CHAPTER 1

Introduction: real money

MONEY AND SYMBOL

At the opening of *The Economy of Literature*, Marc Shell offers an interpretation of the philosophical and historical traditions surrounding Gyges, ruler of the archaic Greek kingdom of Lydia and, according to Herodotus, the inventor of coined money.[1] Shell traces in Herodotus and other writers' accounts of Gyges a tradition associating him with concealment; the tradition culminates in Plato's *Republic*, where Gyges appears as the possessor of a ring that gives him the power to make himself invisible. Shell reads the legends surrounding Gyges as a collective text shaped by the historical displacement in archaic Greece of symbolic by monetary exchange. The former, Shell argues, is associated in Greek thought with the idea of *visibility*:

> Before the invention of money in archaic Greece, contracts of exchange required witnesses and/or visible *symbola*. *Symbola* were pledges, pawns, or covenants from an earlier understanding to bring together a part of something that had been divided for the purpose of later comparison … A coin could be a *symbolon*. Indeed, *symbola* were often "halves or corresponding pieces of [a bone or] a coin, which the contacting parties broke between them, each keeping one piece."[2] As a *symbolon*, the broken coin did not function as money, which derives its value from the material of which it is made or which transactors suppose that it represents. Not itself one of the goods transferred, the coin as *symbolon* merely provided the necessary symbol of credit or trust … The *symbolon* is a kind of "witness" to a transaction.[3]

The symbol thus makes an exchange visible without itself being exchanged; an exchange made with money, in contrast, needs no witness and, in Shell's understanding of money, may take place without the mediation of credit or trust. For this reason, Shell argues that the antithesis between visible substance (*ousia phanera*) and invisible (*ousia aphanes*) throughout Greek thought is grounded in the antithesis of symbolic and monetary exchange. In one of its senses, Shell notes, the term "*ousia aphanes*" or invisible substance was indeed used to refer specifically to money.[4]

In what follows, we shall broaden our consideration of symbolic exchange to discuss how it is theorized by writers besides Shell, and especially in the structuralist tradition that emerged from the foundational work of Marcel Mauss. In every case, however, we shall see that, as in Shell's work, the distinction between symbolic and monetary exchange is understood as culturally and philosophically fundamental. We shall also see other instances where, as in Shell, the supposed difference between these two forms of exchange is projected onto history in a narrative of the displacement of symbolic exchange by money.

Recent work in monetary history and theory, however, has argued for the symbolic character of money itself, and thus called into question historical narratives in which money *replaces* the symbol as a mediator of exchange. A central motive for much of this work is the critique of a weak theory of money in Classical and Marxist economics as they have developed since the eighteenth century. As John Smithin writes, the point of departure for "classical economists, such as Smith, Ricardo, and Mill was their indignation at what they perceived to be the errors of their mercantilist predecessors, including the idea 'that wealth consists in … gold and silver,' or in other words, the money of the day. And this attitude has persisted to the present day."[5] As Joseph Schumpeter wrote in 1954, orthodox economic analysis distinguishes between the real economy and the money economy, and takes it as its aim to see through the second in order to get an accurate view of the first:

> Real analysis proceeds from the principle that all the essential phenomena of economic life are capable of being described in terms of goods and services, of decisions about them, and of relations between them. Money enters the picture only in the modest role of a technical device that has been adopted in order to facilitate transactions … so long as it functions normally, it does not affect the economic process, which behaves in the same way as it would in a barter economy: this is essentially what the concept of Neutral Money implies. Thus, money has been called a "garb" or "veil" of the things that really matter … Not only can it be discarded whenever we are analyzing the fundamental features of the economic process but it must be discarded just as a veil must be drawn aside if we are to see the face behind it.[6]

In classical economics, then, as in Greek legend, money is a tool that has the power of concealment. To see things as they really are, economists like philosophers must learn to see through money.

As I will argue at length in Chapter 3, in his late works Marx takes over from political economy the idea of money as a veil that must be lifted to reveal the real relations of exchange prevailing in the society that uses it.

