THE UNIVERSITY OF CHICAGO

Brands or Bonds? Political Contestation in Capitalist Money and Sovereign Debt

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August 2021

A paper submitted in partial fulfillment of the requirements for the
Master of Arts degree in the
Master of Arts Program in the Social Sciences

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Abstract

The supremacy of private creditor interests over sovereign government debtors has resulted in radically different economic outcomes in moments whose structure is otherwise quite similar. In this paper, I argue that understanding these outcomes requires us to revisit the properties and function of money under capitalism. Drawing upon heterodox monetary and Marxist theorists, I characterize capitalist money as a zone of contestation where governments and private interests fight over the legitimacy and monetization of private "promises to pay." I work to establish an unusual formal parallel between the genesis of capitalist banking in England and the political economy of modern Argentina in order to show how seemingly similar political and economic logics can result in either prosperity or ruin depending upon whether the co-constitution of capitalist money by governments and private actors results in a mutually beneficial symbiosis or a cycle of distrust and exploitation. These outcomes depend upon the results of both structural and epistemic contestations which underlie capitalist money itself.

Introduction

Among the most dramatic revolutions in world history, England transformed between the 16th and 20th centuries from a sparsely populated, economically unremarkable island into a center—if not *the* center—of world economics and politics, a birthplace of capitalism and industrialism. The character and causes of this transformation comprise the focus of an entire genre of academic debates. Nevertheless, the empirical evidence compiled by economic historians shows that England's transformation did not begin in the industrial decades of the late 18th century; rather, during the 17th and early 18th centuries, England's economic activity already began to surpass and exceed its continental rivals (Wrigley 1988, 11). Furthermore, these periods were quite far from a time of domestic tranquility. Seventeenth century England was filled with civil war, revolutions, and vast political and social changes. Compared to France in the same period, the English state was weak, divided, and possessed of meager population and resources (Carruthers 1996, 112).

It was not despite but in many ways *because* of these challenges that England managed to become a great military and economic power. As historical sociologist Bruce Carruthers argues, it was England's innovations in government finance which played the decisive role in allowing England to mobilize national resources for war and international success. Better yet,

the emergence of capitalist banking allowed the state to "ally" with its internal mercantile and commercial classes, since new forms of government debt allowed the bourgeois to acquire a stake in government success (22). The political and social consequences of this transformation were profound. In the political sphere, England's king surrendered his absolute sovereignty, becoming merely "King-in-Parliament," while in the monetary sphere, the Crown's historical rights to unilaterally print currency, debase coinage, and short-change creditors were forevermore ended. This latter point must be underscored: the surrender of monetary sovereignty and the dominance of private finance was the historical precondition of England's new ability to take on long term debt and project power above its weight class. This surrender of monetary sovereignty was reflected in England's law, politics, and popular ideologies during the close of the 17th century: in 1700, the House of Lords charted a radically new legal philosophy requiring the king to prioritize repayment of private creditors above all public expenditure, including urgent war-related spending.

In short, the rise of private financial interests comprised the decisive innovation which allowed the historically transformative success of the English at the close of the 17th century.

Today, it would appear as if this chain of causation has all but disappeared. The legal and political dominance of private creditors over government sovereignty is associated with economic disaster, international decline, and political turmoil. The quintessential case in this regard is Argentina's recent series of tragedies following its 2001 debt default. Although Argentina was able to negotiate bond-swaps with 93% of its creditors, a minority of debt bonds fell into the hands of American "vulture funds," firms specializing in the litigation of distressed government debt. After years of winning suits in American courts but little success in actually convincing Argentina to pay, one vulture fund—NML Capital—stumbled upon a winning legal strategy. In a set of controversial rulings, Judge Thomas P. Griesa in the Southern District Court of New York pioneered a series of legal interpretations which eventually were upheld in Supreme Court review in 2014. First, Griesa reinterpreted a boilerplate clause of debt bonds,

known as the “parri passu” clause, to mean that Argentina had obliged itself to pay off the vulture funds before it could pay anyone else, including the 93% of other creditors who had agreed to swap bonds. Second, Griesa empowered NML Capital to collect its money by extending US court ability to “discover” Argentine government assets and preventing *any* third party firms and banks—including European banks not subject to US jurisdiction—from transacting on Argentine government debt.

The consequences of this case are difficult to overstate. One legal textbook on sovereign debt litigation, published just as the Argentina decisions were working through the appeals process in 2013, ominously warned that the cases threatened to “revolutionise sovereign debt litigation and sovereign debt restructuring in general” (Bruno 2013, 99). In essence, it could be said that the NML Capital decisions, like the House of Lords’ rulings in 1700, enshrined the supremacy of private creditors over the sovereignty of governments, no matter the cost to the public.

Despite the similar legal logics and dominance of private credit, however, Enlightenment England and modern Argentina have seen vastly different outcomes. England’s surrender of monetary sovereignty set it on a path to economic and political stardom. Argentina’s surrender of monetary sovereignty has put its currency in turmoil, shackled its economic growth, and resulted in a cycle of unpayable international debt. Indeed, the NML v. Argentina cases embarrassed the Obama Administration and enraged the international financial community. States including France and Brazil sent amicus briefs to the Supreme Court, urging it to review the decisions lest they “impose significant burdens on the foreign state and impugn its dignity, which could harm the United States’ foreign relations” (11). Economic geographer Shaina Potts (2020) explains that the decisions were also opposed by slews of banks and major hedge funds, who resented the additional risks and obligations imposed on them and were thrown into disarray by the upending of “longstanding assumptions about the geography of legal agency that all transnational financiers had relied on” (58).

In this investigation, I argue that to understand how such different outcomes could result from creditor supremacy, we must revisit the nature and structure of government debt, capitalist money, and political sovereignty. Current literature proves decisively that money, despite being "the fundamental 'social technology' of modern capitalism and pervasive feature of its everyday life, [is] poorly understood" (Ingham 2001, 304). Orthodox economic accounts view money as a neutral veil to grease natural cycles of private barter between people. As such, money arises spontaneously from private transactions; the government printing more money can change prices—inflation—but not affect production or growth (Graeber 2014, 23). Meanwhile, progressive economic critics from the Modern Monetary Theory (MMT) school hold that the government is the monopolist producer of money, which it creates as a convenient fiction in order to mobilize private resources. In other words, if states control and issue debt in their own currency, then eliminating national debt is a trivial matter: states need merely to print the amount they owe and distribute it (Kelton 2020, 17). The only real constraint on government debt and spending is therefore inflation.

Both of these conflicting schools continue to emphasize the dichotomy between money, which is an illusion, veil, or fiction, and the "real" physical goods which are held to constitute the economy. The social and political realities of debt and money—how they're treated, regulated, thought of, or encoded into law—are pushed into a secondary, subordinate position in these accounts. As such, the predominant theorizations of money abdicate from the urgent legal and political questions that surround the actual dynamics of money and debt in the present—in particular, they are inadequate to understand why legal and political logics of creditor supremacy resulted in such different outcomes between England and Argentina.

In this investigation, I pursue a different view of money which underscores its role as a zone of intense contestation. By working through the dawn of capitalist banking in 1690's England and the political economy of modern Argentina, I argue that money is about the furthest thing from a neutral veil one could imagine. Drawing upon heterodox monetary theorists, I offer

a view of money in general as a localized nexus of collective belief, particularly in its capacity as a unit of account. With British sociologist Geoffrey Ingham, I identify capitalist money in particular as a unique creation whose function derives from the structure of social relations under capitalism. Specifically, I point to the ability of banks under capitalism to monetize their "promises to pay" to depositors, which becomes the predominant form of money in the economy. These private promises to pay become money, however, only when supported by a robust infrastructure of government consent, law, and collective expectations. Incorporating the insights from a heterodox school of Marxist theorists, I describe the management of these collective expectations and beliefs as a field of mass-psychological and social battle where institutions and individuals deploy diverse strategies in order to shape the public imagination.

In the second section, I marshal empirical historical evidence from early modern banking practices in England and the 2001 Argentina default cases in order to establish an unusual comparison between two very different historical moments, allowing me to characterize an underlying political and social structure to capitalist money. Specifically, I argue that the monetization of private promises to pay which defines capitalist money is closely tied to a certain kind of dissolution of political authority in favor of private interests. The absolutism of monetary sovereignty and political sovereignty are tightly related, meaning that the power struggles over money play out across legislative chambers, courtrooms, and public media. The case of England, which represents the genesis of capitalist banking, demonstrates that states require the generation of private credit money in order to finance ongoing debts, while private banks need the state to purchase their money using official, state-backed currency in order to fully monetize their private loans. The exact balance between states and private actors is a matter of continual contestation, however, which plays out over the entire economy.

In the case of Argentina, the foreign creditors of Argentinian debt were able to successfully articulate a legal logic which closely mirrors the original common law property rights granted to English government creditors in 1700. Unlike England, however, Argentina was

crucially unable to establish a strong domestic monetary space through normal processes of taxation and spending in the official state-backed currency. In brief, whereas the dominance of creditor interests in England resulted in a symbiotic relationship between government spending and private money production, the debtor supremacy in Argentina only encouraged the instability of the Argentianian peso as citizens flocked to US dollars and alternative local currencies. As a result, private US interests have been able to successfully leverage dollar dominance into creating an ongoing cycle of exploitative debt and investment relations.

