she is the one who must force him to do it — to actually carry it out, along with all of its bloody consequences. Macbeth begins with the attitude that one should have, from having learned the lesson of Oedipus: that true knowledge of the future is useless, and that therefore any action which one takes on the basis of that knowledge will inevitably be futile. So what's the point? But of course, in order for what the witches say to become true, Macbeth must actually go out and murder Duncan; he must take a kind of initiative that is incompatible with the fatalistic view he began with.

[1] This is a generic feature of medieval "political prophecies"; see Sharon L. Jansen Laech, "Political Prophecy and Macbeth's 'Sweet Bodements.'"

What we can see dramatized in these texts is a confrontation between two forms of power. One kind of power is the power to predict what will happen, which I call "the oracle." It's a power that comes from the future in order to affect the present. The other kind of power is the power to act in the world — I call it "the tyrant." It's a power that acts in the present in order to affect the future. If we read *Macbeth* as a critique of *Oedipus the Tyrant*, in the way I suggested above, then we produce a certain conclusion about the nature of the relationship between these two powers as they face off against one another. The oracle, in its confrontation with the tyrant, is faced with a certain problem, which is that it must convince the tyrant both at once that the tyrant *must* act in the ways which the oracle prescribes, in order for the predicted future to be enacted, but also that the tyrant *cannot* act in such a way as to shape the future against the oracle's wishes. The oracle, in other words, wants to show that the tyrant's agency is absolutely indispensable and absolutely impotent, both at the same time. Macbeth, having first been made to accept his indispensability by the chastisements of his wife, is forced, at the end of the play, to also learn his impotence, as he is forced to confront the fact that the prophecies which he had once taken to signify his invincibility have turned out to have been fulfilled by his defeat.

In the same way that *Macbeth* is a critique of *Oedipus,* "The Minority Report" is a critique of *Macbeth*. What happens if the tyrant accepts the lesson of *Macbeth*? Perhaps we can begin by noting that the problem for Macbeth is, in much the same way as it is for Oedipus, a problem about dynasty. What sort of action is it that the

oracle needs from the tyrant? The tyrant is the one who commits a crime in order to found a dynasty, and this is what the oracle needs him to do in order for its prophecies to come true. For Oedipus, the problem was about a dynasty founded on incest, which is to say a dynasty that reproduced without exchanging. The dynasty is supposed to be open to exchanges with the other aristocratic lineages; incest restricts the circulation of kinship among the aristocracy in a way which is illegitimate, and which must — as the story wants to show us — eventually produce the dynasty's self-annihilation. The dynasty of incest is always living on borrowed time. Macbeth, similarly, is tormented by his knowledge of dynasty's borrowed time, by the fact that the knowledge of the oracle that brought him to the kingship has also, in the same breath, put a limit on his dynasty by its promise to the heirs of Banquo. If the oracle needs the agency of the tyrant, and dynasty is the prize for this agency, how can the tyrant be persuaded to act if he knows already that the oracle has denied him this dynasty in advance?

This is the question for which Philip Dick provides an answer, in the figure of Anderton, the inventor and chief officer of a futuristic law enforcement apparatus called "Pre-Crime." This system makes use of three mutants, reminiscent of Shakespeare's three witches, who have the psychic power to predict the future: an ability which is exploited by Pre-Crime to arrest criminals before they actually commit their crimes. The plot of the story, which has the structure of a classical tragedy, begins when Anderton receives a Pre-Crime report naming himself as the

perpetrator of a murder. The plot hinges around Dick's recognition of the recursive nature of the dilemma between the tyrant and the oracle we explored above: the fact that the integration of knowledge about the future into the minds of those who act in the present might change the future, in which case there might be new knowledge produced about the future, which might itself be integrated into the minds of those who act, thus changing the future, and so on. In the story, Anderton originally commits the murder in order to protect Pre-Crime, his creation, from a plot to delegitimize it. He meets a general from a rival faction of the police state, discovers that the general is participating in a plot against Pre-Crime, and murders him. But the fact that Anderton himself is the one who reads the report of this crime changes the future: upon receiving the report, he flees and becomes a fugitive from his own security forces, and thus never encounters the general whom he would have murdered.

The Aristotelian *anagnorisis* or "recognition" that constitutes the "turn" of "The Minority Report" comes when Anderton realizes that he is now faced with a dilemma. He had originally killed in order to protect Pre-Crime, but when he received that prediction and changed it by fleeing he had actually threatened Pre-Crime itself, by demonstrating that the system might be capable of a false positive. This demonstration of the possibility of a false positive would undermine a fundamental plank of the system's legitimacy: that it never made a false prediction, and that *all* the supposed future criminals it arrested and punished *really would have* committed their

alleged future crimes if Pre-Crime had not intervened. He had killed in order to protect Pre-Crime, but now he is himself threatening Pre-Crime himself by attempting to flee. This recognition drives Anderton to seek out the rival general of his own accord and murder him, in order to fulfill Pre-Crime's prediction and thus save the system from delegitimization. The first mutant predicted he would kill, the second mutant incorporated the knowledge of the first and predicted he would flee, and the third mutant incorporated the knowledge of the second and predicted that he would decide to kill anyway, thus harmonizing itself with the prediction of the first mutant by means of a third-order derivation. The third mutant could predict that Anderton would voluntarily sacrifice himself, as the creator of the system, in order ensure the continuation of what he has created. Whereas Macbeth had gone down to the bitter end defying the inevitability of the oracle's condemnation, Anderton joyfully pulls the trigger on himself. The sovereign has become a pure servant of the continuity of a system which is over and above the sovereign's own personal dynasty, and the sovereign takes on this role willingly, in full knowledge of what he is doing.

We can see, in this act of the sovereign's willing self-abnegation, the same gesture that I called "sovereign servility" in reference to the Federal Reserve's readiness, in the midst of crisis, to recognize its own usurper in the sense of treating "synthetic" risk-free assets traded in Eurodollar markets as though they were really "authentic" risk-free assets, or *as though* they were the sovereign promises of the monetary authority itself even though they they were, in reality, only mathematical

counterfeits. Philip Dick's story is not, of course, a commentary on the events of the financial crisis, since it was written a half century earlier. But what I want to suggest is that he, like Shakespeare and Sophocles before him, understood something about the way that sovereignty was coming to be constituted in the aftermath of World War II and with the establishment of the Bretton Woods system. His story has a precognitive power of its own: it is, like any good tragedy, sensitive to the fault lines latent in the constitutional order being formed around him. Might we learn something by placing these three tyrants — Oedipus, Macbeth, and Anderton — in conversation with one another, and by taking seriously the resonance and persistence of this narrative structure across time and space? What happens if we trace the history of this problem of sovereignty by moving backwards into the past, first to early modern England, and then even further, into that classical Mediterranean antiquity which has always loomed so large in the consciousness of "the West"?

0.6: Athens, London, San Francisco

My contention is that these stories about oracles and tyrants are parables which describe a real problem in the world, which is, more or less, a problem about the relationship between politico-military power, on the one hand, and financial power or creditor power, on the other. Finance is a power that knows about the future: assets are bought and sold in a market because of the feelings of the people who buy and

sell them about what will happen in the future. And one of the things that can be bought and sold as an asset in the market is the power of kings themselves, in the form of their coins or, in more modern times, in the form of their debt. Financial markets can predict what will happen to kings by having feelings about their power, feelings that translate into price movements in the assets which represent that power, and what financial markets predict about what will happen to kings can have some very real implications for what actually happens to them.

What I have hoped to show in outlining the logic of these three stories, written in three very different locations in time and space, is that they are basically the same story, even if the details work out differently in the end. I do not know in how many different times and places we can find this same story being worked out in one way or another, but I do know that we can find some fairly clever people worrying themselves over it in 5th century Athens, 16th century London, and mid-20th century San Francisco. Why was this particular story bugging these particular people, in these particular times and places, in order to make this narrative resonance across history possible?[1] The most obvious answer, I think, is that all three of these cities are at the center of burgeoning maritime empires, and the fiscal and financial demands of naval hegemony have always and everywhere served as a powerful stimulus to social processes of monetization and financialization. These thinkers are worried about this problem because they are living through revolutionary upheavals in monetary and

[1] Michael Silverstein, "Axes of Evals."

credit relations, upheavals which necessarily pose the problem of the balance of power between the "vertical" relation of sovereignty and political power and "horizontal" relations of trust, exchange, and obligation. What changes about society and the political community when Athens begins taxing its allies to pay its jurors and sailors, or when the English Crown begins its first steps into the strange waters of deficit finance after its defeat of the Spanish Armada and subsequent rise to naval hegemony, or when the United States emerges from the rubble of WWII to find itself funding a global imperial pax through the export of green paper?[1] What has to be renegotiated amidst upheavals of this kind is a question about the obligations of sovereignty, a question about what sovereignty owes to entities which are not, themselves, sovereign, and a question about how these obligations can be enforced and what the nature of that enforcement might be.

The reason that we can find these anxieties about monetization and financialization processes being worked through in stories about oracles and the paradoxes of prophecy is because what is at stake in these struggles is the question of the extent to which sovereignty is bound by its own promises, or its own commitments to a future which has already been written. Can the sovereign unilaterally intervene into credit relations, in order to repudiate its debts, debase its own currency, seize the property of its own creditors, and so on? Or will this attempt by sovereignty to intervene into the promises about the future which seemingly bind

[1] Michael Hudson, *Super Imperialism*.

it ultimately lead to the sovereign's own downfall, such that it would be in the sovereign's own interest to submit itself to the predictions of the market and not seek to buck them, in order to preserve itself?[1] These are familiar problems for our own time, but what I hope to show in what follows is that they are very deep and old problems, older than anything we might call capitalism or industrial modernity, and that we have something to learn about our own contemporary concerns if we pay attention to this history in all of its depth.

While the temporal reach of this work is quite long, its geographical scope is limited. It is not intended to be a full survey of all monetary or quasi-monetary phenomena throughout the world. Rather, it is an attempt to trace a genealogy of the problem of monetary sovereignty in Western political philosophy, to show how the history of monetary sovereignty in the West is configured by a certain matrix of concepts and problems, and to show how this history matters for the way we talk and think about money today. I follow Christine Desan in seeing the key features of the modern monetary order as having been laid in place at the end of the English 17th century, with the so-called "Glorious Revolution" against the House of Stuart and the founding of the Bank of England.[2] The establishment of the Bank allowed the liabilities of the Crown itself to be used as a means of payment and circulating medium, allowing the European monetary system to take the first steps towards what is now called a "fiat" system, in which money is created simply by means of the

[1] Jerome Roos, *Why Not Default?*
[2] Gary W. Cox, "Was the Glorious Revolution a Constitutional Watershed?"

sovereign's "let it be." The American Dollar system, which dominates the world today, is a descendent of these reforms.

However, as I argued above, we should not be too quick to assume that the "modern" system of money really does succeed in putting the ancien regime into the past. What happens if we try to think of the modern monetary order as having repressed, rather than superseded, the monetary ancien regime? If we, that is, replace Hegel with Freud in the way we think about money's historical becoming? I want to begin asking this question in a way which is simple or perhaps even naïve. I want to ask: if the Glorious Revolution and the founding of the Bank is what happened at the end of the Stuart dynasty, then what happened at the beginning of the Stuart dynasty? If the Stuart dynasty is a problem, and the name of that problem is the English Civil War, and the solution to that problem is the Glorious Revolution and the Bank of England, then what problem is it? If the price of making money modern was that they had to chop the head off the king, then what, precisely, was at stake in that gesture? And what happened to the king, after that?

If, as Desan argues, the "fiat loop" was closed when "the government began to accept in payment what it spent in payment" — which is to say that it both spent and accepted its own debt as money, enabling the public also to use government debt as money — then the modern monetary order presupposes, as a given fact, the permanent existence of a lot of government debt. But this was not always the case in England. The founder of the Tudor dynasty, Henry VII, for example, died well in the

black, leaving behind a massive accumulation of treasure valued at 1.3 million pounds or about ten years of Crown expenses.[1] His son, Henry VIII, quickly spent this inheritance on military adventures, and went searching for additional revenues not only through taxation but also the dissolution and seizure of monastic endowments and the infamous Great Debasement of the English coinage in the final years of his reign.[2] Importantly for our purposes, one capacity which the English Crown lacked in this period was the ability to raise long-term debt: Henry VIII was able to raise only short term debt on the Antwerp money exchanges, at high rates which further intensified his rapacious search for additional revenues. His daughter Elizabeth I spent much of her long reign stabilizing the Crown finances, carrying out a recoinage of the English money on a new, lighter standard which was to be preserved more or less intact until the 20th century and the First World War, and, in addition, pursuing a long project to liquidate her dependence on foreign creditors and cultivate the Crown's access to long term, domestic credit markets centering around the foundation of the Royal Exchange in 1571. Having established herself as a prudent steward, especially in comparison to her profligate father, Elizabeth was able, for the first time, to establish the conditions under which the Crown could borrow for the long term at low rates of interest.

This was not yet, however, a true system of deficit finance. It was generally understood that the Crown might seek to borrow in times of political or military

[1] James MacDonald, *A Free Nation Deep in Debt*, 158.
[2] W C. Richardson, "Some Financial Expedients of Henry VIII."

exigency, but it was expected to retrench during peacetime, running a surplus in order to pay down the debt burden. There was still the notion that the debt of the Crown was something which needed, eventually, to actually be paid back, and Elizabeth was, in general, faithful to these basic principles of financial prudence. This traditional model was finally cast aside by her successor, James I Stuart, who has the notable distinction of being the first English monarch to run perpetual peacetime fiscal deficits.[1] The debts which he inherited from Elizabeth, due in large part to his own (newly acquired) subjects, were never paid off: they were, instead, squabbled over by Crown and Parliament for half a century until they were eventually repudiated by Charles I shortly before the outbreak of the Civil War. We can begin to see, then, that a fundamental problem in the development of government debt as a "safe asset" was the question of how to hedge this debt against the specter of dynastic instability, or what we might call "succession risk." In order to solve this problem, sovereignty had to become something other than what it had been: the arbitrary power of the sovereign had to be harnessed in such a way that it could use its power to underwrite the sanctity of sovereign debt while simultaneously preventing this power from threatening it. How can sovereign debt markets *depend* on the guarantee of sovereignty without, in virtue of that fact, becoming dependent upon and subjected to sovereignty? With these questions in mind, we are almost ready to get on to the real business, to turn our attention that to that great observer of both the late Elizabethan

[1] Ashton, "Deficit Finance in the Reign of James I."

period and the Stuart succession: William Shakespeare. But first, it will be unavoidable to say something about Marx, whose ghost is also haunting us, and will continue to haunt whatever I have to say until it is recognized and addressed. What is wrong, exactly, with the theory of Value and the notion of money as an abstract universal equivalent? It is with this question that we must begin.

Chapter One:
Metonymy and Succession

> For a coin, the road from the mint is also the path to the melting pot. In the course of circulation, coins wear down, some to a greater extent, some to a lesser. The denomination of the gold and its substance, the nominal content and the real content, begin to move apart. Coins of the same denomination become different in value, because they are different in weight. The weight of gold fixed upon as the standard of prices diverges from the weight which serves as the circulating medium, and the latter thereby ceases to be a real equivalent of the commodities whose prices it realizes. The history of these difficulties constitutes the history of the coinage throughout the Middle Ages and in modern times down to the eighteenth century.
>
> (Marx, Capital Vol. 1, 222)

1.1: What is Really Equal

Money is not a metaphor. To make this claim is to reject the dominant tradition of thinking about money in the history of Western thought, which derives, ultimately, from Aristotle, whom Marx praised as "the great investigator who was the first to analyse the value-form."[1] The fundamental proposition of this theory is that money commensurates heterogenous particularities, or, in Aristotle's words, that "money balances like a measure that makes things commensurate."[2] This is necessary, he thinks, because of the fact that human society is constituted both by mutual dependence and inequality. Everyone in society is dependent on one another, but not everyone in society is equal, and the basic function of money is therefore to make

[1] Karl Marx, *Capital Vol. 1*, 151.

[2] Nic. Eth. 1133b: "τὸ δὴ νόμισμα ὥσπερ μέτρον σύμμετρα ποιῆσαν ἰσάζει." Even more literally: "Money balances like a measure that makes things similarly measured." All translations of Greek and Latin throughout are mine; texts courtesy of perseus.tufts.edu.

equal exchange possible between persons who are fundamentally unequal: "For the community does not come about from two doctors, but from a doctor and a farmer, and an entire collection of those who are different and not equal — but there is a need for all of these to be equalized. Thus all of these must somehow became able to be fitted together… Therefore it must be that just as the house-builder is to the leather-worker, so there must be so many sandals to a house or food. If this were not the case, then there could be no exchange or community."[1]

Marx's own theory of money, which is so influential for our thinking today, is an orthodox Aristotelian one — up to a point.[2] Marx agrees with Aristotle that the basic function of money is to name relations of proportional equality between heterogenous particulars, to enable us to say that the 20 yards of linen are the equivalent of 1 coat, is the equivalent of 10 lbs of tea, and so on. He rejects, however, Aristotle's assertion that "In truth of course it is impossible that such different things might become commensurate," and that it is only as a pragmatic or customary matter that it is "sufficiently possible in relation to need."[3] There is, for Aristotle, nothing ontological about the commensuration that money accomplishes: for him, the relations of equality created by money (*nomisma*) have nothing to do with nature (*physis*) but only

[1] Nic. Eth. 1133: "οὐ γὰρ ἐκ δύο ἰατρῶν γίνεται κοινωνία, ἀλλ' ἐξ ἰατροῦ καὶ γεωργοῦ, καὶ ὅλως ἑτέρων καὶ οὐκ ἴσων: ἀλλὰ τούτους δεῖ ἰσασθῆναι. διὸ πάντα συμβλητὰ δεῖ πως εἶναι, ὧν ἐστὶν ἀλλαγή… δεῖ τοίνυν ὅπερ οἰκοδόμος πρὸς σκυτοτόμον, τοσαδὶ ὑποδήματα πρὸς οἰκίαν ἢ τροφήν. εἰ γὰρ μὴ τοῦτο, οὐκ ἔσται ἀλλαγὴ οὐδὲ κοινωνία."

[2] My discussion here is similar in broad strokes to that of Castoriadis: see Cornelius Castoriadis, "From Marx to Aristotle, from Aristotle to Us." Castoriadis, however, does not develop his critique into a concept of liquidity, as I will proceed to do in what follows.

[3] Nic. Eth. 1133b: "ᾗ μὲν οὖν ἀληθείᾳ ἀδύνατον τὰ τοσοῦτον διαφέροντα σύμμετρα γενέσθαι, πρὸς δὲ τὴν χρείαν ἐνδέχεται ἱκανῶς."

convention (*nomos*).[1] For Marx, of course, there is something ontologically real about the relations of equivalence which money establishes between different things, which is Value itself, and it is Aristotle's "lack of a concept of value" which, he claims, "prevented any further analysis:"

> What is the homogeneous element, i.e. the common substance, which the house represents from the point of view of the bed, in the value expression for the bed? Such a thing, in truth, cannot exist, says Aristotle. But why not? Towards the bed, the house represents something equal, in so far as it represents what is really equal, both in the bed and the house. And that is — human labour.[2]

Money, for Marx, "represents what is really equal," which is to say that it represents Value, which is something much more than a mere agreement, convention, or hypothesis, because it is sign of something other than itself: it is a sign of that immaterial and yet scientific substance known as *socially-necessary-abstract-labor-time*.

Now, what does it mean to say that this way of thinking treats money as a metaphor, and, if I claim that this view is wrong, then what is the alternative? I draw here on the distinction made by Roman Jakobson, in "Two Aspects of Language and Two Types of Aphasic Disturbances," between metaphor and metonymy.[3] Language, Jakobson argued, is organized around two basic poles or types of operation:

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[1] On the concept of "*nomos*," see Chapter Four, Section Five.
[2] Karl Marx, *Capital Vol. 1,* 151-2.
[3] Roman Jakobson, *Language in Literature*, 95-120.

metaphor, which operates according to relations of similarity, is opposed to metonymy, which operates by contrast according to relations of contiguity. The difference between them arises from the basic fact that what a speaker does, when they form a sentence in a language, is to first of all select words from among a set of possible choices, and then to arrange them together into the linear order of a sentence. The operation of selection works upon relations of similarity (we select one word from a set of possible words which are similar enough to one another as to be mutually substitutable) and is therefore metaphorical, while the operation of contiguity works upon relations of succession (we put words in order by having them succeed one another in a chain) and is, by contrast, metonymic.

To illustrate this, let us consider two examples from *Richard II*. The distinction between metaphor and metonymy can be readily grasped if we consider two possible names for the king: 1) lion, and 2) crown. When Richard names himself "Lion" ("Rage must be withstood. Give me his gage. Lions make leopards tame," I.1.173-4) in his rebuke of Mowbray, he is engaging in a metaphorical substitution: the king is like a lion because the king and the lion share certain similarities, in terms of their personal qualities and in their relations to and power over other beings. "Lion" is a metaphor for "King" because they are similar. But when Richard names himself "Crown" ("For every man that Bolingbroke hath pressed to lift shrewd steel against our golden crown…" III.2.59-62) he is engaging in a kind of substitution which is, by contrast, metonymic: the King is not similar to the Crown, but contiguous with it.

When we speak of kings, it is not uncommon for us to go on to speak of crowns: the two are related not because they are similar to one another, but because they share a context or are often found together in the same kinds of linguistic situations. “Crown” is thus a metonym for “King” because they are contiguous.

The line of thinking about money which runs from Aristotle to Marx is, therefore, a theory according to which money is not only a metaphor, but a metaphor which is troubling precisely insofar at it seems to be a metaphor with potentially absolute power, a metaphor with the seemingly unlimited ability to render everything similar to everything else: “In one way, then,” says Aristotle, “it seems that every sort of wealth has to have a limit. Yet, if we look at what actually happens, the opposite seems true, for all wealth acquirers go on increasing their money without limit.”[1] This state of affairs introduces a note of absurdity into the entire idea of monetary wealth: “Yet it is absurd for something to be wealth if someone who has lots of it will die of starvation, like Midas in the fable, when everything set before him turned to gold in answer to his own greedy prayer.” He is echoed in these sentiments by Marx, who writes that “the hoarding drive”

> is boundless in its nature. Qualitatively or formally considered, money is independent of all limits, that is it is the universal representative of material wealth because it is directly convertible into any other commodity. But at the same time every actual sum of money is limited in amount, and therefore has only a limited efficacy as a means of purchase. This contradiction between the

[1] Arist. Pol. I9

> quantitative limitation and the qualitative lack of limitation of money keeps driving the hoarder back to his Sisyphean task: accumulation. He is in the same situation as a world conqueror, who discovers a new boundary with each country he annexes."[1]

The hoarder's paradox is, for Marx, resolved by the development of the capital form, or the ability of the capitalist to accumulate wealth without hoarding money through the pursuit of relative surplus value capitalization.[2] It is this apparent resolution, and the reappearance of the hoarder's paradox in the higher dialectical form of the crisis of overaccumulation and general glut, that forms the core of his theory. But this does not need to concern us for the moment. For now, we simply need to see that Marx's thinking about money as "that which represents what is really equal" is deeply influenced by the Aristotelian notion of money as a master metaphor, which has the power to render anything and everything commensurate and thus introduces the dialectic of limits and the unlimited that forms the core contradiction at the heart of the monetary form.[3]

This is a venerable and persuasive view. What is wrong with it? Perhaps we can make some progress if we consider the possibility that Aristotle has not drawn the right lesson from the story of King Midas, whose touch turns everything to gold. "It is absurd for something to be wealth," says the philosopher, "if someone who has lots of

[1] Karl Marx, *Capital Vol. 1*, 230-1.

[2] Robert Meister, "Reinventing Marx for an Age of Finance."

[3] c.f. Adam Smith: ""a measure of quantity, such as the natural foot, fathom, or handful, which is continually varying in its own quantity, can never be an accurate measure of the quantity of other things; so a commodity which is itself continually varying in its own value, can never be an accurate measure of the value of other commodities." *The Wealth of Nations*, 51.

it will die of starvation." But he does not stop to investigate the conditions under which someone who has a lot of money might die of starvation, for non-mythological reasons. Under what circumstances will the holder of money be forced to learn the lesson of King Midas? "Even if we need nothing now," says Aristotle, "were we to need something in the future, money acts as a sort of pledge that it will be available to us, since it must be possible for the person who brings it to get what he wants." But in virtue of what is money capable of acting as a pledge for what we will want in the future, and in the absence of what will it fail to uphold what it has promised? Aristotle does not say. But the answer is simple: a person who has a lot of money might die of starvation if they cannot access a market in time and space, bring their money there, and exchange it for food ("My kingdom for a horse!" cries Richard III, in a situation of extreme illiquidity; V.4.7). Money, in itself, cannot be wealth, because it is lacking something outside of itself that it needs, in order for it to have value as money. What it lacks is a market. In order for money to be wealth, it is necessary for a market to exist. This is a statement which is so trivially obvious that its implications have not often been considered in the detail they deserve.

Historically, political economy has tended to consider the existence of the market itself as what modern economists would call a "positive externality." That is, the fact that there is a market at all, in the first place, is conceived of as a free good that falls from the sky, for which nobody has to pay a price to anybody else. This illusion has been produced by the historical narrative underlying the Aristotelian theory of

money: namely, that money arises, historically and logically, out of a prior system of exchange. Human beings exchange things, and in exchanging things they implicitly establish proportional comparisons between them, and out of this system of equivalences arises — or is "crystallized," as Marx puts it — the general equivalent which we call "money." The idea is, basically, that exchanging things with one another is what people do, and money makes this easier, and so the use of money is agreed upon by people as a way to make this whole process more rational and convenient: "At first they were simply divided out by size and weight, but finally people placed stamps [*charaktēra*] on them, in order to save themselves the measuring, for the stamp [*charaktēr*] was placed as a sign [*sēmeion*] of the amount."[1] Money, for Aristotle, is, for reasons of convenience, stamped with a sign that "characterizes" it, or is given a name that it is identical with its substance, such that the name of the money can come to stand in for the substance of the money, which frees the users of money from the necessity of having to "get in touch" with this substance in the sense of weighing it, assessing its purity, and so on.

In adapting Aristotle's theory to his own conditions, Marx is faced with a special difficulty. Like Aristotle, he believes that the money form arises out of relations of exchange which arise spontaneously, without the necessity of asking whether or not a market exists:

[1] Arist. Pol. 1257a: "τὸ μὲν πρῶτον ἁπλῶς ὁρισθὲν μεγέθει καὶ σταθμῷ, τὸ δὲ τελευταῖον καὶ χαρακτῆρα ἐπιβαλλόντων, ἵνα ἀπολύσῃ τῆς μετρήσεως αὐτούς: ὁ γὰρ χαρακτὴρ ἐτέθη τοῦ ποσοῦ σημεῖον."

> Gold confronts the other commodities as money only because it previously confronted them as a commodity… Gradually it began to serve as universal equivalent in narrower or wider fields. As soon as it had won a monopoly of this position in the expression of value for the world of commodities, it became the money commodity, and only then, when it had already become the money commodity, did… the general form of value come to be transformed into the money form.[1]

Marx's difficulty arises because he has to adapt this theory to a world in which the vast majority of money is made of paper, rather than precious metals. It seems that money is, in fact, nothing but its stamp, and that the name of money no longer simply verifies the substance of money, as it does in Aristotle, but in fact replaces it. Ironically, this would not have been a problem for Aristotle (since he believes that the relations that money establishes between commodities are merely conventional), but it is a problem for Marx, who wants to argue that money itself can serve as a general equivalent only because it is itself a commodity endowed with Value in virtue of the fact that it is the product of human labor: "Therefore, even if we know that gold is money, and consequently directly exchangeable with all other commodities, this still does not tell us how much 10 lb. of gold is worth, for instance. Money, like every other commodity, cannot express the magnitude of its value except relatively in other commodities. This value is determined by the labour-time required for its

[1] Karl Marx, *Capital Vol. 1*, 162-3.

production."[2] Gold can be money only because it is the product of labor, but at the same time money does not need to be, and is not, gold at all.

In order to solve this problem, Marx will need to argue that "although the money that performs the functions of a measure of value is only imaginary, the price depends entirely on the actual substance that is money. The value, i.e. the quantity of human labour, which is contained in a ton of iron is expressed by an imaginary quantity of the money commodity which contains the same amount of labour as the iron."[1] His solution involves the positing of a spontaneous tendency, inherent in money itself, towards derealization: "For a coin, the road from the mint is also the path to the melting pot. In the course of circulation, coins wear down, some to a greater extent, some to a lesser. The denomination of the gold and its substance, the nominal content and the real content, begin to move apart."[2] This fact that coins wear as they circulate, for Marx, produces a "spontaneous tendency of the process of circulation to transform the coin from its metallic existence as gold into the semblance of gold, or to transform the coin into a symbol of its official metallic content."[3] Marx is therefore able to account for the fact that most money is "inconvertible paper money issued by the state and given forced currency," while at the same time maintaining that "this money emerges directly out of the circulation of metallic money."[4] All of this is made

[2] ibid., 186.
[1] ibid., 190.
[2] ibid., 222.
[3] ibid., 222.
[4] ibid., 224.

possible by the fact that for Marx money is, inherently and already, a metaphor: paper can serve as a metaphor for gold precisely because money in the form of gold was already, itself, a metaphor for Value.

There are a number of problems with this story, which we will explore more fully in what follows. The most immediately obvious problem is that Marx seems to imply here that it is the wearing down of coins that sends them "on the path to the melting pot." This is a strange assertion, because it is not light or worn coins that tend to be melted down, but heavy ones, a fact of which, elsewhere, he seems to be aware: "The metal that was estimated below its value was withdrawn from circulation, melted down and exported."[1] In other words, it is not the fall of the intrinsic value of coinage below its nominal value over the course of wear that motivates melting, but rather the opposite: the rise of intrinsic value above the nominal valuation of the coin.[2] Marx, here, is either conflating or deliberately glossing over two rather distinct phenomena: the first is the melting of undervalued coins by private individuals in order to exploit the fact that the intrinsic value of the metal is higher than the nominal value of the coin, while the second is the wholesale recalling and re-coining of worn money by the state. The crucial point for the moment is that the spontaneous divergence between nominal and intrinsic value caused by the wear of circulation does not put coins on the "path to the melting pot," but *away* from it. In fact, recalling worn coinage to the mint is an extremely difficult and tricky task which requires massive investments of

[1] ibid., 190-1 f. 4.
[2] This phenomenon will be explored in more detail in Chapters Two and Three.

energy and resources on the part of states — and is a project at which they tend to be only more or less successful.[1]

1.2: The Counterfactuality of Value

Why does Marx make this curious conflation of the vastly different circumstances under which private individuals or states might be motivated to melt down coins? The reason is that he wants to argue against what he calls the "extraordinary notion" that, "unlike all other commodities," the price of gold, and therefore of money, "is fixed by the State."[2] While Marx recognizes that "the business of coining, like the establishing of a standard measure of prices, is an attribute proper to the state,"[3] he is determined to show that the power of the state is limited to a mere ratification of the immanent laws of Value, and that any attempt by the state to intervene into money itself must be neutral in value-terms: "the issue of paper money must be restricted to the quantity of gold (or silver) which would actually be in circulation, and which is represented symbolically by the paper money… If the paper money exceeds its proper limit, i.e. the amount in gold coins of the same denomination which could have been in circulation, then, quite apart from the danger of becoming universally discredited, it will still represent within the world of commodities only that quantity of gold which is fixed by its immanent laws." The existence of a money with full intrinsic value is a

[1] Glyn Davies, *A History of Money*, 170.
[2] Karl Marx, *Capital Vol. 1*, 195 f. 12.
[3] ibid., 222.

counterfactual that rules over what actually happens: the symbolic money which comes to substitute for it is incapable of actually expanding the "real" supply of money beyond what "would actually be" in circulation if the money happened to be full-bodied.

In order to show that an alteration of the value of money is sterile[1] with regard to the system of value relations which it metaphorizes and represents, Marx invokes an equilibrium argument: "a change in the value of gold does not prevent it from fulfilling its function as measure of value. The change affects all commodities simultaneously, and, therefore, other things being equal, leaves the mutual relations between their values unaltered."[2] Here, he is arguing that a change in the value of money is reflected in a perfectly reciprocal change of the prices of the commodities which money expresses, leaving their value unchanged. If the value of money doubles, then the price of commodities must fall by half, which means that their values will remain the same. Since this process happens "simultaneously," he is here arguing that monetary interventions must be sterile in real terms, even in the short run. He contradicts himself on this point, however, a few pages later:

> when money begins to function as a measure of value, when it is used to determine prices, its value is presupposed. If that value falls, the fall first shows itself in a change in the prices of those commodities which are directly exchanged with the precious metals at their source. The

[1] i.e. causally inert, but see Chapter Four.
[2] ibid., 193.

> greater part of all other commodities, especially at the less developed stages of bourgeois society, will continue for a long time to be estimated in terms of the former value of the measure of value, which has now become antiquated and illusory. Nevertheless, one commodity infects another through their common value-relation, so that their prices, expressed in gold or silver, gradually settle down into the proportions determined by their comparative values, until finally the values of all commodities are estimated in terms of the new value of the monetary metal.[1]

Here, Marx acknowledges that the effects of inflation driven by a money supply expansion may happen unevenly in time and space, due to the fact that the new money must begin by entering the system of commodity exchange at a particular geographical location; the new supplies of gold enter the economy at the point at which they are mined, and first bid up the prices of the goods for which they are directly exchanged at this point of origin. Here, the process of equilibration by which the mutual relations of value that obtain between commodities is restored gradually, rather than simultaneously.

Marx does not seem to be able to make up his mind as to whether monetary interventions are sterile only in the long run, or in the short run as well. Perhaps this is one reason that he is eager to assume the problem away: "Henceforth," he says, "we shall assume the value of gold as a given factor, as in fact it is if we take it at the moment when we estimate the price of a commodity."[2] In the language of semiotics,

[1] ibid., 214.
[2] ibid., 214.

we can say that Marx is here insisting that the system of Value can be understood purely in terms of what Saussure called the "synchronic axis," or the system of language which exists at the single moment in which an utterance is made, as opposed to the "diachronic axis" along which languages themselves change over time — and which makes, for example, Shakespeare's idea of "English" somewhat different from our own. We can assume away completely, he argues, any secular change in the value of money over time, which is a mere appearance that masks the reality of the value process. In fact, he argues, it does not even make sense to ask about the price of money, since this will turn out to be nothing but a pure tautology: "Money has no price. In order to form a part of this uniform relative form of value of the other commodities, it would have to be brought into relation with itself as its own equivalent."[1] Money, for Marx, is pure self-identity. It is what it is. It is, therefore, strictly meaningless to ask what it is or what it is worth, in terms of itself. In becoming absolutely what it is or absolutely self-identical, money loses any substantial content of its own, and becomes nothing but a metaphor of the entire system of commodities which it has come to represent.

We can, of course, point out that money does have a price with which it can be compared to itself. The price of money in its own terms is just the rate of interest, or the price in money that one must pay for using money.[2] But saying this is not enough,

[1] ibid., 189.

[2] Mehrling speaks of the *four* prices of money. See Perry Mehrling, "The Economics of Money and Banking."

perhaps, because the justification of interest itself is open to being called into question. We could say not only that it is immoral, as a normative claim, but also that it is unproductive, as an analytical one; that it does not generate Value, and that it is — as Marx argues in Capital Vol. 3, which we will examine more closely below — therefore a mere zero sum transfer of Value which is actually created elsewhere and by others to the lender. We could, in other words, condemn the lending of money at interest as usury, a gesture which would be well in agreement not only with Aristotle ("money-dealing [*obolostatikē*, lit: "obol-weighing"] is reasonably detested, since it is from money itself that there is profit and not from that for which money is devised"[1]) but also with what Tawney identified as the Thomistic inheritance of Marx: "The essence of the argument was that payment may properly be demanded by the craftsmen who make the goods, or by the merchants who transport them, for both labor in their vocation and serve the common need. The unpardonable sin is that of the speculator or the middleman, who snatches private gain by the exploitation of public necessities. The true descendant of the doctrines of Aquinas is the labor theory of value. The last of the Schoolmen was Karl Marx."[2] The task, then, is not to defend the charging of interest as normatively justified, but to show how it is both analytically necessary to account for the phenomena that Marx wants to describe and also missing from his story.

[1] Arist. Pol. 1258b: "εὐλογώτατα μισεῖται ἡ ὀβολοστατικὴ διὰ τὸ ἀπ᾽ αὐτοῦ τοῦ νομίσματος εἶναι τὴν κτῆσιν καὶ οὐκ ἐφ᾽ ὅπερ ἐπορίσθη."

[2] R.H. Tawney, *Religion and the Rise of Capitalism*, 27.

The standard Marxist view of finance is to treat it as analytically posterior to commodity exchange: finance and the credit system, according to this story, arise out of "the sphere of circulation," or from the need to bridge the spatiotemporal gap between the production of commodities and the realization of their values in sale and consumption. I will argue, in contrast, that finance is both historically and analytically anterior to commodity exchange, and that if we attempt, like Marx and Aristotle, to describe commodity exchange independently from a theory of finance, we end up describing something which is both impossible and logically incoherent. In doing so, I follow the line of argument introduced by Robert Meister in "Reinventing Marxism for an Age of Finance:"

> what Marx narrowly called "the realization problem" is precisely what mainstream economists (just as broadly, but no less crudely) describe as the existence of "a market" for one's goods and services. In both cases, what is at stake is quite simply the ability to monetize one's price and thus raise funds. Marx rightly describes this as a problem, and not an equilibrium, but he did not see that what it means to problematize "a market" is to question its liquidity — to ask whether it exists at all. The potential inability to raise funds — literally, to get (or "realize") money — is of course inherent in all financial assets other than money itself, the inner secret of which is that it does not have to be spent. So, the "realization" (or liquidity) problem that Marx identifies as causing disaccumulation-by-crisis is attributed by him to a hoarding of money — what Keynes called a heightened "preference" for liquidity — in times of economic turbulence. Like all liquidity problems, Marx's realization problem results in a reduction of asset valuation. It differs from other financial devaluations only insofar as the

> assets themselves are also produced means of production, and not merely produced vehicles of accumulation.[1]

As Meister argues, the crucial intervention of Marx into political economy is his development of the theory of capitalized relative surplus value, which is what enables the capitalist to accumulate wealth without hoarding money by investing it into fixed capital assets that serve both at once means of production and vehicles of accumulation. Fixed capital can be used in this way because it is collateralizable on a market: that is, the capitalist can raise funds by pledging the relative surplus value he hopes to harvest in the future (by raising the organic composition of his capital and thus lowering his cost-price below the market value of what he produces) as collateral in order to borrow the money he requires now in order to purchase the circulating capital (labor and materials) that constitutes the consumable inputs of the production process. The point here is that fixed capital can only be valued in money terms — which is to say that it can only be capital as such — insofar as a market exists in which it can be bought and sold and therefore priced. While Marx correctly saw that the crisis of overaccumulation and general glut which he theorized would lead to a run on money (or a liquidity crisis) and thus a failure of capital markets, he was unable to see that the problem of the market's existence is, in fact, "there from the

[1] Robert Meister, "Reinventing Marx for an Age of Finance."

beginning" in the sense of needing to be theorized before we can go on to talk about coats being exchanged for linen and tea and bibles at all.

Marx is well aware that when he describes the market as a system of equalities (or, in his terms, when he assumes that all commodities trade at their values) he is describing something counterfactual. He knows perfectly well that the prices of commodities on the market fluctuate over time, but for him this is just a phenomenal veil over the noumenal reality of Value:

> Classical political economy… soon recognized that changes in the relation between demand and supply explained nothing, with regard to the price of labour or any other commodity, except those changes themselves, i.e. the oscillations of the market price above or below a certain mean. If demand and supply balance, the oscillation of prices ceases, all other circumstances remaining the same. But then demand and supply also cease to explain anything… A longer period of oscillation in the market price was taken, for example a year, and the oscillations were found to cancel each other out, leaving a mean average quantity, a constant magnitude. This naturally had to be determined otherwise than by its own mutually compensatory variations.[1]

It is important, here, to recognize the implied metaphysical schema that structures Marx's view: what is ontologically primary is the "mean average quantity, a constant magnitude," in relation to which the contingent movements of prices are purely derivative. The identity of Value is necessary and essential, while the difference of price is contingent and accidental. We can see here in his conception, perhaps, a little bit of Kant and a little of the Scholastics.

[1] Karl Marx, *Capital Vol. 1*, 678.

But what Marx did not see is that describing the market in this way is to describe something which is not only counterfactual but also logically impossible. Marx's phenomenological account of market exchange is, in fact, the condition of impossibility of the market: if the market works like Marx says it does, then it doesn't — and cannot — exist at all. To see this, let us return to every Marxist's favorite playground: the world of M-C-Ms and C-M-Cs, or what Marx called "the general formula for capital." Marx's inquiry begins, of course, with the observation that nobody would ever enter the market in order to buy a commodity (M-C) simply to sell it again for the same price (C-M). An actor engaging in such a trade must, therefore, be doing so in anticipation of making a profit, represented by M'. The formula M-C-M' therefore represents the logic of market exchange from the perspective of the capitalist, who buys a collection of commodities including labor for money in order to throw them into production and sell the result for more money than he began with. All of this is obvious and well known, so we do not need to linger over it any longer. What Marx seems to pass over in his analysis, however, is the fact that C-M-C exchange is, in itself, equally as absurd. Why? Because it is not possible to enter the market to sell a commodity (C-M) and then immediately leave the market by taking the money and repurchasing the same commodity that was just sold (M-C).[1] Any time that I enter the market demanding to transact, I must necessarily find that the price at which I can sell my commodity is lower than the price at which I would

[1] To assume otherwise is to assume that the market in repo is being made for free and that all transactions therefore come with a free money-back guarantee.

be able to purchase it. This is because of the fact that if there were not a "bid-ask spread," or a difference between the quoted prices at which some given commodity can be bought or sold, then there would be no incentive for anyone to be in the market waiting for me to show up. In this case, nobody would be able to get paid for making the market, which means that the market would not exist… which would mean that my money would cease to be money, at all.

1.3: A Price Besides Its Own Price

Money requires something outside of itself to be money, in the absence of which the holders of the money asset will learn, like Midas, that they cannot eat it. What it requires is the existence of a market, i.e. the existence of a monetized economy in which money can be spent on demand. In the absence of a market, my desire to engage in the transaction M-C cannot be met "on demand" but rather requires the the appearance, in time and space, of a perfectly complementary actor desiring the opposite transaction: C-M. This observation differs from what the economists call the "double coincidence of wants" because the latter is a problem that they take to be solved by money: money, according to this theory, is what saves us from having to spontaneously find someone who wants what we have and has what we want in order to engage in exchange. But the point here is that money itself is not enough: in order for money to be spent, there must exist a place where the holders of money can go in

order to have their demands to transact accommodated, and this place must literally and physically exist in time and space. And if I am to go there and demand to transact, there must be someone else there, waiting for me, who accommodates the demand to transact without demanding it themselves. This person is "the dealer."

Both the capitalist and the proletarian theorized by Marx are examples of what Jack Treynor, in "Economics of the Dealer Function," calls "time-motivated investors."[1] Both, that is, have inflexible needs to transact in a certain direction and at a certain time. The worker needs to sell their labor and also needs to buy consumption goods, and cannot wait to do either one. The capitalist, on the other hand, not only needs to purchase circulating capital and to sell consumption goods, but also requires the ability to sell fixed capital itself (at least potentially). While the capitalist might be somewhat time-flexible in their need to buy fixed capital, in order for it to function as collateral — and thus to have a value as capital — it needs to have some degree of "liquidity," or the ability to be sold on demand, since banks do not lend against collateral that they cannot foresee being able to sell themselves in the event of foreclosure, because banks are not in the business of holding seized collateral on their own books and managing it as a going concern. Both proletarian and capitalist are, therefore, in virtue of their subject positions, fairly inflexible about the direction and time in which they need to transact using money if they are to meet what we could call their "survival constraints" — figuratively, in the case of the capitalist firm, and

[1] Jack L. Treynor, "The Economics of the Dealer Function."

literally, in the case of the proletarian. The only dimension of transaction in which these actors have any flexibility is: the price.

In the system of market exchange, therefore, these "time investors" are complemented by another actor who accommodates their demand to transact: one who is flexible about both time and direction of transaction, but who is, by contrast, inflexible about price. The dealer is willing to be either a buyer or a seller, and at any time, depending on the price that their counterparty is willing to pay. The dealer, as we will see when we consider the Treynor model in more detail later, in fact makes itself inflexible by quoting a price, thereby constituting what is called the "inside spread." We cannot yet, however, take our leave of Marx and turn to Treynor, because it is not quite fair to say that he is completely unaware of the existence of dealers, or lending at interest, or the rest of it, even if he assumes these things away in the course of his discussion in Capital, Volume I. We will need to examine his analysis of finance and the credit system in Capital, Volume III, in order to show what is inadequate about Marx's attempt to begin by assuming finance away in order to derive it again later. To do so would be to motivate the project of rethinking Capital again, from the beginning, in a different way.

Marx begins his discussion of finance (or what he calls "merchant's" or "trading" capital) in Volume III by distinguishing between two basic forms: "commercial" capital and "moneydealing" capital, which he addresses separately and in that order. The first thing to observe about his theory of commercial capital is that he takes it to

be the "separation" or abstraction of a "pure form" of commercial capital as distinguished from the "real functions" of "transport… storage, and the dispersal of goods into a distributable form," which are more properly understood as a "production processes that continue within the process of circulation."[1] He is here, as Tawney argued above, firmly within the Thomistic tradition of drawing a hard distinction between the real labor of the merchant in hauling goods and the "unpardonable sin" of speculation or pure intermediation. What we should note, in addition, is that all of these activities are involved in the work of "making the market" in time and space, or of making it possible for goods to be exchanged for money at specific geographical points. But "we only have the pure form" of commercial capital, says Marx, "once these functions are discarded and removed."[2]

We now need to ask what this pure form is, and what is its role in the reproduction and expansion of Value. It goes without saying that it is foreign to the entire worldview of Marx to think that "buying low and selling high," or pure price arbitrage over time and space, could be anything other than a zero-sum game in the aggregate: "Commercial capital is nothing more than capital functioning within the circulation sphere… In the process of circulation, no value is produced, and thus also no surplus-value. The same value simply undergoes changes of form. Nothing at all happens except the metamorphosis of commodities, which by its very nature has

[1] Karl Marx, Capital Vol. 3, 379.
[2] ibid., 380.

nothing to do with the creation or alteration of value."[1] But Marx does not in fact think that commercial capital is purely sterile, or that the dealer in commodities is a pure parasite on the productive economy.[2] Why? Marx begins by recognizing what we identified above as the time-inflexibility of the industrial capitalist: "If the linen producer had to wait until his linen really had ceased to be a commodity, until it had passed to its final buyer, the productive or individual consumer, then his reproduction process would be interrupted. Or, in order not to interrupt it, he would have to restrict his operations…"[3] The point, basically, is that if the capitalist firm took it upon itself to manage the "capital functioning within the circulation sphere" — or in other words the capital involved in the "real" work of bringing commodities to money in time and space — then this would be so much capital that could not be thrown back into the direct production process itself.

The capitalist firm therefore contracts out this work of managing capital in the sphere of circulation to the merchant, who advances money to the capitalist in exchange for his commodities and thus makes it appear, from the standpoint of industrial capital, that the surplus value embodied in those commodities has already been realized: "As far as the linen manufacturer is concerned, he has realized the value of his linen with the merchant's money."[4] This exchange allows the capitalist to "swap" positions within the "general formula of capital" with the merchant: it is now

[1] ibid., 392.
[2] Michel Serres, *The Parasite*.
[3] Karl Marx, Capital Vol. 3, 387.
[4] ibid., 381.

the merchant who appears to be engaging in exchange from the perspective M-C-M', while the capitalist is freed to engage in the transaction that Marx names C'-M-C: "The linen producer sells his commodity, the linen, transforming it into money; the buyer's money passes into his hands. With this same money he buys yarn, coal, labour, etc., parting with this money once again in order to transform the value of the linen back into the commodities that form its elements of production. The commodity he buys is not the same as the commodity he sells, it is not a commodity of the same kind."[1]

The important point here is that, for Marx, the relation between commercial capital and industrial capital is simply a division of duties within the capitalist class itself. What commercial capital does is something that industrial capital needs to do and could have done itself, and that is included in the amount of socially necessary abstract labor time that is required in order to complete the full cycle of the "metamorphosis of commodities." What appears to be an arbitrage profit, and thus a process that is sterile in value-terms, turns out to be really a share of surplus value accruing to commercial capital as its due for managing capital in the sphere of circulation.[2] The reason for this division of duties is simple: transaction costs. Marx argues that the management of circulating capital directly by industrial firms would incur higher costs than those which can be achieved by dedicated commodity dealers who take advantage of specialization and economy of scale: "It takes no more time to

[1] ibid., 383.
[2] ibid., 396.

reckon with large figures than with small. It takes ten times longer to make ten purchases of £100 than one purchase of £1,000. It takes ten times as much correspondence work, paper and postage to write to ten small merchants as to one big one."[1] The overall function of commercial capital, then, is to produce profit directly in the sphere of circulation by pushing the cost-price of marketing and distribution below its socially necessary average value, in much the same way that the industrialist does when he pursues relative surplus value through the accumulation of fixed capital.

But what of "money-dealing" capital? Marx, as we saw above in Volume 1, thinks that it is absurd for money itself to have a price, since in order for this to be possible "it would have to be brought into relation with itself as its own equivalent."[2] His elaboration of this point, in Volume 3, is revealing in that it lays bare the deep connection between the problem of Value and the semiotics of metaphor:

> Interest as the price of capital is a completely irrational expression right from the start. Here a commodity has a double value, firstly a value, and then a price that is different from this value, although price is the money expression of value. Money capital is at first nothing more than a sum of money, or the value of a certain quantity of commodities assessed as a sum of money. If a commodity is lent as capital, this is only the disguised form of a sum of money. For what is lent as capital is not a certain number of pounds of cotton, but rather a certain amount of money that exists in the form of cotton as the cotton's value. The price of capital therefore relates to it as a sum of money, even if not as currency… How then is a sum of value to have a price besides its own price, besides the price that is expressed in its own money form? Price, after all, is the value of the commodity as distinct from its use-value… A price that is qualitatively distinct from value is an absurd contradiction.[3]

[1] ibid., 409.
[2] Karl Marx, *Capital Vol. 1*, 189.
[3] Karl Marx, *Capital Vol. 3*, 475-6.

Price, says Marx, is the money expression of value. Price is the way that money metaphorizes commodities by expressing what it is that makes them similar to one another, and thus arranges them along what Saussure called the paradigmatic axis or the axis of substitution. All capital that exists in any form is, therefore, merely a metaphor of money, which is the master metaphor of Value: this is the meaning of Marx's assertion that the cotton is just a "disguised form of a sum of money" and that the capital that is lent is really just "a certain amount of money that exists in the form of cotton." The price of money, therefore, just is the amount of money that it is: the price of ten dollars is $10, because the price $10 signifies ten dollars worth of Value. If we were to call the rate of interest at which I could borrow that same $10 "the price of money," therefore, then we would be saying that money had two different prices both at once. It would have "a price besides its own price." And this is what Marx takes to be an "absurd contradiction," which renders it "completely absurd… to try to apply directly the simple relationships of exchange mediated by money, buying and selling, to this phenomenon."[1] Money's absolute self-identity limits any possible self-reference to pure tautology: money cannot "say something" by speaking its own name, because all it can say is that it is what it is.

We could summarize Marx's views on interest and money-dealing capital by saying that interest, for Marx, is not the "price of money" because it is, instead, the

[1] ibid., 476.

cost of capital — or the price, not of the capital itself, but of the investment opportunity that the lender gives up when they alienate it: "The use-value of money lent out is its capacity to function as capital and as such to produce the average profit under average conditions."[1] Interest is not the money name of money at all, but rather the money name of capital itself. What the lender is really alienating when they lend, he argues, is not the value of the money ("the lender remains the owner of this value throughout, even after it has been transferred from him to the borrower")[2] but rather its use-value as capital, or its ability to be invested into production and produce a profit. The receiver of the loan must therefore share a part of the profit that is produced by this investment with the lender: "the whole profit cannot fall to the borrower. Otherwise, he would pay nothing for the alienation of the use-value. He would only repay the money advanced to the lender as simple money, not as capital."[3] What Marx is essentially saying here is that there is no such thing as a money market except insofar as it is a capital market: "Capital itself appears here as a commodity in so far as it is offered on the market and the use-value of money as capital really is alienated. Its use-value however is to produce a profit. The value of money or commodities as capital is not determined by their value as money or commodities but rather by the quantity of surplus-value that they produce for their possessor."[4]

[1] ibid., 474.
[2] ibid., 474.
[3] ibid., 475.
[4] ibid., 477.

Now, the question is what determines this cost of capital, or the amount of the total surplus-value realized by the investment that the industrialist must alienate to money-dealing capital in payment. Marx's answer is… nothing:

> Here competition does not determine divergences from the law, for there is no law of distribution other than that dictated by competition; as we shall go on to see, there is no 'natural' rate of interest. What is called the natural rate of interest simply means the rate established by free competition. There are no 'natural' limits to the interest rate. Where competition does not just determine divergences and fluctuations, so that in a situation where its reciprocally acting forces balance, all determination ceases, what is to be determined is something inherently lawless and arbitrary.[1]

The interest rate, says Marx, is set by a purely arbitrary struggle between two distinct social groups: industrial capitalists, on the one hand, and a group of rentiers on the other, who "by the labours of their ancestors find themselves in the possession of funds sufficiently ample to afford a handsome maintenance from the interest alone… who are unwilling to take the trouble of employing [the capital] themselves."[2] These rentiers therefore loan out the capital to the industrial capitalists, who employ it productively, in exchange for a share of the returns. It is thus a form of struggle or confrontation between social factions that is open to historical contingency rather than determined by the immanent laws of Value: "How the two parties who have claims on this profit actually share it between them is as it stands a purely empirical fact, pertaining to the realm of chance, just as the respective shares in the common

[1] ibid., 478.
[2] Marx, *Capital Vol. 3*, 483-4. Quoting Ramsay.

profit a business partnership are distributed among its various members."[1] But unlike the class struggle between workers and capitalists over the wage share of value, or the struggle between capitalists and landlords over the rent share of surplus-value, the struggle over the interest share of profit is not based, for Marx, on any qualitative distinction. Workers are qualitatively distinct from capitalists, and capitalists are qualitatively distinct from landlords, but this does not hold of the relationship between capitalists and lenders: "Here, on the contrary, the qualitative distinction proceeds from the purely quantitative division of the same piece of surplus-value"[2] Despite Marx's protestations that interest is something absurd, irrational, lawless, and arbitrary, however, there remains a fundamental way in which it is governed by some sort of intelligible process. In fact, Marx at first seems to blatantly contradict himself when he asserts, a little later, that the prevailing rate of interest is in fact determined by the average rate of profit:

> The rate of interest is related to the profit rate in a similar way that the market price of a commodity is to its value. In so far as the rate of interest is determined by the profit rate, this is always through the general rate of profit and not through the specific profit rates that may prevail in particular branches of industry, still less by the extra profit that the individual capitalist might make in a particular sphere of business. The general rate of profit in fact reappears in the average rate of interest as an empirical, given fact, even though the latter is not a pure or reliable expression of the former.[3]

[1] ibid., 486.
[2] ibid., 486.
[3] ibid., 487.

How can interest be both at once something lawless and arbitrary, and also be determined by the general rate of profit? The key to resolving this strange combination of claims is simply to realize that Marx is saying that the average rate of profit constitutes an upper bound for the rate of interest over the long run (and is in this way "determines" it) while the extent to which the actual prevailing rate of interest falls below this upper bound is the contingent outcome of competition between industrialists and rentiers (and is in this way "lawless"). It is in this way that it is "similar," for Marx, to the relation which obtains between the market price and the value of a commodity: the value of the commodity sets the long run upper bound for the market price of that commodity, which is precisely why competition between industrialists for relative surplus value drives down prices.

We are now in a position to understand the basic outlines of Marx's theory of crisis as a whole, and the reason why (in his terms at least) the contradiction of capitalism appears in the form of a crisis of the monetary system ("crises do not first break out and are not first apparent in the retail trade, which bears on immediate consumption, but rather in the sphere of wholesale trade, as well as banking").[1] This was, in fact, his goal from the beginning of Volume 1, when he promised to "make the mystery of money disappear."[2] Marx, in other words, wants to show us that what appears to us as a financial crisis or a panic in the monetary system is in fact a crisis

[1] ibid., 419.
[2] Marx, *Capital Vol. 1*, 139.

in the valorization of value, or the realization of relative surplus value. That is his entire goal.

Let us, then, outline things as follows: 1) The ability of elites to extract absolute surplus value through direct domination is limited. 2) This direct, zero-sum competition between owners and workers is avoided by means of the pursuit of relative surplus value, which is unlocked by means of fixed capital investments that raise the organic composition of capital. 3) A rising aggregate organic composition of capital lowers the value of commodities, which puts downward pressure on the the long run upper bound of their market price, which leads to a falling average rate of profit. 4) A falling average rate of profit puts downward pressure on the long run upper bound of the rate of interest. 5) Because some share of profits is always accumulated in the form of money capital, which never ceases to be money capital, the proportion of rentier capital vis-a-vis industrial capital increases as society grows richer. This puts downward pressure on interest rates and thus allows the average rate of profit to continue falling. 6) As long as the prevailing rate of interest is below the average rate of profit, industrial capital is incentivized to borrow money in order to invest in fixed capital, further depressing commodity values and thus the rate of profit. 7) The falling value of commodities, however, eventually drives down the value of labor-power, since the value of labor-power is ultimately determined (or given its long run upper bound) by the value of the commodities which must be consumed to reproduce it. The falling value of commodities must therefore be

reflected in a falling value of the wage, and thus a proportional contraction of the total wage-fund available to purchase commodities. 8) The accumulation of unsold commodities in the inventories of the commodity dealers increases their demand for money in order to finance these inventory positions and continue buying more inventories from producers, so that the production process can continue. 9) The increased demand for money by commodity dealers puts upward pressure on interest rates. 10) The crisis arrives when a rising rate of interest and a falling rate of profit intersect, and the rate of interest rises (for a long enough time to constitute "the long run") above the upper bound that is set for it by the average rate of profit. At this point, everyone in the economy is demanding money (demanding to transact C-M) and nobody is selling money (offering to transact M-C) and a crisis ensues. Commodity dealers can no longer borrow money, and so they no longer purchase the output of industrialists. Industrialists can no longer sell their output, and so they lay off workers. Workers are laid off, so they can no longer purchase commodities to reproduce themselves. This puts further downward pressure on the money funds available to purchase commodities, which puts downward pressure on the price of commodities, which further depresses the rate of profit, and so on. The system of capitalist production has flipped, in an instant, from a virtuous cycle to a vicious one.

1.4 The Foundation Stone

We are now able to see what is at stake for Marx in saying that his diagnosis of the contradiction of capitalism dispels the mystery of money. What appeared on the surface to be a crisis in the monetary system turned out, after being subjected to critique, to be in fact the symptom or expression of a crisis in the system of Value.[1] Money, in other words, is phenomenon; it is what appears. But Value on the other hand is noumenon, or what the economy really is, in itself — as revealed by the work of critical and speculative reason. John Milios is therefore quite correct to say that Marx's theory of economy is "a monetary theory" placing "particular emphasis on the question of the commensurability of "economic goods" which take the form of commodities" and which "construct[s] around that idea of value the entirety of his theoretical system as a logically consistent chain of analyses and concepts."[2]

The foregoing analysis reveals how foundational the Aristotelian concept of commensurability is not only for the first suppositions of Marx's system, at the beginning of Volume I, but also for its final conclusions. To see this, let us remember that it is the sphere of finance capital (or the dealer function) in which the contradiction originating in the sphere of production is concentrated and in which the

[1] "This explains the phenomenon that crises to not first break out and are not first apparent in the retail trade, which bears on immediate consumption, but rather in the wholesale trade, as well as banking, which places the money capital of the entire society at the wholesalers' disposal." Marx, *Capital Vol III*, 419.

[2] John Milios, "Marx's Critique of (Ricardian) Political Economy, the Quantity Theory of Money and Credit Money."

crisis first manifests. As we saw, Marx's system is constructed around three points of irrationality, each of which is the locus of a social antagonism: workers and capitalists struggle over the wage share of value, landlords and capitalists struggle over the rent share of surplus-value, and capitalists and rentiers struggle over the interest share of profit. These three points of articulation are the only true "moving parts" in Marx's system — they are the three places in which the "facts on the ground" of historical contingency and the play of forces can intervene into the mechanism of the Law of Value. But it is only in this final antagonism between industrialists and rentiers, says Marx, that the quantitative struggle is not accompanied by a qualitative division or a real social difference: this final struggle is not a struggle between distinct social factions but a struggle that is purely immanent to the capitalist class itself. It is therefore "doubly irrational" both in the sense of lacking any non-arbitrary solution and in the sense of being a meaningless struggle of the Same with itself. The only possible point of "rationalization" is therefore that of pure identity or 1:1, for the rate of interest to become equal to the rate of profit, thereby abolishing the arbitrary difference between industrialists and rentiers. But it is precisely at this point that the crisis occurs, because the irrational spread or difference between the rate of profit and the rate of interest is the condition of possibility of capitalist accumulation. The telos of finance is to become rational, in the only way it can, and this telos is the death drive of capital.

Marx's narrative begins with the play of appearances in the market, descends to the hidden abode of production, and then re-ascends to the world above — which can now be interpreted correctly, according to a "diagnosis" (or a "knowing-through") that cuts open the symptom of the monetary crisis to reveal its etiology in the accumulation of fixed capital. It has already been pointed out by others that this narrative has the structure of a *katabasis*, or the hero's journey to the underworld — which is also, in Plato, the philosopher's journey back from the sunny realm of noumena into the cave of phenomena where untutored souls are chained in blissful ignorance of the truth.[1] Soon we will embark on a *katabasis* of our own, though of a different sort than Marx's, as we pursue the genealogy of the modern monetary order "down the rabbit hole" through early modern England and into Mediterranean antiquity. Of course, any journey to the underworld must begin by leaving behind the familiar comforts of home ("Midway along the journey of our life I woke to find myself in a dark wood, for I had wandered off from the straight path…").

Our home, in this case, the straight path from which we must wander, is, of course, the political economy of Marxism, which has done so much to establish the coordinates of what is thinkable and unthinkable for political radicals in the 20th and early 21st centuries. But what could motivate us to give up the security of such a venerable tradition and strike out in search of something different? There are, of course, a number of reasons for such an exodus, a number of dissatisfactions that

[1] William Clare Roberts, *Marx's Inferno*.

have been voiced, from the point of view of feminism, or the global South, and so on. But always the conviction has remained that Marxism could "deal with" these objections, merely by incorporating something new into its framework, by adding to Marx a theory of unwaged reproductive labor, or by adding to Marx an explanation of the global division of labor and the chasm of the wage differential in terms of concepts that are already developed in his work, and so on. Critique? There is no critique, say the Marxists. There is only the need for further elaboration.

My attempt, dear reader, to tempt you from the straight path of Marxism must therefore begin with a point of critique that cannot be interpreted as a request for elaboration. It must begin with the awareness of a problem undermining the foundations of his conceptual framework in such a way that it is no longer possible to maintain faith that all the problems will be or can be "dealt with" later and elsewhere. My target here is a notion that can serve as the Achilles' heel of Marx's thought because it is so much older, deeper, and more fundamental than Marx himself: the Aristotelian theory of commensuration, which Milios correctly identified as the foundation stone of Marx's entire theory. In the wake of our analysis of Marx's views on money in Volume I, and on finance in Volume III, we are now prepared to put things in the following way: money, for Marx, is not only something rational, but it is the concrete universal of rationality itself — it manifests in itself the very abstract possibility of rationality in the sense of proportionality or ratio, the ability to say that the relationship between two whole numbers is a metaphor for the relation between

two things. But if money is rationality as such, it is at the same time a rationality that is becoming-irrational: the crisis that results from the overaccumulation of inventories on the balance sheets of commodity dealers is a crisis insofar as it destroys money's ability to commensurate particulars and therefore to express relations of Value. And with finance, things are just the opposite: finance is irrationality as such, it expresses in its very form the ontological absurdity of "money breeding money" that it is the task of critique to dispel. It must be irrational because there is no proportion between whole numbers that can metaphorize the way that money relates to itself: to say that this was so would be to say that money had a "a price besides its own price," which would, by that very token, call into question at a very radical level money's capacity to express Value at all. But if finance is the concrete universal of irrationality, it is at the same time becoming-rational, since the long run identity between profit and interest drags the system to an equilibrium whose name is "crisis." Finance in the form of dealer's capital is an irrationality, but it is an irrationality that is necessary and indispensable for the continued functioning of the system. If there is, therefore, a historical necessity for the rationalization of the real and the realization of the rational, then there must be within the system of capitalist accumulation a contradiction that it cannot solve without undermining itself in that very gesture. Money is rationality becoming irrational, and finance is irrationality becoming-rational: these are the scissors in which, for Marx, any society organized around the production of commodities must find itself caught.

It would be possible to attack this conception at its foundations if it we could show that there was something irrational about money "from the beginning," and to show at at the same time that there was something rational about finance "from the beginning" as well. The goal, that is, is to show that if money is rational, it is no more so than finance, and that if finance is irrational, it is no more so than money. Once this had been established, then it would no longer be possible to proceed, as Marx does, by assuming that money is rational and finance is irrational and then demonstrating that the crisis is precipitated by the dialectical transformation of each into their own opposites. If, on the contrary, we were forced to admit that there was something irrational about money in its very concept, we would have to reject the Aristotelian doctrine of commensuration, and, on the other side of the coin, the admission of a rational core within the concept of finance would motivate the rejection of the Aristotelian doctrine of sterility. As I have suggested above and will argue in detail in what follows, what is produced by the rejection of the theories of monetary commensuration and financial sterility is the concept of liquidity — and it is towards an elaboration of this concept that we will now turn.

1.5: Liquidity Risk

What is perhaps most immediately striking about Marx's discussion of finance capital is that he seems to lack any concept of risk or the difference between debt and equity.

What the rentiers own is debt: an asset paying a fixed return called "the interest rate." But Marx's discussion of the relation between rentiers and industrialists essentially amounts to saying that debt is nothing but an irrational form of equity — an "irrational form of the real movement of capital," in Marx's words — and that therefore the difference between debt and equity is abolished in the long run by the convergence of the rate of interest with the rate of profit. What the creditors of the capitalist really own, for Marx, is simply a form of fetishistically disguised equity. This is shown by his insistence, throughout the discussion, that the creditors really "still own" the capital that they lend to the industrialist:[1] money does not need to have a price because what appears as "the price of money" is really just returns on capital still owned by the creditor, and interest, therefore, is nothing other than a roundabout form of returns on equity.[2] Since equity is equity, this implies that any difference between the share of profit that accrues to creditors and that which accrues to the industrialist themselves must be arbitrary, or at best a difference which reflects the moral decadence of the rentier class and their unwillingness to throw capital into production themselves. If the rate of interest is lower than the average rate of profit, then this can only be because the rentiers are too lazy either to use their capital themselves or to struggle with the industrialists for their fair cut of the proceeds.

[1] Marx, *Capital Vol III*, 474.

[2] "The rate of interest is related to the profit rate in a similar way as the market price of a commodity is to its value." Marx, *Capital Vol III*, 487.

What is lacking here is the conceptual apparatus of collateralization, risk, and the haircut. Let us lay out some definitions. 1) Collateralization is the process by which some asset is pledged as security against the non-performance of a debt contract. 2) Risk is the real possibility that the value of an asset may change, either up or down, in the future. 3) The haircut is the difference between an asset's present asking price in the market and the price at which it is valued for the purposes of collateralization and in light of its risk; or, in other words, the difference between the price at which it can be currently liquidated and the value at which it can be borrowed against. When Marx asserts that the creditor "still owns" the capital they lend to the industrialist, or when he insists that the commodities held on the dealer's balance sheet are really money that has "assumed the form" of linen, what he is implicitly assuming is that the price of liquidity is zero because collateralization is free, there is no risk, and the value of the haircut is zero. In the crisis, on the other hand, things are different: at this point, the price of liquidity is infinite, collateralization is impossible, risk is absolute and systemic, and the value of the haircut is 100 percent. But there is no conceptual space, for Marx, between these two extremes in which liquidity is, alternatively, either free or priceless. That liquidity was always free is implied by Aristotle's theory of commensuration; that liquidity might become priceless is shown by Marx's analysis of the contradiction that lurks below the surface of this system of equivalences. Between these two poles there is, for Marx, a pure ontological void.

What is liquidity? In a definition: the liquidity of an asset is its capacity to be sold for money, or to be purchased for money, on demand.[1] As we saw above, the price that a "time motivated investor" must pay to market makers for the privilege of having their need to transact accommodated on demand is the difference between the current bid price and the current ask price. If I enter a market desiring to sell now, it cannot be possible for me to sell at the current ask price: otherwise those who are making the market by quoting the ask price would have done so already. If I cannot wait in the market myself for my ask to be hit — if I am unable or unwilling to become a market maker myself — then I must "cross the spread" to sell at the bid price, and I must pay a cost in the form of a reduced sale price for doing so. This cost is the liquidity premium, and, by paying it, I gave up the potential to sell my commodity at the higher "ask" price in exchange for the ability to transact on demand and leave the market immediately. When we see that this liquidity premium is the price of liquidity, and that it is determined by the size of the spread between bids and asks in the market, we can produce the following corollary: the liquidity of an asset varies inversely with the size of that asset's bid-ask spread. The cheaper it is for me to buy and sell an asset, the more liquid that asset becomes; while, on the contrary, the more illiquid an asset is the more I must pay for the privilege of having my demand to transact in that asset accommodated.

[1] For a more exhaustively precise exploration of the meaning of the term 'liquidity,' see James Culham, "A Taxonomy of Liquidity."

The next step is to draw the link between liquidity and collateralization. While Marx is not unaware that loans are made against security, he does not think it especially relevant to a theoretical discussion of interest rates: "It is certainly true that the interest rate itself is always different according to the class of security provided by the borrowers, and according to the duration of the loan as well; but for each of these categories, it is uniform at a given moment of time. This distinction, therefore, does not militate against the fixed and uniform character of the rate of interest."[1] In contemporary language, what Marx describes here are the risk and yield curves, or the fact that the rate of interest (or, more generally, the yield) varies with the riskiness of the collateral and (usually!) with the duration of the loan. But here he gestures towards these issues only to wave them away: he is concerned, quite explicitly, to argue that risk and time are of no interest for a theoretical discussion of interest. We can also note in passing that his argument here, as in the case of his theory of the gold standard discussed above, makes an appeal to Saussurian synchrony: because there is a single "moment" of time in which all the various interest rates that exist in the economy can be averaged together, there is no need to preserve the risk/yield curve in his theoretical treatment. It can be abstracted away from and replaced with a single "prevailing rate of interest." In this cast-off remark, Marx abstracts from the risk/yield curve by means of a linearizing assumption. In doing so, he effectively assumes that collateralization is a free good and that, therefore, the "haircut" on collateral is zero.

[1] Karl Marx, *Capital Vol III*, 487-8.

When money assumes the form of linen, or even when it assumes the form of the power-loom with which the linen is made, it undergoes this transformation effortlessly and "for free," without diminution.

For Marx, liquidity is free until all of the sudden it isn't. What he failed to see, because of his reliance on Aristotle's twin postulates of commensuration and sterility, is that the possibility of the failure of the market is "always-already priced in" in the sense that the market's anxiety about its own continued existence is part of what makes the market possible in the first place. To see why this is so, it will be necessary for us to consider Treynor's "Economics of the Dealer Function" in some detail. But we can begin in a rather more simple place. Let us begin by asking: suppose I want to transact. Suppose that I want to sell something that I have for money. Why would I do this? One reason, perhaps, is that I want the money itself, or I want what is in the money. I might want to melt the coin down for silver, or I might want to poke a hole in it and wear it around my neck. But insofar as what I want is money in the sense of "currency," in the sense of something that is valuable purely for its ability to be traded for other things, it can only be valuable to me insofar as there exists "ready-to-hand" a market in which that money is current. For a money to be "current" is to say that there is a place in which the prices of things are quoted in its name: that there is a place that I can go and expect to be able to transact by demanding liquidity in terms of that money, or in other words by demanding to buy or sell assets in terms of euros, or dollars, or ounces avoirdupois in gold, or anything else. If I want to sell something

for money "insofar as it is money" then that can only be because I expect to be able to spend the money to purchase something else. Marx was right to refute Say's Law: every sale is not, ipso facto, a purchase. But it remains the case that every sale anticipates a purchase, or at least anticipates the real possibility of purchasing in the future. To exchange an asset for money is, in this sense, to buy a long option on the continued existence of the market in which that money is used: any money balances that I hold will be more desirable to me the more I anticipate that markets in that money will remain liquid.