For Marx, however, this idea of money extends to exchange-value as such. In the critique of Smith and Ricardo that he mounts in *Capital*, he argues that they have rejected mercantilism and its assumption that money is real wealth, only to accept the same assumption in a more general form by identifying wealth with exchange-value. This is the error that Marx famously characterized as bourgeois political economy's fetishism of the commodity, which leads it to mistake an accumulation of exchange-value for real wealth. In Marx's *Capital* then, the economists' distinction between the "real economy" and the "money economy" does not exist – but only because, in Marx's analysis of capitalism, the entire universe of economic activity is understood as ontologically secondary with respect to the real social relations that it at once embodies and conceals.[7]

As Marc Shell writes, in Plato's *Republic*, properly speaking, only ideas have being; they are linked by their name (*eidola*) and by their representation in the parable of the cave to the concept of the visible. As invisible substance (*ousia aphanes*), money does not belong to the realm of ideas but rather haunts human social relations as a form of non-being or of pure mediation. As we have seen, this way of thinking about money has remained influential until the present day, so much so that it might be said to have fulfilled itself by actually making large parts of monetary history invisible. There have, however, long been other approaches to the theory of money; as we shall see, some of these reject the antithesis of money and symbol with which we began, and so radically alter the received history of money's origin.

One form of the antithesis of symbolic and monetary exchange with which we began that has persisted in philosophy and social theory is the idea that exchanges mediated by money are necessarily impersonal and tend to alienate their participants from one another.[8] The symbol, we recall, is a technology of mutual recognition. Money, however, interposes itself between persons and between subjects and objects to distance them from one another. So writes Georg Simmel, in a passage that encapsulates a pervasive tendency in the philosophical critique of modernity: "Money objectifies the external activities of the subject which are represented in general by monetary transactions, and money has therefore developed as its content the most objective practices, the most logical, purely mathematical norms, the absolute freedom from everything personal."[9] Surveying the tendency represented here at the outset of her work on money's social meanings, Viviana Zelizer writes that "[m]oney, according to this conception … [replaces] personal bonds with calculative instrumental ties, corrupting cultural meanings with materialist concerns. Indeed, from

Cambridge University Press
978-0-521-19379-5 - Real Money and Romanticism
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Karl Marx to Jürgen Habermas, from Georg Simmel to Robert Bellah, observers of commercialization in Western countries have thought they saw devastating consequences of money's irresistible spread: the inexorable homogenization and flattening of social ties."[10] Zelizer goes on to argue not that money is inherently symbolic, but that in specific contexts throughout American history, money has been used in ways that bear symbolic meaning. Users thus distinguish between money from different sources and single out particular notes and coins having special significance. Holders of money will frequently set some of it aside as earmarked for a specific purpose; as the term implies, money thus reserved may be physically marked. In certain social contexts small sums of money carry specific symbolic meaning, as in tipping or in legal awards of damages. Many kinds of money-substitutes or near-moneys have specific class, regional, brand or other associations, such as food stamps, grocery coupons, and frequent flyer miles, to name only a few. All of these phenomena introduce difference into the apparent homogeneity of a circulation in which every dollar seems identical to every other. To consider money purely as the embodiment of a numerical abstraction, Zelizer demonstrates, is to ignore many of the ways in which it actually functions as a social institution. In the context of these functions, money is not one thing.[11]

In a global rather than national context, the most commonplace form of monetary difference in the modern era is the distinction between national currencies. Money today is normally regulated by state or quasi-state agencies; part of such agencies' function is the issuance of notes and coins which, having no value as commodities, circulate by legal fiat. To use them is thus not only to perform an exchange but also to acknowledge oneself as a subject under the law. The use of fiat and other forms of non-commodity currency also produces effects of identification with other subjects; one accepts such a currency only in the belief that there exist other subjects like oneself who will accept it in their turn in a future transaction. As a materially embodied medium of exchange, then, modern money has symbolic effects that can reinforce state and national identifications; such effects have been the subject of valuable recent work by sociologists and geographers; we shall discuss their operation in eighteenth- and nineteenth-century Britain in Chapter 2.