I. Money and Debt

Rarely have academic disciplines been more extraordinarily divided on a semi-empirical question than is currently the case with orthodox, neoclassical economics and the rest of the social sciences on the matter of money: what is money, how did it arise, and what does it do? Let us begin by giving a brief overview of money, before intervening into the existing economic, sociological, and anthropological accounts of the issue.

As the MMT and chartalist theorists rightly observe, money is first and foremost a unit of account. Coins, currency, and other objects answer to a conception of “money-ness” which is already established in the abstract. British sociologist Geoffrey Ingham smartly observes that historically, this unit of account has been organized and centralized most often by a sovereignty or state, who compels its citizens to participate in its monetary scheme by requiring taxes payable only in the sovereign’s money (Ingham 2004, 65). This simple thesis powerfully reveals money’s two essential traits. First, money is the product of mass social psychology. Money’s precondition is a certain kind of collective belief which is sustained by faith in a shared abstract unit of account and willingness to accept that everyday objects have a well-defined, innate, and invisible character (monetary value) which is naturally expressed by this unit of account.

Second, the belief underlying money is established, contested, and continually re-affirmed by material and structural processes in a society: taxation, the minting of coins, the punishment of counterfeiters, and countless other legal, social, and political processes including, perhaps, the very act of commodity exchange itself.

Under capitalism, however, money has gained a unique production process and character which is an essential backbone behind contemporary finance and economics writ large. In simple terms, banks under capitalism loan money in excess of the amount of government-minted money they actually possess. When a modern worker deposits currency at a bank, they swap government-endorsed tokens of value for something even more nebulous: the bank's promise to pay these tokens at some future time. Under the modern fractional reserve system, banks typically have many more promises to pay than they have currency reserves—hence, when moments of crisis prompt depositors to run on the bank, banks are forced either into bankruptcy or else to seek the aid of the sovereign. Similarly, when private firms seek funding from creditors, they promise future returns or shares of assets in return for money in the present. In this way, modern financing is at core the purchase of private promises to pay using current sovereign money. In the modern economy, these private promises to pay typically vastly outnumber the government-minted currency which was the central form of money in pre-capitalist economies. To add yet more trouble to the situation, all modern *governments* typically spend by taking on debt, issuing their own promises to pay, despite often also being the entity which, at least in theory, is responsible for printing bills out of thin air. Additionally, governments are tightly bound up in legalizing, purchasing, legitimating, and even spending all kinds of private promises to pay, thereby tying these private promises tightly to government-minted currency.

In this way, under capitalism, money functions as a zone of intense ideological, political, and social contestation. Private firms, money consumers, and government agents fight constantly over the legitimacy, legality, and imagination of all kinds of promises to pay. This

contestation, particularly in light of globalization and multiple competing sovereign units of account, often exists continuously with the original political and social contestation over the collective beliefs underlying sovereign-issued money. Thus, money itself becomes a field where its private and public producers wage both epistemic and physical warfare in order to advance their interests.

From this perspective, it can be maintained that both money and the political sovereignty itself which underlies money are the product of a fraught co-constitution by governments and private agents. I argue that heterodox Marxist theorists like Eric Santner and Moishe Postone offer us an account of how individuals under capitalism mobilize social and psychological techniques to imagine and augment abstract economic value. This class of techniques, which can be seen in their rawest form in the activities known as modern "branding," are the quintessential ways that actors go about actually producing and contesting modern money. These techniques are additionally related closely to the kinds of liberal political and social structures which co-evolved alongside capitalist finance, allowing us to theorize the close relationship between money politics and money economics. By drawing upon these Marxists, we can more precisely characterize the social and psychological nature of money as a zone of contestation, and show how sovereignty in capitalism emerges from particular public-private nexuses in the structure of modernity.

Orthodox Economics and the Chartalist Critique

The formulation of money I have been describing—money as a zone of political and social contestation, tied uniquely to the economic and social structure of capitalism—flies in the face not only of the standard, neoclassical economic accounts of money which predominate in the halls of policymakers and media discourse, but also contradicts some of the tenets of orthodox economics' fierce chartalist critics.

For its part, neoclassical economics' view of money can be stated in a few succinct tenets. First, money is a purely technical device, a neutral veil which helps articulate the terms of barter in the underlying "real," material economy (Ingham 2001, 307). In other words, humans naturally want to trade goods for other goods—barter—but are inconvenienced by the fact that not all barter partners want the exact goods they have to offer. Money is introduced as a meaningless token in order to symbolize the exchange ratios of the underlying goods swap. As a consequence, the quantity of money in an economy might impact the value of the money token itself but it will not, in the long run, change the underlying exchange ratios of goods—in other words, money may only impact prices and not output or growth (Ingham 2004, 8). Paul Samuelson, among the most influential economists of the 20th century, stated it plainly: "Even in the most advanced industrial economies, if we strip down to its barest essentials and peel off the obscuring layer of money, we find that trade between individuals and nations largely boils down to barter" (qtd. in Graeber 2014, 44).

Second, money tokens as objects are commodities in the sense that they possess intrinsic exchange value (Ingham 2004, 19). The quintessential representation of commodity money is gold or silver coinage, which holds a certain amount of value in proportion to the relative scarcity of the metal itself and the difficulty in extracting it from the earth. Even modern "fiat" money, like the US dollar, is still a commodity insofar as it is a scarce object held to have value in itself. This value might derive purely from custom, or relatedly from the utility the holder of money can derive by using it as a convenient and universal medium of exchange to purchase other goods.

Over the past centuries, this dominant economic narrative has come under voracious assault from a variety of critics. For one, the argument is ahistorical: as Graeber shows in a persuasive reading of swathes of modern economics textbooks, the quintessential methodology by which economics explains money is the thought experiment (25). The logical progression of the thought experiment, by which humanity begins with barter and then spontaneously invents

money to make the barter more convenient, certainly has no historical basis: in no known society does the "ordinary mode of economic transaction between neighbors takes the form of 'I'll give you twenty chickens for that cow'" (29). As French theorist Andre Orléan summarizes, "to our knowledge, this fable [of money arising from barter] has been rejected unanimously by everyone who has taken the trouble to study archaic societies" (128).

In recent years, Modern Monetary Theory (MMT) has gained widespread academic, political, and popular attention as a robust alternative to orthodox neoclassical views on money, particularly because MMT offers clear guidance on monetary policy and a thorough critique of existing monetary practices and institutions. In 2020, economist and former advisor to Bernie Sanders' 2016 presidential campaign Stephanie Kelton published an influential articulation of the theory in her book *The Deficit Myth*, aimed primarily at persuading policymakers. In Kelton's account, MMT can be understood via a few simple arguments. First, like orthodox economics, Kelton conceives of the economy most fundamentally as the distribution of real material goods and resources. Second, autonomous states print currency at will in order to affect the distribution of real resources; a government of this status is said to have "monetary sovereignty." This is the position known as chartalism: that money arises historically from states' attempts to control resources, and is defined most crucially by the sovereign's invented and enforced unit of account. Kelton writes:

> [MMT] is about replacing our current approach, one obsessed with budget outcomes, with one that prioritizes human outcomes while at the same time recognizing and respecting our economy's real resources constraints… MMT points out, "It's the economy's real resources, stupid!" (40)

Thus, like orthodox theorizing, MMT considers money to be an illusory, convenient fiction which greases the wheels of real exchange.

Unlike orthodox theorizing, MMT *also* considers taxation and the sale of bonds to be fundamentally mistaken: governments—here, the monopolist money producers—never need to tax or borrow because they always have the power to print money to finance spending. As such,

for a monetarily sovereign government, there isn't really such a thing as debt: calling the sale of US Treasury bonds 'debt' or 'borrowing,' for instance, is a misnomer since the US government never needed the sale money to spend in the first place (116). On the other hand, for individual currency users and monetarily non-sovereign governments like Argentina, who pegged their currency to the US dollar, money operates just like the orthodox theorists describe. If states print too much money, however, more people will have the power to purchase than the economy will have real resources, meaning the value of the currency token will decrease (i.e. inflation) and the economy can be said to operate at "full capacity." This is the precise sense in which MMT suggests the only constraints on government spending are real resources. Although not necessary to finance spending, taxation and bonds *will* help with the inflation problem because they essentially remove money from the economy which state printing has created (44).

Money as a Neutral Veil

Although they point to different origins and vastly different roles for government, both neoclassical and MMT economics commit themselves to a dichotomy between a "real" economy of material resources and an illusory veil which greases the flow of the resources, money. This formulation has been critiqued by sociologists on two productive fronts. First, it fails to answer the question of why agents voluntarily and simultaneously begin accepting money tokens instead of real, useful goods. This is a particular problem for orthodox economics. Even the most cursory look into this problem shows that money's acceptance and functions are tied deeply to the cultural, political, and social structures it is embedded in. This line of thinking gives rise to the second area of criticism: that, according to any workable definition of "money," the actual monies in a society are diverse, heterogeneous, and endowed with all kinds of cultural baggage. This is a particular problem for the chartalists, since such money can *compete* with rather than reinforce the sovereign government's endorsed unit of account.

