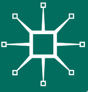

Institutionalist Theories of Money

An Anthology of the French School

Edited by
Pierre Alary · Jérôme Blanc · Ludovic Desmedt · Bruno Théret

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Foreword

It is my pleasure to introduce this collection of essays on French monetary institutionalism, which was published in France in 2016. The authors are heterodox scholars who have criticised orthodox economics accounts of money, albeit with little impact on orthodox economics itself. Inspired by comparative and historical analysis, they show that in all societies, except perhaps hunting and gathering communities, money is a universal social institution, which mediates the most varied social relations that stretch well beyond the economic field.

These essays belong to heterodox evolutionary and institutional political economy and social sciences. They trace the origins of French monetary institutionalism from the 1980s onwards to scholars' rejection of the instrumental approach to money in favour of studying money as an institution. Money is a not a single social relation but a complex and contradictory ensemble (assemblage) of social relations. It has multiple, hierarchically organised forms and functions, whose effectiveness depends on relations of trust as well as violence. It creates tensions that extend beyond economic exchanges and generate different kinds of monetary crisis within society as a whole.

Their research is not restricted to capitalist economies and draws creatively on conceptual advances occurring in a wide range of French humanities and social sciences in the 1970s and 1980s. Inspired by Durkheim's social institutionalism as well as the work of Marx, Keynes, Polanyi and Simmel, the authors explore the three social ties that validate

money: the relationship with oneself, with others and with society as a whole. Their work has transformed the analysis of money as a total social fact and their essays show the progress of this research over almost 40 years.

My foreword compares this work with Anglo-American institutionalist monetarism. Modern monetary theory argues that only the government or central bank can issue high-powered money without a corresponding liability; many MMT theorists draw policy conclusions from this. They advocate that this public money can be used to finance 'jobs for all' by acting as employer of last resort ready to switch to the private sector when jobs become available. It can also limit inflation when resources are utilised at full employment and can control demand-pull inflation by taxation and bond issuance, which remove excess money from circulation; and need not compete with the private sector for scarce savings because it can issue bonds (Mitchell et al. 2016). MMT theorists argue that the state is the unique source of high-powered money and can compensate for crises generated by market and social forces that have other ways to create money.

Ingham (2004) argues that banks perform two activities essential in the capitalist system: they operate the payments system and create the credit money by which it is financed. The distinctive feature of the capitalist order has been the gradual integration of privately organised banking networks, for clearing and settling payments between producers and traders, with states' issue of public currencies. Where states could define a credible metallic standard and collect taxes, denominated in their monetary measure of value, they could provide a stable public currency. In some European states, especially England, from the late seventeenth century, private mercantile money and states eventually came to depend on each other for long-term survival. Banks make their money by selling debt and this creates a constant tendency for its volume to increase to the point when destabilising defaults occur. States bail them out. Collective infrastructural social power and systemic fragility increase together—a contradiction that is irreconcilable within existing capitalism. In contrast to French monetary theory, Ingham's approach is focused only on capitalist credit money. It does not address the universality of money.

There are some sharp similarities between French theory and Nigel Dodd's interdisciplinary work (2014). Relational approaches to money stress its continual reproduction through the very transactions it mediates. Dodd asks about the source of money's *value*, its relationship with

time and *space*, its role in *society* and connections with *community*, its relationship with *power* and the *state*, its ancient links with *ritual* and *religion*, as well as its deep associations with the *unconscious* and with *culture*, *self* and *identity*. He focuses upon money's features as a *social form* and argues that it is debt that makes money social. He also asks whether there is an *ideal* monetary form, and if so, what are its social and political features? Can money be a means for achieving social change, e.g. for addressing social inequality or extending social and economic inclusion. Is money inevitably a vehicle of *power*—and if so, how should its power be used or restrained? Like the French theorists in this book, Dodd seeks to answer these questions by referring to historical, social science and humanities work as well as its economic features.

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Glossary

A few comments are called for on the translation of certain terms used in French institutional economics which it would be useful to clarify and stabilise here.

Confidence/Trust—*Confiance*
Trust is used as a generic term, to be contrasted with distrust or mistrust, and encompassing what we shall refer to as the three types of confidence—*confiance éthique* (ethical confidence), *confiance hiérarchique* (hierarchical confidence) and *confiance méthodique* (methodical confidence)—conceptualised to designate a specific social phenomenon.

Fragmentation/Fractionation—*Fragmentation/Fractionnement*
Often used without any strict distinction in early works, fragmentation is used here in contrast to centralisation and refers to the break up of a single monetary space into several separate ones; a monetary space that holds together despite having different units of account, diverse systems and instruments of payment and modes of creation of money is said to be fractionated.

Hierarchy of values—*Hiérarchie de valeurs*
Hierarchy of values relates to the ordering of those values. For example, the sovereign prerogatives of a federal state are superior to those of its federated states.

Value hierarchy—*Hiérarchie en valeurs*
Value hierarchy expresses the idea that sovereignty is thought of in terms of values rather than powers.

Monetisation—*Monnayage*
This is the authorised issuing of money as opposed to counterfeiting (*faux-monnayage*). It is rendered here by the term monetisation in the sense of to establish as legal tender. Where monetisation occurs in the sense of conversion of claims or debt into money this is clear from the context. Mintage is used for the production of metallic money (gold or silver coins).

Monetisation regime—*Régime de monnayage*
The monetisation regime refers to the set of rules ensuring the existence, unity and permanence of a form of monetisation. It concerns the establishment of the money of account as legal tender and the ways and means by which the corresponding instruments of payment are created, circulated and destroyed.

We are grateful to Geoffrey Ingham for permission to use his translation of Chapter 8. The other translations are by Christopher Sutcliffe, Andrew Wilson and Zeynep Yildirim-Brockett.

Quotations from works with French titles in the references are our own translations unless otherwise stated.

Editors and Contributors

About the Editors

Pierre Alary took a degree in agronomic engineering and then worked for some ten years on development projects in Africa and South-East Asia. He subsequently obtained a post-graduate degree in socio-economics and then a Ph.D. in institutional economics in 2006. Since 2009 he has been associate professor at the University of Lille and is a member of the CLERSE research centre (*Centre Lillois d'Etudes et de Recherches Sociologiques et Economiques*). He teaches the history of economic theories, monetary theory, development economics and contemporary economic changes in Asia at different levels. He directs a Master's degree course in Asian economics. His Ph.D. work focused on the impacts of monetary dynamics on rural development in a remote province of northern Laos. Currently his research is about developing a multidisciplinary methodology to better understand monetary phenomena. Money, as a major institution, has an impact on the political and economic organisation of society. As author or co-author, he has published: *Les monnaies et les échanges marchands à Phongsaly : Les mutations socioéconomiques d'une province rurale au nord Laos à la fin du XX*; *Capitalismes asiatiques et puissance chinoise*; and the first (2016) version of the present anthology. He has also co-edited several special issues of scientific journals: *Autour de l'institutionnalisme monétaire*; *Economie politique de l'Asie*; and *Monnaie, monnaies : pluralités et articulations des sphères d'échanges dans les sociétés*

contemporaines. Since January 2020 he has been editor-in-chief of 'La Revue de la Régulation', an institutional economics journal that promotes historical, comparative and interdisciplinary approaches.

Jérôme Blanc defended his Ph.D. in economics in 1998 and was appointed associate professor in 1999 (Université Lumière Lyon 2, France). He has been full professor in economics at Sciences Po Lyon (France) since 2015 and is a member of the research centre Triangle (UMR CNRS 5206). His work deals with money and the plurality of its forms and practices, mainly analysed through socio-economic lenses and with a slant towards the history of ideas. With this focus on monetary plurality, its nature, characteristics and regulation, he has authored and co-authored several books including *Les monnaies parallèles. Unité et diversité du fait monétaire* (L'Harmattan, 2000) and *Les monnaies alternatives* (Repères, 2018). He is currently editing with B. Théret a collective book on monetary plurality based on a series of seminars held in 2013–15. He organised the first international academic conference on 'complementary currencies' in February 2011 in Lyon. In 2015 he co-founded RAMICS (Research Association on Monetary Innovation and Community and Complementary Currency Systems) and served as its first president. In the field of the history of ideas, he notably published with L. Desmedt the collective book *Les pensées monétaires dans l'histoire : l'Europe, 1517–1776* (Classiques Garnier, 2014) and he co-organised and hosted in 2016 an international conference on French-speaking monetary institutionalism with his fellows P. Alary, L. Desmedt and B. Théret, which saw the publication of the original French edition of the present anthology (*Les théories françaises de la monnaie, une anthologie*, PUF, 2016). He also works on social and solidarity economies and, as a tribute publication to J.-M. Servet, co-edited the book *Pour une socioéconomie engagée : monnaie, finance et alternatives* (Classiques Garnier, 2018) under the collective name of Farinet (with Isabelle Guérin, Isabelle Hillenkamp, Solène Morvant-Roux and Hadrien Saiag). He is a member of the board of the Veblen Institute for Economic Reforms.

Ludovic Desmedt studied economics and monetary theory at the universities of Besançon and then Dijon. He defended his Ph.D. in economics in 1998 and was appointed associate professor at the University of Burgundy in that same year. He teaches history of economic theory, monetary economics and history of finance to different levels

and manages a diploma in banking and finance. His research focus is on the history of economic thought and the evolution of banking practices. He has published several articles on these topics in French and English (*Cambridge Journal of Economics*, *History of Political Economy*, *International Journal of Political Economy*, *Revue Economique, Cahiers d'Economie Politique*, *Economies et Sociétés*, etc.) and written or co-written chapters in multi-authored books. Since 2015 he has been full Professor in Economics at the University of Burgundy where he is a member of the *Laboratoire d'Economie de Dijon* (LEDi). In 2016 he co-organised an international conference on French-speaking monetary institutionalism with his fellows P. Alary, J. Blanc and B. Théret. He has co-edited two multi-authored books: *Les pensées monétaires dans l'histoire* (2014) with J. Blanc) and the original edition of this anthology (*Les théories françaises de la monnaie, une anthologie* (PUF, 2016, translated into Spanish and, soon, Chinese). He is co-editor of the *Revue d'histoire de la pensée économique*. His current research focuses on new means of payment, episodes of hyperinflation and the history of counterfeiting.

Bruno Théret graduated in engineering (Paris, 1970) and then earned an M.A. in economics (Paris Panthéon Sorbonne, 1971), an M.A. in sociology (Paris Descartes, 1973) and a Ph.D. in economics (Paris Panthéon Sorbonne, 1990). He is presently Emeritus Director of Research at the CNRS and a member of IRISSO (Institute of Interdisciplinary Research in Social Sciences) at Paris Dauphine—PSL Research University. From 1972 to 1987 he worked in the French Ministry of Economy and Finance's Forecasting Office. He has been a member of several editorial and advisory boards for journals covering economics, history, sociology and political science. He has developed an institutional, historical, comparative and interdisciplinary perspective on relations between politics and economics, federalism, systems of social protection, financial and monetary systems, and theories of the state and sovereignty. He has published many books and articles in several languages. Recently he has contributed to three chapters in G. Gomez (ed.), *Monetary Plurality in Local, Regional and Global Economies* (Routledge, 2019) and published *Regimenes economicos del orden politico. Esbozo de una teoria regulacionista de los limites del Estado* (Universidad Nacional de Colombia Editorial, 2020); *Money. A Political, Symbolic, and Economic Relationship* (in Japanese) (Koyho-Shobou Publishers, in press); and *Le système français de protection sociale*, (with J.-C. Barbier and M. Zemmour) (Editions La Découverte, in press).

He is presently preparing with J.-J. Gislain the French translation of *Institutional Economics. Its Place in Political Economy* by John R. Commons (to be published by Classiques Garnier), and with M. Cuillerai the edition of *La monnaie contre l'Etat ? La souveraineté monétaire en question.*

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CHAPTER 1

Introduction to the English Edition: Birth and Development of an Institutionalist Theory of Money

Pierre Alary, Jérôme Blanc, and Ludovic Desmedt

For a long time, books were the medium of diffusion favoured by researchers seeking to expound their approaches and their findings. The book format enabled authors to unfold their ideas gradually, to debate the arguments advanced by their contemporaries and to situate themselves precisely relative to their predecessors. Nowadays, greater value is attached in social science research (and especially in economics) to the publication

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of articles, a format that discourages the production of original work that strays far off the beaten track.[1]

In the years between 1970 and 1980, edited books played a structuring role in the social sciences. They offered the public and scholars in the same or other disciplines access to specialised research. As far as investigations into questions related to money were concerned, the early 1980s saw an abundance of publishing activity in French, with a whole series of outstanding books being produced, including *Marchands, salariat et capitalistes* (Benetti and Cartelier 1980), *La Violence de la monnaie* (Aglietta and Orléan 1982, 2nd edition 1984), *Nomismata. État et origine de la monnaie* (Servet 1984) and *Monnaie privée et pouvoir des princes, L'Économie des relations monétaires à la Renaissance* (Boyer-Xambeu et al. 1986: *Private Money and Public Currencies: The 16th Century Challenge*).[2]

This initial wave of studies of money sparked off debates that resulted, from 1993 onwards, in a series of seminars that in turn gave rise to a new series of books: *Souveraineté, légitimité, confiance* (Aglietta and Orléan (eds) 1995), *La Monnaie souveraine* (Aglietta and Orléan (eds) 1998), *La Monnaie dévoilée par ses crises* (Théret (ed.) 2007) and *La Monnaie contre l'État? La souveraineté monétaire en question* (Cuillerai and Théret (eds) forthcoming). These books contain contributions by scholars from various disciplines. Some draw heavily on the insights of history, while others accord a pivotal role to anthropology or philosophy or even to all these disciplines, albeit to varying degrees. Strengthened by all these methods and perspectives drawn from various disciplines, they posed some fundamental questions about money while establishing a common, institutionalist approach—henceforth the institutionalist theory of money (ITM). Money is an institution, a higher order social relation whose complexity cannot be fully captured by a single-disciplinary approach.

In other words, in order to understand money, the economists behind the first wave of books challenged the paradigmatic base of the dominant school of economic thought. They rejected the instrumental approach to money based on the barter myth and linking the analysis of money as an object to that of money as an institution. Some of these authors were to seek out avenues to be explored in other social sciences in order to analyse the genesis (a matter of history for some, a matter of logic for others) and roles of money from a broader perspective.

In order to identify the fundamental questions raised by ITM, this introductory chapter will outline the seven texts that constitute the anthology. It focuses initially on the double objective that preoccupied their authors as they sought to construct an institutionalist theory of money in economics on the basis of heterodox principles while at the same time enriching their research with the conceptual advances being made in the humanities and social sciences, since the phenomenon of money extends well beyond the economic sphere. Attention then turns to the evolution of the theoretical constructs in the successive series of books. The Girardian 'violence' of the early studies gives way to the life debt, to 'sovereignty' and to 'trust'. In the third section, the approach's institutionalism is situated within a broader intellectual environment; the focus here is on the movement's influence, both within economics and more widely. Finally, the eight chapters are briefly summarised in order to bring out their key ideas.

A Dual Movement

To return to the publications in the first wave of studies (those by Jean Cartelier and Carlo Benetti, Michel Aglietta and André Orléan, Jean-Michel Servet, and Marie-Thérèse Boyer-Xambeu, Ghislain Deleplace and Lucien Gillard), a dual movement can be observed: on the one hand, the statement of the importance of 'heterodoxy' within the economic sphere and, on the other, the openness of economics to other disciplines in order to capture the nature of the phenomenon of money and its importance in contemporary societies.

On the first point, contrary to what most neoclassical economists assume, money is not a simple object that enables transactions to be carried out efficiently. Money is not neutral: its creation, diffusion and possession create tensions that spill out beyond the world of economic exchanges. The authors in this first wave refer frequently to the writings of Marx and Keynes, key points of reference for those who advocate a monetary analysis of economic relations.[3] True, the compatibility between the labour theory of value and the monetary approach to economics is a problematic issue (cf. in particular Benetti 1985; Cartelier 1985; Orléan 2011), even though Marx emphasises the essential nature of money.[4] On this point, there is agreement between Marx and Keynes, whose *Treatise on Money*, published in 1930 (and not translated into French until 2019!), had a significant influence on adherents of the monetary approach.[5]

To these theoretical strands we should add the specifically French influence of the writings of Suzanne de Brunhoff and Bernard Schmitt. The former developed a Marxist approach to money,[6] the latter extended a number of Keynesian insights.[7] These two authors were intensively active during the 1960s and 1970s,[8] at the very time when economic theory in the English-speaking world was developing a new understanding of monetary issues. The publications of Don Patinkin (on the problem of integrating money into Walras's body of work) and subsequently—and most especially—of Milton Friedman certainly provoked critical reactions on their part (Brunhoff 1982). Similarly, the publication of Friedrich Hayek's work on the denationalisation of money (1976) and extended competition contributed to the development of specifically francophone thinking on money. While neoliberal and libertarian arguments garnered increasing attention in the academic world (Hayek and then Friedman were awarded the Bank of Sweden Prize in Economic Sciences in Memory of Alfred Nobel in 1974 and 1976, respectively), young French economists began to explore divergent paths.

Thus, francophone ITM had its origins in this rejection of the instrumental vision of money and reopened a field of enquiry held dear in political economy.[9] The second movement (openness to other disciplines) also had its roots in critical analysis but, in order to explain the phenomenon of money, the researchers had recourse to concepts forged outside economics. In France, the work of Michel Foucault on the 'science of wealth' (*The Order of Things*) and that of Gilles Deleuze and Félix Guattari on capitalism (*Anti-Œdipus, A Thousand Plateaus*), of Jean Baudrillard on consumption (*The System of Objects*), of René Girard on rivalry (*Violence and the Sacred*) and of Louis Dumont on hierarchy (*Homo Hierarchicus*, *Homo Æqualis*) all helped to shape an original intellectual framework conducive to cross-fertilisation.

In *Marchands* (Benetti and Cartelier 1980) and *Violence* (Aglietta and Orléan 1982), the aim was, first, to point out the limitations of the standard economic approach, by developing concepts such as monetisation, centralisation and fragmentation and mimesis,… by emphasising the primacy of the unit of account or pointing out the limitations of the 'nomenclature hypothesis'.[10] What would converge in a long-lasting collective research programme, as will be seen, also developed throughout decades and led on to a few English translations of individual books such as *The Empire of Value* (Orléan 2014), *Money, Markets and Capital*

(Cartelier 2018) and *Money: 5000 Years of Debt and Power* (Aglietta et al. 2016).

Nomismata (Servet 1984) and *Monnaie privée* (Boyer-Xambeu et al. 1986) analyse the actual functioning of monetarised societies. These two studies are concerned in particular with the management of metallic money and highlight the relations between the political and monetary worlds. Servet emphasises the continuity between *ancient* and *modern* moneys: 'Thus it is in so-called primitive societies that the modern monetary instruments are to be found in gestation' (Servet 1984: 17).[11] This idea was developed by Servet throughout his life of research and was notably re-discussed in his personal review of this intellectual journey (Servet 2012).[12] For their part, Boyer-Xambeu, Deleplace and Gillard examine the European monetary and financial space in the sixteenth century. By linking together the logics of cash payments and bills of exchange, they seek 'to develop understanding of money as a form of social cohesion that characterises modernity' (1986: 7). This exploration of monetary history by economists was to be extended fruitfully.

The Path Taken by French ITM

Thus, this French strand of the institutionalist theory of money emerged from within the discipline of economics while instigating multidisciplinary or even interdisciplinary research. A considerable number of researchers have been and still are involved in this research, which began more than thirty years ago and has been evolving ever since. The theoretical concepts and frameworks have been constantly debated and amended. From 1986 to the early 1990s, a number of collective endeavours were to give rise to this ITM research programme. *Monnaie privée* was debated in issue 19 of *Cahiers d'économie politique*, which also included other articles on the subject of 'Metallic money and bank money'. M. Aglietta and A. Orléan edited a special issue of *Genèses* (issue no. 8, 1992) on 'Monies, values and legitimacies'.[13]

The rediscovery of the work of Georg Simmel, which followed the French translation of his *Philosophie des Geldes* (1987), marked a turning point in this research and gave rise to a number of publications that were to make him one of the major sources of inspiration for the research programme in the 1990s.[14] It led to a shift of emphasis in the institutionalist approach initiated by Aglietta and Orléan, with the question of Girardian violence giving way to that of trust. In *La Violence de la*

monnaie (1982), Aglietta and Orléan were, after all, looking to René Girard's work to find ways of reviving the Marxist approach to money, although their efforts failed to convince everyone.[15] It was the rediscovery of Simmel's work that enabled most of those active between 1980 and 1986 to converge towards a common research programme. This shift is reflected in the joint studies by Aglietta and Orléan; they reworked *La Violence de la monnaie* (1982) to produce *La Monnaie entre violence et confiance* (2002). As had been the case with Simmel (1900), the rereading of Polanyi was also very influential and played a unifying role. It made available the theoretical tools required to conceptualise the anthropological universality of money above and beyond the variations in its historical forms.[16]

Thus, these authors applied themselves to the task of converging around a common research programme, which found concrete expression in a pioneering multidisciplinary seminar. Directed by Aglietta, Orléan and the historian Jean-Marie Thiveaud and supported by the *Association d'économie financière* and the *Caisse des Dépôts et Consignations*,[17] its work unfolded between 1993 and 1995. It examined the links between money, sovereignty and legitimacy, where the questions of debt and trust appear crucial and the construction of a theoretical framework drew heavily on historical and anthropological studies. This was the beginning of several successive seminar series, separated from each other by breaks of a few years, which saw the gestation of several edited books whose subject matter and contributing authors were gradually recast over the years and which have ever since formed the backbone of ITM.

This early work found material form in the edited book *Souveraineté, légitimité, confiance* (Association d'économie financière 1995). This volume was a staging point in the development of French ITM; it provided an account of the seminar debates and led to the second phase of their development, which lasted from 1995 to 1997. This phase was characterised by a concerted attempt to construct, in writing, an interdisciplinary theoretical framework. The collective text that resulted from these efforts, which served as the introduction to *La Monnaie souveraine* (1998), developed the debt-sovereignty-trust triptych, which in turn provided the basis for initial enquiries into the euro. The anthropologists made a particularly valuable contribution to this text, in which the notion of primordial debt is linked to that of social debt, in contrast to the socio-economics developed by the MAUSS, who were more concerned with the gift paradigm.[18]

The introduction to *La Monnaie souveraine*, which is reproduced in this anthology (Chapter 4), was co-written by eleven researchers (economists, anthropologists, historians and psychologists); it constituted an essential milestone that crowned almost twenty years of work and served as a basis for subsequent developments of this approach. It set out what can be regarded as the hard core of the research programme, part of which had already appeared in the publications from the years between 1980 and 1986: an interdisciplinary framework linking the concepts of debt, sovereignty and trust in which all theories of value are rejected and the link between money and the market economy is re-established. The market economy is monetary by definition, and the existence of such an economy is not a precondition for the existence of money. In the breadth of its intellectual ambition, this book is undeniably the one that was most vigorously debated in the years that followed.[19]

A second series of seminars was organised by Bruno Théret from 1999 to 2004. The focus was on monetary crises. A significant number of studies was produced, in which the link to history was deepened. The cycle ended in the publication of *La Monnaie dévoilée par ses crises* (two volumes, 2007), in which the deep structures of the money phenomenon are revealed through monetary crises.[20] The concepts of debt, sovereignty and trust were deployed by Théret in order to construct a typology of monetary crises and to enrich the institutionalist concept of money through its "three states" (objectified, embodied and institutionalised—see Chapter 7 of the present volume). In 2008 Théret launched a third series of interdisciplinary seminars that ended in 2011 and sought to examine in greater detail the concept of monetary sovereignty and the variety of forms it takes. The influence of political philosophy characterised this cycle of research, in which the intellectual and practical modes of linkage between political and monetary sovereignty were examined.

The book resulting from this seminar series, which is edited by Théret and the philosopher Marie Cuillerai, analyses the place that money, as an institution, occupies in the philosophical conceptions of political sovereignty that have shaped states and describes various configurations of the links between money and state, between monetary regime and political regime (*La Monnaie contre l'Etat? La souveraineté monétaire en question*, two volumes, 2021).

A total of forty-five authors contributed to these four books. A fourth seminar series organised between 2013 and 2016 by Jérôme Blanc and Bruno Théret acknowledged the plurality of moneys in history and in

societies. It also highlighted the emergence of new monetary pluralities in modern times and called into question the contemporary norm of the uniqueness or singularity of money in sovereign states. A fifth seminar series was to be organised from 2017–2018 by Laurent Le Maux and Pepita Ould-Ahmed, proposing to address money as a fundamentally political institution.

It should be added that this research programme has been enriched by debates on its periphery around key concepts beyond the reference works by Simmel and Polanyi that have already been cited. Other authors and concepts have been used without debate, including Durkheim and Mauss, whose concept of the total social fact is taken up in several of these studies.[21] The role of trust was studied intensively during the second half of the 1990s and from then on this notion was a key element in the theoretical construction of *La Monnaie souveraine*.[22] Among the fruitful fields of inquiry was the advent of the euro, and several of the authors of contributions to *La Monnaie souveraine* (Jacques Birouste, Jean-Michel Servet and Bruno Théret) joined a multidisciplinary expert working group set up to consider the transition to the euro and to draw up some proposals.[23]

In the 2000s, the Latin American experiments rekindled by the Argentinian crisis raised questions that were debated at several workshops held in Grenoble, Lyon and Dijon with the support of the local *Maisons des sciences de l'homme*. The aim was to examine the links between money and sovereignty in troubled times through the lenses of the dollarisation process, currency board regimes and associative forms of money. In this way, the well-established multidisciplinary or even interdisciplinary[24] dynamic gradually gave rise to a new set of themes, such as the plurality of money and challenges to the monetary order.[25] In the years 2010, French ITM eventually contributed to the international academic dynamics of studies on so-called complementary and community currencies.[26] International connections led to new collaborations and contributions.[27]

The French Institutionalist Programme on Money: Reception and Influence

The welcome accorded to the arguments put forward in this volume varied depending on whether the audience in question was made up of social scientists, economists or readers outside the French-speaking world.

This institutionalist research programme has provided the basis for many analyses in the French-speaking world and has been influenced in return by those same analyses. There has, after all, been a general resurgence of interest in the social sciences in questions related to money and the uses of money[28] and the institutionalist monetary research programme fits within this dynamic without being its only constituent element: besides the economic journals, sociological and anthropological journals and books have been vehicles for collective deliberations on money. Thus, the French institutionalist research programme on money, which is one of the driving forces behind these deliberations, has succeeded in bringing together researchers from a range of different disciplines for long-term collaboration.

Nevertheless, since it is multidisciplinary and does not use standard econometric and formalisation methodologies, its impact on economists has remained weak, particularly in France.[29] This relative impermeability on the part of economists undoubtedly explains the tone of some of the surveys compiled during the 2000s. Aglietta and Orléan, reconsidering after an interval of twenty years the theoretical work set out in *La Violence de la monnaie* (1982), remark in the foreword to *La Monnaie entre violence et confiance* (2002) that the arguments 'around monetary and financial mimesis remain just as relevant although they continue to be ignored' (Aglietta and Orléan 2002a: 7). In a chapter entitled 'Trente ans après', Benetti and Cartelier note, in a different tone: 'For Postel and Sobel, for example, *Marchands, salariat et capitalistes* [1980] can be seen as "the symbol of an attempt – which lasted a long time – to develop a heterodox paradigm in economics" […]. That being the case, why not abandon it "to the gnawing criticism of the mice", to quote Marx?' (Benetti and Cartelier 2013: 19). These remarks concern the future of this research programme and apply to its reception by mainstream as well as by heterodox economists.[30]

However, these studies did acquire an international audience beyond the francophone research community, particularly among researchers in Latin America (Argentina, Brazil, Colombia and Mexico) and Japan, who learnt of them through translations, conference presentations, foreign-language publications or, in some cases, their knowledge of French. Although diffusion was initially limited, it began to broaden out in the 2000s. Thus, *La Violence de la monnaie* (1982) was translated into Portuguese, Spanish and Japanese in 1990, 1990 and 1991 respectively, *Monnaie privée* (1986) into Italian in 1991 and into English in 1994,

La Monnaie souveraine (1998) into Japanese in 2005 and into Croatian in 2008 and *La Monnaie dévoilée par ses crises* (2007) into Spanish in 2014.[31] The most recent book by Orléan (2011) proposing a deconstruction of value as a social force has also been translated into English (*The Empire of Value*, 2014). Likewise, the book by Aglietta et al. (2016), providing a personal record of several decades of research into money from an institutionalist and regulationist perspective has been translated under a title inspired by David Graeber (*Money: 5,000 Years of Debt and Power*, 2018). Thirty years on from the publication of *Marchands* (1980), a collective work published in English has proposed an account of it (Ülgen [ed.] 2013). Lastly, the anthology now in your hands has also been translated into Spanish (2019) and Chinese (forthcoming).

The ideas of the regulation school were favourably received by structuralist researchers in Latin America. Regulation theory's capacity for crisis analysis and the research networks led to collaborative studies in which the central tenets of the institutionalist school nevertheless remained secondary (Boyer and Neffa [eds] 2004). Sovereignty, trust and debt analyses inspired by the French ITM were mobilised for Latin American historical and contemporary contexts (Arévalo [ed.] 2016; Roig 2016). Moreover, French theories of money found a strong echo in the studies—produced notably in Argentina—of the various forms of social or community currencies that emerged and then collapsed between 2001 and 2003 (Plasencia and Orzi [eds] 2007; Orzi [ed.) 2012; Saiag 2015).