There we will see, however, that it is a recent development in the history of notes and coins for their circulation to be delimited by national boundaries. Throughout European history, monetary units of account have normally been established by civic, national, or imperial governments. Until the modern era, though, it was rare for coin to be minted in the official units of account; the pound became the basic unit of account of the Holy Roman Empire when Charlemagne coined a pound of silver into 240 pennies. The pound sterling became the national money of England under the Norman kings whose silver penny, known either as the starling or the *steorling*, was also originally minted at the rate of 240 from a pound of silver. But not until the gold sovereign was minted in 1817 did a coin with the value of a pound play an important part in British monetary history. Throughout the medieval and early modern periods, debts denominated in pounds, shillings, and pence were paid in an enormous variety of coins with different origins and metallic compositions, whose values fluctuated in relation to one another and in relation to the prevailing units of account.

The apparent homogeneity of the legal tender circulation of the modern state thus dates in Britain and the United States from the nineteenth century.[12] In order to achieve it, both states had to take control not only of a heterogeneous circulation of coined money – in which, however, their right to a monopoly was legally established – but also of the circulation of credit money which was – and is – largely the creation of non-state agents. In the context of paper money and money-substitutes' early history, the idea that their users could ever perceive them as expressions of national identity would have been thoroughly counter-intuitive. In Chapter 2, we will trace this history and show how by the outbreak of war with France in the late eighteenth century, loyalty to Britain could nonetheless find a symbol in the seven hundred or so different varieties of paper pound in domestic circulation at the time.

Not only, then, is money more than one thing; as recent scholarship on its social history has shown, the different material objects and social practices in which money is embodied at any given time and place support an array of different symbolic meanings. In most periods of monetary history, commodity monies (usually of precious metal), tokens, credit instruments, and other forms of paper money have circulated alongside each other, each mediating its own characteristic forms of social and economic relations.[13] Though Simmel writes that "the essence of all *money* … is its unconditional interchangeability, the internal uniformity that makes each piece exchangeable for another, according to quantitative measures,"[14] the interchange of moneys as pure expressions of quantity cannot take place without a symbolic remainder. As Geoffrey Ingham notes, Zelizer's analysis of earmarking in household budgets demonstrates how money can acquire special meanings but also shows its interchangeability qua money, which is what makes the earmarking necessary in the first place.[15] The same point applies to the practices she discovers that involve physically

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978-0-521-19379-5 - Real Money and Romanticism
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marking banknotes; whatever effects these practices have in singling out one banknote from many, they do not affect the underlying principle of monetary interchangeability – no matter how it has been marked, a note remains interchangeable with all other notes of the same denomination and kind.

The contradiction between her view of money and that of a writer such as Simmel is thus immanent in the money form itself. Money's function as an interchangeable embodiment of pure quantity tends to efface symbolic meanings of the type studied by Zelizer and Deborah Valenze. This function itself, however, also depends on a symbolic support. In banknotes, this support derives from the issuer; we ignore the marks that distinguish one note from another of the same kind and denomination because of marks that they share, typically including a signature. The same is true of both token and precious metal coin; even if they are intrinsically valuable, coins' interchangeability is produced by the symbolic authority of the mint.

There is then no monetary exchange without a symbolic guarantor. At the beginning of the chapter, we saw that for Marc Shell the invention of money transformed exchange from a process in which transactions were mediated by symbolic tokens of obligation to one in which they are mediated by money as a means of payment – i.e. as itself a means of discharging obligations. We now see that this transformation has never been completed. Indeed, I will argue that it was never a historical event at all, but rather appears in writing about money as the temporal projection of a structural difference internal to the money form as such. Not only does money require a symbolic guarantee, moreover; throughout the period to be studied in this book, the cash-poor monetary system of Britain under early capitalism made it necessary for traders to carry out most of their transactions using symbolic tokens of debt as being themselves a means of payment. As we will see, it was difficult for participants in a transaction carried out this way to know when they had discharged their obligations and the transaction had actually closed. When tokens of debt functioned as money they often did so imperfectly, leaving their users uncertain whether their payments had been made or not.