What this means is that if I am holding money balances (or, conversely, if I am holding commodities produced for exchange that are only valuable to me if I can sell them), then I am exposed to liquidity risk in virtue of my long option on the continued existence of the market. This is, more or less, Marx's point: if I am a capitalist holding commodities and fixed capital on my balance sheet, and the market for those commodities ceases to exist as the result of a general glut, then my capital will be devalued because it has been shown, retroactively, not to have been "socially necessary." As a result of this exposure to liquidity risk, or the risk that the market might cease to exist, the holder of salable commodities or money balances is bound to feel anxious about their holdings: if the market collapses, they would be liable to be caught "holding the bag" with a bunch of unsold trinkets or, like Midas, surrounded by money that cannot be spent. When this person enters the market, discovers it in existence, and transacts on demand, crossing the spread and paying a liquidity

premium to the market makers for doing so, it is possible to conceive of the nature of this payment as something like an offering of thanks for the market's continued existence. If I am possessed of a large quantity of unsold commodities, and I am anxious about their continued viability as "capital" rather than as "mere things," I can relieve this anxiety by going to the market and demonstrating that my commodities "really are" capital by selling them. In demanding liquidity and having this demand accommodated, I am offloading my liquidity risk onto the dealer market and paying a fee for doing so. Illiquidity, in other words, is the risk that a market in some asset might cease to exist, and the size of the bid-ask spread or the liquidity premium just is the price at which that risk is valued by the market.

The market's anxiety about its own continued existence is therefore constitutive of the phenomenon of market exchange as such in virtue of the fact that the market can only exist insofar as there exists a spread. Marx, remember, following Aristotle, assumed as a basic premise of his phenomenological account of market exchange that the market was constituted by a system of equivalencies, or a system in which any commodity can be related to any other commodity by means of a ratio and an equals sign. As we saw already above, however, this assumption is not only counterfactual but logically impossible, because it implies that it would be possible for me to enter the market, sell an apple for a dollar, immediately buy an apple for a dollar, and leave again, and that my counterparties in this set of transactions would enable me to do this purely because they found it amusing. In reality, however, as soon as I enter the

market with my apple I have only two choices: I can either quote an ask and wait for someone to accept it, or I can accept an already existing bid and thereby cross the spread. If there is no spread, there is no reason for anyone to make the market, and there only exists a spread insofar as there is anxiety about whether or not the market will continue to exist. This produces the somewhat paradoxical but logically unavoidable conclusion that, if everyone were absolutely certain that the market would continue to exist, then it would be unable to do so. The market is constituted by its anxiety about its own future existence.

We are now in a position to say something more specific about what "the market" is by turning our attention to the Treynor model and his concept of "the dealer function." The traditional, Aristotelian view inherited by Smith, Marx, and others sees "the market" as a kind of spontaneous emergence out of the brownian motion of human activity: whether, like Smith, we see exchange as first occurring between individuals, or whether, like Marx, we see it as first occurring at the borders of social groups, makes no difference to the fact that we are conceiving of "the market" as being nothing other than an aggregate of individual exchange events. The market has no material existence independently of the acts of exchange which constitute it. But in fact, as Treynor shows us, the market has a literal and physical existence independently of any transactions which might take place "within" it: the market exists in the quotation of the "inside spread," which is a real material-semiotic event that has to occur upon some sort of material infrastructure. Whether this material

infrastructure is the trading pit at the NYSE, or the Bloomberg terminal, or even a set of tables arranged around the entrance to the temple, the market exists for me only to the extent that I can receive a communication from it which quotes to me the "inside spread" — or the two numbers comprised of the current highest "bid" price and the current lowest "ask" — and the extent to which I can respond to this communication in order to "hit" or accept these bids or asks. And the inside spread is quoted, and thereby brought into existence, by the entities that Treynor calls "dealers."

To understand the Treynor model, it will be easiest if we begin by distinguishing between three types of entity: time investors, value investors, and dealers. "Time investors" is a category that, as we saw, includes both Marx's proletarian and the industrial capitalist: both of these actors have an inelastic need to transact in a given direction and at a given time. Another type of entity is what Treynor calls the "value investor," who is defined by being in possession of a very large balance sheet capacity or the ability to take and hold asset positions over a long time horizon. The value investor is somebody who is very rich, and because they are so rich, they are able to be very patient: the value investor never needs to demand liquidity as a constraint on their survival, and therefore always has time to wait for a better price. It is for this reason that value investors do not "make the market:" while the time investor needs to transact now, the value investor prefers to transact later, at a time when the price might have become more favorable. If all of the economic actors in the world were either time investors or value investors, therefore, the time investors

would be completely at the value investors' mercy. If I need to transact now, in order not to die, and you are under no such constraint at all, then I am at your mercy and will have to transact at a price of your choosing. The only question for me would be which of the available value investors was offering the most benevolent ultimatum.

Dealers intermediate between these two opposed poles of time investors and value investors, and, in so doing, they "make the market." A dealer can be distinguished from a time investor and a value investor by saying that the dealer has a balance sheet capacity which is much smaller than that of the value investor, but larger than that of the time investor. The dealer, that is, has a limited but non-zero capacity to take and hold positions on their own book, and this is what enables them to make the market by accommodating the demands of time investors for liquidity. Like many concepts in economics, the essence of the dealer's business will be easier to see if we imagine a very simple and literal transaction, so let us return to our little parable of entering the market with an apple. I walk into the market with an apple, which I would like to sell for money. But I am in a hurry, because I need to take that money and buy a tablet of aspirin, because I drank too much last night and I have a headache. So, I could wait in the market, which is a place where I know that sometimes people go when they are looking to buy apples, and sit around until somebody shows up and wants it. But since it's very sunny outside, and my head hurts, I don't want to do that: I want to get my money and get my aspirin and go lie down. So I need somebody who's willing to buy and hold my apple, not because they want it themselves, but

merely because they are willing to accept the risk of being long an apple until somebody else shows up with a craving to eat it, at which point they can "flip" my apple for a profit and thereby harvest the liquidity premium. And I can do this simply by walking up to the dealer, who is sitting under a sign that says "apples bought and sold here," and asking them to quote me a price. If there are (as there very well might be) many dealers sitting together, in a part of the market dedicated to apple dealing, I can ask all of them for a price, and trade with the one who makes me the best offer. This physical space and collection of tables, therefore, would be the material-semiotic infrastructure upon which the market appears to me in the form of a quoted inside spread.

What makes the inside spread "inside"? The answer is simple enough: the inside spread is "inside" the market, but there also exists another spread which is "outside" the market, which is called — logically enough — the "outside spread." In contrast to the inside spread, which appears or "is given" in the physical act of being quoted, the outside spread does not appear until it is suddenly revealed or "discovered" by the entry of the value investors into the market. We can understand things in the following way: while time investors must cross the inside spread when they demand liquidity, and are accommodated in this demand by the dealers to whom they must pay a premium, the dealers themselves must cross the outside spread when they run out of balance sheet capacity and thus require recapitalization in order to continue dealing. The apple dealer, in other words, only has so much capital that they can

employ in being tied up in apples while they wait for somebody to come along and buy them. Their capital or balance sheet capacity thus defines and limits their level of patience, or their ability to wait long enough for the liquidity demands of various time investors to balance one another out in opposite directions. If I, as a dealer, accumulate a balance sheet position in apples by accommodating the liquidity demands of time investors who desire to sell apples for money, I must eventually close out these positions by selling the apples again or else risk running out of capital that I can use to continue buying apples. To the extent that the market becomes more volatile, with imbalances between sell orders and buy orders growing larger in magnitude over longer and longer timeframes, the dealer must increase the size of the quoted inside spread in order to increase the size of the liquidity premium they harvest as a reward for continuing to deal in an increasingly volatile market. If they fail to do so, they run the risk of accumulating an unsustainable balance sheet position and being forced to "put in" from or "lay off" to a value investor. What this means is that the dealer has gone from selling liquidity to the time investor to demanding it from the value investor, who is, in virtue of their strong negotiating position, able to charge a substantially higher premium than that which the dealer could command themselves. This second, larger price of liquidity, which lies hidden in the darkness beyond what appears in the light of the market itself, is called "the outside spread."

In the real world, the dealer's business is rather more complicated than this. The first thing to note is that the dealer's activity is, as Marx observed, separable from the

"real functions" of transport, storage, and the dispersal of goods. There do not need to be any physical apples involved at all in order for the dealer to make a market in apples. Why? Because the dealer simply needs to deal in forward contracts, or agreements to transact in apples at a given time and place in the future. Furthermore, these forward contracts or "futures" can be either long or short positions: the dealer can give me money now in exchange for an agreement to take receipt of apples tomorrow, or it can accept my money now in exchange for a promise to deliver them. The dealer can therefore close out their position simply by matching longs and shorts: if the dealer sells apples short to Dame Quickly, promising to have them sent over to Eastcheap tomorrow evening, the dealer never needs to actually possess any apples as long as they can "cover" this short position by buying apples long from somebody else before then. So the fact that the dealer's business can be conducted entirely in long or short forwards implies that they can transact in huge volumes of apples, or anything else, without ever actually seeing one. What this means is that the dealer can, by purchasing things they don't want and selling things they don't own, "sell" liquidity that they never actually had.

How can this be possible? In essence, we can say that dealers produce liquidity "out of nothing" by betting that the long run comes before it is too late. If dealers make the market by quoting the spread, and thereby compete with one another to price liquidity risk in the market, then it must be understood that "risk" is both a long-term concept and a statistical concept: purely singular events do not have "risk." It is

completely incoherent to think about "pricing the risk that Adam would Fall," for example, because this is a purely singular event which does not, in its very nature, bear of repetition (that Christ could be a "second Adam" is precisely what is miraculous about him). We cannot count the number of Adams who Fell and those who did not, historically, and come to a determination of the risk of this event in that way. It is only possible to "price risk" if we conceive that it will be possible to sample a large enough collection of events for the law of large numbers to assert itself and drive the distribution towards its expected shape. In the short run, and in small sample sizes, as any biologist or gambler knows, large deviations from the expected distribution are possible.[1] Since, in the the case of the dealer, the events being sampled are distributed in time, the question is whether the dealer's capital can hold out long enough for its balance sheet to absorb any short term deviations of the market from the "correct" distribution. If the long run arrives before the dealer's capital runs out, then the dealer can successfully "flip" its long positions or "cover" its short positions such that they all net to zero, and all that remains is the liquidity premium that the dealer collected on both sides of the transaction. When the dealer loses the bet that the long run will arrive soon enough, by contrast, they will be forced to cover their short sale of liquidity by buying it from a value investor, and paying the price of the outside spread for doing so. As long as, over time, the dealer harvests

[1] But see Philip Mirowski, "From Mandelbrot to Chaos in Economic Theory."

more money from time investors for winning this bet than it pays to value investors for losing it, then the dealer's business will be profitable.

The complexity of the modern dealing business, however, arises from the fact that dealers do much more than simply buy and sell forward contracts. It is beyond both the scope of this project and of my own expertise to "deal with" these intricacies in their full detail.[1] But we can grasp the essence of it, perhaps, if we step back and remember what the dealer is doing in as simple of terms as possible. We can ignore for the moment the value investor, who is, as it were, lurking offstage. The time investor walks into the market, with an apple or with anything else. What defines them as being a time investor is that they are inflexible with regards to 1) the time at which they must transact and 2) the direction in which this transaction needs to take place. I have an apple, I have a headache, I need to go lie down. The dealer can accommodate this demand. How? In order to do so, the dealer must be flexible with regards both to time and to the direction of the transaction, which means that it must become inflexible about the one and only thing about which the time investor still has some flexibility: the price. The time investor must transact in a certain direction, and they must do so now, and the only thing that is open to question is the price which they will pay in order to do so. The dealer can transact with them, therefore, by standing ready to quote a price, or to "become inflexible" about price, in any direction at any time. What the dealer market does as a whole, therefore, is to compete with

[1] Adam Kirk, James McAndrews, Parinitha Sastry, and Phillip Weed. "Matching Collateral Supply and Financing Demands in Dealer Banks."

itself to see who can quote the "least inflexible" price, or to see who can introduce the price inflexibility demanded by the time investor for the lowest possible cost, represented by the liquidity premium.

The point, for now, is simply to observe that when the dealer provides price inflexibility by "quoting" the price, and thereby assumes for themselves the risk that this price will turn out to have been the wrong price, what this means is that they take upon themselves the responsibility to find a price at which they are indifferent between being a buyer or a seller. In order to be a dealer, a dealer has to not care about, or *be indifferent to*, the difference between buying and selling: "apples bought and sold here." What this means is that that the price that the dealer pays in order to sell liquidity they don't possess is that they must give up the ability to decide whether to take a long or short position on the asset in which they are dealing. In other words: if I walk into the market demanding to buy or sell apples, the dealer must accommodate my demand indifferently with respect to whether they are buying (going long) or selling (going short). Therefore, their success as a dealer will hinge on their ability to be "as little long or short" as possible. They can do this by "matching their book," or by making sure that all of their liabilities that mature at a given time are "matched" by assets of equal value that mature at that same time. If I am liable for a cartload of apples tomorrow in the same time and place that I am owed a cartload of apples tomorrow, then my exposure to apples is zero; I don't care about what happens

to the price of apples in the meantime. The only thing that I really care about is whether or not the market in apples ceases to exist, entirely.

1.6: Anterior Metonymy

We will extend and elaborate this analysis of the dealer market and the role that it plays in the politics of monetary crisis over the course of our narrative, but we must break it off for now to avoid getting ahead of ourselves. The crucial point for now is that the analysis of the dealer market has demonstrated that the existence of the market cannot be taken for granted theoretically, for the reason that anxiety over the continued existence of the market is one of the market's own structuring principles. It has also been shown that this anxiety is priced by the inside spread or the difference between high bid and low ask, and that, for the market to exist, the size of the inside spread cannot be zero: which means that every commodity that is priced in the market must, necessarily, have two different prices at once. This is particularly troubling because of the fact that money is itself one of the assets that is bought and sold in the market, which means that it is not possible even for money, which is the thing in terms of which all the other spreads are quoted, to have a single definite price itself. The consequence of this is that the Aristotelian notion of a market in which a system of equalities is established in which different things are compared to one another by means of a ratio is rendered not only counterfactual (because of the fluctuation of real

prices around a mean) but actually logically impossible (because of the necessary existence of the spread). As I hope to show in what follows, this is not simply a philosophical quibble: the fact that money must necessarily have at least two prices is the key to understanding the dynamics of monetary systems as historical phenomena, and it is the "contradiction" around which political struggles over liquidity are waged. But before we can get to all this it will be necessary to propose the outlines of an alternative view: if Aristotle is wrong, and the basic principle of money is not the process of commensuration by which money can become a master metaphor for all things by occupying the apex of a vast system of equalities, then what might be a better way to try to think about it?[1]

The way forward is to recognize, as I have hinted at already, that what we are really faced with here is a semiotic problem: there is the question of the relation between money and all the different things that one can buy with money, which is a question about a sign and the way in which this sign relates to what it signifies. Marx's adoption of the Aristotelian paradigm about money, remember, hinged on the idea that money represents "what is really equal" about the commodities it can buy: money is a metaphor for Value, and Value is the substance of commodities in the traditional philosophical sense that Value is what commodities depend upon for their existence as commodities. It is the particular qualities of commodities that render them heterogeneous; Value is what makes this heterogeneity commensurable by

[1] Allen Hoey. "The Name on the Coin: Metaphor, Metonymy, and Money."

being what is "really equal" about them independently of any particularity; money is that commodity whose contingent particularities (durability, divisibility, etc) make it serve best as a representation of that abstraction. Commodities are the various infinite modes in which Value appears, while Value itself is a substance which remains absolutely invariant and self-identical over time and thus makes all other comparison possible. This mode of signification is metaphorical because it relates commodities to one another along the axis of similarity: commodities are "like" one another in virtue of embodying identical amounts of socially necessary abstract labor time.

The alternative would be to conceive of money as relating commodities to one another metonymically, along the axis of contiguity: money relates commodities to one another not because they are like one another, but merely because they precede or follow one another in a chain of transactions. Is it that the money in my pocket is "like" a hamburger or a bottle of wine because it represents what is really the same about them, or does it relate to them merely in its ability to be followed, in time and on my balance sheet, by one or the other? We should note that there is a difference, here, between whether money relates to the set of things that money signifies through equivalence or implication.[1] Logical equivalence is, in effect, an implication that goes both ways: A and B are equivalent if A and B both imply one another. But it is also possible to have a relation of implication which is simply one directional: A implies B without B returning the favor. The Aristotelian theory of Value as metaphor implies

[1] I am gateful to E.B. Nelson for helping to clarify this point.

that the relations which obtain in the market are relations of equivalence: if I say that "the value of a hamburger or of a bottle of wine is 12 dollars," then I am making a statement about equivalence. I am saying that a hamburger, a bottle of wine, and 12 dollars can be exchanged for one another in any way, and in any order, without changing anything about Value. Even if I actually transact and buy the hamburger, nothing changes, because of the transitivity inherent in a system of equalities: there is no difference between the exchange value of the hamburger and the exchange value of the money I spent for it, and so the relation of identity which obtains between each of them and the bottle of wine remains preserved through any possible sequence of transactions. On the other hand, if I say that "12 dollars can be exchanged for a hamburger or for a bottle of wine," then what I am saying is that the 12 dollars implies a hamburger, and it implies a bottle of wine, but what I am not necessarily saying is that the hamburger or the wine imply the 12 dollars in return. What this means is that the relation between the three items is not preserved over the course of the transaction. If I trade my money for a hamburger, then the equivalence between the hamburger and the wine is destroyed because there is no ready way to transform a hamburger into a bottle of wine: wine is often for sale in terms of dollars, but it is almost never for sale in terms of hamburgers. Rather, I must add the hamburger to my embodied capital by consuming it, and then using my embodied capital (or, in Marx's language, my labor power which has now been reproduced through consumption) to

work for a wage. Only then could things return to their original state, with money in my pocket.

Because both the wine and the hamburger are significantly less liquid than the money that I can trade for them, the liquidity premium that I must pay when I transact in them destroys any equivalence that might have existed between them prior to the transaction. The relation of similarity established by the metaphor of Value is both real and lacking in path dependence, which is to say that it is preserved without variation across any of the possible sequences of transactions that could occur in the market. The relation of contiguity established by the metonymy of money, on the other hand, is purely virtual (in the sense that it vanishes as soon as we try to demonstrate it through the performance of a transaction) and subject to path dependence: what happens in the market is "irreversible" in that the market cannot return to a previous state by running the same transactions backwards. What this means is that every demand for liquidity is a threat to the existence of the market. The market exists because a spread has been quoted, and the spread can only continue to be quoted as long as the dealers can afford to wait for the long run in which demands for liquidity in opposing directions (M-C or C-M) will balance one another out. Every transaction M-C must be followed, at some point in the future, by a transaction C-M, but the dealer has no power over the time at or the order in which time investors will demand liquidity.

When Marx refutes Say's Law, or the doctrine that "every purchase is a sale," he does so by showing, as Meister puts it, that "the dirty secret of money is that it does not have to be spent."[1] Part of the value of money, in other words, is that it embodies an option not to spend, which is the option that "comes into the money" in the crisis of overaccumulation: all of a sudden it becomes more valuable to hoard money than to throw it into production, and this inversion of the spread between the option to invest and the option to hoard sends the economy into a deflationary spiral. In light of the foregoing analysis, however, we can redescribe Say's Law as asserting that liquidity is free because the price of the risk that C-M will be followed by M-C is zero. Marx's critique of Say, and the overall logical structure of *Capital*, takes the form of a reductio ad absurdum: Marx begins by assuming that liquidity is free, and then asking where profit comes from, and showing that if there is profit then there must eventually arise a situation in which the price of liquidity is too high to be paid. But what we can now see is that Say's Law is challenged every time a time investor demands liquidity by entering the market and expecting it to exist: the time investor sells without purchasing, or purchases without selling, and thus introduces by their demand for liquidity anxiety about whether things will eventually balance out. The dealer takes upon themselves the risk of Say's Law turning out not to have been true, and thus enables it to appear, from the perspective of the time investor, that things really do work that way, and that their sale was matched by a purchase on the part of

[1] Robert Meister, "Reinventing Marx for an Age of Finance."

the dealer or vice versa. But from the perspective of the dealer, sales can be followed by sales can be followed by sales for an indefinite period of time, and Say's Law does not even appear to be true from the beginning. Say's Law can appear to be true from the perspective of the market only because it is the business of the dealer market to create this illusion, and it does so by pricing the difference between the ideal world in which every sale is a purchase and the real one in which the succession of sales and purchases is subject to volatility.

Let us put the problem in this way: every transaction presupposes the existence of the market, but what is the market if not an aggregate of transactions? In order for my sale (C-M) to be possible, it must be presupposed that there will be a purchase (M-C). But if there is a purchase, it must be presupposed that there will be a sale. Since each presupposes the other as its condition of possibility (or, to put it another way, every transaction presupposes the existence of the market which the transactions themselves create), the dynamics of the market are characterized by what Edward LiPuma has identified as its ritual performativity: ritual, he argues,

> allows practices to posit what they effectuate… participants presuppose the realness of the social totality that the event helps to create or effectuate, by assuming that this event — here, now — is simply a replica of previous performances. The performative aspect of the practice is so central because it shapes the illusion that the totality created socially (e.g., the market) is a naturally occurring object. The event summons the participants to believe, to have faith that

> the totality indexically presupposed by this specific event is as real as the existential lived event itself.[1]

What is especially useful to us about LiPuma's conception is that every transaction is paradoxically a way to soothe the anxiety that the market will cease to exist, by confirming that it does still exist in the moment of transacting, while, at the same time, every transaction reinforces that anxiety by putting itself into the past and moving the market into a new state which cannot be readily reversed. What this means is that the market can continue to exist only insofar as the ritual performances of the transactions which constitute it are repeated in time, such that the anxiety about the market's continued existence can be soothed through perpetual deferral: "One might note," LiPuma argues, "that the economistic depiction of the market is an empirically robust illusion: insofar as the rituality of practices regiments a succession of events that successfully instantiate the market (e.g., the market remains liquid), its social foundations can remain below ground." What we have done here is to add to LiPuma's conception that it is the dealer market in particular in which this rituality of the market takes places, where it is constantly affirmed that 12 dollars implies a hamburger by means of the endless repetition of transactions (individual hamburgers, of course, are not bought and sold on dealer markets, but we will not lose too much by glossing over this detail).

[1] Edward LiPuma. "Ritual in Financial Life," 65-66.

The key to LiPuma's analysis — and the idea that will help us knit together this purely theoretical analysis of the market with the historical and literary materials which we will soon turn to consider — is the notion of type-token performativity, which he draws from the work of Michael Silverstein. "Discourse as semiotic production," Silverstein argues, is

> something that 'circulates,' moves virtually through the time and space of social organization. Of course, what actually happens is that people use language and perilinguistic semiotics on particular occasions of discursive interaction; however, such usage on any particular occasion bears a potential relationship to discourse on some other occasion or occasions in a phenomenally different spatiotemporal envelope.[1]

In order for there to be a linguistic community at all, there must be some way to subsume individual utterances within the regularity of a grammar, or to make individual "tokens" of speech into instances or instantiations of general "types." Otherwise, we would be left with nothing but "the exquisite uniqueness of forms and their denotational meanings in context presented in each discursive event… a population condemned to an occasion-by-occasion Babel."[2] In order for discourse to "circulate," an individual utterance cannot remain a pure self-identical haecceicity. It must be subsumed within a type or "typified": its qualities must be related in some

[1] Michael Silverstein, "Axes of Evals," 6.
[2] ibid., 10.

way to a more general type and thus subsumed under a category. If this operation fails, then nothing can really be said at all.

Silverstein's basic point is that there are a number of different ways in which speakers can enact the type-token performativity through which "'equivalence' as a meaning phenomenon… gets projected from the paradigmatic 'axis of simultaneity' to the syntagmatic 'axis of successivity," or through which, in other words, individual utterances can be understood to be particular instances or *kinds* of utterances and thus intelligible. These different strategies for accomplishing the subsumption of tokens by types are categorized on the axes of "type-token" and "sourced-targeted." A statement can be "sourced" if it begins by presupposing some preexisting token ("another Caesar") or preexisting type ("another tyrant"); a "sourced" utterance therefore draws an implication from the past into the future. Contrarily, a statement could by "targeted" if it works the other way around: if the current discursive context forces a reinterpretation or a "rereading" of another event which happened in the past. An illustrative example is the way in which Christian theology uses the discursive event of Christ to launch a rereading of the "token" of Adam (Adam's Fall takes on an entirely new significance in view of the later event which succeeds it) and also of the "type" of the "Messiah" or "anointed one" (the coming of Christ changes what it means to be "the anointed one" and thus redefines the type retroactively).

The reason that this analysis is interesting, for our purposes, is that it gives us a preexisting theoretical framework that allows us to take refuge from Aristotle without

having to rethink metaphysics entirely from scratch. As a theory, it allows for the fact that abstract categories such as Value are not simply instantiated unproblematically and "for free" into systems of signs like language or the market: rather, every moment in which the system succeeds itself by being reproduced by the events that constitute it is a moment in which the rules of the system (or its "invariants") are subject to retroactive redefinition. What is most crucial is that these acts of repetition/redefinition are made by actors with options in a strategic situation. As a speaker, I might choose to engage in type/token sourcing or targeting depending on my goals and the nature of the discursive context: all of these options are open to me at any time. Every utterance therefore both draws on and reconstitutes the totality (or at least the appearance or illusion of a totality) of the linguistic system, in much the same way that, as we saw earlier, every transaction both reconfirms and destabilizes the existence of the market which it presupposes. The basic move away from Aristotle, therefore, is to say that every transaction is an utterance, and the question is the extent to which each transaction will succeed or fail at repeating or redefining the transactions that preceded it. To put things in this way is to radicalize Marx's critique and place the possibility he identified for the devaluation of capital into the microfoundational phenomenology of market exchange itself.

Silverstein offers us the conceptual tools to understand that the typification of the token, or the subsumption of individual discursive instances under general names, is a contingent and underdetermined process — and one over which the subject who

makes the utterance can exercise some options. Metaphorical relations of similarity exist outside of time, in a moment of synchrony (remember, as we saw above, the key moments in which Marx invokes a moment of semiotic synchrony to linearize problems about money and finance): in the Aristotelian conception, money represents the Value of all the infinite things in a single instant and without anything having to be "put in order." Since there are a number of different ways in which metaphors on the paradigmatic axis can be "projected" onto the axis of succession, what Silverstein's analysis reveals is thus the existence of an "anterior metonymy," or a metonymy which is prior to any potential metaphorization, and which is only ever incompletely subsumed by the general categories (paradigms, metaphors) which speakers apply to the succession of utterances in order to interpret and make sense of them.

This assertion of a level of anterior metonymy below and prior to any possible typification, metaphorization, or conceptualization is obviously indebted to Saussure and Jakobson, but it is also part of a tradition which goes back at least to George Berkeley's rejection of the doctrine of abstract ideas in *The Principles of Human Knowledge*. In that text, Berkeley explores a trouble with the doctrine of abstract ideas, or the notion — going back at least to Plato, but forwarded in his own day by "the Schoolmen, those great masters of abstraction"[1] — that there really exist abstract universal ideas which subsume a set of particularly qualified instances without

[1] Berkeley, *Principles of Human Knowledge* , 17.

themselves possessing any particular qualifications. According to this view, when a geometer proves a statement about triangles, it is because geometry allows statements to be made about "the general idea of a triangle, which is, neither oblique, nor rectangle, equilateral, equicrural, nor scalenon, but all and none of these at once."[1] The doctrine of abstract objects was introduced, Berkeley implies, to account for how geometry is able to solve the problem of induction and generate universally quantified statements: "It seems therefore that, to be certain [a] proposition is universally true, we must either make a particular demonstration for every particular triangle, which is impossible, or once for all demonstrate it of the abstract idea of a triangle, in which all the particulars do indifferently partake, and by which they are all equally represented."[2] In other words, because we know that geometry is able to produce statements about all triangles, and because we also know that it does so without having to prove this statement in the case of every particular triangle, then it must be the case that what the geometer has done is to prove the statement about an abstract triangle, which represents all possible triangles without itself possessing any of their various (and mutually incompatible) particular determinations.

Berkeley, however, rejects the idea that there can be any such things as abstract universal ideas on the grounds that it is impossible to imagine any triangle at all which would not be possessed of some particular determination. When we draw the triangle on the paper in order to perform transformations upon it with a compass and

[1] ibid., 15.
[2] ibid., 16.

ruler, we must necessarily draw a particular triangle, no matter how much we might wish or imagine that this particular triangle is actually an abstract triangle with no particular qualities at all. Nevertheless, Berkeley thinks, we can still form universal ideas about triangles, and in a rigorous way: Berkeley is not a skeptic about the inductive traction that geometry exercises over triangles. He simply thinks that we can produce an account about how this is possible that does not require the existence of abstract and indeterminate ideas. Berkeley's alternative account of generality is that a particular instance or token (a given triangle that we might draw or imagine) is elevated to the status of a sign, which then comes to stand for all other instances of its class despite the fact that some of those instances which it signifies might be possessed of mutually exclusive determinations. How is this possible? Berkeley's answer is that we can use arbitrary particular instances as signs of universal categories as long as their particular determinations are not "concerned in the demonstration" — as long, that is, as we don't talk about their determinations or use them as premises in our arguments.[1]

The significance of Berkeley's concept is that he redefines identity as indifference: in the traditional view, abstract ideas were necessary to account for generality, because only a thing which was general in its nature could represent a general set of things. How could a sign which was itself possessed of some determination represent an object which was possessed of a different, mutually

[1] ibid., 17.

exclusive determination? In other words, generality on this view seems to require the existence of an abstract triangle which is possessed of no set of angular measurements in particular. But on Berkeley's view a particular triangle can become a sign of triangles in general, without undergoing any process of abstraction and therefore losing its particularity, on the condition that any statements about triangles in general we make using this sign are *indifferent* to that sign's own particular determinations. As long as what we say "doesn't care" about what particular triangle we say it about, it can be taken to be said about all triangles at once. He can explain, in this way, the linguistic possibility of generality without giving abstract, general ideas themselves any ontological status.

What the doctrine of abstract objects does, in our terms, is to assert a priority of metaphor over the axis of succession: the paradigm of "triangle" has an existence independently from and prior to any of the particular instances that we might set down when we begin to list particular triangles in some sort of order. In Silverstein's language, this is equivalent to saying that all possible indexicality is type-sourced. Berkeley's refutation of this doctrine, therefore, asserts by contrast an "anterior metonymy," or an ability of triangles to be associated with one another metonymically (by naming all the different sorts of triangles together in whatever order springs to mind) that is prior to and independent from their subsumption under metaphors. He points out, in other words, that we can also account for generality by means of token-sourcing, by beginning with a single particular token, making it into a

sign, and then including into that sign's extension any other tokens that can be indifferently substitutable for it.

What happens, then, if we try to adopt a Berkeleyan position in contrast to the Scholastic view of Marx? To do so would be to assert that particular things can come to stand for generalities without losing or giving up their particularity: in this case, to assert that money can come to stand for all the things that can be bought for money without this representation having to be mediated by an abstract idea and despite the fact that money does not annihilate its own specificity by doing so. The key lies in the way in which he sidestep the dilemma according to which it seems that "to be certain [that a] proposition is universally true, we must either make a particular demonstration for every particular triangle, which is impossible, or once for all demonstrate it of the abstract idea of a triangle."[1] Having rejected the solution of rising to universality through abstraction, how can the other horn of the dilemma — that we must make an individual demonstration for every infinite particular — be avoided? Berkeley's solution to this problem is essentially to separate a given individual triangle from the option of picking it. The fact that I could pick any triangle at all, if I wanted to, is enough for me to generalize about triangles: I don't have to actually go and do it in order to know that I could. The mere option of picking some given triangle is "worth something" philosophically, in the sense that it can serve as a foundation for knowledge, even if it is never exercised. And it is precisely

[1] ibid., 16.

for this reason, because of the fact that options can have value even if they are not exercised, that abstract ideas are metaphysically unnecessary for accounting for communication and generality.

If this solution is applied to the problem of the phenomenology of monetary exchange, what is produced is a conception according to which money can represent commodities not because it represents some identical substance in which all commodities participate but rather because it embodies the option to be exchanged for any of them, should the holder of the money wish to do so. And it can do so because it has a property which other commodities lack, or at least do not have to the same extent: liquidity. Money, like all commodities, has a particular liquidity, or a particular size of the spread between the prices at which it can be bought and sold in the market. We can, in fact, define money rather simply as the asset with the most liquidity or the smallest spread. This particular quality of money, of being the most liquid asset in the economy, does not prevent it from coming to represent other commodities with different liquidities: it does not need to abandon or efface its particular determinations in order to represents things with different, mutually incompatible determinations any more than, for Berkeley, an equilateral triangle must cease being equilateral in order to stand for triangles in general. What this means is that money does not represent commodities because it is identical to them, insofar as it equally embodies some substance of Value, but rather because it is different from them, because it is more liquid than them, and therefore possesses a property which

commodities do not: the ability to be exchanged for anything else on demand. There is no real reason, in Marx, why vendors should prefer to be paid in money rather than in kind: since money and goods both equally embody Value, and since the price of changing goods into money is zero, the fact that I need money to engage in exchange at all is entirely irrational. This is because, as the preceding discussion shows, Marx is deeply indebted to a Scholastic metaphysics of abstract ideas, according to which signs cannot be possessed of any particular determinations that exclude the particular determinations of any of their signifieds. As we have seen, however, money does possess a particular determination which is not shared by what it represents — a high degree of liquidity — and, crucially, it is only in virtue of this particularity that it can come to serve as a sign of the general at all. Money is different from commodities, and it is only in virtue of this difference that it can come to represent them. To put things in this way is to depart, in a fundamental and irreparable way, from the theoretical foundations of Marxism.

Chapter Two:
Is Sovereignty An Option?

> *Lepidus*. What manner o'thing is your crocodile?
>
> *Antony*. It is shaped, sir, like itself, and it is as broad as it hath breadth: it, is just so high as it is, and moves with it own organs: it lives by that which nourisheth it, and the elements once out of it, it transmigrates.
>
> *Lepidus*. What colour is it of?
>
> *Antony*. Of it own colour too.
>
> *Lepidus*. Tis a strange serpent.
>
> *Antony*. 'Tis so, and the tears of it are wet.
>
> *Caesar*. Will this description satisfy him?
>
> (*Antony and Cleopatra*, 2.7.41-50)

2.1: Vive le Roi

In Chapter One, I showed how the liquidity premium, or the price of the risk of the nonexistence of the market, could be discovered as a repressed logical contradiction in the basic framework of classical political economy. This framework assumed that in the "normal" state of the market, the metonymic succession of transactions (money for goods and goods for money) could be totalized under the sign of a master metaphor that it called Value. According to this view, money is a part of the market, and the relation of this part to its whole is one of essential similarity: money serves as a concrete universal, or a particular that directly embodies the general law of the

commodity-form as such, and it is in virtue of this essential similarity that money can come to stand as a sign for anything else. The degree to which Marx's concepts depend upon a metaphysics of identity is revealed both in his horror at the notion of a "price of money" and in his statements about the history of coinage systems, in which the deviation of the intrinsic commodity value of the money from its nominal value is understand to be an accident that does not bear in any way upon what is essential about Value — in relation to which money is (in a phrase repeated almost compulsively in the text of Capital Vol. 3) "nothing but" a sign. Thus, the history of money itself becomes nothing but the "history of some difficulties": difficulties which do not require any further comment and which have nothing of interest to teach us.

Against this view, I argued that the totalization of the processes of market exchange under the metaphor of Value must always be necessarily incomplete, and that there always remains an irreducible excess of metonymy beneath the illusion that everything has been enclosed within the law of identity or a reversible system of equivalencies. In consequence, money cannot, as Marx thought it could, be reduced to an expression of a more general category within which it is, itself, contained.[1] Rather than being a part of the market that is essentially identical to its whole, money is essentially *different from* everything else in the market, and it is in virtue of this difference that it can serve as a sign in terms of which everything else is reckoned.

[1] Paul Kockelman. "A Semiotic Ontology of the Commodity."

What the preceding analysis of the dealer market showed is that metonymic difference, rather than metaphoric similarity, is the way in which money and commodities relate to one another: money is succeeded by commodities, and commodities are succeeded by money, and what a monetary crisis "is" is the rupture of this succession or the failure of one to be succeeded by the other. If money ceases to be succeeded by commodities, or if commodities cease to be succeeded by money, then the system of market exchange will come into crisis. As I argued above, Marx produces such a situation of crisis as the self-undermining *telos* of the market, but failed, because of his commitment to the concepts of Aristotle and the methodology of immanent critique, to see that this problem is always-already part of the market's constitution, at both micro- and macro- scales. We cannot, as Marx tried to do, put the rabbit of illiquidity into our hat so that we might pull it out later and feign surprise at its appearance. It must be considered from the beginning.

Marx's failure to recognize this fact about money and the market economy has unfortunate consequences for the scope of the explanatory power of his theory over socio-political struggles over the production and reproduction of the monetary economy itself. But to announce the obsolescence of Marxism as a paradigm for political economy is to raise the specter of succession. If the king is dead, then who will be the king? It might be felt that a wrong paradigm is preferable to no paradigm at all, especially if that paradigm is the bearer of such a rich intellectual and political tradition. I must, therefore, take leave of critique, and supplement my analysis of

what we have to lose by remaining within this tradition with one that shows what we have to gain by breaking with it.

Since succession is what it is at stake, succession is where we should begin.[1] One possible claimant to providing a new metaphysics of political economy for the problems of the 21st century is so-called "Modern Monetary Theory," or MMT, which abandons Marxism's focus on a theory of Value for one founded purely on the nominality of price. Their position inverts the metaphysics of Marx, as can be illustrated by these theories' differing interpretations of the phenomenon of the the spread that constitutes the coin: rather than seeing the divergence of the nominal from the intrinsic as what is accidental about the coin, the chartalists see the accident as lying in the presence of the intrinsic value in the coin in the first place. What is purely accidental is not that the real amount of gold differs from the theoretical amount of gold, but rather that anyone felt the need to put gold in the money at all.[2]

[1] John D. Cox, "Time and the Problem of Royal Succession in Shakespeare's History Plays."

[2] Their view emphasizes, instead, the role of "reflux mechanisms" encoded into the operation of the legal and fiscal apparatus in driving the value of money: money, in other words, gets its value from that fact that some social authority defines it as the unit in which it is willing to accept the receipts of fines, taxation, or other forms of unilaterally imposed liability. This was, argues Eric Tymoigne, "poorly understood for a long period of economic history because of the conflation of monetary instruments with a commodity. The focus on the value of the metal content was partly justified when monetary disorders prevailed, but these monetary disorders partly existed because of the insistence of having a commodity at the foundation of the monetary system."[1] This view about the purely accidental nature of the intrinsic value of monetary media is stated in even stronger form by Stephanie Kelton et al. in a discussion of the development of coinage in the ancient Mediterranean: "the use of precious metals in coins had nothing to do with supposed intrinsic value of these metals. Rather, such ores were used only because of the special political weight assigned to gold and silver in the hierarchical structure of Athens et al. at that time."[2] Although the precise understanding of coinage systems among thinkers in the neo-chartalist school can vary, they all tend to agree with Marx (albeit for different reasons) that there is nothing important that the

Central to the view of the neo-chartalists is a theory of the fiscal circuit as an originary asymmetry. The fiscal expenditures of the public sector, they argue, originally "spend money into existence," after which it is "destroyed" in the process of fining or taxation. Money, in other words, is fundamentally a kind of receipt: the recipient of public sector funding is now in possession of a token unit required by everyone to pay taxes, which explains why other people are willing to accept this token in exchange for goods and services. This ability to make money by spending into existence that which it later demands back is, for these theorists, the fundamental characteristic of what they call "monetary sovereignty." From the point of view the liberal common sense about money, this is a startling claim, because we are so accustomed to the idea that the government is in danger of "running out" of it — with this notion serving as a kind of theodicy narrative or an explanation for why the state is unable to use its funding power to eliminate injustice from society. On this understanding, the state is constrained in its ability to deliver justice because any such activity must be a zero-sum interaction — and thus an inevitable source of political conflict which, if brought to a head, might threaten to undermine the legitimacy of the social order — between the recipients of public spending and the "taxpayers" who fund it. In an attempt to contest this narrative, the neo-chartalists redefine the government deficit as a public good, and one which is constitutive of the phenomenon

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history of the "difficulties" of coinage systems has to teach us about what money is or does in the 19th century or beyond. [1] Eric ymoigne. "A Financial Analysis of Monetary Systems." [2] Stephanie A, Bell, John F Henry, and L Randall Wray. "A Chartalist Critique of John Locke."

of money itself: in order for the private sector to accumulate money as profits, they argue, the public sector must be in deficit, because new money can only be created when the state injects more money into the economy as funding than it extracts as taxes.[1]

Modern Monetary Theory has enjoyed a rising claim to theoretical and political plausibility because of the fact that recent experience, during the "global financial crisis" of 2007-8 — and, more recently still, during the COVID-19 pandemic — has shown us what happens in the event of a general crisis of liquidity: the central bank, the institutional locus of monetary sovereignty within the apparatus of the state, steps in to prevent it. If the market is constituted by anxiety about the risk of its own future nonexistence, then this anxiety is, at a micro level, the business of the dealer market, but at a macro level it becomes a problem of political order and statecraft. Since the collapse of the existence of the market, if it ever really happened, would constitute a direct threat to the legitimacy and future existence of the state, the state must find itself forced to act in such a way as to prevent this from happening. By operating as a lender, buyer, or market-maker of last resort, state power — via the operation of the central bank — is able to underwrite the liquidity of the market and thereby guarantee that it will continue to exist. The Federal Reserve Bank of the United States is in a particular position to do so because, as we saw in the Introduction, it is not in a position of ever being forced to meet bills in outside money, or money that it cannot

[1] Bill Mitchell, "Deficit Spending 101."

itself create. Because money is nothing but a liability of the state, the central bank can always create more of it by "keystroking" it into existing, without any particular technical limit (other than any possible inflationary effects).[1] This allows it, in the case of an illiquidity event in which the mutual succession of money and commodities comes into crisis, to restore this liquidity by performing that succession itself. In a liquidity crisis, the holders of money might doubt that their assets still embody the option to be sold for money on demand. The central bank can soothe that anxiety by demonstrating, performatively, that such things still are possible: "look!" says the bank, "assets can still be sold for money, whenever you want to, and here we are proving that right now!"[2] It can do this because it has an unlimited balance sheet capacity and an infinite time horizon, which is simply to say, with a wink at Thomas Hobbes, that the central bank is a sort of artificial God. And it is because the central bank, as a God, never needs to get paid because it never runs out of money that it is able to soothe the anxiety of illiquidity that is, both at once, the death drive and life blood of the market economy.

This role of the state as a "backstop" guaranteeing the continued future existence of the market was perhaps first explicitly theorized in 1873 by Walter Bagehot, who, as a participant-observer of the London money market, described the role of the Bank of England in providing such a guarantee to the dealer market on Lombard Street and

[1] Stephanie Kelton. "Congress Has All the Firepower It Needs."
[2] Andrew K Rose, and Mark M Spiegel, "Dollar Illiquidity and Central Bank Swap Arrangements During the Global Financial Crisis."

advocated that this function should be (as it was not yet then) publicly acknowledged. Bagehot was thus arguing against an orthodox view that "the Banking Department of the Bank of England is only a Bank like any other bank — a Company like other companies; that in this capacity it has no peculiar position, and no public duties at all."[1] By contrast, Bagehot insisted that despite being a part of the banking system the Bank of England was an institution of a fundamentally different type than the other banks, endowed with capacities and tasked with responsibilities that other banks did not share. But acknowledging openly that the Bank of England is not like other banks in that it has responsibilities to something other than the self-interest of its shareholders places onto the table the rather delicate question of the extent to which the Bank is or is not like the state: "It is said," Bagehot writes, "that because the Bank of England keeps the 'State account' and is the Government banker, it is a sort of 'public institution' and ought to help everybody. But the custody of the taxes which have been collected and which wait to be expended is a duty quite apart from panics." Bagehot is concerned not only posit a distinction between the Bank and the rest of the banking system, but also between the Bank and the rest of the state; a distinction that draws a hard line between fiscal and monetary policy by making the Bank subservient to the state, with regard to the former, while making the state subservient to the Bank, in the case of the latter. This difference serves to draw a kind of constitutional "firewall" between the state as a whole (which exists to serve the public interest), and

[1] Walter Bagehot, L*ombard Street: A Description of the Money Market*, Ch. 2.

the monetary authority in particular (which exists solely to serve the interests of the money market). The Bank is a part of the banking system, and it is also a part of the state, but the relation between the Bank and the wholes of which it is a part is one that must, on his view, be understood in terms of difference rather than similarity. By being included within, but standing apart from, both the banking system and the state, the Bank of England comes to be figured as a site of hybridity between public and private, or as a point of indecision or uncertainty about the boundaries of the public-private distinction in the first place.

If, then, the central bank is a kind of artificial God, and one which is a part of both the banking system and the state without being similar to either one of them, then how did this state of affairs come about? The simple answer, which is more or less well known, is that the era of modern money began in 1694 with the founding of the Bank of England. While some important modern functions of the central bank were developed only later (the role of the central bank as lender of last resort to money markets emerged only in the 19th century) the late 17th century saw the emergence of a key plank of the modern monetary order which Christine Desan calls the "closure of the fiat loop:" the state began managing the money supply of the economy by the expedient of spending money into existence and standing ready to accept this money at full face value in receipt of fines or taxes.[1] Such a system is only possible, of course, if it is to be expected that the state's fiscal position is in deficit: if the state

[1] Christine Desan, *Making Money*.

runs a surplus, then it cannot at the same time be issuing liabilities that the public uses as money. Given the assumption that the economy is growing and needs increasing supplies of money to accommodate an increasing volume of transactions, therefore, the state in the modern monetary order must run a permanent fiscal deficit, spending more than it taxes every year such as to supply a growing economy with money assets in the form of its own liabilities. While the MMT theorists, as well as Desan,[1] present some version of this state of affairs as obtaining from time immemorial, as the condition of possibility of all money as such, this is historically false.

While medieval and early modern European governments would generally find themselves forced into deficit during wartime, rulers generally sought to run a surplus in peacetime in order to offset these expenditures, and the early 16th century in particular was a period of the enthusiastic amassing of war chests, in which the government would attempt to run a fiscal surplus during peacetime in order to accumulate stores of hard money in anticipation of future military expenses. Whether or not the world that MMT describes describes our world *today* is a question that I will, for the moment, leave aside. But this state of affairs has not existed from time out of mind, nor is it inherent in the notion of money itself. It describes only one possible monetary system among others that have existed in the past or might exist in

[1] Although Desan does not explicitly identify her view as "neochartalist," it is identical with this view in all relevant ways. In this work, I therefore take her book *Making Money* as the most rigorous possible historical defense of the state theory of money, since she arrives at the same conclusions but engages more seriously with the historical data than other MMT writers.

the future, and one which came about — if it did at all — only rather recently. If we are to properly understand the nature and implications of the monetary regime revealed by the recent historical activity of the Federal Reserve and thematized by Modern Monetary Theory, therefore, we must inquire after the conditions of historical possibility of the deficit state: how did it come to be that there exists a state endowed with the capacity to create money by monetizing its own liabilities, such that these liabilities could come to serve as the foundation of a global monetary order freed of the constraints of any appeal to precious metal collateral or any money "outside" the state?[1]

As we set off in search of an answer, let us relax for a while our attachment to the metaphoric order of concepts and explanations and theories, which might prejudice us in regards to what we regard as important and where we might go searching for answers. Instead, let metonymy be our guide: let's begin simply with a chain of associations and see where it leads us, with a willingness to let things surprise us. The "fiat loop" was closed, and debt became money, when the bank of England was founded in 1694. This date, 1694, brings immediately to my mind another date: 1688, the year of the so-called "Glorious Revolution," in which William of Orange was invited by Parliament to replace James II, whom they didn't much like, on the throne of England. Can there be any coincidence that the first foundation of such an important modern institution followed so closely on the heels of this "revolution" in

[1] Ricardo Lagos. "Inside and Outside Money."

which Parliament arrogated to itself the power to determine the succession and thus to make and unmake kings?[1] Surely not. If 1688 and 1694 are to be regarded as solutions, then they must be the solutions to some problem, and the name of that problem is "the Stuart dynasty." The Stuart dynasty, of course, is the dynasty of the English 17th century, spanning from the succession to Elizabeth Tudor by James Stuart in 1603, interrupted by regicide and civil war between 1642 and 1651, and ending with the deposition of James II in 1688. Now, it just so happens that James I, the founder of this dynasty, which is the problem for which the Glorious Revolution and the Bank of England offered a kind of solution, was the first English monarch in history to run a permanent annual peacetime fiscal deficit.

Prior to James I, the fiscal operations of English rulers were generally structured by a distinction between ordinary and extraordinary revenues.[2] Ordinary revenues were for the maintenance of the predictable peacetime needs of the king and his household, were derived from the king's personal property or direct prerogative, and were expected to be in surplus over expenses so that the crown could accumulate a war chest or strategic reserve. This war chest would serve as the first line of defense against extraordinary expenses, or the need to address unpredictable and existentially threatening exigencies. Any shortfalls in the ability to address extraordinary expenses out of the crown's hoarded funds would then, as we have seen, have to be (if not funded by short term debt, liquidations, or plunder) made up by summoning a

[1] John David Angle. "Glorious Revolution as Financial Revolution."
[2] Robert Ashton. "Deficit Finance in the Reign of James I," 17.

parliament and appealing to it for a subsidy. Thus we can see that regular peacetime fiscal deficits and permanent direct state taxation are, far from being the originary conditions of money itself lying deep in the mists of time, novel (and extremely contentious) developments of the prehistory of modern money that took place in the English 17th century. What the chartalist story misses is the transition of the volatility structure of the state deficit that took place in this period: previously, the state's "balance sheet" had been split into two distinct categories, with a surplus on the side of predictable expenses (the upkeep of basic Crown administrative functions and the lifestyle of the court) and a deficit on the side of those which were inevitable but not inherently predictable (mainly, if not exclusively, warfare).[1] This meant that it was not the sovereign, but the broader strata of heterogenous elites represented in parliament, that had the power to decide about whether or not there was in fact an existential threat demanding extraordinary financing that would allow the crown to bypass its "normal" restrictions on peacetime public finance.

The transition to zero intrinsic value money, regular direct taxation, and permanent deficits must therefore be understood historically as an obliteration of the distinction between war and peace in favor of war: in the system of modern money, all state finance is wartime finance, and "peace" has become unthinkable because a return to what the middle ages would have understood as "peacetime finance" would make continuing open-ended capital accumulation on a global scale impossible, by

[1] Carlos Álvarez-Nogal and Christophe Chamley. "Debt Policy Under Constraints."

depriving it of a perpetually expanding monetary base subject to management in the interests of the reproduction of global capital markets.[1] Modern Monetary Theory, as a political intervention into the guiding philosophy of public finance, seeks to turn this potential vice into a virtue, by arguing, in essence, that the public fiscal deficit is a good in itself because it supplies the private sector with "net financial assets" as vehicles of accumulation — and the accumulation of net financial assets is what the public wants.

In what follows, I will investigate the stakes and implications of putting the state "at center stage" in our theory of money by putting MMT to the test of history, with an eye to the constitutive difference or "spread" that, as I have argued, makes money what it is. Only in this way will we be able to adequately foreground the production and pricing of liquidity, or the question of the existence of the market itself, as a constitutional problem fundamental to the creation of monetary order. First, I will briefly examine the historical narrative forwarded by the MMT school in support of its theoretical claims, which gets some things right and other things quite wrong. The history of coinage, in particular, is a point of symptomatic weakness in their account. Indeed, it is quite ironic that a school of thought that insistently foregrounds state money — and which advocates minting a platinum coin valued at one trillion dollars as a way to sidestep recurring political crises in the U.S. over the "debt ceiling"[2] —

[1] Yanis Varoufakis, *The Global Minotaur*.

[2] Rohan Grey, "Administering Money: Coinage, Debt Crises, and the Future of Fiscal Policy."

should be so weak when it comes to theorizing coinage as the paradigmatic form of state money, and therefore of money as such, for well over two thousand years. Indeed, as I will argue, the true history of coinage has not simply been ignored, but actively *repressed*, in the full psychoanalytic dimensions of this term — not only by MMT, but by the traditional liberal and Marxist stories as well. Coinage is a scandal, and has been a scandal since it was first invented sometime in the 6th century B.C — and we cannot fully understand the political stakes of the *modern* monetary system unless we can gain a more sophisticated understanding of the *pre*-modern monetary system that modern money constitutes itself by repressing. The remainder of this work will constitute a defense and elaboration of this claim.

2.2: The State At Center Stage

To shift our level of analysis from the micro to the macro level means to make a break from from the geometric plane of philosophy and escape onto the rather more jagged terrain of history. It also means to dispense with micro-foundations: at the dawn of Western philosophy, both Plato and Aristotle begin their investigations into money by assuming that the point of money is that it enables or facilitates commercial relations of exchange between individuals. This analysis, particularly in the case of Aristotle, has been incredibly influential for Western thinking about money; so influential, in fact, that proponents of all three of the views I discussed above —

liberal, Marxist, and chartalist — have felt the need to claim Aristotle for their own.[1] When the theory of money begins in this way, it begins by having already abstracted itself away from the question of political power and the institutions of public authority, which must then be added back into the theory later as an elaboration, supplement, or puzzle. But this philosophical tradition of thinking about money, which forms the basis for and ultimate genealogical ancestor of modern economic thought, is not the only or even the oldest tradition of thinking about money in classical Greek literature: there are also the histories of Herodotus and Thucydides, in which we can find the discussion of money framed in very different terms. Thucydides, famously, associates the rising importance of money and monetary power with the growth of naval power (I.13) and attributes the difficulties faced by the Greeks during the Trojan war to a lack of money (I.11). Herodotus, for his part, first introduces the topic of money in the context of the monumental architecture of the Lydian kings of Sardis:

> The Lydian land does not have as many extraordinary features to record as other places, except for the gold dust that is washed down from Mount Tmolus. And it has, in the tomb of Alyattes, father of Croesus, the greatest structure ever built, apart from those of the Egyptians and Babylonians… It was built by the joint efforts of tradesmen, craftsmen, and prostitutes… They were the first of all people we know of to use coinage struck from gold and silver, and the first to become retailers of goods they did not themselves produce. (I.93-4)

[1] Barry J. Gordon, "Aristotle, Schumpeter, and the Metalist Tradition."

Herodotus clearly associates the use of coinage with commerce, but he introduces this almost as an afterthought or as a result: the central feature of his description of the monetary economy is not commerce, but rather the funding of public works and the stimulating effects of the supply chains and services that feed it.

The philosophers, Plato and Aristotle, begin by positing a system of money and monetary exchange that exists on the level of the individual, prior to politics, and then they proceed from this standpoint to introduce politics as a puzzle that needs to be solved. They attempt to derive politics, and then to find a solution to politics, from the point of view of money. But for the historians, money and politics emerge together, all of a sudden and all at once. There is never a single moment in Herodotus or Thucydides in which money exists, but the problem of politics has been abstracted away from or not yet introduced.[1] For the historians money and power emerge together because money is itself always and already a means of organizing power: money is about funding, or about the mobilization of resources on a large scale in pursuit of strategic goals aimed at the accumulation of further power both in this world and the next. Richard Seaford has argued persuasively that the discourse of philosophy itself, from its very beginning, has been fundamentally concerned with the attempt to rationalize anxieties produced by the development of the monetary

[1] Thus, Deleuze and Guattari: "We start with the archaic imperial State: overcoding, apparatus of capture, machine of enslavement. It comprises a particular kind of property, money, public works—a formula complete in a single stroke but one that presupposes nothing "private" and does not even assume a preexistent mode of production since it is what gives rise to the mode of production. The point of departure that the preceding analyses give us is well established by archaeology. The question now becomes: Once the State has appeared, formed in a single stroke, how will it evolve?" *A Thousand Plateaus,* 558.

economy in the Aegean basin after the Persian wars of the early 5th century.[1] We can take his thesis a step further by saying that philosophy, in attempting to rationalize the anxieties that money produces by imagining money as arising out of a horizontal relation between individuals, in fact functions to repress the problem that money poses, which is a problem of power and political order, a problem of conquest and legitimacy and the vertical relation between sovereigns and subjects. The repression of this problem takes place in the very moment that we imagine that there could exist, in the first place or even at the level of the concept, a system of monetary exchange prior to and independent of the funding pressures created by institutions of organized violence.

Thus, what is potentially surprising or even shocking about the chartalist story about money — that monetization processes are driven by the funding activities of states — is something that is right there on the surface of the most canonical presentations of classical Greek history. There is no big secret about it. But when the Greek *philosophers* attempt, not just to tell a story about money, but to explain money, justify money, and submit the phenomenon of money to the rule of reasons, they find it necessary to try to repress what everyone knows: that money is not just a neutral medium that atomized but interdependent individuals agree to use in order to facilitate exchange, but directly and in itself a vehicle for and expression of political power. Since both the liberal and Marxist stories about money depend upon

[1] Richard Seaford, *Money and the Early Greek Mind*.

repressing the constitutive importance of state power for money and monetary exchange, even at the level of the concept, the chartalists may seem to win a rather effortless victory on the merits against their two most relevant opponents. The basic outlines of the chartalist story about money are supported not only by the historical facts about the development of coinage economies in the ancient Aegean,[1] but also by the evidence of demonetization processes during, for example, the Merovingian period, when post-Roman rulers seem to have given up attempts to tax in money while at the same time accumulating a hoard. Simply put: the state lost the ability to tax not because of any diminution of its coercive power, but at least in part because it had hoarded all the money and its subjects therefore didn't have any. As Peter Spufford puts it: "The pages of Gregory of Tours drip with blood and gold, but it was gold not in circulation and use, but clotted and hoarded."[2] Thus there is, undoubtedly, at least something importantly right about a view of money that emphasizes the constitutive importance of the fiscal circuit for monetization processes and the ongoing reproduction of the monetary economy.[3]

As I will argue, however, just because the state can and should take center stage in our analysis does not mean that nothing is happening *off-stage*, or that what goes on off-stage doesn't matter. Indeed, we should at least entertain the hypothesis that what goes on off-stage may turn out to be as important or even more important that

[1] Franz Steiner Verlag, "Athenian Mines, Coins, and Triremes."
[2] Peter Spufford, *Money and Its Use in Medieval Europe*, 15.
[3] Walter Goffart, "Old and New in Merovingian Taxation."

what we can see going on at the front and center. And what, most crucially, happens "off-stage" in the discourse of neo-chartalism is the performance of the conditions of possibility of the state itself. Consistently, when neo-chartalist writers tell stories about the origins of money, both the existence (and more importantly, the legitimacy) of the sovereign monetary authority are taken as given, or are located in the deeply distant past or "time immemorial" — in Mesopotamia, perhaps, or in the time of the "early Anglo-Saxon kings," depending on the preference of the author. The existence of the sovereign or monetary authority is taken as a pure positive externality in the same way that the market, as we saw, is taken to be a free good in Marx. The market, for Marx, and the sovereign, for neo-chartalism, are both understood as having a price of zero, or as not requiring anything to be paid by anyone to anyone else as a condition of its existence or continued reproduction. Chartalism, to be clear, assumes that the condition of money is that the subject pays a price to the sovereign, in the form of a tax. Its essential argument, however, is based on the idea that the real benefit of this arrangement is accrued to the public in the form of "net financial assets," due to the fact that the sovereign necessarily spends *more* than it taxes. In aggregate, the state must give to the public more than it gets as tax in order to enable the public to hold usable balances at all, which it must if it is to be taxed in money. No system of taxation can eve tax away all of the money held by its subjects, without thereby ceasing to exist. And this originary excess of expenditure over receipts that,

on their view, makes money possible is something for which nobody has to pay anything to anyone. It just happens.

Curiously, when neo-chartalists do venture narratives about the first origins of monetary sovereignty, they tend to paint it in negative terms, as being an exercise of pure arbitrary violence: the state is described as "extortionary" by Mark S. Peacock,[1] and as originating in the "transition from a classless to a privileged or class society" by Kelton et. al.[2] Chartalists often look to 19th and 20th century colonial experience as case studies in what they take to be the origins of money as such: "Taxation," argues Pavlina R. Tchernova, "turned out to be a highly effective means of compelling Africans to enter cash crop production and to offer their labor for sale… Just like colonial governments, modern States need to obtain goods and services from the private sector."[3] However, this exercise of the "ethnographic gaze" (which conflates a spatial move towards the periphery with a temporal move towards the origin) elides, at a very explicit methodological level, the polarity between metropole and colony that can be be distinctly observed in English monetary history in the difference between coinages issued by English kings in Ireland versus those they issued at home.[4] Consistently, English kings sought to issue bad money in Ireland and good money at home, and it must be inferred from this that the conditions of possibility

[1] Mark S. Peacock, "State, Money, Catallaxy."
[2] Stephanie A Bell,, John F Henry, and L Randall Wray. "A Chartalist Critique of John Locke."
[3] Pavlina R. Tcherneva, "Monopoly Money: The State as a Price Setter."
[4] Raymond Carlyon-Beitton, "Henry VIII Harp Groats and Harp Half-Groats and Edward VI Harp Groats."

under which money was imposed by English on the Irish differed in some meaningful way from the monetary relations obtaining between the king and his lawful English subjects. Since the case of English monetary power in Africa is surely more similar to the history of the English in Ireland than it is to the history of the English in England, we should be wary of the implicit assumption that the imposition of a monetary economy by a modern colonial power on a colonized population is necessarily identical or even strictly analogous to the process by which that monetary system developed in the first place. That the English did not implement a bad money policy at home cannot be explained by their lack of imagination or technical capacity, since they were perfectly happy to do so on the other side of the Irish Sea. Any satisfactory political theory of the monetary authority, therefore, must have some way to account for this difference, to explain why the English did not do at home what they did readily abroad, that does not elide the polarity between metropole and colony and, with it, the difference between global North and South.

In order to answer this question, it will be necessary to examine the case not of Ireland, but of England itself. The neo-chartalist theory already has a good explanation for why English kings should issue bad money in Ireland: they are simply using a token money receipt to compel resources from their subjects. What it cannot explain as anything other than a bit of confusion or stubbornness, however, is why English kings should have gone to great lengths, for periods stretching for hundreds of years at a time, to ensure the high intrinsic value of the domestic money in

England, which was notable in the European world for its high level of pure metal content and corresponding small spread between nominal and intrinsic values. Indeed, the high notoriety of periods of debasement in English history, such as that under Henry VIII, are evidence of its relative absence: medieval French rulers, for example, consistently engaged in currency debasements to an extent unheard of in England, and there are, as a consequence, no celebrity cases of the phenomenon. "Generations of historians," writes Glyn Davies, in a compelling passage worth quoting at length, "have praised the moral qualities of English kings in yielding less to the temptations of debasement than did foreigners…"

> We should however add the warning that superior-quality money does not necessarily indicate a superior economic performance. Sound money is no guarantee of a sound economy, either today or in the Middle Ages. In matters of finance as in matters of trade, it was the foreigner with his poorer-quality silver coinage and his superior supplements and substitutes, such as gold and especially the paper bill of exchange compared to our wooden tally, who led the way. Consequently one should at least raise the question of whether medieval England was crucified on a cross of undebased silver… Unless such questions are raised, there is a danger of almost unconsciously equating praise for the moral qualities of English monarchs and their parliaments in upholding sterling with the unjustified assumption that the result was good for the economy in general – that what was good for the sovereign was good for the kingdom. The persistence of the external drain, the incentive given to counterfeiting, the peculiarly English insistence on using the primitive and clumsy tally are all indications that the quantity of money tended over the long run to lag behind demand. Whilst this is not an argument for saying that bad money is good, a posthumous apotheosis of Gresham, it should however

> inhibit the equally false, damaging and insidious convention that intrinsically good money is necessarily good for the economy.[1]

The question to be answered, then, is simple: why didn't English kings debase their money?

From the perspective of a methodological nationalism that assumes that the state simply exists as a positive externality and that the price of legitimacy is zero, there is no reason at all why a country should use up some of its valuable stocks of precious metal, which could have instead been employed for the purposes of foreign exchange or for the production of jewelry and silverware, for the purposes of domestic circulation. But if we abandon the assumption that the existence and legitimacy of the state can be taken for granted, it is obvious why rulers should find themselves forced to issue money containing silver: they are, in effect, issuing money that is collateralized against the risk of their own non-performance, or issuing what we might call an "option for rebellion." The English barons had a perfectly good reason for not wanting to participate in a fiduciary money scheme with the crown by means of which they might raise more foreign exchange and thus increase the collective foreign exchange reserves of the kingdom: they might want to use the money to go to war with the king himself, which they did in fact do on any numbers of occasions. Open military revolt by barons was in fact so common in medieval England as to be almost an accepted mode of negotiation among the landed power elite. In the revolt of

[1] Glyn Davies, *A History of Money*, 173.

the Lords Appellant that forms the backdrop of Shakespeare's *Richard II*, for example, it was perfectly possible for Bolingbroke and Mowbray, the earl of Derby and the duke of Norfolk, to join a revolt in arms against the king, execute several of his favorite counsellors at the "Merciless Parliament" of 1388, and then later to change sides, be pardoned, promoted from earl to duke of Hereford in the case of Bolingbroke, and reestablish themselves in the king's party ("Once did I lay an ambush for your life," says Mowbray to Gaunt "but ere I last received the sacrament I did confess it and exactly begged your grace's pardon, and I hope I had it," R2.1.1.137-141). Such shifts of alliance, and the use of open revolt to prove a point or gain bargaining power, were far from uncommon in English political history. Intrinsic value money can be seen, in this light, as a mechanism by which the landed elite can collateralize itself against internal dissension and, more importantly, against the king himself. Submitting to a system in which rents can be gathered in fiduciary money redeemable for foreign exchange only at a chokepoint under the direct control of the king is equivalent to giving him a knife to hold at your throat. The establishment of such a system therefore has, as a necessary condition, a ruling class consensus that such an arrangement is not only advantageous but also politically safe. As I will show, the condition of making such an arrangement "safe" is the construction of a particular form of sovereignty, which emerged in England in the aftermath of the political conflicts of the 17th century, that would render sovereign power "servile" with respect to markets in money and other financial assets.

When liquidity is a problem, it is a political problem: the state cannot simply allow the market to cease to exist without allowing its own legitimacy and continued existence to be called into question. Thus, it must act to make the market itself, and, in the modern era, it does so through that curious institution that Bagehot theorized as occupying a place of indecision between public and private: part of the banking system but not *of* the banking system, part of the state but not *of* the state. For the neochartalists, writing in the aftermath of a revelation of the central bank's seemingly absolute power to annihilate the scarcity of money through the magic of "keystrokes," the introduction of the state into the theory of money solves all problems without remainder. If only policy makers understood the truth about money, they suggest, then there really would be no more economic problems, and perhaps even no more social antagonism (or what we once called class struggle) at all. Key to the rhetorical strategy of the neochartalists is the insistence that their theory is fundamentally descriptive rather than normative, and thus, in itself, politically neutral. According to them, it merely describes how things really work, already. As Marc Lavoie has pointed out, however, there is a centrally important element of the neochartalist story that is entirely counterfactual: this is the "consolidation hypothesis," or the theoretical "simplification" that bundles the central bank into the state and treats them as one single and undifferentiated entity. Against neochartalist writers who argue that "there is no economically meaningful difference from the Treasury's perspective between the government enabling itself to obtain an overdraft and the government forbidding

itself from doing so," Lavoie asks why, "if it makes no difference, do neochartalists insist on presenting their counter-intuitive stories, based on an abstract consolidation and an abstract sequential logic, deprived of operational and legal realism?" The consolidation hypothesis is thus the symptomatic point at which the neochartalist story tries to repress some truth about money, and the point at which the theory leaves the realm of the descriptive and takes on the normative dimensions of a political project in its own right: "for the presumed consolidation-based general case to be fully valid, substantial reforms to existing laws and institutions would be required."[1] Thus, the neochartalist story claims to present a theory of money in general, at the level of its concept, but this is a concept of money that has not yet been realized in history. Their project is not simply to describe how money is, but to describe how money should be, once it reaches the level of absolute self-identity in history following the abolition of the distinction between treasury and central bank.

The counterfactuality of the consolidation hypothesis, which is the *sotto voce* heart of the neochartalist view, is a symptom of a problem that our theory can take as its initial point of attack. For the horizontalist theory, assuming that the market exists as a free public good meant assuming that money was identical to itself, and that the absolute self-identity of money was what enabled money to serve as a foundation stone for the market as a whole, understood as structured by a system of equivalencies. For the verticalist view, by contrast, assuming that money exists as a

[1] Marc Lavoie, "The Monetary and Fiscal Nexus of Neo-Chartalism: A Friendly Critique."

free public good, spent into existence by the government in order to "serve" the needs of the economy, means assuming that the state is identical to itself, with the implication that the entire notion of "self-imposed constraints" becomes incoherent or meaningless.[1] A self-imposed constraint, say the neochartalists, is no constraint at all. Here, in their dismissal of the entire notion of self-imposed constraints as incoherent, the neo-chartalists brush up against the real implications of their invocation of "sovereignty," which they talk about as though it were a solution rather than a problem. Indeed, in making this claim, neochartalists echo, perhaps without realizing it, the famous formulation of Jean Bodin, who argued that "if the justice of a law that [the prince] has sworn to keep ceases, he is no longer bound by his promise, as we have said, which is a liberty that subjects cannot exercise with respect to each other."[2] The problem of sovereignty, ever since Plato's *Statesman*, has been a problem about the relation between the ruler and the law, or, more specifically, the question of whether or the extent to which the sovereign is subject to a legal action of estoppel, or a court injunction against going back on one's word.

Another way to frame the question of sovereignty as it has been understood in Western political philosophy is to ask whether rulership is grounded in the law or whether, on the contrary, the law is grounded in rulership. If rulership is grounded in law, then there is the possibility that the law itself might become a kind of tyrant:

[1] Eric Tymoigne, "Modern Money Theory and Interrelations between the Treasury and the Central Bank: The Case of the United States."

[2] Jean Bodin, *On Sovereignty*, 15.