In the English-speaking world, French ITM is sometimes put into the same category as the chartalist school, which views money as a mere creature of the law,[32] whereas a striking characteristic of this research programme is that money is considered as being 'neither commodity, nor State, nor contract but trust' (Aglietta and Orléan 2002b: 1). The book of David Graeber (2011), which reduces what he calls 'primordial debt theory' to a fiscal approach to the creation of money, and thus to chartalism,[33] is a good example of this biased interpretation. By contrast, the interpretations and summaries offered by Grahl (2000), Hart (2000), Ingham (2004), and Dodd (2014) are more nuanced and positive.

To finish off, a particular type of reception of French ITM can be found in certain international works in the social sciences. This is a set of socio-economic and anthropological research based on fieldwork and that looks into popular and alternative monetary and financial practices. The works by Guérin et al. (2014), Guérin (2015), and Wilkis and Roig (2015), and Wilkis (2018) draw on a theoretical framework in which French ITM

is associated with approaches developed by Polanyi (1944, 1957) and Zelizer (1994).

Beyond its international reception, the scientific success and continuity of French ITM rest upon a long institutional companionship that has served as a basis for meetings of academics and for their collective publications. The financial, material and intellectual support provided by the *Association d'économie financière* (under the impetus of Jean-Marie Thiveaud) and of the *Caisse des Dépôts et Consignations* (impelled by Isabelle Laudier) has been crucial. This non-academic support has been especially valuable in that it has never imposed any scientific orientation and has consistently left researchers free to pursue their projects and materialise them at their own pace and in book form, which has become so very marginal today among standard modes of promotion of academic work. The seventy or so researchers involved in this programme over almost three decades have invariably enjoyed absolute intellectual independence and, even if institutional economics prevails, all disciplinary fields are represented and contributors' participation is not dictated by their institutional status.

In other words, a research programme does not move forward, or only very marginally so, in a spontaneous order selecting bright ideas, nor is it the outcome of some convergence of ideas brought together for contingent reasons. Like other social activities it is organised by way of complex institutional processes in which the possibility of scientific and material anchoring and the mobilisation of institutional and financial support are crucial.

The Selected Texts

The present anthology comprises seven texts, which lay the conceptual foundations required to analyse money from an institutionalist perspective. The texts are presented chronologically even if the contributions by the more recent ones are not directly reliant on the earlier ones. The selection does, however, seek to provide a thorough overview of the main analyses from forty years of research.

In the second chapter, the chosen excerpt from *La Violence de la monnaie* (1982 and 1984) seeks to explain in detail the mechanisms that generate monetary crises. At the beginning of their book, Michel Aglietta and André Orléan postulate that money mediates and channels the violence inherent in market relations. They identify three forms

of violence: foundational violence (F3), reciprocal violence (F2) and essential violence (F1). However, the monetary relationship that pacifies social relations—under certain conditions—turns out to be fragile and can dismantle society, as crises demonstrate. In this chapter, the two authors describe how inflationary regimes disrupt the relationship between money and commodities (M-C), on the one hand, and the way in which deflationary regimes change the relationship between financial claims (or debts) and money (D-M), on the other. This chapter emphasises the precariousness of the monetary order and the conflicts, notably those between creditors and debtors, that disrupt monetised relations.

The third chapter, entitled 'Enhancing the political economy of money through history' ('Enrichir l'économie politique de la monnaie par l'histoire', 1991), adopts a multidisciplinary perspective and emphasises the historical dimension as a means of understanding the evolution of monetary forms as a concomitant aspect of social change. This study, co-authored by Bernard Courbis, Éric Froment and Jean-Michel Servet, discusses three assertions. The first of these is the idea of an essentially market-based money, since money is said to have emerged in order to put an end to barter.[34] The authors then reject the argument, which is nevertheless widely accepted, that money has become gradually dematerialised: scriptural money is not the final stage of such a process since it preceded the emergence of paper money. Finally, they emphasise the importance of money as a unit of account and the cultural dimension thereof. To assign a monetary equivalence to certain social practices gives them a social meaning and objectifies them, thereby making the organisation of society possible.

Chapter 4 is the collective introduction to *La Monnaie souveraine* (1998) and continues the theoretical developments. The authors (Michel Aglietta, Jean Andreau, Mark Anspach, Jacques Birouste, Jean Cartelier, Daniel de Coppet, Charles Malamoud, André Orléan, Jean-Michel Servet, Bruno Théret and Jean-Marie Thiveaud) identify three forms of trust that guarantee the processes by which money is accepted and endorsed. Ethical confidence refers to the collective norms that are accepted consensually, hierarchical confidence originates from political authority and methodical confidence stems from the daily operation of routines. Like the interlacements of debt, these three levels of trust are so entangled and closely linked that the collapse of just one level could engender a monetary crisis. The concept of sovereignty reflects the subordination of individuals to society through the agency of the sovereign or of the representatives of

the higher forces that validate the 'monetary cycle' that ensures a society's continued existence.

The fifth chapter, 'The monetary order of market economies' ('Ordre monétaire des économies de marché', 1998), focuses on the importance of the payment system in a very specific type of economy, namely market economies. Having noted that two principles—decentralisation and interdependence—are combined in market economies, Michel Aglietta and Jean Cartelier present money as a payment system. The three component parts of such a system are a common unit of account, the rules that govern monetisation, and the procedures for settling outstanding balances. The text re-examines the question of liquidity (possibility of converting financial claims into money), which may put the monetary order at risk, and the principle of central bank independence as it concerns monetary legitimacy. An historical survey leads on to an international perspective and the need for prudent monitoring on the part of issuing institutions.

The sixth chapter republishes a text entitled 'Universality of the Monetary Phenomenon and Plurality of Moneys: from Colonial Confrontation to Encounters of Social Sciences' ('Universalité du fait monétaire et pluralité des monnaies: de la confrontation coloniale à la rencontre des sciences sociales', 2008) and examines in greater detail one of the assertions discussed in Chapter 3. Jean-Michel Servet, Bruno Théret and Zeynep Yildirim show that, with a few isolated exceptions, there are no societies without money and that every social organisation has its own specific money. The authors take up the idea of the three social ties that validate money: the relationships with oneself, with others and with society as a whole. These relationships change from one society to another and the forms of money change with them. The authors illustrate their theories with examples drawn from colonialism, wherein the occupying powers seek to change these relationships and challenge the pre-colonial monetary orders in order to impose their own.

The seventh chapter, Théret's article 'An interdisciplinary approach to money as cultural capital and a total social fact' ('Les trois états de la monnaie', 2008), identifies the various 'spheres' of society that money, as a mediator, permeates and links by simultaneously enabling those spheres to function independently and the entire society to go beyond this differentiation in order to reproduce itself. From this starting point, money is conceptualised as a social relationship whose embodied, objectified and instituted forms testify to its symbolic, economic and political dimensions. The embodied state refers to a set of cognitive processes and conventions

that impart meaning to the system and to the unit of account; in this way, money constitutes a language that makes it possible to exchange information and to construct a homogeneous vision of society for the actors. The objectified state finds expression in the material system of money objects that are used as payment instruments (coins, notes, shells, etc.). The instituted state, or the monetisation regime, is supported by the political form taken by any monetary community that is a community of both account and payment. It refers to the institutional conditions underlying individuals' membership of a group within which quantified rights and obligations are exchanged. In other words, money has a social significance as soon as agents use it on the basis of shared rules.

The eighth and final chapter, entitled 'Money: an instrument of exchange or social institution of value?', is the translation by Geoffrey Ingham of André Orléan's text 'La sociologie économique de la monnaie', which was published in the second edition of Steiner and Vatin's *Traité de sociologie économique* (2013).[35] Orléan examines the advances made to date by various approaches to money. He situates the institutionalist approach, in which money is understood as a 'total social fact' (Mauss) in the wider context of these approaches. He also reconsiders the importance of the unit of account, since money offers a homogenous norm for comparing all productive activities in a society. This sets it apart from the orthodox approach based on the overlapping generations model and calls to mind the contributions of Simmel and Simiand (1934).

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Notes

1. See notably Akerlof and Michaillat (2018) and Heckman and Moktan (2018).
2. This is the only one of the four books to have been translated into English (Boyer-Xambeu et al. 1986).

3. A dialogue with the post-Keynesians was carried on, notably by Michel Aglietta and Ghislain Deleplace (cf. Deleplace and Nell (eds.) 1996), following a conference at the Levy Institute in 1990.
4. See Montalban (2012).
5. On the opposition between 'real analysis' and 'monetary analysis [which] introduces the element of money on the very ground floor of our analytical structure and abandons the idea that all essential features of our economic life can be represented by a barter-economy model', see Schumpeter (1954: 278) and Cartelier (1985). In France, authors such as Albert Aftalion and Bertrand Nogaro developed a 'qualitative' approach to money in the early twentieth century.
6. Carlo Benetti, Jean Cartelier and Suzanne de Brunhoff edited the '*Intervention en économie politique*' series with Christian Palloix from 1975 to 1981 at the publishers Maspéro. They were co-authors (with Arnaud Berthoud, Ghislain Deleplace and François-Régis Mahieu) of *Marx et l'économie politique* (1977). Brunhoff published a book on Marx on money, later translated into English (Brunhoff 1973). For an account of another book by Brunhoff, see Aglietta (1977). For an analysis of inflation, see Cartelier and Brunhoff (1974). On Brunhoff's legacy, see Bellofiore et al. (2018).
7. Bernard Schmitt is regarded as the founder of monetary circuit theory. See Schmitt (1966, 1973, 1975). Aglietta refers to Schmitt in *Régulation et crises du capitalisme*, Chapter VI.
8. On the links between Brunhoff's and Schmitt's theories, see Kerslake (2015). Serge Latouche wrote in 1973 that for 'Suzanne de Brunhoff […] (private) credit money derives its value from its link to state money, and yet the latter's value is neither that of a specific amount of gold nor the guarantee provided by the central bank (nominalism). It might be thought that this is a concept close to that of Bernard Schmitt'; however, he adds: 'there is nothing to confirm this and it would undoubtedly not make things any simpler' (Latouche 1973: 679).
9. Marx (1859/1970), in *Contribution to the Critique of Political Economy*, offers a lengthy analysis of money as a central element of political economy.
10. For a critical analysis of *Marchands*, see in particular Steiner et al. (1985). A conference was organised in Grenoble in 2010 as a tribute to *Marchands* thirty years after, which resulted in the book Ülgen (2013).
11. On this point, see also Cartelier (2007).
12. See also Farinet (2018), as a book discussing Servet's works.
13. Issue 18 of *Cahiers d'économie politique* (1990) notably included two critical reviews of *Monnaie privée* by B. Courbis and E. Froment. However, the cross-fertilisation did not take place solely through the publication

of reviews and critical analyses but was also reflected in numerous citations and a gradual convergence on certain key ideas. This pivotal period also saw the publication of some other important books and articles such as Aglietta (1988), Courbis (1988), Servet (1988), Boyer-Xambeu et al. (1990a, b), Courbis et al. (1990, 1991), Orléan (1991, 1992), Théret (1992) and Servet (1993). The journal *Cahiers d'économie politique*, founded in Amiens in 1974, published articles by most of the economists involved in the French ITM research programme.

14. Simmel's *Philosophie des Geldes* was first published in German in 1900 and translated into English in 1978. Among the publications that resulted from its French translation in 1987, see Scialom (1989), Orléan (1992b), Baldner et al. (1993) and Baldner and Gillard (1995).
15. See in particular Cartelier's critique (1983).
16. *The Great Transformation* was published in French in 1983 (the original dates from 1944), with a preface by Louis Dumont, following the translation of *Trade and Market in the Early Empires* in 1975, with a preface by Maurice Godelier. Among the subsequent publications that drew on Polanyi's analytical framework as a tool for understanding money are Servet (1993), Servet et al. (1998, 2008), Blanc (2006, 2018), Hart and Hann (2009), Hillenkamp and Laville (2013) and Farinet (2018).
17. The *Caisse des Dépôts et Consignations* (Deposits and Consignments Fund) is a French public-sector financial institution founded in 1816. It is often described as the 'investment arm' of the French state.
18. MAUSS = *Mouvement anti-utilitariste dans les sciences sociales*/Anti-utilitarian movement in the social sciences, founded by Alain Caillé in 1981. The *Bulletin* and then the *Revue du MAUSS* published several articles by adherents of French ITM, with the work of Simmel and Polanyi being discussed in articles by Orléan and Servet in the *Bulletin du MAUSS* (1982–1987) and then the origin of money being re-examined in the *Revue du MAUSS trimestrielle* (Orléan 1991, 1992a).
19. See in particular the sections given over to this debate in the *Annales Histoire, Sciences Sociales* (2000, issue 6, with articles by Jean-Yves Grenier, Frédéric Lordon and Stéphane Breton, these last two having subsequently contributed to the research programme) and in *L'Homme* (2002/2, issue 162, with articles by Sylvain Piron and Alain Caillé critiquing the arguments advanced in *La Monnaie souveraine*, in an issue edited by S. Breton). See also Théret (2009).
20. With regard to the historical aspect, mention should be made of the edited volume on monetary theories and practices in Europe from the sixteenth to eighteenth centuries, with contributions from Cartelier, Gillard, etc.: Blanc and Desmedt (2014).
21. Servet (1984) and Théret (2007).

22. See Bernoux and Servet (1997), Servet (1998) and Laufer and Orillard (2000).
23. A special issue of the *Journal of Consumer Policy* (1999, nos. 1–2) was subsequently published on the basis of several of the articles written on this occasion. See also Servet (1998), which extends the author's considerations undertaken within this framework. See also, although they are marginal to these institutionalist studies, the two volumes in the series 'Monnaie' published by the journal *Économies et Sociétés* in 2002 entitled 'Du franc à l'euro: changements et continuité de la monnaie'.
24. See in particular the interdisciplinary workshop on 'The nature of money' organised at the Laurentian University in Sudbury, Ontario (Canada) by Jean-François Ponsot and Louis-Philippe Rochon (May 2006) at which post-Keynesian, neo-chartalist and institutionalist arguments were voiced by the economists present. See also the conference 'Anthropologists and economists in the face of globalisation' (CLERSÉ/Institut de Recherches sur le Développement, Université de Lille 1, Villeneuve d'Ascq, March 2006), which gave rise to an edited volume (Baumann et al. 2008) that combines anthropological and economic approaches to money.
25. See Servet (1999a, b), Blanc (2000, 2006) and the special issues edited in the *Revue française de socio-économie* (2013/2, issue no. 12: 'Monnaie, monnaies: pluralité des spheres d'échange dans les societies contemporaines', edited by P. Alary and J. Blanc), in the *Revue de la regulation* (2nd half 2015, issue 18: 'Contestations monétaires. Une économie politique de la monnaie', edited by P. Ould-Ahmed and J.-F. Ponsot), in the journal *Economie et institutions* (2017, issue 26: 'Approches institutionnalistes de la monnaie', edited by J. Blanc and M. Fare), in the *Revue Interventions économiques. Papers in Political Economy* (2018, issue 59: 'La nature sociale de la monnaie. Enjeux théoriques et portée institutionnelle', edited by A. Faudot, J. Massonnet and J.-F. Ponsot), and lastly in the *Revue de la régulation* (Autumn 2019, issue 26: 'Autour de l'institutionnalisme monétaire', edited by P. Alary and L. Desmedt).
26. See the interdisciplinary conference on community and complementary forms of money (Lyon, February 2011), which gave rise to several special issues published in various journals, including *RECMA, Revue international de l'économie sociale* (volume 324, April 2012: 'Regards sur les monnaies sociales et complémentaires') and the *IJCCR, International Journal of Community Currency Research* (vol. 16, 2012: 'Thirty years of community and complementary currencies: a review of impacts, potential and challenges', edited by J. Blanc). This conference initiated a series of biennial conferences, which gave birth to the international association RAMICS in 2015 (Research association on monetary innovation and complementary and community currency systems).
27. See for example Gómez (2018).

28. In the French-speaking world, particular mention should be made of the following edited books: *Questions d'argent* (Bouilloud and Guienne 1999), *L'argent* (Drach 2004), *Turbulences monétaires et sociales* (Hernandez et al. 2007, half of which is given over to the 'Réactions monétaires et financières face à l'emprise de la mondialisation'), *L'argent des anthropologues, la monnaie des économistes* (Baumann et al. 2008, from which Chapter 6 of the present volume is taken), *Monnaie antique, monnaie moderne, monnaies d'ailleurs* (Pion and Formoso 2012), etc. Among the journals, and apart from the sections opened up directly to the institutionalist debate, the following can be cited: the first two issues of the Bulletin du MAUSS (1st and 2nd quarters 1982), the issue of the journal *Terrain* (1994, issue 23) on 'the uses of money' and then the same journal's issue on 'money in the family' (2005, issue 45), the issue of the *Revue internationale de psychosociologie* given over to 'social practices around money' (1999, volume 5, issue 13), the double special issue 'Monnaies: pluralités – contradictions' published by the *Journal des anthropologues* (issue 991, 2002). Finally, several individual books on monetary questions have been published that maintain a dialogue with the ITM research programme, notably Blic and Lazarus (2007) and Lazuech (2012).
29. Thus the economists involved in this research programme have been virtually unrepresented for years among the studies gathered together by the European research group GDRE (*Groupement de recherche européen*) on money, banking and finance for the *Journées annuelles d'économie monétaire et bancaire*, the International Symposium on Money, Banking and Finance. The history of money and the history of ideas about money, which these authors have also explored, have also virtually disappeared from the work of this GDRE.
30. For a debate on the alleged 'monetary essentialism' of *La Violence de la monnaie*, see Sapir (2009) and Orléan (2002b). In other respects, the attempt to reformulate regulation theory in order to accommodate the concepts developed by this research programme did not bear fruit, even though several of those involved were also members of the regulation school. Cf. Aglietta et al. (2000).
31. We should also mention Michel Aglietta's contribution to an OECD edited volume on the future of money, which was published in French and English (Aglietta 2002).
32. The chartalist analysis of money was summarised by the school's founder, G. F. Knapp, as follows: 'money is a creation of law and can subsist without monetary metals and the fundamental reason for this is that the monetary unit is defined not technically but legally' (Knapp 1905: 282). See Desmedt and Piégay (2007).

33. According to Graeber: 'The core argument of primordial debt theory is clear: any attempt to separate monetary policy from social policy is ultimately wrong. Primordial debt theorists insist that monetary and social policy have always been the same thing. Governments use taxes to create money and they are able to do so because they have become the guardians of the debt that all citizens have to another. This debt is the essence of society itself' (Graeber 2011 [2014]: 56). After discussing these arguments over several pages, he concludes: 'are primordial-debt theorists describing a myth [...] or are they inventing a myth of their own? Clearly it must be the latter' (Graeber 2011 [2014]: 62). See Théret (2019) for comments on this reading of French ITM.
34. This idea was notably discussed in Servet (1988).
35. André Orléan profoundly revised his text, from an original version published in the first edition of the *Traité de sociologie économique* (Steiner and Vatin 2009).

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CHAPTER 2

The Violence of Money (Excerpt): Monetary Crises

Michel Aglietta and André Orléan

> The sheer repetition of the sacrificial act—the repeated slaughter of the same type of victim—inevitably brings about such change. But the inability to adapt to new conditions is a trait characteristic of religion in general. […]
>
> Whether the slippage in the mechanism is due to 'too little' or 'too much' contact between the victim and those whom the victim represents, the results are the same. The elimination of violence is no longer effected; on the contrary, conflicts within the community multiply, and the menace of chain reactions looms ever larger.

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> If the gap between the victim and the community is allowed to grow too wide, all similarity will be destroyed. The victim will no longer be capable of attracting the violent impulses to itself; the sacrifice will cease to serve as a 'good conductor', in the sense that metal is a good conductor of electricity. On the other hand, if there is *too much* continuity the violence will overflow its channels. 'Impure' violence will mingle with the 'sacred' violence of the rites, turning the latter into a scandalous accomplice in the process of pollution, even a kind of catalyst in the propagation of further impurity. René Girard (1977 [1972]: 41–42)

In keeping with the dual nature of the monetary relationship, crises may take on two polar-opposite forms: the resurgence of either centralising or fragmenting trends. Both also upset the fragile balance that the hierarchised system has brought about. But, contrary to what a casual inspection might suggest, the two processes are not symmetrical. Inflation cannot be boiled down to rising prices and the over-issuing of money; deflation to falling prices and the under-issuing of money. Each of these dynamics de-structures the market economy in its own specific way. They stand in the same logical relationship to one another as the polar monetary forms, being both similar and opposites. Accordingly they implement shared traits (the universal role of mimetic polarisation) through inverted patterns (explosive or implosive developments).

The General Form of Crises

The monetary differentiations implemented by the hierarchised system aim at effecting a subtle arbitration between debtors' and creditors' interests. Debtors want means of financing that are stable enough for them to complete their productive cycle unimpeded. From their point of view, the norm N_0 [*constraint of cash payment or of solvency*] must make itself felt primarily through the constraint of destruction of private moneys $\{V - M\}$ [*claims – commodities*]. In this way they can escape in part from creditors' ukases and assert their rights over the control of social production. Creditors want the opposite. The titles they hold are, in their view, an immediate right of appropriation of social wealth. Compliance with this essential quality requires that the claim may be transformed into central money. The norm N_0 must therefore come into play in its form $\{V - A\}$ [*claims – money*].

For the monetary system to be stable, both of these contradictory requirements must be met. Stability cannot be the locus of expression of any single universal rule of management. The fact of the matter is that there is no transcendent legitimacy by which to arbitrate a priori between these two antagonistic rights. On the contrary, history illustrates the oscillations experienced by the point of arbitration.

The conflict crystallises over the intensity the norm N_0 should have; that is, over the definition of the economic horizon T, which is precisely the measure of that intensity. *This then is a structural variable resulting from the spread of monetary differentiation and the fragmentation that it effects.* Generally speaking, the more differentiated the hierarchised system is, the greater the creditor's power, and the more constraining the economic horizon will be. This differentiation causes intense selectivity of solvency constraints which are then circumscribed to certain specific portions of market circulation. Now, the more closely financial fragmentation maps the spatial or industrial heterogeneities of production, the more easily can control be taken of insolvent debtors by way of takeovers or bankruptcies. Under these circumstances it is clear that the creditor's control over productive activity is tight. At the same time these rigidities in financial compartmentalisation may impede the emergence of cross-linkages that would enable increased social productivity.

The stabilisation of the hierarchised system reflects the formation of a growth model through which a social hegemony is asserted. We are witness to a codification of financial stratification, the ultimate guarantee for which rests upon the exclusion of money A and the relation $A = M$ [*commodities*]. This codification organises and calms the latent conflict opposing creditors and debtors, no longer acting on anything but the close solidarity binding them in the growth of added value that generates the accumulation of capital.

However brilliant the cybernetic system engendered by monetary differentiation may be, it cannot reduce market anarchy nor agents' desire to appropriate a larger share of the national income. The residual conflict takes the form of a race to accumulate in the productive space. It exacerbates the unequal development of branches, calling into question the overall coherence of the social dynamic.

When this process does not adversely affect the overall stability of the growth model, we shall speak of a problem of internal consistency. What is then at issue are arbitrations within a given social framework. As the

governing group, the dominant social categories do not see their hegemony challenged. There will be a problem of external consistency when it is new social relations that oppose the reproduction of the growth model. In this instance, conflicts bear on the definition of new norms of socialisation, on a restructuring of the productive apparatus, and on the emergence of new sources of productivity. It can then be said that there is a virtual multiplicity of growth models within the economic space in the sense that forms of organisation of labour arise that are incompatible with maintaining the former hegemony.

In any event, the desire to see private property re-distributed involves a modification in the structure of claims and debts. The operators, who are the vectors of this desire, initiate a restructuring strategy that entails extending the economic horizon T and that leads to increased commitments by financial intermediaries. But this situation strains the hierarchised system. The possibilities of commitment are quite limited. The amplitude of it is fixed by the extent of the space of circulation specific to each category of claim. The debtors' strategy then runs up against the inertia of the rules of credit and the hierarchisation of the monetary and financial institutions. K. Marx indicates that 'all of the theory of credit … contains the antagonism between working time and circulation time'. This resilience of circulation time expresses the potential of past property relations that arose from the old growth model and the rigidity of their financial codification. That rigidity is the fulcrum of regulatory constraints of the former monetary order. The fact is that, thanks to this rigidity, a number of solvency constraints appear within the hierarchised system. Through these constraints, creditors assert their power and oppose the strategy of domination that is apparent beneath the debtors' undertakings. These pressures are expressed centrally through interest rate tension. This tension is the result of the distortions the structure of monetary differentiation undergoes. This is the central mechanism for self-regulation of the hierarchised system. It is directly a function of the heterogeneity of the monetary and financial circuits. Interest rate rises oppose any extension of the economic horizon and limit the commitment of capital. They re-establish the earlier arbitration which expresses monetary constraint, that is, which re-establishes the stability of the structure of claims and debts which is the assertion of the norm N_0 in the monetary organisation in force.

But it is an extremely fragile mechanism. Like any dynamic involving latent conflicts of appropriation, it mobilises behaviours and judgements

that express the way in which the different agents engage in these rivalries. There are never any pure macroeconomic automatisms; these are deformed by the violent configurations onto which they are grafted. In the course of a rapid and apparently steady phase of accumulation, agents' outlooks may change. Critical zones may be reached from which the will to monopolise can no longer be contained within the limits imposed by the financial orthodoxy in force. It then sets in motion mimetic processes in response to a specific logic that renders the earlier regulations inoperative.

The fragility of the earlier balance appears at all levels of the hierarchised system. The newly created situation forces all the agents to make uncertain choices. There are elements of indeterminacy everywhere, which cumulatively may lead to crisis. This indeterminacy expresses the fact that no one can foresee for sure the outcome of the conflict that has just arisen; everyone hesitates as to which side to back.

The financial intermediaries are faced with an alternative: either to cause tensions that may devalue the capital of their debtors or to seek refinancing from some more powerful institution. This uncertainty is understandable provided that the creditor/debtor relationship is not conceived of as the place where the former exercise unilateral domination over the latter. There is also a strong interdependency binding their interests in as much as the devaluation of assets affects each of the protagonists. If the creditor is already itself heavily committed, this interdependency may change into genuine solidarity. The financial institutions may therefore seek to absorb tensions and thus confirm their debtors' hopes of benefitting from a postponement of repayments. In doing so, the institutions make their own an optimistic expectation about the return on the capital committed by their debtors in authorising them to extend the prospective horizon of current operations.

This indeterminacy is no less great for the central bank. Do the applications for refinancing that are made to it merely express conjunctural fits-and-starts that are being absorbed or structural difficulties instead? In the first case the bank's role is to absorb tensions by financing the balances in deficit. In this way overall stability is maintained. In the second case, it is a matter of avoiding the economy in general going off track. The force of central regulations must be brought to bear at the earliest opportunity to stop any contamination of behaviours. But it is impossible to determine scientifically the exact origin and scope of the difficulties with which market relations are beginning to be confronted. Any serious problem

of coherency invariably begins by putting on the reassuring mask of a mere chance event related to an exogenous shock. That is the incontrovertible effect of the opacity of market society. Between fragmentation and centralisation, the central bank does not know which way to turn. Its behaviour will result from a compromise weighing different considerations subjectively: habit forged in past experiences and rationalised in what the financial community thinks to be orthodox conduct, the more or less visible intensity of social tensions, and the degree of influence exercised over the management of the central bank by a dominant group of financial interests. It is by no means obvious that the compromise that is outlined corresponds to the needs of the moment. It may very well exacerbate the conflicts disseminated in the social fabric. Rivalries that were until then disparate may become mutually reinforcing. Crisis is that point at which monetary rules are challenged and money becomes the medium for the propagation of conflicts over the appropriation of the value of social production, breaking down the financial stratifications that underpinned the former monetary order.

Crisis as the Impossible Desire for Wealth

The analysis in the previous chapters on the foundations of monetary legitimacy and on the importance of the choice/exclusion of money provides an understanding of the general form of the crisis: the return of private violence re-activates agents' infinite desire for wealth.

Desire, in the hierarchised system, is framed by a twofold convention: money assumed to be identical to wealth and the evaluation of assets; the relations $\{A = M\}$ and $\{V = A\}$. But we have shown that only mimetic polarisation gives any content to these mystifying representations. Outside of the social process engendered by the unanimous reversal of violence, these relations appear for what they are: irrational, with no common measure with the desire of appropriation they claim to codify. The crisis is this point at which agents, looking to guard themselves against the destructive effects of violence, try massively to recover the forms of guarantee that these relations express. They attempt to accomplish the transactions these equalities imply and realise with stupefaction that they are illusory.

We thus have a new characterisation of the two polar forms of crisis: the crisis of $\{A = M\}$ or the inflationary crisis and the crisis of $\{V = A\}$ or the deflationary crisis. In the first case, subjects want to transform A into

wealth; in the second case they immediately want the quantity of money to which holding the claim entitles them.

The monetary order obeys a truly fantastic rationale: the relations that attest to its robust character are only virtuous in so far as no attempt is made to test them systematically, inasmuch as they exist only as a potentiality that should only be cautiously put to the test. Their role is to appease and to postpone to some future date the desire for wealth that haunts agents and whose immediate unleashing can only be destructive. Monetary guarantees divert this desire, pervert it, offer it secondary prey from among profane commodities. By suspending the acting-out, monetary transcendence frees human creativity from the tyrannical and fickle whims of desire. It is on this condition that the haunting fear of wealth ceases to corrupt all social relations.