One school of French researchers on money, centered around the theorists Michel Aglietta and André Orléan, have put forward a powerful explanation for money's voluntary acceptance in society and its historical genesis. Orléan begins by rejecting the methodological individualism of economics in favor of an alternative, Durkheimian approach he calls the "holist" conception of society: the premise that society as such is not an aggregation of individual behaviors but rather a greater force which arises to synthesize them all (113). Clearly, society at large has vested money, even (and perhaps especially) fiat money, with value powered by collective belief. In Orléan's view, individuals in a society must constantly navigate a tension between using money as a medium of exchange, in order to invest or consume, and the hoarding of money as a store of value. When individuals hoard money, the collective social power bestowed upon money becomes private individual power (120). With Keynes, Orléan argues that individuals tend to hoard money for two main reasons: precautionary motives, namely uncertainty about the future rhythms of the market, and speculatory reasons, or guesses about others' market decisions (121). For Orléan, "understanding the origin of money, then, is a matter of understanding how specularity is expressed; it is a matter of knowing how specular beliefs evolve and are stabilized" (124).

Combining study of Ancient Greece and of the 'Aré'Aré people of the Solomon Islands, Orléan forwards the basic thesis that the ultimate historical origin of the specular, societal-wide beliefs which vest money with their value is religion. In particular, Orléan identifies traditional funerary practices as providing an obligation to ceremonially sacrifice and exchange goods. This original debt, from living to the dead, vested certain goods with a kind of abstract sacredness by association, ultimately giving them a lingering exchange value (132). The final step of Orléan's Durkhemian argument is to argue that by practicing the ceremonies demanded in the belief systems, the belief system itself is reproduced. As a corollary, money, arising out of collective belief, itself "actualizes and creates" the social totality that created it by linking everyone to everyone else through networks of ritual and monetary exchange (130).

Anthropologist David Graeber, in his monumental study of the history of debt, labels Orléan's school of thought "primordial debt theorists" and argues that the case is probably overstated. While the general idea of collective psychology rooted in non-economic practices powering money is largely persuasive, the actual processes are likely to be heterogeneous and diverse across societies and time periods. As Graeber argues,

> The reasons why anthropologists haven't been able to come up with a simple, compelling story for the origins of money is because there's no reason to believe there could be one. Money was no more ever "invented" than music or mathematics or jewelry. What we call "money" isn't really a "thing" at all; it's a way of comparing things mathematically, as proportions: of saying one of X is equivalent to six of Y. (52)

This broad definition of money resonates with a sociological tradition stretching from Georg Simmel's seminal *The Philosophy of Money* (1900) to recent work from American sociologist Viviana Zelizer, who emphasize the role of money as a social relation, with forms of money mediating between people and acting as a structuring technology for society. Zelizer, unlike Simmel and other critics, however, does not view money as a homogenizing, rationalizing force in society (Zelizer 1994, 2). Instead, Zelizer sees money as a general category describing a whole host of social objects and processes, including food stamps, supermarket coupons, prison scrip, chips for gamblers, gift certificates and the like (4). What defines the category of "money," for Zelizer, is simply a general set of objects which have some kind of recognized, regularized exchange value in at least one extant social setting (Zelizer 2000, 384).

Zelizer's sociological view of money thus opens up space for recognizing a wide range of money-like objects and their often spontaneous, private social genesis. Although some money may be commodities, other so-called monies, like lunch tickets, are transparently promises-to-pay directly redeemable for specific material goods. More importantly, money is no longer a "neutral veil." Instead, money is a general concept which plays some role in any variety of non-market and non-economic social relations (Zelizer 1994, 19). For instance, the practice of tipping a waiter or gifting a store-specific gift card are both monetary exchanges in Zelizer's

framework, but are accompanied by a variety of non-market, culturally specific meanings and social implications which may even inhere to the kind of ‘money’ itself.

Money and Sovereignty

As Ingham rightly observes, however, Zelizer’s emphasis on the heterogeneity of money neglects two important parts of money’s history. First, not all money is on equal standing: centralized units of account sponsored by a political sovereignty both currently and historically remain the primary engine of the economy in nearly all societies. In other words, as an empirical historical matter, societies tend to be built on one or several general forms of money, with local and particular monies filling the gaps in specific cultural, historical, and social niches. Second, although Zelizer’s emphasis on money’s non-neutral social embedding is productive, it misses the qualities which underlie “money-ness” and allow us to speak of money in general (Ingham 2001, 305). As discussed below, money in general can be conceptualized as a social relation of credit and debt. These arguments allow us to ground a theorization of money as a zone of contestation. This contestation can be investigated according to its two highly interrelated dimensions: the physical coercion and political violence organized by the state, and the epistemic battle over money’s legitimacy and constitution waged by both state and non-state actors.

Per Ingham, money in general is not only embedded in social relations but can be conceptualized *as* a social relation. In communities who share a common understanding of a certain money token, the possession of money signifies the holding of a power to influence the future behavior of other community members, whether the resulting behavior is acquiring a good or service that a community member possesses without directly bartering a good of your own. As with Orléan’s account, money is understood only within a given social community and is powered by the collective belief of the community. The possession or hoarding of money represents the privatization of this social power to the hands of an individual, who then holds

power over the fellow members of their community. Hence, “holding that money consists in claims directs attention to the fact that money is constituted by social relations and cannot be understood outside them” (Ingham 2001, 306). In this formulation of money as a social relation, it can specifically be labeled as a relation of *credit and debt*. As Graeber emphasizes, debt in general refers broadly to interpersonal social obligations, while monetary debt is simply a quantified social obligation (14). Thus, all money is a credit on some other community member’s debt in the precise sense that all money represents a potential obligation, of a precisely specified magnitude, to someone else who also believes in this money.

As Ingham further claims, however, these social networks of quantified credit and debt depend historically on strong, centralized actors to create and enforce a common unit of account, a way of imagining and expressing these debts—money. Thus “monetary societies are held together by networks of credit/debt relations that are underpinned and constituted by sovereignty… Money is a form of sovereignty, and as such it cannot be understood without reference to an authority” (Ingham 2004, 12). To reiterate, this sovereign money does not rely on the minting of coins or the printing of bills, which are secondary technologies designed to circulate and represent the original, fundamental forms of monetary debt (Ingham 2001, 305). Rather, the sovereign’s money is defined by the standardization of the yardstick by which economic value is measured, which can be expressed equally with physical currency tokens or with purely ideal recorded debts. In other words, the sovereign’s role in money creation is fundamentally about the articulation of the quality of valuable*ness*, rather than the actual creation of *value*.

How does a monetary sovereign set or create a unit of account? In Ingham’s view, this process, at least in the modern world, is accomplished through taxation: the sovereign demands that citizens or conquered subjects pay their tribute or taxes in certain scarce media, denominated in a particular unit of account. As such, the creation of monetary sovereignty is tightly linked to extreme physical coercion, both through the state’s power to forcibly extract

taxes and wealth and in their power to punish counterfeiters, a crime which in most societies is usually punished severely (Ingham 2004, 65). To this point, Graeber offers the illuminating example of French colonization of Madagascar, which saw the French impose a “impôt moralisateur,” an “educational” or “moralizing” tax, on native Malagasy people. The tax was designed to force the Malagasy population to earn Malagasy francs from approved sources and then pay them back to the French government (50).

As the Madagascar example shows, the sovereign’s money is maintained not only by trust or collective belief but also by raw coercion. In this way,

> The state theory of money raises the further question of the political nature of the relationship (or contract) between the guarantor of the validity of money and its users. Money, in this conception, inevitably involves the question of sovereignty. (Ingham 2004, 49)

To repeat, this formulation of money leads us to the result that not only is money *not* a transhistorical neutral veil arising out of barter, but rather that money is a zone of political contestation which involves the contingent historical relationships between citizens and between citizens and authority in a society. This line of thinking leads Ingham to the powerful conclusion that money is invariably produced in a struggle for power, and the value of money is a result of this struggle (78).

Money in Capitalism

Christine Desan, reviewing the practices of early-medieval Anglo-Saxon tribal communities, provides a succinct overview of money’s genesis and function in pre-capitalist society. The sovereign establishes an abstract unit of account to measure value, which they actualize by minting tokens composed of some scarce material—often metal—expressing units of that value. These tokens are awarded to community members who contribute goods or labor (for instance, military service) to the sovereign (Desan 2014, 43). Others in the community accept and trade for the token because they can use it to discharge their own debts to the

sovereign, rather than having their goods forcibly seized for taxes or collective projects. Thus money is in the first instance a specific credit representing fulfillment of obligations to the sovereign, and as a derivative matter a general credit powered by collective belief in the token's value to fulfill such obligations. Secondarily, individuals may enter into specific, personalized debt relationships, in which they promise to pay later (whether in goods or in credit tokens) for goods, tokens, or services rendered in the present.