"The differences of men and of actions and the fact that nothing, I may say, in human life is ever at rest," says the Stranger, "forbid any science whatsoever to promulgate any simple rule for everything and for all time… But we see that law aims at pretty nearly this very thing, like a stubborn and ignorant man who allows no one to do anything contrary to his command, or even to ask a question, not even if something new occurs to some one, which is better than the rule he has himself ordained."[1] Thus, the Stranger suggests, it is better for the law to be grounded in rulership, such that the ruler might be empowered to determine those states of exception in which justice demands that the law be broken or changed. But this, of course, is a dangerous idea, because placing the ruler above the law by empowering them to decide over the exception opens up the specter of the literal tyrant as an evil imitator to the true art of rulership, who claims to break the written law in the service of "what is best," but who actually acts "inspired by desire and ignorance… is not such a ruler to be called in every instance a tyrant?"[2] If the ruler is above the law, and thus empowered to free political society from the necessity of obeying a law whose general principles have come to prescribe injustice in some particular situation, then there is and can be no recourse against the ruler themselves. Thus, the mistake of the neochartalists is to begin by defining money as a promise and then failing to inquire into the conditions of possibility of promising, and, more specifically, into the question of why anyone should trust the promises of a sovereign (as *Henry V*'s Williams puts it: "when our

[1] Plat. Stat., 294b-c.
[2] Plat. Stat, 301b-c.

throats are cut [the king] may be ransomed and we ne'er the wiser," H5.IV.1.191-3). There is, therefore, a contradiction at the heart of the neo-chartalist view of sovereignty, which is that the sovereign is somehow both at once ultimately trustworthy and also absolutely untrustworthy in the sense of being, as a matter of principle, unconstrained by its own promises. Historically, however, the promises of kings are fickle things indeed, and it is for this reason that sovereign rulers were, until the modern period, only able to borrow at short term and high rates.[1] To paraphrase Nietzsche, then, the question is how it becomes possible to breed a sovereign with the prerogative to promise, or to develop what Nina Boy has termed "sovereign security" or the historical transition of sovereign debt from a risk asset to a safe one.[2]

If the modernity of money is defined by its zero intrinsic value, or the fact that the circulating medium that exists in the form of money rather than credit (cash, that is, rather than deposits) is uncollateralized against sovereign nonperformance, the natural question to ask is… what happened to the collateral? Where did it go? And what were the political conditions of its disappearance? The most immediately obvious solution to the problem would be to say that the disappearance of precious metal collateral from circulating money represents the victory of sovereignty over the public: if the metal in the money represents a concession that the public is able to extract from sovereignty, then wouldn't its disappearance imply that the sovereign

[1] Mauricio Drelichman, and Hans-Joachim Voth. *Lending to the Borrower from Hell*.
[2] Nina Boy, "The Backstory of the Risk-Free Asset: How Government Debt Became 'Safe.'"

had won and thus no longer needed to concede anything? To take this position would be to discover the neo-chartalists' original "extortionary" state as lying not in the first emergence of class society in the early bronze age but rather in the modern period — finally, perhaps, when the money became paper, the state managed to live up to its ideal as a purely asymmetrical vertical relation between absolute sovereign and absolute subjects, whereas previously it had only been partly successful. This might also explain why their "primal scene" of money's origin can be more readily found in the experience of modern colonialism than in the history of the colonizing power itself. But this story cannot be correct, for the following reason: the emergence of modern money, in 1695, had as its condition of possibility the political victory not of the king but of his opposition in Parliament — precisely, in other words, those same people to whom the king had been obliged to issue collateral against himself. It was only after the course of the troubled Stuart dynasty and the English 17th century, during which Parliament arrogated to itself the power to depose, execute, and appoint its own sovereign, that the first foundations were laid for the modern system of zero intrinsic value money. In other words: the money became ultimately bad only with the final historical victory of the hard money faction. It is this apparent paradox that any serious, historical-materialist theory of monetary politics must seek to explain.

2.3 Inside and Outside Options

The place to begin, I suggest, is to abandon the neo-chartalist attempt to reduce the coin to a token or credit instrument and instead to take seriously the fact that in issuing coinage, sovereigns issue money that is collateralized against their own nonperformance, and that they do so because the heterogeneous constituencies that make up the "money-using public" (composed both of subjects and non-subjects) have the capacity to demand this: they are willing to pay a price, but not any price, for the liquidity generated by the fiscal and monetary activity of the state. As theories of money, metallism and chartalism are both false precisely because they are both partly true: a precious metal coin, I argue, can best be understood not simply as a sovereign promise but as a hybrid financial instrument combining two options: one of which is the option to "put" the coin for a legal price in nominal money, and the other of which is the option to "call" the silver content of the coin by melting it down.

It will be easier to see this if we hold in mind a concrete historical example: the final reform of Edward III, in 1351, defined the English penny as 18 grains of sterling silver, 37/40 fine, 240 of which were legally recognized as equivalent to the pound sterling unit of account. Let us then consider someone — call him Abbott — who is in possession of 240 of these lawful English pence. How can we best describe the asset that Abbott is holding? One way of describing the asset is as £1 in nominal terms. A chartalist would observe this fact and proceed to claim that this is all there is

to say about it. The metallist, by contrast, would protest that what Abbott really has is (240 x 18 x 37/40 =) 3,996 grains of fine silver, which is what really does or actually should matter, and would then proceed to denounce the "arbitrarily" defined nominal value of the coin as an illusion, a crime, or a scandal. If we take a step backwards from this polemical impasse, however, and see how things appear from "the money view," there is no reason to decide in favor of one theory or the other, since they both assert something that is true.[1] When we characterize what is true about each of these viewpoints as describing an option that is either *embodied* in the content or *encoded* in the form of the coin, there is no reason that they need to be mutually exclusive. Abbott has 240 pennies, but in addition to the pennies he has two other assets: implicit options created by the interaction between the pennies and the English courts, on the one hand, and between the pennies and the melting pot, on the other. The option encoded by the coin, to be tendered in England and recognized at its legally defined value in terms of the English unit of account, is what I will call the coin's "inside option." The coin's "outside option," by contrast, is the option embodied by the coin, to be exported — or smuggled — out of England and to the bullion window of a foreign mint where it will be assayed for purity, purchased as bullion, and reminted. This happened to English money quite a lot — so much so, in fact, that the smuggling of silver coins out of England evidently continued to be a profitable activity despite serious efforts at legal suppression throughout the medieval period.

[1] Perry Mehrling, "The Inherent Hierarchy of Money."

Thus, what is perhaps the defining problem of medieval English monetary history — the driving out of "good" money, or money with the correct legal amount of silver in it — can be characterized as a problem that obtained when people like Abbott, who were in possession of English pennies, preferred to short the coin's "inside option" (the option to "put" the coin by tendering it as legal money in England for a legally defined price in unit of account) in order to fund the exercise of the coin's "outside option" ("calling" the silver content of the coin by melting it). This history poses a serious puzzle for both metallist and chartalist theories of money. For the metallist, it undermines the notion — perhaps the faith — that fixing the unit of account to a commodity standard is a recipe for monetary stability. Here, instead, the problem is that the coins are being driven from circulation because they have too much silver in them, a problem for which debasing the coinage might be a legitimate response. The coin, in other words, is issued with an "outside option", but it will successfully circulate as current money within the domestic jurisdiction only in case this option is out of the money: if it is more worthwhile for the holders of the coin to exercise the inside option (passing the coin as legal tender) than it is to exercise the outside option (exporting and melting). If the value of silver rises high enough to bring this option into the money, then the result will be a scarcity of cash, and if cash is becoming scarce for this reason, then the mint can (and probably should) combat this by lowering the silver content in the coin. If the metallist's basic normative position is undermined by the fact that periodic state intervention into the metal content of coins

is actually required to maintain the stability of the system, the chartalist's basic historical story is undermined by the fact that, in the face of these rather serious difficulties, rulers continued using silver for money at all.

Faced with the problem that the "outside option" embodied in the penny's silver content was "in the money", and therefore being exercised through hoarding, melting, and exporting, why did English rulers resist addressing this problem by lowering the amount of silver in the penny? I have already suggested one source of the political resistance to debasement: the fact that the king is compelled to "pay a price" for his legitimacy by issuing collateral against his own non-performance in the metal content of his money: debasement of the coinage standard will negatively impact the silver quantity implied by nominal rents, reducing the real value of these revenues for spending outside of the realm or holding as a hedge against the king. The attempt by the king to remove precious metal from the coins would thus appear, from the barons' perspective, as a hostile action aimed at attenuating their ability to raise foreign exchange funding independent of his control and thereby draw them into his power. This dynamic explains the behavior of monetary authorities in situations in which the succession of the dynasty is existentially threatened: during the Hundred Years War, for example, French kings often engaged in heavy debasements during periods of military setback, but then consistently sought to restore the standard of the money when the regime became more stable.[1] When there was a consensus among the

[1] Nathan Sussman, "Mints and Debasements."

nobility of the necessity to fund the defense of the kingdom through extraordinary means, the money could be debased, but the restoration of the standard after the end of the emergency would also be necessary in order to show that the kingdom had been worth defending. If the reward of the nobility for defending the dynasty is to have the real value of their rents permanently eroded through depreciation, then why defend the dynasty?

There is in addition, however, a less dramatic reason that the landholding classes in particular were resistant to the devaluation of the unit of account implied by the debasement of coinage. The explanation for this hinges on two points. The first is that nominal money rents are politically sticky: once a rent or due of some kind (most importantly, but not exclusively, those for land tenure) has been commuted to a payment in a nominal sum of money, it is not always easy or even possible to adjust them in response to the changing value or quality of money. Thus, if the king had debased the penny, this would have tended to reduce the value of customary nominal rents due both to him and to his barons in silver terms, and thus in terms of foreign exchange, much faster and more easily than those rents could be raised in response. From the chartalist perspective, which theorizes the money relation as constituted purely through a relation between sovereign and subjects, it is not clear why either the king or the barons should have cared about the silver content of their money rents. Even if the coins had half as much silver in them, wouldn't they still have been worth the same for extinguishing debts imposed by fines and taxes? And from the point of

view of the king, couldn't he just spend them again at their nominal value, thus mobilizing resources, regardless of their metal content? But this notion founders on the fact that for much of English political history the king had no right to regular direct taxation during peacetime in the first place.

Instead, he funded the normal operations of the crown and his household through demesne revenues (like any other baron) and a few carefully circumscribed indirect taxes like the wool tariff.[1] After the establishment of Magna Carta in the time of King John, the principle was established that direct taxes of any kind required "counsel" and could not be unilaterally imposed.[2] Importantly, when direct taxes were imposed with the counsel of the realm in what came to be called "parliaments" (which was, in this period, an event rather than an institution) the most important of these were levied on movable property. Since, in addition, many lords and other magnates received exemptions from taxation for one reason or another, the total incidence of English taxation on landed wealth was extremely low and, in many cases, nonexistent. Thus, medieval England was a society in which land rents paid in money were the most important basis of social wealth, and it was paid to people who would not have cared, or at least would not have cared very much, about the capacity of their money rents to extinguish tax liabilities to which they were not necessarily subject in the first place. This bring us to our second point, which is that the resource that English kings wished to mobilize via their control of the monetary system was, first

[1] Susan Rose, *The Wealth of England*.
[2] Jane Frecknall Hughes, and Lynne Oats. "King John's Tax Innovations."

and foremost, precious metal itself. The reason for this is again quite simple: they needed precious metal, rather than mere tokens, to exchange with people who were not their subjects (be they Viking invaders, continental mercenaries, or Italian merchants carrying luxury goods from the east) who were perfectly free to respond to the king's "fiat" by telling him that he didn't have any clothes. It is possible to discern, in the monetary reforms of Eadgar to Cnut to William and beyond, an intense concern for the problem of standardizing the average real value of a quantum of nominal revenue, demonstrating conclusively that English kings did indeed tax in order to raise hard money rather than merely to drive the nominal value of the currency.[1]

Indeed, while the neo-chartalists are quite picky about what they call the "operational realities" of the modern monetary system, they are a bit cavalier about the operational realities of the historical systems that they mobilize in support of their origins narrative. To put it simply: the claim that money is created when it is spent into existence by the state is, for European monetary systems from late antiquity until the modern period, *prima facie* false. In fact, money was created when private individuals, usually merchants, brought bullion to a mint and exchanged it for coin at a rate, known as the "mint price," set by the monetary authority. The mint price constituted a standing bid for bullion in nominal terms: anyone, at any time, could "hit" the bid by bringing bullion to the mint and receiving coin in exchange. While

[1] Stephen M. Stigler, "Eight Centuries of Sampling Inspection: The Trial of the Pyx."

kings did sometimes mint coin from metal stocks that they controlled directly (an objective which was usually the primary goal of seizures of church property, for example), thus creating and spending directly it into the economy themselves, the vast majority of the money stock was created in voluntary transactions between merchants and mint officials. This voluntary transaction occurred on a large scale because it benefitted three different parties — the king, the mint-master, and the merchant — due to the fact that a pound of silver, equivalent in nominal terms to 240 pennies, was used to mint more than 240 pennies, thus creating a surplus of nominal pennies that was split between the three parties on terms which might vary in different times or places (for a more detailed examination of the mint, see Chapter Three).

We can see, therefore, that the "moneyness" of coins was constituted neither, as the metallists would have it, simply by the intrinsic value of their metal content, nor, as the chartalists would have it, by the juridical imposition of nominal terms as a pure identity or tautology, but rather by the creation of a spread, or a difference, between the two. The coin is not simply a promise made by a king, since such promises are notoriously unreliable: their enforcement may well prove to be beyond the reach of legal recourse. It is true that the king promises to enforce the value of his money in his courts (if not necessarily, a point given undue emphasis by neochartalists, by taking it back himself). But the king also issues, in the metal content of the coin, an option to take the coin outside of the kingdom and thus transform it into something else that is quite outside his power and authority. The issuance of this option on the

outside is, moreover, the object of intense political concern and antagonism throughout the history of money, and we must take this antagonism seriously, rather than dismissing it as the result of simple barbarism or ignorance, if we are to really understand what money is all about. Only in this way can we hope to understand what is really at stake — or what may be repressed — in by the elimination of this "outside option" under a "modern" monetary system of zero intrinsic value currency.

2.4: The Holy Fisc

Let us try to excavate the historical conditions of possibility and repressed political stakes of zero intrinsic value money by beginning at the end and working backwards, towards the beginning. The neochartalists, who emphasize the importance of what I called the "inside option" in their story about the origin of money and monetary relations, suggest that money is always and everywhere the creature of a state (or "public authority") that is financing its acquisitions of labor and other resources by issuing its own liabilities as money and then "driving" the value of this money by accepting it back in payment of taxes at a later date.[1] Even if we leave aside, for the moment, the question of money's ancient past, this story does not seem to describe even the immediate predecessors of modern monetary systems in Europe during the medieval or early modern periods because the existence of regular peacetime taxation

[1] L. Randall Wray, "An Irreverent Overview of the History of Money."

was not necessarily a feature of these polities. In France, the king was able to impose regular direct peacetime taxation for the purposes of maintaining a standing army in the mid 14th century, during the Hundred Years War.[1] But this centralization and regularizing of the power of taxation by the French crown did not lay the groundwork for the development of a modern fiat money system: Napoleon financed his wars by issuing coins in gold and silver, in contrast to the British, who paid to defeat him by suspending convertibility and issuing perpetually floating debt.[2] But in England, whose defeat of Napoleon would usher in the era of the pound sterling's global dominance and perhaps the era of modern money as such, the capacities of the central state for direct taxation developed quite late and were not yet a feature of the system when it took the first plunge into permanent deficit finance after the accession of James Stuart in 1603.

Prior to James I, then, there was money and a monetary economy in England, but there was not yet in existence a central public authority with either a structural fiscal deficit or the capacity to levy direct taxes. It cannot, therefore, be adequately described by the neochartalist story, and so we must try to develop an alternative account of the "inside option" or the legal overvaluation of precious metal coinage to the one they present. It is certainly the case, as I have already said, that we cannot theorize money independently of the power of the state to define its form and enforce

[1] Rosemary L. Hopcroft, "Maintaining the Balance of Power." John Bell Henneman, "Royal Taxation in Fourteenth-Century France."

[2] Michael D. Bordo and Eugene N. White. "A Tale of Two Currencies." Jagjit S Chadha and Elisa Newby. "'Midas, Transmuting All, into Paper.'"

its nominal value in certain transactions. But the neochartalist story about the origin of money as such arising from a temporal mismatch between the requisition of goods by the state, when money is issued in payment, and the later imposition of a unilateral liability, by means of which money is "destroyed" and thus given its value through taxation, cannot explain the existence of a monetary economy in which these conditions do not obtain — as did in fact exist, at least in England, for around a thousand years. Rulers really did, despite the protestations of the chartalists, need to raise revenues first so that they could get money in order to spend it (and the pre-modern English state really was "a household," so much so that one important fiscal officer was known as the Keeper of the Wardrobe, i.e. the guardian of the closet where the king kept his money).[1] They did not (could not, and were not allowed to) simply create money by spending it into existence, and even if they had, this would not have got them what they really needed, which was access to foreign exchange.

The comparative problem to be solved, in asking about the conditions under which the modern system of zero intrinsic value money could emerge, is why this system emerged *in England*. A few things about England are notable in this regard. First, the mint was centralized, consolidating royal authority and control over the production of money, from a fairly early date.[2] In other respects, however, England lagged behind its peers in developing "modern" institutions of public finance: it lacked a consolidated system of centralized taxation until quite late, and was well

[1] Barrie J. Cook, "The Royal Household and the Mint (1279-1399)."
[2] N.J. Mayhew "From Regional to Central Minting, 1158–1464."

behind polities like Spain and France in developing the institutional capacity to raise public debt. On the continent, by contrast, where states were developing centralized direct revenues earlier, consolidation of the mint lagged behind and a state of relative monetary anarchy prevailed, with the result that the quality of the silver money in particular was generally much lower than it was in England. Thus, the English pre-history of modern money presents a puzzle for the neochartalist story, which is that, if we assume that modern money is a historical *telos* in which money becomes in fact what it really is in concept, then England is more "advanced" than comparable polities really only in one regard, which is the extent of centralized control over the institution of the mint. In all other respects, England was more "backward" than other polities, in the sense of lacking many of the other hallmarks of what neochartalists characterize as a public monetary authority. But what did English kings actually do with their power over the mint? They used it to defend the quality of the silver content of the penny, even in the face of the fact that the penny's high quality was causing it to be driven from circulation. English kings, in other words, seem to have been pursuing chartalist strategies for metallist purposes: they worked to strengthen the royal monopoly over the issuance of money, not so that they could empower themselves with the "exorbitant privilege" of purchasing real resources with nominal tokens,[1] but in an attempt to further strengthen the correspondence between signs and

[1] Barry Eichengreen, *Exorbitant Privilege*.

referents, or between the nominal price of the unit of account and the "real" value of the metal that it implied.

The puzzle is this: by issuing money containing precious metal collateral against their own nonperformance, English kings were issuing an option on the outside. The issuance of this option contributed to a general scarcity of money in England, because the option was actually "in the money" and therefore attractive to exercise. English kings responded to this situation by legally forbidding the exercise of the option, which they nonetheless continued to issue at the same value as before. But why? Why did they not address the problem by lowering the silver content of the penny, thereby moving the outside option "out of the money"? Stranger still, what was the point of issuing this option while, in the very same breath, forbidding its exercise? Sovereignty, here, seems to be acting inconsistently or speaking out of two sides of its mouth. If sovereignty exists and is identical to itself, then what it does when it issues an option whose exercise it forbids is nothing but a simple contradiction. The only other possibility is that sovereignty is, somehow, non self-identical, or that the sovereign who issues the option on the outside is somehow *different* from the sovereign who forbids its exercise. Thus, we can finally come now to our real theme, or what I will term sovereignty's constitutive difference.

Neochartalists introduce the concept of sovereignty as a pure tautology or self-identity: their sovereign is sovereign in virtue of its power of self-denomination, or its capacity to issue liabilities denominated only in terms of themselves. The tautological

nature of this power is best illustrated by the modern British pound banknote, on which the Queen proclaims her promise to "pay the bearer on demand one pound." Of course, the only thing that the Queen is really promising is that, if you hand her the banknote, she will hand it right back to you, since the subject and object of the demand are one and the same thing: a one-pound banknote. And precisely because this conception is a pure tautology, neochartalists can introduce it into their theory as though it solves more problems than it creates: because the state exists, exists for free, and is identical to itself, it can be introduced not only as an explanation for where money comes from (and why the monetary system should avoid the "bad equilibrium" in which everyone suddenly stops believing it), but also as a solution to what once would have been called the "contradictions of capitalism" in general. Any and all political economic problems can thus be reduced, theoretically, to problems of the (mis)management by the state of its combined fiscal-monetary policy.

Against this view, let us explore what happens if we begin in a rather difference place. Rather than assuming that the state exists, exists for free, and is identical to itself, let us begin by assuming that the existence of the state cannot be taken for granted and does not come "for free." Instead, let's assume that legitimacy has a price, and this price must actually be paid if the state is to exist and continue to exist, and — furthermore — that the payment of this price introduces, into the constitution of public order itself, an essential difference.[1] It is this essential difference at the heart

[1] When we speak of "legitimacy," it is important to keep in mind that legitimacy has to do with what is normatively good from the perspective of social elites, rather than what is

of the public monetary order that neochartalists wish to erase both at the level of theory, by means of the "consolidation hypothesis" that collapses the central bank and treasury into a single entity called "the state", and at the level of practice, by reforming these monetary institutions in order to better reflect the theory. This neochartalist theory of sovereignty is an essentially Schmittian one, in the specific sense that it assumes the existence of a well-defined, self-identical subject "who decides on the exception,"[1] or a "monetary sovereign" who is empowered to decide about whether or not money is scarce and for whom.[2] But this Schmittian conception of the semiotic function of sovereignty is essentially "pre-psychoanalytic" in that it does not consider the possibility that the subject might be "barred" or "split": "With the introduction of the reality principle," as Freud puts it, "one species of thought-activity was split off; it was kept free from reality-testing and remained subordinated to the pleasure principle alone."[3] This Freudian "split" in the subject of psychoanalysis is identical to the split Bagehot identified between the central bank and the rest of the state, in which the power to decide over the exception in which the scarcity of money might be suspended in the service of continued reproduction of the money market (what Freud called the "pleasure principle" and what Perry Mehrling refers to as "elasticity") is repressed and contained "under the bar," in order to ensure

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normatively good from the perspective of justice. What is legitimate may very well be what is unjust, if legitimacy itself rests on the capacity of the state to preserve the accumulated gains of the beneficiaries of historical injustice. See Robert Meister, *After Evil*.

[1] Carl Schmitt, *Political Theology*.

[2] Devika Dutt. "Exorbitant Privilege or Ultimate Responsibility?"

[3] Freud Sigmund, *The Freud Reader*.

that the operation of what is "above the bar" — the ego, or the fiscal activity of state — is constrained by the "reality principle" (Merhling's "discipline").[1] This repression of the pleasure/elasticity principle under the bar is necessary in order to make a political difference between different users and uses of money: to ensure, as Bagehot puts it, that we do not fall into the error of thinking that the Bank "ought to help everybody."

This split in the subject of sovereignty, or the institutional difference between the subject that speaks money into existence and the subject that spends it into the world, cannot be overcome or "consolidated" simply because we know that it is there. Instead, I suggest, it should be understood as the product of a historical trauma, and as such is the site of political anxiety whose exposure initiates a process of "remembering, repeating, and working through." The continued fact of repression is compatible with the simple knowledge of repression (otherwise there would be nothing to for analysis to do). Thus, the biggest problem with the neochartalists is not simply what they get wrong about the history of money, but that they fail to adequately appreciate how radical the stakes of their own intervention really are: to "call money into question" by raising the problem of why money should be scarce for some and not for others, at some times and not at others, or for some purposes and not for others, is to probe the site of a political trauma that must necessarily produce a backlash of defensive anxiety. This is because placing the constitution of the monetary system itself "on the table" as an object of political contestation threatens to

[1] Perry Mehrling, "The Inherent Hierarchy of Money."

call into question not only money but also the constitutional order that emerged out of — and "put into the past" — the periods of political violence out of which the system of modern money was born (most centrally, perhaps, for the specific genealogy of today's monetary system, the English and American Civil Wars). It is not my purpose here to narrate the history of these traumatic, foundational conflicts themselves (a task for another place), but to attempt to investigate their pre-history, to understand how things were before. If we begin by assuming that these political events did not spring fully formed from the future into the minds of those who acted them out, but were rather shaped by some explosive activation of tensions or fault lines that might be discerned in the periods that preceded them, then we might gain some sense of the problems that faced sovereignty, before money became modern, and perhaps even learn something important about ourselves.

A criticism of the neochartalist view might thus draw on the more or less elliptical attack on Schmitt by Kantorowicz in *The King's Two Bodies*. In the preface, Kantorowicz begins by distancing what *he* calls "political theology" from what he dismisses (without name, but he clearly has Schmitt in mind) as "aberrations," "ideological gossamers," and "the weirdest dogmas… in which political theologisms became genuine obsessions defying in many cases the rudiments of human and political reason."[1] As Richard Halpern argues, "Kantorowicz's refusal to engage directly with Schmitt constitutes, paradoxically, his very mode of engagement:"

[1] Ernst Kantorowicz, *The King's Two Bodies,* viii.

> Abjuring critique, Kantorowicz makes scholarly neutrality and historical empiricism his weapons of choice against Schmitt's highly partisan brand of theorizing. Declaring… his allegiance with British empiricism as against German idealism, Kantorowicz insists that T*he King's Two Bodies* developed organically, like a living thing, following the logic of historical materials that led it in directions unanticipated by its author. Underlying this conceit is an essentially Burkean equation between empirical method and evolutionary constitutionalism on the one hand, and (Schmittian) theory and tyranny on the other.[1]

In my investigation of the problem of sovereignty, I take my inspiration from Kantorowicz — but only up to a point. My project has broad sympathies with his, whether in pitting the semiotics of Berkeley against the concepts of Hegel and Marx, or in subjecting the partisan theorizing of the neochartalists to the scrutiny of an empirical approach to history. But this is not to say, in advance, that things should be decided for Kantorowicz and against Schmitt (and while I cannot pretend to any sympathy for the German idealism, I am not so fond of Burke and "evolutionary constitutionalism" either). As I will argue in Chapter Four, moreover, there may even very well be something to say in apology for the "tyrant," who has (perhaps somewhat unfairly) served as the bogeyman of Western political thought ever since the flourishing of the earliest coinage empires in the classical Mediterranean. My goal, instead, is to put both Schmitt and Kantorowicz into play as possible options by reading them against one another, in order to demonstrate how the introduction of the

[1] Richard Halpern, "The King's Two Buckets."

problem of sovereignty into the theory of money makes things more, rather than less, puzzling. By refusing to decide in advance in favor of Kantorowicz, however, I am simply proceeding in the spirit that he himself expressed when he insisted that the task that really mattered was "to make problems visible rather than to solve them."[1]

The crucial starting place provided for us by Kantorowicz is the notion that the subject of sovereignty is split, or divided into "two bodies": one body, the body natural, is visible, mortal, and subject to defect; the other, the body politic, is invisible, immortal, and perfect. In contrast to the counterfactual "Schmittian" consolidation hypothesis that forms the tacit normative project at the heart of the supposedly descriptive neochartalist theory of money, this "Kantorowiczian" conception more accurately describes the empirical facts about how the constitution of modern money is actually organized. Although Kantorowicz is primarily concerned to draw attention to the theological structure of the the problem of sovereignty — to point out the ways in which the disputes of the early modern English lawyers are exactly homologous to disputes in late antiquity over the human and divine natures of Christ — his account of the problem makes quite clear from the beginning its intimate connection to issues of money and public finance. However interesting the abstract Christological formations of the lawyers might be in their own right, we should not lose sight of the fact that they were developed in response to the

[1] Kantorowicz, x.

need to produce legal decisions about certain real problems that more or less boiled down to "yes or no" answers.

The "cause célèbre" with which Kantorowicz begins, a case tried in the early years of Elizabeth, concerns "the duchy of Lancaster, which the Lancastrian Kings had owned as private property and not as the property of the Crown." The question over which the court had to decide concerned the fact that some portion of these lands had been leased during the reign of Elizabeth's younger half-brother, Edward VI, while the king was in a state of minority. Under normal English law, contracts entered into by minors are binding on the adults with whom they contracted, but not on the minors themselves.[1] This therefore raised the question of whether or not Elizabeth was bound by the terms of the lease; in response to which the court found that she in fact was, because "by the Common Law no Act which the King does as King, shall be defeated by his Nonage." Thus, despite the fact that Edward VI, as lessor, had entered into a contract disposing of his personal property during a state of minority, he nevertheless did so "as King" or in the capacity of his body politic rather than simply his body natural — with the result that the lessee could file suit for the performance of the contract against this same body politic despite the fact that it was now conjoined with Elizabeth's body natural rather than that of her brother.

In understanding the implications of this decision, we must not lose sight of the fact that the court found *against* the queen, who was trying to get out of the obligation

[1] Roger Halson, *Contract Law*.

of fulfilling the terms of the lease. Thus, insisting that even seemingly private actions concerning his personal property were nevertheless done by the king "as King" actually served to limit his power rather than expand it, since it provided special protections for those with contractual claims against the sovereign that were not available to anyone else. The creditors of the sovereign were, as a result of the doctrine of the two bodies, specially protected from certain kinds of credit risk inherent in contracts with ordinary persons, which might be invalidated by minority, death, or other forms of incapacity. This legal fiction, within which contracts with the sovereign were understood as being contracts with an immortal and sempiternally capable body politic rather than a fallible body natural, is therefore a crucial element in the conditions under which sovereign debt could be transformed from a risk asset into a safe one. If debts owed by the sovereign to the public were understood as debts owed by a mortal and corruptible person, then these debts might be subject to succession risk, or the risk that the new king might not honor the debts of the old one. The doctrine of the two bodies, by contrast, takes succession risk off the table.[1]

Thus, the general formula of the "two bodies" doctrine was "exaltation through limitation, the limitation itself following from the king's exaltation."[2] That the king

[1] This has obvious implications for the problem of the legitimacy of debts contracted by imperial puppet regimes after their overthrow by national liberation movements, which the reader is encouraged to draw on their own. It is partly for this reason that we cannot begin by simply deciding for Kantorowicz against Schmitt, since there remains the problem of the "nomos of the Earth" and the question of whether or not the history of colonialism and genocide in the modern era might pose a fundamental challenge to the legitimacy of the global division of power and wealth.

[2] Kantorowicz, 157.

possessed a "second body," which was immortal and perfect, was nevertheless always, for him, a liability rather than an asset. In all respects, the king himself, when it came to his own immediate interests, would have been better off under the law as a purely ordinary and secular person. Kantorowicz's point was that this legal or constitutional discourse is homologous to the mystical or theological discourse of Christology because it operates by means of producing elaborate concepts, accessible only to learned experts, that served to reconcile an obvious paradox. In both cases, this paradox followed logically from the postulation of a person to whom both mortal and immortal natures were simultaneously attributed: Christ, on the one hand, is a god who died; the King, on the other, is a man who never does. The problem that faced the lawyers-canonists in both cases was to develop a language in which it might be possible to maintain the identity of a single subject across multiple references in which mutually exclusive qualities are predicated of it. It must be made possible to say without contradiction that Christ died on the cross and that He is the *logos* who has existed with God from the beginning, just as it must be possible to say "the king is dead; long live the King." The stakes of the success of this politico-semiotic project are enormous, since the failure to establish the identity of sovereignty across repetitions and in the face of mutually incompatible predications threatens to undermine the legitimacy and succession of the political order as a whole. In both cases, it is the question of the relation of Christ or the King to time: in some respects, both are immanent to time, coming to be and passing away at specific historical

moments, but in other respects they are transcendent to time, in the precise sense that Christ and the King are the condition of possibility of measuring time in the first place. The time of politics is expressed in relation to the regnal date of the ruler (the legal controversy over the duchy of Lancaster took place "in the fourth year of Elizabeth") and this date is, itself, expressed in relation to the historical moment of the Incarnation: *Anno Domini*. In the absence of reference to such a paradoxical moment of Incarnation at which what is transcendental began to be historically, it is not possible to to say what year it is, at all.[1]

We can discover the "rational kernel" at the heart of this seemingly fanciful association between "Christus" and "Fiscus" when we pay close attention to the implications of the doctrine for public finance and the concept of the "holy fisc."[2] The question hinged around defining the specific legal bundle of rights that the sovereign held over what he owned, and it was raised by the development — which, according to Kantorowicz, took place rather earlier in England than on the continent — of the doctrine of "inalienability": "once a certain complex of royal lands and rights had been set aside as 'inalienable'[,] prescription and the prescriptive effects of time acquired considerable importance because they clashed, or might clash, with the notion of inalienability." If, in other words, a legal situation arose in which some private person claimed to possess, by right of long occupation, some land or right that

[1] It is for this reason that I prefer to use the "old style" notation of B.C. and A.D.; the "modern" notation of B.C.E. and C.E. merely naturalizes the coordinates of Christian sacred history by secularizing it.

[2] Kantorowicz, 174.

was now found to have been inalienable, which principle would prevail? In the time of Bracton, Kantorowicz suggests, "reflections upon claims to prescriptive possession had become momentous to the royal judges" as a result of the need to settle legal disputes that arose as a consequence of the establishment, by Henry II, of an "inalienable" royal demesnes. If the right in these lands were held by a person who was subject to time, then the right of prescription would have to prevail; but if it were held by a fictitious person who was immortal and eternally perfect, then it would not. It was therefore necessary to distinguish between those things that were possessed by the king as a matter of feudal right, and those which, by contrast, belonged to the Crown as an eternal and inalienable endowment: as a possession, that is, of the holy fisc.

Prior to the development of a concept of "inalienability" predicated of certain assets held by the Crown and the consequent development of the "orthoparadoxy" of the doctrine of the two bodies, there was, strictly speaking, no such thing as an English "state" at all. There was merely the household of the king as one household among others, and the fisc was nothing but a *sacculus regis* or the king's money-purse.[1] Thus, in telling a story about the development of modern money, we cannot take for granted, as the neochartalists do, that there necessarily exists any such entity as a "central stakeholder" legally endowed with rights or responsibilities that differ, when it comes to property rights or contractual obligations, from those of ordinary

[1] Kantorowicz, 178.

persons. And it was certainly not the case that the king would have been held to have performed a contractual obligation for payment simply by reiterating his acknowledgment of the obligation itself — as the present Queen of England might do by fulfilling the promise she makes on a one-pound banknote by handing it back to the demander upon presentation. In order for the state to become something other than a household like others, it had to be legally constructed as such. This process of legal construction got underway, Kantorowicz suggests, at the very moment that the reforms of Henry II, by positing the notion of an inalienable royal property, opened up "a split, as yet hardly visible, between the 'reigning king' and the financial 'holy district' within the realm."[1] This split was the point of attack for "baronial groups… during the constitutional struggles of the thirteen and fourteenth century," whose "objections were always centered en the fiscal-domanial sphere, whereas the strictly feudal sphere… remained unchallenged. Within the orbit of public affairs, however, and especially public finances, the barons could venture to control the king, to bind him to a council of their own choice, and thus to demonstrate that things of public concern no longer touched the king alone, but 'touched all.'"[2]

We will turn to these late 14th century struggles in more detail in Chapter Three. For now, we can conclude this discussion of Kantorowicz, and turn our attention to James Stuart and the dawn of the deficit state, by observing one fundamentally important point, which is that the doctrine of the king's two bodies and the notion of

[1] Kantorowicz, 190.
[2] Kantorowicz, 190.

the holy fisc functioned, first and foremost, to limit — rather than, as some might imagine, to enhance — the power of sovereign authority over what we would now call "fiscal" issues in the narrow sense of the public borrowing and spending of money. To the extent that the person of the king was conjoined to an immortal and incorruptible body public, he had fewer rights against his own creditors (even when it came to his own personal property, as we saw in the case of the leasing of the duchy of Lancaster) but also less power to spend the money in the royal treasury. Edward I, for example, protested that he "could not alienate tribute money to Rome without having consulted with his prelates and magnates."[1] (And while it is true that this principle certainly served Edward's own immediate interests, on the occasion, he could not very well assert such a thing to the pope and turn around and deny it at home.) Because the money in the public fisc was now no longer simply the king's private property, but that of a Crown in relation to which the reigning king was merely a sort of trustee, he did not possess any unilateral or arbitrary power over deciding how or even whether to spend it. Instead, this power was conditional upon the king's ability to produce and successfully maintain an intra-elite social consensus: most importantly, if not exclusively, during "parliaments." The doctrine of the king's two bodies, out of which emerged a particular figure of sovereignty capable as standing as the subject of safe, long-term obligations, worked to strengthen this condition by placing the security of public debts and discretion over public

[1] Kantorowicz, 162.

expenditures beyond the grasp of the unitary sovereign and further under the control of the broader strata of elites capable of projecting power through the institution/event of parliament.

The modern monetary system, as the neochartalists correctly observe, is characterized by the fact that money takes the form of an identity between the subject and object of a sovereign promise. Modern money is not a promise "of anything," but simply the pure form of promising itself.[1] But what they miss is the fact that, historically, this became possible only as a consequence of the fact that a constitutional difference was introduced into sovereignty, between the *rex regnans* and the immortal Crown, that functioned to discipline and contain the sovereign power of decision which otherwise would have to be priced and hedged in the form of the issuance of an outside option or the silver in the coin that protected the users of that coin from the sovereign's bad faith. In order for this to be possible, it was necessary to construct a split within the legal personality of the sovereign. This split was necessary because of that the fact that the very notion of "inalienability," as applied to royal assets, was ambiguous as to whether it would make sovereignty risky or safe. On the one hand, the notion of fiscal assets as being "quasi sacred things" of which the reigning king was but a trustee would serve to constrain his arbitrary discretion over spending and thus make him "safer." But on the other hand, if the king could invoke notions of inalienability in order to "claw back" collateral that had

[1] Gary W. Cox, "Marketing Sovereign Promises: The English Model."

been pledged to creditors, then this would make sovereignty riskier: to the extent that royal assets were being used as collateral for borrowing funds (which is what the leasing of royal lands really amounted to), this collateral would be less "good" in the sense of safe precisely to the extent that conditions might be placed on the sovereign's power to alienate it.[1] The basic paradox of public borrowing in the early modern period was that the collateral pledged by sovereignty in order to raise funds had to be absolutely and unambiguously alienable, while the funds that were raised in this manner themselves had to be placed "under the bar" of the "holy financial district" at the heart of the state in order to foreclose the possibility of their free and arbitrary alienation. The construction of this particular paradoxical form of sovereignty generated political (-theological) conflicts over the problems of public finance that can be revealed and illuminated through an examination of this history.

2.5: Divine Right of Free Monarchs

Kantorowicz supplies us with a pair of temporal coordinates within which we should seek to trace the unfolding of the drama of the king's two bodies, which, as I have suggested, constitutes the political pre-history of modern money. It got underway, he suggests, with the reforms of Henry II in the 12th century (r. 1154-89) as a consequence of the postulation of a legal category of "inalienability" with regards to

[1] To the extent, that is, that the sovereign actually has a "free option" to repossess its own pledged collateral.

certain royal assets — a postulation which, by introducing a potential conflict with the law of prescription or adverse possession, raised the question of the extent to which sovereignty was or was not subject to time. Henry II is notable, for our purposes, on a number of counts: in addition to this reorganization of the royal fisc, Henry founded the Plantagenet dynasty, centralized the royal mint, and first issued the "short-cross penny" that set the standard for centuries of English money. But even if the split between the two bodies of the sovereign got underway in the 12th century, it nevertheless took over five centuries of development to reach what Kantorowicz identifies as its locus classicus in the tragic drama of William Shakespeare: "The Tragedy of King Richard II," he writes, "is the tragedy of the King's Two Bodies."[1] In the next chapter, we will turn to the play itself, and to the historical events it dramatizes, which we might call the "crisis of the late fourteenth century": the deposition of Richard II, and the dynastic transition from Plantagenet to Lancaster, in the context of a general scarcity of money in Europe known as the "bullion famine." In what remains of this chapter, however, we must first consider the context of the play itself, which was likely first performed sometime around 1595.[2]

English political thinkers and actors at the end of the 16th century, with the transition from Tudor to Stuart looming on the horizon, found parallels to their late-medieval predecessors ready-to-hand for understanding themselves. Both Elizabeth and her political opponents found it easy to identify this last Tudor with the last

[1] Ernst Kantorowicz, *The King's Two Bodies*,26.
[2] William Shakespeare, *Richard II*, viii.

Plantagenet. Famously, following the revival of the play on commission of the conspirators of "Essex's Rebellion" in 1601, Elizabeth is said to have exclaimed: "I am Richard II. Know ye not that?"[1] It is obvious enough how the staging of Shakespeare's play — with its "sad stories of the death of kings, how some have been deposed…" (R2.III.2.156-7) — might be put to subversive political purposes.[2] But there are other similarities between these two monarchs that allow "Richard" to metaphorize "Elizabeth." Most immediately, there was the fact of their childlessness, the political importance of which can hardly be overestimated because it placed succession risk "on the table" as an object of political anxiety. Since neither ruler had either any direct issue or even any clearly unambiguous heir presumptive,[3] both found it expedient to cultivate uncertainty surrounding the succession for their own purposes. Uncertainty about the stability of the royal succession in turn produced a kind of political anxiety that, while it cannot be reduced merely to questions of money and public finance, is concerned with them in a very central way that has not always been recognized. The question hinges around the security of public debt: if the sovereign promises to pay money in the future, then who or what is the subject of the promise? Is it Elizabeth Tudor who promises, with the consequence that these

[1] J. Scott-Warren, "Was Elizabeth I Richard II?" On the conspirators' use of *Richard II*, see Evelyn May Albright, "Shakespeare's Richard II, Hayward's History of Henry IV, and the Essex Conspiracy." PMLA 46, no. 3 (September 1931): 694.

[2] Janet Clare, "The Censorship of the Deposition Scene in Richard II."

[3] The heir *apparent* is a "senior tranche" claim on the succession. An heir apparent holds the claim such that it would not be possible for any more senior claim to be produced. An heir presumptive, by contrast, is a "junior tranche" heir whose claim might be trumped by the production of a more senior claim later in time (a paternal uncle is thus a common example of an heir presumptive).

promises are promises of a person who can and must grow old and die? Or is the self-identity of the sovereign who promises preserved in the face of repetition with mutually inconsistent predications, such that "the sovereign is James Stuart" can be true without rendering "the sovereign is Elizabeth Tudor and she promises to pay" false.

This question loomed particularly large in late 16th century England because Elizabeth had overseen, over the course of her long reign, both the stabilization of the English monetary standard (in the aftermath of what came to be known as her father's "Great Debasement") and the reorganization of the Crown's finances. Her later career (after a painful early experience borrowing at Antwerp)[1] demonstrates an aversion to, and a concerted attempt to free the Crown from reliance upon, both seignorage revenues (via aggressive debasements) and foreign borrowing. In order to avoid either of these rather fraught expediencies, Elizabeth attempted to develop the capacity of the Crown to raise revenues through borrowing from domestic rather than foreign creditors — a project which partly motivated the founding of the Royal Exchange in 1571, so that, as her finance minister Thomas Gresham put it, "the Queene's Majestie in this time shud not use anny strangers [as lenders] but her owne subiectes whereby ... all other princes may se what a prince of powr she ys."[2] Crucially, however, most of this borrowing (not all of which was voluntary, and which did not always pay interest) was contracted under the privy seal — which is to say, as the act

[1] R.B. Outhwaite, "The Trials of Foreign Borrowing."
[2] R. B. Outhwaite, "Royal Borrowing in the Reign of Elizabeth I."

of Elizabeth as a private person.[1] It was Elizabeth who owed money to the creditors of privy seal loans, not the Crown — and these loans were therefore subject to the risk that her successor would not honor them. And while Elizabeth does seem to have generally paid back these loans, at least eventually, James I's intentions of, or even ability to pay back these debts was much more uncertain.

James, for one thing, simply spent a lot of money. This is illustrated by the fact that his decamping for England seems to have moved the Scottish fiscal position from deficit to surplus at a stroke.[2] He seems, furthermore, to have used some of his newfound revenues to repay debts owed to his creditors back home (the security of these debts probably having depended entirely, from the moment they were issued, on his hopes for the English throne).[3] But the problem was a deeper one than simply a matter of constraining the king to live within his means. The conspicuous consumption that was an inherent appurtenance of the royal dignity had to be upheld and, furthermore, spending a lot of money was simply one of the king's main jobs — a principle that contemporaries knew as "liberality": "a high level of royal expenditure was not without its beneficial economic effects," writes Robert Ashton summarizing the views of Cranfield, "since it involved a transfer of income from the

[1] John Baker, *The Reinvention of Magna Carta 1216-1616.*

[2] It would be interesting — though I have not attempted this here — to examine the "economic consequences of the peace" in Scotland as a result of James' departure t of England.

[3] Julian Goodare, "The Debts of James VI of Scotland."

Crown not simply to the fortunate few, but through them to much more widely diffused sectors of the community."[1]

This point, of course, will be appreciated by the neochartalists, as it was appreciated already in a quite different context by Ibn Khaldun, who observed that "money circulates between subjects and ruler, moving back and forth… if the ruler keeps it to himself, it is lost to the subjects."[2] The idea so common-sensical to our age, that it would be a good thing in itself for the government to spend less, or even to spend less wastefully, was not necessarily taken for granted by contemporaries. Even those who sought, or found themselves forced to seek, to constrain the expenses of the king framed the problem as how the king might spend as much as he could within the limits of possibility: "when the Council remonstrated to James about the need for greater economy, they took care to emphasize that 'they do not wish the King to live with Close handes, Considering that the greatest and wisest Princes have and must maintain their peoples Love and services by such courses ... Liberality to well deserving Subjectes doe multiply and Confirme affecion and duty to Princes.'"[3] If James had solved the Crown budget problems by simply spending less money, then this would have had contractionary effects on the English economy, which would have further threatened the Crown's important indirect revenues.

[1] Robert Ashton, "Deficit Finance in the Reign of James I."
[2] Ibn Khaldun, *Muqaddimah*, 366.
[3] Ashton, 16.

Thus, we can characterize the intra-elite consensus about royal finances under James Stuart as desiring in principle that James should both spend a lot of money and pay his debts, some significant portion of which — perhaps somewhere on the order of half a million pounds — had been inherited from Elizabeth.[1] For one thing, this raised the question of exactly how James had "inherited" these debts. Had he inherited them in the same way in which he had inherited the Crown, or in a different way? Political-theological questions as to the precise status of James' claim to the English throne remained unsettled even after his peaceful accession in 1603, following a period of intense controversy in the 1590s in the wake of the publication of an anonymous text attributed to the English Catholic exile Robert Persons titled A Conference About the Next Succession. These debates — which might, at first glance, seem tangential to the concerns of the economic historian — were fundamentally connected to political struggles over public finance and especially those over revenues because the central question at the heart of both sets of problems was that of the relation between and relative (ontological) priority of king and parliament. To what extent did matters concerning the royal dignity fall within the reach of English common and statutory law, and to what extent might these jurisdictions be trumped either by divine law or the natural law or "law of nations"? This question, as Rei Kanemura has shown, was at the center of a debate in parliament in 1614 over James' attempts at "controversial taxation without

[1] Ashton, 21n1.

parliamentary consent. Sir Henry Wotton claimed, in support of James, that "the power of impositions was a special privilege… granted only to hereditary, not elected, princes… Wotton's statement was immediately refuted by the members of the Commons," who "retorted that there was no difference between elected and hereditary kings," adding that "James himself, for one," could be considered both "a hereditary and an elected king."[1]

If matters touching the royal dignity fell under English law, then whether or not the king really was the King would be at least to some extent contingent upon parliamentary consent, in which case the attempt to raise "tyrannical" revenues might undermine his identity as King. But if, instead, the question of the identity between king and King were beyond the competence of English law to consider, then there would be no possible recourse against any attempts to raise revenues, no matter how extraordinary. In this case it wouldn't really matter whether or not what the king did was "legal," since even if it were illegal, it would still be illegal for parliament to depose him ("But since correction lieth in those hands, which made the fault that we cannot correct…", R2.I.2.4-5). The law is meaningful only to the extent that there exists the option for recourse: James himself argued, in the 1598 tract The Trew Law of Free Monarchies, that should the king be tried for treason, he would be placed in the position of iudex in sua causa, which would be absurd. Today, it is a common-sense habit of thought to conceive of parliament as a binary term in opposition to the

[1] Rei Kanemura, "Kingship by Descent or Kingship by Election?"

unitary sovereign: parliament versus the king. But for medieval and early modern political thought, the relation was rather one of inclusion: the king in parliament.[1] Thus all acts of parliament are also acts of the king since any acts of parliament require, as James puts it, the king's "scepter to be to it, for giving it the force of law." For parliament to condemn the king would thus involve a paradox of tripartite self-identity, since the king would, in effect, be presiding as judge at a trial in which he accuses himself of treason.

Political struggles over public finance in the reign of James became theological debates about the legal grounding of kingship — and thus, for reasons we will come to in a moment, threatened to "spill over" into invalidating the settlement of the Wars of the Roses — because James was faced with a "trilemma" or a set of three demands not all of which could be fulfilled: he was being asked to, all at once, 1) mobilize fiscal resources worthy of a king, 2) pay his debts to his creditor-subjects, and 3) remain within the limits of his existing revenues. Parliament made this self-contradictory triple demand because from its point of view there was no real difference between defaulting on the debts or paying them by raising extraordinary revenues, since then they would simply be subjected to extra taxation in order to pay a debt due to themselves. The question therefore boiled down to whether or not, when James inevitably fell on one horn of the trilemma by either defaulting or imposing illegal taxes, he would be liable to any legal remedy against him. Thus, political-

[1] Conrad Russell, "The Nature of a Parliament in Early Stuart England."

theological debates about the nature and grounding of kingship were really debates about what we would now call standing, or the question of whether or not a person possesses the option to seek recourse at law. James, by drawing a distinction between elective and hereditary monarchs, and identifying himself as the latter, was in effect denying that there could exist any entity with the standing to seek recourse against the king, mounting a biblical argument grounded in Samuel that it was forbidden for the people "to rebell against the Prince, how wicked soeuer he was." Commons, in denying the distinction between elective and hereditary kings, was asserting the opposite — and thus, by implication, was asserting the right to limit the king's powers to collect revenue.

In positing such a clear distinction between hereditary and elective monarchs, James and his supporters were drawing on a doctrine that was in large part a Jacobean ideological innovation, and one that departed in significant ways from the theories forwarded by the supporters of his mother, Mary Stuart. Mary's supporters had been concerned to argue that Mary's claim, as a granddaughter of Henry VII's eldest daughter Margaret Tudor, was superior to that of Elizabeth, and that therefore she, rather than Elizabeth, should have succeeded Mary Tudor on the throne. They had one important argument on their side, which was that Elizabeth was, in the view of the Roman Church, a bastard. Thus, the Stuart claim, in the mid 16th century, was naturally aligned with the interests of English Catholics — a fact which of course raised hostility to the Stuarts among English Protestants, who argued that the claim of

Mary Stuart was barred by two things: a will of Henry VII demoting Mary's ancestor Margaret Tudor in the order of succession, and a statute of Edward III prohibiting aliens from inheriting property in England. In order to rebut these claims the supporters of Mary Stuart turned to the doctrine of the two bodies, asserting that the Crown, as a "thing incorporeal," was not subject to the rules of ordinary private inheritance but was instead conveyed through a kind of corporate succession analogous to that in which a church benefice might pass from one member of the clergy to the next (who might well be a foreigner). The Marian polemicists were therefore not denying the claim to hold the throne by descent (since they were, from the Catholic view, the rightful heirs of Mary Tudor), but rather buttressing this claim against attempts to place the question of the inheritance of the Crown under the jurisdiction of statutory or private law and thus "within the reach" of domestic politics, by excluding the Stuarts on the basis of either Edward III's statute or Henry VII's will. In asserting this claim they had recourse to the doctrine of the two bodies because, as Kanemura puts it, they "they saw no harm in pointing to the place of consent in the procedure of royal succession."[1]

By the end of the 16th century, around the time that Shakespeare's Richard II was first being produced and James Stuart was writing the *Trew Law*, the situation had radically changed, and James was engaged in an attempt to reformulate the ideological basis of the Stuart claim to the throne in a way that would break with the

[1] Kanemura, 329.

Marian theory in important ways without appearing to discard it entirely. Thus, while the Jacobean polemicists retained the notion of the Crown as a "thing incorporeal," they turned it to very different purposes by using it as the basis for a theory of hereditary monarchy through divine right. This shift was, in part, necessitated by the fact under James, a confessing Protestant, the relationship between the Stuart claimant and the interests of English Catholics had shifted, and James could hardly propound such an obviously Catholic theological basis for kingship. But James was also driven to distance himself from any claims that could be understood as involving election or consent because of the radical attack on the older Stuart position set forth in A Conference. There, Persons had embraced the Marian theory of kingship by election and descent and transformed it into a dilemma for the Stuarts that threatened to unearth the political quarrels of the late 14th century. Persons began by accepting the theory of kingship by descent and election, and deriving on this basis a right of resistance: if the king was made by the consent of parliament, he could be unmade by it — and thus the question as to the standing of parliament to impeach the king would be answered in the affirmative. The opening move to which James therefore had to respond was one that forced him to either accept the right of resistance or to deny the legitimacy of Richard II's deposition, which would then call into question the right of Henry IV and with it the Lancastrian half of the Tudor claim inherited by Stuart. Denying the right of resistance would force Stuart to further weaken the already weak Lancastrian claim inherited from Henry VII, with the result that they would instead be

claiming almost entirely in right of the Yorkist line transmitted through his wife Elizabeth. Doing so threatened to unsettle the final settlement of the Wars of the Roses that had been accomplished when Henry VIII inherited the Crown in right of Lancaster through his father and York through his mother. Persons' attack, by forcing Stuart to shift from a Tudorist position to an implicitly Yorkist one, opened up the possibility of a new claimant from the line of Lancaster — to which, Persons argued (not without merit, though we can skip the details), the true rightful heir was Isabella Clara Eugenia, the Spanish Infanta.

Persons' attack proceeded from there to argue against the validity of the Yorkist claim at all, thus sealing the deal for the Infanta… although again we can gloss over the details. The point is that James' efforts to draw a distinction between hereditary and elective kingship, in order to define himself as the former rather than the latter, was motivated by a set of mutually reinforcing anxieties that were masterfully exploited by Persons, which continued to bubble beneath the surface throughout his reign, and which figured prominently in debates over public finance and the emergence of the permanent ordinary deficit. James was anxious to distance himself from any hint of an electoral theory of kingship, in order to deny the possibility that the king might be subject to deposition for the exercise of tyranny (of which the unilateral imposition of extraordinary revenues was the paradigm case). He was also anxious to insist on his right to kingship by descent — but since his case here was potentially weak when faced with those asserted for the Infanta, it was necessary to

find some way to bolster it. The theory of the divine right of free monarchies emerged out of this dual set of anxieties and it sought, in all respects, to free James from the implications of the theory of the two bodies.

While to modern ears the "divine right" of king and the "Christological" theory of the unity of two bodies in one person might seem cut from the same theological cloth, they were in fact asserting quite opposite things. The latter theory sought to place sovereignty below the law, as a trustee of the holy fisc; the former theory, by contrast, was an "absolutist" theory that placed sovereignty above the law. In support of this claim, James appealed to the 11th century origin of the Norman dynasty itself: "For when the Bastard of Normandie came into England, and made himselfe king, was it not by force, and with a mighty army? Where he gaue the Law, and tooke none, changed the Lawes, inuerted the order of gouernement, set downe the strangers his followers in many of the old possessours roomes…" Clearly, given that all English kings claimed in the line of William I, and because William was now understood (despite his own claims, at the time, to have been willed the throne by Eadward the Confessor) as having claimed the throne purely in right of conquest, there cannot be any question of the grounding of English kingship in law. Instead, James echoes the Stranger of Plato's Statesman in positing the irreducible necessity of empowering the sovereign to decide over the exception — a necessity that precludes any possibility of a legal standard to impeach the sovereign for breaking the law. Instead, James figures

the sovereign's relation to the law as one of pure grace: the righteous sovereign obeys the law not because he is bound by it but simply as a free gift.

The rest of James' theory of the divine right of free kings amounted essentially to an anti-Catholicism that replaced the Marian notion of a quasi-ecclesiastic kingship (implying the notion of an eternal corporate Church) with a more suitably Protestant theory in which the foundation of kingship lay in a direct and immediate relationship between the king and God. He and his supporters did not attempt to refute the genealogical claim for the Infanta on its own terms (it is likely that Person's argument was correct on the merits and could not be engaged head-on); instead, their strategy was to argue that James' claim to the throne by descent was "good enough," that once it had been recognized by his coronation, it could not be undone since there was no standing to do so, and that this would be to the general benefit of everyone since it would deliver the English from the threat of falling under the dominion of the Catholic King. As "Irenicus Philodikaios" (or "Peacemaker Justicelover") put it in an anonymous tract in support of James: "It behooueth therefore all honest & faithfull subiects of this Kingdome to bewar, that by resisting the right and lawful successour, or by not acknowledging him in due time, they put not themselues in danger of falling vnder the yoke and tyrannie of mercilesse Spaniards: who if they haue vsed extreame crueltie against the poore sillie Indians, & others, who neuer offended them, will no doubt vse far more outrageous crueltie against our nation…" Philodikaios also went so far as to admit that Henry IV had been a usurper ("who at the houre of his death,

speaking to his sonne, seemed to acknowledge his wrongful vsurping"), but used this point to argue in favor of the Stuart theory of kingship. When Henry IV claimed the throne, he had done so on the basis of a genealogical claim to Henry III that had already been proven at the time to be false[1] — but the very will to fabrication, argued Philodikaios, merely demonstrated "of how great account was the right of inheritance in his judgement, and in the judgement of the people at that time." This was in fact the crux of the Jacobean position of the 1590s, which hinged on a logical sleight-of-hand that made it possible to ward off the threat of elective theories of kingship by insisting on descent without thereby falling on the horn of Persons' dilemma and ceding ground to the Habsburg appeal to Lancastrian legitimism.

The theory that the Stuart polemicists were advancing was not — or at least not exactly — that James should be the king because of his descent. The theory, rather, was that James should be recognized, by the English people, as having been presented to them by God as holding by descent the right of free monarchy as had originally been established by William I at the Conquest. The crucial difference between these

[1] At the time of his accession in 1399, Henry Bolingbroke had claimed the throne not from his paternal grandfather, Edward III, as might be expected; instead, he made a slightly counterintuitive claim to a line of inheritance dating all the way back to Henry III, and in the female line, based on the myth that Edmund Crouchback had actually been the elder rather than the younger son.[1] This was necessary because (as we will see in the next chapter) Henry IV come to power partly through the support of a "war party" that wished to re-open hostilities with France, and since the English claim to the French throne depended upon female succession, it was not possible for them to deny this principle at home while claiming it abroad. Thus, Henry needed a claim that was compatible with his claim to France and would also trump the competing claim of Roger Mortimer at home; the myth of Crouchback's seniority was invented to serve this purpose. See T P J. Edlin "The Crouchback Legend Revisited."

statements is a reversal of logical implication. James' right to the kingship was not being grounded in his claim to descent; rather, his claim to descent was being grounded in his right to kingship. This theory in fact admitted a role for parliament, albeit a self-abnegating one, in the making of kings: Henry IV, claimed Philodikaios, "was sure not to want the authority of Parliaments to establish him, yet thought not that sufficient." Parliament's role in the making of kings is, according to this theory, necessary but insufficient because of the fact that parliament is simply recognizing the king while remaining unrecognized in turn: parliament recognizes the king as possessing a title that would have been valid whether parliament had recognized it or not.

The recognition of the king by parliament is thus figured as a moment of consent, but a kind of consent that annihilates itself in the moment of consenting. The paradigm biblical reference here is that of King Saul, who is anointed as king after God warns the Israelites about the dangers of kings — at which point, according to the Stuart polemic, the Israelites had essentially "signed away" their right to complain about kings, since they had been duly warned and consented to it anyway:[1] "as hee is their heritable ouerlord," writes James, "and so by birth, not by any right in the coronation, commeth to his crowne; it is a like vnlawful (the crowne euer standing full) to displace him that succeedeth thereto, as to eiect the former: For at the very

[1] c.f. *Macbeth* IV.3.50-138, in which Malcolm proclaims his own bad character at length to Macduff before abruptly reversing himself and staking his claim to rulership. The passage clearly alludes to the argument of James in the *Trew Law*.

moment of the expiring of the king reigning, the nearest and lawful heire entreth in his place…" Despite the fact that it appeals to the sempiternal competence of an incorporeal Crown, James' statement must be recognized as a radical rejection of the entire doctrine of the two bodies, since he is asserting not only that time runs against the king, but that it runs against the king instantaneously and retroactively. Thus, sovereignty is in fact liable to adverse possession, since once the king has been recognized as inheriting the throne, he is retroactively recognized as having held it from the instant of his predecessor's passing, with the result that it has always-already been impossible for anyone to gain standing to challenge it.

What the Stuarts were really positing (and what was "divine" about the divine right of kings) was that the claim to kingship by descent could be reformulated as a legal fiction, in such a way as to provide the minimal theoretical tools necessary to ward off the threat of a Spanish succession without imprisoning the king within the holy fisc and thereby taking any possible solution to the "fiscal trilemma" off the table. Thus, the doctrine of the divine right of kings was not simply a project of Stuart self-aggrandizement, although it was certainly that. It was also an attempt to formulate a novel constitutional framework suitable to the emerging fiscal challenges of the early 17th century that produced the collapse of the medieval distinction between ordinary and extraordinary revenues that laid the groundwork for what the neochartalists call "modern money." Now, we can conclude this chapter by placing these abstract legal-constitutional questions within their monetary-historical context,

before allowing ourselves to fall down Shakespeare's metonymic rabbit hole to the reign of Richard II in the late fourteenth century. Money, as I have insisted, is not a metaphor, and we should not be content to waive our hands in its general direction without taking a closer look. What sort of money was it, exactly, that James Stuart was dealing with, if it was not money that was — as the neochartalists might have it — always-already modern?

2.6: Nobles, Royals, Sovereigns

The decades leading up to James Stuart's accession — the prologue to his imperial theme — were characterized by intense concern over money, public finance, and political theology. We have already explored the relations between political theology and public finance, and observed how the doctrine of the divine right of free kings was developed out of a series of controversies provoked by Anglo-Spanish tensions and against the implications of the older doctrine of the two bodies. Now, we must turn to the question of what implications all of these debates and controversies had for money itself. It is perhaps surprising that, having formulated such an "absolutist" theory of sovereignty in the 1590s, James should not have simply solved his financial problems by employing that expedient that the neochartalists identify as the hallmark of public monetary authority as such: monetizing his liabilities. James clearly had no qualms about aggrandizing the sovereign power to decide and he was, as we will see

in a moment, not uninterested in asserting royal authority over the production of English money. But at no point did James, despite his conflicts with parliament over fiscal revenues and his persistent ordinary deficits, turn to what would seem — according to the neochartalist story — like the "easy" solution of solving both the distress of royal finances and the general shortage of money at a stroke by supplementing the money supply with government issued tokens. Nor could such a solution have been beyond James' powers of imagination: back home in Scotland, the money supply was in large part composed of coins which were theoretically silver but in fact contained little to none of that metal at all.[1] But despite his familiarity with de-facto token coinage in Scotland and his fervent defense of the absolute power of his sovereignty, James made no attempt to bring about the dawn of modern money even though the transition to a permanent ordinary deficit would seem to have brought about the conditions under which this could have been achieved. Rather than dismiss him as having simply been confused (or an accuse him of having failed to understand MMT), we should try to understand his actions on their own terms.

Finally then it is time for me to fulfill a promise, and put the money where my mouth is. I have been insisting that money is not a metaphor, but I have as yet said only one non-metaphorical thing about money: that Edward III, in 1351, defined the English penny as containing 18 grains of sterling silver, 37/40 fine. This fact, in itself, says nothing at all; it is purely arbitrary. But when we begin to place this fact into

[1] Eremin, K, N M Holmes, and J Tate. "Analysis of Some Scottish Base Metal Issues of Mary and James VI." The Numismatic Chronicle (1966-) 172 (2012): 255–63.

succession with other facts — to say that in addition to what Edward said and did in 1351 there were other rulers who defined different pennies, or introduced other coins, or intervened into the relation between the coins, or between the metals from which the coins were made, and so on — we can begin to discern the outlines of a story that will help us discover, at the level of politics and history, the abstract problem of the liquidity premium that I analyzed theoretically in Chapter One. But telling this story will require us to stop talking about "money" as though we knew what it was in general, and could therefore ignore its particulars (as many are in the habit of doing). We cannot assume that it is possible to metaphorize money "for free," or without paying a price: to the extent that there exists the appearance of the self-identity of money across time, this — as we have already seen — can only be the case if there exists a market in which the "repetition compulsion" of proving that money succeeds goods and goods succeed money can be endlessly carried out and through which the price of liquidity can be paid. So: what about the coins?

Place one coin on the table: the penny of Edward III, 1351. Now let's place another coin, also of Edward III, and on the standard of 1351: his quarter-noble. Another coin: this one is a penny of James I, minted after 1604. And one more: a half-crown of James I, minted 1604-5. We now have four coins: two of gold and two of silver, two from 1351 and two from 1604. How should we arrange the coins? Let's

put the past on the left and the future on the right, and silver on the top and gold on the bottom. Like so:[1]



The four coins have been arranged according to the Saussurian division between the synchronic and diachronic axes. The vertical axis is the axis of synchrony: a snapshot of the English monetary standard as it exists in a moment of time, in 1351 or 1604. It is also the axis of paradigm or metaphor: since each coin is valued in terms of the same unit of account, the pound sterling, the coins metaphorize one another. The 1351 quarter-noble is "like" the 1351 penny insofar as 240 of the pennies are equivalent to a pound sterling, which is also equivalent to 12 of the quarter-nobles. And the 1604 half-crown is "like" the 1604 penny insofar as 240 of the pennies are equivalent to a pound sterling, which is also equivalent to 8 half-crowns.

[1] Images courtesy of the Portable Antiquities Scheme.

So far, this seems fairly simple, and is the kind of thing we might read in some editor's footnote, perhaps — that a "noble" was a coin worth 6s8d and the "royal" one worth 10s, in order to explain a joke whose meaning is now obscure. To a reader for whom money remains "just" a metaphor, the payoff for turning to the footnotes to understand such a joke seems hardly worth it. Let's take an example, from Henry IV, part 1: "Hostess: Marry, my lord, there is a nobleman of the court at door would speak with you: he says he comes from your father. Prince: Give him as much as will make him a royal man, and send him back again to my mother" (4H1.II.4.283-6). In the footnotes, we might discover that a "noble" is a coin worth 6s8d, and a "royal" is a coin worth 10s, and that Hal is making a punning and condescending reference to the discrepancy between their values.[1] But when we look beneath the simple metaphoric equivalence structuring what might seem a rather unfunny joke, we can discover a layer of metonymy leading to much more politically subversive implications.

The second layer of the joke is set up at I.2.135-6, when Falstaff tells Poins that "thou cam'st not of the blood royal, if thou darest not stand for ten shillings." While we should not be ungrateful for the editor's helpful gloss that "royal = 10 shillings," this observation in itself fails to illuminate what the joke actually is. In order to see it, we must consider not only the vertical, paradigmatic axis, but also the horizontal axis of metonymy as well. To do so is to raise the problem, posed by diagram of the four

[1] 2009 Cambridge edition ad. loc.

coins, of the relation between the two invocations of that imaginary thing called "pound sterling" that makes it possible for the gold and silver coins on the vertical axis to serve as metaphors for one another. When we said that 240 1351 pennies made a pound, and that 240 1604 pennies made a pound, were we then implying that the 1351 penny is "like" the 1604 penny because they bear the same name in terms of the unit of account? To what extent is a pound sterling in 1351 "like" a pound sterling in 1604… and to what extent does it simply succeed it?

There is an immediate way in which they are not alike: while the penny of 1351 had a theoretical fine or "pure" silver content of 16.875 grains, the penny of 1604 contained only 7.74 grains of fine silver. Over 243 years, the "real" value of the pound sterling unit of account, when expressed in silver, had fallen to 45.87% of its 1351 value. Thus, the 1351 and 1604 pound sterling units of accounts are "unlike" one another in that they imply different amounts of silver, but still their difference from one another can be measured insofar as they are different with respect to silver, which remains the same in comparison to itself. In this way, we might attempt to contain the temporal distance between 1351 and 1604 under the sign of a metaphor by holding silver constant and seeing how the pound sterling changes. The price we pay for doing so, however, is that we undermine the metaphorization that we thought had already been accomplished on the vertical axis, between the gold and silver coins. That is because, if we compare the pound sterling to itself across time in terms of gold, we get a different answer. In 1351, Edward's gold noble worth 6s8d was

supposed to contain 120 grains of 23 carat gold, or 115 grains fine, and thus pound sterling implied coins containing a total of 345 grains fine gold. In 1604, however, James' gold crown worth 5s was declared to contain 38.71 grains of 22 carat gold, with the result that pound sterling implied coins containing 141.94 grains fine gold.[1] Thus, between the two points in time, the pound sterling had fallen with respect to gold to 41.13% of its 1351 value.[2]

This single difference between two points in time obscures a much more volatile history that would become visible at higher resolutions: in addition to Edward and James there would be Henry and Henry and Edward and Henry and Henry and Mary and Elizabeth, each making their own adjustments and changes. But despite these interventions, the same name "pound sterling" is repeated, over and over, every day of English history in a continuous and unbroken succession from 1351 to 1604. There is not a single moment in this entire period of 253 years in which someone has not been liable for payment in its name. But nevertheless, somehow, over the course of its repetition from moment to moment, its meaning changes. This, in itself, is perhaps not such a problem, if only we could measure and quantify how much it changes. But in truth we cannot even do that, because the name "pound sterling" is changing in a way that is not consistent across the different things that it names. The name of the

[1] Figures for James' 1604 coinage are taken from his royal proclamation of that year. I have performed conversion between units; the details are tedious. James F. Larkin and Paul L. Hughes, eds. *Stuart Royal Proclamations*, 99.

[2] The precision supplied here has many fewer significant figures than the numbers actually given by James' proclamation. Early modern moneyers used impossibly precise imaginary weight units to measure money. The implications of this will have to be taken up another time.

unit of account names both a gold coin and a silver coin, and it may not necessarily be changing at the same rate or even in the same direction with respect to both of those things. Thus, while it is the work of sovereign power and royal authority to try to enforce the metaphorization of the coins under the unit of account, to enforce the equivalence it proclaims according to which X gold = Y silver, every moment of repetition of the unit of account is the occasion of a metonymic slippage that threatens to introduce a tension into this equivalence and, eventually, to undermine it entirely. This is what Hal's joke is actually about; let's return to it.

When Falstaff implies, at I.2, that the "royal" is worth ten shillings, the play's Elizabethan audience is confronted with an incongruity between their own time and another, different time indexed by Falstaff's joke. For the audience, a "royal" was indeed a current coin, but it was worth fifteen shillings rather than ten, or half as much as a 30s "sovereign". The audience's attention is thus directed, by the obvious discrepancy between Falstaff's joke and the money they were familiar with, towards the earlier rather than the later Tudors, when the coin was still issued at this lower valuation. This temporal incongruity is reinforced at II.4, when we come to the joke about the "royal" versus the "noble", since the noble was a coin that had circulated in the time of Henry VII when the royal was still worth 10 shillings but was no longer being minted. Thus, Hal's joke does not make sense in terms of Elizabethan coinage (nor in terms of the actual coinage of Henry IV, since there was then no such coin as a "royal") but it does make sense in terms of the coinage generally in circulation at

the time of the first Tudor, Henry VII — who had issued a sovereign of 20s or exactly one pound, a "royal" or ryal of 10s, and a noble at the traditional value (dating from Edward III) of 6s8d. Let's look again at what Hal says: "Hostess: Marry, my lord, there is a nobleman of the court at door would speak with you: he says he comes from your father. Prince: Give him as much as will make him a royal man, and send him back again to my mother." Hal implies that the Hostess should supplement the noble of 6s8d that the man already has with another half-noble of 3s4d, which together would make up a royal of 10s, and then send him back to the mother rather than the father. In doing so, he can easily be read as voicing an indirect critique of the Tudor claim to the throne: as attempting to combine a "noble" (the more legitimate Yorkist claim through Henry VIII's mother Elizabeth) with a "half-noble" (the rather sketchier claim through Henry VII, via the Beaufort branch of Lancaster) and add them together into a "royal"… which is still, however, only half a "sovereign."

While I certainly hope that the reader has now had their effort rewarded with mirth and a new appreciation of Shakespeare's quip, there are more important things we must do with this analysis of money's metonymy than simply unearth stale treasons hiding in the punchlines of old jokes. The point is that the subsumption of the circulating coins by the metaphor of the unit of account into a moment of synchronic equivalence is always incomplete, unstable, threatening to collapse into a difference which is different from itself. The meaning of the unit of account is not only changing, but is changing differently with respect to the different things that it

means. And the dangerous joke that calls attention to the change in the meaning of the unit of account, that "jars" the audience by forcing them to remember that the royal now worth fifteen shillings was once worth only ten, is also a joke that calls attention to the instability or lack of foundations of the dynasty itself. We have already seen what concerned James, when it came to the latter question; now, let us see what concerned him when it came to the money.