Thus wealth is not a substance; it has no other reality than the reality conceded to it by unanimous violence which instigates the monetary order and lends credibility to the modalities of its sovereignty. It cannot be appropriated because it only has any worth specifically as an element outside of any private rivalries. *The only relationship that can be maintained with it is a devotional relationship.* This appears clearly in the relation $\{V = A\}$. Its virtue rests upon the fact that this potential relationship, which ties the claim V to A, effectively frees the issuing organism from the immediate constraint of payment. It is in this way that this claim acquires a definite quality. In the space of circulation which this legitimacy instigates, the other generic form of monetary destruction may come into play, the form $\{V - M\}$. It is this form which makes the accumulation of productive capital possible. Social and material wealth may then develop thanks to the protective mask created by the virtual possibility of guarantee of claims. The representation $\{V = A\}$ is the expression of the legitimacy of V, under the cover of which the domination of the form $\{V - M\}$, which governs the extension of productive forces, can be exercised. Central money A draws its qualities from an identical conventional rationale: the relation $\{A = M\}$, that is, money as a medium of reserve. Thanks to this hypothetical guarantee, an offer of central means of financing is made possible, which authorises the expression of social interdependency.

Conversely, the crisis frees up the desire for wealth. It is the response of agents in market societies when they feel social struggles are becoming exacerbated. Being unsure about the outcome of these fearsome rivalries, they attempt to shelter themselves from them. They try to satisfy their

desire by playing on the rights that monetary sovereignty recognises they possess. But what they then find is the rifting of any unanimously accepted social reference, the loss of all ordering legitimacy. This legitimacy, which derived its qualities solely from the absolute respect afforded to it, falls apart immediately when it is the subject of suspicious questioning. In the crisis, wealth then reveals its true nature, which is social, through the recurrent failure that all attempts to appropriate it run up against. It slips away constantly, leaving behind it, behind all the masks that it wears for fun, only the tearing apart of social bonds. We think we have a hold on it, but all that remains in the hands of whoever grasps it is the very violence that attended the desire of acquisition, it is the destruction of earlier rites without which that desire cannot be socially recognised. 'To vie for divinity is to vie for nothing … To the extent that divinity is real, it is not an issue. To the extent that it is taken for an issue, that issue is a decoy that will end up escaping from all men without exception'.[1]

A Non Quantitative Vision of Crisis: Crisis as 'Catastrophe'

Economists never understand that the virtue of monetary relationships is a function of distance and consequently of the hierarchy they introduce among different monetary forms. They think of these relations in the same way as a natural relationship and so they are trapped in the fiction monetary sovereignty propagates. This means that they cannot analyse the series of transformations caused by an actual conversion of V into A or of A into M. Underlying this incomprehension is their erroneous conception of value. This has led economists to define an immanent principle, Utility or Labour, and to make that principle the very substance of wealth. This naive substantialism radically disregards the dynamic that governs the production of meaning and the movement of signs. They see in the staggering of financial circuits and private moneys merely a simple game of equivalences, of reflections. Social wealth under this conception is an objective magnitude that cannot be affected by collective violence or the modification of social relationships. Each monetary or financial sign is merely the plain representation of this natural wealth, in the same way as a bookkeeping entry represents a flow of cash. This sign therefore has as its value the quantum of overall wealth that it expresses. Besides, no particular virtue other than a technical virtue is associated with this duplication of the signifier and the signified: the duplication makes exchange easier.

These foundations affect the entire architecture. Beneath the apparent sophistication of mathematical models, it fastens thought within a terribly tight straitjacket. Political economy is then desperately disarmed when it comes to rendering intelligible these catastrophic phenomena of contagion, differentiation and transmutation of values which are, however, the commonplace of movements that affect the market economy and human societies in general. Whereas crisis is a complex process that paralyses the social coherence in its entirety in a fantastic waste of productive forces, substantialist conceptions of value can only see in it the mechanical movement that fits the number of monetary signs, through the variation in their unit price, to the global and very inert value of objective social wealth! This simplifying view culminates in the quantitativist theory of inflation.

But crisis withstands a purely quantitative approach. Using a metaphorical statement we shall say that the problem of measurement is dominated by the problems of connectedness; and that it therefore comes second in the conceptual construction. Unlike the continuous space of political economy, in our theorising, the concept of distance (the foundation of any quantitative approach) is not without ambiguity. To take an example, let us consider the actions marked by the pair (x, y) of two agents A and B. This gives the Fig. 2.1.

This Cartesian representation only really has any relevance to the extent that it can give meaning to the distance $d(a, b)$, separating points (a) and (b), independently of the path (u) followed. This comes down to assuming a totally homogeneous space (x, y), in which any path can be drawn. If, as we believe, the distance $d(a, b)$ has no relevance other than that acquired in the particular context of a given monetary sovereignty, in other words if the space (x, y) is only the contingent and specific outcome of a certain social coherence, if it is only the fetishised way in which that coherence announces itself,[2] the problem is radically transformed. We should no longer see in the distance $d(a, b)$ just the mystified and necessary form thanks to which agents A and B conceive their relations. The real problem, then, is to what extent the actual realisation of a path (u) calls into question the formation of the representative space and consequently simultaneously modifies the relationship binding A and B. It is then quite possible, in outright contradiction with the vision propagated by Fig. 2.1, that any movement by which A would attempt to move closer to B, to catch up with it, to take it as a model, might lead, beyond a certain limit, to the contrary effect, to a more radical separation because

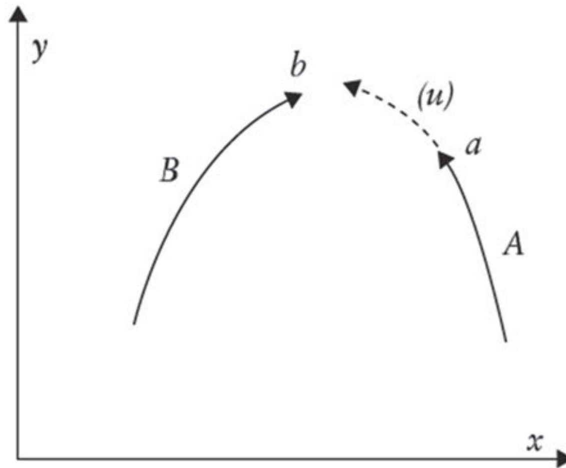

Fig. 2.1 The ambiguity of the concept of distance

it would destroy the implicit and eclipsed conditions of overall coherence. It may be that the distance between *a* and *b* is the very foundation of their proximity! We can imagine the helplessness of beings caught in this whirlpool, where each of their desires ends up taking the form of an obstacle to its own fulfilment. Both ordinary speech and mathematical language name this phenomenon *catastrophe*.

In crises, the more individuals look to save themselves, by fervently seeking out wealth, the more social rules fade away, and the more that which they lay their hands on is empty and without substance. This is a chain reaction because this recurrent failure is the very principle commanding their action, pushing them endlessly into new, ever more fratricidal and ferocious struggles, to the point of being sick at heart. Some may win but, even in their own view, the gain is illegitimate and therefore not assured. The violence that produced it can cancel it out at any time. What everyone is looking for in wealth is, on the contrary, plenitude and rest, an end to the lack of satisfaction and unease that push them to act, to possess and to tear each other apart. It is economic crises today that show up the essential tragic mainsprings, the helplessness of man faced with his own violence turning monstrously back upon its parent.

Now that the meaning of crisis has been laid bare, it is a matter of specifying its dynamic characteristics.

Mimetic Polarisation and Crisis of Differences

At the start of the crisis conflict breaks out between a group of debtors and a group of creditors who no longer find any way to settle their differences within the former framework of established rules. The central bank is called on to take sides through either a centralising or a fragmenting attitude. It does so depending on the interests it represents. There is a break with the self-regulating mechanisms of the hierarchised system when this behaviour is likened by one of the clans in question to an infringement of its imprescriptible rights. In their view, the issuing institute acts outside of its role of strict management for the benefit of the entire community and appears as a subjective entity whose decisions are partial.

At the origin, the causes of the crisis can be easily circumscribed. But when the agents who feel they have been hard done by attempt to assert their rights and ask to receive the amount of wealth that is their due, they extend the difficulties in doing so. The crisis then takes on its own dynamic. It rekindles all of these secondary rivalries that imbue market relations, all of the sector-specific, local and personal conflicts. The whole spectre of human attitudes may be expressed in this, from pusillanimity to megalomania. All individual behaviours, in infinite psychological forms, become increasingly dangerously polarised around the immediate desire for wealth. This indifferentiation is the crux of the crisis. Its concrete determinants are mimetic convergence and the crisis of monetary differentiations, objects of subsequent analyses.

The scope of the crisis is variable. It may be halted at different stages. It depends centrally on the ability of the dominant categories to reassert their hegemony around the new socially recognised arbitration. The formal logic of it can, however, be understood. In the course of the crisis, we witness the spontaneous resurgence of the monetary trend, whether fragmenting or centralising, opposed to that which the central bank has implemented unilaterally. *From that point on, the conditions are right for the emergence of the new composite system through the codified reintegration of the expelled tendency and, of course, the private interests that it expresses.* So once again the solidarity of opposing clans around a certain redistribution of private property is asserted.

The search for this new arbitration explains why monetary policy experiences fluctuations.[3] We shall not study them in this chapter. The analysis

shall bear on the pure forms of crises, when they are caused by unilateral behaviour of the central bank directed solely at centralisation or fragmentation.

The Inflationary Crisis

The difficulties begin with the proliferation of private moneys which expresses the development of tensions in the growth model. In the analysis of pure inflation, it is assumed that the central bank reacts to these difficulties by monetising deficit balances to enable the space in which private moneys circulate to expand. The bank follows a centralising strategy which answers the demands of the debtor social classes. It validates socially their desire for redeployment and the widening of the economic horizon it necessitates. The crisis develops to the extent that this state action does not lead to any gradual mopping up of the initial difficulties through the progressive extinction of claims. On the contrary, central financing i/X [*relation between private agents i and central bank* X] exacerbates the polarisation between agents with a surplus and with a deficit, by blocking any possibility of recomposing ownership.[4] Systematic resort to issuing money is the very way in which the former hegemony attempts to ensure its interests continue to thrive. By operating in this way, the central institute tries to block any transfer of ownership. It supports the once dominant productive poles which now find themselves in a difficult position; it prevents their being dismantled. The question then is how can creditors assert their rights, that is, how is the fragmenting tendency opposing their euthanasia to gradually become organised; how is the central monetary power to be called into question?

One might speak of an absolute monetary power of the state if centralisation through socialisation of losses was a form of crisis resolution; that is, if the central power had the leeway to monetise its difficulties infinitely. However, although monetary sovereignty and the fetishised forms of guarantee it institutes, the relation $\{A = M\}$, make the constraints of destroying money less demanding, this constraint remains even so at the base of the monetary relationship as its ultimate and fundamental sanction. From this point of view, analysis of the crisis is the study of the social dynamics through which this sanction turns back on the central institute. There is nothing trivial about this because, setting ourselves in the context of a closed hierarchised system, central money appears as the higher form of wealth. It cannot be seen, then, what would limit this issue, what type

of constraint might weigh on the monetary authorities. Let us begin by removing a difficulty to make our arguments fully understood: the rise in prices, at least as it is understood in economics textbooks, does not constitute this constraint. It is even striking to see the difficulty those authors have in justifying the harmful character of a general price rise. Reference is then made to certain social costs, the content of which is never specified. It is true that a generalised price rise does not directly challenge the monetary order. As certain theorists maintain for that matter, inflation, through forced saving arising from different speeds of indexation of prices and wages, may promote investment and growth. In contradistinction, what is fundamental in the inflationary process is the inability of the central authorities to bring it under control, to set up an orderly framework for progression. The peril, is the *anarchy* of the price rise, the fuel for which is the progressive de-structuring of the productive space formerly created by monetary sovereignty. It is a very different thing from an increase in the general level of prices as enunciated by quantitativism, but of the disaggregation of the conditions that made the development of productive forces possible. What is central is the way inflation spreads like gangrene through the productive fabric.

Inflation therefore places the relationship $\{A = M\}$ at the centre of the debate for its capacity to promote an 'equitable' norm N_0, to maintain a 'fair' balance between creditors and debtors. The process by which A is called into question is not brutal; the different agents first have only a remote inkling of the dynamics underway. They are to learn it gradually in accordance with the specific logic that must now be accounted for; all agents are little by little contaminated by social rivalries.

For anyone who sees money as a hierarchised stacking of functions, the role of which is, depending on specific forms, to impede the return to violence, it is understandable that the crisis must be analysed as the gradual destruction of these regulating poles. This dynamic moves forward by stages. In the sequencing of forms of value studied in Chapter 1, it first deteriorates the most superficial level, F_{III} [*founding violence*], and then attacks F_{II} [*reciprocal violence*] and F_I [*essential violence*]. At each stage violence takes on new appearances, which are ever more absurd and destructive, and that are to be characterised. It is through this complex process that private property is reorganised and that the initial polarisation between agents running surpluses and deficits is eliminated; in other words that the over-issuing of money is brought to an end.

The Crisis of the Unit of Account: Rampant Inflation

Initially under the effect of a constraint to reimburse that has become more urgent, the deficit poles initiate a destabilisation of the valuation system in force. Prices no longer reflect the codified and hitherto accepted way in which the national income is shared out. On the contrary, the effects of conflicts for accumulation can be seen engraved directly in it. Some producers, in the formation of their prices, charge obsolescence costs so as to partially reduce their financial constraints, while allowing a faster commitment of capital. It is through relative prices that production centres confront each other. The economic system offers a certain margin of manoeuvre to this regulation procedure that enables it to succeed. Control over production is progressively reorganised in the continuity of the accumulation movement. This is what the Walrasian analysis traditionally describes for which the functions of supply and demand depend on relative prices only. Money is of no importance in that analysis.

But this dynamic throws up obstacles. It calls into question the distribution of income accepted in the established accumulation regime. Some agents may be prompted to resist a relative deterioration of their incomes and consequently to oppose this drift of relative prices. True, this action is not automatic. Economic agents are caught up in a universe of conventions disseminated by the institutional straitjackets that hold them. These conventions promote routine behaviours that play a great part in the repetitive conduct of economic practices. The information that may lead individuals to escape from this routine is caused by mimesis. *They consist in comparing one's own situation with that of others*. This suspicious conduct is always latent in the social fabric because it is the only way in which subjects of market society, who are separated from and eager for social plenitude, can situate themselves and direct their desires. Mimetic activity can shake the force of routine by crystallising conflicts. It brings into play threshold effects and 'nucleation'[5] phenomena that cause group behaviour when latent rivalries are sufficiently worked up by the distortion of relative prices.

Routine behaviours stem from the *monetary illusion* which makes possible the function of unit of account, with prices and incomes being expressed in the money of account. This illusion must be sufficiently rooted to enable self-regulation of the growth regime through the movements of relative prices. Its effectiveness depends on the dispersion of entrepreneurs and wage earners. It is, on the contrary, weakened by solid

and institutionalised forms of association. These ties are good conductors of the mimesis that provokes the responses of whole groups to changes in the distribution of income sought by agents with deficits to turn the situation round to their advantage. Of course, the force of those responses depends on the means of action available to those who perceive their status as degraded. Those means are very unequal. Some social categories may be threatened with a slow death without having the possibility of reacting.

Beyond a certain critical threshold these relative price fluctuations are no longer totally absorbed by the economic system; they cause a response: *indexation*. This has a graduated progression. It depends on forms of collective organisation. Little by little, we see prices being pegged to costs and incomes to certain prices that enter into consumer standards. But the dissemination of this phenomenon modifies the conditions that ensured certain agents of real gains. The interdependencies to be found among the different components of the price system propagate rises. They then turn back upon their initiators and radically transform the global dynamic. The partial regulation ensured by money through its function as unit of account goes into crisis. There is a loss of the monetary illusion in the presence of the generalisation of indexation behaviours.

This generalisation is progressive; it occurs in a disparate manner. Initially it hugs the heterogeneity of productive circuits. Each portion of market circulation gradually integrates the structural character of nominal rises in a mimetic process. To save itself from this, multiple institutional references spontaneously arise making the indexations virtually automatic: construction prices, prices of raw materials, consumer prices, interest rates, foreign exchange rates, etc.

This progressiveness also expresses itself in the difference of indexation speeds. Under these circumstances, the productive poles running deficits may manage to offset the lack of success of their capital commitments by a price rise which transiently provides them with real gains and consequently brings about a redistribution of income. The crisis of the unit of account may well stabilise at this stage of *rampant inflation*.[6] The condition for such stabilisation invariably follows the same logic. The contagion process must not turn back on whoever causes it. This requires that losses be strictly circumscribed to victims who are unable to react. This is a requirement that cannot readily be achieved because the market order implements an infinite number of interdependencies that couple together the system's subsets. If the requirement is met, the

accumulation movement may spread through the loss of power or the disappearance of certain economic agents. Its implementation is invariably based on a system of social stratification characteristic of the hierarchy of powers within the monetary order. Access to credit is one of those modalities of differentiation. There is thus a certain social cordoning-off that opposes any unrestricted drift of prices. This drift is not grafted onto any autonomous systematic procedure. It is located within a specific time-frame for the formation/circulation of income which tightly constrains its movement. It is a situation that certain macroeconomic models describe.[7] The increase in prices acquires a structural and stable character. The scale of it depends on the distribution conflicts that subsist and on the various indexation speeds implemented. The supply of money is endogenous and adapts to nominal developments. It is an extension of the forced saving process analysed by Kaldor and J. Robinson. It is a theorisation that differs entirely from Walrasian conceptions. It describes another regulation mechanism.

One consequence of this partial loss of solvent sovereignty, which the crisis of the units of account implies, must be emphasised. We witness a scrambling of economic computation. In the absence of any unanimously accepted social reference, it is no longer known with precision if losses or gains are made and how big they are. The calibration of wealth, even if wealth is always equated to central money, is hazy. There are several possible markers expressed in the many principles of indexation. There ensues confusion in the comparison and arbitration of the various rights of appropriation. In this way the crisis constantly engenders new loci of conflict. Its qualitative development will further exacerbate the imprecision of accounting expertise and of its destructive effects.

The Indifferentiation of Moneys

The limits of rampant inflation stem from interdependence between supply and demand. The transformation of the conditions for sharing income is no longer localised. It returns to the debt centres through a distortion of the demand structure. Problems then take on a new acuity. The fall in expected returns cannot be offset in its effects on the valuation of capital unless it is made up for by an extension of the horizon of investments. This extension implies an increase in debt that cannot be legitimated without a transformation of the established norms of financing. It is then the creditors who are attacked directly. What happens?

The reaction of creditors can easily be understood. It pertains to our general analysis of the role of monetary differentiation as a structure of arbitration codifying the time T characteristic of the norm N_0.

Solvency constraints are imposed on financial intermediaries and more powerfully so because the intermediaries are directly related to the productive poles running deficits. The constraints lead to an increase in interest rates that is dependent on the degree of tension and the intensity of the fragmentation accepted in the hierarchised system. Again the role of stratification is involved here. It is through the constraints of refinancing claims V in money A_i, with a greater circulation space, that the difficulties and the necessity of a remedy are felt. When this refinancing occurs, it eases the situation of producers in difficulty. It makes it possible to lengthen the time between the issuing and the extinction of the claim. It thus promotes the form $\{V - M\}$. This may enable the economic situation to be made healthier via the emergence of new productive connections validating the debtors anticipations ex post.

But at the same time this practice harbours potential dangers. The extension of difficulties, the maintaining of a distant horizon and the rise in debt transform the hierarchised relations that once connected V to A_i. The increasingly systematic resort to refinancing leads to an *indifferentiation* of forms V and A_i. The ratio V/A_i is no longer the potential locus of a devaluation through which creditors assert their right to the appropriation of wealth. There is a transfer of impurity from one circuit to another, that is, a catastrophic process: it spreads the perplexity over the real situation of debtors to a far greater set of creditors, all those who possess A_i. The crushing majority of them was initially entirely indifferent to the difficulties that the valuation of V encountered; now they are dangerously gripped by those uncertainties. Beyond a certain level, this aggregation of doubts changes into a new behaviour. A new question arises that is infinitely pernicious for the market order: How do I assert my property rights? Flows of interest appear derisory compared with this thirst for wealth; they prove comparatively ineffective for organising the conflict of appropriation that constantly takes on ever vaster dimensions.

The Crisis of the Store of Value…

Until then the role of the central bank had remained partly in the shadows. Of course, it had not been negligible in the process of indifferentiation. But the set of financial stratifications formed a protective

screen saving it from individual suspicions. That is precisely its function: to mediatise the expression of private violence.[8] From now on, it is no longer so. The anguished perplexity of an ever broader class of creditors and the destruction of monetary differentiations dissipate the mist. The conflict becomes open and calls for state arbitration. Hypothetically, we have taken the case of an inflationary development in which central power supported the deficit-running poles. Let us notice simply as an aside that the advanced state of indifferentiation in which we have put ourselves makes a restrictive policy extremely perilous. It has become impossible to make financial constraints act selectively without affecting the whole of the productive apparatus full on.

Monetisation by the central bank has the effect of crystallising the conflict around the central money A. The origin of the ills private agents suffer from now seems to be the over-issuing of central money. The arbitration that monetary sovereignty performed becomes suspicious in the eyes of the creditors because it is tainted by partiality. Holding money no longer gives them the same means of appropriation. It is money's aptitude to represent wealth that then progressively becomes the point at issue in behaviours. We find ourselves at a new stage of the inflationary crisis: the return of F_{II}, the form of crisis *par excellence*.

The crisis of the store of value function of central money causes a regression from form F_{III} to form F_{II}. The unanimous polarisation that had excluded money A from the comparison with profane commodities comes unwound. The disarray of subjects stems from them finding themselves faced with the infinite shimmering of reciprocal relations among all commodities. In this era of suspicion and uncertainty, each commodity, each sign appears to the protagonists' eyes like so many putative claimants capable of satisfying their desire for wealth. Each seeks for their own salvation where the mysterious principle is hiding, what guise it has put on: gold, property, land, factories, securities, foreign currencies, etc.

This heterogeneity of references limits the destructive effects of the speculative quest. It protects the central money A insofar as it makes calculating the loss of value entailed by hoarding very hit-and-miss. It even eclipses their existence in part. This circumstance again allows a degree of stabilisation at this stage of the crisis. It inhibits a generalised flight from money. It may thus make it possible to consolidate debts. But the movement peculiar to speculation as the all-out search for wealth corresponds to a mimetic structure that may lead to extreme polarisation. It is through this paroxysmal process that agents understand the reality of

the dynamics they are caught up in. Then, little by little, all of money's regulatory capacities disappear. So let us analyse the speculative process, the final phase before the utter destruction of the monetary order.

… Speculation …

Ordinary speculation is an essential characteristic of the monetary economy. It is the irreducible product of the opacity inherent in the market structure. The unknown with regard to future conditions of valuation means that there is necessarily in each act by the producers a wager, an expectation about those future conditions. The market economy is a speculative economy. Continually, then, speculative circuits appear, reflecting the 'shortfall in socialisation' that is characteristic of the market relationship. One can see in it the consequence of primordial violence for which the monetary space is a place where it can be expressed; it is a form of violence that is never totally exorcised, that is constantly smouldering under the embers, ready to remind the world of its baleful presence. The limits to the formation of these circuits are found in the very exercise of sovereignty, in its purifying practices, in the all-powerfulness of the norm N_0 binding all agents and framing their acquisitive desire. Speculative inventiveness runs up against an obstacle to its free expression: it has to be validated by the destruction of claims. The varying duration between issue and extinction of debt gives free rein to the wildest imagination in which all cosmologies seem to become reality for an instant. But for these wonderful thoughts to actually arise from limbo, for them to leave their evanescent phantasmagoria, for them to take substance, they have to attract monetary circulation to themselves. For the speculator, money is that reality, that ultimate meaning, that is continually on the prowl, that perverts their pleasure and castrates their most sublime ramblings. They who dream of endlessly self-engendering wealth, a fountain of youth that would procure them their fill of youthfulness, see their myth collapse under the vulgar constraint of cash payment.

In the speculative dynamic we are going to examine, the break in differentiations has already reached an advanced stage; homogenisation of agents is underway. Accordingly the logic behind it is quite different from the logic of ordinary speculation. It is the logic that ultimately leads to a unanimous mimetic convergence. We shall call it *self-validating speculation* or self-realising speculation.

The speculator's dream then grasps reality and transforms it into the most frightful of nightmares. It reveals its lack of substance, it delivers up society to endless wandering, to a pleasure that can no longer find either object, or language, to indifferentiation and to what it means in terms of explosive violence.

At the heart of this speculation, which little by little invades the whole of the economic space, is the quest for a good (*s*) whose substance is supposedly wealth itself, that is, a good whose value is an intrinsic quality independent of economic conditions like conventional rules imposed by the monetary relationship; a good that would therefore be protected from the corrosive effects of violence, a fetish object protecting its fortunate holders from evil.

Initially, the search for substitutes for money may lead to renewed vigour in the fight for physical assets that further disorganises production, amplifies the unequal development of branches and stimulates the formation of new forms for integrating production. The spread of this lurking panic may be a beneficial moment for growth. But continuation of it destroys in depth the differences and the regulating poles associated with them.

Speculative activities have the effect of distorting monetary networks that were already severely tested during the earlier stages of the crisis. They spread substantially the role of certain portions of this circulation or spontaneously engender new assets related to the financing of speculation. The multiplication of these financial derivations spectacularly lengthens the return time of monetary flows to certain traditional issuing poles. It effectively expresses the development of certain claims, both new and old, with a backlash that is particularly attractive because it is fuelled by speculative gains. These leaks from their circuit boost the solvency constraints weighing on certain financial institutions. Creditors make their existence felt once again. Through such speculation, they attempt to escape the bond of central monetary that becomes ever more like a slip-knot tightening around their necks.

The object (*s*) on which speculation comes to focus may very well be a physical asset, a foreign currency, stock-market shares or any monetary asset. A priori it is indeterminate. Our analysis, though, emphasises what its essential dimension is: it is the vector by which private agents assert their autonomy with respect to central rules and through which they circumvent the institutional framework. For this reason, this speculative object tends to take the form of a foreign currency because the

foreign exchange market, like any place of confrontation between two sovereignties, imposes a limit on national state power. This quality makes it a sought-after medium for speculation. But this empirical form should not hide the primary characteristic of the phenomenon, that reveals itself even in a closed system with just one currency, the emergence of a new monetary relationship. It so happens that a foreign currency is a handy asset for expressing this fundamental dimension of the crisis. But in any event, even within secondary private moneys, for example stock-market assets, or through certain commodities, speculation would give rise to a space where private monetary power and its strategies would express themselves.

… and Rivalry Among Moneys

This phenomenon is so important that we shall put it in another way that brings out the scope of these structural changes. The first turbulence is witnessed during which *the choice of a new money* begins to germinate.

Mimetic convergence has reached great intensity because it arises from deep undermining operations that have already brought down many social, monetary, productive, cultural and even psychological differentiations. Speculation then brings strong polarisation into play; it mobilises a large number of worry-stricken agents. This characteristic, which expresses the scope of violence, is also the characteristic found underpinning the monetary relationship.[9] For this reason it is understandable that the various objects (s) to which private speculation turns partially acquire de facto certain attributes of central money. They play to some extent the part of the unit of account. It is observed that they actually serve as a reference for the various indexing processes of commodity prices. This indexing has then lost its earlier staccato character. These are automatic procedures to which agents resort spontaneously in order to withstand real losses.

If agents look out for these speculative values it is because of their supposed virtue of representing wealth. In this way, they possess, to some extent, the quality of a store of value. This property is crucially important because it underpins the relationship $\{s = M\}$. s can therefore serve as a guarantee. *It then becomes the centre of a private monetary issue*. The legitimacy of this issue is underpinned by its potential capacity to be converted into s. The bounds of autonomy of the speculative movement are pushed

back. The central authority becomes partly incapable of prevailing over the creation of private money.

The return of F_{II} is then reflected by rivalry among moneys, with central money on one side and purely private moneys on the other.

Under these circumstances, the question of a natural price for objects (s) becomes totally absurd, whether a foreign currency, a security, a commodity, etc. The overall price system no longer has any real inertia compared with variations in (s), particularly because of indexing.[10] Accordingly it is aberrant to analyse this dynamic as the continuation of the trial-and-error process by which the equilibrium price of (s) is supposedly revealed. This process is of a wholly different and far more complex nature. What is at issue is the reformulation of the monetary relationship, the emergence of a new hegemony.[11] The variations in (s) arise only from the multiple instances of psychological waywardness that mark this epidemic dynamic. They are a priori indeterminate, as is the very outcome of the process. No one knows which clan or which strategy will win out. The price of (s) relates, then, to nothing more than the random or conventional evaluations that the private market conveys. It is particularly sensitive to the multiple variations affecting the social or political climate. These price changes do not elicit in any way the reaction of any return forces; on the contrary they carry the entire price system with them; they are self-fulfilling. It is the absence of any re-balancing movement that makes this dynamic both specific and strange.

These new purely private monetary circulations divert many signs from the former system and, as seen, cause tension. The monetary order then has two choices: either it can call on the central bank to resolve its difficulties or it can attempt to include these new moneys within its architecture.

For anyone who fails to see in the changes of the monetary organisation the mechanical effect of an inert constraint refereeing all conflicts sovereignly and definitively (e.g. the constraint of conversion into gold, the would-be universal money), the significance of these two choices may be apparent. The centralising tendencies that the sovereignty of the issuing institute exerts for the benefit of certain categories of debtors are thwarted by the spontaneous outburst of fragmentations, the speculative private moneys, that elude its jurisdiction. This situation may be stabilised through a process of self-transformation of the monetary structure that attempts to take over these new moneys.[12] New assets are created; new institutional ties and new markets emerge. But behind

the apparent neutrality of this mechanism, there is nothing less than the allowance by the central authorities for the interests of certain creditors. Financial circulation related to objects (s) implies draconian appreciation conditions that may seriously affect the debtor poles. The success of this operation hangs on the capacity to locate these constraints. Until such time as this stabilisation condition arises, the central bank will certainly continue to have to monetise the economy.