Capitalism modifies and expands this model. Moishe Postone, in his seminal *Time, Labor and Social Domination* (1993), offers a reading of Marx's theory of labor which explains the foundation of these changes. In Postone's view, Marx's idea of labor was *not* a transhistorical notion but rather an immanent critique of practices specific to capitalism (29). To that end, Postone identifies in Marx a dual character of capitalist labor: concrete labor which creates physical goods with a use-value, and abstract labor which constitutes "value" as such (144). For Postone, abstract labor is defined by the fact that there is no relation between labor expended and the goods that can be acquired by means of that labor, meaning thus that "labor itself constitutes a social mediation in lieu of overt social relations" (149-150). This has the crucial consequence of making abstract labor—and its product, abstract value—appear to be "objective," a thing in itself rather than the dependent product of social relations (137). This is exactly how *fetishism* works for Marx: like the tribal totemic fetish, the capitalist fetish is an ordinary object imbued with special, magical power. In capitalism, the commodity is a simple, ordinary object with use-value, but because abstract labor strips away all relationships between producers and consumers, the object appears to have an "innate" exchange value. In other words, the power of collective belief magically invests the commodity with value.

This explanation resonates with Ingham's view of money in general: money is not only embedded *within* social relations but actually, in its capacity as pure, abstract value, works *as* structuring social relations. Prior prominent Marxist theories of money, like the Greek economist Cotsas Lapavitsas, have drawn upon Marx to argue that commodity money—namely, precious

metal coinage—is the original and fundamental form of money, and, crucially, has its value predetermined by the amount of labor expended in their production prior to the money's entrance into the market (Lapavitsas 2017, 94). While at first glance this notion is empirically and theoretically unpersuasive, Postone's conception of abstract labor and value allow us to re-work this claim in a way which unites theories of commodity money and credit money. As shown by Ingham, all money is a social relation which expresses credit and debt. However, in capitalism labor becomes a structuring force as all direct relations between producer and consumer are stripped away and money, pure abstract value, acts as the intermediary. All money is commodity money in that it constitutes an objective fetish, an ordinary receptacle vested with the magical powers of belief, by virtue of its structural placement *as* the connecting relation between people.

It should be emphasized that money's positionality as a structuring social relation does not mean that it is static in form, composition, or value. Indeed, the central change between Desan's chartalist model of pre-capitalist money creation and money in capitalism is that capitalism opens up vast, turbulent new sites for money to act as a zone of intense contestation. These new sites of contestation can be represented along two intertwined facets. First, the structure of banks and political institutions in capitalist society flood the economy with new, privatized forms of promises to pay which circulate as money, and whose very existence requires constant legal, political, and cultural struggle. Second, the distinction between money users and money producers becomes blurred as not only institutions and governments but individuals themselves become involved in the constant *psychological* battle to imagine and legitimize various public and private forms of money.

First, let us consider the unique arrangement of financial institutions under capitalism. The key monetary innovation of capitalism is that formerly personal debt is 'depersonalized' and circulates the economy as money (Ingham 2001, 305). This production centers around the development of banking. In orthodox economic theorizing, banks are modeled solely as a

neutral cost-saving intermediary for producers and consumers. As Ingham shows, however, banks under capitalism have the unique function of producing endogenous credit money out of the social relations of debt they produce (Ingham 2004, 63). To be precise, banks accept deposits from creditors and in turn loan out money to new debtors. This represents the creation of new money: the new debtor possesses credit money, while the bank's depositor still possesses money in the form of a promise-to-pay from the bank. The amount of potential new money can be expressed exactly depending upon the amount of the original deposit the bank is obligated to hold. For instance, if the bank is only obligated to hold 10% of a deposit in cash, then a $100 deposit will lead to $90 in loans, which, assuming this $90 is spent and makes its way back into the banking system, will lead to an additional $81 in loans, on and on until the original $100 deposit has created $900 of new money (139).

Structurally, this new bank money resonates deeply with Postone's account of labor. A formerly personal relationship—between a bank and a depositor—becomes depersonalized as the bank loans the money to a completely unrelated person, and then circulates the economy as an objectively valuable fetish in lieu of direct relations. Crucially, just as in the case of government money, this system of monetized, circulating debt relations relies on collective belief, and in particular on the trust of participants in the security and rhythms of the system. In the worst case scenario, participants can panic and rush to withdraw their bank deposits, causing the entire chain of debt relations to fail and collapse. In this way, the whole system depends constantly on the management of collective expectations and beliefs.

Eric Santner, in a brilliant chapter for the recent book *Sovereignty, Inc: Three Inquiries in Politics and Enjoyment* (2020), theorizes precisely how these kinds of collective beliefs are managed. Working through the case of a "brand," which is an abstract idea that contains economic value fueled solely by collective belief, Santner argues that this management is a "certain sort of devotional activity, a certain sort of liturgical labor" (21). Recalling the properly theological register with which Marx describes the commodity form in *Capital*, Santner argues

that we already find an explanation of this behavior as the defining feature of Marx's account of the value-form:

> Marx grasps the commodity as an amalgam of distinctive dimensions or modes of being: one concrete, one virtual, one laboriously manufactured out of raw materials ultimately taken from nature, one economically distilled—we might say "manufractured"—by separating out from the product of useful labor a distinct and subtle subject-matter, a sort of abstract materiality (Santner 2020, 24).

The latter process is what Postone thought of as the "value" resulting from "abstract labor," what Santner calls Value with a capital V, and what Marx himself referred to as *gespenstige Gegenständlichkeit*, or spectral materiality. Following Émile Durkheim, Santner characterizes this spectral materiality as a kind of "collective effervescence," what for Durkheim is an intersubjective affect created during occasions of sacred ritual (32). Santner focuses particularly on the way in which Durkheim and his nephew, Marcel Mauss, use the term "mana" to "identify the 'active ingredient' of both religious and magical practices" (34). According to Santner,

> Mana is something like a surplus of immanence generated by social life, the binding and symbolization of which—the production of socially binding, 'trascendent' representations—serves to give structure and form to that surplus, allows it to be authoritatively managed and administered, to be further 'invested' in people and things, thereby endowing them with a recognizable dignitas. (Santner 2020, 34)

Santner's incisive move is to characterize Value, the spectral materiality resulting from abstract labor, as exactly this kind of mana.

The purchase given by this description is a decisive set of insights into how collective economic beliefs are structured and managed. For one, this framework recharacterizes the relationship between the production and consumption of money. In Santner's framework, even the watching of advertisements can be considered a form of value-producing labor; the distinction between consumption and production becomes blurred as the consumers grow ever more essential to the spectral production process of the brand itself (31). This argument actualizes Orléan's attempt to ground money in primitive religion, while removing the argument's dependency on problematic historical details. Money doesn't emerge *from* religion, but functions *as* religion—as mana.

Thus, we have arrived at a precise formulation of capitalist money. Abstract labor, the defining form of labor under capitalism, ensures that money operates as an objective fetish which mediates relationships between people. No longer bound solely to a government sovereign, the capitalist economy is flooded with private money, generated by promises-to-pay from banks. Like government money, these promises to pay require constant legitimation and acceptance by the community. Capitalist money thus exists as mana-money: loci of collective beliefs, beliefs that are generated and regulated by governments, banks, consumers, media, and the entire social sphere as various contestations play out in newspapers, court rooms, and legislative chambers. The precise historically and culturally specific process of money's co-constitution, and the various techniques mobilized to legitimate or restrict money, form the main topic of the next section. The story of capitalist money's creation is the story of new political and social structures which allow the creation of new beliefs, new legalities, and new logics which are the direct instruments used to produce and contest money.

II. Law, Politics, and Sovereign Debt

In the conception of money we have been developing so far, then, money and debt are closely related from their inception. Monetary sovereigns issue money as a credit for services rendered to the state against future tax obligations, which then circulates privately as a general credit. Under capitalism, government spending takes on a special role as banks monetize private debt relations by keeping less sovereign currency in reserve than they loan out as credit. Meanwhile, private firms attempt to create their own credit by securitizing their assets.

The challenge now is to fully characterize exactly how different actors—banks, governments, capitalists, and consumers—attempt to use money creation as a site to advance their relative power. Additionally, we must articulate the exact political and social dynamics

which both enable and result from these forms of money structuring society. What kind of thing is capitalist money, and what is the relationship between capitalist money and capitalist society?

To answer these questions, we must develop an unusual theoretical parallel between two very different moments: the dawn of capitalist banking, in England during the 1690's, and the legal and political battles ensuing from the default of Argentina in 2001. As I have already claimed, Argentina's default is a zone of contestation over the meaning of debt and money which offers insight into the exact social and political structures fueling capitalist modernity. To fully understand the way in which these structures emerge internally from capitalist money, however, it will be invaluable to spot their functioning and emergence during the inception of capitalist money in England. It could perhaps be argued that modern Argentina is the direct evolutionary inheritor in a *historical* sense of the economic, political, and legal situation created by 17th century England, via England's common law traditions and political forms which were passed in modified form to America and subsequently enforced on Argentina in the late 20th century. The argument I wish to pursue here, however, is not so much strict historical continuity as *organizational* continuity: the legal and political relationships created in England during the 1690's which allowed for capitalist banking and capitalist money continue to be the fundamental legal and political structures which underlay capitalist money in modern times. By pursuing this organizational form across historical situations, we can aim to say something about capitalist money in general.