The transformation of symbolic tokens into money is not, however, limited to the period of early capitalism. According to some monetary theorists, such a transformation is money's historical origin. In his *Treatise on Money*, Keynes began with a historical claim offered as a deliberate affront to the view, conventional since Aristotle and still prevalent in textbooks of economics, that the first form of money was precious metal coin:

> The beginning of Money-Proper is often associated by historians with the first coinage, in respect to which the statement of Herodotus that it began in Lydia in the sixth or seventh century BC may still be credited. But I do not think that the art of coinage effected so significant a change as is commonly attributed to it … [I]t is probable that the fundamental transition, namely the transition to Chartalist or State money, long preceded it.[16]

Keynes wrote the *Treatise on Money* after a period of studying accounts of ancient Mesopotamian temple banks, a period he termed his "Mesopotamian madness." From this study he concluded that money originated as a unit of account used to measure taxes paid in wheat or barley. The practice of issuing money in material form to represent these units, Keynes argued, is both logically and chronologically secondary. Keynes' work was influenced by the nineteenth-century economist Georg Friedrich Knapp, who first argued for the priority of what he termed "chartalist" money; in its stress on the central role of the state and of taxation in determining the value of money, chartalist theory fell out of favor in the years of neo-liberal dominance at the end of the twentieth century. Currently, however, sociologists and sociologically inclined economists are returning to Keynes' work and extending it in ways that profoundly unsettle received accounts of money's history.

The most radical of the current neo-Keynesian theorists of money is Randall Wray; like Keynes, he bases his account of money's origins on written records of financial transaction in Mesopotamia from 2500 to 1200 BCE. These show that "[p]alaces created … money units to standardize payment of taxes. Use of money in private transactions derived from tax debts, encouraged by the palaces which could record and enforce private transactions."[17] That is to say, individuals would settle their obligations to one another using the medium of tax debt; these settlements did not initially involve the transfer of material tokens but were rather effected by the state's written transfer of obligation between the transactors. A tax system that levied taxes in money (rather than in kind), Wray continues, also made it possible for the state "to obtain goods and services by issuing its own money-denominated debt in the form of tallies (initially, clay tablets and later wooden tallies). Coins came later, but were, like tallies, evidence of the Crown's debt."[18] Wray thus contends that money is in its original form an abstract expression of quantity and that its circulation by means of material tokens is only secondary. Further, and most crucially for our purposes, he contends that tokens of the kind that circulated in the ancient Near East established the paradigm for all subsequent forms of currency. In particular, he argues that economic theory has prevented historians from seeing how few examples there have been of commodity-moneys, currencies that actually embody the value for which they stand, in comparison to the number of circulations made of tokens representing debt.

In many instances, such tokens were formally indistinguishable from the *symbolon* as it was described by Marc Shell in *The Economy of Literature*. Tallies, in particular, like the *symbolon*, were created to bear witness to transactions in which they did not take part. Often, they were divided between a creditor and a debtor. Crucially, though, creditors in such transactions, left with evidence of a debt owing to them, could transfer it to a third party in a transaction where it would itself appear as an object of exchange. In the context of Wray's argument, the transformation of symbol into currency is the paradigmatic mode of money-creation in every society where money is used.[19] Copper tokens made to be divided between creditors and debtors have been found dating from the first millennium BCE.[20] There is evidence of clay tallies in Babylon. Wooden tallies, moreover, were the medium in which the British Exchequer conducted its transactions for all of its history until the system was abolished during the period covered by this book, in 1826. The largest claims for the importance of wooden tallies were made by Mitchell Innes in a pair of articles from 1913 that, with the revival of chartalist monetary theory, have recently acquired a new currency – both Wray and Ingham cite Innes at length. Here is the account Wray draws from Innes of commerce carried out by tally:

> Innes writes of the early European experience: "For many centuries, how many we do not know, the principal instrument of commerce was neither the coin nor the private token, but the tally" … This was a "stick of squared hazel-wood, notched in a certain manner to indicate the amount of the purchase or debt," created when the "buyer" became a "debtor" by accepting a good or service from the "seller" who automatically became the "creditor."… "The name of the debtor and the date of the transaction were written on two opposite sides of the stick, which was then split down the middle in such a way that the notches were cut in half, and the name and date appeared on both pieces of the tally." … The split was stopped about an inch from the base of the stick so that one piece, the "stock" was longer than the other, called the "stub" (also called the "foil"). The creditor would retain the stock … while the debtor would retain the stub (a term still used as in "ticket stub") to ensure that the stick was not tampered with. When the debtor retired his debt, the two pieces of the tally would be matched to verify the amount of the debt.[21]