2.7: Trial of the Pyx

In 1611, James I made an appearance at the Trial of the Pyx, or the ceremony in which the output of the mint was tested in order to determine its conformity with the legal standard. This ceremony was already ancient in the 17th century, and its primary purpose was to provide the mint masters with security against one another: the "pyx" was a box requiring multiple keys to open, named after a similar box or pyxis in which was kept the sacramental wafer prior to its use at communion. As such, it had been mostly ignored by monarchs over the course of the 16th century, and James was the first monarch in living memory to attend. It was, as Simon Wortham puts it, "a striking display of royal power" in which James reminded the goldsmiths "of their proper place as subjects and subordinates to the crown." Wortham insightfully observes that the proceedings, and James' subsequent proclamations, demonstrate an anxiety about a "breach" between "a 'given' order of intrinsic forms and a secondary

order of signs functioning to confirm this 'given' order" (about, in other words, money's nominal-intrinsic spread) and that was also an anxiety about the integrity of the social order, since the goldsmiths were seen as occupying a "double role as both antagonists and agents of the state."[1] James' visit to Trial of the Pyx, in other words, staged a kind of indecision about where exactly the boundaries between public and private really were. In order to fully understand this scene, however, it will be necessary for us to understand something more about the details of the situation that James faced in 1611.

First, we must place this event in the context of the failure of the "Great Contract" negotiations in parliament the previous year, at which James had engaged in an ultimately failed attempt to rationalize his revenues. Wortham presents this event framed in terms of the traditional "whig history" narrative according to which the opening of the 17th century represents the first stirrings of parliament against the king that would eventually give rise to the constitutional monarchy: "A growing number of parliamentarians disputed the crown's fiercely guarded right to requisition sovereign moneys at will and for purposes remaining unaccounted."[2] As Eric Lindquist has argued, however, this is not quite right: "The House of Commons did not proceed from strength to strength in the parliaments of 1604-29; if anything, the House brought itself to the point of extinction" by refusing to "be useful to the crown by

[1] Simon Wortham, "Sovereign Counterfeits: The Trial of the Pyx."
[2] Wortham, 352.

giving it money."[1] This was because of the fact that parliament, in early modern England, was neither a permanent nor a regular institution, but an event that could occur only when it was summoned by the king. The king thus needed a reason to call parliament, which was, almost always, his need for revenues, since there was in fact no such thing as a "fiercely guarded right to requisition money at will." The real problem was just the opposite, that the system of fiscal revenues James had inherited was a hodgepodge of miscellaneous indirect taxes cobbled together out of a variety of prerogative rights and was inadequate to his ordinary expenses.

Key among these sources of revenue were the "wardships and purveyances." Wardships were revenues generated by exploiting the king's right to take on the guardianship of landed orphans, the revenues from whose lands the king would thus be entitled to receive until they came of age. Purveyances, on the other hand, represented the king's right to forced purchase of goods at statutory values which were significantly under market rates. Both of these forms of revenue posed special issues in the negotiations over fiscal reform, and, as Lindquist has shown, laid bare a tension between the basic conceptual frameworks within which Commons and the king were thinking about the matter at hand. Their negotiations took place according to the typical structure of a parliament: the king, desirous of revenues, first called the parliament into session, at which point he would hear suits and give justice. After parliament had been satisfied, the discussion could then turn to revenues. Things had

[1] Eric Lindquist, "The Failure of the Great Contract."

to happen in this order, because if parliament were to vote the king revenues prior to his hearing their various petitions and complaints, he might simply dissolve parliament before they got a chance. The Great Contract negotiations worked no differently. If the point was to "modernize" the fiscal system, this could only be accomplished by replacing what was already there with something else. Since adding "something else" was the interest of the Crown, while getting rid of what was already there was naturally what parliament wanted, the latter half of the operation would clearly have to happen first. Thus, before the Crown's real goal could even be tabled — the establishment of permanent direct revenues — the old system would have to be dealt with first.

For this reason, tactical political concerns seem to have given rise to what might be politely termed a "miscommunication" between the king and his advisors and Commons about what it was that they were negotiating. Although ultimately the king desired revenues that were both augmented and rationalized, the rationalization had to be completed before the question of augmentation could be tabled. Thus, the first round of negotiations centered around "composition" or a piecemeal liquidation of the existing fiscal structure: assessing each revenue source on an individual basis and replacing it with regular revenues of equal value. This process naturally raised problems of valuation, or the question of how to assign a fixed price in the present to a claim on potentially variable revenues in the future.

The difficulties involved can be illustrated by examining the points under contention in the cases of wardships and purveyances. In the case of wardships, there was the problem of the difference between gross and net taxation, or between what taxpayers pay and what the Crown receives. The Crown did not manage the estates under wardship directly, but rather auctioned them off (or "discounted" them) for ready cash. Thus, some of the gross revenues (the total income collected during the wardship) imposed by the tax incidence were collected by private parties and did not make it into the net revenues collected by the Crown. Nor was it necessarily the goal of the Crown to maximize its share: instead, it used the wardships as a way to distribute largesse in exchange for political favors. For this reason, simply replacing the *net* revenues derived from wardships would represent a significant loss to the Crown, because the opportunity to use the wardships as a vehicle for distributing funds that remained "off balance sheet" was in many ways more important than the money the Crown actually received.

The purveyances, for their part, raised an even deeper set of problems. Elizabeth had relied heavily on them to supply her Household, a fact much resented by the London merchants because the forced purchase of their goods amounted to an arbitrarily distributed tax, and one that was also susceptible to corruption: the purveyors might (and did) abuse their position to requisition goods that never actually made their way to the royal Household.[1] This problem was exacerbated by the fact

[1] Allegra Woodworth, "Purveyance for the Royal Household in the Reign of Queen Elizabeth."

that the rates given for goods by the purveyors were well below market prices: thus, the right of purveyance was really a "deep in the money" call option enabling the purveyors to force a purchase at fixed prices and then resell the goods surreptitiously on the open market. Although (given the obvious abuses) the Crown was open to trading purveyances away in exchange for fixed revenues, these negotiations floundered over a dispute about whether the Crown actually had "a prerogative in price" or merely a right of "pre-emption."[1] The practice was already illegal under medieval statutes of purveyance, which forbade the king from paying less than market rates for pre-empted goods; this legislation, however, seems to have been mostly ignored since the 14th century.[2] Thus, putting purveyances on the table as an object of negotiation raised constitutional questions whose roots lay two and a half centuries earlier, and led to problem of the two bodies: could the Crown now, in 1610, alienate a right to which it had no other claim than long occupation or adverse possession? If time ran against the king (as James had argued in the 1590s) then the Crown could indeed sell back to parliament something that, in theory, belonged to parliament already. But if time did not run against the king then "'composition not possible, or not just. Why, for that it is already ours…"[3] What the Crown regarded as its "right of purveyance," in other words, was really no such thing but merely a fortuitous (from its point of view) interaction between the right of pre-emption,

[1] i.e. the right to purchase goods before they enter the *emporium*.
[2] Pauline Croft, "Parliament, Purveyance and the City of London 1589-1608."
[3] Croft, 25.

"sticky" bureaucratic prices, and nominal price inflation that when combined created an in-the-money call option on market goods: the higher the price of goods as expressed in domestic money, the more valuable purveyances were to the Crown (or to its corrupt officials), since the spread between the market price of the goods and the strike price of the call (the customary rates paid by purveyors) would widen. The right of purveyance had never been legally intended to give the Crown this call option; rather, it had been produced by the fact that there was no institutional mechanism for indexing purveyance rates to price inflation.

It is impossible, here, to present a theory of price level inflation in general or an analysis of the sixteenth century "price revolution" in particular; complex and vexed topics that will have to be left for later investigation.[1] There are a whole host of difficult conceptual issues involved, and it is not always easy to keep track of what causes what (does debasement cause inflation, or inflation debasement?) or what

[1] Debates about the sixteenth century price revolution and the fourteenth century bullion famine, which constitute the crucial background of the historical events described in this chapter and the next, have largely been divided into two camps labelled "monetarists" and "substantivists." This debate essentially hinges around a metaphysical disagreement about whether money causes, or is caused by, that which it signifies: according to the substantivists, secular movements in the price level can be explained by "real" factors like demography or climate, while for the monetarists, movements in the price level can be attributed to the independent causal effects of the monetary system itself (such as, but not limited to, the inflationary effects of coinage debasements). They differ, in other words, in seeing price level inflation as either endogenous (monetarists) or exogenous (substantivists) to the monetary system itself. Since I cannot adjudicate this debate here, I will content myself with a hunch and a methodological hypothesis. My hunch is that, just like the metallists and chartalists, there is something right about both views, which must therefore somehow be synthesized. My methodological hypothesis is that the debate has been hampered by insufficient attention to how the monetary system actually works: once we understand money, then we can go on to ask what is exogenous or endogenous to it, but not before. Readers interested in the literature on price history should consult the bibliography.

things are rising or falling in respect to which other things (the coins? the metals? the units of account?). It is enough, for now, to simply say that it happened and was observed to have happened by participants in the debates over purveyances in the early 17th century: they discovered, while attempting to negotiate the valuation of the Crown's implicit call option on goods, that statutory prices intended to reflect market prices generations earlier had now become prices far below them, as expressed in pounds sterling. This raised a rather sticky political question of the extent to which the various participants in the fiscal relation were long or short price inflation. Overall, the Crown had suffered severely from price level inflation over the 16th century, since, when it came to revenues received in money, the Crown was short inflation while the taxpayer was long. The purveyances, however, were an exception, since here the Crown was long inflation while the merchants subjected to pre-emption were short: the higher the price level, the greater the burden of being forced to issue the Crown a free call on their goods.

Whatever the details, and without wading into the mud of statistical data on historical prices, we can content ourselves for now with the conceptual observation that the conflicts over wardships and purveyances that eventually scuttled the Great Contract negotiations were really conflicts about the valuation of spreads and/or options: in the case of wardships, the problem of how to value the spread between gross and net taxation, and in that of purveyances, how to value the call option on goods that had been more or less accidentally constructed on the Crown's balance

sheet. The attempts to rationalize England's central public fiscal system, and thereby imbue it with one of the fundamental hallmarks of neochartalist sovereignty in the form of powers of regular peacetime taxation, came to grief on the fact that it was not politically possible for these spreads and options to be assigned a consensus price or "par value." Thus, the Great Contract failed… and in the wake of this failure, James turned his attention to the money itself. Faced with an intractable political deadlock over a fiscal dilemma, something had to give. And if the spending could not give, and the debts had to be repaid, and revenues could not be raised, then the only thing left to give was the unit of account. It was for this purpose that James, in 1611, shed the splendor of majesty on the obscure proceedings of the moneyers at the trial of the pyx.

What James must have been contemplating on that day when he conferred with the goldsmiths, and which he later carried out through proclamation, was a devaluation of the English unit of account in terms of gold, or — which is to say the same thing — the crying up of the English gold coin in terms of the pound sterling. It is crucial to understand, at this point, that a devaluation of the unit of account is not at all the same thing as price inflation, or a decline in the purchasing power of money. In fact, changes in the unit of account are a confounding variable in the measurement of the price level: the price of a basket of goods may be rising with respect to both the coin and the metal in the coin ("real" inflation), or it may be constant with respect to the metal in the coin and merely changing to reflect a falling value of the unit of

account ("nominal" inflation).[1] For now, however, we can leave that question to the side and remain purely "on the surface" of the monetary system by asking whether or not the unit of account is correctly valued. Asking this question has nothing — or at least, nothing immediately — to do with the price of goods. Rather, it concerns the relationship between the unit of account and the means of settlement, or between the pound sterling and the coins that instantiate it. In 1604, at the beginning of his reign, James had attempted to stitch together the rather different monetary systems of his two kingdoms by issuing the gold "Unite" crown with the legend FACIAM EOS IN GENTEM UNUM: "I will make them into one people." When he did, he valued the pound sterling at 154.84 grains of 22 carat gold, since that was the amount of gold (theoretically) contained in four of these new coins. The question, then, was whether or not this was the "right" value.

Whether or not this question has anything to do with the market prices of goods is one that can only be posed once we have a much more sophisticated understanding of the early modern monetary environment than what is currently available. But what it certainly has a lot to do with, as was well understood by James and his contemporaries, was the value of the unit of account as it traded on foreign exchange. As James put it in his proclamation of November 23, 1611: "our unite which is currant here but for twenty shillings, is valued in forraine parts at two and twenty

[1] See for example Fischer, who considers *only* "real" inflation, to the detriment of his theory: Fischer, David Hackett. The Great Wave: Price Revolutions and the Rhythm of History. New York: Oxford University Press, 1996.

shillings, which is a full tenth part more, and other Our Coines of Gold ratably; The gaine is so extreame, and so swift in the returne, that the sweetnesse thereof, joyned with the hope of concealments, in regard of the infinite shifts to avoide the search, maketh the effects frustrate of all Lawes and Policies…"[1] James was complaining that the value of the pound sterling on foreign exchange had fallen so low that it had created what we would now call a "carry trade:" a merchant receiving a pound worth of gold coins in England could export them abroad, sell them, and use the proceeds to purchase a bill drawn on London for rather more than a pound, thus making a profit in the round trip. There was a difference in opinion between the public authority in England and the merchants on the foreign exchange about the true value of whatever it was that was expressed in the phrase "pound sterling." The king and his parliament maintained that it was worth 154.84 grains of 22 carat gold, while the exchange maintained that it was in fact worth rather less than that. As long as the English insisted on *their* value for sterling rather than acquiescing to the merchants' value for sterling (thus overvaluing their unit of account and undervaluing their coins), this would incentivize the driving of money out of the country, resulting in a general scarcity of cash. This scarcity of cash in turn made it more difficult for the Crown to pay its debts and created resistance to additional taxation, worsening the overall fiscal situation.

[1] Larkin and Hughes eds, *Stuart Royal Proclamations*, 273.

When James, in response to this situation, exercised a form of arbitrary sovereign power over the monetary system, he did so not by solving his fiscal problems through the monetization of public liabilities. Rather, he exercised his power of proclamation to re-value the unit of account to better align it with its market valuation on exchanges beyond his legal jurisdiction, in order to prevent the draining of metal reserves from the kingdom via the carry trade. In his proclamation, James makes two comments that are worth attention. First, he emphasized that he was merely crying up the gold, and had no intention of altering his silver:

> We have absolutely concluded with good advice and deliberation, not to make any manner of alteration in the price, or otherwise, of Our Silver, with which all Trades and payment are so much driven and made, as the raising of the price thereof would give both colour and cause to rayse prices of all commodities and things vendible, which We seeke by all meanes to avoide.

Second, James observes that

> We mought have taken a reasonable occasion, in respect of the diversitie of the pieces of Gold which are currant within Our Realme, and their severall finesses to have set this increase of price upon such Coines onely as should have beene newly stamped, whereby much profite might have growne to Us by the coynage; yet to avoide all commixture of Our owne benefite, with matter of reformation for the publike good, Wee have given the price as well to Gold heretofore coyned, as hereafter, so as if any profite by accident should fall out, it will bee rather Our Subjects, then Ours.

James' proclamation intervening into the valuation of English gold is a curious gesture of sovereignty, on several counts. First, there is the simple fact of admitting his own subjection to markets in foreign exchange, and the impotence of royal power even over his own subjects in the face of "that violent Adamant of Lucre" which "draweth mens desires to offend." Second, there are his two gestures of self-restraint: first, that he has refrained from altering the silver coin, out of fear of price inflation, and second, that he has given up a chance to carry out a "renovatio monetae" or demonization of the old coins. Rather than demanding old coins to be brought into the mint and transformed into new coins bearing the higher value, James has gracefully extended this new higher valuation to the coins already in existence — thus granting a windfall profit, in nominal terms, to the holders of gold coins. By emphasizing this, James was attempting to to justify his alteration of the standard as a matter of purely public interest rather than his own private gain, illustrated by the fact that he was "giving up" seignorage revenues that he might otherwise have harvested so that these gains might accrue to his subjects instead (or at least, those subjects who were rich enough to hold money primarily in gold rather than in silver).

In the event, James' alteration was insufficient to solve the problem: gold coins were still being driven out of the kingdom, the budget was still in deficit, and the debts were still compounding. The proclamation of 1611 was soon followed by others attempting to limit the export of metals or its use in thread — all attempting to prohibit by law what the first proclamation had attempted to deter by means of

changes in the money's price. During the reign of his son Charles, in 1626, a brief and abortive attempt was made to lower the standard of both gold and silver coins, but this was reversed after only a few weeks.[1] Even such strongly "absolutizing" monarchs as James Stuart and his son found venturing into the waters of the sovereign power to proclaim the value of currency to be a treacherous endeavor. James had found it necessary to frame even his rather mild intervention into the monetary system with hedges and caveats emphasizing his own restraint, and Charles had abandoned his attempt entirely. Thus it is clear that alteration of the standard of the English money, and especially alteration of the silver penny, was off the table in the early modern period, despite the fact that — to modern commentators — it might have seemed like the "right choice" that may have even held out the promise of defusing the tensions that eventually gave rise to the Civil War. As Nick Mayhew puts it, "we need to abandon the presumption that debasement is necessarily wrong. We need to ask instead if a currency is correctly valued to serve the economy best. Answering that question requires data on trade, mint output, exchange rates, domestic prices, GDP, Government debt, and the internal distribution of prosperity… That Charles I rejected the debasement option, despite the political situation in which he found himself, suggests that memories of the mid-Tudor debasement were still raw, and that the honour and standing of the monarch seemed to be reflected in the state of the coinage. One cannot help but wonder how English constitutional history might

[1] Henry Symonds, "Some Light Coins of Charles I."

have played out, had Charles I debased, rather than convened Parliament in the 1640s."[1] But what is curious, here, is the notion that "decisions driven by politics" might be something that merely get in the way between the objective economic planner's need to "serve the economy": a category which even includes "the internal distribution of prosperity" as though this were not, itself, a matter of politics.

Now, then, we can begin to catch a glimmer of what we are really after, which is the problem of liquidity as a problem of political antagonism and contestation. Everyone in early 17th century England, or at least everyone with a political voice, was agreed that it would be a good thing if the kingdom had more money in it, in order to serve the needs of commerce. The key plank of the neochartalist view is that it is possible, through the monetization of public liabilities, to supply additional money supply to the economy as a universal consensus good, and (they add) this has always been how money worked. As we have now seen, however, this was clearly not how money worked even as recently as the reign of James Stuart, and in the country where the "modern" monetary system was eventually developed and subsequently exported to the rest of the world. Instead, what we can observe is a political system desperately trying to work through paradoxes of a fiscal dilemma, in which combined demands of various political interests create a contradiction that cannot be solved head on. Faced with this failure of politics, the ruler turns towards an intervention into the monetary system itself, but in a way that demonstrates intense worry about the

[1] Nick Mayhew, "Was Later Medieval Sterling Too Strong?"

price that might have to be paid for his actions in terms of diminished legitimacy. Thus, he frames his intervention as an appeal to elites (which is to say, the holders of gold money) that their interests will be defended. The alteration of the value of the gold coin is an intervention into the international money of the wealthy; any intervention into the value of the silver coin would have been, by contrast, an intervention into the domestic money of the poor. If James had declared, for example, that 200 of the old pennies should now make up a pound sterling instead of the former value of 240, analogous to what he had done for the gold, then this would have eroded, at a stroke, the value of rents due from English tenants to their landlords in silver terms by one sixth.

Thus, the fact that there was more than one money in England, both a silver coin and a gold coin, gave James the option to try to solve the crisis of the scarcity of money by manipulating the price of one money but not the other. In this way, the effects of the unit of account devaluation necessitated by the fiscal impasse could be shunted from the rich onto the poor. The rich are, generally, both creditors and debtors: what they lose in receiving fewer gold coins for the same nominal debt owed them, they might gain right back in paying their own creditors. Thus, the effects of the devaluation on the rich would be merely a kind of accident of moral luck, dependent on the current state of their balance sheets at the moment of the proclamation. But the effects of the devaluation on the poor would exhibit no such symmetry, since as holders of silver they would simply lose ground to the holders of

gold in absolute terms, and would not receive the benefits of any "haircut" in real terms on nominal debts owed to their creditors and landlords.

We will examine this problem of the domestic class structure of the bimetallic monetary system in more detail in the next chapter, when we turn to King Richard and the political struggles of the late 14th century. Before we can take our leave of the early modern period, however, we must turn to a different level of organization at which the politics of liquidity might be found. There is a problem at the level of domestic politics, about the relation between king and parliament and between the rich and the poor. But there is also a problem at the level of geopolitics and the world system: if James revalued his gold coin in order to ratify or confirm the value assigned to it by the international exchange bankers, then who are those people? Where did they come from and how did they get such power? To do so is to seek for a more hidden and obscure kind of monetary power than that dreamt of in the philosophy of the neochartalists, who tend (baselessly) to dismiss the importance of commerce and long distance trade for the history and theory of money and thus to essentially define the international monetary system out of existence. In doing so, they are simply naturalizing and rendering ahistorical the situation that they find themselves confronted with in their own time, in which the domestic money of a global superpower has superseded and suppressed an international monetary system based on the global circulation of precious metals and forcefully imposed its own liabilities at the topic of the hierarchy of financial assets. But this myth of the

nonexistence or irrelevance of international money and long-distance commerce is as much a myth as the "myth of barter" that has recently become so widely derided. In order to understand the larger context of this struggle between James and his parliament over money and the fiscal system, therefore, we must take a closer look at international money. If the "unite" of England and Scotland was not uniting James' kingdoms at all, but rather circulating far and wide in places beyond the grasp of his sovereignty… why was this happening?

2.7: Present and Absent Money

It is not possible to understand the history of coinage without understanding that coin is money, and as money, it is the object of a promise, which is credit. What we observe, in the numismatic record, is only the tip of an iceberg, and what happens with the money is more often than not a response to what happens in credit systems, which are much more difficult to observe. The coin itself is not (or at least not necessarily) a credit instrument, nor does there necessarily exist any promise or credible commitment of a central authority to receive it back for some nominal value. There was always the option that James Stuart had praised himself for not taking, in his proclamation of 1611 — to demonetize the old coins by removing their legal valuation, call them back to the mint for counter-marking or re-minting, and then issue them back again at a nominal premium. It was not the sovereign who promised

to accept the coins at face value: rather, what the sovereign promised was to make everyone else take them at face value. It was the court enforcement of private contracts — and not, necessarily, the pledge of redemption — that imbued state-issued money in the form of coin with a legal premium over its bullion content. This legal enforcement of nominal values is the source of what I called above the "inside option," or the option encoded in the coin to be recognized as legally valued money in domestic courts.

This option is similar to what we now know as a put option in that it allows the holder the right to "put" the coin or force a sale for its legally designated price in the domestic unit of account. (No one — as it was written already in the code of Aethelred II, a king who deeply understood the value of the inside option — was to "refuse pure money of the proper weight, in whatever town in my kingdom it be coined, under pain of incurring the fine for insubordination to me.")[1] But what the coin encodes differs from what we call a "put option" precisely because it is not a contract at all, but simply a coin, and thus has no particular counterparty. The holder of the coin also holds, encoded in the coin, a "bought put" enabling them to sell the coin at a fixed price… but there is nobody in particular who has "sold" them this put by taking on the corresponding short position. This corresponding short position is produced only upon the activation of the option for recourse embedded in a private contract within a particular jurisdiction: the legal value of an English coin only

[1] A.J Robertson, *Laws of the Kings of England from Edmund to Henry I*, 77.

actually matters when somebody is suing someone else for payment of a contract under English law.

It is not (as neochartalists are sometime wont to imply) enforced "all the time" in the sense of the absolute prohibition of money exchanging at anything other than its legal value. Enforcing such a prohibition would be simply impossible, because there is no real way for the state to intervene into the valuations of money in private contracts unless the contract is brought to suit by one of its parties. Therefore, we must pay attention to the circumstances under which the bought put encoded in the coin can "find" a counterparty who will be forced to take the corresponding short position. This happens when contracts are brought to suit and a court enforces payment of damages. When such payments are enforced by the court, it is in effect "writing" the short position onto the balance sheet of the party being awarded damages: they now have the obligation to accept legal money at full nominal value in payment for the damages. The legal valuation of coins thus puts a floor on their price, since they must always be worth at least that much to a debtor against whom payment is being legally enforced.

There is however no corresponding legal ceiling on the price of a coin, because of the fact that its holder always has the option not to spend it. If a creditor willingly accepts a coin in satisfaction of debt at a higher valuation than its legal rating, then there is no reason for anybody to sue one another, and thus the matter never comes

before the court at all.[1] Thus, a coin may assume a voluntary value higher than its legal rating, without the public authority having any real means of intervention.[2] The question now becomes how this discrepancy between the lower legal value of the coin and the higher market value can be exploited. It was precisely this process of exploitation that James complained about in his proclamation: "our unite which is currant here but for twenty shillings, is valued in forraine parts at two and twenty shillings, which is a full tenth part more…" Ironically, a coin that James had issued to proclaim the unity of a newly enlarged sovereign territory found itself enjoying greatest circulation outside of that territory entirely: a wide variety of merchants totally outside of English jurisdiction were passing among themselves a token of James' promise to "make of them one people," without any intention of actually finding themselves recognized in that claim.

This fact raises a rather strange puzzle for the neochartalist theory of money. If all money is always and everywhere a promise of redemption by a central stakeholder, then why should foreign merchants far from James' reach value his money at a higher rate than the rate that James, as sovereign, was commanding his subjects to observe? In order to understand why this might be so, we must consider the situation as it

[1] This might occur in an environment with a heterogenous supply of coins all bearing the same nominal valuation. If Abbott owes Cook a shilling, and has 12 new bad pennies and 12 old good pennies, he might offer Cook a deal and say: either sue me, and the court will force me to pay the 12 bad pennies, or accept these 8 good pennies instead. This might well be an agreeable proposition for Cook, who would overlook Abbott's impropriety in exchange for receiving coins with more silver in them than he was actually owed.

[2] Here and throughout this section, I rely on Boyer-Xambeau et al.'s unjustly neglected and highly important book: Marie Thèrése Boyer-Xambeau, Ghislain Deleplace, and Lucien Gillard, *Private Money and Public Currencies*.

appears from the perspective of a foreign merchant holding English coins abroad, with bills falling due in a foreign unit of account. The merchant has essentially three options. The first is to tender the coins at their legally defined value in the foreign country. Far from being a purely internal domestic relation between a central authority and its subjects, money in early modern Europe was characterized by dazzling heterogeneity and the interpenetration of foreign and domestic areas of circulation. While rulers might have entertained fantasies of being able to insulate their realms from foreign coins, even in England — with its natural geographical barriers to circulation and easily controlled points of entry — this proved impossible. Thus, territorial rulers did not strictly forbid the circulation of foreign money; rather, they sought to protect the overvaluation of their own coins (the premium of nominal over intrinsic) by legally rating foreign coins according to their metal content. In theory, then, the goal was to ensure that domestic coins would circulate at nominal values, while foreign coins, which could not be completely eliminated, would circulate only at their intrinsic values.

In assigning these values to foreign coins, the ruler's hope was that it would lead the merchant to exercise their second option: selling the foreign coins as bullion to the mint, in exchange for domestic money. This transaction at the mint window, which we will examine in more detail in the next chapter, can be characterized as a swap of nominal for intrinsic value. The merchant supplies metal, in the form of foreign coin, from which the mint takes a cut, and in return receives domestic coin enjoying a

legally defined premium over its metal content. The merchant might be incentivized to do this because they would thereby sell one asset (foreign coins) for another asset (domestic coins) with the legal power to settle a larger magnitude of nominal debts. There are, however, two downsides to this, for the merchant: first, there is the fact that the mint takes a cut of the metal, with the result that the newly received domestic coins would be worth more inside the jurisdiction, but less outside of it. Second, there is the possibility of a long waiting time at the mint for new coin (a frequent point of complaint), thus tying up capital that might have been otherwise employed.

A third option, and one which was really most "optimal" from the point of view of the merchants involved, was therefore opened up: the exchange of foreign coins at voluntary values. Here, two contracting merchants are essentially agreeing to "split the difference" between the legal premium on domestic money and the seignorage in bullion terms collected at the mint. In exercising the first option, the payer would have lost out, by being forced to alienate their foreign money as a mere lump of bullion. In exercising the second option, however, the payee would have lost out because of the diminished total metal content of the new coins. This difference opens up a spread in the middle of which the two parties might meet: by agreeing to accept foreign coins in fulfillment of a domestic debt at a premium to their legal (i.e. intrinsic) values, the creditor would receive more total metal, which mattered to them because they, in turn, might wish to carry the money elsewhere. Thus, the current market value of foreign coins on a domestic market will tend to float in a spread

between a lower bound defined by the metal content of the coin and, on the other hand, the price of that metal in domestic money at the mint window. In doing so, the merchants were essentially cutting the mint out of the middle of their deal. While the ruler might not be pleased about this, there was little way — other than imposing intense surveillance on alien merchants, which the English Crown did sometimes attempt, though provoking much complaint and little success — that they could be stopped from doing it.[1] If both merchants are happy with the deal, then the court never has to know about it.

This phenomenon of the circulation of foreign coins at voluntary values is the first step in understanding how it can be possible that "our unite which is currant here but for twenty shillings, is valued in forraine parts at two and twenty shillings, which is a full tenth part more…" But this in itself is not enough to understand James' complaint, because so far all we are discussing is the value of a single coin in terms of two different units of account: it has one legal value in England, and another voluntary value abroad, but this second foreign value will of course be expressed in a foreign unit of account, which is not directly comparable to the English pound sterling. In order for 22 shillings to be ten percent more than 20 shillings, we must be talking about the same shillings. Commensuration of units of account was accomplished by means of the pricing of bills on the exchange: professional market makers in bills of exchange (or exchangers *per arte*) made a business out of quoting

[1] Alice Beardwood, "Alien Merchants and the English Crown."

the price of one unit of account in terms of another, thereby enabling the remitting of funds for commercial or diplomatic transactions without requiring the physical shipment of coin or bullion. What James is really saying, therefore, is that an English "unite" gold coin, valued at 20 shillings domestically, was circulating abroad at a value sufficient to purchase a bill drawn on London for 22 shillings. Thus, the holder of legal English gold money could realize a gross return of 10 percent by exporting the coins to the Continent and exchanging them there for bills payable in England, where they would then receive more coins in order to restart the process.

Like any arbitrage trade, this process could not go on forever, or at least not by itself: since, as a result of the transaction, gold was being driven out of England, this would make money scarcer, and the scarcer money was in England, the fewer would be the people able or willing to sell bills drawn on London abroad, which would eventually have to drive up the price of the pound sterling on foreign exchange. But (to paraphrase Keynes) the market in bills might remain asymmetrical longer than the domestic English economy could remain solvent: even if the outflow of gold would eventually drive up the price of the pound sterling on foreign exchange enough to make the trade unattractive, waiting long enough to allow this happen might well prove unendurable. Thus, James had to act, by raising "the price of Our Gold to be of equall value with what it beareth in forraine parts" although without making "any manner of alteration in the price, or otherwise, of Our Silver."[1] In the next chapter, we

[1] Larkin and Hughes eds., 273.

will examine the reasons that James was reluctant to debase or lighten the silver penny. First, however, we must pose the question of why the value of the pound sterling was so low, in relation to gold, such as to make this arbitrage possible in the first place. In doing so, we will begin to discover something very important about the historical relationship between sovereignty and money markets, or a tension between private and public money.

The best place to begin is by observing an potential ambiguity in the function of exchange by bills: did the exchange by bills enable the transmission of funds without the shipping of bullion, or did they rather serve as a mechanism for drawing coins out of the country? This problem was central to a famous English parliamentary debate of the 1620s, prosecuted mainly between Gerard Malynes and Thomas Mun.[1] Both writers agreed that direct monetary interventions (like that proclaimed by James in 1611) were an insufficient and undesirable way to address the problem; where they differed was in their attitude towards the exchange by bills. Malynes argued that England's monetary woes could be solved by shutting down the exchange by bills entirely, and thus removing the mechanism through which the "circuit" of the arbitrage trade could be completed.[2] Mun, by contrast, argued that the exchange by bills was not in itself the cause of the problems, since money leaving England in one direction might re-enter the kingdom from another direction via the course of trade, which shutting down the exchanges would constrict. Instead, he argued, the true

[1] B. E. Supple, "Currency and Commerce in the Early Seventeenth Century."
[2] Gerard Malynes, "The Maintenance of Free Trade."

cause of the monetary drain was to be located in the balance of trade, and the solution was to pursue what we would now call export oriented growth.[1] For this reason Malynes is usually disparaged by modern commentators as illustrating the follies of "mercantilism," while Mun is lauded as the the "last mercantilist," or as in some way putting an end to mercantilist theory by arguing, within its own terms, that money was really just a veil over what really mattered, which was production, and that production would best be served by financial liberalization. Mun is thus "modern" in outlook to the extent that he argues that deflationary pressures should simply be endured and overcome through intensified exploitation of labor, rather than be addressed at the level of financial or monetary policy. But however quaint Malynes' bromides against the exchange by bills as such might seem to modern ears, it is not clear that Mun's more sanguine view of its effects was more a truer description of the situation that faced them rather than an idealistic counterfactual. While it is true that the exchanges might operate simply in order to enable payments without shipping metal, with every exchange being balanced or netted out by a rechange, this was not necessarily the case. Rather, it depended on the overall state of the network as a whole and England's particular place within it.[2]

[1] Thomas Mun, "England's Treasure by Forraign Trade."

[2] The full of analysis of the exchange network is a problem in what mathematicians call graph theory, or the study of networks of nodes and the paths between them. Simply put, the success of the network at enabling "virtual" payments without physical cash will depend upon the extent to which every exchange can find a path back to its point of origin through a series of rechanges. To the extent that it cannot, bullion will have to be shipped and the symmetry of the network broken. A full investigation will have to be left for another place.

This ambiguity, about whether the exchange bankers obviated or facilitated international drains of specie, is a historical rather than a purely abstract question, since the overall logic and structure of the sixteenth century exchange bankers' network cannot be understood without placing it in the context of the rise and fall of Spanish monetary hegemony. This is a complex history that cannot be examined here in full, but we must consider at least a sketch of it in order to reveal two important ways in which sovereignty "enters the picture" of the international monetary system. Contrary to the assertions of some writers who are in the habit of assuming the existence of some chimerical "equilibrium in international bullion markets," or what the Marxists would call "world money," the international monetary system of the early modern period was far from being a realm of stable equivalences untouched by the intervention of sovereign power. In order to understand this at a more precise level, we should first examine the system of exchange at it worked "ideally," prior to the rise of the Spanish-Genoese alliance, and then from there proceed to understand the consequences of this latter development and the (long debated but poorly understood) effects of the influx of American treasure on the European monetary system.[1]

[1] Even today, many economic historians, especially those working close to the economics department, persist in attempting to analyze this problem by means of the "equation of exchange" (which is really just a version of the quantity theory of money). For reasons that will not be fully developed but should be clear to a discerning reader, however, the equation is true but completely useless given that the "V" term is an empirically unobservable residual that cannot be assumed to remain stable. These researchers would be better served by attempting to understand the monetary system at a qualitative level first before going on to count coins and draw conclusions.

The answers to these questions have already been given in large part by Boyer-Xambeau et al. in their magisterial work *Private Money and Public Currency: The Sixteenth Century Challenge*, which has been unjustly almost entirely neglected in English language scholarship.[1] The authors present a complex narrative of the buildup to and aftermath of a general crisis in the European monetary system, triggered by the collapse of the Lyons exchange in the 1570s, and signaling the demise of a "supranational private money interacting with domestic public monies" that "paved the way for the massive use of metallic coins."[2] Since their influence looms large in the general view of money presented in this book, I will avoid laboriously retreading ground they have already broken; for our present purposes, it is enough to draw from them two conceptual points and a pair of temporal coordinates.

The first coordinate is given by the year 1577, when, in the midst of a crisis at Lyons, the French king Henry III abolished the *livre tournois* as the unit of account and replaced it with a new unit of account denominated directly in a gold coin, the *écu d'or au soleil*, (gold crown of the sun), a move that was accompanied by a renouncing of the king's right to seignorage (leaving the only deduction as brassage or production costs).[3] This unit of account lasted until 1602, when the *livre* was reinstated by Henry IV in a return to the old system. As Boyer-Xambeau et al. demonstrate, this brief "*écu* period" in France must be understood in the context of

[1] Google Scholar shows only 36 English citations to their work, as opposed to over 5,000 for Sargent and Velde's *Big Problem of Small Change*.

[2] Boyer-Xambeau et al., xv-xvi

[3] ibid., 123.

the effects of the Spanish-Genoese alliance and the American treasure on the international monetary system revolving around the exchange by bills. Understanding this will bring us to our conceptual points, which concern the different possibilities for the structural location of the "sovereign difference" within the monetary system.

To put it as simply as possible, we can say that prior to 1577, the "difference" that sovereignty made in the monetary system was located in the premium of coinage over bullion, or the difference between present and absent money. After 1577, however, until the beginning of the 17th century, this difference came to be located in a radically different place: the spread between present and future money quoted by the Spanish monarchy through the sale of *asientos*.[1] The integration of Habsburg public finance into the structure of the European monetary system provoked a process of reorganization that disrupted this system in the 1570s, in the middle of Elizabeth's reign, and then again during the reign of James amid the financial woes of Spain and an ebb in the intensity of the conflict in the Netherlands. The late 16th century thus marked the entrance, followed by the retreat, of imperial public finance into the heart of the monetary system.

During this period of Spanish dominance, the difference between present and absent money gave way: rather than attempting to force their coins to circulate at a premium, European sovereigns scaled back or even abolished their right to seignorage, allowing their own coins to circulate at parity (metal for metal) with the

[1] Mauricio Drelichman, and Hans-Joachim Voth. *Lending to the Borrower from Hell*.

full-bodied Spanish coins being thrown into circulation by Philips II and III. This principle of "equipollation" implied that the exchange rate spread formerly harvested by the exchange bankers would disappear, since a parity would thereby be created between present and absent money. But the establishment of parity where there had once been a spread did not mean that the spread was abolished completely: it simply migrated elsewhere in the system, into the profit that the Genoese bankers were able to make for financing Philip's war machine.[1] This migration of the central monetary spread from a difference between present and absent money to a difference between present and future money placed serious pressures on medieval doctrines of usury — since the quoting of a spread between present and future money just *was* what the doctrine of usury prohibited.[2]

In the system of exchange by bills as it was "supposed" to work, during the period centered on the Lyons exchange and dominated by a club of Italian exchange bankers, the profit (or what Boyer-Xambeau et al. call the "systematic enrichment") of the exchange bankers was essentially a form of arbitrage on the gross seignorage between a pair of public moneys: as we will see in more detail in the next chapter, the "outside spread" within which the exchange bankers could make the market by quoting an "inside spread" was defined by the sum of the legal overvaluation of each coin in its domestic territory.[3] It is here that we can finally discover in real history the theoretical

[1] Carlos Álvarez-Nogal, and Christophe Chamley. "Debt Policy Under Constraints."
[2] John H. Munro, "The Medieval Origins of the Financial Revolution."
[3] Boyer-Xambeau et al., 143.

problem that we discovered in Chapter One: the exchange bankers made their business by exploiting the fact that the monetary system was not a system of equalities, but a system of spreads, such that there did not exist a single answer to questions like "what is the price of Flemish pounds groot in English pounds sterling?" Instead, there were at least two answers to that question, depending on whether you were in England or Flanders or somewhere else entirely. What concerned the exchange bankers was not simply the difference between intrinsic and nominal value that was imposed on the coin by its legal valuation by a sovereign; rather, they were concerned with the differences between these differences, or with the spread between two spreads.

It will be absolutely crucial to remember, at this juncture, that the inside spread is created by the competition of the market makers to quote the smallest spread that will nonetheless compensate them for risk and opportunity and make the market worth making. While the total potential profit to be harvested from the exchange and rechange transaction is set by the policies at the mint windows in the respective cities, some of this potential profit must be shared by the exchange bankers with other merchants in cities in which a "scarcity" or a lack of drawers obtains. In other to complete the circuit of the rechange, the exchange bankers sometimes find that they must compete with one another for the business of merchants selling bills in a certain direction, and do so by essentially cutting them in on the action by offering a higher price. Their ability to do so is limited, however, because of the fact that the exchange

banker, whenever they initiate a new round of transactions, is selling liquidity short by making the market and thus assuming the risk that their partner(s) will be unable to find a series of rechanges that will complete the circuit and realize the profit, which depends upon the ability of the exchange bankers to "net out" the various demands for liquidity produced by forced drawers selling bills in order to make commercial or diplomatic payments. By buying these bills, the exchangers *per arte* are making the market that is accessed by the forced drawers, but in doing so they assume for themselves the risk that the market itself will cease to exist between the opening of the exchange and its completion through rechange.

What happens when the circuit cannot be completed? There are two options. One is that the bankers acting as exchangers *per arte* can simply accumulate increasing correspondent balances — if the rechange cannot be completed profitably, they can just agree to owe each other money until it can be. This can't go on forever, however, since eventually the partners will run out of equity and be unable to continue making the market by buying bills for cash. The problem for the partners is that they have an unfunded long position in one city and an unfunded short position in the other and will thus be forced to do what the Treynor model describes as "putting in" and "laying off": they will have to "lay off" the long position in the first city in order to "put in" and cover the short position in the other.[1] Literally, what this means is that the banker in the city that has received and cashed a bill but been unable to complete

[1] See Chapter One. Jack L. Treynor, "The Economics of the Dealer Function."

the rechange — and thus has some "extra" money or an unfunded long position — will have to use those funds to purchase either bullion or coin and ship it back to the city where their partner is correspondingly short (having disbursed funds in order to buy the bill).

It is here that we must reintroduce the problem of the voluntary overvaluation of foreign coins. Above, I wrote that the party receiving payment for an obligation might prefer accepting foreign coins at above their legal rating to receiving new coins from the mint, as long as the former have more metal in them, which they care about because they might wish to take the money elsewhere. We must now ask: under what conditions might it be desirable to take the coins elsewhere? The answer is that the re-export of foreign coins will become more attractive to the extent that the same transaction cannot be accomplished through exchange instead: if exchange becomes too expensive, the coins will be shipped to some other jurisdiction where funds are scarce: either back home where they can command full legal value, or elsewhere to be reminted or continue circulating at voluntary values. The crucial point is that this happens only in case the exchangers *per arte* have mispriced the risk of being unable to complete the circuit of the rechange, and find themselves crossing the outside spread instead. Thus: the higher the level of volatility in the market, leading to uncertainty among exchange bankers about whether they will be able to net out their book, the higher will be the voluntary value of foreign coins, since the option that the foreign coin represents for being re-exported will become correspondingly more

valuable. The domestic mint, for its part, can now be understood as quoting a bid for this option: by offering a premium in domestic money in return for giving up the option to re-export the metal lost to the merchant as seignorage, the mint sets a floor on the price of this option. But as long as the holders of foreign coin judge that the real value of the option for export is greater than the price being offered at the mint, then foreign coins will continue to circulate at a premium despite this value not being officially recognized by the legal authorities. And this option must become more valuable the more volatile and asymmetrical the exchange network becomes.[1]

As it happens, making the network more volatile and asymmetrical was exactly what the alliance between the Habsburgs and the Genoese did. First, there is the obvious volatility resulting from the various payments stops and partial bankruptcies that have resulted (perhaps somewhat undeservedly) in the infamous financial reputation of the Spanish crown.[2] Whatever the truth of this reputation, it is clear that Spanish "public" debt was a risk asset rather than a safe one. Perhaps more important, however, was that the involvement of the Genoese in the system of exchange by bills as the financiers of Philip created an asymmetry. Rather than a system in which paper bills flowed one way and then back again, or around in a circle until they netted out, limited in large part by the demands of commercial transactions, the Spanish funding

[1] Boyer-Xambeau et al. hint at this, when they state somewhat cryptically that "the instability in the monetary system led the merchants to a 'vountary' overvaluation of foreign coins" (154). But they do not offer an explanation of why this is so. Thus, I see my synthesis of their discussion with the Treynor model as an advance on their view that foregrounds risk and volatility.

[2] Mauricio Drelichman and Hans-Joachim Voth. "The Sustainable Debts of Philip II."

activities created a trilateral asymmetry.[1] First, silver flowed from the Americas to Spain, and from there to Italy and into the Indian Ocean system and ultimately pooling in China, which was experiencing what Richard von Glahn calls its "silver century."[2] Philip's agents used this silver to purchase gold, which they then delivered to Antwerp to fund his war against the Dutch revolt. There, they were issued receipts — the *asientos* — which could be redeemed again for silver back in Spain, completing the circuit.

The first important point is that silver flowed east, gold flowed north, and paper flowed west, without any of these monetary media returning the way they came; resulting in, among other things, a depressed price of gold in Northern Europe. This permanent structural asymmetry was funded by the fact that Philip was perpetually selling silver in Spain to buy gold in Italy, which he then spent onto the market in the Low Countries. The second important point is that the Genoese did not need to make a profit making the market on the exchange in order to benefit from remitting funds for Philip, since they were essentially getting paid by taking a cut of the American silver at the source. The combined result of these two factors was to squeeze the other exchange bankers out of the market entirely, since the source of their profit had been eliminated and, without substantial and permanent liberalization of usury laws, there was no way to for the merchants to compete with the pressures being put on the

[1] Boyer-Xambeau et al., 186.
[2] Richard Von Glahn, *Fountain of Fortune*.

system by what amounted, in reality, to a hostile attack on the system funded by the windfall exploitation of the Americas.

What James Stuart was facing during the monetary instability of his reign was thus the opposite of the situation that had been faced by his predecessor in the middle of hers. Elizabeth had overseen England's response to the crisis of the 1570s, in which the pressure of Spanish funding on the system had squeezed out the exchange bankers and collapsed the international monetary system, but had also made gold structurally cheap in Northern Europe. In effect, the Spanish king himself was paying the price to supply monetary liquidity to the Low Countries and surrounding areas, by exporting "new" metallic money in order to fund a hostile occupation of the territory. Since the market was thus being made "for free," the distinction between present and absent monies tended to be effaced under the principle of "equipollation," or the equality of the metal content of all circulating coins. By the early 17th century, however, this system had begun to unwind — the Spanish king was no longer able to "pay the price of liquidity" and force the international money market into parity. The result was a re-emergence of domestic monetary spaces, with the reintroduction of seignorage (in France with the return to the *livres tournois* in 1602) as well as a rising price of gold, since Philip was no longer throwing it onto the market in such vast quantities. This rising price of gold, exacerbated by competition from foreign mints and the re-emergence of the exchange bankers, was the inexorable force that pulled James "unites" away from their rightful place in his two kingdoms.

We know, from hindsight, that this problem was never really solved; that James I never paid his debts or ran a surplus, and Charles I tried but failed to alter the standard of not only the gold coin, but the silver coin as well, and eventually lost his head… but in order to understand what is really at stake in all of this, we must give up the teleology of hindsight and consider what these tensions might have looked like and felt like to those who lived through them, when it was still possible that something else might have happened. I have spoken already about present and absent money, and present and future money, but now I want to speak about money present and past. I want to speak about what happens when thinkers who find themselves caught in the midst of instabilities in the monetary system — instabilities which are, from their point of view, as yet unresolved — turn their gaze backwards towards money's past, in order to ask how it all started and how we got here to this strange world that grows to seem more and more "upside down." If we want to know why our world is upside down, then we must ask when things began to go wrong — and this is a line of questioning that may very well take us to some rather unexpected places. The thinker whose gaze I would like us to follow is that of William Shakespeare, whose floruit coincidences so conveniently with the transition between Tudor and Stuart and the tentative emergence of the deficit state. Therefore, let us follow — with Shakespeare — the gaze of sixteenth century England itself, provoked by the constitutional crises and problems of its day, back to the late fourteenth century and the *Tragedy of King Richard the Second*.

Interlude: The King List

We cannot simply jump into Shakespeare's histories for the reason that we are most likely — unless we are enthusiasts of medieval English history — confronted by a fundamental obstacle that divides us from the texts: their titles. A jumble of Richards and Henries. Who are these people? What is the difference between them? Since we first encounter the histories of Shakespeare as a repetitious list of names, and because this list of names in itself carries within it a great deal of information without which we might become rather lost, we need to begin by considering it: John, Richard II, Henry IV (pt 1 and 2), Henry V, Henry VI (pt 1, 2, and 3), Richard III, Henry VIII. Now, we don't have to know much to know that there are some names that are not on the list, but that might be placed before or after or in between the names that are. So let's consider a different, expanded list, which is not the only possible one:

> Henry II. Richard I. John. Henry III. Edward I. Edward II. Edward III. Richard II. Henry IV. Henry V. Henry VI. Edward IV. Henry VI. Edward IV. Edward V. Richard III. Henry VII. Henry VIII. Edward VI. Jane. Mary. Elizabeth. James.

23, or 21, or 7 names, depending on how you count. One follows another: it's a chain of succession. First observation: there are, in the text of the list itself, no metaphors. Henry III is not a metaphor for Henry II, is not "like" Henry II: it is just

the same name, again. Nor is Edward IV a metaphor for Edward IV: it is just the same name, the fourth time, again. Metonym and syntagm, only. If we know a little more about the fleshy, historical bits hiding behind the skeleton of these names, we might craft them into metaphors for one another. In order to do this, we need what Hobbes called "universall names," or what we would call "sets." A set divides up the world into concepts by discriminating between entities to which the name of the set applies, and those to which it does not. We can easily place all of these names into a metaphorical relation with one another, by means of the universal name "monarchs of England".

Doing so will immediately raise difficulties. First of all we might wonder if this is a list of all the monarchs of England. Clearly, it is not. This problem can be solved by introducing a universal name of stricter signification: monarchs of England who ruled between 1154 and 1603. There are still difficulties: we might, for instance, wonder about Henry the Young King, and why Louis and Philip are not on the list, or whether Jane really should be. If we got too invested in this project, of trying to subsume the list into categories or organize it into families, to figure out what list this is and what entities should be on it in what order, and which don't belong there at all, or at what point the list begins to go wrong, we would then be actively engaged in the ideological project of dynastic politics.[1] This project consists of a struggle at the level of historical narrative that attempts to underwrite the succession of a dynastic line not

[1] Olivier De Laborderie, "The First Manuals of English History."

only by performing the typification of the token and establishing a metaphorical equivalence between each name-token and its predecessor, but by excluding some tokens from typification and rejecting them as counterfeits. It is only the successful performance of this typification of the token, and the act of discrimination that accompanies it, that establishes the legitimacy of the monarch and distinguishes him, or her, from a usurper — that distinguishes one chain of succession from another, different chain of succession which claims to be but is not the correct one.

To see what is at stake in the typification of the token, consider the difference between a royal family and a royal line. A family is not a line, but a bushy and complex thing that is not even really a tree, though we might try to force it to appear as one in our representations (just consider the House of Laius, which is certainly not a tree). A family is not a concept: there are no precise distinctions between the borders of families because, after all, families can only reproduce themselves by blurring their boundaries with one another. There is, to be sure, a concept of "family," but a given family is not a concept, does not form a set, because the relation between members of the family is not transitive: I can be in a family with you, and be in a family with someone else, without the two of you being in a family together. Any attempts to construct concepts on the plane that this chain of succession lays out, to divide it up into different families who held the English throne at different times, will come to ruin on the simple fact that the people who are named by these names both are and are not members of the same family. The logic of dynastic politics violates all

three of the basic principles of classical logic first developed in Parmenides: the law of non-contradiction (the English monarchs both are and are not members of the same family), the law of the excluded middle (a bastard is neither the heir nor not-the-heir of his father), and even the law of identity (The Edward I who is the vassal of the King of as Duke of Normandy is not identical to the Edward I who is the King of England, even though they are the same man). What other way, then, can we approach the reading of this list of names that would not tangle itself in the mire of concepts and, therefore, be doing ideological history? Rather than explore it via metaphor, lets do it instead by metonymy. We can begin by noting that sometimes the same name succeeds itself, and sometimes it does not.

Henry II is succeeded by Richard I. But Henry II's firstborn son was Henry, not Richard. Why didn't Henry, son of Henry II, become Henry III? The answer is that he died rebelling against his father, at the age of 28, in impatience about the fact that he had, despite being crowned king during the reign of his father as a kind of "junior king", never been allowed to accede to any real power, and because he was tired of waiting around for his father to croak. After the death of Henry, Richard, at the instigation and with the help of the king of France, rebels against his father to prevent his younger brother John, their father's favorite, from being named heir in his stead. This rebellion is successful and Richard becomes king, but dies a decade later in the crusades, at which point John inherits anyway.

John is succeeded by Henry III, who is his firstborn son. (Question: why didn't John name his firstborn son "John"? Presumably, John named his son "Henry" after his father, Henry II, in order to emphasize dynastic continuity not only with him but with his father's grandfather, Henry I, from whom their claim was not uncontroversially derived. This first Henry was a son of William I, "the Conqueror", and had himself named his son "William," rather than "Henry," after himself, to emphasize continuity with his father: a politic move, perhaps, give that he had succeeded his brother William II under suspicious circumstances. This William, who would have been William III, perished along with a good chunk of the English court in the sinking of the White Ship in 1120, an event which resulted in a period of intense instability called "The Anarchy" and had among its many consequences the fact that all English monarchs from Henry II onward claimed their right through the female line in the person of the Empress Matilda, the daughter of Henry I, who "was determined to keep the name alive. For her, it was proof of dynastic right.")[1]

Henry III, son of John son of Henry, is succeeded by Edward I, who is his firstborn son. Why did Henry III name his firstborn son "Edward," rather than "Henry"? Edward I is given a Normanized version of the name of Ēadpeard the Confessor, a pre-Norman king of England who was a cousin of William I. In the same way that Henry I attempted to re-emphasize his son's dynastic continuity with own father, rather than himself, by naming him "William," his great-great-grandson,

[1] Nigel Saul, *The Three Richards*, 2.

Henry III, named his son with a Normanization of that of the "Last Legitimate Saxon King" who had (according to the official story) deeded over the kingdom of England to William I on his deathbed well before any supposed "Conquest."[1] This gesture reaches out to the pre-Norman past to establish continuity with it, but at the same time distances itself from that past by declining to grant Edward I's namesake a regnal number. Edward I repeats "Edward" the Confessor, but he is also the first Edward: he is a repetition without a predecessor.

We can see, in the relation by which one name succeeds a different name, two opposite tendencies. There is, first, the tendency for the dynasty to become disordered: for elder sons to die unexpectedly, for younger sons to murder their brothers, for civil wars to bring a change in power and, with it, the personal name of the king. But we can also see, in the very same relation of the succession of the different, a tendency for the dynasty to attempt to paper over its own periods of disorder and discontinuity by reverting the name of the eldest son and heir apparent to the name that he would have had if the dynasty had not become disordered. Henry attempts and fails to revert to William, and instead devolves to Richard, and then John; John reverts to Henry, which then in turn reverts to Edward, as though William had never even happened - erasing not only the scandal of the Anarchy but that of the Conquest itself.

[1] Glen Davies, *A History of Money*, 135.

Edward I is succeeded by Edward II, his son. This seeming bit of continuity is in fact misleading, since Edward II had a number of older brothers who died young and were named John, Henry, and even Alphonso - after his mother's father, the king of Spain. The heir apparent Alphonso (who had been raised, under his mother's influence, with a strong Spanish identity) seems to have died shortly after the birth of a younger brother with a rather more "English" sounding name… a fact at which suspicious minds may wonder, though the truth of it is lost to history. England, in the event, narrowly avoids having a king named Alphonso. Edward II is succeeded by Edward III, his firstborn son, who is succeeded by Richard II, who only arrives at the throne because two other Edwards ahead of him in line have already died: his father, Edward the Black Prince, and his elder brother, Edward of Angoulême. Richard II is deposed by Henry Bolingbroke - the son of John of Gaunt, who is a son of Edward III and therefore Richard's uncle - who then becomes Henry IV. The deposition of Richard II by Henry of Bolingbroke, of course, constitutes the subject matter of Richard II and thus marks the beginning of the main historical sweep of Shakespeare's English history plays. Let's now consider that same list of names again, in schematic form, with some additional information gleaned from our inquiry:

<u>English Kings from the Norman Conquest to the Stuart Succession, Arranged By Christian Name</u>

Ēad□ eardor "Edward" the Confessor, the last "legitimate" Saxon king, who, supposedly, prior to The Conquest deeded England to

William I, followed by his son

William II, who died "in a hunting accident" and was succeeded by his brother

Henry I, who lost his only male heir

(William) in the Sinking of the White Ship, after which he willed the crown to his daughter

Matilda, whose reign was opposed during "The Anarchy" by

(**Stephen of Blois)**, until Henry I's line was restored via Matilda's son,

Henry II, whose son

(Henry) "the Young King", deceased rebelled against him and was killed,

replaced by his younger son, who rebelled against him and succeeded,

Richard I, followed by his brother

John, followed by his firstborn son

Henry III, followed by his firstborn son

Edward I, whose whose sons

(John,

Henry, and

Alphonso) died young, replaced by his fourth son

Edward II, followed by his firstborn son

Edward III, whose firstborn son

(Edward) the Black Prince, died of illness, and whose grandson,

(Edward) of Angoulême, died at age five, replaced by his younger brother

Richard II, deposed by Henry Bolingbroke, first son of John of Gaunt, third son of Edward III, who became

Henry IV, followed by his firstborn son

Henry V, followed by his firstborn son

Henry VI, deposed by Edward of York, who claims the throne in the male line from Edmund, fourth

son of Edward III, and in the female line through Lionel, second son of Edward III.

Edward IV, deposed by

Henry VI (restored), deposed by

Edward IV (restored), followed by his son

Edward V, who became king at 13 and ruled for a few months before being deposed by his uncle, the grandson of Edward III,

Richard III, who was killed at

The Battle of Bosworth Field by Henry Tudor, great-great-grandson of John of Gaunt.

Henry VII, followed by his son

Henry VIII, he of the famous family troubles, followed by his only suviving son,

Edward VI, who wills the throne to the great-granddaughter of Henry VII,

Jane, Lady Grey, who rules for nine days and is deposed by

Mary, daughter of Henry VIII, who dies of illness and is followed by

Elizabeth, daughter of Henry VIII, who dies without issue. Succeeded by

James I Stuart, King of Scotland, the great-great-grandson Henry VII

I have, by formatting the list with each name in its own column, tried to show that what we are looking at, when we look at the list of names with which we began, is in fact a history of the volatility of the English succession. The change in the name of the king, as Nigel Saul points out, are the results of "periods of irregularity" in the succession: "If circumstances had brought more younger sons to the throne, there could have been more kings called Richard."[1] The movement towards the right side of the page is the movement towards seconds sons and women - what we might call a "debasement" of the purity of the succession by displacement towards more distant claims. The movement towards the left side represents an effort to "recoin" the line of succession by emphasizing its continuity with a "more legitimate" past: Henry I

[1] Nigel Saul, *The Three Richards*, 3-4.

names his son William to cover over the probable assassination of his brother, William; John names his son Henry to paper over the disruption of the Anarchy and the rebellion of the Young King; Henry III names his son Edward in an attempt to efface the scandal of the Conquest itself; the Yorkist Edwards claim, by their names, to reverse the usurpation of Lancaster and restore the succession to its rightful line.

The point is that succession is a matter of volatility and options, structured by the logic of contingent claims. Volatility: sons die of the plague, drown in shipwrecks. Options: there are younger sons, there are cousins, there are even, in the last resort, women. The paradox: to hedge against volatility, it is necessary to produce options, but the production of options itself can produce heightened volatility. Have one son, and he might die in a battle, leading to a civil war. Have two sons, and they might kill each other, leading to a civil war. By opening up the cognatic (female-line) succession in the person of Matilda in response to the crisis of the White Ship and the Anarchy, the Angevin dynasty increased the optionality of the English succession — and, in doing so, laid the foundations for the War of the Roses and the Parliamentary struggle over the succession to Henry VIII. Crucially, the precedent of cognatic succession means that options on the English throne become negotiable. When Henry VII marries his daughter Mary Tudor to James IV of Scotland, he is in effect writing his Scottish counterpart an out of the money option on the English throne, in which James' descendants become Henry's cognatic heirs: an option which comes into the money and pays off two generations later, producing the Stuart dynasty. When we are

confronted, then, with the title The Tragedy of King Richard the Second, we already know something. We know that kings of England are not normally named Richard: Richards are younger sons, they are out of the money options on the throne. This Richard did not follow a Richard, nor will he be succeeded by one. If a Richard has come to power, the world has changed in some unexpected way as to activate the contingent claim he is and represents.

Chapter Three:
Dynasty and Debasement

> "Dynasty and government serve as the world's market-place, attracting to it the products of scholarship and craftsmanship alike. Wayward wisdom and forgotten lore turn up there. In this market stories are told and items of historical information are delivered. Whatever is in demand on this market is in general demand everywhere else. Now, whenever the established dynasty avoids injustice, prejudice, weakness, and double-dealing, with determination keeping to the right path and never swerving from it, the wares on its market are as pure silver and fine gold. However, when it is influenced by selfish interests and rivalries, or swayed by vendors of tyranny and dishonesty, the wares of its market-place become as dross and debased metals. The intelligent critic must judge for himself as he looks around, examining this, admiring that, and choosing the other. . . ."
>
> - Ibn Khaldun[1]

3.1: The Cross of Silver

What's in a name? Making money into a metaphor serves to put it out of the question: if money is just a sign of Value, then the name of money itself can be reduced to a purely arbitrary signification. It does not matter whether we name things with "pounds sterling," or marcs d'écu, or "present dollars" or anything else, since the names of things are accidental and have no bearing on the essences of what they designate. This metaphysical realism is the basis of the orthodox theory of money that sees money as a neutral and causally sterile medium through which the "immanent laws" of the economy can play themselves out.

In Shakespeare, however, such realism is the province of adolescent naïveté, a delusion of young lovers who must ultimately suffer for allowing themselves to

[1] Ibn Khaldun, *Muqaddimah*, 75.

imagine that the names of roses don't make a difference. As he and his audience knew well, to name the rose "Tudor" or "Lancaster" or "York" is to make a distinction with a difference, and one which is not at all innocent but rather threatens to unleash, in its mere invocation, an unbounded metonymy of historical violence.[1] Names are not causally empty; there is no such thing as "just a name." To have a name is an essential (perhaps the most essential) quality of people and things, and it is a quality that is hardly secure but always under threat: Mowbray insists that he may owe the king his life, but not his name (R2.I.1.168); the Duchess of York complains of being robbed of "a happy mother's name" (R2.V.2.92); Gaunt accuses the king of seeking to "kill my name in me" (R2.II.1.97); Richard himself equates his usurpation with a condition of namelessness: "I have no name, no title; / No, not that name was given me at the font, / But 'tis usurped…" (R2.II.1.255-7). Names, in Shakespeare, are both essential and insecure: names are not accidental to what they designate, but neither can they be relied upon to name what they name completely or without remainder.[2]

It is this emphasis on insecure reality of the nominal that makes Shakespeare an effective critic of the neochartalists three hundred years *avant la lettre*. The great importance of the neochartalist intervention is its rejection of realism in favor of nominalism: they point out, rightly, that money is money because it has been named as such, because it has been called into existence by an act of denomination. Money is

[1] Kavita Mudan Finn, "Bloodlines and Blood Spilt."
[2] Samuel Weingarten, "The Name of King in Richard II."

what is named in contracts as the object of a promise, and it is in turn nothing but the object of its own promise. But if the strength of this theory lies in calling attention to the necessity of the nominal, its limitation lies in the attribution of sufficiency. For the neochartalist, the denomination of money as money by the public authority or "stakeholder" exhausts what there is to say about it: once money has been named as such it can remain secure in this self-identity without any further tensions or complications. The name "pound sterling" becomes essential, while the metal that it refers to is rendered an inconsequential accident.

A critique of this view in the spirit of Shakespeare would therefore begin by agreeing with the neochartalists, against the orthodox view, that the nominality of money is essential to its being, but parting ways over the the question of sufficiency. The name of money — like other names — is not a site of plenitude and self-identity but rather one of anxiety, antagonism, and difference. Nothing exemplifies this problem better than the figure of Richard II, rendered nameless by Bolingbroke's usurpation. We cannot say that Richard would remain the same, no matter what we call him: clearly, there is something essential about his name such that losing it would involve an irrevocable loss of being. But neither can we say that Richard is secure in his denomination, or that he totally "lives up" to what it would take to really be identical to the name that names him. The name "King Richard the Second" is essential to what it designates without thereby being identical to it, and it is this

ontological "crack" between the name and its referent that opens up the space within which tragedy can take place.

Asserting money's essential nominality opens up the possibility of calling money into question: if money bears on the essence of that which it names, then it might be possible to change that which money names by changing money itself. As we have seen in the previous chapter, however, we should not assume that money can be called into question without paying a price: in the time of James Stuart, raising questions about money and public finance threatened to re-open political conflicts whose roots lay two hundred years earlier and which threatened to undermine the basic territorial divisions of the political order. It is not enough to say that money is money because it has been named as such by the king, because this tautological solution merely displaces the problem onto the king himself. Why or in virtue of what is the king the King? Is he King merely because he has been called — or called himself — by that title? If so, then his name might be simply stripped away and given to another. But by whom? And with what right? And if even the name of King is revealed to be absent of any real grounding, does anything else remain secure?

The price that must be paid for calling money into question by revealing it to be a creature of political order is to call into question the grounding and legitimacy of that political order itself. The neochartalists, for the most part, wish to take the first step and avoid the second: since the state theory of money is supposed to serve as a solution to a variety of economic problems stemming from a mistaken belief in the

ontological scarcity of money, it must avoid making a problem out of the state itself. Its advocates, therefore, must tread lightly around the question of imperial power in the global monetary system, even going to far as to deny the connection between monetary sovereignty and reserve currency status (or the "exorbitant privilege") entirely.[1] This move is necessary, given their aims, because the power of the United States to print money out of nothing cannot solve any problems if calling attention to this solution raises uncomfortable questions about why it has this power or even why it exists in the first place. When neochartalists find the primal scene of the fiscal circuit in British colonialism in Africa, for example, they do not stop to ask by what right the British are in Africa "mobilizing resources" — and still less do they ask by what right those calling themselves "Americans" do so in America.[2] Any appeal to the state as a solution must repress the fact that the state is a problem — which means, of course, repressing the problem of conquest and genocide and putting them "into the past" as grievances against which time has already run out.[3]

[1] Stephanie Kelton, [@StephanieKelton]. (2020, Jul 29). *MMT is not predicated on the US$ being the global reserve currency. If you're suggesting otherwise, you're not debating MMT (even if you might have other worthwhile thoughts about the role of US$ as a reserve currency).* [Tweet]. Twitter, https://twitter.com/StephanieKelton/status/1288608240952061953. Pinning the neochartalists down on what, exactly, they intend to claim can be somewhat difficult, but this statement is as unambiguous as they come.

[2] Pavlina R. Tcherneva, "Monopoly Money: The State as a Price Setter." Oeconomicus V (Winter 2002). See Chapter Two.

[3] Here, of course, the neochartalists can hardly be singled out, since denying the ongoing relevance of modernity's foundational violence is simply the price of admission to polite society. All of the "serious people" today agree, with James Stuart, that sovereignty is liable to adverse possession, and that the United States has an unquestioned "right to exist" regardless of whatever unfortunate circumstances may have attended its creation. The issue is not simply that neochartalists lack the courage to take up a decolonial politics, since the same could be said of so many others. Rather, the problem is that their desire to call money

The problem for the neochartalists is that they must agree that sovereignty is liable to adverse possession, in order to avoid making a problem out of the legitimacy of the state, but they must do so while also denying that this might be the case when it comes to monetary sovereignty. Doing so is required if the neochartalists are to tell a story about why money today really is — even if it does not appear to be — what they say it is. To the extent that it is actually the case that private actors play a role in or have power over monetary creation, or to the extent that there actually exists a separation of powers between fiscal and monetary authorities in contradiction to the "consolidation hypothesis," this must be seen by the neochartalists as a usurpation that cannot be rendered legitimate by long occupation. Any power that non-governmental actors might have over money, they insist, is a power that ultimately derives from the state and could or should be snatched back at any moment and restored to its rightful owner. Thus, the fact that neochartalists are not quite willing to contemplate the full consequences of their own intervention boxes them into a corner of their own making, in which they are forced to split sovereignty into two: the monetary sovereign, against whom time runneth not, and the ordinary sovereign of territorial possession, against whom it does.

The only writer to attempt to thread this needle in any serious way is Christine Desan, whose book *Making Money* usually serves as the authoritative historical

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into question while also remaining within the boundaries of political respectability leads them to the point of theoretical incoherence, since they must alternatively affirm and deny the legitimacy of the adverse possession of sovereignty depending on their purposes.

reference for advocates of neocharalism. Desan finds herself in the midst of a controversy over money that prompts a search backwards into the past to find out how we got here: if there is a problem that structures money today, when did this problem get underway? Desan is writing in the aftermath of a revelation, by means of which something previously hidden has now been revealed: the power of the state or state institutions to create money out of nothing, as did the Federal Reserve in response to the events of 2007-8. If the revelation of 2008 is that money is non-scarce relative to the state, then this revelation challenges the previously hegemonic discourse of what the neo-chartalists call "pay-fors": the idea that the state cannot do things, such as fund justice or public works, because it doesn't have enough money. According to Desan, this false but all-pervading notion that money can be scarce with respect to the state stems from a historical disappearing act that culminated in the founding of the Bank of England and the ideological victory of John Locke in establishing the theory of money as a pure commodity and thus a creature of the private rather than the public sector: "When the visibility of money as a political project faded, the way it had realigned the societies that authored it also disappeared from view," she writes; "That absence, a void of history and theory, undermines the effort so urgent to our present moment to understand the political economy we inhabit."[1]

[1] Desan, *Making Money*, Introduction, passim.

Desan, therefore, must turn our historical gaze backwards so that we might re-discover money as a political project by finding the moment at which it disappeared from view. What is curious about her account is a kind of retrograde motion that characterizes the movement from medieval to modern money. On the one hand, money becomes modern by becoming more fully what it is, by the vanishing of the precious metal substratum of the coinage that is, in Desan's telling, little more than an atavism or inconvenience: "Despite its reputation as a solid anchor for value, commodity money itself caused that instability… As the commodity value of coins that offered the same count began to differ (old and new pennies, whole and clipped coins, silver and gold cognates), the people holding them began discriminating among them, hoarding or melting some and passing others off by face value. Their actions subverted coin's circulation." Here, Desan's view is identical to that of Marx, as analyzed in Chapter One. The divergence of the coin from its self identity by the accidents of circulation and wear is the history of some "difficulties," which are finally obviated by the total replacement of metal money by paper. So the process of "dematerialization" realizes money more fully as what it has always been by allowing it to shed itself of the unnecessary inconvenience of being made from silver. But curiously, on Desan's telling, money becomes more fully what it has always been at precisely the moment that everyone forgets what money has always been: "Unintentionally, but earliest among the Europeans, the English broke away from the strictures of commodity money, even as they claimed to base their system more

adamantly on it. The argument that money was or should be a matter outside of political control thus exercised significant influence, some anticipated and some quite unexpected, on the English monetary system." For Desan, money became what it really is at in precisely the same moment that we all forgot what money really is.

Thus, her historical narrative operates according to a strangely inverted dialectic, arranged around an axis defined by the "the continuity of money's character as a public promise" and "money's identity as a sovereign liability." Money, according to Desan, is now, has always been, and will always be a public promise: to be a public promise is inherent in the concept of "money." In the medieval period, she claims, everyone knew this, and the sovereign prerogative to unilaterally define the unit of account was generally acknowledged. Thus, money was for-the-medievals as it really is in fact: a creature of the public law. But money in-the-medieval had not yet risen to the level of its concept, because it was still a coin made of silver, which is a completely unnecessary accident producing various unnecessary difficulties. In the medieval period, money was for-us what it really is, but it was not yet in-itself what it really is. Later on, after the revolution of the Bank, money became what it is in-itself, by explicitly assuming its identity as a sovereign liability, but only at the price of ceasing to be what it really is for-us, since it was at this point that the "visibility of money as a political project faded" because everyone suddenly forgot about the fact that the state defines money into existence. This outcome was the result of what Desan calls a "brokered compromise… a paradoxical approach that gave capitalism

great capacity as well as profound shortcomings," which is to say that capitalism has great capacity in that it frees itself from the chronic scarcity of money that had plagued the ancien regime, but also profound shortcomings insofar as it subjects itself to the fiction, from which the ancient regime was blissfully free, that money should be or must be scarce. Modern money insists that money must be scarce in the very gesture that it frees itself from the scarcity of money, while medieval money knows that money need not be scarce in the same breath that it complains about money's scarcity. This problem will be solved, according to Desan, once we embrace the power of what modern money can do that medieval money could not do, while also remembering what the medievals knew about money that moderns have forgotten. At this point, the truth of the money that moderns have made can be reconciled with the truth about money that the medievals knew, at which point money can finally become in-itself what it is for-us and the paradoxes of capitalism can thus be eliminated.

