A Political Theory of Money

Understanding money's nature as political, institutional and material answers today's big money questions. Money remains a foundational question of social theory. What is money? Why does something so insubstantial have value? How do money systems make promises function like valuable things? Why are money systems always hierarchical yet variable? The answer, *A Political Theory of Money* argues, is politics.

Money is institutionalised social power. Politics generates institutions that differentially lock into the future product of political and economic collectives. Money emerges from the institutionalisation of social antagonisms to encapsulate a collective's productive potential in a flexible, tradable instrument. This takes a system. Money is built in hierarchical layers out of the inherently variable material of politics and at various economic scales. This book outlines these variable processes theoretically and through case studies.

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Preface

This book is both a collection and a synthesis. While some of the case-study chapters started as responses to the global financial crisis of 2007–2008, the bulk of the theoretical section was written to synthesise the lessons learned from the cases and to connect them with all three major schools of monetary thought. The test of this synthesis, like all theories, is its generality: how many monetary contexts can it speak to?

The work synthesises elements from all three schools of monetary thought. Social theory is best seen as a resource from which we can select various elements from various theories to assemble our own social–theoretic machines fit to tackle our particular questions. Loyal adherence to a particular school therefore can end up damaging the work of social theory. As complex compounds assembled in particular contexts for particular questions, social theories are quite modular. Each element can in principle be recombined with elements from other theories. Theories are not infinitely recombinable, of course, and we will constantly argue over which elements are foundational, which are dispensable, which necessarily hang together and which are separable. But such arguments already concede the inherent modularity of theory.

The theoretical synthesis we attempt here combines elements from the Banking, State and Currency Schools with lessons from classical political economy and old institutional economics. The Banking School understands money as credit, as means of payment for settling debts public and private. It carries an implicit institutionalism because it recognises the futural orientation of all economic life: only institutions can help us collectively manage the uncertain future; institutionalism and futurity go hand in hand.

But the Banking School lacks an adequate account of hierarchy in money—why some monies are better than others—taking refuge in the nominal power of the law. This is the domain of the State School, which identifies the state as being central to money but does so by raising the state's nominal power to such a height that it ironically eclipses politics itself. This book seeks to improve upon the State School's understanding of money by placing it with a political understanding of the ontology of all social institutions including the state, an understanding inspired by Roberto Unger though it has many referents.

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Finally, the book urgently insists on the materiality of money. This is a special kind of materiality to be sure—one that is futural, probabilistic, abstract, institutional and political all at once. As such, while this is not the materiality of money identified by the Currency School, it acknowledges the salience of the latter's materialist intuitions. In an age where 'printing money' has become a byword of government policy, social theory needs to rise to the occasion and account for why money, seemingly a confidence trick played on the populace by gnomic technocrats, is in fact anchored and rooted in material processes of production albeit at variable robustness and scale. Without the material dimension, there is no complete account of monetary variety and therefore no complete theory of money.

Those who work on money often recall the moment when they plunged down the money rabbit hole. I wrote this book to address the money gap I found in Karl Marx's theory of capitalism during my graduate work. While the reader will decide if the theory measures up, it is important to make the distinction between a theory of money and a theory of capitalism. Though naturally overlapping, a theory of money cannot substitute for a theory of capitalism in all its variegated, historically bound dynamics. That said, hopefully the reader will find herein some seeds of that broader theoretical formulation.

Acknowledgements

When you are down the money rabbit hole, you need a guide. I lucked out and found Perry Mehrling while browsing through the corners of the Columbia University course catalogue. Perry has that rare gift of being able to juggle the abstract and the concrete with consummate ease. This not only makes him a wonderful teacher but one of the most important social theorists we have. As I learned his institutionalist vision of money, I grafted it onto my own education in political economy to produce the work before you. It is no exaggeration therefore to say that without his teaching, scholarship and friendship, this book could not have been possible.

I have in fact been granted some outrageously good luck with fabulous mentors from all the way back to my undergraduate days when Amrita Basu, Pavel Machala and James Martel got me started on social theory. Partha Chatterjee, Sanjay Reddy, David Scott and Nick Dirks made up an eclectic and rigorous PhD dissertation committee. Each one will hopefully find some element of their thought represented in this work—perhaps, especially, Partha whose synoptic grip on theory and history continues to inspire and guide. As I moved on to postdoctoral work, I continued to luck out, finding Katharina Pistor, Akeel Bilgrami and Joe Stigtliz as mentors and interlocutors through the turbulent times of the financial crisis. Katharina in particular continues to be a model of scholarship and engagement.

My education continued while teaching social theory at the precious and unique programme of Social Studies at Harvard University. Social Studies under Richard Tuck created a special environment for lecturers and students alike, one that I was loath to leave. The anchoring it provided in classical social theory added a foundational layer to this theory of money. Around this time, I was blessed to encounter the scholarship of Chris Desan and through her the whole world of legal scholarship on money and political economy broadly, a vibrant and important scholarly community. Chris's seminal work on money deeply informed my own; she remains a wonderful mentor. I was also deeply fortunate to encounter the work of Roberto Unger at close quarters.

Several colleagues at Indian Institute of Technology (IIT), Bombay, especially the Sociology Group, have provided a warm and supportive environment. Others have once again provided important mentorship, particularly Rowena Robinson and Anurag Mehra.

One needs intellectual comrades of course, and there again I have had outsized luck. Siva Arumugam, Arjun Jayadev, Jason Jackson, Dan Nielson, Sanjay Pinto, Alex Gourevitch and Sandipto Dasgupta have all helped in the conceptualisation of this work in various ways.

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Abbreviations

AIG	American International Group
ASICs	application-specific integrated circuits
BoE	Bank of England
CD	certificate of deposit
CPU	central processing unit
DeFi	decentralised finance
ECB	European Central Bank
EFSF	European Financial Stability Facility
EMU	Economic and Monetary Union
ESM	European Stability Mechanism
EU	European Union
FX	foreign exchange
GDP	gross domestic product
ICU	International Clearing Union
IMF	International Monetary Fund
IPE	international political economy
LOLR	lender of last resort
MMT	modern monetary theory
NAV	net asset value
RBI	Reserve Bank of India
RMB	renminbi
SDRs	Special Drawing Rights
US	United States