The Bank of England

The creation of privately circulating, "fiat" banknotes—that is, modern paper currency—is closely tied to the story of English government finance and debt. In 1660, Charles II returned from exile to assume the English throne after the death of Oliver Cromwell. By 1665, Charles had entered into an expensive naval war with the Netherlands, which produced a sustained crisis of Crown finance: expenditures increased from £1.6 million per year in 1662 to £2.5

million annually ten years later in 1672 (Carruthers 1996, 55). As we will discuss in more detail below, this spending could not be financed by immediate domestic taxation for both practical and political reasons. Instead, Charles attempted to borrow cash from a small group of goldsmith merchants in London by selling them Treasury Orders and tallies. In early medieval England, tallies were traditionally instruments given out by tax collectors for the bearers to use in order to discharge their tax obligation (Graeber 2014, 48). However, by the time of Charles II, tallies (or "Tallyes of Loan") were more or less equivalent to Treasury Orders. Both of these instruments represented promises-to-pay by the sovereign of future *revenue* from specific, named tax streams to the holder of the tally or Order (Desan 2014, 250).

In essence, the Crown sold future tax revenue at a generous rate of interest in exchange for money advanced in the present. These debt instruments were purchased by an extremely small group of wealthy goldsmith merchants: in 1672, the top 6 goldsmith bankers owned 90% of government debt (Carruthers 1996, 63). In turn, these goldsmiths bankers offered limited banking services to the public writ large. Private citizens could deposit money with the goldsmith bankers and receive 6% rate of interest for their financial capital, a far lower rate than the goldsmiths were receiving for their loan to the crown (61). A key reason why the number of direct crown creditors was so low was because both tallies and Orders, unlike deposits with goldsmiths, were not revocable on demand and had very limited resale value in the secondary market, meaning buyers were highly exposed to the risk of political instability which could disrupt repayments.

This goldsmith banker financing, however, was centered around relatively short term, high interest debt instruments which came to represent an ever greater share of Crown taxation. The Crown eventually could not keep up the debt repayment and also continue financing war efforts, leading Charles to order a Stop of the Exchequer in 1672, halting all repayments to the goldsmith bankers (30).

Prompted in part by the Stop, the Crown and its ministers began to hunt for new ways to fund expenditures. Via the Bank of England Act of 1694, the Crown and a Whiggish Parliament formed a new institution that united public and private sectors, the Bank of England. The Bank in many ways appeared to be a continuation of the goldsmith-banker financing which directly preceded it. Like the goldsmith-bankers, the Bank of England was envisioned as a centralized institution which could advance the government money in exchange for short term, interest-bearing debt instruments. Like the goldsmith bankers, the Bank of England would gather funds to loan to the government by offering interest-bearing deposit services to the general public.

Unlike the goldsmith bankers, however, the Bank did not purchase government instruments by advancing precious metal, coinage, or other sovereign money tokens. Instead, the Bank's £1.2 million original loan to the Crown was distributed as interest-bearing bills or receipts of deposit known as notes, both of which were *promises to pay* (Desan 2014, 306). In fact, the Bank loaned the government money *prior* to actually calling in the interest-bearing subscribed funds the Bank had sold to private creditors. Although both Bank bills and notes were assigned promises to pay to a specifically named person, already by the end of the 17th century the Bank would regularly make out notes "to standardized payees, one of its own employees such as a teller" (311). This assignee was effectively a fiction: even before Parliament recognized Bank notes as assignable (in 1704) or designated them as legal tender (1833), individuals would circulate the Bank's promises to pay as private credit money in completely unrelated transactions. Unlike predecessor banks at Amsterdam, Venice, or Genoa, the Bank of England came primarily to function as a bank of issue, of money creation, not a bank of deposit or exchange (304).

What enabled the debt relations between private creditors and the Bank to be monetized in a way that the goldsmith bankers never enjoyed?

The answer to that question is clear: the Bank was able to monetize debt relations because the Crown was willing to purchase these private promises to pay with sovereign money. First, the Crown began to accept private Bank notes as valid mediums for payment of taxes or public fees. Second, the Crown itself began to distribute Bank bills and notes to pay off Crown debt, such as to sailors and soldiers. Third, the Crown explicitly endorsed the Bank's ability to issue notes and bills for secondary circulation, including by establishing that the forging of bank notes, like forging or clipping sovereign commodity money itself, would carry the death penalty for offenders (311-312, 314). These sovereign endorsements of private debt allowed metal specie to begin assuming their "modern role:" as psychological anchors acting as a kind of default guarantee to note users should the system of debt fail (318). Additionally, the commitment to cashing the debt instruments restricted the number the Bank could issue, helping to stave off concerns about over-issuance as a source of inflation.

This government monetization of private bank debt relationships represents one of the key organizational innovations of capitalist money (Ingham 2004, 135). When a government takes on debt, as the Crown did here, it typically allows individuals and institutions to purchase financial instruments like bonds, which pay out government-issued money in the future, using bank money (i.e. private promises to pay) in the present. This is one way in which the fate of government currency and bank's promises to pay become tightly bound. On the other hand, in the modern economy the resulting circulation of banknotes in the private sphere can become overwhelming and unstable. From this perspective, the sale of bonds can act as a mechanism to drain private bank and capital reserves of relatively liquid private credit money in order to swap it for less fungible, more stable investment instruments (143). In this way, government debt is not only a mechanism to slow the explosion of unstable private credit money, but also forms a crucial tool to manage interest rates via the draining of excess reserves which would otherwise inundate the market with private credit money.

The Bank of England was not the only game in town attempting to monetize debt relations, however: the close of the 17th century saw the rise of a variety of powerful joint-stock companies who pioneered new forms of investment. After the Glorious Revolution of 1688 in which the Dutch King William of Orange and his wife Mary II took the English throne, London financial markets began to import Dutch innovations in ownership: namely, the practice of a highly liquid stock market which could trade ownership shares of joint-stock companies. This practice led to the founding and rise of a variety of powerful companies, including the attempted formation of a Tory Land Bank in 1696, a new East India Company in 1698, and the South Sea Company in 1711 (Carruthers 1996, 24). The increasing liquidity of these stocks are evidence of what Ingham refers to as securitization: companies can sell claims to their assets and future revenue to present creditors (Ingham 2004, 140). When these claims themselves become liquid assets, the situation comes to less resemble personalized debt obligations than the monetization of debt relations to create new, circulating private credit tokens.

In sum, then, the new monetization of private debt relations should be understood less as the transition of absolute sovereign control over money to an oligopolistic co-constitution by the Bank and Crown both, but instead as the opening of a new contestable space—private debt monetization—in which a variety of private actors could seek to vie for economic and financial power. As this space opened, the monetary sovereign's primary responsibility became the management of the market of private debt monetization which underlies and defines capitalist money. Meanwhile, banks must contend with a competing supplier of private credit money: economic firms themselves. Via the modern process of securitization, firms sell claims on their assets, including their future income, to creditors in the present. These speculative assets, which themselves are purchased with private credit money created by banks, are yet another degree removed from the sovereign's original promise-to-pay credits and hence subject to yet another layer of instability. As such, "the question of the degree of accommodation of privately created credit is, arguably, the fundamental dilemma faced by monetary authorities" (141).

The Case of the Bankers

The monetization of the Bank of England's private debt relations was thus accomplished through endorsement of the private debt with sovereign money. But why did the Crown purchase and legitimize Bank of England debt money, but not the debt or deposits of the goldsmith bankers? Relatedly, why did the Bank's notes gain widespread circulation as money, but the Crown's less-visible public alternative, so-called Exchequer bills representing directly a promise-to-pay by the sovereign from future tax revenue, remain a marginal form of money widely used only in times of banking crises (Desan 2014, 341)?

As it turns out, the transformation in finance from the goldsmith bankers to the Bank of England was accompanied by a thoroughgoing transformation in the governing political and legal logics of English society which structured and enabled these new forms of finance. As Carruthers argues, the role of Parliament in English society underwent a transition in the latter half of the 17th century from a politically irrelevant, infrequent "event" convened at the leisure of the Crown to a formal institution with developed political parties and contested elections (29). As the sovereign went from King over Parliament to King-in-Parliament, the traditional role of the Crown, including absolute control over sovereign money and the unit of account, was eroded (Ingham 2004, 128). Legally, the supremacy of the Crown's ability to control public finance gave way to the supremacy of the private market, including Crown creditors, to have theoretically absolute private property rights. In other words, the Bank of England and English capitalist finance was born from a zone of political contestation in which private actors and bankers took a dominant role in the process of monetary creation and administration.

This transformation in English social organization can be viewed through the legal contrast between two cases, *The Case of Mixed Money* (1604) and *The Case of the Bankers* (1700), and their attendant political transformations. At dispute in *Mixed Money* was Elizabeth I's decision to debase the silver coinage she used to pay troops in Ireland by reducing the amount of silver in each coin, thereby minting additional coins with the same amount of metal and

spending a greater amount of money while keeping the value of each coin constant (Desan 2014, 268). A third-party English merchant appealed the matter to the Privy Council, the final judicial authority for Ireland: were previous private debts owed in the old unit of account, with a larger amount of metal per coin, or could such debts be paid in full by the new, lighter coinage? The Council responded with an emphatic yes: not only did the right to mint money "inhere in the bones of princes," but it was the "King's proclamation only" which could establish the money standard; it is not "the natural material of the body of money, but its imposed value that is the form and substance of money, which is not of a physical body, but rather a contrived one" (qtd. in Desan 2014, 273). In other words, money was what the sovereign said it was. *Mixed Money* was thus an open expression of nominalism which would have impressed even today's MMT theorists. Sovereign money was a social fiction set by and accountable to the sovereign only.