Desan's dialectic of monetary history is an attempt to deal with an inconvenient fact for the story she wants to tell, which is the fact that "the English would keep their money anomalously powerful" by "taking less silver" from the penny than other countries did, with the result that their economy suffered from a scarcity of small change. This is the monetary policy that Glen Davies called the "cross of silver" in which English authorities seem to have avoided debasement of their money even to the point of crippling costs to the kingdom and the fisc, as well as, as we will see in what follows, to the point of civil war and the collapse of dynasties. Desan attempts

to recuperate this fact into her narrative by arguing that, while the actual question of the silver content of the money didn't really matter, what did matter is that promising not to debase the penny taught the English monetary authorities how to promise: the "anomalous" insistence of the English on hard money "engendered surprising forms of credit," which were eventually incorporated by the state into modern forms of credit money. In other words, what really mattered about the English promise not to debase the money was not what was promised, but simply the fact that a promise was made at all. Since money is itself a promise, according to Desan, all that was then required was to replace the promise not to debase with the pure form of a promise as such, a promise that referred to nothing other than its own fulfillment. If the sovereign can credibly commit to take back the coin as though it had not been debased, then there is no real difference, she suggests, because a bad coin and a good one. Money, therefore, became modern when the object of the promise was replaced by the pure form of promising, such that the state came able to make money by promising to pay more promises. This sublimation of the promise not to debase into the promise to promise lies at the core of Desan's narrative about the creation of modern money and the "coming of capitalism."

Desan's account, however, is strangely depoliticized for one that claims to be concerned with the problem of money as a constitutional project. For Desan, medieval people knew perfectly well what she would like us to know about ourselves: that money is nothing but a creation of the public authority for the purpose of serving

the common good. We forgot about this, she argues, when we solved the problem of the scarcity of money by allowing the state to monetize its debt, and we did so because the monetization of the public debt created a class division in the monetary system that had not previously existed: "The change split the public into taxpayers and bondholders, directing benefits previously absorbed by the government from one group of citizens to another." It is the latter group that the fiction of money as a creation of the private sphere is designed to serve: by pretending that money can be scarce with respect to the state, by pretending that the state does not have the power to define the unit of account into existence, the bondholders have subjected the state to ideological capture in the service of their own interests. The solution, then, would be to have a monetary system that was modern in fact, such that money was no longer scarce, but medieval in theory, such that the right of the sovereign to define the unit of account and free itself from the discipline of payments would be acknowledged and put into practice. Thus, the question of class antagonism in the medieval monetary system is assumed away from the beginning, since the vanishing revolution in which a relation between sovereign and subject is reconfigured into a relation between bondholder and taxpayer has not yet occurred. The relation between sovereign and subject (the vertical monetary relation) is assumed to be a matter of the common-weal, while that between bondholder and taxpayer (a horizontal monetary relation) is assumed to be not only the ideal form of class antagonism, but perhaps the only form of class antagonism at all. In order to excavate that class antagonism, I

suggest, we should turn to that aspect of money's history that Desan's attempts to put into the past only render all the more fascinating: the history of precious metal coinage.

Let's begin by introducing a foil in the person of William Shakespeare, a thinker who was likewise concerned to look backwards into history in order to make sense of the political and monetary problems of his own day. Over the course of his career, Shakespeare looked first to the history of the English 15th century, bookmarked between two Richards, whose respective demises each marked the end of a dynasty, and then, in his later period, towards Rome and the classical Mediterranean past. Like Desan, Shakespeare found his gaze attracted ever backwards into history in an attempt to discover the point at which "things got started," or the origin of the contradictions and fault lines that he sensed around him. This fault line was the problem of the succession to Elizabeth, and the question of whether a peaceful transition between one dynasty and another might be possible. The orderly succession of one monarch by another is necessary for political stability, of course, and such questions have the added appeal of celebrity gossip, but what relevance does this stuff of schoolboy history have for understanding the deeper questions I have been raising about money and power? We can begin by noting that the "succession" of the market, as I described in in Chapter One, or the risk of whether or not money will be succeeded by goods and vice versa, is contingent on the succession of the sovereignty: a civil war over the throne is precisely the kind of situation in which a

market might cease to exist. And it is in periods of successional war that we tend to see the greatest disruption of the monetary system, as cash-strapped rivals debase their money and counterfeit that of their enemies, turning the monetary system into a race to the bottom. Such events can be observed in English history during the "Anarchy," or the war between Stephen and Matilda, as well as during the Wars of the Roses whose conclusion marked the beginning of the era that was now, in Shakespeare's time, drawing to a close.

Shakespeare's Richard II has long been recognized as an allegory for Elizabeth, both by the queen herself and by her political opponents. The most immediately obvious parallel between the two rulers is that they were both childless monarchs at the end of a dynasty, who cultivated uncertainty about their own succession as a matter of policy. There is, however, an additional parallel between the two rulers that is less generally appreciated, which is that the end of both of their reigns marked a watershed moment in English monetary history. As we saw already in the last chapter, the succession of James Stuart marked the final, irreversible shift of the Crown's ordinary account into deficit, thereby paving the way for the Civil War, the Glorious Revolution, and the founding of the modern monetary order by monetizing a deficit that could no longer be funded. Thus, Elizabeth was the last English ruler to hew to the principle of good medieval fiscal sense, which was that deficits could be accrued only on the extraordinary, but not the ordinary, account. Especially after the collapse of the Antwerp exchange as a result of the Habsburg-Genoese alliance

(discussed in Chapter Two) in the 1570s, Elizabeth and her administration made a great effort to free the Crown from its dependence on creditors: "The whole business," as Outhwaite puts it, "was extraordinarily and deceptively expensive, and, secondly, the Crown was a servant rather than master of the situation in which it found itself."[1] So dogged was Elizabeth's determination to avoid becoming a servant of credit markets that, even during the crisis of the Armada in 1588, she refused to borrow money until the fleet had actually entered the Channel. And while her administration did resort to forms of "borrowing" in the form of forced loans under the Privy Seal, the total amounts of these "loans" was relatively small, and never at market rates. This determination to avoid surrendering mastery to the credit markets can be read as an expression of the same attitude or mindset that led Elizabeth to refuse a marriage that would have subordinated her power to that of a king ius uxoris: on the one hand, Elizabeth was able to produce stability, but a stability that was won only at the cost of an unstable future. With no husband, the dynasty could not produce an heir; with no borrowing, the kingdom could not hope to survive for long in a world increasingly defined by capital-intensive forms of warfare.

The reign of Richard II likewise marked the last gasp of a monetary era: the "hard sterling" period that characterized English policy during the Plantagenet dynasty. The dynasty had been founded in the 11th century by Henry II, who claimed the throne via his mother, the Empress Mathilda. This foundation of the dynasty was also

[1] R. B. Outhwaite, "Royal Borrowing in the Reign of Elizabeth."

necessarily accompanied by a restoration of the coinage, which had come to be in a poor state in the aftermath of a lengthy civil war. The precise definition of sterling and the details of the mint's operation in this period are the subject of some controversy, but it is likely the case that the theoretical sterling penny was 22.5 troy grains (1.46g) of silver that had a purity of 15/16, or the original "sterling" fineness.[1] While the surviving pennies display a range of weights and purities that do not always match up exactly to the standard, they lie within an extremely tight band compared to other coinages of the period.[2] This standard remained unchanged for almost 200 years, from shortly after the accession of Henry II in 1154 to the monetary reforms of Edward III, which began in 1335 and attempted to address the problem of the high intrinsic value of the English penny causing it to be driven out of circulation, resulting in an intense shortage of money, especially of the small change that mint masters resisted producing due to its higher costs. Edward first attempted, in 1335, to address the scarcity of money by debasing small change (farthings and half-farthings) while leaving the penny standard intact. These coins met resistance in the market, and efforts to force both the public and the sheriffs to accept them at full value seem to have been ineffective. Thus, the debasement policy was reversed in 1343 in favor of a new policy: the introduction of a gold coinage (the noble) and a gradual lightening of the penny to a theoretical standard of 18 troy grains sterling in the final reform of

[1] Sterling was later changed to its modern value of 37/40 or 92.5%.
[2] Martin Allen, *Mints and Money in Medieval England.*

1351.[1] The reform of Edward was epochal not only because it introduced a pro-gold monetary policy into England for the first time since the fall of Rome, but also because it represented the first reduction of the English unit of account in nearly 200 years. It is clear from the order of the reforms that Edward's main goal was not to undermine the unit of account, but to defend it: he attempted first to "tokenize" the small change, by debasing their silver content without reducing the penny in terms of which they were reckoned. When this failed, he was obliged to reduce the penny, but he did so grudgingly, in small steps, while at the same time introducing a gold coinage intended to serve the needs of large transactions and thus free up silver for the smaller ones, increasing the total available supply of money. The reduction of the unit of account by 20% over the years between 1343-51 was a defensive measure, and one that did not fundamentally change the situation: English silver remained heavily undervalued, such that it continued to be driven out of circulation.[2]

Edward's reform succeeded in stabilizing the penny at a high weight and fineness for two more generations. His grandson and successor, Richard II, never manipulated the penny, despite his reputation for "tyrannical" rule. Following his deposition in 1399, the politically weak Henry IV largely failed at getting the mints running again at all, and they seem to have operated at a financial loss during most of his reign amidst a general slump in trade and scarcity of liquidity known as the "bullion

[1] Mavis Mate, "The Role of Gold Coinage in the English Economy."
[2] JL Bolton, *Money in the Medieval English Economy*, Ch. 8.

famine."[1] Thus, the crisis of the 1330s and the reform of Edward should be understood as what Arrighi, following Mensch, has termed a "signal crisis" rather than a "terminal crisis": "the "signal" of a deeper underlying systemic crisis, which the switch to high finance none the less forestalls for the time being."[2] Following the "terminal crisis" of the late 1390s and the deposition of Richard II, the English economy entered a lingering depression and scarcity of money that the Lancastrian kings, with the fleeting exception of Henry V, largely failed to address. The way out was eventually found by Edward IV and Henry VIII, whose notorious debasements succeeded at restoring liquidity to the English economy but at the cost of abandoning any pretense of trying to defend the medieval sterling standard.[3] Thus, beginning with the onset of the Wars of the Roses, English monetary history was characterized by an alternating succession of debasements and stabilizations that were also successions of monarchs and dynasties: Edward IV debased the penny, and Henry VII restored it. Henry VIII debased the penny, and Elizabeth restored it. This was the history that Shakespeare was looking back on, as he stood on the threshold of the 17th century and the first emergence of the modern deficit state. What approach would the successor of Elizabeth take to the knotty and never ending contradiction between liquidity and stability of the unit of account? Elizabeth had restored the coinage. Why? Because Henry VIII had debased it. Why did he do that? Because Henry VII had restored it.

[1] John Day, "The Great Bullion Famine of the Fifteenth Century."
[2] Giovanni Arrighi, *The Long Twentieth Century.*
[3] John Munro, "The Coinages and Monetary Policies of Henry VIII (r 1509–47)."

Why? Because Edward IV had debased it. Why? Because the Lancastrian kings had not debased it enough. Why? Because their dynasty was weak, and they could not break decisively enough with the policy of the Plantagenets and their strong penny, which was really (as everyone still remembered) what the lawful and legitimate penny ought to be. Thus, the reign of Richard II could be seen retrospectively not only as that of the last "true" English king of the high middle ages, but also as the end of a long period of unit of account stability that, by the age of Tudor, had been irrevocably shattered. In what follows, I will show how an attention to this history and the problem of the relation between monetary stability and political order is central to the concerns of Shakespeare's historical plays. Where else to begin but with Richard II, which Kantorowicz himself identifies as the locus classicus of the political theological problem: that troubled relation between the king's two bodies and the holy fisc?

Since the late 20th century, historians have begun to push back against the traditional view (both moralizing and nationalistic) that excoriated rulers like Edward IV or Henry VIII for debasing the coinage. We have already seen such revisionist sentiments expressed in a weaker form by Davies and in a stronger one by Mayhew. That debasement of the money was, in fact, a legitimate tool in a portfolio of policy options, and often motivated by concerns other than crown revenue, is the current consensus view among monetary historians. There is every reason to believe that this is true, and that debasing the silver probably would have been, in many ways,

Richard's best option, because it would generate revenue at the same time as it eased the drain of silver and the resulting scarcity of small change. But instead of this, he chose to arouse the hostility of the aristocracy and the professional military class by pursuing peace with France, and that of the Commons by attempting to impose regular peacetime taxation based on "obedience" rather than "necessity," as well as through various restrictions on foreign merchants and the bullion trade that attempted to keep metal in the kingdom by force, which tended to suppress trade and the revenues deriving from them. Unit of account devaluation was, reliably, the path not taken in England, and when it was taken, it was often accompanied by a transition of dynasties (or, in the case of the 1340s, the deposition of a father in favor of his son). It is notable that the only significant adjustments in the English monetary standard amidst the general monetary woes of the 15th century, those of 1411 and 1464, took place in the context of the political violence that accompanied the rise and fall of the Lancastrian dynasty. It seems, in other words, that for the English, the sanctity of the monetary standard was something even more powerful than the sanctity of the royal blood, and that a breach in the one was more or less tantamount to a breach in the other.

3.2: Yet One But Flatters Us

The overwhelming concern of Richard II is a tension between the king's obsessive antipathy towards "baseness," on the one hand, and the accusations of his opponents framed in terms of "flattery" and "waste." As John Elliott has argued, Richard's "exalted idea of royal power renders him peculiarly susceptible to disillusion at the slightest affront to his dignity… For Richard there are two possible ways of coping with this blow to his self-esteem. One is to adjust his image of himself to a more realistic political philosophy, acknowledging the responsibilities as well as the prerogatives of a king… The other, his present course, is to transform his image of himself into that of a martyr to political expediency, a conception by which he dignifies his inaction."[1] This abstract formulation can easily be re-read if we superimpose the purity of the coin on the dignity of the king: faced with an affront to his exalted royal dignity, Richard is faced with a choice between two possibilities: revise his image of himself to something more realistic, or transform himself into a martyr. In the same way, faced with the crisis of undervalued silver, Richard and his advisors on monetary policy were faced with a choice between altering the monetary standard to ratify changing market valuations of the metals, or clinging to the standard even at the price of political chaos, thus transforming themselves into martyrs hung on a cross of silver.

[1] John R Elliott, "History and Tragedy in Richard II."

The conflict is between Richard's opposition to baseness and refusal to devalue his conception of sovereignty, and the accusation by his opponents that he is in fact motivated by flatterers who convince him to value the sovereignty more highly than he should. What is interesting here is that "royal power," as Richard sees it, is diametrically opposed to the notion of "sovereignty" in the neo-chartalist literature. Rather than the power to unilaterally determine the unit of account and bestow value upon base tokens, Richard understands the very nature of his kingship as the defense of nobility against the threat of becoming base, even to the point of his own tragic undoing. Eventually, we might say, Richard, in clinging to the monetary standard while failing to resolve the fiscal contradictions plaguing his reign by other means, dishoards the sovereignty itself: "With mine own tears I wash away the balm," he cries. "With mine own hands I give away my crown, / With mine own tongue deny my sacred state, / With mine own breath release all duteous oaths. / All pomp and majesty I do forswear; / My manors, rents, revenues I forgo; / My acts, decrees, statues I deny: / God pardon all oaths that are broke to me! /… What more remains?" (R2.4.1.217-22).

Richard's anguish in this scene derives from the fact that he is being forced to consent to his own deposition. The very notion raises a paradox that was to become critical to English constitutional thought in the 17th century: the question of whether the sovereign himself might be held liable for treason. Northumberland demands that he "read / These accusations and these grievous crimes, / Committed by your person

and your followers / Against the state and profit of this land; / That, by confessing them, the souls of men / May deem that you are worthily deposed." (R2.4.1.222-7). Thus, Richard is being asked to confess, as sovereign, to treason against the state. The problem is that, by doing so, he commits treason anew: "

> If I turn mine eyes upon myself,
> I find myself a traitor with the rest:
> For I have give here my soul's consent
> T'undeck the pompous body of a king;
> Made glory base; and sovereignty, a slave;
> Proud majesty a subject; state a peasant. (R2.4.1.247-252)

The true treason, Richard insists, is not that to which he confesses, but the fact that he confessed to it. For the king to commit treason is nonsensical, because what is treason but a crime against the king? Thus, the only meaningful treason that a king might commit would be the crime of suicide. It is precisely this suicide that Richard commits when he confesses, since he destroys the very notion of sovereignty by making it into a slave when he gives his soul's consent to the shocking constitutional proposition that the sovereign could be a mere trustee of "profit" and "the state," who serves at the pleasure of public opinion. And if the right of kingship is nothing but a question of public opinion, will the same be true of the value of sterling? It is in the very nature of his goodness and greatness, Richard complains, that he has found himself usurped and nameless, melting as a punishment for his own goodness. He thus figures himself as a piece of a "good money" who is, precisely for this reason,

driven from circulation, stripped of the name of its nominal "face value", and relegated to the melting pot.

If Richard figures himself, in the moment of his undoing, as a piece of good money being driven from circulation, then this is fitting retribution for his betrayal of Mowbray at the opening of the play. Mowbray, also, figures himself as endowed with a high intrinsic worth, in contrast to the lying flatteries of his rival: "My dear dear lord, / the purest treasure mortal times afford, / Is spotless reputation — that away, / Men are but gilded loam or painted clay. / A jewel in a ten-times-barred-up chest / Is a bold spirit in a loyal breast" (R2.1.1.176-81). After his banishment by Richard, he is robbed of language itself: "The language I have learnt these forty years, / My native English, now I must forgo, / And now my tongue's use is to me no more / Than an unstringed viol" (R2.159-62). Again, what is so anguishing about Richard's treatment of Mowbray is that it is precisely on account of his high intrinsic value (his loyalty to Richard, such that he avoids implicating the king in the murder of Woodstock even to the point of his own undoing) that deprives him of the nominal value of his "fair name" (R2.1.1.167) and sends him out of the kingdom to faraway lands where his reputation will not be recognized. Indeed, the historical Thomas Mowbray died of plague in Italy shortly after his exile, which makes Gaunt's advice to his son to "suppose / Devouring pestilence hangs in our air, / And thou art flying to a fresher clime" all the more painfully ironic (R2.1.3.283-5). Thus, what Richard and Mowbray

share is a commitment to clinging a high valuation of themselves, even to the point of disaster.

Bolingbroke, by contrast, displays in the wake of his exile a willingness to "write down" his expectations to realistic values. After he snubs the Lord Marshal's offer to accompany him to the borders of England with silence, his father Gaunt demands to know "To what purpose dost thou hoard thy words, / That thou return'st no greeting to thy friends?" "I have too few to take my leave of you," responds Bolingbroke (R2..3.253-5). Bolingbroke is "hoarding" his words because he is anguished about the anticipation of never seeing his father again, such that he declines to "spend" them in conversation with those who might be his friends and allies against the king. But after Gaunt fails to convince Bolingbroke of the fantasy that they might see one another again ("For gnarling sorrow hath less power to bite / The man that mocks it and sets it light," R2.1.3.292-3), Bolingbroke resolves to reject the fantasy of overvalued expectations in favor of realism: "O, who can hold a fire in his hand / By thinking of the frosty Caucasus? / Or cloy the hungry edge of appetite / By bare imagination of a feast?… O no, the apprehension of the good / Gives but the greater feeling to the worse: / Fell sorrow's tooth doth never rankle more / Than when he bites but lanceth not the sore" (R2.1.3.294-303). By "lancing the sore" or revising his expectations of what will come in the future to a more realistic level, Bolingbroke refuses to allow himself to be driven from circulation: unlike Mowbray, driven to Italy to die, Bolingbroke will return to England to exact his revenge. And he will do so, according

to the accusations of King Richard, by "courtship to the common people, / How he did seem to dive into their hearts with humble and familiar courtesy, / What reverence he did throw away on slaves, / Wooing poor craftmen with the craft of smiles" (R2.I.4.27-9). Bolingbroke thus issues a challenge to the reign of Richard by his willingness to devalue himself in an appeal to the "common people," precisely those who suffered the most amidst the shortage of small money driven by the Plantagenet commitment to sterling.

Thus, the conflict between Mowbray and Bolingbroke is a conflict between two nobles, one of whom is good and the other bad, but both of whom make equal and indistinguishable claims. What is troubling is that the presence of falseness is not a simple contingency, but a structural necessity: there is not just the possibility that one of the lords is lying, but an absolutely necessity that follows from the mutual incompatibility of their claims: "We thank you both," says Richard in response to their opening sallies of praise for the throne, "yet one but flatters us, / As well appeareth by the cause you come, / Namely, to appeal each other of high treason" (R2.1.1.25-7). The situation is given an added wrinkle by the fact that the king himself is complicit in the driving out of good nobles, it is in some way directly his fault, but this is a truth that cannot be spoken without debasing his dignity. The king pledges to root out the discrepancy, to assert his power in order to reconcile the nominal and the intrinsic, to abolish the difference between how things appear and how they are. But we will begin to suspect what cannot be spoken: that the king

himself is complicit in the situation, that it is the king himself who is responsible for the confusion between the noble and the base (indeed, one of Richard's offenses in the eyes of the peerage was his practice of granting noble titles to his "low-born" favorites).[1] But the king's complicity in what happens and has happened cannot be voiced, it must remain offstage, because to voice this complaint would be already to dispute the legitimacy of the court in which the complaint is voiced, thus rendering it meaningless. "O, let my sovereign turn away his face, / And bid his ears a little while be deaf," begs Mowbray, "Till I have told this slander of his blood, / How God and good men hate so foul a liar!" (R2.1.1.111-4). As the "good" noble, Mowbray's only line of defense involves either slandering the King's cousin or accusing the king himself of complicity in Woodstock's murder, in order to justify his own involvement in the matter: "For Gloucester's death, / I slew him not, but to my own disgrace /Neglected my sworn duty in that case" (R2.1.1.133-5). Even this roundabout suggestion of the king's involvement in the murder of his uncle is too much (and, perhaps, it is as punishment for daring to say even this much that Mowbray receives his life banishment).

Within a constitutional regime in which sovereignty is, itself, the arbiter over questions of high crimes and treason, there is no recourse against the sovereign, or even against the "neighbor nearness to [his] sacred blood" (R2.1.1.119). Richard, as the sovereign, emphatically asserts his authority as above rather than below the law:

[1] E. Amanda McVitty, "False Knights and True Men."

"We were not born to sue but to command," he proclaims after hearing the mutually accusing claims of his barons; "Which since we cannot do to make you friends, / Be ready as your lives shall answer it at Coventry upon Saint Lambert's Day. / There shall your swords and lances arbitrate / the swelling difference of your settled hate." Thus, he gives in to the demands of the nobles that their dispute can only be solved by penetrative violence, to give each the opportunity to prove their position by forcing the other's lying words "down their throat" (R2.1.1.44;57). It is only by means of the penetrative violence of battle that the difference between substance and appearance can be determined, just as the difference between a good and bad coin can be determined only by the incision of a "test-cut" that lays bare the true metal beneath a gilded exterior. There is, likewise, a hidden kernel of rationality in the apparently "barbaric" institution of the trial by combat: if there is a rivalry between elites that threatens to explode into generalized violence, forcing the production of a decision — any decision — by means of combat to the death may be preferable to no decision at all.

The trial by combat is, indeed, the one form of judicial decision which is immune from corruption of the court itself, a point of particular relevance to the case at hand, since one of the points under contention is in fact the murder of the presiding officer of the Court of Chivalry! Thomas Woodstock, Duke of Gloucester, had, from the time of Richard's accession until his murder on the king's orders, been the Constable of the Court of Chivalry: a prerogative court operating according to Roman civil law,

rather than the English common law, which was available as a "remedy for matters which the common law courts could not adequately deal with themselves, or concerned instances where suitors felt unduly intimidated, were unable to get justice or the cases themselves were those for which there was no obvious solution."[1] Thus, by causing the murder of Woodstock, Richard was making a bid to remove an enemy from the very court that was, uniquely in the system of English law, empowered to decide over those exceptional cases for which the Common Law had no answers. By having Woodstock murdered, and then by suspending the trial by combat that should have ensued as a result of the inquiry into his murder, Richard suspends a decision from being made at all. His goal, in doing so, is to forward his project of liquidating the nobility, who hold options to challenge his sovereignty. Richard, in fact, faces a policy dilemma: he cannot allow the trial by combat to produce a decision, because either decision it would produce would be bad for him. If Mowbray wins, it would implicated Richard in the murder of Woodstock. If Bolingbroke wins, the resulting glory would further empower him against the king and his party. In the gesture by which he calls off the duel at the very last moment, Richard asserts himself as an absolute sovereign against whom their can be no recourse, inside or outside of the Common Law. Both nobles are banished: the good noble must leave forever, the bad noble will soon return.

[1] Anthony Musson, "Law and Arms: The Politics of Chivalry."

To speak of a conflict between good and bad nobles, who make identical and mutually exclusive claims and thus cannot both be true, is to speak of a real historical event that occurred between the dukes of Norfolk and Hereford. But it is also to speak of the monetary situation in England in the 1390s, a period that John Munro has characterized as the "war of the gold nobles."[1] It was, in effect, a monetary war fought between England and Flanders: Philip, duke of Burgundy, who had inherited the county of Flanders through his wife in 1384, began issuing debased imitations of the English "noble", the coin at the center of the monetary reform of Edward III whose issuance had managed to stabilize the sterling unit of account. This hostile action was to the benefit of both Philip himself (who collected seignorage at his mint) and his subjects in Flanders, who had to pay lawful English money at the Calais staple in exchange for the imports of English wool that were so central to their business. In order to get wool, in other words, Flemish merchants had to pay nobles, which Philip was now offering to sell to them at a lower price. The result was that the counterfeit Flemish nobles began to flood into England, driving out the "good" nobles of Richard, which meant that Philip's minting activity was in effect an attack on the standard of the English gold coinage, causing it to fall.[2] The result of this would be to further exacerbate the problem of the driving out of silver, since it would make it more attractive to export English silver in order to purchase gold in Flanders. Thus,

[1] John Munro, *Wool, Cloth, and Gold*.

[2] This episode is also a refutation of the argument sometimes advanced by chartalists that the presence of metal in coins is an anti-counterfeiting measure. Here, it was an enticement.

Philip's mints were attacking not only the English gold noble itself, reducing both seignorage at Richard's mints and the real value of his customs revenues, but also the hard-won stability of sterling under the system of bimetallism after 1351. This conflict over bullion, the balance of trade, and the scarcity of money in the English economy was, in fact, at the center of the political tensions of Richard's reign: not only towards the end of the 1390s, but also during the earlier period of his minority and the defining conflict with the Lords Appellant that forms the backdrop of the opening movements of Shakespeare's play. There are a thus number of similarities between the situation of the play's production, which we examined in the last chapter, and that of its setting: in both of these periods, the English monarchs faced a very similar "trilemma," or choice between three equally undesirable or impossible options: direct peacetime taxation, devaluation of the currency, or growing indebtedness and the subsequent liquidation of Crown assets. An appreciation of the macro-historical resonances between these two moments can give us a deeper appreciation of Elizabeth's famous outburst: "I am Richard! Know ye not that?"

3.3: The Plantagenet Trilemma

The history of the reign of Richard II is particularly instructive for understanding the political dimensions of liquidity crisis because, over the course of these 22 years, we can see Richard and his barons turning first one way, then another, in an attempt to

avoid the various horns of the trilemma that they faced, accompanied by constantly shifting alliances and reconfigurations of power as they grasped for options to deal with the problem at hand. We can make out the general landscape of the "policy space" that confronted Richard at the onset of the general European liquidity crisis or "bullion famine" that was to characterize the late 14th and most of the 15th century by considering three major episodes of his reign: Wat Tyler's rebellion, the revolt of the Lords Appellant, and the "war of the gold nobles" or the monetary struggle with Philip of Flanders. In each of these episodes, the currently dominant faction of nobility pursued one policy or another to try to remedy the shortage of money by imposing the costs of producing liquidity upon some group of people who were preferably not them. Thus, by paying some brief attention to each of these major phases of the reign, we can explore the ways that paying the price of liquidity was indeed a question of social and political antagonism in the medieval monetary order, rather than a simple relation between sovereigns who issue tokens to the subjects in order to mobilize resources for the public good.

Wat Tyler's Rebellion:

The scarcity of money that had begun to rear its head in the 1330s had been solved, for a time, by a number of factors, chief among them the rapid depopulation of the Black Death increasing the per-capita money supply, the reform of Edward III

supplying new gold coins to England, and the general success of the Hundred Years War, which was in large part a war of cavalry raids: as long as the tide of the war was in the English favor, then it was in fact a profitable undertaking from a balance of payments perspective, since income in the form of ransoms and loot brought money back to England.[1] Following the death of Richard's father, Edward the Black Prince, however, command became divided between different barons and the English suffered setbacks on the continent. When Edward III died the following year, leaving his ten-year-old grandson as king, the lack of cash was once again being felt. Thus, the court, dominated at this time by John of Gaunt, embarked on a project to impose, for the first time in English history, a system of direct taxation on the English population: the poll taxes of 1377, '79, and '81. The very fact that such a tax was thinkable is notable because it demonstrates the degree to which English society had already been thoroughly monetized by the 14th century: in all three of the taxes, the minimum assessed rate was 4d. on every English person over the age of 14, while the third and final tax was assessed at a graded rate such that the average per capita revenue would be 12d. (a shilling).[2] This was not an enormous amount of money in notional terms: a shilling per day was the approximate cost of fielding a knight on campaign, while a carpenter or other skilled craftsman might expect to make as much as 5d. or 6d. per day (a figure which comes from legislation intended to suppress

[1] K. B. McFarlane, "War, the Economy and Social Change."
[2] P.J.P. Goldberg, "Urban Identity and the Poll Taxes of 1377, 1379, and 1381."

wages and is thus a lower bound).[1] Nevertheless, this third tax was apparently felt to be intolerable by the population, since it triggered the 1381 "Peasant's Revolt" led by Wat Tyler. In the eyes of the rebels, the king's power had been usurped by greedy advisors and ministers, and they demanded the end of the taxes as well as other labor reforms such as the abolition of villeinage and the right to free choice of employment. While the rebels enjoyed some initial successes, the movement fizzled out after Tyler was assassinated at a negotiation with the lords. They did, however, succeed at ending the attempts to establish regular direct taxation, since the poll tax was subsequently abandoned.

While historians have long sought to draw a connection between the Black Plague of 1351 and the rebellion 30 years later, David Gillespie is certainly right to argue that it must have rather been a product of the re-emergence of tensions that had long been brewing in the 13th and early 14th centuries and which had been temporarily alleviated, rather than exacerbated, by the crisis mortality of the mid century.[2] The price indices compiled by John Munro can help us sketch the overall trajectory of money and prices in the 14th century that will help us place this event in its proper context.[3] Following a spike in prices during the Great Famine of 1315-17, there is a general deflationary trend in the prices of foodstuffs into the 1330s, when Edward III first began his experiments with debased small change in response to the shortage of

[1] John Munro, "Before and After the Black Death."
[2] David S. Gillespie, "The Black Death and the Peasant's Revolt: A Reassessment."
[3] John Munro, "Before and After the Black Death."

money. This trend seems to have been accompanied by nominal wage suppression, suggesting that landed elites were able to "pass through" the impact of falling prices onto laborers. After the devaluation of sterling, the introduction of gold, and the plague, the trend reverses, and wages and prices both exhibit an inflationary trend that peaks at the beginning of the 1370s, after which point the prices of grains and meats as well as fuels and textiles begin to fall — but wages do not. Thus, in contrast with the situation after 1317, laborers seems to have been able to preserve their nominal wage gains even in the face of falling prices of wage goods, and thus enjoyed a rising real wage. Thus, it seems likely that at least some of the disappearing silver money was disappearing into savings hoards held by ordinary English people, who were able to translate falling costs of consumption into the holding of cash balances. To the extent that this saving removed money from circulation and decreased its velocity, however, it would also contract the effective supply of money, further reinforcing the scarcity of small change and thus the tendency towards deflation.

As Fredric Lee has observed in a quite different context, there is a nonzero cost associated with renegotiating economic relationships quantified in nominal money in the face of changes in the price level.[1] Since wages, in particular, were the subject of statutory law in medieval England, they could not simply be "equilibrated" by market forces to keep up with deflation. Thus, whatever the fundamental reason for the emergence of price deflation in the 1370s, it created a political question of the extent

[1] Frederic S. Lee, *Post Keynesian Price Theory.*

to which ordinary English people would be allowed to harvest the gains of this deflation at the expense of the landed nobility. The landlords, for their part, would be increasingly incentivized to lease their lands and commute the labor obligations of their tenants to money, since the value of money was rising in relation to produce; this, in turn, would tend to draw the peasantry further into the monetary economy and increase the volume of monetary transactions, further increasing the demand for money and thus its value. Thus, Richard's accession, and the poll taxes that were pushed through by his advisors immediately afterward, took place during the onset of a self-reinforcing deflationary spiral that raised an important political questions: first, the way in which the effects of price deflation were to be distributed between social classes, and, more specifically, the extent to which ordinary households would be allowed to benefit from this deflation by holding increasing levels of cash balances. It was, clearly, these cash balances that were the target of the poll taxes, and this was a policy that was targeted at appropriating savings from the lowest rungs of English society, since the initial poll tax was assessed simply at 4d. per capita, without gradation, and was therefore highly "regressive." It would have meant little to the wealthy, but was surely resented heavily by those who had only recently begun to enjoy the benefits of appreciation in real wages and the sense of security deriving from their newly increased ability to keep increasing amounts of "cash on hand," on under the floorboards as the case may be. Thus, this episode of the Peasant's Rebellion and the failure of the poll tax illustrates one possible solution to the

liquidity crisis: the imposing of the costs of reproducing liquidity onto lower social orders by elites. We might term this potential solution to the problem "disaccumulation through class repression." The failure of this potential solution sowed the seeds of the departure of Gaunt from England and the pursuit of an alternative solution during the revolt of the Lords Appellant, to which we will now turn.

The Lords Appellant:

In the wake of 1381, England became a rather unwelcoming place for John of Gaunt: the rebels had singled him out as responsible for the corruption of the king's power and the abuses of the poll tax, even to the point of demanding his execution. Over the next few years, Gaunt became even more unpopular due to his support of failed military expeditions in Portugal and Flanders, and the young Richard began to form a court faction around himself, composed in part of lower nobility that he has elevated to high title such as Michael de la Pole (whose father William had been Master of the Mint under Edward III). Tension between Gaunt and the King's party came to a head in the wake of the succession of Philip of Burgundy to the County of Flanders in 1384: Gaunt and Thomas Woodstock urge intervention to protect English interests in Flanders, while the King's favorites support peace. In 1385 there is an assassination attempt on Gaunt as well as an invasion of Scotland by France, to which

Richard is forced to respond. Commons, which seems by this point to have been weary of funding failed military expeditions, refuses to grant subsidies to fund the invasion, prompting Richard to issue the last feudal writ of summons in English history in an attempt to raise "scutage" or the cash commutation of the feudal obligation to military service. When this attempt, too, failed after meeting resistance, it must have been clear to contemporaries that the fiscal structure of the medieval English state had gasped its last. Thus, the failed invasion of Scotland in 1385 can be understood as the opening act in the renegotiation of sovereignty and the English fiscal systems that was to unfold over the next 300 years: it had become completely impossible for the fiscal structures of the medieval Crown to fund the kingdom's external security. Thus, when Richard called parliament into session in order to try to raise a subsidy to meet the growing Valois threat, he was forced to concede to a demand to grant parliament the power to audit the Crown's finances. When, the next year, Gaunt's departure from the hostile climate of England to pursue his claim to the Spanish throne prompted the French to prepare an invasion fleet to cross the channel, Richard sent Chancellor de la Pole to parliament to ask for an unprecedentedly large subsidy, at which point parliament, furious at the suggestion, impeached him and established a council of lords — including Gloucester and Arundel — to carry out the audit, reorganize the Crown's finances, and reopen hostilities with France.[1]

[1] Nigel Saul, *Richard II*.

In response to this setback, Richard spent the next year touring the country attempting to raise support. Most importantly, he made an inquiry to a panel of judges about whether the actions of the parliament in the previous year had been in violation of the royal prerogative, to which they answered (probably under duress) in the affirmative.[1] This, as Nigel Saul puts it, was "the most remarkable statement of the royal prerogative ever made in England in the middle ages": the judges found not only that parliament could not appoint a "continuall council" contrary to the king's will, and that it could not impeach the king's minister without royal consent, but also that the members of parliament who had taken these actions against the king, although they had not, strictly speaking, committed "treason," could nonetheless be punished "as traitors."[2] Armed with this decision, Richard attempted to have Arundel arrested — at which point the latter raised his forces and marched to join Woodstock and Warwick in armed rebellion against the king. These three older lords were joined a little later by two younger ones — Bolingbroke and Mowbray — and defeated a royalist army led by de Vere. In the wake of this victory, the five rebel barons or Lords Appellant summoned the parliament that was to become known as the Merciless Parliament, at which they exposed Richard's attempts to seek the intervention of France into domestic politics, and spurned Common Law precedent in order to convict de la Pole and several other of the king's favorites for treason in absentia. Thus, the Lords Appellant in alliance with the Commons were able to

[1] D. Clementi, "Richard II's Ninth Question to the Judges."
[2] Saul, 173-4.

almost entirely purge Richard's inner circle, seizing their lands and wealth in the process. Their lands were put up for auction, and it also seems that substantial amounts of money were coined from their moveable assets: while the English mints generally operated at low ebb throughout Richard's reign, Frederick Waters has observed that "by far the greater portion of Richard II's coins, both of gold and silver, was struck during the period comprised between Michaelmas of his twelfth and Michaelmas of his fourteenth year" — which is to say, in the period immediately following the Merciless Parliament.[1]

The events of the late 1380s, therefore, demonstrate two points of relevance to our line of inquiry. First, there is the fact that a liquidity crisis leads to a challenge to the sovereign's legitimacy: even in the face of military pressure from the outside, parliament refuses to believe that the king's need for money is a result of either a real emergency or the obsolescence of existing fiscal structures like scutage. Rather, it persists in believing that the shortage of money must be due to mismanagement, and thus gains the ability to assert power over the sovereign by refusing to consent to taxation unless it is empowered to oversee and reform its books. But second, this conflict between sovereign and subjects, which comes to be "put on the table" when a liquidity crisis becomes a legitimacy crisis, opens the door to intra-elite violence and civil war, which is itself a sort of solution to liquidity crisis: if one faction of the elite can expropriate another and liquidate its hoarded wealth, then this wealth can be cast

[1] Frederick A. Walters, "The Coinage of Richard II."

into circulation in order to alleviate the lack of liquidity. Thus, the episode of the Merciless Parliament is not only the crucial backstory for the events that open Shakespeare's play, but also demonstrates a second possible solution to the liquidity crisis or "horn" of the trilemma: what we might call "disaccumulation through intra-elite violence." After the failure of English elites to pursue disaccumulation through class repression by forcing the costs of restoring liquidity onto the lower orders of society after 1381, they turned on each other: pre-existing political rifts, exacerbated by the conditions of scarcity of money, open the door to proscriptions and seizures of wealth. While England would return to this solution again, at the end of the 1390s in the events dramatized by Shakespeare (RICHARD: "We seize into our hands his plate, his goods, his money and his lands" (R2.2.1.209-10), the regency of the Lords Appellant after 1388 proved fleeting: when the sales of the confiscated lands moved more slowly and proved less lucrative than expected, the Lords Appellant appealed again to parliament for a subsidy, a move that weakened their alliance with Commons and allowed Richard an opening to regain power by peeling off Bolingbroke and Mowbray from the alliance of barons and offering Commons a return of some of the previously granted subsidy revenues in exchange for their support of a peace policy towards France. Thus, with the conclusion of this episode, we move into the third movement of Richard's reign: the uneasy domestic détente of the 1390s, the cessation of open hostilities with Valois, and the episode of the "war of the gold nobles."

The War of the Gold Nobles:

The final phase of Richard's reign begins with the return of Gaunt to England in 1389 and his alliance with the peace party and the king. Gaunt, who had previously supported the hawks, shifted his foreign policy stance after liquidating his claim on the Spanish throne by marrying his daughter to Henry III of Castile in return for a large dowry. With the doves in power after 1389 and a peace formally concluded with France (which, however, Gloucester and Arundel refused to acknowledge), the Crown's budget woes were temporarily alleviated — but the reprieve was brief, since the mints were almost entirely inactive and money remained scarce. When the Crown's budget returned to deficit in 1392, and with the fundamental problem of the obsolescence of the fiscal system and its inability to raise direct revenues unresolved, it became necessary to turn to the third horn of the trilemma. Efforts to push the costs of liquidity onto the lower order of society, as well as onto the elite itself by means of civil war, had already been explored. That left only one option: pushing the costs of liquidity onto the middle order of society, which is to say the merchant class both domestic and foreign — the City of London, on one hand, and the Flemish buyers of wool, on the other. When, in 1392, the City refused Richard a loan to cover his expenses, he suspended the privileges of the city and forced them to pay a fine. And in Parliament, Richard's Chancellor (also Arundel, but a different one) continued to push unsuccessfully for the introduction of regular peacetime taxation, even going so

far, in 1397, as to suggest that parliament's assistance to the king should be granted out of "obedience" rather than "necessity." Thus, the distinction between ordinary and extraordinary accounts that, as I argued in the last chapter, finally collapsed in the reign of James Stuart with the emergence of the permanent peacetime deficit was already under pressure in the late 14th century: the doctrine that parliamentary assistance should be grounded in necessity (rather than obedience) is equivalent to the notion that direct taxation is legitimate only in the context of a state of emergency, the determination of which is subject to evaluation by those supplying the assistance. But throughout the late 14th century in England, whether in 1381 or 1397, attempts to establish the precedent of direct taxation by the Crown on the grounds of something other than the necessity of the state of emergency proved to be politically impossible. All that remained was the possibility of squeezing more out of the forms of indirect taxation available to it: foremost among them the wool tariff.

Duties on the export of wool had long been an important source of revenue for the English rulers, and the system of the Calais staple had been organized under Edward III for the purpose of controlling it and supplying metal to his mints: in 1336, he had imposed the "*maltôte*" or an increase of the tariff on wool from 6s.8d. per sack to 40 and then 50 shillings, a sixfold increase, which became "a permanent feature of the wool trade and the very foundation of royal finance."[1] The point of this system was to control the wool trade at a single chokepoint, in order to prevent the flow of debased

[1] John Munro, *Wool, Cloth, and Gold*, 37.

foreign coins into England and to ensure that a lack of competition among exporters would displace the incidence of the tax onto foreign buyers as much as possible. By means of a variety of statutory measures, the English king attempted to ensure that, to the greatest possible extent, wool was flowing out of England and metal was flowing in: not only to provide revenue to the Crown itself, but also to alleviate the general scarcity of money in the domestic economy. This general policy also entailed conflict over the use of bills of exchange: the king desired wool to be paid for in cash, rather than in bills, and he was also concerned to prevent the cashing of bills into English coins that would then be illegally exported. These measures were generally resented by foreign merchants and especially the Italian bankers, who tended to view the English resistance to exchange by bills and their strict controls on the export of metals to be a sign of financial backwardness and an impediment to trade. The reliance of royal finance on wool tariffs would also, in the long run, have an important if probably unintended effect: by making it more expensive to export wool than to use it at home, the policy represented a de facto stimulus to domestic English cloth production, and thus encouraged the movement of manufacturing from Flanders to England itself — a transition that was already beginning to influence politics in the City of London during the 1380s.[1]

The importance of the wool trade and of the staple at Calais is a crucial backdrop for understanding the political events that we have already been exploring, because

[1] Pamela Nightingale, "Capitalists, Crafts, and Constitutional Change."

the failure of English foreign policy to contain French influence in Flanders threatened this all important source of revenue. When France invaded Flanders in 1382, they cut off the access of Flemings to Calais and thus brought the wool trade to a standstill. The staple was thus forced to move to Middelburgh (in Zeeland, on the other side of the Scheldt estuary from Flanders, and thus protected from French aggression); a move also conducive to the exporters of English cloth, which was illegal to sell in Flanders.[1] Thus the opposition between the hawks and the doves in the events leading up to the Lords Appellant was structured by a paradox: the English needed to secure Calais in order to protect the most important source of revenue for the Crown, but found itself unable to do so precisely because it had lost control of those revenues. The situation was thus resolved only with the victory of the peace party and the truce with France in 1389, which allowed the Calais staple to be safely reopened and its monopoly restored. This resolution, however, in fact merely transformed a hot war into a cold one, fought with trade ordinances and mints instead of horses and swords.

With the Valois now firmly in control of Flanders, the English faced the problem of a hostile and aggressive mint directly across the channel. The English resistance to debasement of the silver coin was not imitated on the continent, where competition for bullion had already led to a minting war between Louis de Male of Flanders and Joanna of Brabant in the early 1380s. When Philip of Burgundy succeeded Louis, he

[1] F. Miller, "The Middleburgh Staple, 1383–88."

initially negotiated a monetary ceasefire with Joanna, leading to a Flemish-Brabantine monetary accord in 1384. By 1386, however, the agreement had broken down, and Philip radically debased his coinage by as much as 50 percent.[1] While this policy was probably not directed explicitly at England, it would have exacerbated the drain of metal that was already happening: thus, it is probably no coincidence that the open conflict over the English fiscal administration reached its most intense point in the aftermath of this rupture. With the collapse of the war party and the return of the staple to Calais, however, Philip put the Anglo-Flemish trade firmly in the crosshairs of his minting policy. The return of the staple was accompanied by a revival of "bullionist" statutes that had originally been used by Edward III just prior to the outbreak of the Hundred Years War, and which required foreign merchants to pay for their wool exports in English gold nobles.[2] Philip responded by striking counterfeit nobles in imitation of the English coins, albeit of a slightly lesser fineness and weight: if these coins could be successfully passed in terms of the English unit of account at the full value of 6s.8d., then this would not only enable Flemish merchants to buy more wool per unit of gold bullion they delivered (thus counteracting the effects of the tariff) but also divert seignorage revenues from Richard's mint to Philip's. The effect was a flooding of counterfeit foreign nobles into England: "If England had

[1] Munro, 46.
[2] ibid., 47.

'lost' gold bullion to Flemish mints," as Munro puts it, "it evidently reappeared in English circulation as Flemish nobles."[1] Good nobles leave; bad nobles come back.

One solution to this problem would have been to retaliate in kind by means of a "defensive debasement" of the English money. But this solution was resisted by Richard, and would not — as we have already seen — be resorted to until late in the reign of Henry IV in the early 1410s. Instead, he was to pursue a policy that would put him in conflict with the mercantile interests in the City, most notably the "Ordinance de la Bullion" in 1397, which required merchants buying wool to coin an ounce of gold in foreign coin at the mint for every sack they exported on pain of a fine: in essence, this policy forced merchants to collect the counterfeit nobles and take a haircut on them themselves in order to make up for Richard's "lost" seignorage. Philip responded by banning the circulation of English money in Flanders. The overall result was to make trade between the two countries extremely difficult, resulting in heavy protests from the commercial classes, who were to constitute an important sector of support for Bolingbroke's rebellion.[2] Indeed, the repeal of Richard's bullion ordinance was among the first acts of Henry IV as the new king, suggesting that this was, in some ways, the "final straw" of Richard's reign. By the end of the 1390s, all three possible avenues for solving the fiscal crisis without debasing the money had been explored and exhausted: disaccumulation through class repression, disaccumulation through intra-elite violence, and now, third and final

[1] ibid., 53.
[2] c.f. R2.I.4.27-30, discussed above.

solution of accumulation through trade war. Each of these attempts marked an effort to make one social class or another pay the price of restoring liquidity to the economy, whether the lower classes, in the first instance, the elites themselves, in the second instance, or the middling commercial classes in the third. Each ultimately proved fruitless, because the king and his administration proved unable to successfully pay what we might call the "price of constitutional order": each potential solution involved introducing a constitutional novelty (whether direct taxation, the establishment of a "continuall council," or the recruitment of the Staple merchants as agents of the mint) that could not readily be accepted without the introduction of an unacceptable degree of political uncertainty into English society. With the problem unsolved, and the Crown still unfunded, the only possibility that remained was a collapse of the regime.

3.4: Medieval Monetary Theory

With the end of the Plantagenet dynasty, so ended (or began to end) the era of the medieval English "cross of silver." As we have already seen, English rulers during the Plantagenet dynasty were extremely reluctant to contemplate a devaluation of the unit of account, in sharp contrast to their neighbors. After the collapse of the dynasty, however, English policy shifted: first, under Lancaster, to an attempt at a "stable" money that could revive trade amidst the general economic slump of the 15th century,

and then, under York, to a much more aggressive policy of weak money, which had the effect of finally "solving" the liquidity shortage, but at the cost of antagonizing all of the elites generally rather than siding with one elite faction over another (thus, medieval people spoke of the "universal ruin" that would result from debasement of the money, even when they contemplated it as a possible action). With the rise of the house of York began a period of oscillations between major debasements and harsh recoinages — under Edward IV and Henry VIII, on the one hand, and Henry VII and Elizabeth, on the other — that was to characterize the following century and a half until the final shift to permanent deficit finance under James Stuart. In the next section, I will turn again to Shakespeare's historical plays, in order to illuminate the ways that he tried to make sense of the oscillation between strong and weak money and the seemingly elusive nature of stable money by figuring each of the three medieval English dynasties as exemplifying, in the persons of their most iconic rulers, the strong, sound, and weak money stances. First, however, it will be necessary to learn just a few basic points about the technical operation of the mint.[1]

In the previous section, I showed how the history of the reign of Richard II, with its distinct phases and shifting factions, can be read as the exploration of a "policy space" defined by the need to defend the monetary peg established by Edward III in

[1] The discussion here, while complex enough already, is in fact highly simplified in comparison to reality — I have therefore provided numerous footnotes through this section anticipating research that I intend to carry out for my second book project. If this book works backwards through history to unveil the reality of difference beneath the illusion of identity, the sequel will work forwards from the beginning in order to tell the story of how that illusion of identity was produced in the first place.

1351. Shifting policy between the different axes of this space both required, as a precondition, and produced, as a result, political antagonism, because of the fact that the policy space itself had a class structure: the question of whether the costs of restoring liquidity would be imposed on "those who work," "those who own," or "those who trade," respectively. This fact was understood by medieval people themselves, who were indeed well aware of some things about money that moderns have forgotten. Perhaps the most forceful explicator of this "medieval monetary theory" was Guillame le Soterel, who was the treasurer of Navarre around 1340 and thus a contemporary of Edward III. Le Soterel explains that there are "three sorts of men," and "four sorts of coinage." The first sort of men, "those who have rents, especially those who have their rents in money of account.… clearly wish money of strong alloy." The second, "those who engage in commerce, wish for a middle sort of money… Trade is always poor except when money is in a middle state. To write all the reasons in this document would be too lengthy." The third sort of men, according to le Soterel, "are those who live from the work of their bodies. Those would wish to have weak money… When money is current which is not strong, everything always becomes cheap, and there is always enough currency, and all the feeble money draws the strong money to itself." Finally, there is the fourth sort of money, "desired by lords when they are at war," who "can thus strike coin as feeble as he likes to have the means to pay his troops to defend him and his people and his land. But at the end

of the war, he ought to take this money in again."[1] Sound money for landlords, stable money for merchants, weak money for laborers… and token money for the lord at war and his troops. Thinkers like le Soterel were thus perfectly aware that money could be made with nothing but a token and promise to take the token back, but this they would have considered "siege money," to be put to use only in the case that the normal monetary constitution is suspended by the state of emergency. In normal times, as le Soterel's schema makes clear, the problem of money was the problem of keeping money either in the "strong state," to serve the interests of property, or in the "middle state," to serve the interests of trade.

The interests of trade and those of property might come into conflict in a situation like the one examined in the last chapter, in which the market valuation of domestic money abroad has risen above its legal valuation at home, thus causing it to be exported. This situation produces a dilemma between liquidity and stability of the unit of account. If the unit of account is defended, by refusing to alter the amount of metal named by the phrase "pound sterling," then the result will be a scarcity of liquidity. Alternatively, the scarcity of liquidity might be addressed by devaluing the unit of account: reducing the amount of metal contained in the coins in which the unit of account is legally instantiated, in order to bring the coins in line with their foreign valuations. For this reason, a scarcity of liquidity can result in a political tension

[1] For the original text, see Béatrice Leroy, "Théorie monétaire et extraction minière en Navarre vers 1340." English translation drawn from Peter Spufford, *Money and its Uses*, 305-6.

between propertied and commercial interests, because the former will prefer to sacrifice liquidity for the sake of stability, while the latter would rather sacrifice stability for the sake of liquidity.[2] For the landed nobility, any reduction of the metal in the coin was, from their perspective, a simple loss, since their tenants paid money rents defined in long term leases that could not be easily renegotiated, and these tenants would still owe the same amount of money regardless of the state of trade. Thus, compared to the merchants, the medieval landlord class was hurt more by a loss of the money's intrinsic value, and less by a state of commercial depression that might result from a scarcity of liquidity. And since, as I argued in Chapter Two, the landed classes had a strong interest in receiving rents in the form of money that offered unmediated conversion into foreign exchange (or direct access to the "call" on silver), they were opposed to any revision of the unit of account purely and simply.

For merchants, however, debasement is not something to be categorically resisted but to be managed appropriately in the interests of the health of trade, which is always poor unless money is in the middle state. They differ from those collecting landed rents in that their nominal revenues do vary with the health of what we now call "the economy": if trade is weak because money is scarce, then the merchants will not be able to profit. Since they would rather make profits in slightly weaker money than not

[2] It is important to remember that I am speaking of the stability of the unit of account in terms of its metal content, not its "purchasing power." The unit of account may very well remain stable in terms of metal while declining in terms of its purchasing power, if the overall price level is rising. Since price inflation creates a need for a higher quantity of nominal money to complete the same number of transactions, devaluation of the unit of account may be a response to price inflation rather than a cause of it.

at all, mercantile interests are inclined to see the value of the unit of account as a "policy variable" rather than as a point of absolute ethical principle. They do not desire debasement for its own sake, but they do accept that it might be necessary to alter the currency to a value that, in Mayhew's words, "serves the economy best." Thus they were generally willing to contemplate intervening into policy at the mint in order to raise the value of the "inside option" encoded in the coin's legal rating in comparison to the "outside option" embodied by the coin's capacity to be melted down for metal. Saying this distinguishes stable money from strong money, and allows us to understand one source of tension between landed and commercial interests, but it is not yet sufficient to say what makes stable money different from weak money or token money. Merchants were not structural debtors, such that they might be expected to benefit in general from a reduction of nominal money in metal terms, as would le Soterel's third type of man who lives from the work of his body. Thus, the goal of the second type of money was not to lower the metal content of the coin for its own sake but rather to find the highest possible stable coin: given that money is undervalued and being driven out, what is the least possible reduction of its intrinsic value sufficient to restore liquidity?

Those who are in the habit of thinking about economics in terms of a system tending towards equilibrium may find it puzzling to understand why a revaluation of the unit of account might have any "real" effect, at least in the long term. Without a theory of the mint, it might seem that such a revaluation could have only two possible

consequences: an immediate haircut on all outstanding nominal debts, and (possibly) a short-run period in which rising prices have not yet "caught up" with the reduction, perhaps favoring exporters at the expense of importers. The first point is a question as old as coinage itself, and will be examined in the next chapter. The second is anachronistic and does not reflect the concerns of those who actually made the policy: to the extent that anything like this may have actually occurred, it was surely accidental.[1] Neither of these potential effects, however, addresses what really matters about the mint, which has to the best of my knowledge not yet been fully appreciated by modern scholarship at all: those who study the mint are generally conservative about theorizing it, while those who do try to theorize the mint often fail to grasp important points about what we would now call its "plumbing". After the crisis of 2008, and even more strongly after the onset of the COVID-19 pandemic, the rise of the neochartalist theory to the public stage has driven a surge of public interest in the technical operations of central banks; in what follows, I suggest that we would be well served to pay as close attention to such things when it comes to the history of money, as well. Thus, we must develop some more precise understanding of the

[1] The idea of using weak monetary policy as a stimulus to exports is one that serves industrial rather than strictly commercial interests. As such its origins surely lie in a period after the scope of this book — perhaps after the coming of what is called "capitalism". Although I hold a deep conviction that many if not most monetary and economic phenomena are much more venerable than they are often thought to be, I am fairly confident that this particular use of monetary policy is a bona fide invention of modernity. Rulers in the past sought to intervene into the terms of trade in much more direct ways, mainly through imposts and sumptuary laws. To the best of my current knowledge, there are no pre-modern examples of polities attempting to gain an advantage in global commerce by artificially undervaluing their own exports.

"plumbing" of the medieval mint; an understanding that will allow us to better understand how the profit of the exchange bankers is really a form of arbitrage on seignorage, and how policy changes at the mint can be understood as reactions to structural shifts in international money markets.

The key to the following discussion is the concept of "variation within boundary conditions": as I will show, the medieval money market was structured by the fluctuations of the market within bands of variation quoted by institutional actors (like the mint) or private market makers (like the exchange bankers). In fact, the relation between the mint and the exchange can be understood in terms of the Treynor model discussed in Chapter One: while the market in money is quoted by the exchange bankers as what Treynor called the inside spread, it is the mint — or, to be more precise, the mints — that determine the outside spread within which the market can be made. The activity of the mints, which is specified in advance by the indenture or contract between the mint master and the king, serves to price the unit of account in terms of metal and vice versa. Here, however, it is crucial to understand that we are discussing not a single price as a simple equation between one thing and another, but rather a spread or difference between the price of the unit of account as expressed in metal and the price of metal as expressed in the unit of account. As we will see, not only are these two values not the same, they are necessarily different. This is a very

confusing statement, so let's begin by building up our understanding of the mint from a rather simpler place.

The key fact to understand about the medieval mint is that transactions there took place voluntarily between merchants (both foreign and domestic) and the mint master, who "farmed" the mint by purchasing an indenture that set the terms of producing coin and entitled him to a share of the revenues known as brassage (as opposed to seignorage, which went to the king). As long as his brassage revenues exceed his costs at setting up shop and employing mint workers, he would profit — and he would profit all the more the greater the volume of business at the mint.[1] This situation poses something of a puzzle for any attempt to present the history of money as subsumed by the theory of neochartalism, since the mint is run as a privately-operated profitable concern at which domestic money is created through voluntary transactions with foreigners — hardly conforming to the story of a central stakeholder creating money ex nihilo by issuing tokens as receipts for its purchases. A writer like Desan, therefore, who wishes to find modern public money in the medieval coin of the realm, must find some way to interpret the mint within the framework of the theory. She does so by describing the minting transaction as involving a price — in absolute terms — paid by the merchant to the mint in exchange for what she calls

[1] This is the real reason for the reluctance — not always well understood — to mint small change. The reason is a simple and almost strictly Marxian one: since the mint master received the same brassage per unit of nominal money for minting small change, but had much higher labor costs for doing so, it was much less profitable. There is no way to provide additional brassage for producing small change in a way that does not break the parity of the fractional coins with their reference coin, as Edward III in fact attempted to do in the 1340s.

"cash services": "In early medieval England, rulers chose to make the basic unit of account — the penny — out of silver. That choice gave silver a price. For example, a weighed pound of silver of specified fineness might be exchanged for 230 pennies at the mint — the "mint price" received when an individual took that amount of bullion in to be coined. The mint made perhaps 242 pennies out of the bullion, kept 12 for the moneyer and the king, and returned the remainder."[1] Here, Desan is describing something that, for reasons we will see in a moment, never happened: it is simply not the case that the mint price of fine silver at the English mint was ever 230 pence. Her mistake here is akin to a textbook description of a modern central bank that described it as setting a policy rate at less than zero, as though this were a normal state of affairs: while it is conceivable that the rate might be less than zero (and it has even been, recently, a matter of real historical experience), anyone attempting to understand why this was so would be quite misled by assuming in advance that this was the typical situation. Desan's entirely hypothetical mint price of 230 pence is akin to a negative policy rate because of the fact that a pound is composed of 240 pence: thus, her merchant would be bringing a pound of silver and receiving less than a pound of money in return, thereby paying a price in absolute terms for the privilege of having their metal divided into little pieces and stamped as currency.

This might seem like a fairly trivial mistake that could be easily fixed in a new edition of the book, by simply revising the number to one that was historically

[1] Christine Desan, *Making Money*, 57.

accurate (a mint price of 243 for the 13th century, or 288 for the 14th, for example).[1] In fact, however, it is symptomatic of a basic tension between the theory of neochartalism and the historical institution of the mint: Desan's figure cannot be corrected without fundamentally altering the story she tells about power relations in the medieval monetary system. As she would have it, the fact that merchants are willing to pay such a price to "hit" the mint window demonstrates the positive value of money as such, or of the "cash services" that, she argues, can be supplied only by the public authority: "the cash premium that people attach to money means that they are often willing to buy money directly from a stakeholder, without waiting for that source to spend units into circulation."[2] The merchant clearly gets back less metal from the mint than they supplied to it, and the question is why that should be. Desan's answer is that metal as bullion is simply not "money" at all, while metal in the form of coin is,[3] and the metal that they are willing to give up to the mint in exchange for coin therefore represents the value of moneyness as such, which derives from the fact that "people" value cash at a premium.

Here, strangely, Desan attributes something to private actors that properly belongs to the public authority: it was not "people" who valued cash at a premium to bullion, but rather the institutions of the mint and the courts. She fails to notice this (and thus ironically overlooks the most truly "vertical" aspect of the minting system) because of

[1] Bolton, JL. *Money In The Medieval English Economy*.
[2] Desan, 49.
[3] Desan 33.

the fact that she has defined away bullion as something other than money, in order to support her insistence that "the amount of silver in a coin mattered not at all relative to that coin's unit value, decreed at the center."[1] In reality, however, large payments in the medieval period (prior to the 14th century) were often made in a mixture of coin and plate,[2] and nobody in their right mind would object to being paid in bullion rather than in coin: anyone who was owed a pound would be quite happy to accept, in satisfaction of the debt, a pound of silver, since it contained more silver than a pound of 240 pennies.[3] Debtors, on the other hand, preferred to pay in coin, and they were supported in doing so by the law, which mandated that 240 legal English pennies must be recognized by any creditor as fulfilling a debt of one pound. Anyone who was liable for payment of a pound and in possession of a pound of silver would obviously prefer to sell their silver to the mint in exchange for e.g. 288 pennies, pay their debt of 240 pennies, and have 48d. left over, rather than tendering the entire pound of silver by weight to the creditor. The creditor, for their part, would have no right to complain about this — or at least not any right that was recognized by English courts.

The minting transaction cannot, therefore, be characterized as a price paid in absolute terms by private parties to a public authority in exchange for cash services.

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[1] Desan, 52.

[2] See Spufford, 131 and passim.

[3] Desan claims that "English common law in most instances excluded other modes of payment — including by weights of silver" (57) but does not actually provide any evidence for this assertion, which is to my knowledge false. The laws she cites simply mandate the acceptance of legal English money.

Rather, it must be understood as a swap of intrinsic for nominal value: the merchant gave up some metal as seignorage and brassage due to the king and the mint but received in return a surplus of nominal money that would be worth more for the purposes of satisfying debts in domestic jurisdiction. This would never occur at a mint price of less than 240d., since in this case both the debtor and creditor would lose out and would prefer to simply voluntarily transact in bullion. But since the mint price was in reality — and especially after the 14th century — significantly higher than 240d., this meant that the operation of the mint window would allow debtors and the Crown to profit at the expense of creditors: the Crown, by selling legally valued money for bullion, opened up a spread between the pound-by-weight and the pound-by-count that provided debtors with a haircut on their obligations in metal terms, out of which the Crown and mint took a cut. Thus, Desan's description of a mint window transaction occurring at a price of 230d. is not simply an easily fixable mistake but a fundamental mischaracterization of the minting system that obscures a twofold asymmetry of power. On the one hand, there is the fact that the merchant who supplies bullion to the mint is not simply paying an absolute price to the public authority for the privilege of having money at all. Instead, they are enticed to the mint by the fact that they can derive thereby a surplus of nominal money for the purpose of settling their debts, and they are willing to pay a price for this in the form of giving up some of their metal. And on the other hand, there is the asymmetry between creditors

and debtors: the option to transaction in domestic coin at legal values is one that is exercised by debtors against creditors, but not the other way around.[1]

Replacing a theory of the mint as charging an absolute price for cash services with a theory in which, instead, it can be understood as offering a swap of intrinsic for nominal value has important theoretical consequences because it implies a very different relation of power along these two axes of public-private and creditor-debtor. The mint must offer something more concrete than the rather nebulous "cash services" in order to entice metal to its window, and it does so by intervening — in conjunction with the court system — into relations between debtors and creditors. Thus, we should begin our attempt to understand the mint with the fact that, in quoting a price for silver, it quotes a spread between two pounds: one, a pound-by-weight, and the other, a pound-by-count.[2] When this spread grows very large, as it had by the 14th century, it will effectively render the use of metal by weight as a monetary medium obsolete, since anyone paying in pounds-by-weight would thereby be paying an extremely high opportunity cost by not selling the metal to the mint for coin first.[3] This poses an additional question: if the mint has successfully "driven out"

[1] Although a creditor might sue a debtor who is attempting to pay in coin that is foreign, counterfeit or otherwise bad, this merely sets an upper bound on the haircut.

[2] The evolution of weight names into count names, and the gradual divergence of the latter from the former, is a consistent feature of monetary history in all times and places. My theory provides an account of why this is so, as will be elaborated further in future work.

[3] The system seems to have originally been operated at parity or near-parity between the weight pound and the monetary pound. The breaking of the parity of the pound between the 12th and 14th centuries will be the topic of future research,.

bullion as a monetary medium by selling overvalued money instead, then why does the amount of silver in the coin still matter at all?

The crucial point to grasp is that the activity of the mint quotes not only one ratio between bullion and coin, but two: one defined by the mint price and the other by the combination of seignorage and brassage. Understanding this can be especially confusing because of the fact that, in different periods, the profits constituting brassage and seignorage might be taken out either in terms of count or in terms of the purity of the coin, and because the specific numbers were often tweaked from contract to contract as the monetary authorities tried to stabilize the system.[1] Therefore, the following discussion will illustrate the point at hand using numbers for seignorage, brassage, and the mint price that are slightly artificially neat but nonetheless realistic to the period. Edward III's penny of 1351 weighed 18 grains, since it was cut at a rate of 300 coins to the Tower pound of 5,400 grains. But it must not be forgotten that the coin was not and did not pretend to be made of pure silver. When the mint purchased bullion, it purchased "pure" silver (or rather what medieval people considered to be pure silver) by first assaying the metal that was actually brought in and discounting it for any lack of purity. Then, the mint would "step on"

[1] This point is the source of Desan's confusion, which may arise from a passage in Martin Allen in which he appears to speak of a mint price of 227d. Here, however, he is discussing a recoinage (the early stages of Edward III's reforms) in which the silver being purchased is not fine bullion but rather old coins. Thus, the supplier of coins for reminting was effectively being charged again for seignorage that already been paid once before. Elsewhere, Allen's discussion is clear that seignorage is being taken out by debasing the purity of the metal; here he is speaking of an additional fee associated with the recoinage. Martin Alen, *Mints and Money in Medieval England*, 172-5.

the metal by subtracting some silver and replacing it with base metal in order to produce silver of "sterling" fineness. Thus, the fact that there is a difference between the purity of the metal bought by the mint and that issued by the mint is inherent in the very name of the unit of account: the pound sterling is defined as a pound-by-count of 240 pence of sterling fineness of 37/40 or 92.5%. Sterling was produced by subtracting from the Tower pound 18 pennyweights (dwt.) of silver of 22.5 grains each, and replacing it with base metal.[2] If this metal was then minted into 300 coins, the operation as a whole produced a "surplus" in two different dimensions at once: one intrinsic, along the axis of the difference between fine silver and sterling, and the other nominal, along the axis of the difference between the pound-by-weight and the pound-by-count.

This total spread, combining the differences along two axes, constitutes the total "surplus" available to to be divided between the merchant, the moneyer, and the Crown as the mint price, brassage, and seignorage respectively. The mint price, on its own and in a world in which silver by weight has been completely driven out as a monetary medium by coinage, is nothing but an arbitrary ratio between a commodity and the unit of account. This is what creates the illusion to which the neochartalists fall prey, that there is no properly monetary meaning of the coin's intrinsic value. But

[2] Originally, sterling seems to have been produced by adding an ounce of 360 grains of base metal to the Tower pound, thus producing a Troy pound of 5760 grains of sterling silver at a purity of 15/16 or 93.5%. There is however no easy way to add base metal to a Tower pound in order to produce 92.5% sterling, indicating that the process at this point was probably to subtract pure silver first before replacing it with base metal, since that way the numbers work out nicely.

when the mint price ratio is considered as one of two ratios quoted by the mint, which together constitute a spread, it takes on much more meaning. The mint price quotes a price for sterling in terms of silver: it names a standing asking price at which legal sterling money can be purchased by anyone in exchange for silver. But the combination of brassage and seignorage, on the other hand, quotes the other side of the spread: a price for silver in terms of sterling. Considered together, they give a value for the overvaluation of the sterling penny in terms of a pure number. This process will give us a value that we could call the "charge" of the coin, in the sense of that property in virtue of which the coin might be "current."[1] Let's illustrate this in concrete terms with our slightly artificial example. We will assume for the sake of simplicity that the Crown takes as seignorage the entirety of the 18 dwt. of fine silver subtracted from the Tower pound of fine silver in producing sterling.[2] If the penny is cut at 300 to the pound, this leaves a remaining nominal surplus of 60 pence to be divided between the moneyer and the merchant. Suppose that the moneyer receives 12d. brassage, leaving 288d. or 11.4s. for the merchant. This means that the price for sterling in silver terms being quoted by the mint window is 288d. for 5,400 grains of silver: this is the number of pennies that will be received by anyone supplying a pound of fine silver. But now we must ask about the silver content of those coins, which is determined by the seignorage: 288 pence of 18 grains of 37/40 sterling silver

[1] For the concept of charged currency, see H. Bertil Petersson, *Anglo Saxon Currency*.
[2] This silver may be used to produce more coins, or not; it makes no difference to our purposes.

contain 4,795.2 grains of fine silver. Thus, the price of 288 pence is 5,400 grains of silver, but these pence will yield only 4,795.2 grains upon being melted down, and therefore the total charge of the coin would be about 1.126.[1] This number does not have any units. It is the pure difference between the price of silver in sterling and the price of sterling in silver. What it describes is a bid-ask spread for sterling created by the activity of the mint in setting a mint price and charging brassage/seignorage.

In order to get a realistic sense of how medieval money worked, however, we must complete this picture by adding in some new complications: first, there is the fact that the mint was not minting only one metal, but two, and thereby quoting a spread or a "charge" for each, as well as a ratio between them; second, there is the interaction between the domestic mint, foreign mints, and the exchanges. As the reader is now beginning to see, le Soterel was not joking when he demurred from fully explaining what he meant by "stable money" on the grounds that doing so would be much too lengthy. The medieval money market was, just as the modern money market is today, composed of a dizzying galaxy of spreads upon spreads, the arcane details of which could have been known only by those who practiced the art of exchange from a bird's eye view of the system. And they would have had little incentive to make their knowledge widely known. But anyone who did possess this

[1] This number is, again, slightly artificial because the mint price and brassage tended to fluctuate, but it is not wholly unrealistic. Since the division between moneyer and king is of no real import, the only open variable given a certain weight and fineness is the mint price. In reality, there are many small adjustments that will have to be precisely plotted in order to achieve a more granular and empirical analysis. A time series of the charge values of coins of both metals at all the major mints would revolutionize our understanding of monetary history.

arcana, who knew how to read the spreads, who could "count the grains of sand on the beach and measure the sea," would have been in a position to profit by playing them against one another, and would have made the market in money by doing so. We cannot say everything there is to say about it, at least not in this document. But before proceeding any further we must appreciate a few basic points about the importance of the bimetallic ratio (or ratios) and the interaction between the mints and the exchange. This will be necessary in order to understand, in the next section, the differing character of the "Lancastrian" and "Yorkist" policy responses to the crisis of late Plantagenet bimetallism. The Lancastrian policy lowered the bimetallic ratio, while the Yorkist policy restored it and instead raised the level of seignorage. What was at stake in these different actions? The crucial point here, which we will develop in what follows and which generally almost entirely overlooked in theories of bimetallism, is that the "overvaluation" of the coins in the two metals takes place not in one dimension but in two. On the one hand there is a "vertical" ratio between gold and silver, and the other hand there is, for each the two coins, a "horizontal" ratio between foreign coins and domestic coins.