The Backlash of Violence on Debtors and the Central Bank

But in the return of F_{II}, contamination has reached such an extent, the whole of the monetary space, that it affects the debtors themselves. They realise only then that they are jointly and severally bound with the creditors; that they themselves are particular creditors because they hold money A. This money has lost its ability to settle accounts. Unlike in the previous period, although money circulated, an outstanding amount remains in dispute. This latent dissatisfaction affects all producers. Producers who once had established places in the division of labour are corrupted by rumours that attribute extraordinary virtues to such and such an object or sign. Evaluation processes are thus disaggregated by speculative activity. Objects that are supposed to represent wealth multiply and experience erratic movements. There is no longer any universally accepted monetary constraint (norm N_0). Under these circumstances everyone is gripped by the desire for immediate wealth. Even if massive central financing raises the economic horizon and eliminates all possibilities of bankruptcy,[13] fascination for the short term takes hold of all economic agents. Mimesis of appropriation invades the productive space, ushering in speculative fever. As in the earlier phases of the crises, this is a gradual process. As a consequence it reduces the hoped-for returns that are involved in the evaluation of capital.[14] The reference point is no longer central money but the objects of speculation themselves. Under these circumstances, depending on the amplitude of the speculative movement, the increase in T is insufficient to counter the expected fall in income from productive investments when they are compared with the exacerbated nominal valuation of the objects of speculation. Investment is then inhibited.

The further the speculative confusion spreads, the more worrying the indifferentiation of subjects becomes. Everyone neglects their previous

activities to engage in this anxious and feverish quest. The social division of labour is then eroded and general poverty grows. The social stratification that ensured productive activity dissolves. Subjects find themselves in an ever more unbearable state of unquenched desire and of fear as the violent game of rivalries little by little destroys the social relations that previously formed the usual reference horizon.

The difficulties the central bank meets are not lesser. Not having wanted to make the crisis bear on bank moneys, its management has led to a dangerous indifferentiation of monetary forms. It is then increasingly intricate to carry over the loss of value to limited portions of market circulation and give rise to local financial tensions. Monetary constraints, drowned beneath the wave of moneys, become fuzzy. The economic system becomes a runaway machine that is increasingly uncontrollable; the effect of monetary policies is then largely random. But when speculation develops, the difficulties of the issuing institute worsen. At this new stage in the crisis, the birth of relatively autonomous private financial circuits transforms the conditions of centralisation. The relation A/s is a fragmented relation that is partly released from state oversight. The value of s is left to the arbitrariness of purely private forces. The most exemplary form of this change is *the emergence of a convertibility constraint for A*, a constraint that was theretofore meaningless because of the hierarchically superior position of the central money. The fact of the matter is that at this point in time, a large share of prices is indexed on the value of objects s. Accordingly, the variations in the price of s strongly affect the determinants of the profitability of deficit poles, that it was previously a question of preserving. Under these circumstances, the price of A in s no longer leaves the central bank indifferent; in particular it determines the bank's interventions and the amounts thereof.

Theoretically the return of the form F_{II} can be analysed as the fight among several claimants to the role of general equivalent. The crisis of monetary legitimacy is reflected by the progressive emergence of a convertibility constraint $\{A - s\}$. The challenge for this dynamic is the way in which market ownership will be recomposed or in which the different interests will be arbitrated within the new hierarchised system. It can also be said that the appearance of monetary forms s signifies the progressive constitution of a way out of the indifferentiation process. We witness the formation in outline of alterative solutions enabling agents to escape from the impure contagion that A propagates. The constraint $\{A - s\}$ is the secular arm of new social relations through which all the hypertrophy

of the previous monetary organisation shall be destroyed. At this stage, the discharge of the crisis involves a degree of contiguity of *s*, as a private money impelled by certain powerful interests, and the new hierarchised system. The movement to institutionalise this new system will have as its subject to block out that contiguity, to hide the fact that, behind the proclaimed universality of the new legitimacy, the antagonistic relations tip in favour of particular interests.

From this point of view, the crisis reveals in a particularly explicit way the ambivalence of central money in that it is an oscillation between legitimacy that attempts to extend its power and a circumvention of that legitimacy by way of the formation of new financial circuits. Two different rationales are therefore superimposed which in turn steal the show on the social stage. The monetary policy statement is the point in time at which the authority seeks to recuperate inflationary excesses, and the anarchy arising from their unfolding, by solemnly instituting a new framework of action. There is an intention to freeze changes and conflicts. This intention is expressed, according to the quantitativist statement, in the desire to control the rate of growth of the monetary mass. The state's objective is to help reconstruct the former order. To do this, *mimetic polarisation must be made to converge on the central money*. The rise in interest rates is part of this endeavour; the aim is to make the income constraint prevail anew in the face of direct evaluations of ownership rights.

Sometimes the inflationary dynamic submerges these attempts by creating new assets that foil the state's intention to control the monetary mass. Private speculation, with its correlative price increases and the monetary issue it stimulates takes centre stage. This is an essential law of the crisis: the central authorities are unable to meet their objectives precisely because the crisis involves the all-powerfulness of the private money initiative. As so shrewd an observer of monetary reality as C. P. Kindleberger noted:

> As an historical generalisation, it can be said that every time the authorities stabilise or control some quantity of money M, either in absolute volume or growing along a predetermined trend line, more will be produced… Modern monetarists have difficulty in deciding whether they should define money as M_1,…, M_2…, M_3… I am told that some analysts have gone as high as M_7. My contention is that the process is endless: fix any M_i and the market will create new forms of money in periods of boom to get around the limit and create the necessity to fix a new variable M_j[15]

The Crisis of the Means of Circulation: The Return of F_I or the Choice of a New Money

Unless the speculative crisis leads to a new definition of financial hierarchisation and to the emergence of new selective norms, in other words if the central bank attempts to elude the repayment constraints by ever more massive refinancing, the crisis enters its final stage. The extension of speculative practices then follows its mimetic dynamic that leads to *unanimous* polarisation on the same object. Violence is at its high point; and the paroxysm of the rift it causes is the precise measure of the precious and virtually divine character that the object sought after acquires. At this stage, *money A is totally destroyed*. The only function by which it still played a role—money as a means of circulation—disintegrates. The unanimous polarisation on s is logically expressed as agents' direct refusal to accept A in exchanges.[16] This is the backlash of F_I: all subjects are in an absolutely symmetrical relationship. There is no longer any possibility of productive activities. Each is concerned solely with speculating; but the gains or losses it seems to give rise to are no longer meaningful. They are no longer anything more than the acting-out of the absolute destruction caused by unleashing of 'essential violence'.

But this absolute convergence of desires of appropriation may also be analysed as the spontaneous choice of a new money by agents. When the spectre of the violent death of market relationships extends brutally to the entire society, a new sun rises at the same time. Even so, the reconstruction of the social order presupposes an additional change, *the exclusion of s, its casting out from the private space of speculative rivalries*, without which mimetic polarisation leads purely and simply to the total destruction of market relationships. It is a purification process in the course of which agents sublimate their violence in a new conventional social code: what has been defined as the turnaround of violence or unanimous violence. Its success is then offered up to our eyes as the consequence of the solidarities that remain among individuals and whose origins could be manifold: regional, family, linguistic, psychological, and so on. But after our journey into the depths of market society, we are no longer so gullible. We have learnt to be wary of the pretences that market society takes fun in churning out and of the hall of mirrors in which it encloses the subjects. It proposes to us one final illusion: the hidden presence in the underpinnings of the social order of essential solidarities suitable for a human nature. But how now can we allow ourselves

to be caught out once again? This solidarity is the figure taken on by the unanimous turnaround of violence in the ultimate effort to escape from the destructive consequences of its generalised proliferation.

At the end of this long theoretical journey we have come full circle. We set out in Chapter 2 from the form F_{III} as delivered up by the successful choice/exclusion of money. We then patiently showed up all its contradictions. We even applied ourselves to exacerbating them; to goading them into revealing their secrets. Under the sway of the anger caused by our theoretical brutality, they took off their reassuring social masks and reluctantly showed us their real motivations: acquisitive violence, once again, and its train of mimetic convergences. At the end of the adventure, when we had reached the ultimate shrine from which violence extended all its ramifications, before our eyes we saw appear, with the same stupor that gripped the hero of *Apocalypse Now*,[17] the raising of a new Order out of that indestructible embryo of human societies, violence.

The genesis of money is then fully explained. Its ambivalence cannot be better characterised than by underscoring that this process has the same agent as both midwife and murderer: mimetic polarisation.

Conclusion

The development of inflationary phenomena expresses the central model's resistance to any recomposing of economic powers; the refusal, thanks to amplified central financing, of any modifications in the relations of appropriation. The pre-existing structure of private interests attempts to ensure its reproduction through exacerbated monetisation of its deficits and more exaggerated socialisation of its losses.

Inflation is therefore the exact measure of the mismatch between a certain hierarchisation of market private property and a new growth model. Its manifestation is the proliferation of private moneys related to a polarisation of surpluses/deficits. What is at stake with it is the reorganisation of economic control through transfers of property rights. To understand the difficulties of a reorganisation like this, it must be borne in mind that any order partly freezes the relations of appropriation. It invariably proves powerless to adapt to the emergence of new conditions in social structuring. The inevitability of the crisis, like the point in time when this restructuring of economic power occurs, has no roots other than this powerlessness.

Analysis has shown that identifying inflation with price rises or the over-issuing of money confers on it a structural homogeneity that is wholly superficial. It is in this superficiality that quantitative thinking has generally rushed into the gap. The inflationary crisis evolves in fact by separate stages as summarised in Table 2.1. Each stage implements a dynamic with highly varied concrete consequences, stimulating to varying degrees the rise in prices, the transformation of banking structures, the withering of production or speculative fever. Each stage in the process thus causes qualitative changes in social organisation that 'economistic reductionism' sovereignly abandons.

But the most important result to appear and from which consequences must be drawn is that these dynamics obey an identical formal logic. *This abstract logic then reveals itself, through its very universality, as the essential principle commanding the understanding of market phenomena*. Its various moments now need to be summarised.

A difficult situation, produced by a disruption of the previous regulatory mechanisms, prompts the group of agents whose rights of appropriation are directly attacked to react.[18] This reaction transforms social and economic relations. It upsets the previous relations of cause and effect and sets new behaviours in motion. It leads to new modalities of regulation. We witness the formation of new social bonds and new macroeconomic interdependencies that stabilise things, that is to say, which are self-replicating. In a way, each stage corresponds to a specific macro-economy. This macro-economy is often represented within the multitude of models and theoretical statements that political economy and its hyperinflation of contradictory interpretations engender.[19] But this discipline never analyses the constraints that these relations must comply with in order to endure. It fetishises the real movement and transforms it into a pure unchanging piece of engineering.[20] The analysis of inflation has, on the contrary, emphasised the conditions for such stabilisation and its limits.

The newly constituted model acquires a degree of permanence inasmuch as it proves capable of localising the difficulties to certain strictly circumscribed portions of market circulation. This process can only be implemented through institutional differentiations of the hierarchised system that actually enable these localisations. So, thanks to the provisional or firm and final sacrifice of certain social categories, the agents in difficulty may restore their hegemony. Their strategy may therefore be stated as the diversion of the demands for depreciation that emerge from the inflationary crisis towards certain dominated agents within the system of social differentiations.

But the implementation of this strategy reveals numerous dangers. It runs up against the multiplicity of interdependencies that the concept of homogeneous money expressed. The centralising dimension of the monetary system codifies the role of these solidarities that are necessary for reproducing the growth model. Accordingly it is the locus of the diffusion of constraints and of a mimetic contamination of behaviours. Agents notice little by little that their usual decision-making rules no longer cause the same effects. It is an insidious undermining process which, like entropy, gradually blights the compartmentalisation and selectivity of norms. It is thus the traditional fulcrums of the debtor categories that are eroded.

Social contagion is then at the centre of the deregulation. Beyond a certain threshold, mimetic convergences occur, transforming the conflict by causing the formation of new behaviours and of new responses to the challenge thrown down by debtors. Some of the earlier stratifications are dissolved in this process.

The effectiveness of these responses depends on their capacity to destabilise the debtors' strategy in turn. The effectiveness varies with the indifferentiation that the responses produce. The more widespread the indifferentiation, the more economic activities that were until then independent find themselves coupled together, the stronger the contagion and the more destructive is the backlash of violence on debtors. The debtors then see emerge the importance of the hidden solidarities that united them with creditors.[21] They are confronted with the social dimension of wealth that their desire for private appropriation has de-structured to the detriment of the entire community. They therefore see their efforts frustrated. This may lead them to adopt a new strategy. It forms by the same logic.

Unlike the homogeneous vision of the global economic circuit that a certain circularity of the pathway of central money propagates,[22] these reflections constantly highlight the role of monetary and financial stratifications and of specific time frames that are related to these elementary circuits. It is they that give us to understand why a local fluctuation will be absorbed by the system or on the contrary will spread to other regions then leading to a qualitative change of regulation. This analysis highlights the indeterminacy there is 'in the vicinity of the bifurcation points, where the system has the "choice" between two operating regimes'.[23] The presence of critical thresholds, that are not part of a merely quantitative or macroeconomic analysis, explains why, in this conceptualisation,

Table 2.1 The different stages of the inflationary process

Action variable condensing the strategy of deficit poles…	*Leading to…*	*Successful fragmenting action and to a new stage of regulation…*		*Or, depending on critical limits…*	*… to contamination of violence and a backlash on the initiating poles*		
		Nature of existing differentiations on which debtor action relies to localise losses	*Name of the regulation stage*		*Nature of the codified solidarities*	*… that lead to mimetic aggregations mobilising a response from the agents attacked*	*Name of the crisis*
Relative prices		Heterogeneity of concrete productive activities and separation of autonomous subjects	Walrasian stage		Interdependencies in normal price system	Propagation of partial indexations	Crisis of unit of account
Price rises		Differentiations of indexation speeds related to institutionalisation of social relations implemented in the monetary order	Rampant inflation or redistribution inflation		Linkages between demand and real income	Contraction of consumption; fall in investment (multiplier - accelerator)	Outlet crisis

Refinancing from secondary monetary centres		Fragmentations within hierarchised system: contradictory relations between secondary moneys and central money. Sacrifice of certain financial centres	Inflationary growth thanks to restructuring by debtor poles		Centralised relations implemented in pyramidal system of claims	Refinancing of certain monetary or financial poles by the central bank	Indifferentiation of money and development of speculative circuits
Refinancing from central bank		Heterogeneity of speculative objects allowing formation of new financial stratifications as the element of a new hierarchised system. Sacrifice of certain speculators and certain producers…	Speculative inflation under state control		Solidarity of creditors as a whole	Generalisation of speculation that becomes self-validating: destruction of profitability norms for producers	Return of F_{II} or rivalry among moneys
Speculative activity		Exclusion of s by turnaround of violence	New monetary order $\{s = M\}$		Unanimous mimetic polarisation	Choice of s	Return of F_I or total destruction of market society

particular importance is attached to the close union between theory and history. In the formation of thresholds and the irreversibility of phase changes lies their favourite point of articulation. 'The destiny of fluctuations becomes [...] specific; it must be examined in each individual instance *how and to what extent* dispersion [...] diverges from the classical formula.'[24] This destiny depends on the reciprocal social positions of the rivals. These positions are the resultant of a multitude of relationships that cannot be reduced to market relations. The analysis of these critical thresholds is, from this point of view, the hinge-ground where the different social relationships that constitute the historical formation under study interpenetrate.

In actual fact, the various stages are not strictly separated. They overlap and may combine their effects.[25] But the hierarchy seems relevant to us. It corresponds to a gradual disaggregation of the different functions of money depending on the importance of the regulation mechanisms taken on by those functions. Besides, from this perspective, Table 2.1 can be analysed not horizontally but vertically. Reading it in this way highlights new results. Let us consider the second column essentially.

It can be seen that as the indifferentiation process carries away certain stratifications, the implementation of selective norms becomes ever more directly dependent on state arbitrariness.[26] This dependence still exists. But it is hidden in the early phases of the crisis. The selectivity of adjustments (that is, nothing less than the sacrifice of certain groups) is legitimated by all of the unanimously accepted conventions that underpin the monetary order. During the crisis, the foundations of the conventional universe that once organised the daily activities of agents gradually emerge from the fog into which monetary transcendence had plunged them. This logic is therefore that of the exteriorisation of the arbitrariness of social norms, the decomposition of political legitimacy or open combat among groups.

The Deflationary Crisis

The analysis of the deflationary crisis does not involve the same theoretical issue as the analysis of the inflationary crisis. The reason for this is straightforward. In inflation, it is the central money A itself that is called into question; that is, the core of the hierarchised system, the ultimate basis for all its regulatory capacities. Disaggregation of the relationship $\{A = M\}$ then leads to the loss of any unanimously accepted social reference.

It is a catastrophe of considerable scope that raises difficult problems of interpretation. In deflation, monetary transcendence in never achieved. Accordingly the essential system of references remains stable: the norm N_0 and money *qua* unit of account continue to have an expression that is free from ambiguities. If, in its extreme form, the deflationary crisis can lead to a destruction of the relationship $\{A = M\}$, it is at the end of a paradoxical process, 'an excess of transcendence' and not of a de-structuring of the referential tied to money A. In deflation the capacity of this money to represent wealth is never doubted by agents. It is the means of achieving it that pose a problem. If inflation did impede the anguished question of individuals, it was through a strange and somewhat magical game of disguises and hide-and-seek. No one knew which mask protected wealth from the desire of possession. In deflation, this lack of satisfaction takes a more commonplace logical form; even if its economic consequences are equally dramatic. We fall from the enchanted universe of transmutations into the industrious world of calculation. Even so, the deflationary dynamic is found to progress again through successive stages, analogously to the inflationary phenomenon but with a 'reversed' content.

The Crisis of the {V = A} Relationship

a/Relative price changes.—It is the surplus poles that have the initiative this time round. They look to capitalise their profit balances to increase their control over production. Although these strategic aims involve a redefinition of the norms of productivity and a correlative increase in their investments and expenditure, this situation is not necessarily dangerous. We then witness industrial mutations that progressively take up those surpluses through a general intensification of the division of labour; that is, that cause an increase in social wealth.

b/Falling prices.—But capacities for innovation are not a slave variable. Their implementation depends on specific conditions that creditors do not necessarily fulfil. Creditors attempt to extend their power through exercising their financial rights; they serve notice on debtors to honour their commitments. As seen, they make this power felt throughout the system of monetary differentiations by demands for repayment. In the pure deflationary process, debtors, be they producers or financial intermediaries, find no way out inasmuch as the central bank supports the creditor strategy and refuses any refinancing. The shortening of the economic

horizon T, brought about by creditors is reflected by increasingly pressing solvency constraints. The thing then is for debtors to avoid bankruptcy or takeover, that is, to avoid losing their autonomy. It is present or close nominal returns that take on extreme importance in the appreciation of capital; those that lie beyond the economic horizon do not influence evaluations. This circumstance causes a fall in prices in such a way as to attempt a fast and massive liquidation of assets, increasing present returns; even if it disarticulates the overall productive process. One may then witness a stabilisation of power relations at the price of a few local depreciations.

c/ Indifferentiation of moneys.—But the deflationary interplay of the Keynesian multiplier may affect creditors in return. They then see their portfolio of assets become the subject of suspicious appreciations. The maniacal obstinacy of the issuing institute to do nothing ends up creating a climate of intense uncertainty. It is then the relationship $\{V = A\}$, that is, the process of evaluation of claims that is at issue. *The deflationary break of the hierarchised system and its stratifications arises from the crisis of the relationship.* Creditors attempt to escape difficulties by negotiating their assets, by converting them into faster and less risk-prone forms; in the forefront of which is central money. We witness a generalised demand for liquidity that causes an implosion of all financial ties. All claims, all physical assets are gradually perceived in an undifferentiated way. They are only of worth in their immediate relationship with central money. From the creditors' point of view, the negotiation and transferability of assets comes down to a problem of prices. Is it not in this way that they appear through the prism of the relationship $\{V = A\}$?

But we have seen what was hiding behind this form of guarantee. Like any other form of wealth, the 'price' of an asset, that is, its promise of money, refers only to *conventional* phenomena codified by the financial structure through the control it operates on monetary flows. The value of an asset is always a pure fiction, whose real sense meaning is access to the productive space and to its specific time frame. An asset is solely the postponement of the reimbursement constraint for a certain period of time.[27] The crisis is going to teach this at the expense of private subjects. When they are caught up in the whirlpools of competition that is no longer mediated by a hierarchised monetary structure, they find no substitute for this conventional representation. The disordered shock of rivalries is unable to make any at all emerge. This relation codified the aptitude of money to regulate agents' acquisitive will. It was the condition of a

qualitative evaluation that was socially acceptable to everyone. The right of ownership took on the manageable form of a right of prehension on future income.

d/Return on creditors and the central bank.—If depreciations fail to occur fast enough, the indifferentiation of all the secondary representatives of wealth exacerbates the crisis. By mimetic logic, that is more violent because the social stratifications are broken, we witness a headlong fall in the price of all assets. This de-structures the productive space and may eventually halt all productive activity. This situation arises from the fall in time T which tends towards zero as deflation continues. At this point, all subjects are homogenised; everyone realises they are themselves debtors. We witness a unanimous polarisation on central money. The value of any object other than money A is reduced to zero.

Under these extreme circumstances, the possession of money itself appears for what it is, a decoy. Its value being infinite, nothing can any longer be compared with it. It no longer allows access to the real world. Its divinisation is absolute.

This phenomenon should not surprise us. It merely summarises in a particularly striking manner, because it is a concentrated manner, what is at the core of the deflationary process: *the obsessive desire for purity*. It is this desire that creditors and the central bank manifest continually. Their political philosophy, which serves to justify their particular demands, is puritan morality: scrupulous observance of conventions, hatred of compromise that can only prompt individuals to corrupting slackness, 'the theory of duty'.[28]

This strategy can only be implemented because it corresponds to an intrinsic but particular dimension of the monetary relationship, the exteriority of the relationship $\{A = M\}$. To reproduce, money must not overly mediate private conflicts; failing which it would be contaminated as in inflation. Monetary rules must appear automatic. So as not to be the subject of disturbing questions, to be fully observed, they must have us believe they were founded *outside of human institutions*. This particular dimension of money has found its most elaborate and most mystifying representations in the role of gold. The economic literature and especially the Marxists strands of it constantly praise its self-regulating qualities, despite a series of primarily empirical works that cast serious doubt on them.[29] It is the ultimate fetishisation of market relations that K. Marx, being overly steeped in Ricardian tradition, failed to unmask. Yet the gold

standard has no particular virtue; it does not express any impassable naturalness of monetary relations. If its role sometimes appears in the limelight of the monetary stage, it is only insofar as it reflects the strategy of particular social categories, certain groups of creditors who see in it the way to assert their interests. The highlighting of the role of gold in guaranteeing moneys enables them to legitimise their will of appropriation or to implement their domination over debtors. The importance granted to gold in a monetary order depends therefore on the choice implemented by the hierarchised system between debtors and creditors; and on nothing else![30]

e/Exclusion of money.—In the final phase of the deflationary process the monetary order and market society may be totally destroyed. This destruction takes on a precise form: *the absolute exclusion of money A*.

The infinite purity it acquires can no longer allow it to mediate private conflicts; it does not comply with the other components of the ambivalence expressed by the relationship $\{V = A\}$.

The crisis may also lead to the formation of a new monetary order. We witness a slow reorganisation of the pyramidal system of financial guarantees based on the circulation of private debts. For such a transformation to come about, it must accompany a mutation of the rules of central issuing. The hierarchised system is gradually recomposed from individual claims that have not been completely depreciated. These claims that escape the shipwreck impart considerable financial power to those who hold them. They are going to play a decisive role in the definition of new monetary rules that crystallise the new hierarchised structure.

Conclusion

The analysis of crises shows the failure of two antagonistic monetary strategies, one centralising and the other fragmenting. They lead by separate pathways ($T \to +\infty$, $R(t) \to 0$) or $T \to 0$, any $R(t)$), to the same result, the halting of all production; all assets then having zero value.[31] If it is understood that monetary policy, beyond all its empirical variations, comes down to the choice between a centralising and a fragmenting attitude, it becomes clear that our theory denies the possibility of formulating any absolute rule of management. The constitution of social legitimacy does not flow from the mechanical application of an immanent principle!

The two polar processes of crisis can be resumed as the progressive identification of the hierarchised system with one of the tendencies that

constitute it: with the homogeneous system in the inflationary case; with the fractionated system in the deflationary case. The unilateral character of these polar structures is recognised by the fact that they imply a destruction of the market order. They express extreme forms of market violence.

The investigation of these most violent forms is particularly rich theoretically inasmuch as it unearths the best protected mysteries of the monetary order. It has thus been possible to exhibit, in their most absolute purity, the two constituent polarities of the genesis of a money: choice and exclusion.

Notes

1. Girard (1972: 201).
2. Namely, the representations $\{A = M\}$ and $\{V = A\}$.
3. See Chapter 6 [Aglietta-Orléan, 1984] for more on the monetary policy actually conducted and its limits.
4. Cf. Chapter 2 [Aglietta-Orléan, 1984].
5. See Prigogine and Stengers (1979: 177–178).
6. For a macro-economic study of these phenomena, readers cannot but be referred to Boyer and Mistral (1978).
7. Apart from the reference in the preceding footnote, see Modigliani and Padoa-Schioppa (1978).
8. Cf. Chapter 2 [Aglietta-Orléan, 1984].
9. See the paragraph on 'mimetic polarisation' in Chapter 2 [Aglietta-Orléan, 1984].
10. Chapter 5 [Aglietta-Orléan, 1984] on German hyperinflation fully illustrates this absurdity.
11. Besides, the extreme exteriorisation of the role of the political sphere in this advanced phase of crisis should make econometricians extremely cautious and their statistical relations that are supposedly as stable as the laws of gravity.
12. Chapters 6 and 7 [Aglietta-Orléan, 1984] on U.S. monetary policy highlight this self-changing mechanism of the hierarchy of claims, through the inclusion and creation of new assets.
13. See Chapter 5 [Aglietta-Orléan, 1984] on this subject.
14. Cf. Chapter 2 [Aglietta-Orléan, 1984].
15. Kindleberger (1978: 57–58).
16. This is a situation seldom encountered in modern societies but that hyperinflation will illustrate.
17. Film by Francis Ford Coppola, 1979.

18. The nature of these difficulties like the process that brings them out of their latent state to transform into a response by certain specific agents are unknown to us at this point. It is the explanation of the entire logic that will make them intelligible. In the same way, the choice/exclusion was only made understandable through grasping the whole cycle of formation/destruction of F_{III}.

    This is plainly a logical consequence of our resolutely dualistic perspective. That perspective precludes any linear exposition as in the mechanistic tradition.
19. Theoretical hyperinflation, like monetary hyperinflation, reflects the intention to circumvent structural difficulties by means of an over-issuing of signs. But this unbridled output has the reverse consequence from that hoped for; it leads to a fall in the aggregate real value of all signs! In economic terms, we witness a reduction in the total real monetary mass. Cf. Chapter 5 [Aglietta-Orléan , 1984].
20. The domination of this mechanistic representation can be explained, in part only, by the fascination exerted by the explanatory diagrams in force in the experimental sciences and in the supreme coherence of their methods of analysis. But it would not have prevailed so strongly were there not a number of social practices that validate it and stimulate its development. It meets an imperious necessity insofar as it appears as the minimal logical framework for the formulation of individual or collective strategies. This idea shall be developed in the general conclusion to Part One [Aglietta-Orléan, 1984].
21. We speak here of 'debtors' and 'creditors' in a general sense. It is clear that depending on the indifferentiation process it is certain more or less extensive categories that are directly at issue.
22. See Chapter 1 [Aglietta-Orléan, 1984].
23. Prigogine and Stengers (1979: 177). Although the book makes no reference to mimetic problems as such, the relation between local heterogeneities and speeds of communication, linking the regions of a system, is at the core of many reflections: the stability of a physical structure or its qualitative transformation depend, the authors claim, on the capacity of 'diffusion that couples up all the regions of the system' (p. 178), a capacity that gives rise to 'critical sizes' (pp. 177–178). Furthermore, even their analysis of the amplification of a fluctuation within its initial region is not without formal analogy with the process of mimetic polarisation. The issues they deal with are similar to our own: How is it that a microscopic disturbance should not be digested by the self-regulating mechanisms? Their answer is very interesting because it relies on statistical considerations that are also to be found in mimetic phenomena.

    We hope we do not misrepresent the thinking of those authors by summarising their reasoning in this way: if a fluctuation is not eliminated,

as the law of large numbers and Boltzmann's order principle would imply, it is because it triggers a chain reaction, a cumulative movement (examples of acrasian amoebae or termites, pp. 175 and 176): 'the higher the density (of a product), the greater the concentration (it causes)'. Is that not a straightforward mimetic logic of behaviour? Based on these premises, it can indeed be understood how a system managed to differentiate itself and structure itself.

24. Prigogine and Stengers (1979: 177).

    The conclusions these researchers draw from their knowledge of physical and chemical systems concur with our own conclusions. Whenever equilibrium is far from being attained, that is, whenever 'fluctuations [may] at any time amplify to the point of upsetting a state' (p. 175), it becomes impossible to describe the system in macroscopic terms. No forecast can then be made, even for physical systems (p. 175).