The legal framework of *Mixed Money* fit well with the governing political structure of England. In the 1604 elections, the year of the case, only 13 seats in Parliament were contested (Carruthers 1996, 29). This was both because seats in Parliament were thought to be no great political vehicle, but also because they were a great *social* honor, especially if uncontested. Parliament was a structure which reproduced notions of formal social hierarchy, culminating at the top in the theoretically sovereign authority of the King. By the time of Cromwell and the Protectorate, however, Parliament took on a far more active political role; as such, it became a space of political contestation where elections reflected ideological divides between English elites, who began to organize themselves into more formal political associations—Whigs and Tories (31). When Charles II took the throne during the 1660 Restoration, Parliament and the Crown became frequent political antagonists, especially over matters of finance: while votes of Parliament were required to grant the Crown tax revenues, private debt, such as from the goldsmith bankers, could be acquired by the Crown independently.

During the 1672 Stop of the Exchequer, Charles II exercised what he saw as a logical extension of the traditional rights granted to him in cases such as *Mixed Money*: as the

sovereign, his duty to fund the military defense of the nation and matters of state superseded the rights of private goldsmith bankers to receive their money. Parliament, fearful of the financial independence the goldsmiths gave the Crown and critical of the rates of interest they charged the government, took no special interest in the goldsmith's plight (123). The goldsmith bankers, trapped in a tight political position, supplicated and negotiated with the Crown, eventually agreeing in 1677 to receive an annual portion of a specific excise revenue to repay the debts (281). The Crown, however, paid these debts only intermittently and in 1690 re-appropriated the revenue stream back towards military expenditures completely (Desan 2014, 281).

In 1691, desperate for relief, the goldsmiths sued the Crown in the Court of the Exchequer in a case known as *The Case of the Bankers*. Because the contract violations between the goldsmiths and the Crown were obvious, the question before the Court of the Exchequer was simply whether the suit presented was before the proper forum and whether the Court had jurisdiction to grant relief. Although the Court agreed near-unanimously in favor of the goldsmiths, the judges agreed that their opinion was non-binding upon the Crown and it was therefore summarily overturned and ignored by Crown ministers (Carruthers 1996, 124). In 1699, the goldsmiths appealed their decision to the House of Lords, who in 1700 once again ruled in favor of the goldsmiths. As Sir John Holt, Chief Justice of the King's Bench, wrote:

> The King himself, by reason of such his letters patents, hath obliged himself to make such payments… It is not so much the judgement of the court as binds the property, as the obligor himself, who by his bond has subjected his property to be determined by the judgement… It would be a hard thing to say that the court of Exchequer can relieve the King against subject, and not help and relieve that subject when he produces a legal title against the King (qtd. in Desan 2014, 285).

As Desan argues, this decision is extraordinary: it affirms that the king is a legal subject like all others who can enter into contractual relations with other private citizens which are binding before the law (285-287). In a single stroke, the Case of the Bankers simultaneously dissolved the monetary sovereignty of the Crown, restricting its ability to unilaterally suspend debt

payments, while also compromising its political sovereignty, affirming that the king could be bound before the courts and the law.

Law, Politics, and Money in the English Case

What the English case demonstrates, then, is a tight connection between the legal transformation embodied in the shift from *Mixed Money* to *Bankers* and the financial transformation from the goldsmith bankers to the bank of England. The production of money via the monetization of private promises to pay is a space where agents fight not only to advance their economic power, but also their political and *social* power through the mobilization of new legal structures and community expectations. This formulation holds the key to answering one final question concerning the root of the Crown's monetary sovereignty: why was the Crown obliged to borrow from the goldsmith bankers and the Bank of England at all, rather than debasing the coinage or just declaring the existence of more money like in *Mixed Money*?

Between *Mixed Money* and *Bankers*, the distribution of social and political power within English society changed, while the forums where such power might be grabbed and contested expanded. In 1604, the absolute monetary sovereignty of the Crown resonated with the strictly feudal and hierarchical political relations which dominated society. In 1672, Parliament and the Crown tussled over finance, but the goldsmith bankers could still credibly be seen as a group of particular elites allying with the Crown in a way that diminished the powers of Parliament, and thus their claims to payment of debts readily dismissed. After an explosion of private credit money through the circulating Bank of England debt instruments starting in 1694, however, it became readily apparent that the monetary sovereignty of the Crown was not absolute and could be contested by private institutions in a way that advanced their financial and economic power. By 1700, the House of Lords had come to see Crown debt as a contestable legal space and the Crown as an economic subordinate to the demands of the market.

This transformation in political sovereignty is captured by Santner in his rendition of Ernst Kantorowicz's famous notion of the King's Two Bodies. Per Kantorowicz, the medieval King is composed of two beings: one the physical personage of the monarch and the other an abstract body politic comprising sovereignty itself. In the feudal world, the King's second, ethereal body was the keystone by which the entire hierarchical social system was upheld, and thus required constant upkeep through social and psychological techniques of glorification akin to liturgy—to "mana-facturing" (Santner 2020, 52). Santner argues that the quintessential character of capitalism is the dissolution of the king's second body, the sovereignty, "thereby transforming the sovereign's mana into everybody's business" (57). Here, "business" has a double meaning. The sovereign's mana becomes everybody's affair, meaning that we are all constantly engaged in this process of social glorification. The locus of this mana, however, becomes *business*: the mana underlying all commodities, all economic exchange, is precisely the psychological substance which constituted medieval status and therefore medieval sovereignty. This insight matches exactly with the legal transformation from *Mixed Money* to *Bankers*. The historical genesis of capitalist money is the dissolution of the singular monetary sovereign into just one agent in a field of competing interests. The sovereign mana has fractured into a field of mana, of which every money and commodity is a locus.

This management of collective beliefs and glorification, mana-facturing, binds tightly together the economic and political spheres. Reversing the usual chain of logic, Carruthers argues that England shows *not* how agents pursued political objectives in order to seek economic gain, but rather how agents' market behavior was thoroughly determined by their political objectives (138). In particular, the shares of new joint-stock companies became a contentious commodity as Whigs and Tories battled for control over England's major corporations. Similarly, the logic of the money and debt markets in England was saturated completely with political overtones, as agents sought to advance or constrain institutions' economic power in order to pursue their political goals.

These factors explain why the Crown was obligated to seek money from the goldsmith bankers and, later, the Bank of England rather than merely creating more money to spend by sovereign fiat. As Ingham argues, there is an irreducibly social dimension to monetary creation which can be conceptualized as 'performativity' (Ingham 2004, 148). The argument is simple: whether through coercion or trust, agents must accept money, including sovereign money, as legitimate. In Ingham's description of modern markets, he claims that in order to perform money making in a way which is acceptable to the private sector, contemporary monetary authorities are now engaged in the creation of an "epistemic community" of understanding of interest rate setting and central bank decision making (146). I would argue that the English case shows precisely how the reverse effect can apply: in order to legitimize their role in monetary creation, private actors are involved in the construction of ideological systems which understand and explain money in a certain light, and thereby grow to limit government action. Desan demonstrates at length how through the late 17th and early 18th century, the English monetary system was the subject of an immense discourse centering around influential politicians and philosophers including John Locke, who argued that the value of money was based purely on the value of the metal used to make coinage. States thus played no special role in money creation and certainly couldn't print fiat currency from nothing (Desan 2014, 345). In this way, academic debate over money became an arena where competing interests attempted to enforce a certain view of money itself and thereby legitimize or delegitimize certain government practices. Thus, in the *Case of the Bankers*, the House of Lords was willing to institute into law the dissolution of absolute sovereign monetary authority in favor of the rise of private interests who could exert their claims for social power through the process of private money creation.

Argentina and a Failure of Sovereignty

There can be no doubt that besides the performative, ideological component to the naturalization of bank money and disregard for monetary nominalism, the English innovation of

privately circulating bank debt notes was an extremely effective technology for mobilizing resources and investment. Indeed, Carruthers argues that it was the English ability to borrow and spend which allowed it to militarily outperform its more populous, more developed rivals (22). It was the same stroke of monetary revolution, monetization of private bank debt, which simultaneously allowed the English government to sell long-term debt instruments to the Bank of England, and at once legitimized the Bank's power to create money. In other words, English government debt *was* the purchase, and thereby the legitimation, of private promises to pay.

Emerging from the English case, then, we are shown a particular conception of capitalist money: bank-issued money arising out of private promises-to-pay but denominated in sovereign units of account and routinely legitimized by the state through its legal infrastructure and materially through the state's repeatedly willingness to purchase, accept, and itself pay using private bank money. Built into this definition are material preconditions about the political and legal structure which sustains this kind of money: the state cannot have absolute sovereignty over the money creation process but in fact must at least to some degree accept and even endorse the private sector's monetary powers, perhaps including by, as in *The Case of the Bankers*, prioritizing the rights of private sector creditors over the state's fiscal and monetary sovereignty itself.