After Edward III, the English mint struck gold in much the same way it struck silver: it purchased bullion at a quoted mint price, subtracted brassage and seignorage, cut the metal to the correct fineness, and struck coins from it. Edward's noble of 1351 was to be struck at a rate of 45 to the pound, or 120 grains per coin, with a fineness of

23 carats.[1] This coin was rated at 6s.8d. or 80 pence, with the result that a pound of these coins was to be worth £15, while the mint purchased gold bullion at a mint price of £14 10s. 9d (3,489d.).[2] Thus, we can also calculate a charge for this coin: the price of 3,489d. is 5,400 grains of gold at the mint window, while the nobles received in this way would contain ~5015.4 grains of fine gold. This gives a charge value for Edward's noble of approximately 1.077, which is — to reiterate — the size of the bid-ask spread that would be crossed by anyone purchasing English gold money and then immediately remelting it. Another way to think about this value is as the official overvaluation of the metal in domestic coins: if, under Edward's monetary standard, the charge of the silver coin was about 1.126 while that of the gold was about 1.077, then this number represent the higher legal value of the same amount of metal as embodied in foreign vs domestic coin. The same amount of silver was worth, in the eyes of English law, about 12.6% more when it was in the form of pennies rather than other coins, which the mint rated merely as bullion; a given quantity of gold was rated at a premium of 7.67%. (This value also therefore defines the size of the spread within which the voluntary values of foreign coins might float, as discussed in the previous chapter).

The fact that these numbers are different for coins in the different metals means that even the bimetallic ratio of the monetary system is defined not by a simple

[1] 23 carats out of 24, or 95.83%. The measure of the purity of gold at 24 carats fine derives from the Roman solidus coin, the ancestor of the "shilling" unit of account. The story of the solidus will be told in another place.

[2] Allen, 177.

number but rather by a spread. In the middle of the spread is the "nominal" ratio, or the bimetallic ratio as it appears from inside the English monetary system. This ratio is defined by the relative values of equal weights of legal domestic money: a pound by weight of pennies is 300d. or £1.5s., while a pound by weight of nobles is 45 nobles or 3,600d. or £15. This sets the nominal bimetallic ratio, or the ratio experienced by domestic users of the English money, at 12:1. But this ratio would look different from different points of view, if we are outside the English monetary system looking in or inside looking out. In the first case, consider a merchant who has a pound by weight of both silver and gold. In our example, they might sell the silver to the mint for 288d., or else sell the gold for 3,489d. Thus, from their perspective, the "mint" ratio — or the bimetallic ratio from the perspective of a prospective seller of bullion to the mint window — is slightly higher at ~12.11. In the second case, consider a merchant who has a nominal pound sterling in legal English money in both gold and silver, who is considering exporting the coins to melt elsewhere. From their perspective, the "melt" ratio is rather lower, since their pound sterling is instantiated by 3,996 grains of fine silver or 345 grains of fine gold, giving a ratio of 11.58. We therefore have, in additional to the nice round number of the "nominal" bimetallic ratio (which is just the ratio of weight between equal values of legal coins) two other ratios which are rather messier numbers: the "mint" ratio (the ratio between the mint prices of the two metals) and the "melt" ratio (the ratio between the precious metal yield of melting a given nominal value of coins in two metals). Between the mint

ratio and the melt ratio there is a spread, which is the same as the spread between the different charges of the two coins: 1.126 / 1.077 = 12.11 / 11.58 = 1.046 or a premium of 4.6%. Let's call this the "bimetallic spread," and add it to our rapidly growing bestiary along with the nominal, mint, and melt ratios.

This number is important because it casts the classic problem of bimetallism — the under- or over-valuation of one or the other metal — in new light, and allows us to better understand the boundary conditions of the system or the bands of variation within which it "works" and beyond which it "breaks." Typically, the question of the under- or over-valuation of metal at the mint is cast in terms of the rather chimerical notion of a "generally prevailing market ratio" between the metals. If the mint's ratio is 12:1 and the "market ratio" is 13:1, then silver is overvalued at the mint, while if the market ratio is 11:1 then gold is. As we have now seen, however, this conception is not really quite adequate because there is no single bimetallic ratio at the mint — nor is there any such "market ratio" at which gold and silver can be costlessly swapped against one another at will. We will therefore need to reframe the question in more precise terms, and in terms of a theory of disequilibria and spreads rather than equilibrium prices. Introducing the notion of a charge helps because it allows us to distinguish between two quite different things that might have otherwise been confused: if we say that a territory's coin is "overvalued," do we mean that it is valued highly in relation to another coin of a different metal in the same territory, or in relation to another coin of the same metal in a different territory? Although the

English valued gold more highly than silver, for being gold, they valued their silver more highly than their gold. Relative to gold, the English penny was therefore undervalued but overcharged.

To see this, let's begin by observing that everything we need to know about the policy stance of a mint issuing a bimetallic currency can be described by four numbers: 1) the mint price of silver in the unit of account (pound sterling per silver Tower pound), 2) the silver content of a payment in the unit of account in silver coins (silver grains per pound sterling), 3) the mint price of gold in the unit of account (pounds sterling per gold Tower pound), and 4) the gold content of a payment in the unit of account in gold coins (grains gold per pound sterling), numbers which can in turn be derived if we have a complete accounting of brassage, seignorage, and the mint price. In our example, which more or less resembles the situation in England after 1351, these numbers are as follows: 1) 288d., 2) 3996 grains, 3) 3489d. or £14 10s. 9d., and 4) 345 grains. Implied in these numbers is the nominal bimetallic ratio, which is created by the unit of account equivalence between the different coins as enforced in English courts: 12 to 1. And from them we can derive two more ratios and between them a spread (the mint ratio of 3489 / 288 = 12.11, the melt ratio of 3996 / 345 = 11.58, and between them the bimetallic spread of 1.046) as well as the degree of charge on each of the two coins (1.126 and 1.077). A more useful snapshot of the mint's stance would look like this:

Mint Ratio: 12.11
Nominal Ratio: 12
Melt Ratio: 11.58
Silver Charge: 1.126
Gold Charge: 1.077
Bimetallic Spread: 1.046 (which is necessarily equal to the)
Mint/Melt Spread: 1.046

The first thing we know from these numbers is that the mint favors gold, because the system values gold more highly at the mint window than it does at the melting pot: gold is more valuable relative to silver from the perspective of someone selling bullion for English money than it is from the perspective of someone melting English money for precious metal. Although gold is the overvalued metal, however, we can also observe that the silver coin is more highly charged, in the sense that, from the perspective of the mint window, silver encoded into domestic coin fetches a premium over silver merely embodied in foreign coin, and this premium is greater than that for domestic gold. In fact, when we consider what things look like purely from the perspective of a single mint in one territory, the overcharging of silver and the overvaluation of gold form an accounting identity, one being necessarily equal to the other since Mint Ratio / Melt Ratio = Silver Charge / Gold Charge.[1] But this is not what really matters. What really matters is the extent to which the overvalued metal — gold — is overvalued in relation to the foreign sector, and whether this degree of

[1] Here, I am assuming that the silver coin is undervalued and the gold coin is overvalued by the bimetallic spread. A more general notation would replace silver with "good coin" and gold with "bad coin."

relative overvaluation is greater than or less than the overcharging of the coin issued in the "good" metal.

We now need to introduce the possibility of a bid from the foreign sector. Let's not speak of an "international market equilibrium ratio" between the metals, but instead of something that actually exists: a bid for silver in gold terms.[1] Somewhere, in time and space, someone is offering to buy a certain amount of silver for gold coins containing a certain amount of gold. This quotation is one half of an inside spread: a bid for the exchange of coins or bullion at voluntary values that sets an asking price for gold in terms of silver. The question is this: at what point will the foreign bid fall low enough that a speculator would be able to attack Edward's mint by selling silver for gold abroad, minting the gold in England, exchanging the gold coins for silver ones, and then exporting the silver coins again with the hopes of ending up with a pure profit in terms of silver? This we could call the "silver breaking point," and it is the point at which the either the standard would have to be changed or the silver coinage abandoned entirely. It is defined by the following equation: Silver Breaking Point = Mint Ratio / Silver Charge = Melt Ratio / Gold Charge. Another way to understand the silver breaking point is as the point at which the asking price for gold on a foreign market is so low in terms of silver that the gold coin in England is more

[1] In reality there is a bid-ask spread, and this spread will widen in times of volatility — as the reader can therefore see, the overall volatility of the international money market is in some ways more important for understanding the problem facing the bimetallic mint than the simple price ratio between the metals. In addition to knowing the general ratio of silver to gold in a given period, we would also need to estimate the volatility in these markets as well as the derivative and second derivative of the ratio.

overvalued than the silver coin is overcharged. At this point, in other words, the English value their gold for being gold more highly than they value their silver for being their silver. The result is that the nominal premium they are willing to pay at the mint window for gold is so high that it exceeds the nominal haircut that the melter of silver coins pays by destroying their encoding as legal English money, with the consequence that the mint is now subsidizing a carry trade draining silver from the kingdom.

There is also an analogous gold breaking point defined by the equation Gold Breaking Point = Mint Ratio * Gold Charge = Melt Ratio * Silver Charge. The complete system is as follows:

Silver Charge: 1.126
Gold Charge: 1.077
Bimetallic Spread: 1.046
Gold Breaking Point: 13.04
Mint Ratio: 12.11
Nominal Ratio: 12
Melt Ratio: 11.58
Silver Breaking Point: 10.75

The two breaking points represent the thresholds at which the foreign ask for gold in silver terms falls low enough (the silver point), or the foreign bid for gold in silver terms rises high enough (the gold point), to make it possible to arbitrage the standard. What happens at or beyond these breaking points is not really important, since it would then be impossible to defend the standard of the mint, which would either have

to change its policy footing or else close down entirely. What actually matters is the three "zones" or spreads defined by the difference between the gold point and the mint ratio (13.04-12.11), between the mint ratio and the melt ratio (12.11-11.58), and between the melt ratio and the silver point (11.58-10.75). In the middle is the "sweet spot" at which the system will work optimally: the gold coin, since it is favored, will be overvalued and thus minted more predominantly, but without being so overvalued that it will cause major disruptions to the silver coin, which is "protected" by the fact that, despite being undervalued, it is more highly charged. We should therefore note that the size of this sweet spot — 4.6% — is identical (by definition) with the "bimetallic spread," or the degree to which one coin is more highly charged than the other. The size of this spread defines the amount of volatility in the foreign bid for metals that can be tolerated by the mint before the system moves into the silver or gold "stress zones" on either side of the sweet spot.[1]

The size of each stress zone is given by the charge on each coin: the size of the gold stress zone is equal to the charge on the gold coin, and the size of the silver zone to that on the silver coin: 7.7% and 12.6% respectively. This represents the band of variation within which each coin can experience stress without moving the system over the breaking point. Although the behavior of the system at each of the breaking

[1] Again, there is an additional friction here due to the costs of shipping and insurance on the metals — this makes the math harder without adding any conceptual detail, but would need to be considered in an empirical study. The foreign bid described here is really the price of the bid for foreign metal *delivered* to London. This fact would be relevant, for example, in understanding the interaction between the London and Calais mints in the 14th and 15th centuries.

points is identical (at the silver point, gold will be coined and silver melted, and vice versa), there is an asymmetry between them due to the fact that the system still favors gold with respect to the "inside" of the system, even when it is within the gold stress zone and is now therefore favoring silver with respect to the "outside" of the system. By contrast, when the system is in the silver stress zone, it will be overvaluing gold relative both to the inside and the outside of the system. The consequence is that the profits to be made from arbitraging the system at the silver breaking point will be lower than those to be made at the gold breaking point, because in the first case the arbitrageur would be swimming "with the tide" of the bimetallic spread, while in the second case they would swimming against it. In the first case, they gain from the fact that gold is favored at the mint window, and gain from the fact that silver is favored in the melting pot, while in the second case they lose from silver being undervalued at the mint window and lose again from gold being undervalued in the melting pot.

This theory allows us to understand the difference between what was happening in the early 17th century, which we examined last chapter, and what was happening in the late 14th century, at the beginning of the history over which Shakespeare casts his retrospection. The situations were not entirely identical because the system was in fact in different regions of the policy space: in the 17th century, when James I faced the problem of the higher foreign value of his gold unite, the system was in the gold stress zone. By contrast, in the 14th century, when Richard II faced the problem of a scarcity of silver money, the system was in the silver stress zone. The behavior of the

system in these two zones will be different because of the fact that, while in the silver zone, the favoring of gold at the mint window is complementary to the overvaluation of gold relative to the outside, and therefore encourages minting, the opposite is true in the gold zone, in which silver is still undervalued at the mint window despite being overvalued in relation to the outside. In the silver zone, the hoarding of silver will tend to be compensated by the minting of gold more strongly than in the opposite case in the gold zone, in which the hoarding of gold will be less strongly compensated by the minting of silver. Thus, the silver that does tend to circulate will be more likely to be old, worn coins rather than newly minted ones, since there is more of an incentive to pass silver than to mint it.

We have now defined the policy space of the mint. The next thing to remember is that the point at which the arbitrage of the mint's standard becomes possible is only only a boundary condition, since in reality the system might also be subject to arbitrage through the purchase of bills drawn on London abroad, as we saw in the previous chapter. Thus, fluctuations in the price of the unit of account on foreign exchange, which might be affected by a number of factors including political volatility and the balance of trade, might contribute to moving the system in and out of the stress zone as well, as seems to have been the case especially in the late 16th and early 17th centuries. The details of this history would have to be the project of a new empirical history of money that began with the corrected institutional picture of the medieval and early modern money market that I have sketched here. For the moment,

I want to conclude this rather technical section — and return to the real business at hand, which is Shakespeare — by showing how this analysis of the two dimensions of valuation in a bimetallic system allows us to better understand the difference, in terms of monetary policy, between Lancaster and York as a response to the crisis of Plantagenet.

In the middle of the 14th century, under Edward III, overvalued gold coins were introduced to England to compete with the foreign gold coins — chiefly Italian — that were already circulating there as a response to the scarcity of good silver. Richard II inherited this system, but by the close of the century the rising value of silver against gold had pushed the system into the "stress zone" and towards the silver breaking point. Since revaluing the monetary standard was politically off the table, this created the "fiscal trilemma" we have already examined in previous sections, which, being unresolved, led to a political crisis after which it became possible once again to intervene into the standard. But there were two possible dimensions along which this intervention might be made: one would be to to defend silver against the overvaluation of gold by reducing the bimetallic ratio at the mint window, thus favoring gold less strongly relative to silver, but the other would be instead to preserve the bimetallic ratio while raising the level of seignorage, thus favoring English money relative to foreign money. Should the ratio be lowered, thus raising the value of English silver as silver, or should instead the seignorage be raised, thus raising the value of English silver as English? It was the first policy that was followed

by Lancaster: under Henry IV, the standards of both gold and silver coins were reduced, but the gold more strongly, thereby reducing the overvaluation of gold. Under Edward IV, however, the bimetallic ratio was raised back to what it had been under the Plantagenets — reversing the Lancaster reform — while seignorage was raised dramatically. These different choices had different political implications with respect to both the inside and the outside of the territorial monetary space: in the first case, the Lancastrians were essentially capitulating to foreign valuations, at the price of altering domestic social relations between the users of silver and gold, while in the second case the Yorkists were insisting even more strongly on domestic valuations, at the price of altering relations between the Crown and English subjects in general, by emphasizing the Crown's unique position as the monetary sovereign and thereby heightening the distinction between the king and the rest of the nobility. Thus, the consequence of defining the territorial monetary space more strongly against the outside — and thereby raising the cost of melting English money by increasing the charge on English coins — was a constitutional crisis in the definition of sovereignty in relation to the broader strata of domestic elite, because inherent in defining such a space against the outside was a reduction in the value of the money's "outside option," or its capacity to "call" foreign exchange directly through melting. This, in turn, raised the problem of tyranny — which is the problem that we will have to consider in what remains of this work. In the next chapter, we will follow Shakespeare's gaze back to Rome, and analyze the problem of tyranny as one that is

both fundamental to the Western political philosophical tradition and inextricable from the development of economies based on precious metal coinage. Before we do, however, let's see how our new understanding of the mint and a "medieval monetary theory" based upon le Soterel's distinction between strong, stable, and weak monies can help us better illuminate the specifically monetary dimensions of Shakespeare's figuration of the three late-medieval English dynasties.

3.4: Daddy Lessons

After the collapse of the Plantagenet strong money regime, the question was no longer how to defend the silver unit of account, but how to change it, and how to change the gold coin (which made up the majority of the total nominal supply of English money) along with it. The fundamental problem was the undervaluation of the penny, which was undervalued in two respects: first, in relation to the higher premium on silver implied by rival mints, and, second, in relation to the price of gold. Both of these factors, in combination, contributed to the overall scarcity of silver money in England, and there were thus two possible solutions: either the rate of seignorage on the silver could be raised, thereby rising the price of English silver in terms of foreign silver, or the ratio between gold and silver could be reduced, thus raising the price of English silver in terms of gold. The difference between these two possible moves characterizes the approaches that were taken by the houses of

Lancaster and York: the Lancaster reform lowered the ratio and thus devalued gold against silver, while the debasements under York actually restored the bimetallic ratio to the old value, reversing the Lancaster reform, while aggressively raising the seignorage instead. As we saw in a previous section, the failure to alter the money produced political antagonism, as various factions of society sought to either impose the costs of restoring liquidity on one another or to push them onto foreigners by means of trade wars and military aggression. Thus, the "Plantagenet Trilemma" was not just a question of defending the peg, but defending it how and at whose cost. Likewise, the monetary politics of the 15th century, after the peg had been irrevocably broken, were not just a question of changing the standard, but changing it how and at whose cost. Armed with the technical understanding of the medieval mint developed in the previous section we can now see the structure of the problem, and, in so doing, understand what the difference between the dynasties means for monetary history.

At the beginning of the 14th century, silver was growing scarce and gold was growing more plentiful (partly because it was being borrowed in large quantities from Italian bankers by rulers like Edward III), which meant that silver coins were being driven from circulation. Late Plantagenet kings adjusted to this situation by coining gold, by means of which they hoped to wrest control of the seignorage that would otherwise be harvested by foreign powers, and which was intended to provide a top-heavy replacement for the missing silver money. This change had taken place in a context in which gold was becoming much less scarce, as it was borrowed in huge

sums from Italian bankers (into whose hands it had passed from its origin in West Africa via the Levantine trade) and cast onto the market by warring monarchs. Since this meant that silver was appreciating against gold, it forced the driving out of small change — a situation that could have been responded to by debasing the silver in order to keep it in circulation, which was what the Italians did themselves. But since this was resisted as far as possible in England due to the power of the strong money faction, and the alternative path of coining overvalued gold as a circulating "bad" money (in relation to the hoarded silver unit of account as a "good" money) was taken instead. England defended its unit of account by allowing small change to be driven out, and compensated by issuing overvalued "big coins" and increasing the degree of leverage in its domestic credit system in order to allow accounts to be rolled over until they could be closed out by a big coin. This system worked until it came under pressure in the later 14th century, when gold itself began to grow scarce at the English mint, despite the fact that it was still the overvalued metal. Thus, the gold money was not being driven out by silver, because of the bimetallic ratio, but because money in general was scarce everywhere in Europe and mints were competing for bullion. By defending their unit of account so doggedly, the English had kept their rates of seignorage low, which meant that the premium on both metals that "attracted" them to stay in the kingdom was low. Therefore, despite the fact that their minting policy was still strongly pro-gold, in the sense of offering more sterling for gold relative to silver (the bullion ratio), even this overvalued gold coin was being driven

out of the country by the interaction of a low level of seignorage in England and a high mint price elsewhere.

Having introduced the gold coin in order to defend the unit of account in the face of scarce liquidity, the English were then faced, a little later, with the question of defending the gold coin. One option would have been enhancement, or leaving the gold coin as it was but raising its value in terms of sterling. Such a solution was in fact suggested by a committee of goldsmiths commissioned to inquire into the poor state of the money in 1381-2, in the years of the poll tax and Wat's Rebellion. Chancellor de la Pole voiced a similar view at the Parliament of 1385, where he was impeached by Parliament for what they perceived as his outrageous fiscal demands: "The English money," he is recorded as saying,

> is of reputation and value far greater in all other places than it is in the English realm, and on that account it is desired beyond measure and circulates among all the nations, and on this pretext the finer coin is drawn from the Realm, and is daily carried away, not only to the prejudice and defamation of the King, but to the manifest impoverishment of the whole kingdom.[1]

Given the discussion in the previous section, it is possible to detect a subtle distinction in de la Pole's apparent pleonasm "reputation and value." De la Pole says that the reputation and the value of the English money is higher abroad than it is at home, which is why the money is leaving the kingdom. The English could respond by

[1] Rot. Parl. iii. 203a. Cited in T.F. Reddaway, "The King's Mint and the Exchange," 13. Translation mine.

raising the "value" of the money at home, by pricing the same quantity of coined gold more highly in sterling… but they could also do it by lowering its reputation abroad, i.e. by increasing seignorage. The bigger of a cut that the king takes from the gold, the higher will be the premium for coined over uncoined gold in the English jurisdiction, and thus the penalty or "haircut" for melting the coin and destroying its nominal value will be lower. The value of a coin depends upon its price in terms of the unit of account, but the reputation of the coin is somewhat different: it refers to the "reputation" conferred upon the coin by the king's restraint in taking too large of a cut from its production. Whether or not de la Pole meant to say this in the precise sense in which I am reading it, it is clear that English people, or at least one faction of them with ties to the world of commerce, understood very well the negative consequences of strong money and contemplated making the money less strong as a defense of trade and liquidity.

Simply enhancing the gold money in itself, however, would have exacerbated the problem that the gold money had originally been introduced to solve, which was the scarcity of small change. If the gold coin were cried up in terms of sterling, then it would now be the equivalent of an even greater amount of silver embodied in pennies of an equal unit of account value (the intrinsic ratio). Thus, it would become even more attractive for foreign merchants in England to pay gold and receive silver, which they would then be tempted to smuggle out of the country. Likewise, it would decrease the amount of gold that could be received by selling pennies, and so silver

would grow even scarcer on the exchange and threaten the band within which the farmer of the exchange was permitted to "break sterling" by quoting a spread at which nobles could be bought or sold for pennies on demand: "Those wishing to exchange nobles, half nobles, or quarter nobles received, respectively, 1d., 1/2d. and 1/4d. below their official values: those wishing to buy them being charged half those amounts."[1] If people became increasingly reluctant to buy nobles with pennies and increasingly eager to sell nobles for pennies due to an alteration of the ratio between them, this might "break" the exchange by pushing the market spreads past the statutorily defined maximum premium that the exchange could charge for making the market. Contemporaries were aware of this, since various proclamations and regulations often mention and wish to prohibit the possibility that foreign merchants might try to "do injury to the exchange" — i.e. speculating against the spread rather than simply changing their money as they go in and out of the country. Therefore, simply raising the value of the gold coin would have put additional pressure on the exchange and the availability of small change, and thus would have either been ruinous to everyone except the holders of gold (who would receive a windfall). As such, the very notion raised the specter of debasement: if the gold coin was to be cried up without also changing the bimetallic ratio(s), then the standard of the silver coin would have to be lowered — as it was when the gold coin was originally introduced by Edward III.

[1] Reddaway, 3.

Thus, what we might call the "Plantagenet option" of enhancing the gold coin and raising the bimetallic ratio further in favor of gold was put on the table at various point in the reign of Richard, but was never exercised. If it had, its effects probably would have been disastrous, since it would probably have forced the total demonetization of silver and the abandoning of the silver unit of account. This left the successor dynasties to experiment with alternative policies. The "Lancaster option" was to ease off of the Plantagenet commitment to overvalued gold: at the end of the reign of Henry IV, the standard of both coins was lightened, but the noble was reduced more drastically than the penny, such that the bimetallic ratio fell. In the standard of 1351, the nominal ratio (the ratio between the weights of equal values of gold and silver coins) was 12 to 1, while in the standard of 1411 it was 100 to 3 or 11.11. This was a defensive debasement aimed at keeping the coins in the kingdom: by being reduced, both metals would now be worth more in terms of sterling than they were before, and with the reduction of the bimetallic ratio, the tendency of gold to drive out silver would be attenuated. This policy, (despite or perhaps because of the fact that it sought to compromise a little bit on everything at once), does not seem to have been a great success, and it was repudiated by the turn to the "Yorkist option" under Edward IV and Richard III, who reversed the Lancaster reform by restoring the bimetallic ratio to its 14th century level and, and the same time, radically debasing both coins and raising the level of seignorage. Therefore, while the aggressive debasement of this period was motivated primarily by the desire to generate

seignorage revenues from the mint to fund the civil, it was also, in some ways, the "correct" solution since it did succeed — in dramatic fashion — at bringing the flow of metal back to the mint. The Lancaster reform, we might say, tried to make everyone happy, and because of that it didn't work, while the York reform, by contrast, did exactly what needed to be done but at the cost of alienating everyone… by which I mean everyone who mattered. The Yorkist policy of "weak money" or radical debasement served neither the interests of the landed elites or the commercial classes, and whether it truly served the interests of le Soterel's "third man" who lives from the work of his body is a question that will have to be pursued at another time. Regardless of the answer, the political conditions for a weak money regime serving the interests of labor at the expense of landed wealth and international commerce were not ripe in England at the end of the 15th century, nor was this the goal of Edward or his uncle. But what the experience of the 15th century and the contrast between the policies of Lancaster and York vividly showed was the that problem of making stable money was the problem of making money that was neither too weak nor too strong, and the major price to be paid for making money weak enough to be stable was the breakdown of intra-elite consensus.[1] Lancaster, a regime whose weak dynastic claim and unsteady control of the barons made it especially reliant on appeal to consensus, proved unable to debase far enough to restore liquidity. York, with a stronger claim to the throne and thus less need to seek "approval" of its legitimacy,

[1] For the notion of the production of liquidity as a project of intra-elite consensus, I am indebted to Aaron Wistar.

did debase more than enough to restore liquidity, but proved unable to accomplish even a single nonviolent succession and was undone by intra-familiar violence. If there was a solution to be found, therefore, it would have to lie somewhere in the middle.

Shakespeare, I argue (who was, after all, a businessman), must have had some awareness of the history and issues that I have been discussing, because he explores, in the characters of his royal heroes and antiheroes, the subjective dimensions of sovereignty corresponding to the three policy stances I have detected in the monetary history of the 200 years that preceded him and the problems of his own day, as discussed in Chapter Two. He knew, at a very deep level, that changes in the structure of the money went along with changes in the structure of sovereignty, and thus that problems of monetary history could not be disentangled from problems of dynastic history. The money was changing in his own time, and sovereignty would have to change along with it. This was a problem that he was deeply preoccupied with, as I think can be readily discerned in the trajectory and recurring obsessions of his work. In what follows I will trace the thread of his thinking through three scenes: John of Gaunt's rebuke of Richard at R2.II.1, Henry IV's chastisement of Hal at 1H4.III.2, and the final exchange between Henry VI and Richard, duke of Gloucester at 3H6.V.6. These scenes are united under the rubric of "prophecy and paternal condescension": in each, an older man lectures a younger one about a transgression of ethical norms or nomos that calls the legitimacy of the succession of fathers by sons

into question.[1] Thus, I argue, the three scenes can be read as variations on a theme that exemplify, by mutual contrast, the ethical paradigms underlying their contrasting stances towards monetary policy. Let us begin with Gaunt, who speaks as a son of Edward III, as a "Plantagenet," rather than as a "Lancaster". It should be noted, of course, that Gaunt's claim to the duchy of Lancaster, the largest inheritance in England, derived not from his own family but in right of his first wife, Blanche, who also the source of Henry IV's cognatic claim to the throne via descent from Henry III. Lancaster, in other words, was really the house of Bolingbroke's mother rather than his father. In marrying Blanche of Lancaster, John of Gaunt was attempting to draw closer into the orbit of the royal family a possession that had splintered off from their line over a hundred years earlier and been a thorn in their side ever since.

At the conclusion of Richard II Act One we see Richard gloating on the brink of a great victory that would consolidate within his grasp both the control of the English crown and ownership of its largest duchy. Having banished Bolingbroke, and with Gaunt on his deathbed, he is about to realize what may have been his true ambition throughout the 1390s: the seizure of Lancaster. "Now put it, God," prays the king, "in the physician's mind, / to help him to his grave immediately! / The lining of his coffers shall make coats / to deck our soldiers for these Irish wars…" (R2.I.4.59-62). Here again, we can see that dishoarding through intra-elite violence is one possible answer to a liquidity problem: Richard is implying that the problem is not so much an

[1] Henry E. Jacobs, "Prophecy and Ideology in Shakespeare's Richard II."

overall scarcity of money, as it is that the money is being hoarded by people like Gaunt instead of flowing through Exchequer. Gaunt, however, even to his last moments, clings to the notion that a moral, rather than violent, solution to the problem might be reached, that intra-elite violence might be rolled over if only Richard would heed the right counsel. York is less confident: "Vex yourself not," he advises Gaunt, "nor strive not with your breath, / for all in vain comes counsel to his ear." To which the latter responds:

> O, but they say the tongues of dying men
> Enforce attention like deep harmony:
> Where words are scarce, they are seldom spent in vain,
> For they breathe truth that breathe their words in pain.
> He that no more must say is listened more
> Than they whom youth and ease have taught to glose [flatter].
> More are men's ends marked than their lives before.
> The setting sun and music at the close,
> As the last taste of sweets, is sweetest last,
> Writ in remembrance more than things long past.
> Though Richard my life's counsel would not hear,
> My death's sad tale may yet undeaf his ear. (R2.II.1.3-16)

Here, we can see Gaunt outlining the coordinates of an ethics of austerity: truth, scarcity, pain, and death. He believes that his words should command value in the ears of the king due to the fact that there will be, can be, no more of them. The sign gains its value, its relation to the truth, because its issuer speaks with the pain of some fundamental finitude.

York, however, sees the flaws of this ideology for what they are. “No,” he retorts,

> It is stopped with other, flatt’ring sounds,
> As praises, of whose taste the wise are fond;
> Lascivious metres, to whose venom sound
> The open ear of youth doth always listen;
> Reports of fashions in proud Italy,
> Whose manners still our tardy-apish nation
> Limps after in base imitation:
> Where doth the world thrust forth a vanity —
> So be it new, there’s no respect how vile —
> That is not quickly buzzed into his ears?
> Then all too late comes counsel to be heard,
> Where will doth mutiny with wit’s regard.
> Direct not him whose way himself will choose.
> ’Tis breath thou lack’st, and that breath wilt thou lose. (II.1.17-30).

York presents a different interpretation of what happens when speech becomes scarce: Gaunt’s scarce breath will simply be wasted in the utterance, such that he would be better off hoarding them. Why? Because Gaunt’s scarce, painful, and therefore valuable words can make little headway into the ears of Richard if those ears are stopped up with words of an opposite nature: quick, lascivious, and base. York’s image, then, is akin to a kind of Gresham’s law, in which bad words are understood to “drive out” the good, such that the issuance of new good words must prove futile. There is no way for the weighty, scarce words of Gaunt to make their way into the ears of the king, past the “base imitations” that are already clogging them up. It is the flatteries, rather, that will drive the true signs out of circulation,

following the "fashions in proud Italy" where the silver money of the merchant cities was very weak indeed. In le Soterel's words: the feeble money draws the strong money to itself.

If, as I am suggesting, Gaunt represents the viewpoint of the old fashioned moralism of landed wealth and hard money, then what is the source of this discourse's authority? As we saw, Gaunt's initial anchoring in terms of the equation value=scarcity was rebutted by York. Whereas Gaunt had tried to assert that his words were valuable because they were scarce, York responded by pointing out the contradiction between scarcity and circulation: even if scarcity makes Gaunt's words valuable, it would be a mistake to spend them for precisely that reason, since their value would not be fully recognized by the receiver. What is valuable because it is scarce is also that which should not be spent, which means that Gaunt is precisely wrong in his claim that "where words are scarce, they are seldom spent in vain." Faced with this rebuttal, Gaunt switches gears:

> Methinks I am a prophet new inspired —
> and thus, expiring, do foretell of him.
> His rash fierce blaze of riot cannot last,
> For violent fires soon burn out themselves;
> Small showers last long but sudden storms are short:
> He tires betimes that spurs too fast betimes;
> With eager feeding food doth choke the feeder.
> Light vanity, insatiate cormorant,
> Consuming means, soon preys upon itself. (II.1.31-39)

Gaunt abandons the claim that value can be anchored in the pure fact of scarcity and replaces it by assuming the mantle of the prophet. This move reinscribes the gesture of the "dying breath" within a different temporal framework, oriented towards the future rather than the past. Gaunt no longer frames his words as being what will have value in virtue of having been uttered in the past, by a dead man who can speak no new words into existence, but rather as ex-spiring a knowledge of the future with which he has been in-spired. This knowledge of the future is a prediction about the course of fate that must await "this precious stone set in the silver sea" on account of its deviation from a sound ethico-fiscal footing:

> This land of such dear souls, this dear dear land,
> Dear for her reputation throughout the world,
> Is now leased out — I die pronouncing it —
> Like to a tenement or pelting farm.
> England, bound in with the triumphant sea,
> Whose rocky shore beats back the envious siege
> Of wat'ry Neptune, is now bound in with shame,
> With inky blots and rotten parchment bonds.
> That England that was wont to conquer others,
> have made a shameful conquest of itself. (II.1.57-66)

We can now see that the old-fashioned wisdom of hard money is structured by a dual animus: not only against debasement, but also against indebtedness. By raising borrowed money against the assets of the crown, Gaunt alleges, Richard has

transformed the realm into a deathbed far worse than the literal one occupied by Gaunt:

> Thy death-bed is no lesser than thy land,
> Wherein thou liest in reputation sick;
> And thou, too careless patient as thou art,
> Committ'st thy anointed body to the cure
> Of those physicians that first wounded thee.
> A thousand flatterers sit within thy crown,
> Whose compass is no bigger than thy head:
> And yet, encaged in so small a verge,
> The waste is no whit lesser than thy land.
> O, had thy grandsire with a prophet's eye
> Seen how his son's son should destroy his sons,
> From forth thy reach he would have laid thy shame,
> Deposing thee before thou wert possessed,
> Which art possessed now to depose thyself.
> Why, cousin, wert thou regent of the world,
> It were a shame to let this land by lease;
> But for thy world enjoying but this land,
> Is it not more than shame to shame it so?
> Landlord of England art thou now, not king.
> Thy state of law is bondslave to the law, and thou — (II.1.95-114)

Once the process of leveraging crown assets has been initiated, Gaunt is arguing here, it can only result in some combination of debasement, dispossession, or deposition, since each act of borrowing further encumbers revenues and will therefore have to be paid in the future by even more borrowing, thus committing the king's sacred body to the same physicians (the lenders) that first wounded it.[1] In making himself a slave to

[1] Dennis R. Klinck, "Shakespeare's Richard II as Landlord and Wasting Tenant."

the law by the issuance of bonds, the king has enacted a sort of self-deposition that turns sovereignty servile. And it is this failure to uphold the dignity of the sovereignty that, Gaunt prophesies, will threaten to undermine the dynasty itself.

Despite the high-flown moralism of Gaunt's view, however, we can see — armed with our historical and theoretical understanding of the state of the English money at the close of the 14th century — that his demands have put Richard in an impossible position. The nature of this "trilemma" can be seen in the exchange with York that follows immediately upon the death of Gaunt and Richard's seizure of his "plate, coin, revenues, and moveables" (II.1.161-2). The essence of the problem is that Richard has earned the enmity of the barons as a result of his pacific policy towards France; they demand that he should resume hostilities in pursuit of English ambitions on the Continent while also vilifying any possible means of revenue that could be raised to fund such activity: "Wars hath not wasted it," complains Northumberland, "for warred he hath not, / But basely yielded upon compromise / That which his ancestors achieved with blows" (II.1.252-4). The barons also complain about excessive taxation of both commons and lords (II.1.255-7) and echo Gaunt's complaints about the "flatterers" or lenders who are appropriating for themselves the fruits of the royal demesne (II.1.240-2). And while the possibility of debasement of the money is not explicitly addressed, the constant repetition of the theme of baseness, here as throughout the play, makes it clear that this option is definitely off the table. So Richard is supposed to make war, but he is supposed to do so without

violating any of the three horns of the fiscal trilemma: borrowing money, raising taxes, or debasing the money. As York makes clear when he contrasts Richard to his father, the Black Prince, the ideal is for victorious wars to pay for themselves, out of the spoils and booty: "But when he [the Black Prince] frowned, it was against the French, / And not against his friends. His noble hand / Did win what he did spend, and spent not that / Which his triumphant father's hand had won: / His hands were guilty of no kindred blood, / But bloody with the enemies of his kin" (II.1.179-183). Given that the fiscal trilemma must not be violated, the only remaining possibility is the disaccumulation of hoarded wealth via intra-elite violence, which would preferably be directed towards the outside. But it was precisely this option for directing the violence of disaccumulation outside that was taken off the table by Richard as a result of his consolidation of a peace party around himself as a means to assert his power against his domestic enemies. The funding problem can therefore be solved by intra-elite disaccumulation internally, but it does so at the cost of threatening to undermine the foundations of the sovereignty itself and, with it, the ordered succession that underpins the entire social order: "Take Hereford's rights away," warns York, echoing Gaunt's prophetic inspiration, "and take from time / His charters and his customary rights; / Let not tomorrow then ensue today; / Be not thyself, for how art thou a king / But by fair sequence and succession?" (II.1.195-9).

The prophecies of Gaunt and York, as we know, do indeed come to pass: Richard's seizure of the Lancastrian inheritance prompts the invasion of Bolingbroke

to "redeem from broking pawn the blemished crown" (II.1.293). In itself, however, this event does not solve the problem of "fair sequence and succession," due to Bolingbroke's 'mission creep' from his initial stated goal of restoring his own personal inheritance towards the seizure of the crown itself, on which his claim was rather dubious. The succession dispute between Lancaster and York is traditionally understood as a conflict between an agnatic (male-line) claim derived from Edward III's third son, John of Gaunt, and a cognatic (female-line) claim derived from Lionel of Antwerp, John's older brother. Lancaster claimed from a younger son in the male line, while York claimed from an older son in the female line, and the question was therefore whether the priority of older sons over younger sons trumped the priority of male heirs over female heirs. In fact, however, the principle of cognatic succession was far from settled in the late 14th century, and the principle itself (derived from the so-called "Salic Law") was in fact more or less invented in this period as a diplomatic aspect of the Hundred Years War.[1] Henry IV did not claim his throne on the principle of the priority of agnatic succession, and in fact he could not have done so for two reasons.[2] First of all, the entire line of English kings had held the throne in the female line ever since William I "the Conqueror" himself (William claimed the throne as the nearest living relative of his aunt, Emma, who had married two English kings of the 11th century and mothered two more) and more recently through the Empress

[1] Craig Taylor, "The Salic Law, French Queenship, and the Defense of Women in the Late Middle Ages."

[2] T.P.J. Edlin, "The Crouchback Legend Revisted."

Mathilda, whose son Henry II was the founder of the Plantagenet dynasty. Closer to home and more importantly, however, there was the issue of the English claim to the throne of France: Edward III had initiated the Hundred Years War precisely by claiming that, in virtue of the fact that the last Capetian, Charles IV, had been his maternal uncle. The French nobility, who had no desire to be ruled by the king of England, subsequently "discovered" the Salic law, forbidding cognatic succession, in an effort to ward off the threat of a personal union between the two kingdoms.

The paradox of legitimacy that faced the dynasty of Lancaster was that it had been founded in an illegal restoration of the political order: in responding to Richard's flouting of the right order of succession by repaying him in kind, Bolingbroke had carried out a usurpation that, while it was perhaps justified by Richard's own hostile actions, was nevertheless illegal in precisely the same sense. Thus a paradox: even if the sovereignty undermines its own legitimacy by disrupting the ordered succession that made it sovereign in the first place, there may be no way to solve the problem if the only response to tyranny is usurpation. Usurpation cannot be the basis of a stable political order as long as it is recognized as such, since usurping a usurper is only fair play. It is with these concerns that *Henry IV, part 1* opens, as the new king contemplates his intentions to restore domestic harmony by redirecting political violence to the outside, by going on crusade: "So shaken as we are, so wan with care, / Find we a time for frighted peace to pant, / And breathe short-winded accents of new broils / To be commenced in strands afar remote" (I.1.1-4). These plans are

shattered, however, by the unresolved consequences of Bolingbroke's usurpation and Richard's cultivation of uncertainty over the succession. This conflict is triggered by the capture of Edmund Mortimer[1] by the Welsh rebel Glendower. When Henry Percy, who is married to Mortimer's sister, asks Henry IV to ransom his brother in law, the latter refuses:

> HOTSPUR: And when I urged the ransom once again
> Of my wife's brother, then his cheek looked pale,
> And on my face he turned an eye of death,
> Trembling even at the name of 'Mortimer.'
> WORCESTER: I cannot blame him: was not he proclaimed
> By Richard, that dead is, the next of blood? (I.3.140-5).

This is doubly a problem for King Henry given that his own heir apparent, the young Hal, is disappointing in comparison to Percy: "O, that it could be proved / That some night-tripping fairy had exchanged / In cradle clothes our children where they lay, / And called mine 'Percy,' his 'Plantagenet. / Then I would have his Harry, and he mine'" (I.1.85-9). Thus, the play begins with the problem of the two Harrys: one of whom is a dissolute youth who happens to be the rightful heir of an unrightful king, and the other of whom is a pearl of knighthood allied to the rightful heir of the dead king. The question of the play, then, is the conditions under which the young Hal might grow into a king who could shore up the unsteady foundations of his dynasty, and therefore succeed where his father failed at redirecting intra-elite violence

[1] A character who, in Shakespeare's telling, conflates two different men of the same name, an uncle and a nephew.

towards the outside. This figure of the future Henry V is so crucial to Shakespeare because he represents a "last missed chance" in English history: the chance, that is, to win the Hundred Years War and avoid the Wars of the Roses. This is important because, if we accept the idea that Elizabeth is an analogue for Richard, then the Lancaster dynasty must be the guide for the Stuart: if only the Stuart successors to the Tudor dynasty can learn from the historical experience of Lancaster, then the disorder and historical catastrophes associated with the rise and fall of dynasties might be prevented.

It is in this context that we should read the confrontation between the prince and his father at III.2: "Had I so lavish of my presence been," scolds the elder Henry,

> So common-hackneyed in the eyes of men,
> So stale and cheap to vulgar company,
> Opinion, that did help me to the crown,
> Had still kept loyal to possession
> And left me in reputeless banishment,
> A fellow of no mark nor likelihood. (III.2.39-45)

Henry IV is here echoing his father's equation between scarcity and value, but the importance of scarcity is no longer internal to the dynasty, as it was for Gaunt, but has become a matter of a relation between the sovereignty and public opinion. In order to fully appreciate what Bolingbroke is saying here about the reasons for his ascent, we must notice the distinction that is drawn in his speech between opinion and popularity. On the one hand, the king acknowledges that his sovereignty depends

upon “opinion” and good reputation rather than any strictly legal claim, but this is to be contrasted with the “popularity” that he attributes to Richard and, by comparison, the young Henry: Richard, he claims, “grew a companion to the common streets, /Enfeoffed himself to popularity, / That, being daily swallowed by men’s eyes, / They surfeited with honey and began / To loathe the taste of sweetness” (II.2.68-73). Bolingbroke is here returning the accusations of his old enemy in kind: Richard had himself accused the future of king of “courtship to the common people.” As Henry IV, then, he must reverse these accusations: it is Richard who is guilty of the sin of popularity, in elevating his favorites as “new men” as a fiscal expedient and as a counterweight to the barons, and it is Henry, by contrast, who relates to public opinion with the humility, sobriety, and aloofness necessary to cultivate a good reputation. The key to statesmanship, suggests the elder Lancaster, is to understand that sovereignty must be recognized by public opinion, as a condition of its legitimacy, but it must avoid recognizing the public in turn as that which could give it the recognition it needs, since that way lies the sin of popularity and the undermining of legitimacy.

Thus, we can see in this second scene of paternal condescension the shift from the “strong money” stance of Gaunt’s “Plantagenet” discourse to the “stable money” stance of his “Lancastrian” son, or the transition between le Soterel’s first and second types. The first kind of money is the money of landed wealth, the money of the hard line aristocracy: it demands that money must be a sign that lives up completely to its

referent, and that any and all tendency towards debasement must be absolutely resisted. Value is anchored in the pure final scarcity of a dead man's words. On the "sound money" view, by contrast, it must be acknowledged that scarcity is something to be only strategically deployed: "Thus did I keep my person fresh and new, / My presence like a robe pontifical, / Ne'er seen but wondered at; and so my state, / Seldom but sumptuous, showed like a feast, / And won by rareness such solemnity" (III.2.55-9). We have here not an appeal to scarcity's value as an absolute imperative and good in itself, but rather a notion of scarcity's value as a question of proper measure, to be dispensed to the public in doses which are both sumptuous but also sufficiently rare as to avoid making them sick of it. Thus it would not be, as in York's response to Gaunt, that the absolute scarcity and value of the dying man's words makes it senseless to spend them. Rather, the words and appearance of the living king, who reveals himself only according to the calculation of a proper measure, can by means of this proper science of statesmanship maintain their value without thereby calling into question the usefulness of spending them. Indeed, it is only in an economy in which these ethico-fiscal principles are being properly exercised that the king's "person" — in the sense of his personification in the portraiture of the coin — can be kept "fresh and new" only in the case that the mints are actually running (meaning that old, worn coins are being reminted into new ones) and that the coins are not being debased (such that they would be of obviously poor quality). Since, for reasons that we have explored already, debasement is a means to draw coins to the

mint, the maintenance of a "fresh and new" coinage requires pricing liquidity correctly: it must be priced, at the mint, highly enough that new coins are actually being produced, but not so high that it initiates a spiral into debasement. This is one way to understand, on a technical level, the policy goal of "sound money" or le Soterel's second type. It is acknowledged that the maintenance of liquidity requires sovereign intervention into absolute scarcity, but the whole problem then becomes the determination of the constraints on this intervention: how can the sovereign intervene into the money in the least possible way, such as to maintain liquidity without threatening credit?

To complete this triptych, let us consider one final scene: Henry VI, part 3, Act Five, Scene Six, at which the last Lancaster, Henry VI, defeated for a second time, is murdered by the duke of Gloucester, the future Yorkist king Richard III. With his heir already murdered and the Yorkist victory complete, the unfortunate Henry attempts to assume for himself the prophetic gravitas of his great-grandfather:

> GLOUCESTER: Thy son I killed for his presumption.
> KING HENRY. Hadst thou been killed when first thou didst presume,
> Thou hadst not lived to kill a son of mine.
> And thus I prophesy, that many a thousand,
> Which now mistrust no parcel of my fear,
> And many an old man's sigh and many a widow's,
> And many an orphan's water-standing eye —
> Men for their sons, wives for their husbands,
> And orphans for their parents' timeless death —
> Shall rue the hour that ever thou wast born.

> The owl shrieked at thy birth — an evil sign;
> The night-crow cried, aboding luckless time;
> Dogs howled, and hideous tempest shook down trees;
> The raven rooked her on the chimney's top,
> And chattering pies in dismal discords sung.
> Thy mother felt more than a mother's pain,
> And yet brought forth less than a mother's hope,
> To wit, an indigested and deformed lump,
> Not like the fruit of such a goodly tree.
> Teeth hadst thou in thy head when thou wast born,
> To signify thou cam'st to bite the world:
> And, if the rest be true which I have heard, thou cam'st…
> GLOUCESTER. I'll hear no more: die, prophet, in thy speech. (V.6.34-57)

Having thus proven that prophecy is trumped by steel, Richard goes on to formulate an absolutist theory of sovereignty in which the king he intends to become will be completely peerless, such that he stands above and outside of the normative considerations that bind the other members of society. Whereas Henry's dying speech is structured around a ponderous emphasis on social relations, and the condemnation of Richard's impiety by these relations of sociality through the mode of prophecy, Richard seizes upon Henry's mockery of his "crooked" body by turning defect into the virtue of uniqueness:

> Indeed, 'tis true that Henry told me of;
> For I have often heard my mother say
> I came into the world with my legs forward:
> Had I not reason, think ye, to make haste,
> And seek their ruin that usurped our right?
> The midwife wondered and the women cried

'O, Jesus bless us, he is born with teeth!'
And so I was, which plainly signified
That I should snarl and bite and play the dog.
Then, since the heavens have shaped my body so,
Let hell make crooked my mind to answer it.
I have no brother, I am like no brother;
And this word 'love,' which greybeards call divine,
Be resident in men like one another
And not in me: I am myself alone.
Clarence, beware; thou keep'st me from the light:
But I will sort a pitchy day for thee;
For I will buzz abroad such prophecies
That Edward shall be fearful of his life,
And then, to purge his fear, I'll be thy death.
King Henry and the prince his son are gone:
Clarence, thy turn is next, and then the rest,
Counting myself but bad till I be best. (V.6.69-91)

Richard is unlike the other members of his dynasty, and he is unlike the public also. It is this absolute self-identity that frees him from the ethical framework in which value is the product of scarcity, because what is scarce is good. Richard asserts, against either of the two variations of this view discussed above, that the origin of his value is his uniqueness, and that the anchoring of value in uniqueness dispenses with the need for goodness. Rather, Richard, as the scheming power behind Edward IV, can "count himself bad" until, by means of his very badness, he has eliminated all possible rivals who might dispute his unicity, at which point what is "bad" will be identical to what is "best." Richard III, therefore, as an anti-type of the statesman, represents the becoming-bad of all value, which is to say that he figures the specter of debasement

as a conscious and open royal policy: as indeed it was during the reigns of Edward IV and, a little later, during the infamous "Great Debasement" under Henry VIII. But it is at this point, of course, that the cycle of Shakespeare's two tetralogies comes full circle: we have moved from Richard, to a succession of Henries, and back to Richard again. We have moved from a tragedy that opened onto the open ended field of history, and then again from a history that failed and collapsed back into tragedy, because the violence that the Duke of Gloucester has unleashed in his conscious pursuit of badness as a policy must eventually lead to its ultimate conclusion: the elimination of all the legitimate heirs of Edward, including Richard himself, and thus the final extinction of the dynasty, which will find itself replaced by a rather distant and not-entirely-legitimate cousin in the person of Henry Tudor.[1] Thus Shakespeare figures the anchoring of value in uniqueness rather than scarcity, or the final victory of bad money over good money in what Davies called the "apotheosis of Gresham's law," as incompatible with the conditions of possibility of dynasty itself, such that the pursuit of bad money is, ipso facto, the self-annihilation of dynasty.

3.6: Paying the Unpromised Debt (Oedipus, Again?)

The main arc of Shakespeare's English histories comes to a close with the production in 1599 of Henry V, about which we will still have something to say in the next

[1] C.S.L. Davies, "Tudor: What's in a Name?"

chapter. From here, it seems that his historical gaze moved backwards yet again, to an attempt to understand the history of England as a collision between the culture of Rome (Julius Caesar, Antony and Cleopatra, Coriolanus) and those of the North Sea (Hamlet, Macbeth, King Lear). One way to understand the interface between Rome and the North Sea, for our purposes, is to think of it as a collision between two monetary worlds: in the North Sea, money meant silver reckoned in terms of its weight,[1] while in Rome, money meant coins. The tension between these two conceptions of money played itself out in England from the time of Eadgar in the late 10th century to the beginnings of the Plantagenet dynasty with Henry II in the mid 12th century, and the outcome of this tension was the Plantagenet era of strong silver money whose demise we have been analyzing. Eadgar, sometime around 973, had introduced a Byzantine-inspired system of coinage known as the renovatio monetae: in this system, the coins were of highly variable weights and issued in a succession of changing types or designs, which would be periodically demonetized and reminted.[2] Beginning with Cnut, however, and continuing with William and his successors, the new English dynasties of Norse origin made efforts to regularize the weight of individual pennies, in order to pay troops who resisted the notion of legally valued money and accepted coins only in terms of their weights.[3] The trajectory of these

[1] Weiss, Daniel. "Hoards of the Vikings." James Graham-Campbell and Gareth Williams, eds. *Silver Economy in the Viking Age.* Susan E. Kruse, "Ingots and Weight Units in Viking Age Silver Hoards."

[2] H. Bertil. A. Petersson, *Anglo Saxon Currency*.

[3] Pamela Nightingale, "The Ora, the Mark, and the Mancus, Part 1."

reforms eventually led to the end of the renovatio monetae, the adoption of a consistent and mostly unchanging design for the English penny, and thus the notion of "sterling." Thus, with the defeat of Aethelred II (under whom the the use and abuse of legally valued money had reached its highest form) the "Roman option" in the development of English money was put aside in favor of the "Norman option" of strong silver.

In staging a conflict between money as coinage and money as silver bullion, English history recapitulates, with remarkable parallels, the origins of the earliest coins in the 6th century Aegean and the rise of coinage-based imperial polities such as Athens, the Hellenistic kingdoms, and Rome. When coins were first invented, silver measured by weight had already been in use as money for a long time, since it was the unit of account in which both merchants and the palace administrators of the Akkadian empire made their contracts and reckoned the value of goods. Thus, the first origins of coinage constituted a conflict between money-as-coin and money-as-silver in the 6th century Aegean, just as it did in early medieval England. More parallels begin to jump out if we superimpose the figures of Aethelred II and Peisistratus: both rulers issued money of rapidly changing types and variable weights, in order to fund a bid for naval power; both rulers were retrospectively seen as "tyrannical" by successor regimes that replaced the coinage of variable weight and type with a money of consistent weight and type — the Athenian "owl" tetradrachm

and the English penny, both of which were famous for the high reputation of their standard and which circulated well beyond the boundaries of the issuing polity.

Before we take our leave of England and its coinage, to go searching in the mists of antiquity for the first origins of our problem, we must remind ourselves what problem it is that we are looking for. We are looking for a problem that corresponds to an answer, and the answer is Henry V — in whom Shakespeare searches for a model of the ideal sovereign who might have offered an alternative path. The problem that Hal must solve in order to become Henry V is, most fundamentally, the problem of types and tokens, which is to say the problem of sons and fathers, of signs and referents, and of bad money and good money. These problems are the same because they are problems about the anxiety of nonperformance, or about the possibility that the son will fail to perform his equivalence with the father, disrupting the succession of the dynasty; that the sign will fail to perform its equivalence with the reference, disrupting the succession of the symbolic order; that the bad money that circulates will fail to perform its equivalence to the good money that does not circulate, disrupting the succession of the market.

This is, in part, a homology at the level of structure: I am claiming that money markets and dynastic successions are homologous phenomena at the level of their semiotic structure, and are thus at their most basic level concerned with the question of how the appearance of identity can be performed by means of a succession of repetitions. The succession of the dynasty is ensured at the coronation, when the son

is recognized as a repetition of his father (*le roi est mort; vive le roi*). The identity of the market is established in the transactions through which the money that circulates is recognized as a repetition of the unit of account, which does not. And both of these questions are identical to the basic problem of semiotics, which is the question of how a set of referents can be recognized as each being a repetition of the sign, or of how the repetition of a sign in an utterance can be recognized as a repetition of identities (paradigm) despite the fact that they are different in virtue of having been uttered and thereby placed into relation with one another in a particular way (syntagm).

But it is also more than a structural homology: it is also a historical relation. As I have argued in this chapter, the liquidity crisis of the late 14th century produced political antagonism over the social distributions of the costs of illiquidity that, left unresolved, could only lead to the downfall of the regime. Ultimately, the problem was left unresolved because of the constitutional commitment to the defense of the relation between a sign and its referent: between the pound sterling as a unit of account and the physical pennies to which it referred. The policy debasement that might have been useful in alleviating the pressure on the English monetary system was resisted because of the fact that undermining the integrity of signs in general, by debasing the money, was tantamount to undermining the integrity of sovereignty, which also depended on signs, or on the security of the reference by which Richard II stands for Edward III stands for Edward II and so on. The problem, as we have seen, was that it was impossible to maintain the integrity of all the signs all at once: in

attempting to ward of baseness by defending the penny as a unit of account, Richard was led down a path that eventually forced the debasement of the sovereignty instead, opening up a difference between the sign (Richard) and the reference (King of England) that would make it thinkable for the king to be deposed on the grounds of treason. If money is scarce, then the king is faced with a choice between falsifying one sign or another: either undermining the money, by debasing, or by or undermining his own legitimacy by aggressively expanding his revenues past their traditional boundaries and thus provoking social conflict over the constitution of the monetary system, at his own peril.

In contrast to Richard, whom York condemns to "be not thyself," the young prince Hal must offer some other solution to the problem of sovereign self-identity. How, his father demands to know, "could such inordinate and low desires… / As thou art matched withal and grafted to, / Accompany the greatness of thy blood / And hold their level with thy princely heart?" (1H4.3.2.12-17). Henry IV reminds his son that the dynasty was founded on the disruption of "possession" with the support of "opinion" (3.2.42), and that this support is threatened by the fact that "thou hast lost thy princely privilege with vile participation" (3.2.86-7). In response, Hal promises, "I shall hereafter, my thrice-gracious lord, / Be more myself" (3.2.91-2). But what has really been promised here? We must note that Hal has firmly rejected Hamlet's formulation of the problem of being, for whom it was a simple choice between being or not-being. But to say that he will be more himself is to imply that being is a matter

of degree, that Hal has the power to be more himself or less himself, which is to say that, for Hal, being is an option. As he will eventually learn, he can be Henry the King, or he can be Harry Leroy, one way or the other. This understanding of being as an option is key because the problem that he must solve is the problem of how something noble can be commensurated with something base while remaining distinct, how good money can circulate alongside bad money without becoming bad itself, how the lessons of the bad father (Falstaff) can be used to overcome the limitations of the good father (Henry IV) without thereby proving true the king's lament that Harry Percy is more of a repetition of himself than his own son.

By figuring Henry V as the king who had the true art of the statesman, and who thus knew how to correctly manage the option between being and non-being, or between lies and the truth, Shakespeare is searching to understand, at the level of the concept of sovereignty, the way in which his early death foreclosed a new and different option that the monetary system might have taken and might still potentially take. This path not taken was the path of the monetization of sovereign credit, and we can try to follow Shakespeare's gaze to catch a glimmer of this path in the most important monetary event of the reign, and one with significant implications for the story about money told by the neochartalists: the recoinage of the gold nobles in 1421. The reform of the coinage under Henry IV in 1411, which lowered the bimetallic ratio in England to be less strongly pro-gold, was inherited by his son shortly thereafter. Along with it, Henry V inherited a problem, which was that the

older nobles minted before 1411 had been clipped down to the new, lower weight standard. This was not, at the time, a crime: since these clipped gold coins were legal English money, and they could still be of the proper weight standard despite being clipped, they could continue to meet the definition of lawful English money. With clipped coins circulating legally, however, it was inevitable that some of them would in fact fall below the standard, and the issue of lightweight money became a major problem and topic of political concern ("This man hath for a few light crowns lightly conspired…" H5.2.2.89). To combat this, in 1416 the clipping of English money was defined as treason — and thus Henry's quip at H5.4.1.224 that "it is no English treason to cut French crowns, and tomorrow the King himself will be a clipper" is a highly topical but slightly anachronistic reference… as in fact cutting even English crowns became treason only in the year after Agincourt![1] (But we will cut Shakespeare some slack on the details, since he has provided us with such important insight into the heart of the matter.)

What makes this particular event so important is not that clipped coins were reminted. Such events had long been common and occurred (under the "restorationist" minting cycle) ever one or two generations. But in previous recoinages, the Crown ran a profit, and the costs of restoring the weight of the coins was paid by the holders of the old money. Here, however, Henry first waived his seignorage on the reminting of light nobles, meaning that the only cost to the holder

[1] Martin Allen, "The English Crown and the Coinage, 1399–1485."

of old coin was the cost of supplying the missing metal. But the glimmer of the "other path" shines most brightly at the parliament of 1421, at which the Crown was forced by parliament, against its will, to accept light gold at full nominal value in payment for a recently granted subsidy raised to finance the reopened war with France. Henry was forced to admit that gold nobles that were light up to 3s. in the pound (5s.d8.) would be valued at the full rate of 6s.8d. by the Crown in receipt of the taxes. This is notable for two reasons: first, because the rate of the tolerance was clearly set with reference to the change in the bimetallic ratio, since if the coins were on average 1s.6d. light in the pound then he would be taking them back at the old nominal bimetallic ratio of 12:1 rather than the new ratio of 100:9. This suggests that the problem of the light gold coins was, in part, related to unresolved tensions of the distributional consequences of the alteration of the ratio. More importantly, however, it is a decisive counterexample to the story about money presented by the neochartalists: if taking its own coins back at full nominal value was something that the Crown had to be grudgingly forced to do in 1421, then it cannot be the case, as Desan and others argue, that the sovereign's promise to take back a token is the origin or necessary condition of money as such. A monetary constitution of this type, rather, emerged historically in England only at the end of the 17th century, with a brief but unrealized flicker of possibility in the early 15th century. And it emerged only in the aftermath of at least three centuries of political and social conflict over the powers and responsibilities of sovereigns in relation to the coin of their realm.

Henry V is thus the king who figures the possibility of redeeming what is bad by buying it back as though it were good, and as such he figures or pre-figures the modern monetary order.[1] To buy back the base as though it were noble, to recognize the option to redeem what is bad for what is good, is one potential solution to the problem of the mutual circulation of good and bad money, because it means that the bad that circulates and is ready to hand (the worthless paper) can become a sign of what is ultimately good (the pure form of value as such). Hal tells us as much as early as his first soliloquy:

> Yet herein will I imitate the sun,
> Who doth permit the base contagious clouds
> To smother up his beauty from the world,
> That, when he please again to be himself,
> Being wanted, he may be more wondered at[…]
> And nothing pleaseth but rare accidents.
> So when this loose behaviour I throw off
> And pay the debt I never promised,
> By how much better than my word I am,
> By so much shall I falsify men's hopes;
> And, like bright metal on a sullen ground,
> My reformation, glittering o'er my fault,
> Shall show more goodly and attract more eyes
> Than that which hath no foil to set it off.
> I'll so offend to make offence a skill,
> Redeeming time when men think least I will. (H41.187-207)

[1] Sandra K. Fischer, "'He Means to Pay': Value and Metaphor in the Lancastrian Tetralogy."

When Henry V accepted light nobles at 6s.8d. in 1421, he did indeed pay a debt he never promised, since there was no precedent for it: tax receivability of light money at nominal value had not hitherto been an aspect of the English monetary system. In doing so, he took a first, abortive step towards the policy that England would eventually adopt during the Great Recoinage in 1696, when the state fully assumed the responsibility of paying the price of liquidity by footing the bill for restoring the coins. But problems remain: if the sovereign pays for liquidity, rather than profiting from providing liquidity, then has he not become more servile than sovereign? Has he not produced a sort of moral hazard? If the Crown can pay the debt it never promised by taking back the light nobles at full value, then can it also pay another debt it never promised, in the form of Falstaff's bar tab?[1]

Falstaff certainly thinks so. But his grandiose dreams are foiled by Henry; Henry exercises the sovereign option over friends and enemies when he sides with the Lord Chief Justice (who once put the prince in prison) over his old friend Falstaff, the delinquent debtor. Henry learns from the bad father, and then he forgets him: "I know thee not, old man… / I have long dreamt of such a kind of man, / So surfeit-swelled, so old and so profane; / But being awaked, I do despise my dream" (5.5.46-50). But Henry, characteristically, always leaves his options open: "When thou dost hear I am as I have been, / Approach me, and thou shalt be as thou wast, / The tutor and feeder of my riots." Falstaff takes his meaning plainly: "Look you," he says to Shallow,

[1] E. Rubinstein, "1 Henry IV: The Metaphor of Liability."

whose hopes of getting his thousand pounds paid back have just grown much less certain, "he must seem thus to the world. Fear not your advancements" (5.5.78). The question here is not simply whether Falstaff will or will not be able to use his relationship with the king to get Shallow's money: it is the question of whether Henry can really commit himself with promises without undermining the freedom of his own movement. Can he really promise to be pure? Or will the promise to purity itself undermine purity, in a kind of tragic or ironic reversal, as it did for Richard? Can the sovereign ever really be self-identical, or is the split between the public face of the king and the hidden realities of power constitutive of sovereignty itself? If Henry V is an answer to a problem, then the name of the problem is Oedipus, who refuses — over the course of the Sophoclean tragedy that bears his name — to know his own self-identity: and it is to Oedipus and the world of Oedipus that we must now therefore turn.

Chapter Four:
Anxiety; or, the Constitution

> "Yes, we are going to be very unhappy. Our ancestors experienced sacred tyranny. Those following them suffered from military fasces. We experience the oppression of calculation and currency. This oppression is more implacable than the two others. It more easily passes to the universal, leaving no gaps and having no opposite."
>
> - Michel Serres[1]

4.1: The Scandal of Coinage

The problems that I have been exploring in the context of medieval and early modern English monetary history are nothing especially new. The solution that the English eventually developed to these problems and then exported to the world — the modern system of zero intrinsic value money and a political constitution making it possible — is a specific one, but it is a specific solution to a problem that remains general, and which can be found in its most classic formulations at the dawn of coinage economies and the Western political philosophical tradition in the classical Mediterranean. This problem operates around a constellation of concepts that are foundational to this tradition: tyranny and freedom, mastery and servitude, fathers and sons, appearance and reality, identity and difference, limits and the unbounded, sovereignty and the law, and so on. As Richard Seaford has persuasively argued, the tradition of thinking that we call "philosophy" itself finds its first impetus in anxieties produced by the

[1] Michel Serres, *Rome*, 204.

phenomenon of coinage and the emergence of polities organized around the circulation of coin.[1] The metaphysical underpinnings of the Value theory of classical political economy were hardly the discoveries of the 18th and 19th centuries but were rather laid in place over two millennia earlier, in an attempt to find some reality of identity concealed beneath the appearance of difference: to discover "what is really equal" beneath the bewildering heterogeneity of the circulating coins and the ontological "split" between their nominal and intrinsic values. There is therefore a very real sense in which the attempt to apply philosophical concepts to the study of money carried out by Marx and the critical theorists is not only circular but also in danger of mistaking an ideology about money for a critical analysis of money. In order to avoid this error, it will be necessary to understand the way that ancient Western political thought, whether in the genre of history, tragedy, or philosophy, responds to the "scandal" of coinage by trying to contain or domesticate the troubling implications of the coin's constitutive difference.

In the sequel to this work, I will examine the history of coinage in classical antiquity in more detail, from the earliest electrum coins to the rise and fall of the late Roman solidus aureus, whose ghost still haunted the money of account in Europe as the "shilling" and the "sous" a thousand years after Constantine (and from which we derive the word "soldier"). Since this history must cover a span of approximately 1,300 years from Croesus to Charlemagne, it is beyond the scope of what I can

[1] Richard Seaford, *Money and the Early Greek Mind*.

accomplish here. For now, I will confine myself to following Shakespeare's gaze backwards to antiquity in his late work in order to show why an understanding of these foundational themes of Western thought must be understood in relation to the problems posed by coinage and why these problems had relevance for early modern thinkers at the dawn of the deficit state in the early 17th century and still have relevance for us today. It is not at all the case, as is widely thought, that problems about money and finance are "capitalism problems" about which the ancient past has nothing to teach us; nor are the issues raised by contemporary debates about the nature and origin of money specifically modern monetary problems. They are, instead, part of what we might call the "Old Magic" — problems that are so fundamental and so deep that it is not clear that they can ever really be solved or sidestepped or escaped, but merely shuffled around and rearranged in one way or another.

Happy families are all alike; every unhappy family is unhappy in its own way. Happiness, here, means the illusion of absolute self-identity, the ideal world in which the family keeps on being the family and money circulates effortlessly while remaining identical to itself across time and space.[1] If the monetary system were a happy family, it would indeed be possible to proceed along the lines of the theories of Value and utility, by assuming that money is a sign whose very "thingness" vanishes into its pure similarity with that which it signifies. Only in this way could the theory

[1] My understanding of the structural relationships between monetary problems and kinship problems has been greatly illuminated by conversations with Jade Delisle.

of monetary exchange and monetary economies be abstracted away from the specific and historically contingent institutional structures within which some given monetary system operates. But the monetary system has never yet been a happy family; there has never been a time in which it has not been constantly in danger of falling apart and becoming something other than what it is, riven most of all by the tension between hoarding and circulation, or by an inherent indecision about the relative values of the inside and outside. This is one way to characterize the dispute between metallists and chartalists, who disagree about whether the inside is a scandal in the eyes of the outside (the metallists) or whether the outside is a scandal in the eyes of the inside (the chartalists).

To keep everything "inside," to keep it "all in the family" — here, we are rapidly approaching the cultural ground zero of the Oedipus myth. This foundational myth should not be mistaken for a universal myth: it is merely one way for a family to be unhappy, among others.[1] But nobody will disagree that the Oedipus myth is a Western myth, has indeed been figured as the myth of the West by those who mythologized "the West" in the first place, and it can therefore give us some insight into the political constitution of that particular Western form of money that we now call "modern." The folklorist Lowell Edmunds, in his structuralist analysis of the layers of accretion that have formed the story we know today, argues that the myth of Oedipus is most fundamentally a myth of an incestuous and parricidal usurper, to

[1] Gilles Deleuz and Félix Guattari. Anti-Oedipus: Capitalism and Schizophrenia. Minneapolis: University of Minnesota Press, 1983.

which different elements — the oracle, the Sphinx, the riddle — have become attached over time.[1] We will consider these additional layers in a moment. But I want to begin with what Edmunds proposes as the core or oldest layer of the story, which is the minimal version found in Homer: no oracles, no Sphinxes, no riddles, but only parricide and unwitting incest. But unwitting on whose part? Homer sings: "The mother of Oedipus I saw, fair Epikasta, who did a grave thing with unwitting mind, marrying her son, and he, killing his father, married her…"[2] Here, there is no indication that Oedipus himself is necessarily unaware of what is happening (at least, it is Jocasta's ignorance rather than his that is foregrounded), nor does the poet find any of the other elements of the story worthy of mention. Instead, we merely have the figure of Oedipus as a usurper, parricide, and incest. "Oedipus," as Edmunds put it, "is, after all, a king, even if his kingship is now the most forgotten aspect of the legend. Kingship counts for nothing in the interpretations of the Oedipus legend by Freud and Levi-Strauss."[3]

Stripped of its accretions, the story is most fundamentally concerned with the problem of dynasty as the succession of fathers by sons: the son must repeat his father, in order to make a new name in the chain of names that secures the continuity of the political order, but this repetition must remain a repetition with a difference. At

[1] Lowell Edmunds and Alan Dundes, eds. *Oedipus: A Folklore Casebook.*

[2] Od. XI.271-4. "μητέρα τ' Οἰδιπόδαο ἴδον, καλὴν Ἐπικάστην, ἣ μέγα ἔργον ἔρεξεν ἀιδρείῃσι νόοιο γημαμένη ᾧ υἷι: ὁ δ' ὃν πατέρ' ἐξεναρίξας γῆμεν." Translations mine excerpt where noted, Greek texts courtesy of perseus.tufts.edu.