From the tally system derives the use of the term "stock" to describe government debt. There is no evidence of tallies being used in private transactions in the eighteenth century or later; these were largely carried out with paper, as we shall see below. But, from the Middle Ages, split tallies were used to record obligations to the Crown owed by tax collectors.[22] As early as the fourteenth century, they were also used to anticipate revenues; Goetzmann and Williams describe how if the Exchequer was short of funds "it would get creditors to take not cash but a tally addressed to some tax collector A. In this way tallies circulated like negotiable bills of exchange before reaching A. This method allowed the King to anticipate revenue and let the Exchequer shift the trouble of debt collection onto others."[23] By the end of the seventeenth century, tallies were also used to record debts directly payable by the Crown; in this case the stock would be retained by the creditor, who, like the Crown itself in the earlier examples we have given, would be free to put it into circulation to pay further debts of his own.[24]

Tallies used as tokens recording individual subjects' transactions with the state thus began at an early date to circulate as a means of payment in their own right. For Wray, such circulations provide the paradigm for currency. Coinage itself, he argues, originated as a token of state debt; its value as a medium of exchange has always been sustained by the state's obligation to accept it at face value in payment of taxes. Medieval and early modern states thus could and did alter the value of their coinages by decree in a process termed "crying up." Following Innes, Wray writes that "until recently, there was little relation between the nominal value of a coin and its precious metal content."[25] It was not until the nineteenth and early twentieth centuries (1819 in the case of Britain) that

> governments formally adopted gold standards and aimed to fix gold prices. Because they established a gold standard that fixed the value of coins and all other state "tokens" relative to the unit of account, which in turn was fixed relative to a quantity of precious metal, they could no longer "cry down" the value of a coin. Thus was finally achieved an approximation to the monetary system that the textbooks hypothesized for the origin of money.[26]

At the center of Wray's analysis is the claim that the value of any given monetary token is determined in the last instance by the value at which the state will accept it in payment of taxes. With respect to seventeenth- and eighteenth-century Britain, this analysis understates – indeed, ignores – the influence of foreign exchange on currency values. Adam Smith and David Ricardo, like every other important writer on exchange in the period, thought that the price of the precious metals that in their day constituted the legal tender money of Great Britain was determined by currency flows into and out of the country owing to foreign exchange. They took it for granted that the value of British money in purchasing commodities abroad was determined by its commodity value as specie, and that this value ultimately determined its value at home.[27] David Hume viewed a currency not convertible into precious metal as "counterfeit money, which foreigners will not accept of in payment."[28] Wray views this belief in the ultimate determination of a coinage's value by its commodity value as a "veil of gold," that concealed from classical political economists (as it continues to do from their successors) the role of the state in setting the value of money. As we have seen, even he concedes that the theory of classical political economy is eventually enacted as law in the nineteenth century when gold, embodied de facto in the pound sterling as the currency of international exchange, was adopted by all of the major economic powers as a monetary standard. Wray's view of national economies treats them in isolation as coherent systems, in which the values of all the various forms of money are harmonized with reference to a single unit of account. I propose here that monetary systems in principle cannot be isolated in this way, and that they therefore cannot be internally self-consistent or homogeneous. With respect to every monetary system, there are elements that cannot be definitively included or excluded; at different historical moments these may be "foreign" currencies; they may be commodities such as gold that circulate across borders; they may be abstract units of account in which money is reckoned but which cannot function as money to be spent or saved; or, most relevant to our purposes in this book, they may be near-moneys and symbolic money-substitutes.

We will pursue this claim below. Whatever reservations may be entertained about it, Wray's radically chartalist theory of money does compel some conclusions. One is that the historical distinction between a society structured by symbolic exchange and one structured by monetary exchange with which we began has to be abandoned. The monetizing of symbolic tokens is a continuous process; there is no money without a residual symbolic element, and no symbol in which the possibility of becoming money is not immanent. Not only, moreover, must we abandon the historical narrative in which money *succeeds* the symbol as a mediator of exchange, but we must also reject histories in which symbolic money comes into being only late in money's history, finally replacing commodity money altogether with the demonetizing of gold in 1971.[29] Such histories ignore the symbolic element which we have seen to be present in *all* money; similarly, claims that the displacement of cash transactions by electronic transfers are bringing about "the death of money" overlook a history of payment by bank settlement without the mediation of a material currency that goes back to money's earliest history.[30]