25. Analysing this combination of dynamics would have led only to an illusory feeling of a better inclusion of reality inasmuch as concrete monetary changes are caused primarily by the tangling within monetary policy (see the analysis in Chapters 7 and 8) of centralising and fragmenting practices.
26. Notice that political practice, as the constitution of an ever denser network of legislative rules, always arises from the sedimentation of empirical measures taken under pressure from immediate constraints. To admit this empiricism would be to exhibit its arbitrary and partial character, that is, to deny its legitimacy. The role of political discourse, and this is also true of economic discourse, is to hide this empiricism. It is asked to rationalise things a posteriori, using a moral reference or more 'scientifically' by calling on the eternal laws of economics (cf. the conclusion to Part One).
27. Economists like creditors are caught up in the same fiction that the hierarchised system engenders: the price category homogenises everything and reduces everything to a quantitative dimension.
28. Honoré de Balzac, *Le Lys dans la vallée*. Paris: Folio, 1972, pp. 152–168.
29. For example, the works of Bloomfield, de Cecco or Lindert (see bibliography).
30. Although from 1964 on General de Gaulle practised a policy of building up gold reserves it would be naive to see in this the effect of invisible forces inexorably returning the monetary system to its natural form. It is more prosaically a conflict of opposing interests the outcome of which depends solely on the positions of strength of the protagonists and the interdependencies that unite them. The hierarchised system can do perfectly well without gold. Let us recall this statement by a former labour minister, upon the announcement, in 1931, of the suspension of mandatory sales of gold against sterling: 'They never told us we could do that' (quoted in Dehem [1972: 77]).

31. T represents the duration of the reimbursement constraint, $R(t)$ the expected returns for the future period t.

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CHAPTER 3

Enhancing the Political Economy of Money Through History

Bernard Courbis, Eric Froment, and Jean-Michel Servet

This article discusses three *idées reçues* in the economic analysis of money. The first concerns the very origins of monetary practices and their fundamentally market character. The second relates to innovation in forms of payment and more specifically the process of dematerialisation by which, following metallic coinage, the paper banknote supposedly preceded bank holdings that could be mobilised through ledger entries. The final idea – which is perhaps more of a habit – is the functional primacy of the means

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of payment over the unit of account. In this way, history can be used to enhance the political economy of money by relativising commodity money, resituating paper money, and revaluing money of account.

Economists bear particular responsibility when it comes to money. More often than not, the other specialists of the human and social sciences, not just historians of trade and finance but numismatists, sociologists, psychologists, philosophers, semiologists, political scientists, jurists and so on, all adhere spontaneously to an economic interpretation of monetary phenomena. At the core of all these various disciplines, economic reasoning is generally used to account for both the workings of monetary instruments and the ways and means by which they arise and develop. In return, from these various areas of knowledge, and more particularly from historians, economists derive confirmation of the supposedly essentially economic and market-based underpinnings of money. We think therefore that a historical rereading might reinvigorate the political economy of money and, as an indirect consequence, the sociology of money, the philosophy of money and so on. This historical approach can encompass two complementary domains—the history of ideas and factual history. Here, we shall deal with factual history only.

It is essential to an understanding of money as a phenomenon to take on board this historical dimension.[1] To confine ourselves to just present-day monetary practices of societies characterised by wage labour, private ownership of the means of production and exchange, and bank credit is to provide a truncated and arbitrary view of the dividing lines between monetary facts and supposedly non-monetary facts in time and space.

First, this overly narrow understanding of the phenomenon of money has every chance of overlooking a set of practices at the heart of contemporary societies that a more thorough and more universal analysis might recognise as part of the monetary phenomenon in general. The contemporary phenomenon of money can only be fully grasped as an evolving phenomenon.

Second, there ensues from a restrictive—we would be tempted to say ethnocentric—definition of money a misperception not just of the origins and rise of monetary practices but also of the potential future for our own practices, since the seeds of some future change might well be foreign to this perception.

The comparative study of the various monetary practices, on the contrary, is a test bed which, in the absence of social experiments, can

be used for thinking through alternative developments over time and space. Our approach leads to the discussion here of three commonplaces in the economic analysis of money. The first concerns the actual origins of monetary practices and their fundamental market character. The second pertains to innovation with respect to monetary forms of payment and more specifically the process of dematerialisation by which, superseding metal coinage, paper notes reportedly precede bank assets mobilised through ledger entries. The final idea—perhaps it is more of a habit—is the functional primacy given to the means of payment over the unit of account. In this way the political economy of money is to be enhanced by relativising commodity money, resituating paper money and revaluing money of account.

Commodity Money

Reintroducing history into the analysis of monetary phenomena presupposes negating the usual historical approach to money first. Economists' traditional view of the history of monetary facts is supported by an implicit central hypothesis, that of the fundamentally market-based character of monetary phenomena. Resituating this imaginary economic world is a prerequisite to rebuilding the concept of money on new foundations.

Although the genesis of the monetary phenomenon is traditionally represented on the basis of market axiomatics, comparing and contrasting this hypothesis with anthropological, archaeological, linguistic and other data forces a rethink of *the societal monetary institution*[2] outside of any market rationale and the conventional real money dichotomy. We shall criticize this market understanding of money by taking up the most traditional line of argument of the 'emergence' of the monetary phenomenon:

- that of the fable of barter that sees money as arising from the inconveniences of bartering;
- then that of the origins of the first coinage in Ancient Greece under the impetus of the presumed needs of trade.

Barter, Fantasy About Commodity Money

Money and 'Primitive' Trade

Let us begin with the imaginary tales that serve as introductions to so many treatises of political economy. The assertion of the historical character of money traditionally involves negating money through the rhetoric of the fable of barter.[3] Yet monetary usages are not the exclusive prerogative of 'civilised' societies having experienced a development in trade that is incompatible with the continued practice of barter. These usages are a universal feature of human societies and arise with a *gradual* break with our animal nature, in other words with the emergence of humanity. Humankind—meaning beings who use articulated language, prohibit what are deemed incestuous sexual relations, have a mastery of fire and who make not just tools but also tools to make other tools—lives in society, trades and is familiar with monetary practices. Even so the moneys of these ancient societies must not be confused with the rudimentary instruments of the primitive market popularised by economists' fertile imaginations, but their essential role in normalising social relations must be grasped.

Exchanges among so-called primitive communities, as modern economic anthropology enables us to picture them, are infinitely more complex than the stunted representation of our own forms of exchange given by barter.

- It is tempting to imagine that humans *struggling against scarcity* to satisfy *primary* needs traded first and foremost so as to escape the immediate limitations of what was supposedly experienced as a hostile environment and to procure goods essential to their physical survival. But modern anthropology shows, on the contrary, that products circulated over vast distances from very early times and that 'primitive' exchanges essentially involved goods that did not play a fundamental role in individuals' physical reproduction; imported goods had a different use; they served as very active instruments in social differentiation between men and women, seniors and juniors, family groups and so on.[4]
- Moreover, while the prevailing representation of *primitive economies* supposes that outside exchanges concern some random surplus, beyond the limits of each community a regional division of labour

can be observed involving several communities; as a rule, each 'primitive' society produces a *privileged* good (stone axes for some, salt slabs, bark capes for others, etc.) with a deliberate view to trading it and that became the means of payment for the output of each of the other groups.

- The social division of labour among communities did not stop there. Each community was not in direct contact with each of the other groups that consumed the goods it produced for trade. Among these 'primitive' societies, some communities specialised in the function of 'exchange intermediary' and travelled tens, even hundreds of miles for the purpose. Their mediating role explains in part the limitations on the development of the means of payment function in these commercial relations.

In terms of theory, it is noteworthy that, while there were no market-based monetary instruments with the essential and specific function of acting as an 'exchange intermediary', commodities were nonetheless reciprocally means of payment for each other in these relations. These hard truths that we have outlined are a million miles from the illusions about the birth of money through barter and its confusions.

Monetary Practices Are Inherent in Life in Society

In ancient societies the essential monetary functions of unit of account and means of payment are not performed through purely economic acts; economic life cannot be separated from the rest of social life and is 'embedded'[5] in kinship relations, alliances of groups and communities, beliefs and cults, etc.; all institutions and practices have an economic dimension because they ensure the reproduction of new labour forces and means of production, they organise production and they justify the distribution of labour and output, but which, when stripped of their political, religious, moral dimensions and so on, not only become meaningless but vanish.

'Primitive moneys', or *palaeomoneys*[6] as we prefer to call them, are agents of social life; not only do they operate as such, but they are thought of as instruments essential to the group's existence. Each palaeomoney has properties specific to the society (or societies) that use(s) it. By circulating, and they usually appear to have only this circulatory utility or virtue, they settle births, adoptions, initiations, marriages and bereavements, they compensate for physical injuries and moral wrongs and they

may be a means of communication with which to declare war or make peace; they can also be used to speak with the gods, spirits and ancestors who bring fertility, wealth or death; they are promises made and means of remembering, etc. Palaeomoneys are not generally, strictly speaking, 'consideration' as with modern means of payment that are used for purchasing means of production, labour or consumer products. These *moneys before money* are means of social exchange; they are a means of access to roles and other goods. They are characteristically rare and useless, much like some contemporary monetary media. And above all, they anticipate the economic and political nature of modern monetary instruments:

- economic, because palaeomoneys are both goods ordering activities and wealth in the way of units of account, and their standardisation foreshadows that of current means of payment;
- political, because palaeomoneys are signs perpetuating, implicating and reproducing the reputation, relative power and the hierarchy of sexes and age groups, individuals, kinship groups, clans and communities. Hierarchies and relations of dominance and dependence are not modern inventions and appear as ingredients even of 'primitive' societies because they are to be found in certain animal groups.

Humanity emerges through exchanges and monetary instruments (both for the means of payment and unit of account), by producing, reproducing and materially and intellectually developing the instruments of these social distinctions and by standardising them.

The Emergence of Coinage

When economists address the 'origins of money', the case of the emergence of coinage in ancient Greece between the eighth and sixth centuries BC is very often cited.[7] This may cause confusion for at least three reasons.

- The Greek numismatic experience is just one among all the issues of coinage in other parts of the world (China, India and non-Hellenic Asia Minor) for which we still know too little about the exact chronology and the possible mutual connections and influences.[8]

- Even in Greece, other forms and materials served earlier as media for palaeomonetary or monetary practices, especially the famous iron brooches (the *obeiloï*, that gave us the obol).[9]
- There are too few certainties about the original uses of the first Greek coins to assert without discussion that they were invariably monetary. It is not because coins came to embody money that they were money by nature.[10]

Let us stick here to the example of Greek coins, however, both because historians have information on this specific instance more than any others and because nowadays all coins struck worldwide can claim Greek heritage: the Roman denarius was an imitation of the emission of Hellenic cities of southern Italy; in the Islamic world, the legacy is partly shared and, in its eastern part, Sassanid coins come from the Parthians and are a trace of the passage of Alexander's troops. As for China, whose numismatic tradition (cast copper coins) was so long different from that of the West (where coinage was struck), its current model of coins has been subject to strong European colonial influences.

Discussion of the Commercial Hypothesis

Although trade may have played an essential role in transforming coins into the foremost monetary instrument (although the probably equally important role of tax levies should not be overlooked), this transformation does not prove that trade played an essential role in the emergence of this instrument. To prove that market requirements were the fundamental reason for the emergence of the first Greek coins, it must first be asked whether the mechanisms of trade in those societies called for this monetary instrument. A central underlying idea of the commercial hypothesis is that coins are fractions of standardised metal; to save weighing the metal and checking its proof, standard pieces of metal accepted in transactions were supposedly fabricated.

The first damper on this hypothesis is that the sixth- and fifth-century coins, and even those of the fourth century BC were not entirely standardised; it was only in the third century AD that it became technically feasible to produce coins of the same weight and fineness. This means that, if we are to maintain the commercial hypothesis, coins were initially recognised as fiat instruments in actual trade. They had to be accepted,

not as a simple convenient intermediary, but as an already standardised item (which presupposes that outside of the market some authority imposed their use, weakening the market hypothesis).

A second disturbing point is that the quantities issued were extremely limited. Many cities in the fifth century BC still struck no more than one coin per year per citizen. With a sizeable stock of ancient coinage (in the Middle Ages, for instance) it is understandable that few coins should be issued, although they were used in trade. But in Greece, coins issued in such small numbers could only, if they were primarily market intermediaries, be instruments for such faltering trade that it is a wonder it required the issuing of any new means of payment.

Could polities have struck coins for their local trade, in particular the retail sale of common consumer products? Greece boasted an exceptional institution located not at the gates but in the heart of the city and that astonished foreigners: the *agora* which was both a venue for political gatherings and a market place. The first coins could not have been used to settle daily purchases in the *agora* because the purchasing power of their weight in metal was far too high (copper coinage was issued only after the earliest coins in silver or electrum). Of course, it can be imagined there were complex credit arrangements, but we have not a shred of evidence for such transactions.

As for trade between polities and over great distances, its geography and intensity could not be illuminated by the issuing and transfer of coinage. Commercially insignificant cities (such as the Eubean cities) issued coins while prosperous ones (Athens and Corinth) only struck coinage later. It may be thought that they exported metal in a wrought form, but it cannot be asserted that they issued a convenient intermediary for trade. Moreover, an instrument like coinage cannot easily be justified in maritime relations, which were the prevailing means of export of these cities: it is hard to imagine a ship carrying a heavy cargo out and returning all but empty because laden only with coins! However, in societies where long-distance trade was by overland caravans, the use of precious metal as a means of payment would be more meaningful: at staging points, provisions could be paid for in coinage and at the end of the expedition the merchant could sell off both the load and the animals and slaves that had transported it; he might wish to take back home 'wealth of great value and little weight and bulk'; however, ingots would have been an adequate form in most instances.

Money, a Total Social Fact

The factual criticisms just levelled against the hypothesis of a commercial origin of the first Greek coins does not mean that coinage, introduced for some other reason, was not used in trade. This critique is an invitation to think of money through a non-market rationale. Unless we follow the *new economists* and reduce all social relations to market relations, beyond the case of ancient Greek coins, there is nothing for it but to reconstruct in the light of various historical experiences, a concept of money that implies all social, non-market but also non-economic aspects by encompassing their political, moral, cultural dimensions and so on.

First, does not money also belong to what can be called the administered sphere (through taxation, duties, fines and public social protection that are monetarised)? It can be imagined, then, that cities once struck coinage and mandated its use so as to procure new resources. Unfortunately we have no evidence of the existence of any right of seigniorage, and we do not know whether the earliest coins circulated for a different value from that of the weight of their metal, in other words whether the earliest issues were made at a gain or a loss for cities. It was only two or three centuries after coins were first minted that the Greek cities experienced financial straits that might illuminate the appearance of coins in Greece. Moreover, it is hard to believe that coins served to rationalise the governance of cities which long remained very rudimentary. This what we might call 'financial' hypothesis can shed light on the development of certain monetary practices, notably in Egypt[11] and Mesopotamia, but it is anachronistic in Greece.

It has been hypothesised that the earliest coins were cult instruments (are not coins still today offerings in many religions?). Coins would both have made it possible to better codify, to better measure offerings and in an increasingly urban society, the refusal to consume bloody victims would explain the switch. Incontrovertibly, Greek coins have a sacred character or imprint. But however alluring this hypothesis, it does not illuminate the original diversity of uses of the earliest coinage and it alone cannot account for the commercial destiny of coinage.

So there is a need for a hypothesis that, far from entirely dismissing the commercial, financial and religious hypotheses, goes beyond them by embracing them all. Examination of the financial and religious hypotheses reveals that cities played an essential role in numismatic innovation, hence what is termed a political (from the Greek, *polis*, city) hypothesis that cannot account for the complexity of the phenomenon. The diffusion of

the earliest coins was concomitant with a far-reaching transformation in cities (the transition from the aristocratic to the democratic order). Coins were a new measuring rod, a new means for the conflicting groups and individuals to *settle their scores*.

A multi-dimensional approach to social facts makes it possible to understand monetary functions as a fundamental cog in social relations.[12] These relations cannot be reduced to economic and market exchanges and were not a simple aggregation of individual behaviours. Acquisitive logic and interest are not a universal key to understanding social facts; we must not shut out relations of domination, the representations social actors have of the real world and that structure their behaviour and exacerbate or strip away their contradictions. Money is at the core of the socialisation process[13] because it is an essential component in the process of integration not just of economic activities but of individuals and groups more generally. Money is a *total social fact*.[14]

Paper Money

A second *idée reçue* relates to the logical and chronological presentation of monetary forms. In emphasising forms of payment, the standard economic analysis presents the following 'stylised facts': the barter economy is succeeded by three stages of monetary economy, commodity money in the form of coins, sign money or fiat money in the form of paper and bank money in the form of ledger entries. Two beliefs result from this reasoned reconstruction of western monetary history developed by economists based on contemporary forms. First, monetary innovation supposedly concerned the substitution of paper for metal and only thereafter the use of bank ledger entries; then political authority supposedly mastered the process of dematerialisation, conserving its monopoly of monetisation when paper substituted for metal and conceding the creation of bank money to commercial establishments in relation with users, while indirectly controlling it.[15]

European history shows on the contrary that paper was not directly substituted for metal as money, even if it was in use by the thirteenth century as a medium for various banking practices; in fact, among those practices, payment by bookkeeping entries emerged well ahead of the banknote. History then shows that although, late on at the end of the seventeenth century, the same techniques gave rise to the banknote, this was not an 'economic' substitution of paper for metal,[16] dreamt up

by those wielding political power, but a transformation of commercial paper into paper money, a monetisation of claims finally ratified by the government.

Bookkeeping Predates the Use of Paper for Payments

There was a long gap between the appearance of paper and its use as money. This was the case in China where paper was invented in the second century but only served as a means of payment from the ninth century onwards; the same applies to the West since paper appeared there via the Islamic world, further to the Crusades in the twelfth century, while the first paper money dates from the late seventeenth century. Again in China, the experiments with paper money could be linked to the beginning of printing (ninth century); nothing of the kind happened in the West where the introduction of printing in the mid-fifteenth century predated by far the first banknotes, which were not printed notes for that matter. Does this mean that science and engineering—in the case in point paper and the printing press—had no impact on monetary practices? No. But it is a long and complex path between technical and monetary development. It can be hypothesised that the tremendous development of financial techniques that accompanied the economic awakening of Europe from the thirteenth century onwards would not have been possible without the very recent introduction of paper. In this way, sometimes ancient practices that may have fallen into total oblivion were to take off in an unprecedented way thanks to the paper medium and prove crucial monetarily. These practices relied essentially on writing and bookkeeping; their development was concomitant with the spread of literacy and commercial numeracy, but they also required a medium: being less expensive than parchment,[17] paper could be used to make cheaper books of account and multiply titles of claim. Two ways forward lay open: payment by entries in bankers' books and payment by circulation of paper representing claims;[18] the first was the only one really taken from the twelfth to the seventeenth centuries.

Transferrable Ledger Entries

Paper first became the raw material of the books of script banks, *banchi di scritta* as the fourteenth-century Venetian expression had it. These banks, established in Italy from the twelfth century onwards from money-changing activity, took in deposits from their customers for whom they

opened current accounts allowing them to make transfers and contract debt. Technically, they heralded the great public banks created from the fifteenth century and the apogee of the system of payments through book-keeping, with the Bank of Amsterdam in the early seventeenth century. In these experiments, money was not paper; it was rather already writing, scriptural, if ledger entries that could be transferred are likened to money, which seems excessive inasmuch as, apart from a few experiments such as Genoa's *Casa di San Giorgo* in the fifteenth century, the use of payment by writing was not widespread.

These bank assets were not legal tender (no one was obligated to accept them as payment) but could be used for de facto settlement[19] (once completed, the operation extinguished the payer's obligation according to jurists).[20] These practices were incontrovertibly of a monetary nature, they covered acts of payment that were analysed as the transfer of claims (the depositors' claims on the bank); the payer settled the payee using a credit instrument, a claim on a third party; the bank. But the claim was scriptural and not borne by a piece of paper. Paper was merely the raw material of the pages of the ledgers essential for keeping accounts.

Very quickly in merchant communities, payments made by transfer from one account to another largely exceeded the value of cash payments. But by the usage of spoken agreements then in force, orders to transfer funds required the payer to be physically present at the bank; the cheque developed only later. Thus in the first deposit banks, the paper medium was confined to the bank's ledgers but did not concern orders of payment.

Paper Circulation and Payment

As soon as it appeared, paper was also used as a medium for titles of claim. Being more convenient than tally sticks (hazel-wood sticks representing debts of the English crown dating from the Norman invasion), various papers were issued by the Exchequer. Venice issued titles to public debt that could be transferred on the market by the thirteenth century. But from the perspective of monetisation, the circulation of such paper, whether public or private, was essential, as shown by the development of the bill of exchange. In the mid-twelfth century, the mandatory letter, drafted by a notary, legally recorded the existence of a claim, a claim that could be bound up with a contract of exchange; it was common practice to associate a letter of payment, an order to perform the operation, with

this official deed. In the fourteenth century, the bill of exchange concentrated in a single document the probative character of the mandatory letter and the order to perform the operation.[21] Relaxing the stringency of recourse to a notary, it gave the merchants who drafted it an instrument for exchange, credit and order of payment at one and the same time.

Although the bill of exchange developed, it ought to be properly situated with respect to the monetary function of making payment. First the bill of exchange is not a means of payment but a claim, which is only paid when it matures. Next, apart from those involved (drawer, drawee, endorser, payee), the bill of exchange, like all bills, did not readily circulate in the Middle Ages; the transfer of claim implied proof, generally a notarial instrument, or the debtor's presence; while this was feasible with a centralised transfer at the bank, such presence was a problem with the bill of exchange, which was an instrument for long-distance relations. Lastly the bill of exchange did entail a payment at maturity, but it implied the destruction of the claim; payments were actually effected largely by clearing: this technique, like bank transfers, relied on the centralisation of operations (at fairs), on scriptural practices and on parties being present. For the outstanding balance, payment could be made by transfer in the bank ledgers or by handing over cash; it could also be deferred until the next fair.

It can be seen that while paper meant claims could multiply very quickly, those paper claims did not circulate and were not money. It was not until the emergence of endorsement at Antwerp in the seventeenth century that the way was open for the circulation of paper that could lead to paper money.

Market Innovations, Mind-Sets and Society

Around 1650, nearly five centuries after paper was first diffused in Europe, the most widespread form of money was still without contest coinage. It was coinage that monetarily structured society by circulating among merchants, enabling the payment of taxes and slowly spreading to the entire population.[22] The scriptural form—having an account through which transfers could be made—existed, but remained confined to areas of commercial circulation and did not affect society in its totality.

Two questions arise:

- Why did the mobilisable ledger entries precede the banknote chronologically?

– Why did scriptural practices run out of steam in terms of monetary development in the seventeenth century?

The way people thought in the Middle Ages may provide some insight into the first question. Direct relations person to person still seemed essential, the physical presence of partners was generally required and verbal agreements prevailed over written contracts until the sixteenth century. Thus in transfers, orders were given verbally by customers at the bank, with paper used only as a medium for recording transactions. Similarly, the circulation of bills long implied that those involved meet up (assignor, assignee, originator). Mediation of a paper enabling the transferor and purchaser to do without the initial debtor required a long learning process and political validation. Anonymity in transmission of a paper put off contemporaries for so long as it was merely a commercial instrument, it did not have the political or mythical character of coinage. Paradoxically, the mobilisable ledger entry, the most modern form of money, was better suited to the usages of medieval traders than the banknote.

The explanation as to why scriptural practices ran out of steam might lie in the changes in banking. Script banks, account-managing deposit banks, could extend credit and, by the principle that loans make deposits, engender their resources. However, in very quickly becoming large public institutions, they moved rather towards payment services for their customer-depositors than trading in bills of exchange. Insofar as such trading, through endorsement and discount, led to the broad monetisation of claims required for the economy, such banks were gradually marginalised by history. The finest illustration of this was the Bank of Amsterdam, which was to fascinate Palmstruch, Law, Smith and many others. As a beacon of the international economic community in the age of Dutch splendour, it appears, with historical hindsight, to have been an archaic institution that confined itself to providing a convenient substitute for metal for circulation without developing credit. The future belonged to banks that managed to ally claims in an environment of greater negotiability[23] and the issue of perfect substitutes for coinage. At the time when the world's economic centre of gravity was shifting from Amsterdam towards England, when merchant cities were yielding ground to nation states,[24] the situation was ripe for the banknote born of commercial credit, approved by the government, and that could be generalised to the whole of society.

Monetisation of Claims: From Commercial Paper to Paper Money

By the late seventeenth century, after a long apprenticeship, some western societies seemed ready for paper money. Examination of the English experience that opened up the way in this area shows the development of banknotes to be a process of accustoming the whole of society to an instrument derived from commercial practices.

The English Experience

In seventeenth-century England, a place of monetary innovation, commercial paper circulated beside government paper. So alongside the classical bill of exchange, there appeared the inland bill, a domestic bill of exchange that involved a single unit of account and announced the modern bill of exchange 'freed' of the exchange contract. The English government also issued demand notes on the Exchequer that circulated by endorsement. It might have been imagined that monetary impetus would directly convert these public bills into paper money. This would have justified the 'economic' approach by which the producer of money, in a monopoly position, would benefit from techniques to manufacture the money at lower cost.[25] Besides, this is what governments endeavoured to do with paper money experiments in which the claim on the government was progressively no longer refundable, lost its interest, and was issued for round numbers (*Exchequer's Orders* in England, 1667–1672; paper money of the English colony of Massachusetts in 1690). These experiments were not followed up. Conversely, for commercial claims, the model of monetisation was more sophisticated and more robust. It rested firstly on the technique of discount by which endorsement of the 'negotiable' bill was not for the benefit of a creditor of the transferor but for the profit of a money merchant. The major innovation of the seventeenth century rested next on the status of that money merchant; he was not so much to give the transferor specie from his capital or previous borrowings as to issue a new claim, the banknote. This transformation by banks of an insufficiently liquid claim (private and also public bills) into a more liquid claim, the banknote, opened the gates to the creation of money via credit. This practice—combining the simultaneous swelling of the balance sheet assets through the purchase of claims and liabilities through the issuing of notes—seemed to be common among London goldsmiths around 1660–1665.[26] This wholly pragmatic experiment remained limited to the merchant community; shaken by the attempted direct monetisation of

public debt with the 1672 Stop of the Exchequer, it was taken up on a broader scale by the Bank of England as from 1694. The banknote did not yet have all the characteristics of money, in particular its standing as legal tender, but it spread slowly and surely to all sections of the population, becoming the de facto dominant money in Great Britain as shown by the suspension of convertibility a century later.[27]

The Banknote, Credit Money or Paper Money?

Paper money's success through the expanding role of the banknote cannot be analysed in terms of monetary circulation alone. Contrary to a certain economistic view, it is not a limiting case of commodity money (a good whose *production cost* tends to zero). The banknote, like the ledger entry, is credit money. It is still a limiting case but a claim limiting case (a claim so liquid *interest* on it tends to zero). The banknote, like scriptural money, does not result from the dematerialisation of commodity money but from the monetisation of credit. Beyond the appearance of the paper form that links it to the universe of physical goods, we ought to highlight what it is that underpins it economically, its real medium: credit and not paper. If the banknote and scriptural assets belong to the same family, it is interesting to examine the factors that propelled the banknote, giving it temporary pre-eminence over the scriptural form. Those factors are not only commercial but also political and more generally cultural.

(a) Discount on commercial papers made it possible to adjust monetary circulation to the needs of capitalism that became factory-based, manufacturing and industrial capitalism; it supplied the economy with means of payment based on bank intermediation and made monetary creation a by-product of credit activity, without banks really becoming aware of it. Britain's industrial revolution was accompanied[28] by the proliferation of *country banks*, provincial issuing banks that discounted bills of exchange and spread the use of banknotes nationwide by the eighteenth century. The system of issuing paper money naturally centred around the Bank of England as lender of last resort especially when its banknotes became non-convertible from 1797 to 1821. The system developed in England spread gradually with more or less success to industrialising nations. Far from the Renaissance bill of exchange, as an instrument of European trade, we come to a process of monetisation of domestic private claims, a recentring of finance on the national economy in

conjunction with the flourishing of the nation state. The banknote then appears, through bank intervention, the most liquid of the papers arising from commercial circulation; but it is more than that.

(b) The political factor was equally important in the development of paper money. The classical banknote, convertible into specie but issued mainly by bank credit, resulted from a compromise between market impulses and political power. The creation of the Bank of England was designed to reconcile the goldsmiths' practice of issuing banknotes through credit and the vague intentions to monetise public debt. In consideration for the loans granted to William of Orange, London merchants created an institution in 1694 with the right to issue banknotes.[29] The bank's capital determined both the amount that could be loaned to the government and the ceiling on the issue of banknotes. So the growth of this powerful private institution was associated with government. Besides, the Bank's early years were marked by public financing; the Bank transformed government papers into banknotes; this was very close to paper money, except that the Bank's balance was a screen between the user of paper and the government and above all the paper could be converted into metal. But during the eighteenth century, the Bank developed discounting of private bills, thereby merging commercial and government financing, publicly underwriting the banknote that arose from commercial credit and so giving paper near sovereign status that largely contributed to the generalisation of its use as money.

(c) The previous two factors concerned the 'consideration' for the issue, the source of monetary creation (private and public claims), the bank's balance sheet assets. That financing could only develop by swelling the Bank's liabilities, that is, by the increasingly general acceptance of the banknote as money. This involved no longer just the sphere of traders and entrepreneurs where paper circulation was entirely commonplace after a learning process of more than five hundred years but the whole of society. The decisive factor in the late seventeenth century was the bank managing its depositing customers' accounts, which were fed by the depositing of specie or by discounting of bills, giving them not just the possibility of making sight withdrawals using *drawn notes* (forerunners of the cheque) but of making over *promissory notes* (banknotes) bearing a generally known signature. At bottom, both the banknote and

> the cheque have the same root—the mobilisation of bank account holdings—but the banknote very quickly extended its area of circulation well beyond the narrow circle of bank account holders. The paper form was the way to win over the population without bank accounts to the new money, money based on bank credit. Particularly since, in the late eighteenth and early nineteenth century, progress in paper manufacturing and printing (especially watermarks and colours) and engraving processes limited the scope for counterfeiting banknotes. With the banknote, all of society was part of the commercial circulation of paper and it became easier to finance the extension of wage labour.