[3] Edmunds and Dundes eds., 163.

the limit in which repetition converges with identity, the dynasty becomes incestuous and therefore disordered: the son must do what his father did, in general, but he must not do what his father did, in particular, which is to say that he must not generate himself. The norms of the the aristocracy are only weakly exogamous, at best — the parents of Oedipus, Laius and Epikasta (a.k.a Jocasta), are (what we call) second cousins, being both descended from the legendary founder Cadmus, who came from the East and sowed in Greece the "dragon's teeth" of writing and aristocracy. The aristocracy keeps its women to itself, and must, if it is to preserve the distinction between *agathoi* and *kakoi*, between the noble and the base. It is not "incestuousness" as such that is the problem, per se, but only the limit of incest represented by the absolute self-generation of the dynasty, in which repetition converges with identity. The house of Oedipus is a scandalous house because it has reached this zero-point, at which the dynasty — by hoarding its women, rather than allowing them to circulate — sets itself off from the other aristocratic lineages and makes itself a thing apart, in precisely the same way that, as we saw in the previous chapter, Shakespeare's Richard III figures himself as absolutely unique and distinct from the rest of the peerage.

The problem of exogamy and the problem of coinage are isomorphic because both involve the issuance of collateral. This is more than a felicitous etymological coincidence. When the ruler issues a coin that embodies an outside option in the form of precious metal that can be melted down, he is issuing collateral against his own

nonperformance, or an option that the holders of that coin might assert against him in covert or open rebellion. Likewise, when the dynasty marries off its daughters, the issue of their marriages form the dynasty's collateral lines, which might supply the grounds for these other lineages to dispute the succession of the dynasty. If the dynasty could set itself apart from the other lineages, and subdue them completely under its power, it would have no need for such an exchange of women. It could simply generate itself, by hoarding that which would otherwise circulate. For the dynasty to refrain from the issuance of collateral thus describes not only the limit point of Oedipal incest, but also the system of zero intrinsic value money, since the dynasty thereby refuses to pay a price for its legitimacy by allowing anything to circulate that might one day be used against it. Thus, if we are to fully understand the stakes of "bad money," we must consider the way that this problem appeared in the earliest coinage societies as the problem of tyranny, incest, and the relationship between the dynasty and the other aristocratic lineages.

Margalit Finkelberg supplies us with the crucial clue for understanding the story of Oedipus when she notes that the "genre of the king-list… is totally alien to Greek heroic tradition. Instead, this tradition arranged the names of kings according to the genealogical principle… The genealogy and the king-list can only concur when the king-list follows dynastic succession from father to son."[1] As she demonstrates, while the genealogical principle of heroic Greece is clearly patrilineal, to the point that the

[1] Margalit Finkelberg, "Royal Succession in Heroic Greece."

names of women sometimes remain unrecorded, the succession of rulership is not: in fact, she argues, it is matrilineal, with the rulership being transmitted through marriage to the royal heiress, most often but not necessarily the daughter of the king. In the absence of such a daughter, the royal heiress of a deceased king might be his widow, as in the case of Penelope in the Odyssey, who holds the succession in her hands instead of either Laertes or Telemachus, the presumably deceased king's closest male heirs. The introjection of matrilineal succession into a system of patrilineal descent serves a very clear purpose: it ensures that the sovereignty will not be monopolized by any one patriline, but will rather rotate among the different patrilineal clans from generation to generation. "If the dynastic succession is transmitted from mother to daughter," says Finkelberg, "the king's son cannot count as his father's successor for reasons of incest: compare, indeed, the story of Oidipous, which is perhaps the most clear-cut case of the father-to-son succession in heroic Greece."

Given this clue, the "real" story of Oedipus, buried beneath layers of mythological accretion, suddenly jumps into focus. The story of Oedipus, and the history of the house of Cadmus that leads up to it, is really the story of the imposition of the patriline into the royal succession and the monopolization of royal authority by a single clan, which requires the suppression of the matriline and creates conflict with the other clans who might have otherwise claimed their turn at rulership. Thus, from the point of view of the "traditional" constitution according to which the kingship

descends through marriage into the matriline, patrilineal succession of sovereignty is inherently incestuous, since that is the only way to make the patriline and matriline coincide. When we hear the story of Oedipus as the story of a man who murders his father, succeeds him on the throne, and marries his mother, it is only the third element of the story that seems to us out of place. It is natural to us that the son would have claim on the throne of the father, and that this might produce violent tension between the two (as it did, for example, in the case of Henry I and his son "the Young King.") But in fact, this third element of incest is in fact Oedipus' strongest claim on the throne: Jocasta, as the widow of Laius, is the royal heiress, and the sovereignty will therefore — according to the traditional constitution, at least — descend to her new husband upon remarriage. Thus, when we learn in Apollodorus that Creon has announced that he will "give to the one solving the riddle the kingship and the wife of Laius," this is pleonastic: as the guardian of Jocasta, Creon is empowered to give away the kingship of Thebes for precisely the same reason he is able to give away the widow as a bride, since these things are one and the same.[1]

But what of the oracle, the riddle, and the Sphinx? If, as Edmunds, argues, these elements are later additions to the story, how did they get there? Pausanias provides an important clue by providing two alternative traditions. In one version, Sphinx is an illegitimate daughter of Laius, who "on account of fondness told her the oracle given by Delphi to Cadmus." Since Laius had many illegitimate children but the oracle

[1] Apoll. 3.5.8: "κηρύσσει Κρέων τῷ τὸ αἴνιγμα λύσοντι καὶ τὴν βασιλείαν καὶ τὴν Λαΐου δώσειν γυναῖκα."

applied "to Epikasta alone and the children he bore by this woman," Sphinx used it as a means to test those who came to claim his throne, since "those born of Laius know the oracle of Cadmus." She killed all those who could not answer, but Oedipus managed to arrive at the throne of Thebes because he had "learned the oracle in a dream."[1] Here, Pausanias is clearly trying to reconcile two contradictory stories, because the oracle that came to Cadmus cannot be the same as the oracle that came to Laius concerning the children of Epikasta.[2] Since Oedipus could not know this oracle, if he had been exposed as an infant and was unaware of his true parentage, the contradiction between these two stories therefore must be papered over by the deus ex machina of having the answer appear to him in a dream. In the older layer, it seems that that oracle in question is not one that concerns the children of Epikasta, but merely one which distinguishes the children of Epikasta — Laius' legitimate issue — from their baseborn half-siblings, in virtue of their possession of a secret passed down from Cadmus.

The second tradition preserved by Pausanias makes Sphinx into a pirate captain who seizes hold of a mountain at a place called Anthedon until she is driven from

[1] Paus. 9.26.3-4: "λέγεται δὲ καὶ ὡς νόθη Λαΐου θυγάτηρ εἴη, καὶ ὡς τὸν χρησμὸν τὸν Κάδμῳ δοθέντα ἐκ Δελφῶν διδάξειεν αὐτὴν κατὰ εὔνοιαν ὁ Λάιος: ἐπίστασθαι δὲ πλὴν τοὺς βασιλέας οὐδένα ἄλλον τὸ μάντευμα. ὁπότε οὖν τῇ Σφιγγὶ ἀμφισβητήσων τις ἀφίκοιτο τῆς ἀρχῆς—γενέσθαι γὰρ τῷ Λαΐῳ ἐκ παλλακῶν υἱοὺς καὶ τὰ χρησθέντα ἐκ Δελφῶν ἐς Ἐπικάστην μόνην καὶ τοὺς ἐξ ἐκείνης ἔχειν παῖδας—, τὴν οὖν Σφίγγα χρῆσθαι σοφίσμασιν ἐς τοὺς ἀδελφούς, ὡς τὸν Κάδμῳ γενόμενον χρησμὸν εἰδεῖεν ἂν Λαΐου γε ὄντες: οὐκ ἔχοντας δὲ αὐτοὺς ἀποκρίνασθαι θανάτῳ ζημιοῦν, ἅτε οὐ προσηκόντως ἀμφισβητοῦντας γένους τε καὶ ἀρχῆς. Οἰδίπους δὲ ἄρα ἀφίκετο ὑπὸ ὀνείρατος δεδιδαγμένος τὸν χρησμόν."

[2] c.f. Paus. 9.5.10.

there by Oedipus with an army from Corinth.[1] The location is an important clue: Anthedon is located about 18 miles north of Thebes, just west of Chalcis on the North Euboean Gulf, and is the most natural beachhead for a naval invasion of the region. Here, buried beneath the story's layers of accretion, we can begin to detect the outlines of something more historical and mundane: a war of succession over the Theban throne, which hinges in large part on a conflict over whether the dynasty is controlled by Greek males or foreign females. We can see, in the history of the house of Cadmus that lays the groundwork for the story of Oedipus, a conflict produced by a tension inherent in the system of matrilineal succession: on the one hand, the matrilineal inheritance of sovereignty ensures the rotation of kingship between the different local clans, but on the other hand it threatens to escape their control and bring the sovereignty under the influence of much more far-flung networks of aristocratic kinship. It is the inherent "foreignness" of women, who do not "belong" to the patrilines into which they marry, which allows the kingship to be shared rotationally among the different clans, but by the same token it creates the ever present possibility of foreign claims and foreign meddling in local affairs.

Cadmus is a Phoenician who comes to Greece, plays the locals against one another, and sets himself up as ruler with the help of some indigenous leaders (the Spartoi, supposedly sprung from the ground after the sowing of dragon's teeth). Cadmus, however, seems to have remained involved in a much wider world of affairs,

[1] Paus. 9.26.2.

and eventually leaves for the land of the Encheleans (in the Balkans), where he reigns and leaves heirs as well. After his departure, he is succeeded by his grandson Pentheus, who is the son of his daughter Agave and Echion, one of the Spartoi. It is important to note here that it is Cadmus' maternal grandson Pentheus, rather than his son Polydorus, who is chosen to rule — here, clearly, the kingship is descending through the royal heiress Agave to her son (Echion, presumably, having already died). At some subsequent point the house descends into a violent struggle that is mythologized as the coming of Dionysus and the frenzies of the Maenads: Pentheus is ripped to pieces by his own mother under the influence of the foreign god. It is important to note here that Cadmus has four daughters, Agave, Ino, Autonoë, and Semele, and all of their sons are killed by divine intervention. The only one to escape this purging of the maternal grandsons of Cadmus by the Olympian gods is Dionysus himself.

When the dust settles, the throne has been taken by Pentheus' maternal uncle Polydorus, who seems to have defeated his sisters (the original Maenads) in the struggle for control of the Theban house of Cadmus, presumably with the help of one of the sons of the Spartoi (Nycteus, son of Cthonius) whose daughter he marries. All of the subsequent struggles and machinations over the throne of Thebes take place between three patrilineal clans: the line of Echion (>Pentheus>Menoeceus>Creon), the line of Cadmus (>Polydorus>Labdacus>Laius>Oedipus), and the line of Cthonius (>Nycteus/Lycus). In reconstructing the real history lurking beneath the mythological

tradition, we must keep two things in mind. First is the fact that later Greek sources in the Hellenistic period (like Apollodorus) or even later in the Roman period (like Pausanias) project anachronistic patrilineal assumptions onto the source material, thus causing much of what happened to no longer make sense: thus, political struggles provoked by the assertion of the inheritance claims of aristocratic women have to be re-remembered in increasingly fantastical forms: Agave's bid for power becomes an episode of drunken madness, while Sphinx is transformed into a mythological creature. The tradition assumes that what "should" have happened is the transmission of sovereignty from father to son, when in fact no such assumption applied. Second is the fact that the later tradition is biased towards the house of Cadmus; "as the descent group of Echion either did not survive into the historic period or exerted no influence on Greek tradition," Finkelberg observes, "the Kadmeian part of early Theban history was the only one to be preserved." We do not, for example, know the identity of the wives either of Menoeceus (and mother of Jocasta) or of Labdacus (and mother of Laius) — points which, for reasons we will see, may in fact be quite important.

The tradition holds that, after the death of Polydorus, his son Labdacus was an infant, and so the rule of the city was given to Polydorus' father-in-law (and Labdacus' grandfather) Nycteus. In truth, however, Labdacus had no claim to the throne of Thebes simply as the son of Polydorus. Nycteus comes to be regent not as the guardian of the infant Labdacus but rather as the guardian of his aunt, Antiope, who is the royal heiress (her sister Nycteis seems to be already dead). Antiope

becomes pregnant (supposedly by Zeus) and runs away to marry the king of Sicyon, in response to which Nycteus kills himself and charges his brother Lycus with revenge. This seems like an overly dramatic response on the part of Nycteus until we realize that his control of Antiope, the royal heiress, was the entire basis of his power, and that his failure to control Antiope is thus tantamount to his failure to control the kingship of Thebes, to which the husband and sons of Antiope now have a claim. Thus begins a period in which control of Thebes is disputed between Lycus and the sons of Antiope, Amphion and Zethus, who eventually kill and overthrow him.

At some point in this period, there seems to have been a brief reign of Labdacus, although the only thing he is recorded as having done is losing a border dispute with the Athenian king Pandion (who is, interestingly, a near-Oedipus who marries his mother's sister).[1] There are only two explanations: either the reign of Labdacus is the imagination of later writers with patrilineal assumptions who invented his brief reign in order to provide continuity between Polydorus and Laius, or he must have married a daughter of Lycus. Whatever the case, the government falls into the hands of Amphion and Zethus, who essentially found the city of Thebes by expanding the Cadmean acropolis into a lower city with walls — an architectural development which is surely a symptom of the general level of political instability. Amphion's many children by Niobe are slaughtered by divine intervention, but we do not hear anything about the children of Zethus by his wife Thebe, for whom the city is named.[2]

[1] Apoll 3.14.9.
[2] Apoll 3.5.6.

All we hear is that after the death of Amphion, Laius comes to the throne and marries the daughter of Meneoceus, who is named either Jocasta or Epicasta. Under anachronistic patrilineal assumptions, the accession of Laius needs no explanation: the overthrow of the sons of Antiope and accession of Laius is merely a restoration of the "rightful" patriline descending from Cadmus. But in this case, his marriage to Jocasta is unmotivated and purely accidental. It is likely that, instead, there was a kingship of Menoeceus that was later lost along with the family tradition of the line of Echion: Menoeceus may have acceded to the kingship by marrying a daughter of Zethus and Thebe, which would make his daughter Jocasta the royal heiress. Thus, it was probably on the basis of his marriage to her — rather than his patrilineal descent from Polydorus via Labadacus — that Laius claimed the throne. Now, then, finally, we have set the stage for the story of Oedipus.

What matters about Oedipus is not the fact that he kills his father. Parricide is not a particularly distinguishing figure for mythological heroes, and the event takes place almost in the background, in a time and place somewhat remote from the action of the rest of the story. What matters is that he marries his mother, because in doing so he marries a royal heiress twice over: the daughter of Menoeceus and the wife of Laius. Originally, it may have been simply the marriage itself rather than the incest that mattered, and there is an alternative tradition in which Jocasta is not the mother of Oedipus' children.[1] This does not really matter: what matters is that the figure of the

[1] Paus. 9.5.11.

son who marries his mother is the figure of the suppression of the matrilineal pattern of succession and the monopolization of royal power by a single patrilineal clan, which then retrospectively re-reads the history of the matriline (the Maenads, Antiope, Sphinx) as a usurpation. Incest between son and mother is the zero-point of aristocratic inbreeding at which the matriline and the patriline can be forced into absolute identity. Thus, the myth of Oedipus becomes necessary as a "vanishing mediator" that papers over the contradiction between an earlier matrilineal logic of succession, which rotates power between patrilines but at the expense of blurring the distinction between denizens and foreigners and thus undermining the territorial integrity of the polity and exposing it to the threat of foreign rule, and a later logic of patrilineal descent generated out of the struggle of a more locally-oriented nobility against more far-flung networks of intra-Mediterranean aristocratic kinship.[1]

In pursuing this "Euhemeristic" reading of mythology, I do not mean to "explain away" the elements of the story that are clearly not the stuff of mundane history. My goal is instead to further illuminate these elements by showing how they are active elements in a project of repression: repression, in this case, of the memory of the matrilineal succession of kingship. In the next section, then, I want to return to the Oedipus myth as myth, and consider the importance of the motifs of the oracle and the riddle that became integrated into the story when the history of the claim of Laius' daughter Sphinx to his throne was repressed by transforming her into a monster. Once

[1] Giuseppe Garbati and Tatiana Pedrazzi, eds. *Transformations and Crisis in the Mediterranean*:

this has been accomplished, we can then consider the use that Sophocles makes of this story in his own version of the myth, with particular focus on *Antigone*. So let's put aside, for now, what "really" happened and return again to the story as it has been received. King Laius receives an oracle that his son by Jocasta will murder his father and marry his mother…

4.2: Incest and Sterility

The most commonly received version of the Sphinx's riddle today is "what goes on four feet in the morning, two feet at noon, and three feet in the evening?" (answer: "a human"). We will be misled by this, however, because neither the riddle itself nor the answer to it are ever explicitly stated in any extant classical tragedy, and the introduction of the diurnal period into the riddle at all seems to be relatively modern (perhaps under the influence of Aristotle's notion in the Poetics that tragedy takes place in a single day). According to Edwin Floyd, the earliest form of the riddle may be rather simpler: "A thing there is whose voice is one; whose feet are four and two," to be answered by "a pastoral society" (or "a shepherd and their flock"; shepherds, of course, play a crucial role in the Sophoclean version of the story).[1] If this is indeed the earliest version of the riddle, then its point is to distinguish humans from other animals on the basis of their symbiotic relationship — and thus their shared being —

[1] Edwin D. Floyd, "The Riddle of the Sphinx."

with non-human domesticates. A more recognizable version of the riddle ("what thing having one voice becomes four-footed and two-footed and three-footed?")[1] is given by Apollodorus along with the answer "a human" and the explanation of the changing number of feet by means of the stages of life: crawling, walking, and leaning on a cane. This answer changes the way in which "the human" is picked out: instead of being differentiated from other animals by means of their relation to domesticates, the human is distinguished by their awareness of their own mortality and finitude.

This "consensus" reading of the riddle and its answer is available in Sophocles,[2] and since its basic theme is that of self-knowledge, it is thematically coherent with the association of Oedipus with Delphi and its famous injunction to "know yourself."[3] But we cannot take for granted that we know what the answer to the riddle actually is without foreclosing the tension that structures the conflict between Oedipus and Teiresias in *Oedipus, the Tyrant*: "OED: You always speak such riddling indistinctions. TEIR: Haven't you become the best at realizing [*heurískein*] such things? OED: You reproach me with those things in which you'll discover [*heurēseis*] me great. TEIR: I know it, but this fortune's brought you to naught."[4] Here, I have

[1] Apollod. 3.5.8: "τί ἐστιν ὃ μίαν ἔχον φωνὴν τετράπουν καὶ δίπουν καὶ τρίπουν γίνεται"

[2] Tieresias alludes to this interpretation at *OT*.454-6, immediately following the discussion of the riddle: "τυφλὸς γὰρ ἐκ δεδορκότος καὶ πτωχὸς ἀντὶ πλουσίου ξένην ἔπι σκήπτρῳ προδεικνὺς γαῖαν ἐμπορεύσεται."

[3] There are in fact three maxims associated with Delphi: "Know yourself," "Nothing in excess," and "An oath leads to ruin." Together, they constitute good advice for the neophyte investor.

[4] OT.440-3: "Οἰδίπους: ὡς πάντ' ἄγαν αἰνικτὰ κἀσαφῆ λέγεις. Τειρεσίας: οὔκουν σὺ ταῦτ' ἄριστος εὑρίσκειν ἔφυς; Οἰδίπους: τοιαῦτ' ὀνείδιζ', οἷς ἔμ' εὑρήσεις μέγαν. Τειρεσίας: αὕτη γε μέντοι σ' ἡ τύχη διώλεσεν."

rendered *heurískō* as "realize" and "discover" in order to preserve the mercantile sense of the word, which implies finding out how much something is worth.[1] Teiresias is mocking the claim of Oedipus to be able to realize the value of riddles by deciding on their answers, and implies that it is still too soon to tell whether Oedipus has sold his riddle for the right price. Thus, he figures himself as endowed with a priestly and oracular power that is quite different from the power of the kingly solver of riddles in that it draws its strength from knowing that riddles may have more than one answer. There may also be (as Philip Dick well knew, in his own version of the Oedipus myth) a "minority report" or another answer or answers to the riddle with more secretive and subversive implications.[2] And it is the seer Teiresias, in his alliance with the power of the oracle, who knows how to profit from the fact that the riddle has multiple solutions.

The tyrant Oedipus is the figure of Schmittian sovereignty, whose power is the power to decide, to supply the single correct answer to a question posed — a power grounded in his knowledge of self-identity and that "in the long run we are all dead." Will the project of the tyrant be successful? Can the dynasty be consolidated into a single patriline, which breeds with its own women and thereby separates itself decisively from its rivals by refraining absolutely from issuing options on the throne to anyone outside itself? If the project is to fail — and somehow, it must — there must be another kind of power, another form of sovereignty, which stands opposed to

[1] *LSJ* s.v. A.V.
[2] See Introduction.

the tyrant and disciplines his pursuit of absolute self-referential pleasure with a reality principle.[1] This power is the sovereignty of the oracle, which stands opposed to the tyrant under the sign of indecision and the inevitable victory of the long-term order. The question has more than one answer, and it has not yet been decided which of them it will be; it will be shown that the tyrant's happiness is constrained, temporally, to the time in which the multiplicity of the riddle's answers has not yet been revealed. And in the moment of anagnorisis, in which it will be shown that the "true" answer to the riddle is something other than what the tyrant decided, it will also be shown that the tyrant is not as identical to himself as he might have liked to think, that the tyrant's rule is predicated not on his embrace of his knowledge of self but rather by the repression or disavowal of this knowledge: the entire tension around which the plot of Sophocles' play hinges is the refusal of Oedipus to accept the obvious conclusion that the subject and object of his accusation are identical, that he is himself the one he has promised to punish.

But if the oracle stands against the tyrant, it cannot do so without a certain ambivalence. The oracle represents not simply another decision, opposed and contrary to the decision of the tyrant, but the power of indecision itself as embodying a certain positive value. If the riddle had only one right answer from the beginning, the oracle would have no power at all — instead, it needs the "wrong" answer to be available for the tyrant to decide upon, because this is the only way for the oracle to

[1] See "What does the Tyrant Want?" in Victoria Wohl, *Love Among the Ruins*.

turn its power of future knowledge into agency in the world. If the tyrant did not misunderstand the oracle in the first place, then the oracle would have no power at all, because it is the tyrant's own activity that brings about what the oracle predicts. Shakespeare takes up these themes in Macbeth, which is really his most "Greek" tragedy despite being set in Scotland: there, he explores the origins of the house of Stuart amid the transition from an elective to hereditary kingship in the 11th century,[1] and in doing so draws upon a tradition of ambiguous and self-fulfilling oracles stretching back to Herodotus. The oracle enables the tyrant, is in fact the tyrant's condition of possibility, but at the same time the oracle must be seen as limiting and containing the tyrant, as sowing the seeds of the tyrant's downfall in one and the same breath that it enables his rise. As James McGlew argues, Delphi is represented in the ancient historiographic tradition as embodying an "ambivalence towards autocratic rule": "For the oracles, tyranny rises from injustice, and the ultimate responsibility for the establishment of a tyranny lies with the city's leaders, not with the tyrant's personal ambitions and motives."[2] As McGlew argues, this tension — which also manifests itself in an ambivalence or indecision about the difference between the figures of the tyrant and the heroic founder — has its basic root in the need felt by

[1] A. D. M. Barrell, *Medieval Scotland*, 13. Duncan, having acceded to the throne via cognatic descent from his grandfather Malcolm II, attempts to assert the principle of primogeniture and settle the succession on his own male line via his son Malcolm, a move that would have shut out the claim held by Macbeth, also a maternal grandson of Malcolm II.

[2] James McGlew, *Tyranny and Political Culture*, 69-70.

Greek cities "both to destroy and to preserve the power and freedom of their autocratic origins."[1]

In being alternately aided and disciplined by the power of the oracle, the tyrant becomes both a transitional and a pedagogical figure, on the one hand, and provides the oracle with an alibi, on the other. The tyrant severs the link with the past by an act of founding violence, which is also an act of incest that forces the matriline and patriline into identity. In doing so, he lays the groundwork for what we might call a "political patrilocality" — a move that would superimpose the genre of the king list onto that of the genealogy, drawing a connection between territory and sovereignty that did not operate in the same way in a context of matrilineal succession and the integration of Greece into more widely-flung networks of intra-Mediterranean aristocratic kinship that brought with them (what are retrospectively seen as) the dual threats of foreign women and stranger kings.[2] Whatever the exact timeline of the process/event known as the Bronze Age collapse, it involved the breakup of a geographically expansive world system and the emergence of "new players, often organized along ethnic- tribal lines" and the replacement of cuneiform "by new and simpler alphabetic writing systems" — associated in Greece with the figure of Cadmus.[3] The story of the house of Cadmus — culminating in the myth of Oedipus — thus serves to put the Bronze Age into the past by explaining the emergence of a

[1] McGlew, 157.
[2] Piotr Michalowski, "History as Charter."
[3] Eckart Frahm, ed. *A Companion to Assyria*, 166.

link between territory and sovereignty. But this is not enough, because the development of patrilineal sovereignty as a solution to the threat of the matriline has a problem of its own, which is that it disrupts the power relations between the various clans, who now no longer share the kingship amongst themselves through a system of intergenerational exchange but have now been irrevocably separated or distinguished into either royal or merely aristocratic lineages. Thus, patrilineal sovereignty as a "solution" to the threat of foreign succession itself creates a "problem" which is the problem of tyranny — the monopolization of sovereignty into a single lineage which no longer issues options against itself via exogamy but rather represents a form of rulership against which the other patrilines find themselves completely unhedged. Thus, this Iron Age form of sovereignty must itself be put into the past in order to inaugurate the period of political history that we have come to know as "classical," whose founding gesture is that of the tyrannicide.

This inauguration of the tradition of Western political philosophy via the founding gesture of tyrannicide — which is then justified philosophically through the critique of tyranny — has deep ramifications for the way we think about money and public finance today. Observe, for example, the frequent invocation of the concept of "hubris" in contemporary financial or business press discussions about the nature of money and the controversy raised by the neochartalists.[1] The central moral lesson of

[1] Doug Henwood, for example, writing in *Jacobin*, complains that "MMTers extend this hubris about the precision and power of policymaking to the realm of interest rates…" A Google search for "hubris" + "modern monetary theory" returns nearly 25,000 results. Doug Henwood, "Modern Monetary Theory Isn't Helping."

the critique of tyranny — that pride goes before a fall — is the basic core of the conservative reaction against the neochartalist thesis, which is that the asymmetry inherent in the "vertical" monetary relation between a public authority and the money-using public should be harnessed directly for the purposes of producing social goods. This, according to the conservative moralism that opposes it, is merely a form of hybris that must eventually meet its nemesis in the form of inflation, higher interest rates, or other sorts of punishments that occupy a sort of ambiguous or indecisive position between the agency of powerful humans and the more mechanical workings of divine fate. As I will show in what follows, is it not a coincidence that the contemporary opponents of the politics of easy money and fiscal expansion draw on an ancient discourse centered around the justification of the tyrannicide, since the "tyrants" of the Greek 6th century were themselves figures associated with the introduction of coinage, the centralization of public finance, and the metaphysical scandal of the difference between nominal and intrinsic value.

Both the metallist and chartalists positions about money demand that the riddle of the coin's value must be solvable with a single well-defined answer: either the value of the coin is its legally defined value in the unit of account, or the value of the coin is its metal content, and the existence of another possible answer is a scandal that must be attacked, denounced, and repressed. There is at least one possible alternative answer to the Sphinx's riddle, as well. One such answer is given by the satirical poet Nicarchus, writing in the first century a.d.: "At first, no one was able to say what on

earth is two-footed, four-footed, and three-footed. Well, it's a pathic man. When he stands, he is two-footed. And supporting himself on his two hands, head down to the ground, he is four-footed. But with his phallus he is three-footed…"[1] This second, obscene answer to the riddle (and surely there are others) gestures towards the "sterility" of unreproductive sexual activity, of the sort that Laius engages in with his wife Jocasta in the hopes of warding off the oracle's predictions. What we must try to explore, therefore, is the symbolic resonances between the introduction of coinage, the figure of the tyrant as a particular mode of sovereignty, and the scandal of "unnatural" and unreproductive sex.

Monetary accumulation, or specifically the lending of money at interest, has long been associated with "unnatural reproduction" (e.g. *Nicomachean Ethics* I.11). Accumulation of money by means of money is therefore a form of unnatural reproduction, like incest, because both involve a kind of "short-circuit": incest reproduces more heirs without the need to produce alliances with other lineages through exogamy (incest is all filiation, no alliance), while interest reproduces more money without the need for work or mediation through a metabolic process of investment and return (interest is all profit, no production). This, then, is the reason that both interest and incest might be criticized from the perspective of morality. But the connection between incest and money goes much deeper; to see this, we must consider the "deficiency" in respect to which the charging of interest is an "excess."

[1] Joshua T. Katz, "The Riddle of the 'Sp(h)lj-,'" 18.

What is wrong about interest is that the creditor gets back more than they are really owed, from the perspective of what Aristotle thinks of as justice in exchange. But it could also happen that the creditor gets back less than they are really owed, and this would clearly not be justice either. We therefore have the problem of the sanctity of debt: even if it is clear that interest is a form of injustice, then by that very same token the potential of defaulting on debt must be seen as an injustice as well, since it too implies an inequality between what was given and what is received.

The connection between the prohibition of incest and the prohibition of default is made very explicitly by Xenophon's Socrates at *Memorabilia* 4.4, and in the context of a discussion of the nature of the unwritten laws or agraphous nomous. The sophist Hippias has come across Socrates holding court and challenge him to state his theory of justice, rather than merely criticizing those of others. Socrates offers a definition: "what is lawful is just." Hippias says he doesn't know what this means, and Socrates asks him what "the laws of the city" mean to him: "Covenants made by the citizens whereby they have enacted what ought to be done and what ought to be avoided." Well then, says Socrates, people who obey the covenants are just and those who disobey them are unjust. At this point, Hippias objects: "Laws can hardly be thought of much account, Socrates, or observance of them, seeing that the very men who passed them often reject and amend them." Hippias' point is this: if the ruler of the city pass one law and then another that contradicts it, and if what is lawful is what is just, then this clearly implies that what is just differs from time to time or place to

place, with the implication that it is strictly meaningless to talk about justice in the abstract. If that is true, then there is no way to critique the law from the standpoint of justice, which would require knowing what justice really was in its eternal essence as opposed to what it was claimed to be by the law of a particular city. The argument between Hippias and Socrates is thus generated out of a potential ambiguity in the assertion that "what is lawful is just": it might mean, on the one hand, that "only that which is just can be said to be lawful" (Socrates' position), but it might also be interpreted as saying that "whatever is lawful is consequently just" (the position of Hippias, Thrasymachus, and the other sophists). This ambiguity is the reason for Hippias' feigned surprise: "Upon my word, Socrates, I don't think my opinion is contrary to what you have said about justice." By claiming that the lawful is the just, haven't you come over to our position?

In order to counter this, Socrates needs to develop a theory of the agraphous nomous from the perspective of which laws that have been written down (or, as we will soon see, formulated in language at all) can be judged as either "real" laws that live up to the concept of justice or merely "apparent" ones that don't. He begins by introducing a distinction between war and peace that will enable him to counter the assertion of Hippias that the variance of laws in time and space implies that justice is of no account: this is true, says Socrates, but a city ruled by unjust laws (which are really no laws at all) is in a state of war, while a city ruled by just laws (which are ipso facto real laws) is in a state of peace. War, for Socrates, is really just a form of

disagreement, and the essence of justice, Socrates suggests, is the act of "promising under oath to agree" (omnunai homonoēsein): "Without agreement no city can be made a good city, no house can be made a prosperous house… Whom would anyone rather trust as guardian of his money or sons or daughters?" If war is just a state of disagreement, then "after going to war, cities can make peace again." This ever-present possibility of the resolution of a war by coming to an agreement and therefore establishing peace is the launching point for Socrates' discovery of the agraphous nomous: if the possibility for peace is always contained within the state of war, then this can only be the case if there exists a transcendental grounding for the possibility of peace that cannot be ruptured by the current state of foreign policy: in order to make peace possible, then the warring parties must still both know — despite their current state of belligerence or mutual contradiction — what it means to promise, since what it means to make peace is to promise to agree. While the warring cities might disagree about many things, they cannot disagree about what it means to make a promise.

The possibility of peace within a state of war means that there must exist, in addition to legislations formulated in time and space, an unwritten law that transcends it. Since the "unwritten laws" are laws that are "uniformly observed in every country," they cannot have been made by humans, since "they cannot all meet together and do not all speak the same language." Thus, they must have come from the gods. Hippias and Socrates agree that there are at least two universally observed

unwritten laws: first, the duty to fear the gods, and second, the duty to honor one's parents. They then proceed to a consideration of two "problematic" unwritten laws, which are problematic because, as Hippias says, "I notice some who transgress it." If things that seem like they should be unwritten laws are transgressed by some, then there are only two possibilities: either they are not really unwritten laws but merely particular customs, or those who transgress them must be outside of the community of those between whom peace is possible. The two problematic laws are the prohibition of incest and the commandment to "requite benefits" (*anteuergetein*). These two laws must be established as universal laws, despite the fact that some seem to transgress them. How? "Surely," says Socrates, "the transgressors of the laws ordained by the gods pay a penalty that a man can in no wise escape, as some, when they transgress the laws ordained by man, escape punishment, either by concealment or by violence." In saying this, Socrates subtly transforms the definition of "unwritten law" that he began with a few lines earlier: unwritten laws are no longer those laws that are observed uniformly everywhere, since some unwritten laws in fact are not. But what makes them distinct from laws that are merely ordained by man (anthrōpōi keimenous) is that those who break them cannot escape punishment either by means of stealth or violence. Thus, the unwritten laws are no longer those that are observed everywhere, but those that are punished everywhere, independently of enforcement by the secular power. And incest and default are both laws of this type, laws that "involve in themselves punishment" without the need for enforcement: incest,

because it "begets children badly," and default, because of the "gradual loss of good friends." Thus, the wisdom that knows that incest and default are prohibited by the gods as a matter of unwritten law is a wisdom that only emerges from the experience of suffering: the experience that tells us that punishment for breaking these laws is inevitable even if it cannot be punished by human hands.

What connects the problem of money with the problem of incest, therefore, is that they are both matters of divine law, but also objects of anxiety, because they are everywhere being transgressed. The lineages consolidate their intergenerational wealth through endogamy, and the affairs of money are always being carried out under terms that are other-than-equal: there is the charging of interest, and there is also default, both of which are contrary to the notion of justice in exchange. It must therefore be proven, through experience, that these laws really are laws: it must be shown that, even if it is possible to enjoy the fruits of injustice in the short term, retribution will come in the end. "Creon was once a man to envy, in my view," sings the Chorus of *Antigone*. "Now all is gone… / Heap wealth [ploutei] within your house, if you so wish, / And live with royal [tyrannon] show; / And yet if joy is missing from all this, / I would not pay smoke's shadow / To buy all the rest from any man" (1161-71). To show that the tyrant only appears to be, but is not really, happy: this is the basic ideological obsession of so much of classical Greek thought. But in order to understand how this discourse is specifically directed towards social conflict and anxiety about coinage specifically, we must begin by noting that the Chorus here

has said nothing about "money" or "currency" (nomisma) but only "wealth" or "treasure" (ploutos). For reasons that we have explored in previous chapters, there is a fundamental opposition between treasure and currency: indeed, to say that a coin has been "thesaurized" or hoarded in a treasury is just to say that it is not circulating as current money. Thus, while tyrants may have been hoarders of ploutos, they were certainly not hoarders of nomisma: rather, as we have already seen in the case of Peisistratus, tyrants were rulers associated with the circulation of money within a militarized fiscal circuit. They were, as Charles Bullock put it, both "money-getters and money-spenders" who understood the "philosophy of liberality."[1] In order to best understand the relation of the figure of the tyrant to the fiscal system and the priesthood, it will be useful to examine a few exempla from the life of Dionyios I of Syracuse, who is perhaps the most famously impious ruler of the ancient Mediterranean.[2]

Pseudo-Aristotle, at Economics II, presents a series of anecdotes of "the means adopted by certain statesmen in times past for the replenishment of the treasury," among which Dionysius is the most energetic figure (1346a). His measures include 1) Pretending that Demeter had ordered all the women's' jewelry to be dedicated to the temple, and, upon the jewelry being delivered to the temple, promptly removing it to his own treasury as a "loan" (1349a-1350a). 2) Gaining the confidence of the citizens by returning a cash levy, merely for the purpose of later exploiting their trust. 3)

[1] Charles J. Bullock, "Dionysius of Syracuse. Financier."
[2] Greg Anderson, "Before Turannoi Were Tyrants."

Issuing a token money made of tin that he decreed should pass as though it were silver. 4) Selling off his palace furniture for cash and then repossesses it. 5) Offering a tax amnesty on livestock in order to entice investment, and then rescinding it. 6) Seizing the revenues of the property of minor orphans ("wardships"). 7) Offering to free the conquered citizens of Rhegium if they bring up their hidden money, and then selling them into slavery anyway when they do. 8) Repaying a debt to the citizens of Syracuse by confiscating their silver and minting it into light coin weighing only half of their supposed value. 9) Plundering the temple of Leucothea on Tyrhennia and tricking his sailors out of their share. Thus, Dionysius, as the archetypal tyrant, is a figure of bad money and bad debt. In examples 3 and 8, he is simply debasing the money by issuing coins that are extremely overvalued relative to their intrinsic metal content. In examples 1 and 9, he frees the wealth hoarded in temples for circulation either by plunder or forced loans. What is perhaps most interesting, however, is the theme of examples 2, 4, 5, and 7, which all relate tricks by which Dionysius tries to entice private citizens to make their hidden wealth (aphanes ousia) visible such that he can find ways to seize it. But it is clear from all the examples that the tyrant is the man who keeps money in motion, because his power is dependent on his ability to lavish funds on the ships, mercenaries, and spies that keep him in power. It is this tyrannical "philosophy of liberality" that the tragic worldview must oppose with an "ethics of austerity" if it is to establish that the crimes of breaking oaths and issuing bad money must "involve punishment in themselves," or that the unwritten law that

universally prohibits such behavior must be enforced by the gods through the irony of history.

4.3: Democracy in the Middle

The introduction of coinage established, for the first time, the phenomenon of a territorial monetary space within which one and the same substance might have different values depending on its form. One and the same quantity of silver might be recognized as worth more or less, depending on where it was and on its charakter or "stamp." Coinage, as a technology, adapted and re-imagined the device of "sealing" invented in the world of private commerce (money bags or *ṣror kesēp*), which is probably the first instance of an intrinsically valued monetary instrument bearing a nominal premium as a result of the "hylomorphism" that combines metal with a sign. Money bags, however, differed from coins in that they were private instruments underwritten by the issuer, who were liable to make up the difference if the bag was opened and found deficient.[1] Thus, money bags, to the extent that they could be and were used to generate a surplus of nominal money over intrinsic money, were in essence a form of credit instrument. The coin, however, was not: as we have seen in the case of Dionysius of Syracuse, the "tyrannical" power inherent in the very notion of coinage was that the issuing authority might issue them out at a higher value than

[1] Christine M. Thompson, "Sealed Silver in Iron Age Cisjordan."

they received them back in, thus charging the users of the money, in aggregate, a price for supplying them with money. The coin as a form of sovereign money was from the beginning not a credit instrument but the antithesis of credit: by taking back money for less than he paid it out, and by playing various bad-faith tricks on his subjects in order to mobilize their hidden savings and thus realize these profits, the tyrant in effect discovered a way to monetize, not his credit, but his very faithlessness. The tyrant forced others to recognize the legal value of his money, but he made of himself an exception.

The coin is, itself, a form of bad-faith; it is the monetization of faithlessness. In the coin, the law and/or the regime (archē or nomos) recognizes something as other than what it is (it recognizes X silver as X+Y silver) and thus, in the eyes of those who are owed silver, it extends the option of faithlessness to debtors. This is, in essence, the fundamental point of baronial or aristocratic resistance to alterations of the monetary standard: debasement of the legally recognized money means of a reduction in the value of debts or rents that are owed to them by the lower orders of society. Coinage intervened into a pre-existing social conflict between creditors and debtors, which is really a conflict over the conditions of tenancy of agricultural land:[1] from their earliest origins in the bronze age civilizations of Egypt and Mesopotamia, written debts bearing interest were essentially owed by primary producers to the institutional owners of the land they worked. It is important to emphasize, along with

[1] T. W. Gallant, "Agricultural Systems, Land Tenure, and the Reforms of Solon." The Annual of the British School at Athens 77 (1982): 111–24.

Michael Hudson, that the earliest debts were originated not by the lending of money or corn but by the writing down of arrears: tenants fell into debt when they came up short on the rent, at which point it would be rolled over to the next year with a penalty (the interest charge).[1] Thus, we might make a distinction between debt and finance as two distinct forms of credit: debts are created to make up for something that was not received with credit instead, while finance is concerned with paying for something that was received by means of credit. If you charge me 10 gur of barley for the barley I missed paying you this year, that is debt; while if I loan you 10 shekels of silver so that you can pay for the cedar I shipped you, that is finance. This difference is the reason for the different attitudes towards money and credit between commercial and agrarian elites, as we explored in Chapter Three, since, as we saw, "stable" money is something less than "strong" money. Since merchants are both creditors and debtors, at different times, they are less concerned with the absolute intrinsic value of the money than with access to financing, and thus are more willing to tolerate debasements in order to defend the general availability of money funding. But for more "traditional" aristocrats, for whom wealth in the form of debts owed by tenants are the fundamental social basis, any weakening of the quality of the money is tantamount to permitting their debtors to break their promises and pay less than what was owed. This categorical resistance to debasement or the "ethics of austerity" is thus the product of the interaction between the coinage economy and a much older

[1] Michael Hudson and Marc Van De Mieroop, eds. *Debt and Economic Renewal in the Ancient Near East*.

economy based on debt, into which coinage represented a challenge and an intervention.[1]

Why would social elites in the Greek poleis allow such an intervention to happen at all? Why allow their societies to become coinage societies in the first place? Sparta, famously, did not, or at least not until quite late in the Hellenistic period. The answer probably lies in the basic distinction — readily recognized by the ancient historians — between Spartan landed power and Athenian naval power.[2] As a largely agrarian society with little interest in the projection of naval power, Sparta could afford to insulate itself from the socially disruptive effects of the coinage economy. But Athens could not.[3] The key event is the one that opens the main theme of Herodotus' historical narrative: the defeat of Croesus and the fall of Sardis to Cyrus in 547 b.c. This event is important because it led to a militarization of the Aegean: Croesus, after his conquest of the Hellenic Ionians in mainland Asia, had declined to pursue his ambitions into the realm of naval power and instead made peace with the islanders, after being persuaded of the folly of trying to attack them on their own terms at sea.[4] Cyrus, in contrast to his Lydian predecessors, decided to pursue a more aggressive naval policy and thereby broke the peace on the Aegean, leading to an

[1] On the importance of credit in the Roman monetary system, see W. V. Harris, "A Revisionist View of Roman Money."

[2] Thuc. 1.18.2: "κοινῇ τε ἀπωσάμενοι τὸν βάρβαρον, ὕστερον οὐ πολλῷ διεκρίθησαν πρός τε Ἀθηναίους καὶ Λακεδαιμονίους οἵ τε ἀποστάντες βασιλέως Ἕλληνες καὶ οἱ ξυμπολεμήσαντες. δυνάμει γὰρ ταῦτα μέγιστα διεφάνη: ἴσχυον γὰρ οἱ μὲν κατὰ γῆν, οἱ δὲ ναυσίν."

[3] Barry O'Halloran, *The Political Economy of Classical Athens*, 57-69.

[4] David M. Pritchard, "Public Finance and War in Ancient Greece."

arms race based around a transition between the older, smaller penteconter to the newer and much larger triremes.[1] Athenians, in particular, had to compete with the Persians for control of the Aegean in order to protect the grain imports upon which they had become dependent by the 6th century.[2] The development of an increasingly professionalized and capital-intensive navy catalyzed the development of a coinage economy because of the fact that the scale of organization had now exceeded the "traditional" funding structure of what essentially amounted to the distribution of plunder between a pirate captain and his crew.[3]

The chronology of the Athenian coinage has been the subject of considerable confusion and debate. The first stumbling block is the reference in the Solonic laws of the early 6th century to "drachmas," which were traditionally interpreted as referring to the coins of that name, but which must be weight-drachmas rather than coin-drachmas.[4] The next puzzle is the dating of the transition between the two major phases of the city's coinage: a first phase, referred to as the wappenmünzen or "badge-money," which have rather variable purities and were issued in a variety of types, and the second and main phase of tetradrachms known as "owls."[5] These "owls" are notable because of their high purities, consistent weights, and highly

[1] Franz Steiner Verlag, "Athenian Mines, Coins, and Triremes."
[2] Susan Sherratt, and Andrew Sherratt. "The Growth of the Mediterranean Economy in the Early First Millennium BC." Alfonso Moreno. *Feeding the Democracy*. Edmund F. Bloedow, "Corn Supply and Athenian Imperialism."
[3] Richard Seaford, *Money and the Ancient Greek Mind*, 67.
[4] Gil Davis, "Dating the Drachmas in Solons Laws."
[5] This transition mirrors that in English monetary history between the highly variable Saxon coins and the more consistent coins after Henry II. The system of variable coins and the *renovatio monetae* will be considered in detail in future work.

conservative design, which remained unchanged for around three and a half centuries.[1] And unlike the issues of most other Greek cities and the earlier wappenmünzen, they are found in a widely dispersed geographical area throughout the Aegean basin and the Near East, indicating that the later Athenian coinage was not simply a domestic affair but an internationally circulating money. The traditional view was to try to make the wappenmünzen series stretch all the way back to Solon, and to attribute the introduction of the owls to Peisistratus in the middle of the 6th century. A more modern consensus, which has pushed forward the dating of the earliest coinages by about a century, holds that the wappenmünzen were probably introduced under Peisistratus, and the owls sometime after. The debate now hinges on whether the owl tetradrachms were produced under one of Peisistratus' sons, probably Hippias, or whether this transition took place after the overthrow of the tyranny in 510 b.c. W.P. Wallace argued for the dating of the first owls to after 510,[2] while John Kroll and Colin Kraay argued for a slightly earlier date during the reign of Hippias some ten or fifteen years earlier.[3] Peter Bicknell offered an intriguing version of this latter view, which was that

> Hippias, shaken by the assassination of Hipparchos in 514/13, and fearing that the nobles he had exiled would instigate foreign intervention against the

[1] Darel Tai Engen, "'Ancient Greenbacks.'"
[2] W. P. Wallace, "The Early Coinages of Athens and Euboia."
[3] John H. Kroll, "From Wappenmünzen to Gorgoneia to Owls." Colin M. Kraay, "The Archaic Owls of Athens."

> regime, began to take every conceivable measure to consolidate and popularise his rule. One step taken was to abandon the wappenmünzen coinage in favour of one whose reverse and obverse types were truly national and patriotic. At the same time the tyrant endeavoured to humour his supporters… by issuing fractions which played up to local patriotic pride. When the tyranny fell the restoration oligarchy continued to mint the owls which Hippias had originated.[1]

The down-dating of the wappenmünzen-owl transition after the abandonment of the attempt to somehow connect the Athenian coinage to Solon has brought the origin of the owls closer to another crucial set of events in the later 6th century: the tyrannicides of 514 and the final fall of the tyranny in 510. Some connection with these events seems plausible and even unavoidable, especially because Hippias — like Dionysius of Syracuse — is remembered by Pseudo-Aristotle as a manipulator of coinage.[2] The consensus of the numismatists is, however, against Wallace, as the evidence of the hoards seems to make a date of 510 for the first owls somewhat too late.

The basic data to be made sense of are these: 1) the wappenmünzen didrachms, varying in purity and type; 2) the "late" wappenmünzen with gorgon heads, including a larger tetradrachm denomination, which are more prominent in the

[1] Peter Bicknell, "The Dates of the Archaic Owls Belonging to Seltman's Groups H and L."

[2] Arist. Econ. 1347a: "τό τε νόμισμα τὸ ὂν Ἀθηναίοις ἀδόκιμον ἐποίησε, τάξας δὲ τιμὴν ἐκέλευσε πρὸς αὐτὸν ἀνακομίζειν: συνελθόντων δὲ ἐπὶ τῷ κόψαι ἕτερον χαρακτῆρα, ἐξέδωκε τὸ αὐτὸ ἀργύριον."See Roderick T. Williams, "The 'Owls' and Hippias," 6.

hoards than the other issues; 3) the early owls, which share technical characteristics with the gorgon tetradrachms; 4) a group of "bad" owls which are poorly struck and of less consistent weight. Bicknell places the first owls after 514, which he attributes to the desire of a "shaken" Hippias to reform himself and his money in order to appease his political enemies. But there is no necessary reason to suppose that the earliest owls were actually minted in Athens, under the aegis of the current possessor of the acropolis. Rather, it seems more plausible to suppose that the first owls were indeed minted around 514 — but by Cleisthenes and the Alcmeonids at Delphi rather than under Hippias in Athens itself. If the owls are really the coins of Cleisthenes and the tyrannicides, then there is no longer a puzzle about why the restoration government should have continued minting the same new coins so recently adopted by its enemy. The "bad" owls, for their part, might plausibly be connected to the instability of the early years of the new post-tyrannical regime, and in particular with the pro-oligarchic Spartan invasions in 508 and 506.[1] Thus, the Athenian civil war of 514-510 between the Peisistratid tyrants and their Alcmeonid opponents shows up in the evidence of the coins as a showdown between the gorgon and the owl, out of which the owl emerges victorious.

The gorgon wappenmünzen, for their part, are the most common wappenmünzen precisely because they are the last of the Peisistratid issues, and were therefore never melted down and recoined as part of a periodic demonetization of old coins and a

[1] Bicknell, 177.

change of the current type, since this practice was abolished along with the tyranny. Thus, the war between the gorgons and the owls was in one respect a war between good money and bad money, or between two different models of sovereignty. The tyrannical constitution of the Peisistratids was a bad money constitution that tried to force the acceptance of highly variable coins at standard nominal values, and which therefore produced coins that represented sovereignty to the inside — the coins bear no sign of the city itself, because everybody knows what city they are in; instead, the charakter or type of the coin serves merely to distinguish current coins from old, demonetized coins. What, then, of their successors and their owls? It must be remembered, of course, that the question of what sort of regime will succeed Hippias is not totally settled in 510, and the victory of the "democratic" constitution under Cleisthenes is solidified only after the defeat of the "oligarchic" one under Isagoras. If my supposition about the dating of the "bad" owls is correct, these coins are themselves a symptom of this constitutional tension between democracy and oligarchy as uneasy allies against tyranny. Thus, I suggest, the "badness" of the bad owls can be understood as the "price" of democracy as a constitution that situates itself "in the spread" between oligarchy and tyranny.[1] It is the price that the Athenian democrats found it necessary to pay, after enlisting the aid of a foreign pro-oligarchic power against tyranny at home, in order to avoid falling under the sway of a foreign-dominated oligarchic constitution in turn. The democrats had enlisted Spartan aid in

[1] Claire Taylor, "Economic (In)Equality and Democracy."

order to expel the tyrant, in no small part because of his "abuses" of the monetary system — after which the coinage had been set on a new and more stable footing. But it would not be possible to defend absolutely this new standard without giving up the funding power necessary to ensure the territorial integrity of Athenian space against the more internationally oriented oligarchy. Thus, the "badness" of the bad owls, as the emergency money of the democracy, represents a sort of middle point between the ultimate badness of the tyrant's money, in which the relation between nominal and intrinsic values begins to approach a point of pure arbitrariness, and on the other hand the ultimate goodness of the oligarch's money, which is in its most ideal form not even a coin at all but merely a lump of metal.

If oligarchy and democracy are uneasy allies against tyranny, then the problem is that, in asserting itself against the oligarchy, the democracy is in danger of becoming indistinguishable from the tyranny it has just overthrown. The assertion of a sovereign territorial space involves a "scandal" that is mirrored in the isomorphism between coinage and elite kinship that I have been exploring in this work: the trend toward tyranny is a movement towards money's "inside option" or pure arbitrary legal valuation, and it is at the same time a trend towards the establishment of patrilineal succession and the monopolization of the ruling power by a single aristocratic family against the others (like Laius, Peisistratus attempts to restrict his sexual activity with his wife, the daughter of Megacles, to acts which are "against the

nomos")[1]. In rejecting the consolidation of the ruling power into a single patriline and the arbitrary monetary interventions of the tyrant, however, the democracy finds itself faced with a dilemma on both fronts. Though it rejects tyranny as the limit case or zero point of the turn towards the inside, the democracy must neither reject the patriline so absolutely as to open up the sovereignty to just anyone (a demagogue), nor reject the power of money's inside option so definitively as to render it incapable of funding its own security. But in both cases the democracy seeks a minimum: the least possible disruption of the monetary system that will still enable it to win the war securing its territorial integrity, and the least possible rejection of the patriline that will enable power to be shared between the different aristocratic families without also eliminating the basic social distinction between *agathoi* and *kakoi* or the noble and the base. It is in this basic context that classical Athens developed both its stable and internationally renowned owl coinage and its intense sequestration and control of citizen women.[2] These two phenomena are related by the fact that both are about control of the production and circulation of options on social power and the tension between the inside and outside of a territorial space.

Because of the fact that the democracy splits with its erstwhile oligarchical allies and does so by threatening to backslide into tyranny, tyranny and democracy look the same from the point of view of oligarchy, and the dividing line between oligarchy and

[1] Herod. 1.61: "οἵα δὲ παίδων τέ οἱ ὑπαρχόντων νεηνιέων καὶ λεγομένων ἐναγέων εἶναι τῶν Ἀλκμεωνιδέων, οὐ βουλόμενός οἱ γενέσθαι ἐκ τῆς νεογάμου γυναικὸς τέκνα ἐμίσγετό οἱ οὐ κατὰ νόμον."

[2] Steven Johnstone. "Women, Property, and Surveillance in Classical Athens."

its indistinguishable others is constituted by the fact that tyranny and democracy are both societies of the coin, while the oligarchy is not. Sparta, the great champion of the "Homeric" values and oligarchic constitutions, resisted the introduction of coinage until very late in its history, while its opponent, Athens, was the issuer of a famous and widely circulating international currency at the height of the power of its imperial democracy. The ideological problem that democratic Athens was faced with was therefore the problem of how to make a difference between the two societies of the coin, in order to defeat an oligarchic critique by showing that democracy is something distinct from tyranny. But in order for democracy to become something other than tyranny, it needs to undergo a learning process, since the democracy founds itself only in the defeat of the tyrants who introduced the coinage upon which the democracy's power will be based.[1] Thus, the democracy's ideological production — especially in the form of classical tragic drama — must seek to stage the aristocratic critique of the democracy as really just a tyranny, and then to respond to this critique by showing that the democracy is not a tyranny because it has learned from the foundational experience and been reformed. Thus, the rejection of the bad coins of Peisistratus and his sons can be rejected for the good coins (but which are, nevertheless, still coins) of the democracy ideologically as well as in fact.

[1] Julie Kindt, "On Tyrant Property Turned Ritual Object."

4.4: Apollo, the Expounder

In a moment, we will turn again to tragedy and explore its connection to this fundamental constitutional problem of the democracy as a society of the coin, which must find a way to make a difference between itself and the tyranny from which it emerges. But there is one more connection that we must draw first, which is the role in all these events of the oracle and the priestly city of Delphi. I have been suggesting that the power of the oracle must be seen as an alternative figure of sovereignty, but the oracle is not, in itself, a constitution: either a tyranny, an oligarchy, or a democracy. The oracle, from time to time, seems to support them all, and is even, moreover, a site of the mediation of foreign influence especially from the East.[1] It serves, therefore, as a site of ambiguity or indecision about the difference between inside and outside, Greek and non-Greek, and about the difference between the various constitutions that might rule over any given inside and shape its relations with the outside. This role of the oracle in history posed a special problem within the ideological production of the democracy — both in historiography, as in Herodotus, and in tragedy, as in Sophocles — because of the fact that the democracy owed its origin in the overthrow and replacement of the tyrant to the oracle's intervention. According to Herodotus, the Alcmeonids, following a failed invasion of Attica, returned to Delphi and did two things: first, they "lent themselves out for hire"

[1] Philip Kaplan, "Dedications to Greek Sanctuaries by Foreign Kings."

[*misthountai*] to the Amphictiony[1] to build the temple of Delphi (which, Herodotus says, was not yet there)[2], and second they "convinced the Pythia with money" [*anapeithon… chremasi*] to urge any Spartans who came to the shrine to liberate Athens.[3] As Bicknell argues, "what actually happened was that the Alkmeonidai used finance, supplied to them by the Delphic officials towards the cost of restoration, to offset the cost of Spartan military intervention against Hippias. Restored to Athens, the Alkmeonidai then, and only then, honored their Delphic contract."[4] Thus, the Athenian democracy is founded with the sanction and support of the oracle, against the tyrant… but the oracle has not always been an enemy of tyrants. Quite the opposite.

Delphi and its oracle, in fact, had a long history of good relations with tyrants in Greece, much as it did with Eastern kings like Gyges or Creosus.[5] In many of these stories, the oracle figures as a site at which treasure and power become fungible with one another: Gyges, for example, who is supposedly the first of the foreign kings to dedicate to the god at Delphi, showers the sanctuary with riches followings its arbitration in his favor after his overthrow of Candaules.[6] And of course, in the

[1] A league of cities surrounding the cult center who administered the sanctuary.

[2] Herod. 5.62: "ἐνθαῦτα οἱ Ἀλκμεωνίδαι πᾶν ἐπὶ τοῖσι Πεισιστρατίδῃσι μηχανώμενοι παρ᾽ Ἀμφικτυόνων τὸν νηὸν μισθοῦνται τὸν ἐν Δελφοῖσι, τὸν νῦν ἐόντα τότε δὲ οὔκω, τοῦτον ἐξοικοδομῆσαι."

[3] Herod. 5.63: "ὡς ὦν δὴ οἱ Ἀθηναῖοι λέγουσι, οὗτοι οἱ ἄνδρες ἐν Δελφοῖσι κατήμενοι ἀνέπειθον τὴν Πυθίην χρήμασι, ὅκως ἔλθοιεν Σπαρτιητέων ἄνδρες εἴτε ἰδίῳ στόλῳ εἴτε δημοσίῳ χρησόμενοι, προφέρειν σφι τὰς Ἀθήνας ἐλευθεροῦν."

[4] Bicknell, 178.

[5] Michael Scott, *Delphi*, 58.

[6] Herod. 1.13-14: " ἀνεῖλέ τε δὴ τὸ χρηστήριον καὶ ἐβασίλευσε οὕτω Γύγης. τοσόνδε μέντοι εἶπε ἡ Πυθίη, ὡς Ἡρακλείδῃσι τίσις ἥξει ἐς τὸν πέμπτον ἀπόγονον Γύγεω. τούτου τοῦ

received myth of the original figure of the Greek tyrant as such — Oedipus — it is the oracle and its prophecy that is the real agent in his rise to power. There was, very clearly, an association between Delphi and tyrannical constitutions in the 6th century that was re-imagined later on, once tyrannies had fallen into disrepute, by re-casting the oracle's relation to the tyrants as "foreseeing" both their rise to power and their downfall, thus creating the basic story pattern of the "self fulfilling prophecy."[1] We can understand this story-pattern as an apology for the oracle, in which its active support for constitutional innovations — including the rise of tyrannies — is recast as simply a "prediction" in which the oracle is not only excused from blame for its relations with tyrants, but actually endowed with increased moral and symbolic authority as a result of their failure. While the association of the oracle with tyrants could not be completely repressed, it was reframed in such a way as to vindicate the oracle by blaming the polis itself — and its internal dissension — as responsible for the rise of the tyrant (as opposed to the oracle, which merely predicted it), whose defeat (in fulfillment of the oracle) would in turn allow the "sublation" of the contradictions that had catalyzed his rise to power by means of a process of pedagogy and catharsis.

ἔπεος Λυδοί τε καί οἱ βασιλέες αὐτῶν λόγον οὐδένα ἐποιεῦντο, πρὶν δὴ ἐπετελέσθη. τὴν μὲν δὴ τυραννίδα οὕτω ἔσχον οἱ Μερμνάδαι τοὺς Ἡρακλείδας ἀπελόμενοι, Γύγης δὲ τυραννεύσας ἀπέπεμψε ἀναθήματα ἐς Δελφοὺς οὐκ ὀλίγα, ἀλλ' ὅσα μὲν ἀργύρου ἀναθήματα, ἔστι οἱ πλεῖστα ἐν Δελφοῖσι, πάρεξ δὲ τοῦ ἀργύρου χρυσὸν ἄπλετον ἀνέθηκε ἄλλον τε καὶ τοῦ μάλιστα μνήμην ἄξιον ἔχειν ἐστί, κρητῆρες οἱ ἀριθμὸν ἓξ χρύσεοι ἀνακέαται."

[1] H.W. Parke and D.E.W. Wormell, *The Delphic Oracle*, 115.

How can we understand the political power of Delphi and its oracle? Why does it come to play such an important role in Greek political life, such that it must be "apologized for" in the first place by saving its historical association with tyrants from the shift against tyrannical constitutions in the classical period? In strictly materialist terms, there is an obvious power associated with the sanctuary, which is a place richly endowed with both information and treasure.[1] But in order to be a source of information and treasure, Delphi must matter enough for people to travel there and make dedications — why? The question is not so much about why Delphi, in particular, come to play the role that it did, but rather why the role it came to play was necessary; as Irad Malkin puts it,

> the 'Men of Delphoi' apparently came to acquire 'special knowledge'… The process must not be viewed simplistically; the development was probably gradual and reciprocal. The more Delphoi was asked, the more it learned; the more it learned, the more Apollo's religious authority as the source of the law of the polis, and as god of the political and social order increased… The status, reputation, and social importance of Delphoi were greatly enhanced precisely because of the oracle 's support of successful changes… Delphoi had also become a sort of guarantor for the maintenance of the social order."[2]

Malkin's discussion can be supplemented, I suggest, by drawing the connection between Delphi as the emerging center of an iron-age international order in Greece and the development of a system of territorial and patrilineal sovereignty figured in the Oedipus myth: in the alternative tradition about Sphinx preserved by Pausanias,

[1] Frank Santi Russell, *Information Gathering in Classical Greece*, 89.
[2] Irad Malkin, "Delphoi and the Founding of Social Order in Archaic Greece."

the power of Delphi is represented as the power to confirm or deny the legitimacy of patrilineal descent, a role which it is also seen playing in regards to a dispute in Sparta over the paternity of Demaratos.[1] In a new order in which patrilineal descent, rather than matrilineal affinity, determines the succession of sovereignty, Delphi comes to the play the role of issuing the oracles on the basis of which Sphinx can, as J-P Vernant puts it, "test all the sons of the sovereign in order to distinguish the νόθοι [bastards] from the γνήιοι [trueborn]."[2]

The necessity of being able to decide between true offspring and false offspring — between true and false tokens of a type — is created by the fact that the succession of sovereignty by descent through the patriline introduces an information problem that is not present in succession by alliance through the matriline. Whether or not the king's daughter, whom his successor marries, is "really" his daughter does not matter, since it has no bearing on the determination of the successor's identity. What matters is the act of recognition by which the current king designates his successor through the marriage alliance. But in the case of patrilineal succession by descent, whether or not the son is "really" the son of the father matters in the sense that it changes the answer about who is designated by the rule of succession: if the one who claims the throne is shown to have a false claim, there might be others who have better ones.

[1] Herod. 6.66: "τέλος δὲ ἐόντων περὶ αὐτῶν νεικέων, ἔδοξε Σπαρτιήτῃσι ἐπειρέσθαι τὸ χρηστήριον τὸ ἐν Δελφοῖσι εἰ Ἀρίστωνος εἴη παῖς ὁ Δημάρητος. ἀνοίστου δὲ γενομένου ἐκ προνοίης τῆς Κλεομένεος ἐς τὴν Πυθίην, ἐνθαῦτα προσποιέεται Κλεομένης Κόβωνα τὸν Ἀριστοφάντου, ἄνδρα ἐν Δελφοῖσι δυναστεύοντα μέγιστον, ὁ δὲ Κόβων Περίαλλαν τὴν πρόμαντιν ἀναπείθει τὰ Κλεομένης ἐβούλετο λέγεσθαι λέγειν."

[2] J. P. Vernant, "From Oedipus to Periander."

The succession by patrilineal descent therefore "trumps" the discretion of the current king (or of the guardians of the royal heiress) to designate his successor through alliance by subjecting the descent to a genealogical rule of legitimacy, which removes it from the discretion of the current king to decide. Therefore, in a system in which the succession goes by descent through the patriline, there must exist some entity empowered to decide upon the rule of descent in such cases as it might come under dispute — and just as this role was played by the Church in medieval Europe, it was played by the oracle at Delphi in archaic Greece.[1] The introduction of the oracle into the myth of Oedipus is therefore not simply a contingent narrative accretion: if the incest of Oedipus is the founding act of patrilineal sovereignty, the rise of the power of the oracle is its necessary consequence. The tyrant is a figure of sovereignty, it is true — the tyrant is the one who decides. But the emergence of the tyrant as the sovereign of the patriline opened up, as a sort of logical and historical consequence, a counter-power or a shadow sovereignty: the oracle, who decides upon the identity of the one who decides by being empowered to adjudicate disputes about the fundamentally unobservable question of the legitimacy of descent.

The sovereign decides, but who decides who decides? In the system of patrilineal sovereignty, in which the difference between true and false heirs becomes unobservable in principle, the price of consolidating territorial space against the influence of foreign kinship structures is to turn every succession into a succession

[1] Robert Parker, "Greek States and Greek Oracles."

crisis. There always remains the possibility that the women have been incompletely sequestered and surveilled, and that an imposter has made his way into the royal bedroom to father a usurper — simply put, the descent of sovereignty by patriline opens up the possibility of civil war on the grounds of accusations of cuckoldry and illegitimacy. It is not the fact of the matter that really "matters," but simply the possibility of dissension at all, the threat that there might be rivals who raise such doubts for their own purposes — thus, for Hobbesian reasons, it becomes preferable for everyone to avoid the civil war by submitting the question to arbitration by a third party. Having the correct decision is in many ways less important, from the perspective of the stability of the social order, than having a well-designated and unambiguous decision, correct or not. Thus, the oracle figures what Schmitt tried to repress in his theory of sovereignty, which was simply his own role — both theoretical and historical — in the designation of the decider: the role of the jurist or exegete in the interpretation of the law and its application towards the designation of a person. The power of the exegete is a power that must deny itself in its own utterance: it must not be admitted that the interpretation is itself a decision, without leading to a "bad infinity." What is repressed in Schmitt, therefore, is the split between the subject and object of the designation of sovereignty, and the necessary activity of the exegete in formulating the utterance that designates it.

In archaic Greece, this role was played by the god Apollo at Delphi, who was, as Malkin puts it, "the divine exēgētēs (expounder), the mediator between the world-

full-of-gods and man… Hence Apollo was recognized as the god who authorized decisions, interpretations and solutions in the face of changing circumstances."[1] Perhaps most paradigmatically, the oracle was involved in the foundation of new colonies through its role in the designation of the *oikist* or the founder of the new city, who

> consulted the oracle as if on his own behalf; this was probably because of the particular nature of Greek *apoikiai* ('colonies') which were usually politically independent. Apollo could not have addressed the mother city as such, since it was not to own the colony, but on the other hand he could not have prophesied to the as yet non-existent colony. Only to the *oikist*, the one with powers to make the potential colony into an actual community, could the divine promise be made. Delphoi thus provided Greek colonies with their own point of reference in their past, independent of their mother-cities."[2]

The mediation of Apollo thus served as a replacement for an international system based on kinship: it allowed colony and mother-city to maintain a relation to one another that was not a relationship of ownership or subjection, and which would therefore provide for the conditions of relation between multiple independent territorial sovereignties without threatening — as the bronze age system of intra-Mediterranean aristocratic kinship had done — to elide one into the other through alliance and consolidation. But this process required the mediation of the *oikist* as a leader endowed with plenipotentiary power: an *autokrator* "who combined in his

[1] Malkin, 129.
[2] ibid., 134.

person the various functions of king, religious leader, military commander, and legislator. The *oikist* would follow the whole process of foundation" in which "the city-state was formed "all entire in a day… conceived of and planned from its foundation as a complete unit."[1]

The problem, of course, is that if it can be done in the colonies, it can be done at home as well; thus, "Delphoi's involvement in political reform was not altogether different from its role in colonization since both the *oikist* and the political reformer acted as founders of a new social order… the comprehensive reordering of the society, of its civic divisions, and the transformation of its institutions."[2] The "*oikist* at home" is a reformer, or a tyrant, or both; a ruler who claims for himself the power to re-order society by annihilating the "organic" constitution as a product of historical accretion and replacing it with one imagined anew from first principles (*ex arkhēs*).[3] The involvement of the oracle is necessary to legitimize such changes, especially when they involve the reorganization of structures of kinship: "Solon worked closely with Delphoi at least on one reform, which aimed to break the religious monopoly of the aristocracy through the creation of the board of *exēgētai pythochrēstoi*": 'pythia-anointed expounders' "on matters of religion and cult, who were 'chosen by Apollo' from a select list given to the Pythia," whose nomination therefore "did not necessarily follow genealogical guidelines and whose responsibility was to the state

[1] ibid., 132-3.
[2] ibid., 136.
[3] Jacques Derrida, T*he Beast and the Sovereign, Volume I*, 344.

as a whole," in "contrast to the older 'exēgētai of the Eupatrids', the expounders from among the aristocratic clans who supposedly had held the monopoly on religious exegesis."[1] If Solon's reform "anticipates" the coming of the democracy, then we can see how democracy might seem even more radical than the tyranny: if the aristocratic clans allowed the sovereignty to be monopolized by a single "royalizing" patriline, they nevertheless reserved for themselves, through their control of the religious offices, the power of exegesis or the right to expound, which might serve to limit the tyrant by holding back the option to decide on the legitimacy of his descent. Solon, by showing that the plenipotentiary powers of the *autokrator* might be used even to reorganize kinship itself and thereby establish the exegetical power on a basis independent of genealogy, can just as easily be seen as radicalizing the movement towards tyranny rather than acting to contain or restrain it.

Democracy and tyranny look the same from the point of view of oligarchy because of the fact that both of these constitutions involve a ruptural reorganization through which political power intervenes in an "arbitrary" fashion into the claims of both credit and kinship. In the first place, there is the scandal of the coin, which opens up an indecision about whether "what is really owed" is a matter of nominal or intrinsic value.[2] And in the second there is either the founding act of incest through which the patriline forces itself into identity with the matriline, in the case of the tyranny, or there is, in the case of the democracy, one which amounts to the

[1] Malkin, 141.
[2] c.f. Plat. Rep. I.

legitimation of bastardy, through the establishment of the "tribes" that grant the dignity of the patriline to those who have not truly inherited it. Cleisthenes, by creating the tribes and thus enacting the "substitution of locality for birth as a basis for citizenship," simply carried forward the movement initiated by Solon towards the subordination of the genealogical principle to the raison d'état of a territorially oriented sovereignty.[1] Cleisthenes, says Pseudo-Aristotle, wanted to "mix up the people" [*anameixai*], and it is for this reason that he chose to make ten tribes rather than twelve, since it would then be impossible to divide the existing four tribes evenly into the new ones; otherwise, "it would not have fallen out that the multitude would be mixed up."[2] The division into ten makes it geometrically impossible to replicate the old social order in terms of the new one without remainder, thus ensuring that what falls out of his re-organization of the basic social divisions of the polis cannot reproduce the lineages of the past.[3] In this way, the democracy makes itself appear tyrannical, and it is therefore an apology for this tyranny that must be mounted at the level of its ideological production, if the democracy is to make a different between itself and what came before.[4]

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[1] Donald W. Bradeen, "The Trittyes in Cleisthenes' Reforms."

[2] Arist. Ath. Pol. 21: "ἐπὶ Ἰσαγόρου ἄρχοντος, πρῶτον μὲν συνένειμε πάντας εἰς δέκα φυλὰς ἀντὶ τῶν τεττάρων, ἀναμεῖξαι βουλόμενος, ὅπως μετάσχωσι πλείους τῆς πολιτείας: ὅθεν ἐλέχθη καὶ τὸ μὴ φυλοκρινεῖν, ¸ πρὸς τοὺς ἐξετάζειν τὰ γένη βουλομένους. ἔπειτα τὴν βουλὴν πεντακοσίους ἀντὶ τετρακοσίων κατέστησεν, πεντήκοντα ἐξ ἑκάστης φυλῆς. τότε δ' ἦσαν ἑκατόν. διὰ τοῦτο δὲ οὐκ εἰς δώδεκα φυλὰς συνέταξεν, ὅπως αὐτῷ μὴ συμβαίνῃ μερίζειν πρὸς τὰς προϋπαρχούσας τριττῦς. ἦσαν γὰρ ἐκ δ# φυλῶν δώδεκα τριττύες, ὥστ' οὐ συνέπιπτεν ἂν ἀναμίσγεσθαι τὸ πλῆθος."