Argentina showcases the same system of money creation from the opposite direction. The story of Argentina's monetary system is one of a failure of sovereignty, of a weak monetary state losing the battle for control of money creation to domestic and—most critically—international competitors. The single crucial thesis of the analysis is this: by surrendering its control over the Argentine peso, the government's monetary unit of account, the crucial symbiotic relationship which England had achieved between government debt and bank money was broken. The government failed to maintain a stable and popular monetary space, while private banks and financiers fled to rival units of account. Worse yet, Argentina's government debt was transformed from an instrument for public spending and private prosperity

into a cudgel by which international investors could forcibly plunder the Argentinian economy. And it is perhaps most telling of all that, unlike *The Case of the Bankers* where the governing elite of England surrendered the Crown's monetary authority voluntarily, in domestic court and under domestic law, Argentina's monetary drama would play out thousands of miles from its own country's soil as the entire state, with its economic future in the balance, was humiliatingly put on trial before a lowly federal district court judge in New York City.

Well before Argentina's 2001 default and the following decades of international litigation, however, the seeds of crisis were already being sown in Argentina. Although Argentina has maintained a sizable public debt since its independence, the 1976 - 1983 military junta pursued an aggressive policy of international economic openness which structurally transformed the debt. In particular, a program of financial and labor deregulation allowed the acquisition of foreign credit at low interest rates; it also allowed locally invested foreign capital to obtain high yields which ultimately flowed abroad (Cantamutto and Ozaro 2016, 126). These efforts had two disastrous consequences. First, economic growth through the 1980's was even worse than the preceding sluggish decades and was accompanied by a hyperinflation crisis of the Argentine peso to boot (Ingham 2004, 167). Second, shockingly, the state failed to develop normal mechanisms to tax the domestic population. In particular, less than half of all Argentinians who were legally required to pay income taxes actually did so in the decades before the 2001 default, in what amounted to an explicit denial of the government's legitimacy and its right to tax at all (169).

In 1991, to combat the hyperinflation and achieve some measure of domestic stability, Argentinian policy makers decided to peg the value of the Argentine peso to the US dollar, all the while continuing to acquire substantial amounts of dollar-denominated debt. As Ingham argues, this carried a number of substantial disadvantages, foremost among them dependence on flighty and unpredictable foreign business as well as a growing inability to service the foreign debt. Even more pressingly, the peso's "dollarization" merely papered over a longstanding

practice among Argentinian elites: the conversion of their domestic assets into offshore dollar-denominated assets (167-168).

In other words, Argentina structurally weakened its monetary sovereignty first by failing to coerce or persuade its population into using its currency or unit of account, even through rudimentary taxation. Second, Argentina effectively wiped any autonomy from their unit of account by pegging it to the US dollar, ensuring that they could not print peso currency by sovereign fiat, or at least not print it in any way which would destabilize exchange ratios. In addition to forcing the peso to compete domestically with the US dollar as a unit of account for private exchanges, Argentina's weak monetary space also gave rise to dozens of provincial government currencies, *patacons, lecops, la Riojas,* and others, as well as informal monetary arrangements like the *cheque voldar* ('flying check') which gained wide circulation (166). The power of money creation was thus divested from the government in a way even bourgeois England avoided.

The Default of 2001

In 2000 and 2001, the Argentinian government, lead by President Fernando de la Rúa, successfully negotiated three foreign debt restructuring deals in an attempt to stave off an imminent debt repayment crisis, which had the effect of lessening short term repayment but increasing overall indebtedness and effectively mortgaging future tax revenues. In late 2001, however, Argentina missed IMF imposed budget deficit targets, leading to a cut off from foreign funding. This sequence triggered a domestic panic and a run on banks until the government froze bank savings deposits in December 2001 in order to prevent further capital flight (Cantamutto and Ozaro 2016, 127). President de la Rúa resigned, while his successor was forced to immediately declare a debt default amid vast social, political, and economic chaos.

In subsequent years, Argentina continued to honor debt obligations that had been restructured during 2000-2001, while engaging in multiple rounds of negotiation to restructure

the defaulted debt. After finishing a 2005 swap, 76% of bondholders had agreed to swap their defaulted debt bond for a new bond of lower value, with 93% of bondholders agreeing by 2010 (Cantamutto and Ozaro 2016, 127; Potts 2018, 50). After accumulated interest and GDP-linked bonuses were calculated, however, it is doubtful whether Argentina eventually saved any money on the swapped bonds at all (Cantamutto and Ozaro 2016, 128). The remaining 7% of defaulted debt bonds became an even bigger thorn in Argentina's side as the original creditors sold the bonds to specialized "vulture funds," American hedge funds who specialized in litigation over distressed sovereign bonds. These funds immediately and easily won judgments against Argentina for breach of agreement in American court, which was the legal jurisdiction agreed to by Argentina during the sale of the original dollar-denominated debt bonds. However, Argentina was summarily unwilling to pay in any of these judgments, leaving the vulture firms with few options to collect their winnings (Potts 2018, 50).

In the 2010's, the hedge fund NML Capital—which had continued to purchase defaulted Argentine bonds for pennies on the dollar as late as 2007—stumbled upon a winning legal strategy. Arguing before Judge Griesa of the Southern District Court of New York, NML advanced a radical re-interpretation of an originally boilerplate clause included in most sovereign debt contracts. Known as a *pari passu* ("side by side") clause, the clause works by specifying that the debt bond sold will rank equally with other unsubordinated debt of the issuer. This prevents preferential treatment of some bondholders over others. As re-interpreted by Judge Griesa in *NML Capital v. Argentina*, however, these clauses were construed to mean that a debtor cannot pay any of its debts without paying all of them—essentially, restructuring cannot occur without 100% participation (Bruno 2013, 99). As such, bondholders who refused to participate in restructuring agreements with Argentina after their 2001 default were now entitled to the entire original value of the defaulted bond, plus compensatory interest.

With the reinterpretation of the pari passu clauses, Judge Griesa was able to make a second, equally radical legal move: extend the jurisdiction of US courts far beyond US borders.

The doctrine of sovereign immunity prevents US courts from directly seizing Argentina's government assets on Argentinian soil. This was the central issue which had foiled vulture funds in suits throughout the years prior, after Argentina refused to pay (Potts 2018, 50). However, even though forcible seizure ("attachment," in legal terminology) was forbidden, Judge Griesa argued he had the power to "enjoin" behavior of firms relevant to the case and to "discover" relevant assets. Thusly, the court first ordered that

> Whenever Argentina pays on the bonds or other obligations that it issued in 2005 or 2010 exchange offers (the 'Exchange Bonds'), the Republic must also make a 'ratable payment' to plaintiffs who hold defaulted FAA Bonds (Second Circuit, 727 F.3d 230 (2013), 4).

In other words, Argentina could not pay its restructured bondholders without first paying holders of the defaulted bonds, who were owed the entire amount of the original bond plus compensatory interest. This was an injunction upon Argentina's behavior, but also upon the behavior of third-party banks and clearing houses who processed Argentina's payments along a complex financial chain—including clearing houses based in Europe, under contract with Argentina exclusively under British law and jurisdiction (Potts 2014, 54). Additionally, these firms were subject to demands for discovery of Argentina's assets, meaning that they were now required to segregate any payment streams which had touched the Argentinian government and declare them before US court.

These rulings carried two particularly tragic characteristics for Argentina. First, even though Argentina's official policy was 'repay-as-much-as-possible' on the debts, including honoring the commitments in full with new swapped bondholders, Judge Griesa continued to treat Argentina as an 'incorrigible debtor' throughout the case (Cantamutto and Ozaro 2016, 132). Second, RUFO (Rights Upon Future Offers) clauses in the new *swapped* bonds stipulated that if the original defaulted bond holders (now NML and other vulture funds) were paid in full, then all 93% of the country's original bondholders would also be entitled to sue Argentina for the full amount of original debt (133).

Legal Logics of Sovereign Debt

The *Argentina vs. NML Capital* case carries the same essential logic as *The Case of the Bankers*: both cases represented a legal confrontation between private interests and monetary sovereigns, where the private interests successfully sought to assert their property claims on sovereign money in pursuit of their own economic interests and private debt monetization schemes. The similarity of the logic becomes especially clear when the American legal history behind *NML Capital* is put into play. Before 1952, the US operated using a doctrine of absolute sovereign immunity, based on the idea that governments were not like other actors participating in an economy; hence, domestic courts could not exercise jurisdiction over foreign sovereigns operating in the domestic economy (cf. *Berizzi Bros. Co. v. The Pesaro* (1926), 271 US 562, in which an Italian government ship trading commercial goods was exempted from criminal fines under maritime law.) In other words, economic or legal dispute with state governments was seen as an irreducibly *political* situation which could only be handled with recourse to the US State Department (Feldman 1986, 304). This doctrine should be seen as sovereignty- enhancing: the US officially recognized the special status of foreign governments and thereby implicitly subordinated the status of private interests.

In sharp contrast, the Foreign Sovereign Immunities Act of 1976 (FISA) was designed with the explicit intention of "depoliticizing" conflict with foreign states and removing legal immunity for any commercial activities such a state conducted in or concerning the US. Hence, for instance, in *The Matter of Rio Grande Transport, Inc*. (S.D.N.Y. 1981, 516 F.Supp. 1155) the state Algerian shipping company was held liable in US court for damages relating to a collision with the ship of a New York corporation which had occurred in Europe. This jurisprudence was the direct result of neoclassical economic theorizing which postulated that it is fundamentally desirable that sovereigns should be accountable like any other domestic economic agent in court. For the sovereign bond market in particular, the subordination of state sovereignty was

thought to deter states from default, encourage compliance with domestic regulations, and thereby make creditors more willing to purchase their bonds (Bulow and Rogoff 1989).