Basically, the triumph of paper money implied an extraordinary revolution in thinking: a world away from the medieval mind-set, when even traders wanted direct contact with the debtor when claims were passed on, the nineteenth century man in the street, in Britain at least, accepted banknotes as equivalent to metal specie. It is easier then to understand the reversal in the development of forms of money. The scriptural form, although foreshadowed very early on through the practice of bank transfers, first had to make room for the paper form: the possibility of direct remittance by hand together with both the semi-public character of the banknote and the temporary rights to convert it into metal, readily conferred on it the qualities that people in society wish money to have.

Sadly for the proponents of a reassuring vision of money, just when we think we have grasped it through the notion of fiduciary money, we realise that it lies elsewhere, that it appears already and increasingly in banking assets, that can now be mobilised via cheques. So no more than it had been transferred to paper by economic rationality was the sovereign's privilege of striking metal money to be conceded to commercial banks. On the contrary, political authority, being outpaced by financial innovation, tried to take back control of money; this was the whole problem of monetary policy. Beyond the episode of paper money, progressively government-backed bank debt, ledger entries, recorded on paper or now electronically stored,[30] remains managed by traders and engendered by their distribution of credit. But in order to be money proper, a monetary form must be validated by government.

Money of Account

Standard economic analysis has contributed to forging a third habit that history invites us to counter: assimilating money to means of payment and losing sight of its dimension as a *unit of account*; this representation does serious harm to the interest and relevance of the economists' message, as the current period shows.

This distortion can be readily perceived when addressing the fundamental problems of the origin of money or the creation of money. The discourse is unchanging: it is a question of the genesis of the means of exchange or the creation of means of payment.

Before drawing certain lessons from history with regard to the unit of account, it seems worth thinking about why it should have been ignored by theory. It is a curious oversight because it occurs even in authors who have first taken the care to define money on the basis of its functions which invariably include the unit of account, albeit under variable names (e.g. standard of values, yardstick of value).

Three reasons can be suggested for this oversight:

- the pressure of appearances to which the economists yield and which operates to the detriment of the intangible and invisible unit of account, and for the benefit of means of payment, in jangling coins, palpable banknotes and bank 'holdings';
- the analysis of the *value of money*, both internally and externally, with the return of the *purchasing power parity theory*, that too often confines the debate wrongly to a discussion of the quantity of means of payment in circulation. Questions of the value of the unit of account, monetary zones (that is, the articulation among units of account), adjustment of par values, come down to and are subordinated to discussions on the aggregates of means of payment, and how to measure, control and coordinate them;
- the longevity of the names of moneys of account in the major countries that makes them permanent features of the monetary landscape that economists set them up as constants and omit the analysis of their underlying function.

And yet a monetary theory that better integrated the *unit of account* dimension would be required to answer the questions raised by regional integration especially in Europe, whether in the European Community

or in the eastern countries. Responses too often framed in terms of the creation of issuing institutes might be superseded by thinking based on the historical emergence of money's two functions. Another justification of a better understanding of the unit of account arises when it is realised that with contemporary dematerialised and internationalised forms of means of payment, the essential thing in monetary practices is not what is handed over—the form chosen for payment—but what the payment is denominated in—the unit of account of the instrument.

This is where history contributes: in the long view it offers of this monetary phenomenon, a view extending much further back than the period of formation of issuing banks in the nineteenth century must enhance the understanding of both the forms and the conditions of emergence of the units of account of yesterday and tomorrow.

The Choice of Forms of Units of Account

Units of account exist in the form of *names*. In this respect, there are two different situations, depending on whether or not the name of the unit of account melds with that of the means of payment. When the two are separate, as in France under the *Ancien Régime*, the unit of account is clearly perceived: the use of the expression *imaginary moneys* by contemporaries illustrated this.

The observation of the money of account form alone is instructive, both for the stability it reveals and the terms used.

Stability of Names

History shows in this respect that states had little capacity for innovating. For example, if we observe the major European countries in the nineteenth and twentieth centuries, the names of monetary units of account went almost unchanged despite political changes or revolutions in those countries (franc, lira, marc, rouble). The 'sovereign act' does not mean therefore that the ruler can ignore civil society. This stability, that is found at other times and attests to the longevity of the l-s-d unit of account, shows the strength of monetary units of account as a factor of social cohesion and the danger of challenging it. Force of habit is a ponderous factor when it comes to weights and measures.[31]

Choice of Names
It is striking too to observe the narrow variety of terms used and the almost permanent cross-referencing in the West and the Islamic world to the names of ancient coins[32] (crowns, dollars, francs, florins, dinars, dirhams, rials, and escudo) or units of weight (e.g. pounds, shillings,[33] marcs and pesos or peseta or lira). In the end, it is the simple adjunction of one of these names to the country's name that distinguishes most contemporary currencies. Peoples seem to draw from a shared memory dating from very ancient times. So, although no one contests the importance of such names, which are a sort of national symbol, there does not seem to have been any lasting quest by leaders, or strong pressure from within the country, to adopt new terms to better mark the community's monetary identity. Concern for differentiation by the name of the unit of account is rare.

This remarkable opposition to change should not suggest that no change occurred when it came to monetary units of account.

Two Examples of the Emergence of a Unit of Account

There is nothing surprising in either case about the decisive factor for the changes; it lay in the economic instability of the time.

Resort to Coinage as the Money of Account
This was the case in the early fourteenth century, for example, with the *florin-gros* system in which the florin usually refers to the golden coin issued in Florence[34] and the gros, the silver coin 'with the round O' of 1329.[35] Used in south-eastern France by merchants and then by public accountants, the system was built in reaction to changes in the late thirteenth and early fourteenth centuries that disrupted accounts and consequently social relations. Reference to the *livre-sou-denier* system, instead of being a factor of stability in creditor-debtor relations, became a factor of uncertainty: the arbitrary character of royal decisions could suddenly see the unit of account strengthened, as in 1306,[36] and subsequently weakened. The new system tended therefore to remedy this volatility of the unit of account; it made it possible to cover against nominal changes but also against real changes in coins other than those serving as the basis for the unit of account; however, the fixed gold-silver ratio on which it relied could prove a drawback in the face of the frequent changes in the ratio of market prices of the two metals.

Another example concerns the late sixteenth century.[37] This time it was a royal reaction.[38] The edict of September 1577 abandoned the *livre-sou-denier* system and replaced it from January 1578, with the account in écu, that is in 'écu au soleil', the French gold coin of the time. Correspondence with the former system was ensured by the exchange rate, proclaimed at the same time, of 50 sols for the écu[39]; an exchange rate, which, by revaluing the unit of account, favoured creditors. So, given the price rises and the depreciation of the unit of account that characterised the sixteenth century, the royal authorities reacted to halt the movement and restore confidence to do this, they denied themselves any possibility of nominal change and also promised not to touch the 'écu au soleil' again.

To be successful the new order would have to abandon accounts held in sous, including in the form of double accounts. Yet mind-sets in terms of accounts are such that nothing of the sort happened. The new unit of account was soon associated with the old one by means of the fixed exchange rate of the écu au soleil into sous, and devalued: an écu of account no longer corresponding to an écu au soleil but just a fraction of it.[40] The lesson was an important one: it confirmed contemporary examples where this strength of past units of account is to be found and their continued use after abolition.[41] The experiment was halted in 1602. The order restored the *livre-sou-denier* account and made the private exchange rate of 65 sols the official rate of the écu au soleil.

Fair Money

It is widely known that medieval fairs were held under privileges granted by the king or the local lord. This subordination logically suggests that the money used at fairs was that of the political authority. Yet the fairs of Lyon provide a counter example. Restored in 1494 by Charles VIII, they made the écu de marc their money of account. This was used at least from 1500 onward,[42] and was defined as the sixty-fifth part of a fine gold mark. The name and definition were inspired by coins that had circulated at the Geneva fairs in the early fifteenth century, but that no longer had currency by the end of the century. The merchant community therefore used as its benchmark neither the royal money of account, the pound, nor the écu d'or au soleil, the money struck by the king. Such practice meant the merchants had a unit of account whose definition was stable, since it was wholly independent of royal decisions about changes; in this way, a space was defined and a set of claims and debts, commercial

or otherwise, singled out, so long as they were attached to the Lyon fairs. This 'conquest' by traders of a monetary identity to which stability was added too goes a long way to explaining the drawing power and prosperity of these fairs in the early sixteenth century. The outcome was that the community's choice of a specific unit of account was in itself enough to create a situation of independence, even in a period dominated by reference to metal and the use of coins. And this monetary identity, although not caused by scriptural practices, was facilitated by them even so. It is hard to find a more striking example of the importance of the unit of account within the monetary phenomenon.

The change in definition of the écu de marc and its attachment in 1533 to the royal money of account (one écu was worth 45 sols tournois) showed the royal authorities' attempt to take back in hand a 'monetary territory'. The depreciation of the royal money of account in the ensuing period created conflicts with the merchants and foreign financiers that ended with the 1577 'compromise': the king waived using his traditional money of account and the merchants and foreign bankers accepted the use of royal gold coin as a reference standard. It was a compromise and a provisional one since, as seen, it preceded the definitive imposition of the sovereign's money of account throughout France in 1602.

These examples of the emergence of new, often temporary units of account confirm the intuition that such units are called forth by periods of instability. The origins of the European unit of account in a time of monetary disasters is no exception to this rule.

The Attempt to Introduce the ECU

Without addressing this problem exhaustively here,[43] two observations have to be made in line with the foregoing historical pointers.

The Challenge Lies in the Money of Account

Promoting a new money cannot be reduced to issuing new banknotes and imposing these forms of payment or to creating a central bank first. This is not what is essential. Gradually introducing the use of the ECU as the money of account in commercial and financial practices is the essential condition for it to become a social reality. The use of a money cannot be reduced to holding and circulating objects but also includes all of the representations and monetary experiences of economic actors. It is minds that must be conquered not wallets. It is from hearing and reading 'ECU'

in connection with products and economic acts, that is, through these two forms of intelligence, that citizens will grow used to the new money and will call for means of payment in it.[44] However, those means of payment will remain mere collectors' items unless the actors find other uses for them. Only minds already won over to the European idea can imagine propagating the European currency through the issue of banknotes. Such apostles of European construction make up a minority that cannot on its own make its convictions the basis for general behaviour. The introduction of the ECU cannot rest on the means of payment alone by taking this function as the sole vector of diffusion.

A Necessarily Slow Social Diffusion

Confronted with the problem of how the money of account pervades a community, two attitudes are possible:

– the more common attitude is to win the authorities to the cause of the money so as to impose its use;
– the more realistic attitude, and the one history might suggest, is to gradually imbue the social body.

Given the importance of force of habit when it comes to money of account, is it realistic to want to convince all Europeans? Would it not be better to identify smaller groups, attuned to the multiplicity of units of account and the instability of their relations. The firms that are most alert to foreign exchange and hedging are interested in the simplification and stability that recourse to a single unit of account would procure. To get into people's heads, one must first lever those affected by the presence of multiple units of account. It is they who will then, out of self-interest, spread the ECU. Conversely, a decision from the European authorities requiring everyone to use the ECU would assume there is strong political integration to have any chance of being credible and therefore of success.

In the European Community, the introduction of a new currency is not a simple name change as in the case of the introduction of the 'franc' during the Revolution.[45] Nor is it the turmoil experienced by 'East' Germans as of July 1990 when the entire price system they were used to flew apart. In that instance, there was no point remembering the past and ancient references to make the necessary conversion, since relative prices

and income structures became totally different. A whole set of habits had to be thought out anew.

The situation with European construction is different because social organisation is uninterrupted. To ensure their control over monetary operations, the actors must at one and the same time use a new name (easy enough) while being endlessly tempted to make connections with the former national system of reference (harder). How can one forget the past and the old units of account if the social organisation is not suddenly called into question and so does not force actors to rethink their habits, including their monetary relations? Can it be considered that a new money has pervaded a society if that society continues to keep its accounts in the old units?

Money, and money of account in particular, is the prisoner of social practices and therefore cannot be readily modified without making wholesale changes to those practices. So monetary Europe cannot come before economic and political Europe; it shall occur at the same pace as the formation of a European society.

Notes

1. For a reinterpretation of the concepts, see Courbis et al. (1990).
2. By this expression we mean that monetary practices are inherent in all human societies.
3. For a history of this founding utopia, see Servet (1998).
4. Servet (1981/1982).
5. By reference to the *embeddedness of economy in society* developed by Polanyi (1983), Dalton (1968), Pearson (1977), and Polanyi et al. (1975).
6. Servet (1979).
7. We resume here the arguments developed in Servet (1984).
8. Chinese numismatics as a science dates only from 1982. See Thierry (1987).
9. In the eastern Mediterranean, copper ingots in the shape of ox-skins circulated in Mycenaean times.
10. Moreover, European colonisation provides too many examples of the transformation of coins into jewellery (e.g. the fate of some Maria-Theresa thalers in Africa) for us not to question the uses of coins on the margins of Greek, Hellenic or Roman cities.
11. Gentet and Maucourant (1990).
12. Polanyi (1977).
13. Aglietta (1988).

14. Mauss (1968).
15. This presentation is systematised for example in Pesek and Saving (1967).
16. Underestimating the importance of credit, there was a tendency after Adam Smith to emphasise monetary circulation and to see the banknote merely as a 'substitute'; 'The substitution of paper in the room of gold and silver money, replaces a very expensive instrument of commerce with one much less costly, and sometimes equally convenient'. *An Inquiry into the Nature and Causes of the Wealth of Nations, Book II*, chap. 2. Systematisation of this point of view lead to the currency school approach.
17. Braudel (1979: 348–349).
18. Payment and exchange should not be conflated; payment, which is antinomical to credit, supposes that debts are extinguished. The bill of exchange only allowed payment by clearing or settlement at maturity and not through mere circulation.
19. Courbis (1998).
20. Usher (1943: 2) and R. de Roover (1953: 23–24).
21. Bichot (1984: 62).
22. Until the seventeenth and even eighteenth centuries, many payments were still made 'in kind' or through intermediaries with no market value (tokens).
23. Accepted in the mid-seventeenth century in England, the principle of 'negotiability' means that not only the drawer but all the successive endorsers are jointly and severally responsible to the bearer in the event of non-payment of the claim. This principle seems to have played a fundamental role in the development of circulation of bills of exchange and discount. It meant the parties did not actually have to be present when claims were transferred. On these points, cf. de Roover (1953: 84 and 110–117) and Bichot (1984: 118–122).
24. Braudel (1979: tome 3, 145 ff).
25. All too often, economists make no distinction between state paper money, fiat money, which is money through the will of the ruler, and banknotes, money arising from bank credit. Cf. Courbis (1975: 776–777).
26. Fabienne Thiollier (1976).
27. The other experiment, contemporaneous to the *goldsmiths*, by Palmstruch in Stockholm, was short-lived. Imposed in 1661 as legal tender, his notes, which were soon almost all printed, convertible into metal, issued during credit operations, were very modern; perhaps too modern for the system to be effectively controlled. Abuse of credit and the multiplication of forged notes brought the system down in 1663.
28. Note simply here the parallel between the development of banking and industrialisation. Some historians thinks the role of banks in economic growth was ancillary. Cf. Lévy-Leboyer (1968); others see banks as the driving force. Cf. Crouzet (1985: 144) and F. Crouzet (1987: 103–104).

29. In 1708, it obtained the same monopoly of issue among joint-stock companies; which is why provincial issuing banks, arising in the eighteenth century, were small.
30. Froment (1987a).
31. Kula (1984).
32. Bloch (1953: 153).
33. Grierson (1976: 14–15 and 312).
34. It may be a coin of the Dauphin or the Pope.
35. Fournial (1970: 143).
36. Fossier (1983: 51).
37. Gascon (1976: 549 ff) and Boyer-Xambeu et al. (1986, chap. 9).
38. Even if elicited by interest groups, the decision is official and applicable to all.
39. Instead of 65 in June 1577.
40. L'écu au soleil is taken here at its market value, which explains the phenomenon.
41. Account remaining in France in *liards* in the late nineteenth century, in *sous* in the mid twentieth century, and in old *Francs* or *centimes* in the late twentieth century, including by people born after the units of account had been abolished.
42. de Roover (1953: 76).
43. The emergence of money and mechanisms for creating it are developed in E. Froment (1987b, c, d).
44. By opening sight accounts in ECUs in banks, that is, by choosing the scriptural form as means of payment.
45. The metallic definition of the Franc was pretty much identical to that of the pound, it went along with the introduction of a decimal system, hence the continued use of the sou as a unit of account; see Note 41 above.

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CHAPTER 4

Collective Introduction to *La Monnaie souveraine*

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This book endeavours to throw light on the phenomenon of money in general in an essentially comparative and therefore concrete way and

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not from a universalist, dogmatic and abstract standpoint. To do this, it apprehends monetary relations within the particular society to which they belong. It refers deliberately to worlds that are alien and remote to us as contemporary Westerners, such as Ancient Rome, Vedic India, African chiefdoms or a Melanesian society. The monetary systems that are thus compared and analysed are chosen from different instants of each society under consideration and not by rolling out a single universal history of money that is supposedly valid for the human species.

However, these studies that set out to understand the place of money in various societies are only the first stage in our collective thinking. In the second stage an equally vigorous effort is made to relate the differences discovered to modern society, which is itself viewed as just one more element in the comparison. While acknowledging the coherence of each society, we include in the comparison the point that our research belongs to Western society and to the evolution of the contemporary world. It is

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this double concern that forms the plot of this book and is what makes it original.

It should be pointed out that these are two concerns that cannot easily be handled together. The fact is that thinking about ancient moneys in the fullness of the social rationales that make them what they are, more often than not involves highlighting organisational principles and registers of values that are radically different from those of modern societies. The upshot is that this makes the comparative exercise a highly problematic one. Our approach avoids this pitfall because it grasps the unity of the phenomenon of money in its special relationship with the social whole: money expresses and reinforces the overall values of the society in question. This is the central hypothesis defended in this book. While it will hardly surprise anthropologists or historians, as the African, Melanesian, Roman or Vedic examples developed illustrate, it is a tremendous intellectual challenge for economists, as it is so very much opposed to the mainstream of their discipline which gives precedence to an instrumental conception of money as a medium of exchange.

For the current authors, it is over-simplistic to see money as a purely economic object. Modern money remains an expression of society in its totality. It maintains its standing as an operator of social belonging. This is why we have placed the concept of legitimacy or sovereignty of money at the centre of our analytical approach. Such a perspective runs counter to the perspective of the orthodox strands of thought in economics in that it points up the inadequacy of reducing market exchange to contractual relations alone, overlooking the importance of the monetary bond of the individual's belonging to society considered holistically. From this perspective, what has changed profoundly and what makes modern money so specific is not to be sought in any transformation of money as a bond with the whole but instead in the way in which our society builds itself as a whole. Two changes will prove decisive for our argument: (1) the central role individuals take on in the hierarchy of values, and (2) the autonomy of the economic sphere, its separation from society and its claim to subjugate social matters.

The first of these changes is essential in that it introduces a radical transformation in the relationship individuals entertain with society as a whole. Henceforth the ultimate value is borne by the individual, with the result that collective forms are thought of as being in the service of individuals. This reversal of values stands at the centre of the individualist approach to institutions which relates the effectiveness of institutions

to the scope of satisfaction they afford members of society. The instrumental conception of money, namely money as an intermediary facilitating transactions, is an avatar of this general view of social relations. But the effects of this change can also be measured by the reversal it induces in the relationship of indebtedness between the individual and society. This relationship, which this book makes the fundamental concept for understanding the social bond, is nowadays thought of as society's indebtedness to the individual and no longer as the debt each member of society owes to the whole. This leads us to what is for us the second crucial change, namely the differentiation of the modern social whole and the correlative propensity to confine money to the economic sphere alone. This gives rise to a split between private and public, between economic debts and social debt. This split is problematic as it entails maintaining as of necessity the commensurability between these two forms of debt.

Attentive readers will point out that the outcome of this double development is the advent of money as an economic instrument, which was the conception we came out against in the first place! However, where our analyses of the mainstream view in economic theory differ is in the realisation that it is impossible for this double development to come to completion. We consider this impossibility as the expression of fundamental constraints by which any human community must abide. In other words, the autonomisation of economic matters, the instrumentalisation of collective forms and the primacy of power relations over relationships of authority do not make for a coherent social model. Such a model on the contrary presupposes that power relations should be subordinate to a principle of authority.

Authority is a set of collective values in the name of which the cohesion of a society is asserted. These values are the source of standards that order individual conduct. Authority can be said to out-value power. Power is a relationship of domination based on the possession of means by which some individuals can dictate the conduct of others. The characteristic feature of power is that it has no limits other than opposition from some other power. Power relations therefore involve strategic antagonism with uncertain effects. Left to its own devices, that is, when it is not organised by authority, power undermines social cohesion. This opposition between authority and power is what forms the intrinsic duality of modern money: money presupposes in its construction that there is a hierarchical reference to the higher authority while remaining egalitarian in the principle of its use. Debt, because it expresses this duality, will be at the centre of our theoretical development.

From this perspective, this introductory chapter sets out the concepts we have developed collectively and that form the theoretical fabric of this book. Part 1 develops a general point of view of the place of moneys within the totalities that are what societies are. This point of view leads on to an analysis of the most general features of the exception that modern society forms. Part 2 based on reflection on the claims of the economic sphere to form a separate social field examines in more depth the paradoxical status of modern money. Part 3 shows the relevance of the concept of debt for understanding money as a social bond. Part 4, based on the stratification of three basic ways of expressing that confidence, examines the foundations of trust in money. And finally in Part 5 we propose some thoughts on the euro inspired by the analytical principles worked out beforehand.

Society as Totality

Arriving at an understanding of society as a social whole presupposes that we are willing to go beyond two limited conceptions of sociality.

The first conception limits society to a mere association of individualised co-contractors, who are considered equals because they are free and their exchanges are born of their self(ish) interests. This is the orthodox economic conception. Society is then considered from the outside and abstractly as the statistical and mysteriously harmonious or chaotic outcome of an infinite number of transactions. In its principle, this society is that of the individual who, by divine decree or natural law, or by history, or again by an aspiration to ever greater independence, is called upon to free himself from statuses of subordination and to rule over things and money by virtue of a universal morality. Although the individual as a moral subject is indeed the ultimate value of this arrangement, freedom of access to goods and money, in the name of the equality of humans before God, proves to be an obstacle to that very equality; labour is not accessible to all and so access to goods and money is barred for some. New relations then come about, no longer of subordination of socially constituted people to one and the same authority but of oppression and power over people who are treated as worthless things, people without assets and without relations.

A second restricted conception of society, although less limited than the preceding one, adds a domain of political relations to this initial

inter-individual level. In this field, conflicts are dealt with by deliberation, compromises are struck, institutions act as arbiters and essential services are supplied that markets cannot provide. Here too, though, the starting point is not the social whole but the individual, who ought to be protected, in access to things and to money, from the implacable effects of transactions. Consequently and in order to find agreement among all individual freedoms, individuals form a political body and then, by delegation, a deliberative assembly. By interposing legal rules between individuals—who are promoted to the rank of citizens—and the state, this assembly ushers in democracy. But democracy conceived of in this way can only be fragile, because it suffers from the weaknesses and dangers inherent in its voluntaristic and artificial construction. It stems from a myth dear to the West: that society is made up of free and equal individuals who have decided to associate and establish among themselves a form of union, a social contract. The political sphere so formed claims to cover and mask civil society, which it governs through the exercise of a power above all others. Society is subordinate to the political sphere which represents a unity that is greater than the sum of individual transactions. But is this enough to form the social bond, since the starting point remains individual willpower endeavouring to assemble individuals into a superior entity and impose a new set of values on them and their descendants? Moreover is this purely constructivist conception of the political bond not potentially dangerous for that matter in that the subordination to certain values that it advocates is artificially tagged on to a situation in which individuals consider themselves foremost to be independent and are convinced that each of them is the vessel of the ultimate value of the whole? This addition of subjection to an overarching union mutated in the twentieth century in particular into the implacable artifice of coercive totalitarian power.

An understanding of society as a whole is something entirely different. In this case, the social sphere has always existed by itself and although it involves power over individuals, the order of relations does not derive from the express prior consent of each of its members. It is a historical given, the reality of which can be tested in the fact that the social whole, organised in line with a configuration of values, maintains itself and renews itself, uniting past, present and future. This historical given is only viable to the extent that the relations composing it are subordinated to some authority. It is in this sense a higher unit in terms of

value. The social whole is based on ties of interdependence the fundamental expression of which is dissymmetric: the social relationship is not instigated by subjects among themselves on the basis of an egalitarian face-to-face between Self and Other; quite the contrary, any social relationship presupposes the primary reference to a relationship of general dependence on a higher whole which forms individualities and shapes their social relations. The members of the social whole are subordinate in value to this whole, the most tangible form of which is a hierarchy of values. For example, a couple is not the sum of Her and Him but it forms Her and Him into a structure of a higher level that shapes the conduct and the plans of one and the other. The couple is that higher authority that out-values the two parties. And the same goes for any social unit, however extensive, such as the family, locality, citizenship or society.

This opens up the path to the primordial consideration of authority as constituting all forms of social bond, not in terms of substance but of value, and it gives it to be understood immediately that authority out-values power, which a greater power cannot achieve no matter how great. Any form of society or social bond is based on authority in terms of value and not of power. The social logic of the whole and more specifically its hierarchy of values is understood and is achieved on two levels of reality: the level of the relationship with the whole is authoritative and encompasses a subordinate level at which rivalry, conflict and power are expressed. It can be understood that the order of the whole is dissymmetrical since it is made of the parties being dependent on it. The relationship with authority is what composes this dependence and this social whole, which neither power nor the submission it organises can achieve.

To Each Different Social Whole, a Different Money

Our approach begins with the proposition that each money belongs to the whole of the particular society that gives life to it. Each of the contributions to this book, by accommodating active expressions of these various wholes, for example the Roman census, the Vedic sacrificial relationship, the chiefdoms of Africa, the flow of socio-cosmic relations in Melanesia, point to a first obvious fact: these reference wholes are not the aggregate sums of units, swathes of territory, population numbers or monetary assets. On the contrary, they are all ways of organising the values revered by each of the societies in question. We must therefore rid ourselves of a simplifying conception of the social whole, which, in restricting itself to a

tally, tends to detach human actions from the constraint of any ordering in terms of a value hierarchy. This entails the loss of the capacity to think and act *in relation* with wholes and confines individuals solely to the *substantive* dimension of force and power relations.

On the contrary, we have accommodated another conception of the social whole, a social whole able to constitute social and monetary relations as a community system, and then to shape over the generations the transient figures of the living members of society. In this configuration, social order and life experience are not opposed to the order of nature but on the contrary are dovetailed with it. The male/female and life/death dissymmetries conjugate to support the continuance of the social whole, its renewal and transformation over the course of generations. It can be said that society flows from nature, that it extends and supplements it. The social dimension of humankind belongs to nature, it has always been pent up within it, although for more than a century humankind has liked to think of itself as being all-powerful, emancipated from nature and opposed to it.

In reference to the organised whole of social relations, the ultimate values of society set out a specific place for each of the members, but that place remains subordinate in value. Under these circumstances, money too is subordinate to the whole and to the hierarchy of value that organises that whole. It conforms to it, it espouses and feeds on the opposition between an eminently social encompassing value (the Roman people, the ritual and social service of Vedic purity, the safeguarding of African socio-cosmic sovereignties, the conversion of flows of Melanesian social relations into money) and an encompassed value that is necessarily less social or even asocial, such as the influence of the power-brokers in Rome, the conversion of the retribution of the sacrificial service into the Brahmans' power over things, the emergence of powers in Africa, the expression of murder and monetary gain as the subordinate reverse side of money in Melanesia.

These totalities are of a community kind, the very kind that Western societies have ceased to revere and to live. Their content is only countable in a subordinate way and their counting itself says more about differentiated statuses than about the power of wealth. These totalities are formed by a dissymmetry between an encompassing point of view with respect to the whole and encompassed points of view with respect to the constituent parts. Encompassment is the requisite condition for maintaining on a higher plane a totalising point of view that forms a system: expressions

that are subordinate in value have their place and remain fundamentally dependent on the encompassing sphere.

The Modern Exception

The modern exception seems to us more fundamental because instead of the ultimate social value, it sets up a properly asocial value, not the empirical individual that each society necessarily recognises, but the human subject, first made 'in God's likeness', then as the holder of inalienable individual rights and lastly as the 'private owner' of things and of money. If it is accepted to enumerate the consequences of such a transfer of the ultimate value from the social whole to the individual, it is soon realised that there is so complete a reversal that the totalising configuration of the social whole then appears unreal, or even imaginary, as the individualistic vision intensifies. There is no other conceivable and irreducible whole than the individual him/herself. Beyond this individual whole, there is no other more encompassing whole, but mere ephemeral associations among interchangeable units. The hierarchical perspective is reversed. In the traditional case, the person only has value as a function of his/her subordination to the social whole, and it is the strict dependence on the social whole, invested with *authority*, that makes manifest the meaning conveyed by different beings-things and in particular by the being-money. On the contrary, in the modern representations, society becomes the residual value as an association and as a function of the supreme value attributed to the individual. Unrestricted access to things and to money is paramount because it is entirely in line with the pre-eminence of the subject over all forms of inter-individual association. But at the same time, this unrestricted access, by creating competition, throws wide open a field of action that is almost exclusively about *power*. True, economic theory endeavours to show there is a state of equilibrium in which harmony among individuals prevails. Moreover, in this state of equilibrium, the transparency of society to individuals is total, which makes the problem of the individuals' belonging to the whole meaningless. But, this particular case apart, competition implies conflicts of power that cannot be decided. It creates opacity.