[3] Bob Develin and Martin Kilmer, "What Kleisthenes Did."

[4] Vincent J. Rosivach, "The Tyrant in Athenian Democracy," 43.

4.5: The Ethics of Austerity

The genre of tragic drama is uniquely suited to exploring problems of monetary order because it was originally developed as a key component of the ideological production of the Athenian democracy, which found itself wrestling with constitutional problems posed by its commitment to naval power and monetization that this commitment made necessary.[1] This problem was, basically, the problem of the minimum price that had to be paid in terms of "debasing" both kinship and the coin in order to secure the territorial sovereignty of the polis against rivals polities both Greek and Persian. This power — which is really the power to falsify signs, or to undermine the distinction between counterfeit and authentic tokens of a type[2] — was the necessary ground of what the Athenians called "freedom," but it also had to be contained to a minimum in order to avoid the ever-present possibility that it might creep towards its limit point of tyranny at which the connection between signs and referents, the difference between the noble and the base, and thus the basic coordinates of social inequality threatened to collapse into disorder.[3] This is the basic gesture of the reactionary "Platonic" critique of democracy, which inverts the actual historical development of the Athenian polity by concluding the tyranny must come to exist by arising out of a

[1] P. J. Rhodes, "The Organization of Athenian Public Finance."
[2] Leslie Kurke, "'Counterfeit Oracles' and 'Legal Tender,'" 426.
[3] Alexander Hollmann, "The Manipulation of Signs in Herodotos' Histories."

democracy.[1] "Tragedy is a high-culture genre now in the West," as Bonnie Honig argues, "but in fourth-century Athens, it was a more undecidable thing: low culture in its association with the democracy that birthed it and therefore a cause of concern to conservative critics like Plato, but nonetheless available to be seen as partial to elites in its airing of critiques of democracy."[2]

By insisting on a reading of tragic drama as airing and then resolving a critique of democracy, Honig offers a useful correction to what has become the "mainline" reading of *Antigone*, which casts its title character "as a metaphor of dissidence as such."[3] Honig rightly observes that readers of the play who emphasize notions of "rupture" and "resistance" actually reproduce the gesture of the "democratic hegemony" that "refuses to see Antigone as a metonymic marker of a rival worldview and casts her instead as outside order altogether. This is hegemony's tactic — to act as if it has no rivals." Instead, Honig much more fruitfully reads *Antigone* as a voice of what she calls the "Homeric" critique of democracy, or the critique of democracy from the perspective of the traditional aristocracy (at which point, the stakes of taking Antigone as a political role-model or ego-ideal change quite drastically)[4]. According to Honig, older readings of the play have failed to understand the way that the conflict

[1] *Plat. Rep.* 8.562a: "φέρε δή, τίς τρόπος τυραννίδος, ὦ φίλε ἑταῖρε, γίγνεται; ὅτι μὲν γὰρ ἐκ δημοκρατίας μεταβάλλει σχεδὸν δῆλον."

[2] Bonnie Honig, *Antigone, Interrupted*, 93.

[3] Bonnie Honig, "Antigone's Laments, Creon's Grief," 29.

[4] Lacan: "Antigone is the heroine. She's the one who shows the way of the gods. She's the one, according to the Greek, who is made for love rather than for hate. In short, she is a really tender and charming little thing, if one is to believe the bidet-water commentary that is typical of the style used by those virtuous writers who write about her." Jacques Lacan, *The Ethics of Psychoanalysis*, 262.

between Antigone and Creon enacts a conflict between the "aristocratic" and "democratic" viewpoints because Creon seems to act as a "tyrant," rather than a "democrat." But as Honig points out (and for reasons that we have already developed in some detail), the difference between tyranny and democracy is a difference that appears only from the democratic perspective itself — from the aristocratic perspective, they are the same, and their identity lies in the conflict that is at the heart of the play:

> The democracy's generally excessive violation of the bounds of the permissible when it comes to the treatment of the dead… The play airs the charge that the democracy disrespects the dead, tout court. From a Homeric or aristocratic perspective, what Creon did in this exceptional case was not atypical of what was routinely done in Periclean Athens: The bodies of the dead were treated improperly, their ashes thrown into communal coffins."[1]

Central to Honig's analysis of the conflict of the play is an opposition between two "excessive" attitudes towards the dead: on the one hand, the threnos or the excessive wailing of professional women mourners that was outlawed by Solon, and on the other the excessive impiety of Creon's subsumption of the obligation to the dead completely into the politics of enmity and raison d'éat.[2] The conflict or impasse between these two modes of excessive treatment of the dead is a conflict between an excess of particularity and an excess of equivalence: while the aristocratic mourning of the dead places too much emphasis on the absolute uniqueness of the dead hero,

[1] Bonnie Honig, *Antigone, Interrupted*, 25.
[2] Larry J. Bennett and Wm. Blake Tyrrell. "Sophocles' Antigone and Funeral Oratory."

the democratic mourning renders the dead completely anonymous and interchangeable, even to the point that their ashes are mingled in the tomb.

The most compelling moment of Honig's reading is her analysis of Antigone's famously strange statement that "a husband dead, there might have been another. A child by another too, if I had lost the first. But mother and father both lost in the halls of death, no brother could ever spring to light again."[1] Readers of the play have had such difficulty in making sense of this assertion that they have even doubted its authenticity. But Honig persuasively suggests that the utterance is intended to be a sarcastic one, and is in fact a mockery of a notion that would show up a little later in the Funeral Oration of Pericles, who suggested during his mass elegy for the nameless dead of Athens that "children who may hereafter be born" will make the bereaved parents "forget their own lost ones, but the city will be doubly a gainer. She will not be left desolate and she will be safer."[2] Thus, Honig suggests, we can read Antigone here as making a parody (*avant la lettre*) of Pericles, mocking the "slim consolations" of the Funeral Oration at the same time that she demonstrates that this flimsy excuse is not even enough to justify, at a general level, the disrespect for the dead inherent in the democracy itself. The Funeral Oration that eulogized the Athenian dead as such, rather than the aristocratic dead in particular, was a cultural innovation specific to the

[1] Soph. Ant. 909-12: "πόσις μὲν ἄν μοι κατθανόντος ἄλλος ἦν, καὶ παῖς ἀπ' ἄλλου φωτός, εἰ τοῦδ' ἤμπλακον, μητρὸς δ' ἐν Ἅιδου καὶ πατρὸς κεκευθότοιν οὐκ ἔστ' ἀδελφὸς ὅστις ἂν βλάστοι ποτέ." Here, I use the translation found in Honig.

[2] Thucydides II.44

democracy.[1] The logic of the Funeral Oration, as opposed to that of the aristocratic funeral cult it replaced, served to make the dead fungible: not only with one another, but with those not yet born. The symbolic move of the democracy is to metaphorize the dead, such that the dead become signs of the city itself; against this, Antigone finds a crack in the metaphorizing logic of Pericles — the fact that a child of dead parents cannot be replaced — in order to reassert, by contrast, the "Homeric" metonym of lineage as a succession of proper names.

This struggle over the ownership and control of the funerary rite is a symptom of the tension between the democracy and the aristocrats, since, as S.C. Humphreys argues, "Obligation to perform burial rites was closely associated in Attica with inheritance… a man who intended to put in a claim to an estate tried also to take charge of the deceased owner's funeral."[2] The significance underlies the tension at the heart of *Antigone*, between Creon's assertion of the right of the ruler to intervene into funerary rites — and thus, by implication, into inheritance — based on a political distinction between friends and enemies that takes precedence over the genealogical distinction between true and false sons. Oedipus has two sons, who are both true sons, but one of them is a friend of Thebes and the other an enemy, and it is Creon who attempts to assert that this is a distinction with a difference, while Antigone resists him by denying it. Oedipus is the tyrant who imposes the patriline into the heart of sovereignty through his act of incest, thus putting a halt to the matrilineal succession

[1] Nicole Loraux, *The Invention of Athens*.
[2] S. C. Humphreys, "Family Tombs and Tomb Cult in Ancient Athens."

that rotates the sovereignty between the clans — but even the patriline cannot remain stable or identical itself. It is, rather, riven by the problem of brothers, who cannot successfully share the sovereignty even within their own clan, and who annihilate one another in a perfectly symmetrical violence that both mirrors and cancels out the symmetry of the incest that produced them: "We two are bereaved," Isemene laments, "of our two mother-born brothers, / Dying in one day by a double hand."[1] Despite the best efforts of Oedipus to unite the succession into a single line, the one becomes two and thereby annihilates itself — particle and antiparticle — leaving things once again where they began, with Creon, who is now again the guardian of the royal heiress(es).

In attempting to assert an autocratic power over the sanctity of the funerary right, and in working to claim the sovereignty for his own lineage through the marriage of his son Haemon to one of the daughters of Oedipus (which one does not really matter, as Creon makes it clear to Ismene: "You'll put an end to your own son's bride?" "Aye, there's other fields for plowing")[2] Thus, at the beginning of the play, Creon is merely trying to replace the tyranny of the house of Cadmus with a tyranny of the house of Echion. In order to be reformed, and thus enact the "learning process" by which the democracy performs its renunciation of its inner movement towards tyranny, he must tutored through humiliation by the power of the oracle, in the figure of the seer Teiresias. The confrontation between the seer and the would-be tyrant is a

[1] Soph. Ant. 13-14: "δυοῖν ἀδελφοῖν ἐστερήθημεν δύο, μιᾷ θανόντοιν ἡμέρᾳ διπλῇ χερί"
[2] Soph. Ant. 568-9: "Ἰσμήνη: ἀλλὰ κτενεῖς νυμφεῖα τοῦ σαυτοῦ τέκνου; Κρέων: ἀρώσιμοι γὰρ χἀτέρων εἰσὶν γύαι."

conflict between coinage and credit, between national and international money, or between the two possible kinds of "excess" involved in monetary affairs: either there will be the excess of default, in which the creditor gets back less than they gave (as they would, for example, when receiving debased coin) or there will be the excess of interest, in which the creditor gets back more than they gave (and thus engages in "unnatural generation"). Thus, they each accuse each other of greed: "Creon: All you prophets are a money-loving breed. Teiresias: "Yet all the tyrants love to profit shamefully."[1] (1055-6) While the priest and the tyrant mirror one another in their accusations of greed, however, the sources of their illegitimate profits are figured differently. The tyrannos Kreon opens his speech against Teiresias by complaining that the mantis has shot arrows at him "like archers at a target,"[2] thereby invoking the "archer" of Darius, the dominant gold coin of international money in the mid 5th century (1034).[3] This allusion to the "archer" coins cannot be an accident, since the theme of gold is immediately continued: "Oh you old man, all you people snipe at me like archers at their mark, / And not even I am unprofitable to your prophesying; / I've long been trucked and bartered [*exēmpolēmai kampephortismai*] by your kind. / Make your profits! Trade that silver-gold from Sardis, / If you like, and that Indian gold…" The priest Teiresias is accused of making a profit by means of his connection

[1] Soph. Ant. 1055-6: "Κρέων: τὸ μαντικὸν γὰρ πᾶν φιλάργυρον γένος. Τειρεσίας: τὸ δ' ἐκ τυράννων αἰσχροκέρδειαν φιλεῖ."

[2] Soph. Ant. 1033-5: "ὦ πρέσβυ, πάντες ὥστε τοξόται σκοποῦ τοξεύετ' ἀνδρὸς τοῦδε, κοὐδὲ μαντικῆς ἄπρακτος ὑμῖν εἰμι."

[3] Cindy L. Nimchuck, "The 'Archers' of Darius."

with and information about the outside; Teiresias is "plugged in," he knows people in other place, other priests at other temples, and being plugged in means that he can benefit from playing the spreads, from knowing the difference between prices here and prices there. The mantis, for his part, paints a slightly different picture when he raises the image of a plated coin: "Look and see if I say these things because I'm silver-plated; / It won't be long before the wailings of men and women in your house / Will test my metal [*phanei*… *tribē*]."[1] By declaring that his own metal is good, as will be revealed by the rubbing of a metaphorical touchstone,[2] Teiresias implies that this might not be true of Creon: whereas time is on the side of the priest, such that it can never wear away his gilding to reveal the falsity below, the same is not true of the tyrant, who is simply waiting for the inevitable punishment for his crimes at the hands of fate. The priest may profit from the fact that prices are different in different places, that is true; but what they tyrant does is far worse, since he seeks to profit from the fact that a price might be different in the same place at once when he declares that his money is worth more than it really is by coating a debased core with a gilded covering.

In putting things this way, Teiresias is turning Creon's own words against him: in his opening speech at which he announces and justifies his decision to refuse burial to Polynices, Creon had begun by invoking the principle that the worth of a person is

[1] Soph. Ant. 1077-9: "καὶ ταῦτ' ἄθρησον εἰ κατηργυρωμένος λέγω: φανεῖ γὰρ οὐ μακροῦ χρόνου τριβὴ ἀνδρῶν γυναικῶν σοῖς δόμοις κωκύματα."

[2] Williamm Ridgeway, "How Far Could The Greeks Determine The Fineness of Gold and Silver Coins?"

proven by experience, likened to a truth that is revealed by rubbing: "It is impossible to fully learn the mind of any man, / Either his purpose or his judgment, / Until he's revealed by the rubbings [*entribēs phenēi*] of rulings [*archais*] and laws [*nomoisin*]."[1] First, we must note the opposition between *archē* ("sovereignty" or "rule") and *nomos* ("law" or "custom"): here, Creon attempts to conflate the opposition between sovereignty and the law through conjunction, as though to speak of *archē te kai nomos* were redundant. Thus, he sets himself up to learn, later on and as an outcome of his suffering, that this is not in fact the case, that while archē may be "first" it is not the "beginning," since it depends upon and is grounded by the nomos. But we must also notice the word *entribēs*, echoed later on by Teiresias, which refers literally to the act of "rubbing" in the context of assaying metal with a touchstone[2], and the phrase can be rendered more literally as "until he, having been assayed by rubbing with the rules and laws, appears [as what he is]."[3] It is precisely such a test by rubbing that would reveal the falsity of a silver-plated coin, and so Teiresias, with his implication that he, unlike Creon, can "stand up" to the test, is in effect implying that Creon will fail in terms of his own explicit standards. And to "fail in terms of one's own standard," of course, is one way of describing the overvaluation of a coin, in which the ruler proclaims a (theoretical) standard and then fails to actually live up to it intrinsically.

[1] Soph. Ant. 175-7: "ἀμήχανον δὲ παντὸς ἀνδρὸς ἐκμαθεῖν ψυχήν τε καὶ φρόνημα καὶ γνώμην, πρὶν ἂν ἀρχαῖς τε καὶ νόμοισιν ἐντριβὴς φανῇ."

[2] Liddel & Scott, s.v. *entribēs*

[3] I am indebted to Brett Rogers for bringing this term to my attention.

The attempt of the democracy to defend itself against the critique of the aristocracy leads it to the problem of sovereignty, or the question of the relationship between rulership and the law, which brings us in turn to the question of what exactly is meant by *nomos* ("law") as the root of *nomisma* ("currency"). Chartalists, who wish to see money as the "creature of the state," have found support for their view in the fact that "when Aristotle referred to money he called it nomisma… suggesting that the value of money was not based upon its intrinsic characteristics, but rather upon usage, convention and law."[1] But to render nomos as "usage, convention, and law" in support of the idea that money is a creature of the state is to beg the question of the relation between the state and the nomos: is the nomos a creature of the state, or is the state a creature of nomos? To argue, as the chartalists do, that the law is a creature of the state is to reduce the concept of nomos to the category of positive law: the notion is that "law" is essentially just "legislation," which is to say that the law is whatever the state writes down.[2] As Edward Harris has pointed out, however, such a reading would fundamentally misconstrue the meaning of nomos as it operated in classical Greek thought and as the object of contestation of Antigone. As he observes, a careful distinction is maintained in the play between words derived from the root *kerygma* ("order" or "proclamation") and those derived from *nomos*: while the Chorus refers to the proclamations of Creon as *nomoi* (213), Antigone consistently

[1] Alla Semenova, "The Origins of Money," 87.
[2] Ritu Birla, "Performativity Between Logos and Nomos."

refuses to do so.[1] Thus, in her speech at 450-70, she insists that there is a difference between disobeying orders (which she has done) and breaking the law (which, she insists, she has not), and her language is very careful: the speech repeats three times the opposition between the *kerygmata* issued by Creon and the *nomoi* that "are not for now or yesterday, but live forever; / And no-one knows from where they first appeared" (456-7).[2]

Harris' analysis offers a useful corrective to Hegel-derived readings of the play that begin with the framing assumption that the "claims" of Antigone and Creon represent a conflict between two distinct spheres with equal but incompatible justifications: Creon represents the legitimate claims of the state, while Antigone represents the legitimate claims of the family, and the problem therefore is how these mutually irreconcilable but equally valid claims can be sublated into a harmonious resolution. But as Harris insists, the Greeks did not distinguish between different types of law, and the opposition between kerygma and nomos cannot be subsumed under the modern European distinction between positive law on the one hand and natural (or divine) law on the other. The nomos is not something separate from the *kerygma*, representing "another sphere": rather, the *nomos* is the grounding condition of the legitimacy of legislation, or the criterion by which the legality of legislation can be judged. It is thus perfectly possible for legislation to be illegal, in the sense of

[1] Edward M. Harris, *Democracy and the Rule of Law in Classical Athens*, 44.

[2] Soph. Ant. 456-7: "οὐ γάρ τι νῦν γε κἀχθές, ἀλλ' ἀεί ποτε ζῇ ταῦτα, κοὐδεὶς οἶδεν ἐξ ὅτου 'φάνη."

being a *kerygma* that violates the *nomos*, and it is in these terms that Antigone condemns the actions of Creon. As Harris observes, the possibility that legislation might violate the law (and that there might therefore be an inherent ambiguity in the notion of *nomos*) led the Athenians to make a distinction between "laws" and "established laws" (*kathestōtas nomous*) that was operative in the oaths pledged by the Ephebes or military trainees: the Ephebes pledge to obey "the established laws" without qualification, but must obey laws enacted in the future only if they are issued "prudently."[1] Thus, the fact that the *nomos* — and especially the *agraphos nomos* or "unwritten law" invoked by Antigone — is a general principle, accessible to all citizens, that is the grounding condition for the legitimacy of legislation, and that legislations might thus be themselves illegal, was built in to the very structure of Athenian military discipline. Laws already in place were assumed to be in conformity with the nomos, but the possibility that future laws might not be, and would thus not really have the force of law, was a fundamental and explicitly articulated assumption.

It is this lesson that Creon learns, near the end of the play, after his rebuke by Teiresias. "My opinion has reversed itself," he concedes; "I'm afraid that it is best to spend one's life / In preservation of the established law."[2] This moment in which Creon "learns his lesson" is the only place in the play at which the phrase "established laws [*kathestōtas nomous*] " appears, and Creon thus learns his lesson at

[1] Harris, 57.

[2] Soph. Ant: 1111-4: "ἐγὼ δ', ἐπειδὴ δόξα τῇδ' ἐπεστράφη, αὐτός τ' ἔδησα καὶ παρὼν ἐκλύσομαι. δέδοικα γὰρ μὴ τοὺς καθεστῶτας νόμους ἄριστον ᾖ σῴζοντα τὸν βίον τελεῖν."

precisely the point at which such a distinction is introduced. As long as Creon does not understand the difference between established laws and his own proclamations, he is treading the path of tyranny; when he does learn, he is on the way towards incorporating the aristocratic critique into the democratic constitution as a sort of "inoculation" against the danger of tyranny. Thus, the distinction between law and established law is democracy's riposte to the aristocratic critique, from which point of view democracy and tyranny are equivalent: democracy differs from tyranny precisely in virtue of the fact that it knows the difference between legislation (*kerygma*) and law (*nomos*).

With the defeat of the tyrannos and his reformation into a pedagogical figure for the democracy, accompanied by the victory and vindication of the mantis and his gold, his gods, and his knowledge of the future, the power of coinage can be harnessed without leading to the path of injustice. It is always possible that there might be new laws in the future, and one thing these laws might do is to redefine the value of the king's money. And the king might either make these laws as Dionysius does, in contempt of the nomos, or he might make them "prudently." The difference between prudent and imprudent laws is, of course, the question of whether the alteration of the money is "defensive" in that it preserves credit against a crisis of scarce money and a drain of cash to the outside, or "aggressive" in that it threatens trade and credit for the sake of the ruler and his revenues. The problem, as we saw in Chapter Three, is that the difference between strong money and stable money is hard

to define, and any attempt to stabilize money by making it less strong will tend to be perceived by creditors (especially hereditary creditors) as a collapse into a state of tyranny in which the value of the money is a matter of arbitrary whim (all *archē* and no *nomos*) and thus always in danger of becoming weak to the "universal" detriment of the elites in general. At the outcome of the tragic arc, the "philosophy of liberality" has been tamed by an "ethics of austerity," in order to ensure that the inherent tension between the circulation of money as currency (nomisma) and the reproduction of aristocratic wealth (ousia) can be navigated with as little cost to the aristocracy as possible.[1] What is the smallest price that the elites must pay for stable money? And, on the other side of the question, what is the highest price that non-elites might be forced to pay, such that the elites don't have to pay it?

4.6: Rome Must Know the Value of Her Own

The development of coinage economies, catalyzed by the trireme revolution of the 6th century, brought about a linkage between sovereignty, territory, and money that had not previously existed, and which was intimately related to the development of tyrannies: political constitutions based on patrilineal succession that allowed polities to harness the strategic powers of coinage and a centralized public fisc.[2] Whether the tyrant made the fisc, or the fisc the tyrant, is not really what matters: to the extent that

[1] Emily Mackil, "Property Security and Its Limits in Classical Greece."
[2] Edward M. Harris, "Military Organization and One-Man Rule in the Greek Polis."

there exists a fisc, or a centralized institution allowing the receipt, storage, and expenditure of large amounts of money, it becomes a political chokepoint susceptible to seizure by a tyrant. Thus, to have a fisc at all is to put the polity in danger of usurpation, which, once accomplished, would place the usurper in possession of the means to secure their position by occupying the "commanding heights" of the flows of money and credit through society, and thereby able to intervene into the distribution of land or the value of debts as a matter of purely arbitrary "policy."[1] Any society that establishes the institutions of a vertical monetary relation by that very gesture puts itself on the "slippery slope" to tyranny, in which the raison d'état of the polis threatens to become arbitrary in relation to the nomos or basic ethical framework underpinning the successful reproduction of generational wealth. In the previous section, we saw how Sophocles staged this danger of the becoming-tyranny of democracy in the figure of Creon, who was subjected to the aristocratic critique of Antigone via the mediation of the oracle and the seer, and learned, by means of his experience of suffering caused by his own desire for tyranny, a lesson which would enable the democracy to restrain the arbitrary or "vertical" power of the fisc within the proper limits. Knowledge of these limits — produced through the confrontation of a philosophy of liberality with an ethics of austerity — would allow the discovery of the "minimum necessary price" that would have to be paid in order to preserve the

[1] The word "policy" itself today has neutral and technocratic overtones, but in the time of Shakespeare still carried tyrannical or "Machiavellian" implications. Creon's denial of the right of burial to Polyneices is the basic gesture of "policy," in the sense of making the *polis* the ground of the *nomos* rather than the other way around.

territorial integrity of the state without thereby sacrificing the state's reason for existence, which is the preservation and reproduction of elite wealth.

Thus, the reason of the state may — from the point of view of elites — be in tension with the reason for the state, due to the fact that the state is necessary in order for them to avoid being "enslaved" by foreign powers but also threatens to "enslave" them itself to the extent that the state's own internal logic and need for funding threatens to expropriate their patrimonies or unilaterally intervene into their credit relations vis-a-vis their social inferiors.[1] If the goal of the elites is to pay the minimum necessary price, however, there is always the possibility — perhaps even the inevitability — that the price they are willing to pay is too low, and that their refusal to pay it is just as destructive to the succession of the political order as the threat of tyranny itself. Thus, just as the tyrant had to be domesticated and incorporated into the constitution of the Athenian democracy, in order to prevent the tendency towards pure vertical asymmetry from destabilizing the social order, so — as we will see — the rebuke of the aristocracy has to be domesticated and incorporated into the constitution of the Roman republic. Whatever their specific differences, both the democracy and the republic are constitutions that find themselves "in the spread" between tyranny and oligarchy, threatening to be torn apart by the seemingly perpetual dissension that has come to be known, in Roman history, as the "conflict of the orders" — a struggle between patricians and plebs that

[1] On the trope of "enslavement" as a rhetorical fixation of Greek elites in relation to threats both external and internal see Orlando Patterson, *Slavery and Social Death*.

hinged, in large part, on an oscillating interaction between the social consequences of military conscription and agrarian debt.

We have already seen the reasons that the tyrant is a figure of social destabilization: he represents the pure "pleasure principle" of elasticity and the arbitrary creation of money, who must be domesticated and tamed in order to harness the power he represents without succumbing to the "sophistical" thesis according to which the tyrant, in virtue of his tyranny, is the happiest man.[1] The pleasure principle must be restrained, and this is carried out through the process of catharsis through which the democracy can stage the accusation of the aristocracy against the tyrant and thereby educate itself through its vicarious experience of the tyrant's suffering. But unleashing this aristocratic critique poses a threat of its own, which is the threat of a "reality principle" of monetary discipline that goes "too far" in its zeal against the threat of elasticity, with the consequence of undermining the social reproduction of an under-class of non-servile non-elites (the plebs) who form the social basis of the army, who face a paradox that is the inverse of that faced by the elites. If, for the elites, the question is why they should support the state if it threatens to appropriate the wealth whose protection is their reason for supporting the state, the question for the plebs is why they should fight and die for the state if they come home only to find themselves chained in the bonds of the nexum or debt-contract.[2] Thus, the development of a standing and permanently mobilized army in Rome (following, on

[1] Leo Strauss, *On Tyranny.*
[2] Livy, 2.23; Plut. Cor. 5.1.

Livy's telling, the siege of Veii) created a conflict at the intersection of money and debt: to what extent can, or should, the disbursement of money funding by the center to the lower orders be employed as a policy response to a social crisis of indebtedness? If the soldiers are in debt because they cannot work their farms while they are off on campaign, then can this problem be solved by paying them a wage? And if the problem can be and is solved in this way, then what will be the consequences of this new state of things for the social order?

The constitutional history of the Roman republic as it is told in the ancient historians is the story of a struggle for recognition between two types ("plebeian" and "patrician"), which must be valued against one another and commensurated under the sign of a third, more general type ("Roman"). The crisis occurs when one of the types, whether noble or base, is valued incorrectly such that it comes to be "driven out" of the social order. If the plebs are not valued highly enough, they will be bound into servitude as a result of their debts, and will thereby fall out of the social order of free citizens. But the plebs and the plebeians must be valued in terms of one another: the plebs (as "bad" Romans) can raise their value only by seeking and receiving recognition from the patricians, or the "good" Romans whose goodness or nobility is the basic reference point for this system of social accounting. It is this problem that Shakespeare treats in Coriolanus, whose setting in the early Roman republic is the earliest historical period explored in any of his work and thus represents the "end-point" of his process of progressive retrospection Finally, then, we have found the

point where "everything began" and the basic coordinates of the constitutional problem that concerns us can be discovered in their most basic form.

Coriolanus is, most fundamentally, a play about the valuation of life and death: "Before we proceed any further, hear me speak," exclaims First Citizen; "You are all resolved rather to die than to famish?" (I.1.1-3).[1] First Citizen's question posits a difference or a spread between the purely negative price of lost life (merely famishing) and the positive value of an agential choice in favor of death itself, by means of which the plebs might seek recognition from Rome of their social value in virtue of which they might receive "corn at our own price" (I.1.11). If there is there is a "surplus" of the value of the death that is purchased over and above the value of the life that is spent, then this is an index of the plebeians' own share in the nobility of Rome; if they can force the patricians to recognize this share by pursuing the nobility of death over the servility of famine, then they might raise, in turn, the value of their lives: "We are accounted poor citizens," cries First Citizen, "the patricians good. What authority surfeits on would relieve us. If they would yield us but the superfluity while it were wholesome, we might guess they relieved us humanely; but they think we are too dear: the leanness that afflicts us, the object of our misery, is as an inventory to particularize their abundance; our sufferance is a gain to them" (I.1.15-22). The competition for recognition between the plebs and the patricians is a zero

[1] Zeeveld sees, in Shakespeare's staging of this Roman confrontation over the price of corn, an allusion to Jacobean debates over purveyances discussed in Chapter Two. W. Gordon Zeeveld. "'Coriolanus' and Jacobean Politics."

sum relation (what the plebeians gain is a loss to the patricians) and a sort of standoff or game of chicken without any single equilibrium solution. Instead, the relative values of the two social classes are the outcome of a contest in which both sides attempt to make a credible commitment to waste the substance of their social value: the patricians threaten to waste their "superfluity" of grain by allowing it to rot rather than sell it at the plebs' price, while the plebs in turn threaten to give their lives in rebellion rather than allow themselves to be starved: "Rome and her rats are at the point of battle," observes Menenius; "The one side must have bale" (I.1.161). What really constitutes the respective values of the corn and the life of the plebs (which are necessarily inversely related, since to value corn highly is to place little value on the lives of the plebs) is therefore not a function of any positive characteristic of these entities, but rather of the value of the option to waste them.[1] And the enemy of the plebs in their quest for recognition is the one who refuses to recognize their value, absolutely, and who therefore opposes the liquidation of the option to waste at any price: Gaius Martius. "Let's kill him," First Citizen suggests (I.1.10).

Gaius Martius is a threat to the plebs' desire for recognition because it is he, in his role as military commander, who serves as the "hinge" through which the value of the plebs can be evaluated in two different dimensions at once: vertically, as plebs against patricians, and horizontally, as Romans against Volsces. Martius challenges the plebs to make good on the battlefield the value they claim for themselves in peacetime:

[1] Georges Bataille, *The Accursed Share, Volume I.*

"What would you have" he demands, "you curs, / That like nor peace nor war? The one affrights you, / The other makes you proud" (I.1.167-9). In peacetime, the plebs attempt to raise the price of their lives by asserting the value of their deaths, against which Martius stands in unconditional opposition: "The rabble should have first unroofed the city, / Ere so prevailed with me," he complains; "it will in time / Win upon power and throw forth greater themes / For insurrection's arguing" (I.1.217-220). Thus, the coming of the war opens the possibility for Martius to call their bluff and demand that they actually realize the high value they have placed on their own deaths.

The question is whether or not the plebs can demonstrate, in battle, their claim to commensuration with the order of aristocratic values figured in Martius' relations with other aristocrats both Roman and Volscian. This order is one in which obligations may never need to actually be closed out in money: at I.4, when Martius loses his horse in a wager with Lartius, he offers to buy it back so that he can ride it into battle, but the offer is refused: "No," says Lartius, "I'll nor sell nor give him: lend you him I will / For half a hundred years" (I.4.6-7). The debt that Martius owes him is, to Lartius, more valuable than the price of its liquidation, with the result that in the end it makes no real difference as to who owns the horse that Martius sits on: the claim to its ownership becomes merely a pawn or token for keeping score in the nobility's ever-escalating contest for honor. This contest for honor, moreover, is orthogonal to the political distinctions between Roman and Volscian, and Martius'

relation to the enemy general Tullus Aufidius operates on the same logic: “He is a lion,” exclaims Martius, “that I am proud to hunt” (I.1.234). The value of the nobility is a value that constitutes itself through mutual recognition and an open ended and antagonistic emulation, a recognition that cuts across the political distinction between friends and enemies.

The challenge that Martius issues to the plebs, in turn, is the challenge of whether they can “keep up” with this open-ended escalation and thereby justify their claim to value themselves in commensuration with the patricians. Here, Martius introduces the political distinction into the schema of valuation, but in reference to his own troops, the plebs: “Come on, my fellows. / He that retires, I'll take him for a Volsce, / And he shall feel mine edge” (I.4.26-8). If the plebs are not as willing to die against the Volscians as they claimed themselves willing to die against the patricians at home, in their revolt for corn, then they will have proved that they are no Romans at all; Martius therefore challenges the plebs to realize the value they have claimed by demonstrating their capacity to become similar to himself: “Mark me, and do the like,” he demands, as he rushes into the open gates of Coriolis (“Fool-hardiness; not I,” demurs First Soldier; I.4.45-6). The cowardice of the plebs in war gives the lie to their claims to honor in peace, and in doing so they reveal themselves as a species of “bad money” that will be repaid in kind: “A murrain on’t!” exclaims a disappointed

looter; "I took this for silver"; thereby confirming Martius' prejudice: "See here these movers that do prize their honours / At a cracked drachma!" (I.5.3-5).[1]

In the next scene, we see Martius returning to the Roman camp to select some more worthy troops for his pursuit of Aufidius: "I never / Deny your asking," says Cominius; "take your choice of those / That best can aid your action" (I.5.65-7). Martius is faced with soldiers of heterogenous quality who all wear the same uniform and make the same claims to valor, who all claim a share in the name of "Romans," and he must choose some "certain number" according to a criterion of selection: "If any fear lesser his person than an ill report; / If any think brave death outweighs bad life… / Wave thus, to express his disposition… / If these shows be not outward, / Which of you but is four Volsces?" (I.6.69-80).[2] By showing their ability to be similar to Martius, to follow him in his competition for honor with Aufidius, he suggests, the plebs might thereby commensurate themselves with the Volscians at an advantageous rate of four-to-one. In this way, the horizontal commensuration between Romans and Volsces is premised upon the successful meditation of a vertical relation between patricians and plebs. The patricians, in other words, have something that is denied to the plebs, which is the capacity to value themselves directly in relation to the outside;

[1] Shakespeare's grasp on Roman history is clearly not very strong; he thinks the drachma is a Roman coin, and elsewhere he has characters reference "Cato" a few hundred years too early. But we will not hold it against him. In the never-ending search for origins, it is easy to lose one's bearings.

[2] The theme is continued later on, at *IV.5.234*, where Second Servingman expresses the "hope to see Romans as cheap as Volscians. They are rising, they are rising."

the plebs, by contrast, can do so only by means of a derivative claim on the valuations of their social betters.

The problem that this creates for Martius, newly anointed with the name Coriolanus, is an ambiguity or tension about the true source of his valuation: is it really determined in relation to his rival Aufidius, on the outside, or is it rather a matter of an internal relation that he bears towards Rome and the plebs? For Martius, the hardliner, the very premise of representing his own value internally, towards "Rome" as a type including both plebeian and patrician, threatens to reduce his value to baseness. Thus, he resists the urgings of Cominius that he publicly claim, in Rome, the credit for what he has done: "Rome must know / The value of her own: 'twere a concealment / Worse than a theft, no less than a traducement, / To hide your doings" (I.9.20-23). This, for Martius, is intolerable because it implies that he does what he does out of obligation to Rome, and thus by extension to the plebs, which would threaten to reduce the nobility proven by his actions to a mercenary transaction: "I thank you, general," Martius complains, "But cannot make my heart consent to take / A bribe to pay my sword" (I.9-36-8). If what is base can establish its value through commensuration with what is noble, then by that same token what is noble must be commensurated with what is base, with the result that the distinction between the two threatens to become altogether elided. If Martius owes the plebs value of his martial prowess, then it is not such a small step to owing them the corn in the storehouse as well: "By Jove himself, / It makes the consuls base!":

Whoever gave that counsel to give forth
The corn o' th' storehouse gratis, as 'twas used
sometime in Greece[…]
I say they nourished disobedience, fed
The ruin of the state[…]
They know the corn was not our recompense,
Testing well assured they ne'er did service for't[…]
Let deeds express
What's like to be their words: 'We did request it;
We are the greater poll, and in true fear
They gave us our demands.' Thus we debase
The nature of our seats, and make the rabble
Call our cares fears; which will in time
Break ope the locks o' th' Senate and bring in
The crows to peck the eagles. (III.1.107-138)

Martius attempts to draw on the Sophoclean tradition of the critique of democracy and its movement towards tyranny, in order to avoid the tendency he sees in the republic towards the dangers of the public fisc "as 'twas used sometime in Greece." But Coriolanus, in turn, confesses this critique and stands it on its head: in his unyielding opposition to the power of the plebs and their tribunes, he undermines the city just as well as they do, by insisting more strongly on the political distinction between friends and enemies in relation to other Romans than he does with respect to his erstwhile rivals among the Volscians. For Martius, for whom value derives entirely from recognition vis-a-vis other elites and the international networks of aristocratic kinship and rivalry, any concession to the plebs is a pure loss to the

patricians that can result only in "mingling them with us, the honoured number; who lack not virtue, no, nor power, but that which they have given to beggars" (III.1.72-4). His pride is too much; it threatens a fatal stasis or the possibility that "our good city /Cleave in the midst and perish" (III.2.27-8).[1] But Coriolanus is not willing to give up the absolute self-identity for which he is famous, the direct and unmediated connection between his heart and his tongue: "Why did you wish me milder? would you have me / False to my nature?" (III.2.14-5). Therefore, just as the tyrannical impulses of Creon were tamed by the rebuke of Antigone, Martius must be tamed by his mother Volumnia: "Pray be counselled," she scolds her son; "I have a heart as little apt as yours, / But yet a brain that leads my use of anger to better vantage" (III.2.28-31). Her son attempts to mount the Antigone-defense against her rebuke — "I cannot do it to the gods; / Must I then do't to them?" III.2.38-9) — but Volumnia will have none of it:

> You are too absolute… /
> I have heard you say,
> Honour and policy, like unsevered friends,
> I' th' war do grow together: grant that, and tell me
> In peace what each of them by th' other lose
> That they combine not there. (III.2.38-46)

Volumnia criticizes her son for not adequately appreciating the consequences of his own application of the political distinction to the relation between plebs and

[1] Peter T. Manicas, "War, Stasis, and Greek Political Thought."

patricians: if the plebs are really the enemy, then why not lie to them; why not break the identity between being and seeming not for the purposes of capitulation to the plebs, but rather in the service of the cold civil war against them?

Volumnia urges her son to deliberately issue illegitimate words:

> such words that are but roted in
> Your tongue, though but bastards and syllables
> Of no allowance to your bosom's truth[…]
> I am in this,
> Your wife, your son, these senators, the nobles;
> And you will rather show our general louts
> How you can frown than spend a fawn upon 'em
> For the inheritance of their loves and safeguard
> Of what that want might ruin. (III.2.55-68)

His mother insists that Martius will suffer no loss of face in the eyes of the other nobility (or, at least, in the eyes of the Roman nobility) for agreeing to sever the identity of his seeming and his being for short-term political gain. Martius submit to his mother; he agrees to play his part — but his enemies the tribunes of the plebs know that "being once chafed, he cannot / Be reined again to temperance" (III.3.27-8). Thus, they provoke Martius into blowing his tenuously cultivated cool by hurling in his face the one accusation that he cannot pretend to stomach: "You have contrived / To take from Rome all seasoned office, and to wind / Yourself into a power tyrannical; / For which you are a traitor to the people…" (III.3.3-6). At this, Martius forgets his promise to his mother, denounces the tribunes of the plebs, and in return is

banished from the city. Why cannot Martius stomach the accusation of tyrannical ambitions? His earlier denunciation of the "Greek" constitution, with its corn distributed gratis to the people, makes this clear: Martius does what he does not in desire for the tyranny, but in the other direction, in steadfast opposition to the wielding of popular power purchased through fiscal largesse. To accuse him of an aspiration towards "tyranny" is thus, in his eyes, the ultimate insult, not simply a "divergence" between being and seeming but the raising of this difference to the level of an absolute contradiction. Since the stakes of the price that Martius has been asked to pay have now been raised to the level of the intolerable, he is left with no other choice but to fulfill his promise, from Act I, to "leave the foe, / And make my wars on you" (I.4.39-40).

By the end of the play, however, Martius must learn his lesson: in his unyielding opposition to the popular power, he undermines his own condition of possibility. Opposing the plebs means holding open the option for enmity within Rome itself, threatening to make war upon them rather than submit to their demands, but actually exercising this option is another thing altogether — it undermines the reproduction of his own household and, with it, the future of a lineage without which the recognition of his value will be lost to posterity: "We must find / An evident calamity, though we had / Our wish, which side should win," reproaches his mother at the camp of the Volsces; "

for either thou
Must as a foreign recreant be led
With manacles thorough our streets, or else
Triumphantly tread on thy country's ruin,
And bear the palm for having bravely shed
Thy wife and children's blood. For myself, son,
I purpose not to wait on fortune till
These wars determine…" (V.3.111-120)

With this threat, Martius must accept that he cannot "stand / As if a man were author of himself / And knew no other kin" (V.3.36-8). His mother forces him to see that it does no good to be pure of substance if this purity cannot be recognized in name:

if thou conquer Rome, the benefit
Which thou shalt thereby reap is such a name
Whose repetition will be dogged with curses;
Whose chronicle thus writ: 'the man was noble,
But with his last attempt he wiped it out.." (V.3.142-6)

The reproduction of aristocratic kinship, it seems, cannot do entirely without its territorial container and the household in which the masculine principle of virtus turns out to be less than everything.[1] Coriolanus learns his virtus from his mother, and by that very token his manliness is conditioned upon his maternal relation, which cannot be completely subsumed by that which it teaches. Here, we have come full circle from where we started, in a bronze age world in which the threat of the matriline was the threat of circulation and foreign influence. Here, the women no longer circulate in

[1] Phyllis Rackin, "'Coriolanus': Shakespeare's Anatomy of 'Virtus.'"

the sphere of the international — indeed, there is a violent break with the reciprocity of the exchange of women at the very heart of the Roman origin myth, figured in the story of the Sabine Women.[1] Rome takes the women and keeps them to itself, at home. But if the women do not circulate, then this very non-circulation is a barrier to the free circulation of aristocratic men. It keeps them at home, it makes them bow to something more than the pure masculine virtus which seeks recognition only on the outside, among its enemies. This is the power that domesticates Coriolanus, that tames his pride and yokes him to the future of the republic. The *viri* with their *virtus*, the men and their patriline, are always incomplete and insufficient, whether it is harnessed in an attempt to establish the absolute independence of the territory against the outside or, on the contrary, to the absolute superiority of the freely-circulating aristocracy against their social inferiors on the inside. One way or another, the matriline — as an index of indecision about the difference between inside and outside in the first place — must have its due.

4.7: The Republic of Uncertainty

Banished, Martius banishes in turn:

> SICINIUS: in the name o' th' people,
> And in the power of us the tribunes, we,

[1] Robert Brown, "Livy's Sabine Women and the Ideal of Concordia."

> Even from this instant, banish him our city,
> In peril of precipitation
> From off the rock Tarpeian[…]

To which Martius responds:

> You common cry of curs! whose breath I hate
> As reek o' th' rotten fens, whose loves I prize
> As the dead carcasses of unburied men
> That do corrupt my air — I banish you.
> And here remain with your uncertainty!" (III.3.99-124).

The Rome of Sicinius, Martius suggests, is akin to the Thebes of Creon, poisoned by the miasma of the violation of the sacred law of the dead. Martius leaves them with their uncertainty, and takes his own uncertainty elsewhere: uncertainty about who rules at Antium (V.6.18) and about whether he fights for or against the nobility of his family and his name (V.3.141). But even the death of Martius cannot purge Rome of its uncertainty, its ambiguity, its indecision; we are, after all, only at the beginning, at the end-point of a historical quest for origins, only barely on the cusp of what might begin to count as the constitutional history of a monetized society. Rome is caught in the indecision between two figures, which might have been seen as similar, but which have now been revealed as contraries or polar opposites: Gaius Martius Coriolanus, whom the Romans threaten to throw from the Tarpeian rock, and Marcus Manlius Capitolinus, whom they actually did — the man who once dwelt in a house on the Capitoline hill, where no-one later was allowed to live, and where stood the temple of

Juno Moneta that housed the Roman mint.[1] This was a real mint that minted real coins, which were not only metaphors or signs of something other than themselves, but things whose thingness made a difference.[2] We will have a look at these things in later work. But metonymy goes on and on, endlessly, and only a metaphor can bring it to a halt. So I want to bring things to a close, for now, with a metaphor: the history of Rome is the history of some difficulties, the history of a flipped coin that has not yet landed — with Coriolanus on one side and Capitolinus on the other.

Both men are heroes of the Republic who have earned their cognomena for feats of bravery in the service of Rome: the capture of Coriolis from the Volsces, in the former case, and the defense of the Capitoline from the Gauls, in the latter. But both meet their deaths as enemies of the state: Coriolanus rebels against Rome and leads an army of Volsces against the city, while Capitolinus is hurled by the senators from the Tarpeian rock on the charge of seeking to make himself king. The name of each man thus signals an ironic reversal: Coriolanus captures Coriolis twice, first for Rome from the Volsces, and then later on for the Volsces from Rome, while Capitolinus is hurled to his death from the very hill whose name he bears. But while the careers of the two men thus have a similar structure, they are diametrically opposed when it comes to the plebs. Coriolanus is an inveterate enemy of the plebs, and it is his hatred of the plebs that motivates his rebellion against the state; Capitolinus, by contrast, is accused of rousing up the plebs against the patricians in a bid for the kingship. Thus,

[1] M.K. Jaeger, "Custodia Fidelis Memoriae ."
[2] A.W. Hands, "Juno Moneta."

the two men both end up as enemies of Rome, but in different ways: Coriolanus becomes an enemy from without, while Capitolinus is an enemy from within. And in both cases, the flashpoint of the conflict has a specifically monetary dimension. Coriolanus takes up arms against Rome over a dispute about the price of corn, while the great crime of Capitolinus is that he has lent money without interest to debtors in distress: "It seems necessary to take note of this," writes Livy of Capitolinus; "so that men might know that even such great things, polluted by the lust for kingly power [*cupiditas regni*], are rendered not only thankless but even hateful: it is said that he brought forward nearly four hundred men, to whom without penalty he had offered disbursements of money, such that he prevented their goods from being carried off and them from being led into bondage."[1]

In itself, Livy implies, this seems like it might be a good thing. What's wrong with helping people avoid losing their lands and freedom as a result of debt? Nothing, except that Capitolinus did it because he wanted to be king, because he wanted to take advantage of the social tension produced by the crisis of indebtedness in order to destroy the liberty of Rome. And it is, according to Livy at least, this inherent ambiguity between the one who comes to redeem debtors from their servitude and the one who comes to make himself king — between the redeemer and the usurper — that turns the plebs against him. This strategy is advised to the senate by the tribunes,

[1] Liv. 6 20.5-6: "illud notandum uidetur, ut sciant homines quae et quanta decora foeda cupiditas regni non ingrata solum sed inuisa etiam reddiderit: homines prope quadringentos produxisse dicitur, quibus sine fenore expensas pecunias tulisset, quorum bona uenire, quos duci addictos prohibuisset."

Menenius and Publilius, who side with the senate "because they were sensing the end of their own power that would come of the liberty of all," and demand to know "for what reason we are making a contest between patricians and plebeians from what ought to be a contest of the whole civic body against one single pestilent citizen… Nothing is less popular than kingly power. As soon as the multitude will have seen that they themselves are not being struggled against, and have been changed from his advocates into his judges, and will see that the accusers are of the plebs and the defendant a patrician, and that the crime under consideration is about kingship, none of them will favor anything more greatly than their liberty."[1] Thus, the plebs are dissuaded from the urgings of Capitolinus, who wants to convince them that

> it will be less trouble to establish someone who rules over the patricians than there was in establishing those who have been resisting their rule. The dictators and the consulship must be leveled to the ground, so that the the Roman plebs might lift their heads. So stand with me! Go and halt all the court proceedings over money! I declare myself the patron of the plebs, a title I have assumed on account of my loyalty and care for you: if you will call your leader by the title of some greater authority or honor, so you will enjoy greater power in getting what you want."[2]

[1] Liv. 6 19.4-7: "tum tribuni consulari potestate tribunique plebi — nam ei, quia eundem et suae potestatis, quem libertatis omnium, finem cernebant, patrum auctoritati se dediderant— hi tum omnes, quid opus facto sit, consultant. cum praeter vim et caedem nihil cuiquam occureret, eam autem ingentis dimicationis fore appareret, tum M. Menenius et Q. Publilius tribuni plebis: 'quid patrum et plebis certamen facimus, quod civitatis esse adversus unum pestiferum civem debet? quid cum plebe adgredimur eum, quem per ipsam plebem tutius adgredi est, ut suis ipse oneratus viribus ruat? diem dicere ei nobis in animo est. nihil minus populare quam regnum est. simul multitudo illa non secum certari viderint et ex advocatis iudices facti erunt et accusatores de plebe, patricium reum intuebuntur et regni crimen in medio, nulli magis quam libertati favebunt suae.'"

[2] Liv. 6 18.13-16: "minore negotio qui imperet patribus imponetis quam qui resisterent imperantibus imposuistis. solo aequandae sunt dictaturae consulatusque, ut caput attollere

This speech of Capitolinus, which plays a role in Livy's diegesis something like the gloating confession of a villain just before his moment of reversal, makes clear the perceived connection between the title of royal power and the intervention into court proceedings over debt: for Capitolinus to threaten to intervene into the laws of debt such as to interfere with the distribution of wealth and power in society is, in itself, tantamount to the pursuit of the kingship. These actions are one and the same. In acquiescing to the arguments of the tribunes, the plebs are represented as coming to understand and embrace a certain ethico-political principle: that the servitude of the individual (bound over for debt by a creditor) is less important than the general liberty (freedom from the rule of a king). The plebs, swayed by the tribunes in their advocacy for the interests of the senate, are portrayed as coming to the conclusion that the servitude of living under the rule of the king would be worse than the servitude of being bound into slavery by their creditors, the patricians. Thus, says Livy, the "plebs," as was their habit, "fattened their own defenders for the shambles" (6.17).

The situation, however, remains unstable — and the Republic remains uncertain — because there exists no equilibrium solution to the problem. Neither the ethics of austerity nor the philosophy of liberality are, in themselves, complete or coherent

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Romana plebes possit. proinde adeste; prohibete ius de pecuniis dici; ego me patronum profiteor plebis, quod mihi cura mea et fides nomen induit: vos si quo insigni magis imperii honorisve nomine vestrum appellabitis ducem, eo utemini potentiore ad obtinenda ea quae voltis."

solutions to money's constitutional problem. Under the rule of the ethics of austerity, the plebs must eventually fall into debt and be bound into servitude, and the social basis of the enlisted army will collapse and the elites will lose their wealth to conquest from without.[1] Thus, it becomes necessary to introduce into the constitution some element of the philosophy of liberality: the plebs must be paid so that they do not fall into debt.[2] But if the plebs can be paid so that they do not fall into debt, why do they fall into debt at all? Carried to its logical extreme, the philosophy of liberality implies that the public fisc might extend its dominium into a total administration of all things: it might gain, through the power to tax and spend, the power to organize all of the people and wealth within the empire in any way it likes.[3] If it did, the elite would lose their wealth to conquest from within, at which point Rome might as well not exist; there is no reason to prefer having one's wealth seized by the fisc to having it seized by the Gauls. Thus, we might say that the tension between these two self-annihilating poles of austerity and liberality is the transcendental condition of any possible Rome. For there to be a meaningful sense in which "Rome exists," it must exist as a structure capable of maintaining and reproducing inequality, the fruits of which are to be enjoyed by the ruling elite. But this elite cannot reproduce Rome by itself: it requires the cooperation of some "junior partners," the plebs, who must somehow be integrated into the project of empire without being accorded a full share.

[1] Andrew Collins and John Walsh. "Debt Deflationary Crisis in the Late Roman Republic."
[2] Seth Bernard, "Debt, Land, and Labor in the Early Republican Economy."
[3] James Tan, *Power and Public Finance at Rome.*

The plebs must be continually reproduced as a class somewhere in between masters and slaves: free, that they might fight, but also indebted, so that they must obey. And it is the perpetual anxiety of the plebs about their place in the constitution, somewhere between nobility and servitude, that is the driving motor of Roman constitutional history. In order for Rome to go on being Rome, this anxiety must be perpetually "rolled" over or displaced in time space. But this tension can never finally be solved, because this tension is what makes Rome what it is.

It is not hard to see why Capitolinus is a problem: he wants to make himself a king, and everyone knows that it is bad to have a king. Therefore, Capitolinus must die: the senate and the plebs find a united cause in their opposition to the would-be tyrant, and the class struggle between debtors and their creditors is suspended by their mutual antipathy to autocracy. But after the heat of the moment has faded, however, the familiar "motor" of the Social War starts to pick up again: "soon the people, with the danger he had posed now reduced to nothing, remembering for themselves only his virtues, held fast to their desire for him. Moreover a pestilence soon ensued [and] there followed a scarcity of corn and… a variety of wars" (6.20-21).[1] The plebs may have been led, by the tribunes acting in concert with the senate, to the good political sense of rejecting Capitolinus' tyrannical solution to the problem that faced them, but

[1] Liv. 6 20.15-21.1: "populum breui, postquam periculum ab eo nullum erat, per se ipsas recordantem uirtutes desiderium eius tenuit. pestilentia etiam breui consecuta nullis occurrentibus tantae cladis causis ex Manliano supplicio magnae parti uideri orta: uiolatum Capitolium esse sanguine seruatoris nec dis cordi fuisse poenam eius oblatam prope oculis suis, a quo sua templa erepta e manibus hostium essent… pestilentiam inopia frugum et uolgatam utriusque mali famam anno insequente multiplex bellum excepit."

the problem nonetheless remained: there was still the constitutional question of the extent to which the powers of the public fisc could be harnessed for the purposes of altering internal relations between debtors and creditors as a matter of state policy. The problem for the Roman senators was that they were damned if they did and damned if they didn't: if they established a powerful public treasury, it would be a constant threat to liberty and inequality, but if they refused to acknowledge any role for the public fisc at all, then the obsolescent funding structures of an army based on the citizen-farmer household would prove unable to support the needs of permanent mobilization without driving the army's social base into indebtedness and foreclosure. Thus, in order for Rome to continue being Rome, it would be necessary to find a way to harness the power of the public fisc for the purposes of military mobilization while also containing the threat, inherent in the very notion of public funding itself, of the revolutionary leveling of social inequality by means of a fiscal policy annihilating the rights of hereditary creditors.

The republic is caught between two deaths, between the death of Coriolanus and the death of Capitolinus. The two men represent the two principles of destruction that threaten the constitution from either side of the Social War: on the one hand, the Martian contempt for the plebs that refuses to give way on debt for the sake of their liberty, and on the other, the Manlian demagoguery that holds out the poisoned bait of emancipation in the service of tyranny. This situation places the Republic in a situation of permanent uncertainty: honor and virtue must give way to policy, but

there is always the question of how far, because Rome is haunted by the ghost of Capitolinus. He haunts the city in the very prohibition by which the patricians are forbidden from dwelling where he once dwelt, on top of the hill at the head of the city. What is there, now, instead of the dwellings of the patricians? At the very site where the house of Capitolinus once stood, where he conspired with the plebs to abolish the debts and make himself king, there now stands the imperial mint and the temple of Moneta (6.20). Moneta is the goddess of money, but before she is the goddess of money she is the goddess who gives warning (monēre): money is a monstrous thing, it subverts honor and obligation because of the essential difference that demands that money be recognized as something other than what it is, and so its production and use must come along with a monument that can admonish us against the dangers of tyranny.[1] The temple of Moneta on the Capitoline hill is a stake in the heart of Marcus Manlius, to make sure he stays dead. Otherwise, Rome might have to face the terrifying possibility contained at the heart of coinage and the public fisc: that the abuse of the monetary system by an arbitrary ruler unaccountable to elite interests might so destabilize the relation between signs and referents such as to upend the entire social order or debts and obligations, making a mockery of the very notion of promising itself. If the state can define, arbitrarily, what is meant by the object of a promise, and if the many, who are the debtors, can control the state in virtue of their majority, then there is nothing to stop them from simply defining away their own

[1] Nicholas Horsfall, "From History to Legend: M. Manlius and the Geese."

obligations to their social betters. If the plebs can have corn upon their request, and at the price they request it, then the entire structure of indebtedness that made the wealth of the patricians what it was will be called into question. Give ‘em an inch…

Conclusion:
Sovereign Indecision

> *Williams*. I will none of your money.
>
> *Fluellen*. It is with a good will: I can tell you it will serve you to mend your shoes: come, wherefore should you be so pashful? your shoes is not so good: tis a good shilling, I warrant you, or I will change it.
>
> (*Henry V*, 4.8.69-74)

5.1 Sovereign Indecision

Money is not a metaphor. Nor is it, as we are so often told by those who take themselves to be saying something profound, a "social relation." Money is a thing: a lump of metal, a piece of paper, a memory state in a computer. Money, to be sure, enters into our social relations in important ways, and we can make a metaphor out of money — but always, underneath and resistant to our attempts to explain what money "really is just," there is an excess of irreducible metonymy. This metonymy is the way that money relates to all the things that might be bought or sold in its name: not by being "like" them, but by following them or preceding them in time and space. Since transactions, once they have occurred, are not freely reversible (because repo has a price), every moment of metonymic succession through which money follows goods or goods follow money threatens to destabilize the metaphors we have tried to construct upon this unstable and ever-shifting foundation: the metaphor of Value by means of which it becomes possible to speak of things like "price inflation," on the

one hand, and on the other the metaphorization of the social order that allows unequals to be commensurated and thereby subsumed under what Aristotle called the *koinōnia* or "community."

The metaphorization of metonymy that is involved in the production of liquidity in terms of a unit of account is a question of the historical accretion of a constitutional order in which the divergent and antagonistic interests of different social factions both inside and outside a given political jurisdiction must be worked out and — if all goes well for elites and the monetary authorities — repressed and hidden from view or "put out of the question." There is no room in this conception for a notion of Value as an immanent law, rising in history as a real abstraction and "disembedding" itself from politics. Not only are things not like that, they don't even appear that way. We cannot first assume the existence of a monetary economy that projects a regime of abstract equivalence onto everything that it prices, and then discover, beneath this system of phenomenal equalities, the noumenal scandal that Marx terms exploitation.

This is not to say that working people do not have a bad time of it, or to assert that absurd nostrum that "workers are paid their marginal productivity." Rather, it is to say that subordinate social classes might be oppressed by money in a way that is not directly related to the way that they are exploited by their employers; that there might exist a relation of class struggle that is actually assumed away in advance by Marx's theory, to the detriment of its ability to gain a critical and materialist traction on what goes on in the economic life of a society. The existence of money itself, the fact that

there exists a market economy at all, in the first place, is directly and already a political phenomenon and a site of social antagonism, because at every moment the maintenance and reproduction of this monetary economy requires putting on or taking off the table the question of who will pay the price of liquidity and to whom it will be paid. This question is anterior to the problem that the Marxists call "capitalism," because it is the condition of possibility of any system of monetary exchange in the first place. Money problems cannot be reduced to capitalism problems. They must be considered on their own.

Money and the market are structured by an anxiety about the succession of a system of inequalities, and it is here that these phenomena are fundamentally connected to problems of political order by means of a homology between the "micro" level of market phenomena and the "macro" level of socio-political structure. In both cases there is the question of a price that must be paid to metaphorize an irreducible metonymy, along two axes at once. There is on the one hand the temporal axis or the question of the succession of sovereignty and the market by themselves in time: king must be followed by king, quotation must be followed by quotation, and so there is always the anxiety that somehow this succession might fail, and that the kingdom and the market themselves might be in danger of ceasing to exist. And there is on the other hand the paradigmatic axis, which involves a question about the extent to which tokens of two different types can be commensurated with one another under an additional, third type. There is a silver coin, there is a gold coin, and the tokens of

these two types must both somehow instantiate a third type, the unit of account called *pound sterling*. There are patricians, and there are plebs, both of whom must somehow be commensurated as *Romans*. The commensuration of two types of tokens is productive of anxiety because there is always the risk that the fortunes of the two types might diverge, might be moving in different directions from one another, thereby placing strain on the metaphorization required to make them commensurate and opening up the possibility that some hostile actor might attempt to speculate against this increasingly ill-posed equivalence. If the plebs find themselves valued too low, they might support a tyrant; if the patricians find the plebs valued too highly, they might call in the dictator.[1] The "middling" constitutions of the democracy and the republic, if they are to continue to exist, must find a place for themselves in the spread between these two extremes or failure points represented by the mirrored images of the tyrant and the dictator, within which the price of the inequality between plebs and patrician can be paid without thereby calling into question their commensuration as Romans.

In the market, anxiety about the extent to which Say's Law will turn out to have been false — anxiety about the extent to which money might fail to succeed goods, or vice versa — must be priced in terms of the inside spread, or the difference between the buying and selling prices quoted by those who make the market by standing ready to accommodate demands to transact at any time and in any direction. Since market

[1] Carl Schmitt, *Dictatorship.*

makers are short the option to transact on demand, they must finance this short option by quoting two different prices at once for any one thing in terms of another: for goods in terms of money, but also for money in terms of money. This is the price that must be paid to those who make the market by those who find themselves disciplined by funding constraints or subsistence constraints: Marx's ideal-type capitalists and proletarians, who have an inelastic need to find the market in existence at any given moment, on pain of either going out of business or facing unemployment and starvation. The dealers or market makers supply this demand by buying what they don't want and selling what they don't have, and by doing so they are wagering that the future in which someone else will appear with an inelastic and inverse demand to either acquire it or get rid of it will arrive soon enough to make the risk worth the price.

The dealers are short the option to transact because they are betting that the price of liquidity is overpricing the risk of the nonexistence of the market — that they will be able to sell liquidity short, hedge the risk of being unable to net out the position, and be left with a profit. The capitalists and proletarians have no time: they have to produce and sell, they have to work and eat, and they have to do it now. The dealers have no time, either, but that doesn't stop them from selling it: the dealers live on borrowed time, "in the spread" between the present and a future that will hopefully arrive before they go bankrupt. The dealers sell short the option to transact by standing ready to make the market, but this does not mean that the capitalists and

workers accumulate this option as a corresponding long position. The whole point of capitalists, for Marx, is that their capital is invested in producer goods that make relative surplus value available to be capitalized, or priced as though it were money without having to be money. This is possible just insofar as there exists a market in which dealers stand ready to create liquidity *ex nihilo* by selling it short on demand. But nothing is guaranteed. There is always the irreducible metonymy of history. Perhaps there will be a pestilence, arising from some toxic *miasma*, and perhaps the intervention of this "act of god" into the world (punishment for some ancestral crime?) will mean that those who once made the market are too busy losing their shirts to continue doing so. What happens then?

When the market runs out of time, where can more time be found? The capitalists have no time. If they did, they wouldn't be capitalists — they'd be divested. The workers have no time. If they did, they wouldn't be workers — they'd be on vacation. The dealers have no time — and they've sold what they didn't have to those who demanded it.

Who, then, has the time?

The dynasty has the time. It must —

or else those who have the time will have the dynasty.

If the existence of the market could be guaranteed — if one could consult an oracle and thereby learn the "true" price of liquidity *ex ante* — then there would be no reason for anyone to accumulate long positions on the option to transact in the form of hoarded goods and/or money. If the price of liquidity were always higher than the risk of the market's nonexistence, such as it must be for the dealers to flourish, then anyone hoarding liquidity by accumulating a stockpile of goods and money would be simply paying the carrying cost of capital for nothing and losing ground to those who are investing their capital into some profitable enterprise and, instead of hoarding liquidity, relying on their access to the market to enable them to raise funds when they need them. Such a world would be the world described by classical and neoclassical economics, in which nobody actually needs money at all, and in which it therefore might as well not exist. In such a world, it might make sense to proceed as Marx does in his analysis of credit markets — by assuming away the risk and yield curves that define both the hierarchy of money and the dealer's time horizon,[1] and by regarding the profits of the dealers in money as simply a transfer payment of the Value substance from one arbitrarily constituted segment of the

[1] The risk curve defines the hierarchy of money, or the difference between money and all other near-money or far-from-money assets. The yield curve defines the time horizon of the dealer market because it is the price, defined from within the market itself, of waiting just a little longer for the future to arrive, or the price of postponing settlement into the future. This topic will be explored further in the sequel to this work.

bourgeoisie to another. But this world is not our world: we have no oracle who can tell us the price of the risk of history, before it happens.

The consequence of this fact is that the absolute metonymy of what actually happens — *one damn thing after another* — is irreducible to the metaphor of price. In the language of modern portfolio theory, this means that the market is incomplete: that it is not possible to assign every "Arrow Security" (a contract paying off in a given future state of the world) a unique price, with the result that the "equilibrium" price of the risk-free asset, or a portfolio of Arrow Securities paying off identically in every possible state of the world, has more than one solution. This fact — and the counterfactuality of the completeness of the market — is recognized by mainstream textbooks on asset pricing, which then proceed to assume that it is true nevertheless.[1] There is always a possible state of the world whose risk cannot be priced by a contract in the market, which is that state of the world in which the market has ceased to exist and contracts within it are no longer being honored. Let's call it Zeno's Arrow Security, which is the Arrow Security that pays off in that future state of the world in which our model of model risk turns out to have been wrong. We don't need to get too technical about it: there is a *mise en abyme* or a bad infinity of model risk, a

[1] "For most of this text we will assume that markets are complete, even though this is counterfactual… Note that incompleteness does not invalidate our pricing relationships… It only invalidates their uniqueness." Yvan Lengwiler, *Microfoundations of Financial Economics*, 56.

model which would have to "incorporate its own meta-model, in an endless chain of upgradings."[1]

When the Federal Reserve bailed out financial markets in 2008, and again more recently, and when it does it again in the future, what it is really doing is exercising sovereignty's option to buy more time for the future to arrive, by means of which it stands ready to secure the existence of the market against the risk of this bad infinity, or the risk that the series of models and meta-models does not converge onto a single and well-defined solution that makes it possible to price the risk of assets in reference to an asset that has no risk. It might be the case — it is in fact the case — that the pricing of the risk of the market's nonexistence on the market exhibits a counterperformative efficacy, such that the activities of agents in making use of their knowledge of this price to price other things has the effect of invalidating the reference price itself.[2] If the tyrant learns the future from the oracle, and acts on the basis of this knowledge, can he do so without thereby rendering this knowledge false?

What would happen if the succession of the market in time were allowed to fail? We can immediately see that, in any society that has come to be dependent on the market's existence, the resulting chaos in which assets cannot be priced would call into question the security of the political regime: if the government cannot ensure that money succeeds goods and goods succeed money, then why should it succeed itself? The risk of the nonexistence of the market is a liability for the regime — if the market

[1] Elie Ayache, "What Is Implied by Implied Volatility?"
[2] Donald A. MacKenzie, A*n Engine, Not a Camera*.

ceases to exist, then those who need money will not be able to get money and those who need goods will not be able to get goods, with the result that those who have hoarded the option to transact in the form of a stockpile of liquidity might be able to exploit this in order to accumulate social power, potentially threatening the regime's security. The movement towards the collapse of the market is the movement towards civil war and the coming-into-the-money of what I described in Chapter Two as the "option for rebellion." It was this liability that Bagehot exhorted the Bank of England to acknowledge: that it had a public responsibility to underwrite the continued existence of the market, and that it should make use of its position at the top of the hierarchy of money in order to unilaterally suspend the scarcity of time by lending freely in precisely that moment at which all the other bankers were panicking and calling in their books. It could do this, Bagehot argued, because of the fact that it was without peer: if the Bank of England decided to buy itself more time, who was to gainsay it?

Bagehot wanted the Bank of England to openly recognize its responsibility for underwriting the succession of the market (to recognize itself as identical to its own sovereignty), in order to hedge the liability that the risk of the market's nonexistence posed for the stability of the social and political order, but he was also concerned to make sure that this liability was priced correctly.[1] If it were not, there was the danger of going too far, beyond the limits and towards *hybris* and the *apeiron*, by giving way

[1] Robert Meister, *Justice Is an Option.*

to the dangerous notion that the Bank "ought to help everybody." Because of the fact that the market cannot be completed, in the face of the irreducible metonymy of what happens in history, it is necessary to empower a sovereign with the capacity to unilaterally suspend the scarcity of time in those situations of emergency in which the market threatens to cease to exist. But this power must be repressed beneath the bar of a political distinction inscribed by the Social War at the heart of the state: the distress and anxiety of the plebs must not itself constitute a state of emergency in which the discipline of payments might be unilaterally suspended by an act of sovereign decision, since that would just be in itself a state of tyranny, like that threatened by Capitolinus when he rolled over the debts of the plebs, interest-free. If it were not repressed in this way, by making a distinction between the "normality" of structural inequality and the "emergency" of financial crisis, then there would be no way to avoid the fact that the continued existence of social inequality, at all, is the result of forbearance — a policy decision by the sovereign *not to act*. If the Bank were to use its position at the top of the hierarchy of money to "help everyone," then the value of the money it issued as an index on the upside of inequality would be devalued and debased: if the Bank were to help everyone, whether they had money or not, then what would be the point of having money at all, in the first place? There must be a difference, Bagehot insists, between those who have money that has been temporarily embarrassed, and those who have no money at all, even if temporarily embarrassed money and no money at all look the same from the point of view of a nonexistent

market — and this difference must determine the constitutional limits to the exercise of the option for sovereignty in the sense of the unilateral suspension of the scarcity of time.

The dynasty has all the time in the world, because the end of the dynasty is unthinkable (or it is, at least, illegal to think about it). It would be the *bellum omnium contra omnes,* in which nobody but tyrants and criminals come out ahead. The successful repression of sovereignty below the bar of the political distinction, as advocated by Bagehot, puts money "out of the question" by putting the foundation of the social order "into the past."[1] There is not a question of why there is inequality, why there are patricians and plebs and the difference between them, but only a question of the existence of a market in which a commensuration between these unequals can be accomplished. "For it is not from two doctors that a community comes about but from a doctor and a farmer and, in general, from people who are different and not equal. And these must be equalized. That is why everything that is exchanged must be in some way commensurable…" The problem arises when what is repressed begins to produce a symptom: when the plebs begin to wonder why money should be put out of the question, and why the foundation should be put into the past, and why their anxiety should not, in itself, constitute an emergency. Money is put out of the question by putting the foundation into the past; this means that calling money into question means calling constituent power into session — as Charles Stuart

[1] Carl Schmitt, *The Nomos of the Earth.*

discovered, to his chagrin. To acknowledge, openly, that money is an option — that it could be configured one way or another, in the interests of one group or another — is to threaten to unleash an open-ended and potentially violent working-through of the trauma of the foundations of the social order itself, which is to say the destabilization of the dynasty and the foundation of a new one.

Money became modern amidst the foundational violence of modernity: colonization, genocide, and racialized chattel slavery. Calling money into question therefore raises the problem of the extent to which the beneficiaries of the structural inequalities laid in place by this foundational *nomos*-creating violence have the right to go on enjoying the compounding fruits of the evil that they have agreed, amongst themselves, to "put into the past."[1] The repression of monetary sovereignty "under the bar" of a constitution that defines the ongoing and compounding negative effects of foundational violence as a non-emergency means that the sovereign power to suspend the scarcity of time is restricted to being used only in the service of reproducing a market in which this inequality can be commensurated without being eliminated. If there is always more time for the market, then this means that there is always more time in which it is not yet time for justice, because the ongoing persistence of inequality can be commensurated under a third and more general type of *Romans*, or *Englishmen*, or *Americans*; those who — despite their historical grievances and ongoing antagonisms — have a mutual interest in the continuity of the market and the

[1] Robert Meister, *After Evil.*

political order in the service of the reproduction of commensurated inequality. There is always the question, however, of whether the price that is paid in order to secure the succession of the market and the regime across time will strain the social *détente* according to which those exposed to both the upside and downside of foundational inequality can agree that it would not be worth the risk to call money into question, thereby opening up the possibility of the establishment of a new *nomos ex archē*, or an arbitrary intervention into the basic distribution of wealth and power that has fallen out as a result of the moral luck of history — in order to bring this distribution into a pattern more conforming with justice. Sovereignty holds its options open; sovereignty says that it has not yet been decided what to do about the past. Against this view, might we not at least table the possibility that the time for justice is now?

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