Thus, when Argentina solicited dollar-denominated and US -jurisdiction-bound private creditors, it not only surrendered its ability to pay by simply printing more money but also tethered itself to a legal space in which private creditor interests had explicitly demoted the status of state economic sovereignty. This context shows the similarity between the legal evolution in the Argentina case to the England case: just as in England's switch from sovereignty-enhancing jurisprudence in *Mixed Money* to the dominance of private creditors in *Bankers*, so too did the US transition from sovereignty-enhancing absolute sovereign immunity to the equality of private creditors in the FSIA. *NML Capital v. Argentina* showcases the culmination of FSIA's logic: the absolute supremacy of the original debt contract over the interests of both state sovereigns and unrelated financial capitalists.

As Potts explains, the *NML* decision has caused particular academic consternation because it was opposed by international transaction banks and even international financiers who were upset about the resulting regulatory chaos (59). If it was opposed by actual financiers, in what sense is the decision a victory for "private interests"? An ironic addendum to the story of England helps answer this point: after successfully establishing their property claim against the Crown in 1700, the goldsmith bankers in the *Case of the Bankers* had a rocky road to receiving their money. After the legal victory, Parliament continued to direct funds owed to the bankers to the war effort, and it took at least 20 more years and heavy reductions to interest owed for the victorious bankers to actually see repayment (Desan 2014, 288). The *Case of the Bankers* is far better conceptualized as a legal victory for a general *class* of interests—government creditors—than for the goldsmith bankers themselves; arguably, it is also more an expression of ideological changes which had *already* occurred in English society (legitimation of private money creation, the rise of modern financial capital) rather than itself *enacting* the shift in power. Similarly, although *NML* may have frustrated specific financiers—analogously to the

goldsmiths—it is nevertheless an ideological expression of existing social and political relationships: namely, the dominance of private creditors over the power of Argentina as a monetary sovereign. *NML* and *Bankers* both represented a logic of private creditor dominance over absolute state monetary sovereignty.

Nevertheless, parallel legal logics across the two cases mixed with divergent political situations to create very different outcomes. In the English case, the successful claims of goldsmith bankers helped stabilize and institutionalize capitalist money by setting up the legal framework for a state guarantee of private credit money, in the form of mandatory state repayment of debts incurred to private creditors. The supremacy of private interests here guaranteed that the English state would be forced to honor its debt to entities like the Bank of England, who loaned the state their private debt money and could now rely on repayment in sovereign money. Thus, in the genesis of capitalist banking, the dominance of private interests had the effect of propagating the state unit of account within a vast private money supply, creating a symbiotic relationship between the state's ability to mobilize private resources and the banks' ability to produce private credit money, and thereby profit.

In the Argentinian case, however, the dominance of private interests established no such symbiotic relationship. Instead, because Argentina purchased debt denominated in dollars from foreign firms, the accumulation of sovereign debt actually weakened Argentina's sovereign money and instead forced it to buy dollars in order to satisfy creditors. To make things worse, the pegging of the peso to the dollar resulted in a loss of control over the peso itself, contributing to the domestic proliferation of rival units of account. The results have been predictably grim: the peso collapsed in value after 2001, leading to domestic "monetary anarchy" unheard of in the modern era, while the dominance of private creditors in the international legal and political spheres has ensured that the central 'achievement' debt reduction policies has actually been the accumulation of more debt (Ingham 2004, 165; Cantamutto and Ozaro 2016, 136).

Conclusion: Mana Money and Branded Bonds

In this investigation, I have sought to characterize the tightly linked relationship between law, money, and politics. Money creation is a zone of political contestation where actors fight across legal, economic, and political arenas in order to advance their power. In capitalism, banks issue promises-to-pay to debtors based on deposits of sovereign money from their own creditors, while firms securitize their assets by offering creditors semi-liquid claims on their present and future assets in order to collect sovereign money in the present. Meanwhile, the sovereign must balance their own powerful and coercive abilities to set a state-backed unit of account against the abilities of private creditors to create and circulate debt money. When the state monopolizes monetary sovereignty, as in pre-Restoration England, the government can have trouble mobilizing private resources for collective enterprises. On the other hand, when the state's ability to act as monetary sovereign is severely compromised, as in Argentina, the door is opened for exploitative private and international creditors to advance their own interests over those of the country.

Modern Argentina and 17th-century England experienced structurally similar moments as private creditors won legal battles which ensured their property rights would be prioritized ahead of the state's monetary sovereignty. However, the economic results of the two situations vastly diverged. The Bank's private promises-to-pay in England depended upon and thereby reinforced the legitimacy of the sovereign unit of account, resulting in a cycle where the government purchase of private promises to pay monetized and legitimized private debt while also increasing the state's spending power. In Argentina, dollar-denominated bonds contributed to the existing weakness of the Argentine peso while also exposing Argentina to the hostile US legal space. Both England and Argentina, however, reveal how closely these positive and negative cycles were related to the "performative" component of money creation: the attempt to legitimize or delegitimize certain sites of money production in order to redistribute power. In

England, the delegitimization of the government's ability to debase coinage and produce money via fiat accompanied the naturalization and acceptance of circulating bank promises to pay. The constraint of government action and rise of bank money were thus not only tightly related but played out across both epistemic and structural dimensions, as the beliefs and acceptance of the political community came alongside new legalities and practices of government finance. In Argentina, ideologies of investment and growth were used to justify foreign investment and erode state money. Dollar strength and legitimacy replaced rather than reinforced belief in the peso, undermining the state unit of account.

These situations underscore the point raised variously by both Orléan and Ingham that all money depends on its acceptance in a community. This is the key insight behind credit money: that all money, whether it be state tokens redeemable against future tax obligations or bank tokens expressing a promise to pay the bearer sovereign cash, are social relations in the precise sense that they express a culturally significant obligation among participants. By grounding money as social relations, it becomes possible to see the legal and political contestation over money creation not as second-order intrusions of an economic phenomena into different domains, but as an evolving constellation of social relations which both require and give rise to all kinds of structures within the social sphere. This situation is well described by Eric Santner's notion of mana and mana-facturing. As social relations between producers and consumers are broken under capitalism and instead come to be mediated by abstract value—whose quintessential pure form is money—money becomes the concentrated site where the tensions and battles in this social structure become visible. Put a different way, money is simultaneously the result of objective social structures, like the arrangement of banks and institutions and the relations between people, as well as epistemic imaginations which legitimize and delegitimize certain forms of money; at the same time, money is also the nexus where these social structures and imaginations can be contested, broken down, or produced. This is

exactly the insight of money as mana: money holds an invisible social power which is constantly in flux as agents perceive and contest the structures and psychology which fuel this money.

From this line of thinking, we can hypothesize what the purest form of capitalist money would look like: it would be a commodity, a fetish, while still retaining the abstract liquidity of mana money, and explicitly incorporating into its value the results of a vast array of psychological and material contestation which underlies mana-facturing. Australian economists Dick Bryan and Michael Rafferty (2006), in a brilliant modification to Ingham's theorizing, show not only that this exact form of money exists, but that it currently acts as one of the essential foundations for the entire global financial system (78). This money is the *derivative*: a resellable contract which itself possesses value based on the underlying assets within the contract. For instance, a future (one common type of derivative) is a contract between a buyer and a seller for the purchase of a specific asset at a set price at a given time in the future. Futures, like all derivatives, are a way to speculate about the underlying risk in an asset's pricing. Today, most derivatives are used to speculate about the value of other financial assets—like sovereign debt bonds (Bryan and Rafferty 2007, 145).

As Bryan and Rafferty point out, the days of complete state sovereignty over money have long since passed. In modern global financial markets, state action is constrained, ambiguous, and territorially bound, especially as multiple monies of account compete for one another through the global marketplace. The value of money now rests on different guarantees than impending state taxation or coercion (148). Instead, it is dependent on an array of private and public beliefs, actions, predictions, and power distributions—the kind of legal and ideological disputes we traced through England and Argentina. The mana-facturing of value is the process which derivatives make explicitly visible. In this sense, the mana account of money and the empirical operation of derivatives are mutually reinforcing: derivatives showcase explicitly the otherwise mystified and disguised operations of mass market psychology, mana-facturing. The mana account of the economy shows us why the ultimate foundation of

modern capitalist money can neither be the state nor the market by itself, but instead must be the entire vast constellation of social relationships and expectations which money actually exists in and mediates.

The derivative, therefore, exposes the last point which might be made about mana money: it is anything but an illusory veil. The derivative, which because of its high liquidity can arguably be labeled as a token of money, exposes just how closely related money and commodities are. But instead of money arising *from* commodity exchange, we now have a different fundamental process to capitalism—mana-facturing, or the social and psychological creation of value—of which the perceived value of both money tokens and commodities is but a symptom. This theorization therefore specifically repels the notion that the exchange value of commodities is a simple function of their use value, and instead substitutes the process of value creation as an independent, primary process. Mana money and derivatives thereby are *not* something that merely facilitates capitalist competition but rather are themselves

> Determined by the competitive processes of capitalism. Money thereby presents as not only inherently social but also inherently competitive, appropriate to the world it currently serves, reflects and reproduces. (Bryan and Rafferty 2007, 154)

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