How can such contradictory requirements be reconciled? How can a form of association of people among themselves, largely subject to power relations, make room for a necessary regulation by money, while money is both the connection among the subjects and the subject matter of their

confrontation? In other words, how can room be made within money for authority? This central question is the question of the ambivalence of modern money.

The Paradoxical Status of Modern Money

Contrary to the way it is thought about in the societies of the 'Are'are (especially in funeral rites), of ancient India (in the Vedas) or ancient Rome (with the census), money in the modern view of things does not order a hierarchised whole of socio-cosmic relations nor does it synthetically express a heterogeneous and complex set of diverse social relations. Quite the contrary, in Western societies, it comes across as a natural instrument and manifestation of the homogeneity of relations among individuals and of the fundamental equality that is associated with it. Accordingly, money quite naturally becomes an *economic object*. Yet, it does so very paradoxically. The theory of value and of prices excludes money entirely from its fundamental assumptions and, when the theory does address money, it concludes that money is neutral, which is another way of saying that it has no meaningful existence. This insignificance of money is very handy indeed since economic theory fails to account for its existence.

However, the rational picture that standard economic theory paints of money is not the only one to present this paradox; the prevailing spontaneous representation of it among social actors succumbs to it too. Money thus structures as a supposedly 'naturally' economic object a set of social relations that are all quantitative in nature and all liable to be objectified in a vast accounting network with its own logic and its own rules. Such a system forms an organised and autonomous whole, the working principles of which may, up to a point, be isolated and studied in themselves. Although absent from economic theory, money and its system of accounts manifest in the highest degree the autonomy of economic rationale to which individuals consider themselves to be increasingly subjected. Now, belief in such autonomy seems to coexist alongside an equally well-shared conviction that economics is not the only social reality or the only dimension of the social sphere.

Is this autonomy of the economic sphere suggested by the ubiquity of money and the quantitative abstraction real or illusory? Is modern money radically different from what the observation of other societies

teaches us? Does money reveal the disappearance of a hierarchy of heterogeneous values and the advent of a scale ordering decreasing quantities of a homogeneous form of wealth? Is it merely a morally neutral instrument and does it invade our world unrestrictedly or, on the contrary, do its use and its representations display the stigmata of moral classifications that exclude it from certain uses? And on this assumption, how are the tensions concealed between this now hidden dimension of money that these moderns cannot *or will not* see, and the functional and objective representation that is made of it?

Reflecting on modern money from the comparative perspective we take up leads us to challenge the spontaneous representation that sees it as a simple economic object. This indissociably implies a dual critical analysis: first the analysis of political economy, questioning its specificity with respect to other forms of knowledge; then, the analysis of contemporary society, considering the autonomy of the economic sphere less as the disappearance of a hierarchy of values than as its enigmatic expression that needs to be deciphered.

Whereas money is commonly thought of nowadays as the economic institution *par excellence*, history and anthropology teach us that this is not at all so. It was only in the modern era, let us say at the end of the Middle Ages, that activities devoted to the reproduction of material life began to acquire political recognition with the rise of a merchant and later industrial middle class. While the content of social life and political relations underwent increasing constraints of production and exchanges, the element of subordination inherent in material production was transmuting into exchange and principle of equivalence. Labour—'toil and trouble' for Smith, 'difficulty of production' for Ricardo—became a mere 'disutility' thereafter. The upshot was that modern theory reduced the individual's rationality to the maximisation of a utility or profit function under technical or budgetary constraints. This operation takes upon itself alone all the negative charge traditionally associated with the reproduction of the material conditions of society.

Rationality and freedom imply that individuals enter into relationships on the basis of the equivalence principle that underpins market exchanges. The autonomy of this mode of socialisation is ensured whenever one thinks in the purely natural context of the world of commodities, posited independently of any social institution and in particular of any monetary order (the fable of barter). Money then appears only as the

consequence of the development of market relations. In such a conceptual framework, that of economic theories of value, money has only a secondary or even insignificant role. The egalitarian principle extended to all members of society seems to be related to the possibility of reducing the social structure to something quantitative. Quantitative inequalities, essentially differences in 'wealth' are only meaningful and of any importance in a society in which individuals are identified as potentially equal and as having the same status: fundamentally they are commensurable.

Conversely, any true analysis of modern money should elucidate the paradox of this money that is simultaneously both a vector of hierarchy and equality as well as of necessity and freedom.

Money and Economic Homogeneity

The analysis of monetary relations reveals that money masks a radical heterogeneity between those who are in a position to instigate operations and those who are not. Identical rights are misleading, since the holder of money is never on exactly the same plane as the seller. This is particularly clear in the *wage-earning relationship*. Wage earning comes across as egalitarian because of the equivalence in the exchange and inegalitarian because of submission in production. There arises from this a differentiated access to the means of payment and production. Wage-earning relations cannot therefore be reduced to an exchange of equivalent things. There is on one side the entrepreneur, the one who *commands* within Smith's meaning, who has the capacity to contract debt to employ the one who has no such capacity. Society assigns different positions and magnitudes to each. Wages and profits are, for Smith and the classical tradition, governed by different quantitative rules, with profits being defined by their proportionality to capital. The fact that wages and profits are deemed to be quantities of the same thing (commanded labour or money) in no way prevents labour and capital from being qualitatively different economic magnitudes, nor does it prevent the holders of capital from exercising power over wage earners. Therefore, despite the reduction to quantity, inequality and power do indeed lie at the heart of wage-earning societies outlined in this way. That the neoclassical tradition can deny such heterogeneity can be explained by the exclusive role played there by the idea of exchange among individuals with equal rights, including to account for relations of production.

Money, then, does not in itself eliminate all domination from society. But does domination mediatised by money not remain confined to the sphere of relations of production and exchange? After all, does not the worker, as a subordinate in the firm, not have the same civil and political rights as the entrepreneur? Power that shows beneath the monetary veil would presumably therefore not flow over into all social relations. However, the compatibility between economic subordination and political equality may be construed in several ways among which two polar figures stand apart: either the autonomy of the economic sphere is real and the political sphere matters little—capitalism can flourish just as well in a representative democracy as under a despotic regime; or the differentiation between the economic and political spheres is illusory, and legal and political equality a delusion—the political sphere is merely a reflection of the economic sphere, of the type of capitalism that imposes its order on a given society.

In any event, thinking along these lines leads to the question of the autonomy of the economic sphere and of monetary relations. One way of addressing that question is to ask in what way the apparent homogenisation of social relationships through money affects the hierarchy of values.

Money and the Hierarchy of Values

Modern money and the generalised system of accounts associated with it masks the difference in social statuses behind the homogeneity of purely quantitative evaluations. These social statuses are downgraded on a scale of assets. Should it be concluded that this amounts to a levelling out of values or that a problematic hierarchy of values is expressed? This is an essential question both for understanding modern money and for analysing the societies we live in.

On the one side, we must emphasise what seems to be specific to them and separates them from others. From this perspective, it shall be underscored that we are a long way from the situation prevailing in the Greek city states, for example, where traders were forced to transact their business on the outskirts in keeping with their status as aliens. And we are a long way from societies of the *Ancien Régime* where money did not directly provide a position in the social order, even if it did provide access to a higher status through the purchase of land or offices. And the distance is even greater with "'are'are" society where money does not

define any specialised sphere but on the contrary is a principle of conversion between hierarchised levels of social relations. An approach of this kind would tend to conclude that because of its objectivity, related to its role as a cardinal measure, modern money can no longer express a hierarchy of values. Its economic function seemingly drains it of any capacity to articulate the heterogeneous spheres of the social realm.

But on the other side, it is difficult to clarify the Great Divide between societies in which money is a general switch and those in which it is supposedly only a pure economic functionality. Without denying the radical differences between human societies—our comparative approach clearly highlights them—it is helpful to explore a slightly different point of view of the autonomy of production and exchange.

In the economic order, money is the instrument for converting the individual into the collective and the private into the social. However, we do not consider that this monetary conversion is a moment of social totalisation, because it is limited to the sphere of production and exchange. It concerns individuals (accounts) and not people. Conversion into money is purely economic and everyone knows that is all it is. It is for that matter the most immediate consequence of the apparent independence of the economic sphere. Accordingly, modern money does not have the same place as in the socio-cosmic system of "'are'are" society or in the Roman census. The flattening of the social onto the economic does indeed make money a totalising element by expressing equivalence but, at the same time, it signals that this totality is not the whole of society.

The ousting of money from economic theories of value and the difficulties that such eviction entails provide a glimpse of another level of reality that cannot be reduced to the orthodox economic representation of society. It is important to take seriously the fact that standard economic theory cannot comprehend money and that an alternative approach is invariably bound to begin with money, which implies it is taken as an institution and not as an object. Money is not an economic entity, including in our societies, because it is what makes it possible to apprehend the economic sphere, which can only be done from a point that is outside that economic sphere.

Accordingly the way our society represents itself should not be taken at face value. The autonomy of the economic sphere, represented by the monetary and accounting system, is an appearance in the sense in which Marx understood the word. This 'real appearance' tends to mask the

places where a value hierarchy remains and justifies a clarification of the difference between modern society and others.

It is probably less a clear-cut opposition between hierarchy of values in other societies and levelling in ours than a different way of interrelating values that should be elucidated. Status values have not deserted the societies we live in. Fame, knowledge, performance but also the couple, the family, the cultural niche and so on remain forms of appreciation that are separate from holding assets. It is probably true that the way they articulate with the economic sphere is specific to modern societies. How, then, can we relate the various dimensions of the social order by breaking with the belief in the autonomy of the economic sphere? Is this sort of question not to be approximated to the open character of our societies? To make headway on this, it is essential to propose a conceptualisation of the monetary relation that accounts for both its essential role in the social recognition of economic subjects and its function as a generalised means of payment.

Debt and Money

Let us summarise the results we have arrived at. Money is a two-sided social bond: on one side there is necessity and obligation; on the other, openness to exchange and trust. As is shown in this book, this ambivalence concerns societies that are far more diverse than contemporary market societies. If therefore money does have this historical depth, its existence cannot be deduced from its use in market exchange. More specifically, the teachings of anthropology deny any relevance to the fable dear to those economists who see in money a development of barter. It ensues that the binding side of money, its status as an operator of social belonging, must be founded on a more general hypothesis than that of being a medium of exchange. This hypothesis is that money derives from debt in its relationship with sovereignty and therefore from a hierarchy of value.

Now there, then, is something to surprise economists who are in the habit of considering finance as an appendage of the exchange economy, as a particular exchange relationship involving time. History reveals, though, that financial ties arise long before the type of exchange on which modern finance has grafted itself. But it should not be thought that initially debt is a relationship between independent subjects, as in contemporary private finance: debt is the social bond that defines what the subjects of this or

that society are. It is not previously non-social individuals who create the social bond by making contact with each other.

Original or primordial debt is constitutive both of the being of living individuals and of the enduring character of society as a whole. It is a life debt. In its archaic meaning, this debt is the recognition of dependency of the living with respect to the sovereign powers, gods and ancestors, who have granted them a share of the cosmic force of which they are the source. The gift of this force, which enables life to continue, has as its counterpart the obligation of the living to buy back, throughout their lifetime, this life power of which they have been made the holders. But the continual series of paybacks never exhausts the original debt: it constructs sovereignty and cements the community in its works and its days, especially by way of sacrifices, rituals and offerings.

The biggest mistake that can be made, if we are to understand the nature of money, would be to dismiss the concept of this primordial debt on the pretext that we no longer speak the language of the tradition that bequeathed it to us. For the hypothesis of life debt is a reminder that the cohesion or the very existence of society is under threat if it fails to provide the conditions for its reproduction.

Let us take a contemporary example, that of Russia,[1] to give some feel of how real this threat is. It is a society that has recently experienced and is still experiencing the collapse of shared values, the negation of any higher authority, the correlative loss of legitimacy of the instituted powers, the fragmentation of its communication networks. The dramatic deterioration of the social bond is not without consequences for the collective capacity to produce or for the protection of individual life. It is as if Russian society no longer recognised its debt with respect to the conditions of its own continuation. Production has plummeted year after year and is seemingly unable to recover. Private debts are extremely precarious for want of any formal framework that can evaluate them and sanction the inability to honour them. The state does not acknowledge its debts either to its employees or to its population. Consequently, the collective heritage is deteriorating very rapidly and the state of public health declining spectacularly. Endemic violence is invading all of society, because mafia-style theft has replaced the circulation of debts approved as a way of transferring wealth.

But, it will be observed, this extreme case is not meant to illustrate by way of contrast the solidity of democratic societies. In societies open to the future, the assumption of the life debt as the basis of the social

bond has supposedly ceased to be relevant. This is not our point of view. We think that on the contrary the primordial debt remains the appropriate concept for thinking about society in its wholeness and its movement. The reason modern thinking on social relations does not recognise primordial debt is that it is now dissociated into private debts of an economic kind on the one side and social debt of a political nature on the other side. But that does not prevent the hypothesis of the social bond as a life debt from continuing to enlighten our understanding of money.

Even when presented as private commitments, economic debts have a global coherence because they include individuals in a division of labour that is dissimulated behind exchanges. To be an autonomous member of a market economy in terms of one's capacity to act and decide means being able to have the product of one's activity recognised in accordance with a procedure organised by money. The holder of money, who purchases products, does so as an anonymous member of society and not as a specific agent with a specific exchange with the seller. This circulation of money is indeed the settlement of debts behind the exchange. For spending is the primordial act that engages agents in the division of labour. To launch the product of their activity there, they must take resources from society. Thus we are dealing with a general structure of debts through private commitments. Money is intrinsically associated with this structure because it is the form in which the obligation to settle debts is expressed. It is a reciprocal debt of private agents and global society: the resources taken from society can be returned to it provided that society accepts the products derived from those resources as part of the division of labour. Money is the medium of this reciprocal debt. By settling individual debts, money enables social relations to be restarted through the creation of new debts. Money is indeed the pivot of the general structure of debts on which the continuity of the market division of labour hinges.

Private debt is therefore a relationship of dependence of the individual on society, by which the individual gains social recognition. There is, though, one type of debt that designates a reverse dependence of global society with respect to its members: social debt. This reversal is observed in societies of a capitalist type. In societies that are organised into a proven, recognised and revered hierarchy of value, life debt is a debt owed by society's members to the sovereignty that has authority over the collective conditions of preservation and development of life. Conversely, in capitalist societies, these conditions are of a political order, separate from civil society. They constitute a public debt with respect

to the individuals from whom sovereignty now emanates. As a counterpart to this debt of the community towards its members, the members hold social rights when it comes to education, security against collective hazards and infrastructures ensuring the continuity of the territory. These are elements of collective power on which social cohesion and the overall productivity of society depend. This is why these collective conditions of insertion of individuals in the division of labour remain largely dependent on their participation in the development of market activities. Even so, the amount, the structure and the effectiveness of public debt are regulated by national sovereignties which cannot assume it unless they are the custodians of robust political authority. The deterioration of social protection nowadays goes hand in hand with the weakening of this authority.

Private debts and social debt are interleaved by the homogenisation of the way they are measured in one and the same unit of account and by their obligation of settlement in money. Because it unifies the system of debts and regulates its evolution over time, money finds itself at the junction of economic and political rationales. However, the dissociation and potential opposition of these rationales make money an institution that is allied to political authority and that must construct modes of representation enabling it to maintain a hierarchical distance with respect to private finance. In contemporary societies, central banks express a new form of public authority over money. Money is an encompassing social bond because it commutes all debts. But that is not enough to make it a representation of society as a unified whole under the aegis of a hierarchy of values that supposedly designates the common belonging of the members of society. For the alliance of members of society cannot be based on the common acceptance of money without money being the expression of authority. It is by positing trust in money as an attitude of openness to the word of others, as an expectation and a promise, that it can be understood how money partakes of authority. Money becomes a common value through the confidence each individual places in it.

The Foundations of Trust

The general term 'trust' relates to a number of phenomena which, once identified, make it possible to distinguish among several types of confidence. More specifically, trust in money highlights three closely articulated rationales: hierarchical confidence, methodical confidence and ethical confidence.

Hierarchical Confidence

Hierarchical confidence corresponds to the transformation of the other into the sovereign authority, into the 'big Other' to borrow a term from psychoanalysis. The point is to recognise the superior instance of a third party separate from the straightforward inter-individual relationship. A relationship of subordination in value may be established with respect to this big Other, enabling each individual to overcome everyday vicissitudes. In this case, the other is no longer considered merely as a help-giver or a co-contractor. It becomes the guarantor of a sovereign instance, that serves as a norm. In this way the supreme instance is made present through its acts of protection. Under these circumstances, the tie with others is changed into a social bond, that is hierarchically constructed and capable of testifying to a sovereign guarantee, to which each one subordinates themselves. Here the life debt is affirmed when random mutual assistance in inter-individual relations makes way for the authority of a principle that is both external and internal to individuals. Beyond the management of the contingencies of the real, this abstract power establishes confidence that is nothing other than the enduring expression of the hierarchy of values of society. This expression posits on a lasting basis the existence of a means of resort, protection and guarantee.

In the formation of the individual personality, hierarchical confidence is interiorised in the form of a protective power that grants its alliance to individuals. The forms of the guardian angel, fairies, and those of the whole array of spirits or other stars or astral signs haunting the person's inner world to steer their destiny, are just some of the imaginary forms of this interiorised protective power. They are all folk avatars resulting from a mental labour that has led the subject to seek to palliate the all too random interventions of authority. Consequently, the intrapersonal too becomes the guarantor of sovereign authority, assuring the person that, despite the buffeting of the real world that might destroy their trust in the social bond, they can count on a principle that is invulnerable to daily conduct and that has unfailing authority.

In the monetary order, hierarchical confidence is expressed in the form of an institution that enunciates the rules of use of money and issues the ultimate means of settlement. This institution is an authority that guarantees the quality of monetary relations as a whole, that is, their compliance with the norm laid down. As a sovereign authority, it occupies a position that excludes it from everyday payments. But it cannot

provide its guarantee unless the money it issues ensures the convertibility of all other monetary signs. This is why the monetary system has a hierarchised topology. In terms of relations among private agents there is a host of monetary signs that are mediators of exchanges, namely scriptural bank money. What is at stake in relations among these moneys is their convertibility. To come about, this convertibility implies the actual participation of the sovereign institution in exchanges among moneys. In this sense, it is a third party excluded from ordinary economic relations that is, however, included as a hierarchical principle in the monetary system.

Methodical Confidence

Methodical confidence operates on the security of relations between everyone and everyone else, the security of payments in the monetary order. Methodical confidence arises from the repetition of acts of the same kind that see exchanges turn out as they should. Routine is therefore the fount of this form of trust. It is confidence in the objectified rule which, because it operates automatically, covers up the presence of the authority that enunciates the rules and protects their implementation. The mere regularity of payments allows the emergence of markers for future action.

Thus, from the point of view of the inter-personal tie, methodical confidence manages relations between people. This is a psychosocial level: signs, roles and functions are all opportunities to construct or destroy the social relation and therefore to engage or disengage the security they promise or the risk of death they hold within them. Should they be granted credit or not? Is the proposition of resort honest? Is it a decoy? Is it risky? Is it a trap? Methodical confidence relies on the virtues of regularity to remove the yoke of subordination to hierarchical confidence. The methodical spirit seeks to counterbalance obsessional subservience. Accordingly, confidence appears at its degree zero: it is only the remainder of everything that is not doubt. Suspicion, scepticism, distrust, unending procedures of insurance and reassurance, investigative and supervisory work are the components of trust which, as can be seen, is only the resultant of a security strategy. It is about trusting only as the last resort, when the entire security arrangement available has proved powerless to detect the slightest risk. Methodical confidence is thus the outcome of critical doubt, which fails to get the better of hierarchical confidence. It might profitably be referred to as *dis-mistrust*. The resulting social bond is that of interdependence for constructing repetitions, the recognition of which

makes it possible to conjecture that it is safe to proceed. The repetition of instances, of forms of phenomena, of relations of cause and effect, of various analogies, is construed as the expression of a general law from which exception is automatically set aside. In this way concordance tables of social signs are established, specific to each group and each culture, the repetition of which forms a procedural reason for invalidating dis-mistrust or for validating it. This aspect makes it possible to understand the power role that collective mimesis plays in mistrust or in dis-mistrust. The shared recourse to the same procedures may give rise to a collective dynamic, taken to be an objective truth from which a climate of security emanates. It shall be seen below that methodical confidence and the question of dis-mistrust cast light on the problem of abiding by prudential rules in finance.

Ethical Confidence

The ethical point of view is that of the universal character of personal rights. For our societies with their individualistic aims, the ethical position then takes on a higher status than the social and intrapersonal positions recognised in hierarchical confidence, because it presupposes the superior value of the human person over any other social element. It is besides because ethical confidence has the higher value, the integrity of the human person, as a reference, that it is placed above hierarchical confidence. Hierarchical confidence is underpinned by protection emanating from political authority. It is itself superior to methodical confidence, which is instrumental and routine. The latter manages inter-individual relations in their repetitive aspect and to do so it constructs signs of recognition of the good conduct of others.

There is a close tie between the preponderance of ethical confidence and the autonomy acquired by the market economy in the course of capitalism's development. The human person is projected in their future in the permanent pursuit of ever postponed happiness. In the respect of this ultimate value that underpins what they ought to be, the human person is represented as an economic subject. This fundamental project of liberation of the subject is threatened by the opacity of the future. Ethical confidence is what postulates the enduring character of the market economy where economic subjects' projects are deployed. This enduring character implies both the permanence of the hierarchy of values which is the crux of market autonomy and the viability of democratic societies

over time. This is why hierarchical confidence, which concerns the stability of society in its entirety, is both necessary and subordinate to ethical confidence.

Forms of Trust and Money

How can we identify the presence of the three types of trust and their hierarchised relationship in financial life?

Methodical confidence is exercised daily. It is bound up in market practices. It is revealed in the acceptance of the word that is given among operators to perform financial transactions without any codified and legally valid medium. It is deployed in the mutual support of the financial marketplace among establishments that have long done business together. It is a way of managing risk within financial professions that are aware of the potential knock-on effect of financial mishaps or aggressive attitudes. Methodical confidence therefore plays the part of security-ensuring discipline under the watchful eye of peers with a club type of mindset that excludes outsiders. These provisions are found in loss-sharing agreements among banks that are included in the operating rules of systems of payments. They are also observed in the organised markets with clearing houses in the form of risk limits and margin calls, that is, securities that grow with the size of the risk positions. They are seen at work in the event of bankruptcy or threat of bankruptcy of a financial institution that may spread mistrust throughout the marketplace. Groupings of firms from the marketplace then form to make advances to the financial institution in difficulty, to acquire certain assets it holds, and even to take on its losses in the context of restructuring.

Hierarchical confidence rests on the hierarchised structure of the banking system. Commercial banks have the upper hand in monetary creation. As scriptural money has largely superseded fiduciary money, the central bank is in a subordinate position as the issuer of money. But it occupies the higher position as the issuer of the ultimate means of payment to maintain the stability of money overall on which the cohesion of societies depends. However, the stability of money is challenged by the financial crisis, this return of the real world that threatens to destroy economic relations and sometimes even the social bond. In these cathartic situations, the system of debts clearly reveals that it is based on trust. But methodical confidence is unable to cope with situations in which everyone's suspicion of everyone else spreads because debtors are no longer

able to convince others that they will abide by their commitments. As the custodian of monetary sovereignty, the central bank alone can avert the crisis, that is, safeguard the permanence of the system of debts by acting as lender of last resort. There is hierarchical confidence in the sovereign instance because it suspends the market rule which in the context of crisis spreads mistrust, and it does so in the higher interest of the continuity of the market economy.

In the crisis logic just referred to, hierarchical confidence is placed in the lender of last resort because it is believed to be capable of saving the system of private debts when that system becomes shaky. But there is another type of crisis that takes its source in conflicts over social debt. The growth and financing of this debt may entail transfers that are not accepted. Rivalries are unharnessed that can no longer be contained by the values of cohesion of the nation in the name of which transfers are made. The crisis may take the form of extreme inflation: increasingly complete monetisation to palliate the refusal of the private economy to finance it on the one hand and the flight from money to safeguard the exchange value of private assets on the other hand. In such a situation the monetary crisis is duplicated by a political crisis. The issue is to redefine the rights of citizenship that are the crux of the expansion of social debt. To obviate serious crises, the political authority must contain the power struggles unleashed by the monetisation. In the contemporary forms of liberal democracy, hierarchical confidence has found refuge in a new organisation, the independence of the central bank, where monetary power is separated from political government and has as its exclusive mission to watch over monetary stability.

But, we said, hierarchical confidence is bounded by ethical confidence, because the cohesion of the social whole is itself subordinate to a greater value: individual flourishing. However, this subordination is not self-evident because political sovereignty tends to degenerate into power, sometimes even totalitarian power, in a universe steeped in individualism. This fundamental tension in modern societies can be read especially in the ambiguity of the lender of last resort. First, intervention in the last resort entails social costs. It transforms private debts that have failed into social debt out of fear that the proliferation of bankruptcies might destroy the financial structure of society. Next, the safeguarding of the market by breaking its own rules creates moral hazard and therefore damages the methodical confidence in the business world after the crisis. Sovereignty of the lender of last resort may degenerate into arbitrary action that defends

certain private interests against others and safeguards the market only to allow partisan exploitation of it. In this event, the economic well-being of everyone, the condition for human flourishing, would be damaged because market valuations would diverge from fair prices. The subordination of hierarchical confidence to universal ethical confidence averts this peril. As a higher principle, the primacy of the economic value of private agreements over time, expressing the ethical attitude, imposes itself on the central bank and limits the exercise of monetary power. This is why the exercise of lending in last resort implements ritual provisions: solemn warnings of monetary authorities but also dissuasive and exemplary sanctions against the private agents who made the intervention necessary.

The Euro and Sovereignty

The advent of the euro provides an exceptionally fruitful field of observation and reflection for putting into practice the concepts set out above.

The monetary changes we are living through in Europe should not be underestimated. Currencies that are part of our everyday habits since we have been old enough to use them, currencies that have been part and parcel of national cultures sometimes for centuries are to be superseded by a new currency. Can it be said for all that the euro will be a vehicle in Europe for a stronger sense of community? What form is monetary sovereignty going to take?

Economic and monetary union is the end point of a long process of economic integration. This process has changed its nature with the project launched in the 1980s to form a single market and for it to encompass finance. The primacy of the economic subject has decisively stolen a march on national regulations that used to put into practice social values inherited from the history of those nations. In this way German ordoliberalism is a school of thought that proposed to endow the working of markets with an economic constitution to avoid competition from degenerating into confrontations of private powers. This economic constitution is a set of principles in the front line of which is the stability of money, designed to induce market regulation for the common good. This regulation has overcome the tension between community membership and the pursuit of individual well-being through the establishment of wage compromises

and joint management of firms. On its side, France has effectively developed its tradition of interweaving public and private sectors under the aegis of a state that has steered growth, controlled markets and promoted norms for the distribution of income.

These principles of economic organisation express the higher values by which European societies have sought to establish their unity at one time in their history: the constitutional order protecting the mission of the central bank in Germany, the general interest embodied by the state in France. These forms of sovereign authority have been put to the test of the international expansion of markets. While the constraints of economic integration were disrupting national regulations, economic liberalism was destroying the doctrines of economic policy that legitimated the said regulations. The time of conformist thinking had come. The globalisation of finance lent decisive strength to transnational financial opinion that does not judge national economic policy by the hierarchies of values that legitimated them previously. Conflicts between the principles of deteriorating national regulations and the vagaries of financial opinion have punctuated alternating trust and mistrust with respect to economic policies for more than fifteen years.

Will the advent of the European currency mean those conflicts can be overcome? Those who believe so think that it will instigate monetary sovereignty over the space covered by the single market and will reproduce at its level the subordination of hierarchical confidence by ethical confidence. However, the question of European monetary sovereignty is far from being clearly understood.

The principle lying behind the European Central Bank is independence. This principle separates the central bank and the executive within states and endows the bank with autonomous authority in the exclusive domain of the quality of money. But this independence is conferred by the legislative branch to which the central bank remains answerable and must justify it has fulfilled its mission.

In the context of monetary union, the central banks of the participating countries are to form a European system of central banks with the European Central Bank. The ECB is in a sense the subsidiary of the national central banks. But it is also the keystone of the whole system, since Europe's monetary policy will be defined by its board composed of the governors of the national central banks and the members of a directorate appointed by the European Council of heads of state. The president

of the European Central Bank, chosen from among the members of the directorate, will thus have power on a Europe-wide scale.

But to what sovereign authority is this institutional arrangement subordinated? This new sovereignty is meant to be the common exercise of sovereignties conferred on the national central banks. However, the legal right constituting that sovereignty is not conferred by a legislator arising from European popular suffrage. The relationship of the European Central Bank to democracy is therefore not identical to that expressed in the independence of national central banks. At the European level, there is no value hierarchy subordinating the central bank to popular sovereignty. Accordingly, when it dictates monetary policy for the whole of Europe, the European Central Bank will be wielding power that is not included within a democratic social order on the same territorial scale. The problem is a formidable one because, in this new organisation, national sovereignties are accumulated but not articulated by any hierarchical principle that is supposedly superior to them.

It is sometimes claimed that it is the single market itself that confers its authority on the European Central Bank. But in that case, what relation is there with the national social spaces of which the currency is the constituent link? How will the citizens of the various countries accept the fiduciary money denominated in euros and issued by the system of central banks? The way in which the choice of pictures on the banknotes has been handled by the European Council testifies to the quandary arising from the indeterminacy of the value hierarchy. For in the separate nations, the pictures on banknotes are of emblematic figures of the community in which the banknote circulates as legal tender. However, the euro is to circulate in a market space that is not a community of social values. Accordingly, banknotes in euros will display architectural figures, divested of any force as symbols of belonging. How will Europeans adhere to a purely representative sign? Will the impetus imparted to the economic subject with the advent of the single market be so intense that ethical confidence will become established and give the euro ontological scope, although hierarchical confidence is hampered by the absence of popular sovereignty? Or will the creation of the euro make the democratic deficit so intolerable that it will make the creation of European political sovereignty inescapable? Such are the challenges highlighted by our hierarchised conceptualisation of money.

Note

1. Editorial note. The reference is to Russia in the 1990s.

CHAPTER 5

The Monetary Order of Market Economies

Michel Aglietta and Jean Cartelier

The individual is both coin and die at the same time.[1]

The way in which we conceive of society is a product of our own individual experience, which in turn is shaped by our social relations. The inextricable duality of individual and society takes the most diverse forms over time and in space. One may very well have doubts as to the possibility of constructing a general model of the social bond. However, it is difficult to be satisfied with the extreme fragmentation of the depictions of it that the various disciplines have to offer. Any attempt to overcome this dissatisfaction requires two linked approaches: an internal review of each discipline under consideration, on the one hand, and, on the other,

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the adoption of an intermediate or compromise model as a provisional working hypothesis.

Our hypothesis is that the social bond is based on *debt*, which is the general form of an individual's relation to society and the one through which the individual–society duality manifests itself.[2] This concept is developed in the introductory chapter (see above).[3] Inter-individual relations emerge as a series of reciprocal debts that arise only because of each individual's submission to a common principle, which turns each debt into a relationship between the individual and society as a whole. The debt takes the most diverse forms depending on whether it gives rise to an obligation to the gods, a person's ancestors, the sovereign or someone else entirely. It may or may not be expressed quantitatively and the actions required to discharge it, and the consequences they entail, may vary to some degree. It remains the case that settling or renewing the debt is the occasion for a 'social reckoning'. Whether it be during funeral ceremonies, as among the 'Are'are, or when a set of accounts is being closed off, to take two extreme examples, individuals are assigned their exact place as elements of society. The individual–society duality finds general expression in the relationship between the debt and the ways in which it is discharged, a relationship that indissociably combines hierarchical organisation and inter-individual relations. Solvency is the essential condition for the existence of an individual in a market economy. It is confirmed whenever a set of accounts is closed off at the same time as the scale of an individual's wealth is established. *Money* is, in a very general way, what discharges the debt, which puts an end—temporarily or otherwise—to the relationship of indebtedness. Since they are categories derived from practices in our societies, *money* and *debt* can be deployed as part of a wider investigation that goes beyond societies with market economies. In any event, this is the hypothesis that provides the rationale for the multidisciplinary undertaking of which this study is part.

However, explicating this hypothesis requires a prior critique of modern economic theory, to which readers might well be tempted to refer in order to extract from it an authoritative body of knowledge on money and debt. Such efforts would be seriously misguided. While it is not our purpose here to outline the difficulties—hitherto unresolved—that economic theory has faced in its analyses of money, it is essential briefly to indicate the reasons for and significance of this failure, which is now widely acknowledged.[4]

Modern economic theory has its roots in an extraordinary venture on which value theoreticians embarked from the mid-eighteenth-century onwards, namely to conceptualise the market economy while completely disregarding institutions. Taking account only of goods (nature) and individuals, their purpose was to show that society is constructed on the basis of voluntary choices made by individuals in pursuit of their own personal interests. Far from ending in chaos, according to this theory, individuals coordinate with each other via the market, which leads them ineluctably towards general equilibrium (that is, a situation in which the desired individual actions are mutually compatible), which constitutes the best possible state (social optimum). Money has no place in such a theory and in fact its exclusion is the founding act of value theory.

Increased demands in terms of coherence and rigour led certain modern theoreticians to demonstrate that this venture had failed. The essential role of the 'market secretary', which it is virtually impossible to eliminate and which both displays and changes prices, centralises information and puts the 'law of supply and demand' into practice, gives the impression that modern price theory describes not a market economy but a centralised society. This was obviously not its authors' intention. One of the reasons for this failure lies precisely in the exclusion of money.[5] Today, however, it appears impossible to re-incorporate it into the theory because of the impossibility of demonstrating that it is an economic good (that is, one that has a positive equilibrium price). The circle is completed. Neither money nor the market is an object of discourse in modern economic theory. An alternative approach is conceivable only if the assumptions of value theory are turned upside down. Instead of attempting to conceptualise money as an economic object subject to the 'law of supply and demand', it has to be turned into an institutional hypothesis that is necessary for analysis of the market economy.

Contrary to the assumptions of value theories, which attempt—in vain—to conceptualise money as a consequence of the market, it can plausibly be argued that it is through money that the market division of labour or, to use a more modern turn of phrase, a decentralised economy based on private property, can be rendered intelligible.[6] This position, which will be developed below, profoundly changes the strategy for research on and thinking about money.

To take money as the starting point for elucidating the workings of a market economy is to accept two fundamental propositions:

– *money logically precedes market relations*: the modern forms of money reveal how the market emerges from within a society that already exists; they are not the product of exchange relations between independent individuals;

– *money is a more fundamental social bond than the market*: a multidisciplinary approach aimed at establishing the limits of this mode of sociality and of its effects is not only justifiable as a means of apprehending money in general but is also necessary for a profound understanding of market relations themselves.

In the pages that follow, we will be focusing primarily on developing the first of these propositions; most of the other contributions to this book explore the second one.[7] It will enable us to shed light on the contemporary depoliticisation of money as we investigate the new norm that seems to be establishing itself today, namely central bank independence.

In the first part of the chapter, we will outline an abstract, general model of relations between debt and money, which is at the same time a model of market relations. To that end, it will be necessary to specify precisely the constituent elements of money as a *payment system*.

The ambivalence of such an undertaking must be emphasised. It is of course a task undertaken by economists, one of the concerns of a particular discipline that seeks to shed light on the monetary nature of market relations. However, it is also prompted by broader concerns. The formal model presented below can be applied fairly generally since the relational structure it describes is independent of any hypothesis about individual behaviour. The motivations attributed to individuals, or experienced by them in their actions, are not mentioned and do not affect the logic of the social relations adopted in the model.[8]

It is this ambivalence that makes the model presented here *an intermediate hypothesis*. Less ambitious in scope than those seeking a general, universal explanation based on a single principle—sacrifice, sovereignty and so on—, this intermediate hypothesis is a more convenient means of investigating the present-day world without being held captive by an exclusively economistic set of research questions.

This will enable us, in the second part of the chapter, to shed light on some essential aspects of the functioning of contemporary economies, in which the overlapping of debt and money is difficult to perceive in any other way. Finally, an investigation of the conditions under which

payment systems are renewed or remain stable leads on to the contemporary modes of regulation. Legitimation of monetary institutions today is based—rightly or wrongly—on a transfer of sovereignty, of which the norm of central bank independence is the most spectacular aspect.

Money as a Payment System

The nature of the problem that any economic theory has to resolve is, let us recall, to show how, in a market economy, individuals are socialised by the objective, market-mediated evaluation of individual wealth. This is the founding question of political economy and it is by their ability to answer it that the various economic theories should be judged.

In a market economy, the social division of activities is characterised by a *particular combination of decentralisation and interdependence*. Two basic principles coexist simultaneously in such an economy. The first of these is the principle of *decentralised action*, whereby any given individual is free to act without making any judgement about the state of the economy as a whole. Decentralisation requires that the individual conditions governing action are local (existence of a consenting fellow trader, for example). As a result, the overall economic situation is the involuntary consequence of private individual actions. The second principle is one of *interdependence*, which imposes on individuals the collective consequences of their decentralised actions. This principle is equivalence in exchange; divergences from this norm become apparent when individual actions are compared, giving rise to adjustments, that is to say 'market sanctions'.

This vision of the market is shared by all the great economists, from Smith to Walras via Marx and Ricardo. Nevertheless, it is difficult to find in formal price determination systems, which are supposed to be the analytical expression of their general concepts. In other words, *value theories do not succeed in translating in a coherent way the general idea that everybody, including economists, has of the market*.

This is why it seems necessary to adopt a radically different point of view from that of value theory and to accept that coordination by the market is indissociable from money. More precisely, money as an institution must be the starting point for any economic approach since it is only in this way, it would seem, that a full account can be given of the particular combination of the principles of decentralisation and interdependence mentioned above.

Since money here is presupposed, it is clear that its economic origins cannot be a research object. However, this does not mean that we are giving up the idea of an economic theory of money or of a more general, non-economic approach.

An 'economic theory of money' is here taken to mean a statement of the minimal properties that the institution 'money' has to have in order to explain the coordination of private actions through the market. From this point of view, money is not a particular good subject to the law of value. Nor is it a realistic hypothesis that reproduces, in a stylised fashion, an empirical reality. It is, on the contrary, a payment system defined by a minimal set of rules on the basis of which a maximum number of possible situations can be described.

In short, the aim is to show that the market can be conceived of only on the basis of a precise institutional presupposition known as 'payment system' and that the various monetary systems that can be observed historically in market economies all fall within the scope of a unitary theory based on this notion of payment system.

Such an economic theory of money is indissociable from a broader characterisation of the social bond. Since money, as a formal mechanism, brings into play relations other than market relations, it is pointless attempting to infer it from the market or from goods, as value theoreticians claim to do. Thus the theory of money is, in this sense, necessarily non-economic. It cannot be reduced to market functionalism, as the various contributions to the present volume confirm. But it is also because money now more than ever shapes the form our societies take that its contemporary aspects have to be investigated.

The two principles that underpin the market economy—decentralisation and interdependence—are combined in a particular way. They cannot be formulated independently of each other: the fact of being able to act in a decentralised way is possible only because the interdependency between actions gives rise to a collective principle that applies to everyone, namely equivalence in exchange. Conversely, equivalence in exchange would be meaningless without individual autonomy. However, it is not sufficient to remain at this level of abstraction. We have to show how this particular combination of individual autonomy and equivalence in exchange is embodied socially and how it is put into practice. By shedding light on the links between money and debt, the notion of payment system seeks to fulfil this requirement.[9]

At the most general level, a payment system is made up of three minimal components: a *common unit of account*, which makes it possible to express economic magnitudes (prices or individual wealth), a *principle governing the process of monetisation*, which is the precondition for individuals' decentralised actions, and a *principle governing the settlement of balances* that explains how equivalence in exchange determines economic magnitudes.

These three components form the market mechanism, which plays no part in value theories. Let us clarify them by describing their social content above and beyond their technical aspect.

The Common Unit of Account

The common unit of account, which does not feature in modern economic theory because the money illusion is assumed not to exist, is 'the primary concept of a Theory of Money' according to Keynes' *A Treatise on Money*. It is the means by which relations among individuals can take a quantitative form, which is the form they generally take in our market economies but also appears elsewhere, whether among the 'Are'are, in the Rome of the Etruscan kings or in traditional African societies.[10]

It seems to be connected, more or less directly, to the idea of sovereignty, since specification of the units of measurement is generally a prerogative of the political authorities. However, it should be noted that we are dealing here with a very particular kind of sovereignty that is in no way to be confused with political power or authority in the traditional sense. The fact that this unit of account may be totally abstract—as was the case with the *livre*, *sou* and *denier*—makes it difficult to keep confined within national borders. In this case, political sovereignty—announcing the price of specie in units of account—appears to be situated within a much wider framework that transcends it.

However that may be, the existence of a common unit of account is the primary condition for social relations to be expressed quantitatively. Over and above its possible interpretations, it raises the fundamental problem of society's *nominal anchorage*. The unit of account cannot be taken as permanently settled. It is one thing to presuppose its existence—the obligatory starting point for a theory of the market that cannot be without

basis—but quite another to understand how that unit remains as a reference point through the vicissitudes of the market. This problem lies at the heart of all attempts at social regulation.

Adopting the unit of account as a reference point establishes the boundaries of the market economy, whether or not they coincide with those of political sovereignty. It is also the necessary condition for any individual action in the market. However, it is not a sufficient condition.

The Principle Governing Monetisation

In order to be able to act in the market, individuals have to have some means of payment (expressed in units of account). This ability to pay is determined not by revenues actually received during the period of market activity but rather by anticipated revenue. It is this characteristic that identifies individual actions as autonomous. Monetisation is the generic term that indicates the modes of access to means of payment that individuals have before the market opens. This availability of means of payment enables individuals to begin producing for the market (purchase of raw materials, expenditure of expected revenue, etc.). The volume of sales will confirm whether or not this activity was justifiable.[11]

In concrete terms, monetisation takes the most varied forms, depending on the payment system. In a strict gold standard system, the mere possession of metal enables individuals to obtain the means of payment, which are gold coins circulating at an official price denominated in units of account. In a credit system, it is the amount of capital and its liquidity that will determine individuals' capacity for action in the market. The ability to repay at the next term date a sum $y(1 + i)$, where i is the interest rate, shows that the individual under consideration possesses as of today wealth that can be converted into cash equal to y [equal to $y(1 + i)/1 + i$)]. The way in which that wealth is evaluated, namely on the basis of the updated value of a flow of future revenues, defines it as *capital*. The important thing to note is that, in all cases, access to the means of payment is governed by a precise social relation. This is poles apart from the dominant economic approach, which tends to present individuals as totally independent—they may not even go to market[12]—and their capacities for exchange as determined by nature.

In our modern economies, the form this relationship takes is *debt*. Individuals acquire the capacity to operate in the market only by incurring debts towards others that have to be settled under the conditions

set out in the contract. Before being able to sell, individuals have to be able to buy. This ability arises out of a relation between the individual and the whole of society, here 'others'. Obtaining means of payment accepted by all entails incurring a debt towards all. This 'debt' may take a very particular form in purely metallic money—it is reduced to the stamp—or the familiar form of indebtedness to a bank or even the more abstract form of the monetisation of capital. This process of monetisation cannot be conceptualised simply in terms of horizontal relations between individuals. Individual acknowledgements of debts (IOUs) are no more acceptable to society in a credit economy than non-officialised gold coins would be in a metallic monetary system. The means of payment fulfils its purpose only by virtue of a 'bootstrap' effect (I accept it because I'm convinced all the others do the same) that reveals a supra-individual element or, in other words, a vertical relation between individuals and an organising principle. Thus the existence of a mint or a central bank, both manifestations of a hierarchical principle, is not a redundant element that can be simply dispensed with.

Thus competing banks (that is any banks other than the central bank) can circulate their IOUs more easily than their clients (which explains why individuals and banks exchange debts in the form of credit). However, they are able to do this themselves only because a central bank ensures that those debts will be honoured, i.e. can be converted into cash.

Over and above the various concrete forms it takes, the principle governing monetisation defines what is at stake in market relations, since this is what shapes individuals' actions. To confine ourselves to a few brief indications, three main types of monetisation seem to be conceivable, depending on whether they are based on existing tangible wealth (metallic money system without credit), anticipated tangible wealth (metallic money system with credit) or anticipated abstract wealth (monetisation of capital system). This last system presupposes the generalisation of the wage relationship, which itself is a consequence of the exclusion of a proportion of agents from access to the means of payment.

However that may be, and to maintain the high level of generality, it is sufficient to note that individuals' expenditures in the market, which are subject to the principle governing monetisation, represent the decentralised actions referred to above. They express the relations of mutual indebtedness.

Two ways of capturing these expenditures are described in economic theories: one can concern oneself either with the markets for goods, which

Table 5.1 Individual revenue and expenditure

Revenues	*1*	*2*	…	n	*Total*	*Balances*
Expenditures						
1	0	d_{12}	…	d_{1n}	d_1	s_1
2	d_{21}	0	…	d_{2n}	d_2	s_2
…	…	…	…	…	…	…
n	d_{n1}	d_{n2}	…	0	d_n	s_n
Total	r_1	r_3	…	r_n	M	0

involves introducing an additional hypothesis to the list of existing goods, or directly with individuals. In the first case, examined in the past by Cantillon and Smith and today in 'strategic market games' theory, the following simple rule gives the market results: market prices are determined by the quotient of the volume of money spent in the market divided by the volume of goods brought to market. These prices may or may not differ from individuals' expectations, which is assumed to give rise to subsequent adjustments.

In the second case, the only one touched on here, the description of the market is represented by a *payments matrix*. Individuals' expenditures by purpose are entered in the rows. Reading those same data down the columns gives the revenues individuals obtain from the market. The interdependence between individual actions can be immediately understood from this matrix: individuals' revenues are nothing other than their expenditures viewed from a different standpoint (Table 5.1).

While it is evident from the matrix that the sum of the expenditures cannot be different from the sum of the revenues, there is no reason to believe that, for each individual, the sum of expenditures (d_i) is equal to the sum of receipts (r_i). On the contrary, expenditures are decided in a decentralised way and no individual has the power to decide the level of his or her revenues. In other words, individuals' monetary balances ($s_i = r_i - d_i$) are in general not zero. It is at this point that the third element, mentioned above, comes into play.

The Principle Governing the Settlement of Balances

It is important to understand clearly what these balances signify. To that end, it is undoubtedly useful to contrast the barter economy with the monetary economy.

In a barter economy, in which transactions take place bilaterally, each exchange is balanced since, by virtue of the principle of equivalence in exchange, the value each person offers is equal to the value he or she receives. It should be noted that, even in the absence of declared prices, each bilateral transaction determines a price such that the exchange is deemed to be equal. In other words, in a barter economy, no individual can possibly circumvent their budgetary constraint and equivalence in exchange is the rule in every transaction.

The same does not apply in a monetary economy. Purchases and sales are not, in themselves, exchange operations. The exchange is made up of purchase and sale *taken together*. Money does not buy the goods because it equals them in value. It is accepted in exchange for the goods because it is the means with which to purchase other goods (or to discharge the debt incurred for the expenditure). There is no sense in verifying the equivalence in exchange principle for each of the transactions taking place between individuals. Whether or not the equivalence principle has been obeyed can be verified only at the level of total currency in circulation, i.e. at the level of the payments matrix. It is only at that level that equivalence in exchange emerges as the 'moment of reckoning' in a market society, the moment at which each individual can verify in full view of everyone what his or her 'social being' is.

The existence of non-zero balances is proof that the equivalence principle has been violated. The need to settle these balances is nothing other than affirmation of the principle of equivalence in exchange. Thus the third component of the payment system is just as essential and indispensable as the other two. Settlement of these balances, or widespread acceptance of their being carried forward over time, gives rise to 'market sanctions'. Individuals in the market economy exist as volumes of wealth only by virtue of this general procedure that takes place whenever accounts are closed.

The forms this settlement takes vary considerably from system to system. In a strictly metallic monetary system, the balances are settled automatically, since any excess of expenditure over income equates to a loss of gold (that contained in the 'missing' coins) and the system can never be blocked (since expenditure is limited by the metal assets, it is impossible for balances to exceed these holdings). In such a system, individuals' wealth is made up of their gold assets, which simultaneously reveal market outcomes and the opportunities for action in the next market. Things are different in credit systems and even more complex in modern

systems in which financial securities can be monetised, a process we call capital-money creation. In particular, balances can conceivably not be settled and instead can be carried forward in time by means of financial operations of all sorts. In such systems, relations are complexified to an extreme degree. It is all the more essential not to lose sight of the fact that the principle of equivalence in exchange continues to be applied but in forms specific to the monetary economy with capital.

This rapid presentation of the notion of payment system will enable us to consider, in a rather particular way, a number of the major themes that run through the deliberations on money.

The Liquidity of Wealth and Trust in Money

A recurring difficulty in money theory is the question of the relations between money and wealth or money and capital, i.e. money as a 'store of value'.

Our rejection of value theory leads us to reject the notion of money as a store of value on the grounds that it is a response to a badly formulated problem. It was noted above that in our approach there was no equivalence between money and goods. The relation between them is not one of equivalence; rather it is instrumental in nature or 'teleological', as Simmel might have put it. From this perspective, therefore, money does not have to be given a price and cannot be treated as wealth. It is goods that have a price, not money.

Among goods broadly defined, there are some singular ones, their singularity being that they have an official price denominated in units of account and are the medium for monetisation. This is the case with gold in a metallic monetary system. In this case, to hold gold is to hold social wealth, in contrast to all other goods, which are merely private wealth. Holding this good or coinage medium enables individuals to obtain money by virtue of a rule (official price) and not by means of a sale in the market. Here again there is no equivalence relation. The monetary price of gold in the market cannot differ from the official price (under the usual assumptions). However, the exchange relation between gold and the other goods, which reflects—among other things—the variable liquidity of those goods, is determined by the market.

In other words, there is a difference in nature and not simply one of degree between the good/coinage medium and other forms of wealth. Thus the real distinction within the various forms of wealth is that

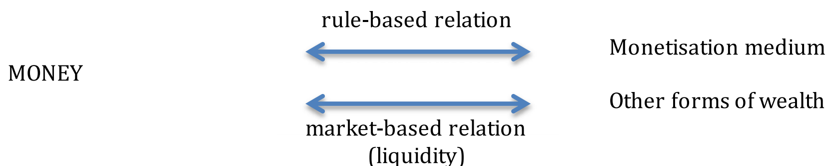

Fig. 5.1 The tripartite classification

between the coinage medium, which enables individuals to obtain means of payment without being subject to the market, and other goods, which can be converted into money only through a sale in the market, an operation of variable difficulty and risk. The coinage medium is the only good that offers absolute autonomy vis-à-vis the market.

All things considered, a tripartite classification can be identified, which is summarised in the diagram above (Fig. 5.1).

Putting this distinction into practice is easy in the 'pedagogical' case of a strict metallic monetary system. Gold can be clearly distinguished from other forms of wealth. In modern systems, on the other hand, it is difficult. Capital is a trickier reality to define. This observation is less a critique than an invitation to ask new questions and to explore new terrain hitherto concealed by the absolute domination of value theory. In contrast to the store of value, the notion of payment system brings to mind the permanence of rules and the stability of an entire institutional system, which is an entirely different question.

One essential element of this question concerns the *economy's nominal anchorage*. Market prices are money prices. As such, they are expressed in a unit of account, which does not simply reflect the existence of a supra-individual entity but also indicates that individuals accept the rules by which quantities of units of account can be obtained. Any nominal drift imperils the validity of the rules governing the creation of money. Maintaining a stable system of money creation and acceptance of the unit of account obviously go hand in hand, with the one reinforcing the other. The occurrence of periods of hyperinflation shows that the permanence of the payment system cannot be taken for granted. The durability of the relation between money and the medium through which it is created—the legal price of gold in a metallic monetary system and interest rates in modern systems—is one of the issues at stake in the control of the system as a whole.

The same applies to the ways in which balances are settled or carried forward. In addition to the question of the nominal anchorage, there is that of *systemic risk*.

Debt and the Desire for Wealth: The Liquidity Problem

The links between liquidity and the creation of money have been merely touched upon. We need to be more explicit in investigating those between liquidity and the settlement or carrying forward of balances.

In modern payment systems, balances are absorbed by redistributing capital among individuals (takeover bids, mergers, transfers, etc.). The forms this capital takes can be fairly diverse, and in fact determination of individual volumes of capital is indissociable from their grouping into types: production assets, real assets that are hardly reproducible (if at all), the most diverse financial assets, etc. Decisions on the form in which to hold capital reveal the state of opinion on the system's future. It is here that the notion of the liquidity of wealth comes fully into play.

Liquidity is, firstly, a virtual notion. It denotes the possibility of converting financial claims (or debts) into money at any moment and without any loss of capital. However, this is a possibility that exists only for as long as a large number of creditors do not decide to put it to the test at the same time, which they will do if they begin to doubt their past judgement when faced with unfavourable indices or unsettling rumours. For debtors too, liquidity is potential. It is the ability to renew debts that have fallen due or to replace old debts with new ones. It is not called into question as long as the worth of the debt issuer's signature is acknowledged. However, this worth is nothing other than the collective judgement of the financial community, which can be capricious when it comes to interpreting any signs of deterioration in debtors' solvency.

Thus liquidity is subject to shifts in collective opinion that cause it to veer from the imaginary to the real, from the virtual to the manifest. Such shifts can give rise to demands for the large-scale conversion of capital into money. A financial crisis occurs as a result of the propagation effects caused by the impossibility of satisfying these demands. Conversely, the robustness of a credit and debt system depends on a financial organisation capable of avoiding the shift to the real or diverting it by creating the supplies of money that will assuage the anguish of claim holders. These manipulations of the collective psychology bring us to the

most mysterious and controversial question concerning the viability of monetary economies, namely trust in money.

Protecting the Monetary Order and Trust in Money

A collection of private debts that serves to satisfy a desire to accumulate capital is threatened by two destructive processes, one of them implosive, the other explosive. The probability of activating one or other of them depends on the form taken by the monetary norm and hence also on agents' views on liquidity.

For example, when the final form of debt settlement is conversion into metallic coins struck in a royal mint, liquidity takes on material form in the shape of a money external to the financial system. Let us suppose that debts are substituted through the intermediary of banks that issue their own debts by discounting bills of exchange. The quality of the means of payment the banks issue depends on that of the letters of credit they discounted. However, this cannot be known deductively. It is the payment system that verifies the quality of the debts issued by the banks by means of an endogenous mechanism known as the *law of reflux*. When a bank, impelled by competition, has issued too many debts relative to the public's desire to hold them, then the monetary constraint is expressed through a demand to convert these bank debts into cash at par, either directly at the counter of the issuing bank or indirectly by deposits at other banks. In either case, the bank's cash reserves come under pressure, whether immediately or at a later stage. The need to build them up again means that the bank is subsequently obliged to issue fewer new debts than its competitors, which corrects the initial excessive issue. It is the public's endogenous need for cash that disciplines the banks' behaviour.[13]

The question arises in a different way when the banks are carried along on a wave of business optimism, which they exacerbate by liberally discounting bills of exchange or by granting credit to borrowers of whom they have little knowledge (e.g. international loans). The increase in banks' sight liabilities relative to their cash reserves may reach or even exceed a critical threshold, beyond which the ability to convert their debts may be called into question. After all, the banks have to sell letters of credit in order to obtain additional cash. If the depositors or holders of the bills of exchange issued by the banks begin to doubt that ability after a number of enterprises or trading firms have collapsed, then they will

suddenly increase their demand for cash. Under these circumstances, the law of reflux is paralyzed. A process of deflationary implosion is triggered by both a vertiginous fall in the price of commercial letters of credit and the destruction of bank debts caused by a series of bank failures.

When fiduciary money is itself a bank debt, a so-called senior debt, the elimination of convertibility into cash alters the application of the monetary norm. There is no longer any great difference between the conditions under which the money that is the medium for liquidity is issued and those under which debts are issued. Since money is created solely through the issuance of debt, all that remains is an interlocked debt structure. The stability of such a system cannot be based solely on individual rationality. There is virtual instability, since the supply of senior debt, i.e. the ultimate medium for liquidity, is perfectly elastic.

Thus an explosive process may arise out of a debt issue whose organising principle is self-referential. If new debts can always replace old ones, borrowers no longer perceive any constraints. The process of money creation no longer has any anchorage. The divorce between the issuance of debts and the constraint of regulation is pushed back on to creditors. This is reflected in an accelerated increase in prices, which devalues the totality of the debts. Liquidity no longer acts as security and refuge because its purchasing power is melting away ever faster. In this case, creditors will react by trying to find some form of anchorage outside the financial system. They seek to rid themselves of all forms of financial commitment and end up concentrating their purchases on an object of speculation (a precious metal, a foreign currency or a more prosaic good), which becomes the chosen form of liquidity. This attempt by private agents to find an anchorage outside of any financial commitment, which is the end point of an unrestrained inflationary crisis, destroys the existing monetary rules and disrupts the economy. However, it also creates the conditions for a monetary reform that re-establishes a respected monetary norm.

In order to avoid reaching these extreme situations, which have a very high social cost as the German hyperinflation of 1923 showed, for example, the institution responsible for compliance with the monetary rules has to take an action that is by its nature political. This is why monetary policy, the name by which this set of practices is denoted, is the most general level of economic regulation.

Monetary Policy: A Strategy for Maintaining the Integrity of Payment Systems

As we have seen, the conditions under which debts are regulated are essential to the independence of any market economy. Monetary policy influences these conditions by regulating the debt structure resulting from the individual projects of private agents who hope for future revenue flows expressing the increase in their wealth. This is why the authority responsible for this policy pays heed to the information coming from the financial sector. It seeks to understand the financial situation by means of indicators (interest rates, stock market indices, aggregates measuring liquidity levels, volume of credit, etc.) that indirectly reflect the tensions between creditors and debtors.

Monetary policy intercedes in order to ensure that these tensions do not exceed critical levels of intensity beyond which processes may be triggered that will damage the global economy: divergence of inflation rates, numerous bankruptcies, reduced expenditure and chronic under-employment.

This intercession poses a dual problem of viability and legitimacy. On the one hand, there are several, possibly numerous monetary policy regimes that encourage credit to evolve in such a way that the greatest share of the debts can be paid off given the available liquidities and the expected future revenues that will enable them to be settled gradually. As long as the financial variables evolve within a range within which the debts remain viable, the influence of monetary policy on the macroeconomic variables (output, employment, prices) is reduced and burdened by inertia, since the regime change in monetary policy (e.g. an increase or moderate reduction in interest rates initiated by the central bank) has little influence on credit.

On the other hand, the debt structure may become fragile when the variation in the financial conditions enters the critical zones. Agents may also show themselves to be anxious about converting their capital into money, i.e. about the degree of liquidity of their wealth, if they fear capital losses at the point at which they will have to put the possibility of conversion to the test. In these critical situations, agents' behaviour becomes sensitive to the influence of monetary policy. However, the extent of the zone of viability depends on private agents' credence in the way in which the monetary authority interprets the rules governing the payment system. If, for example, a central bank demonstrated for a long time in

the past that it would not tolerate sustained high levels of inflation, it will enjoy a greater degree of latitude to allow prices to vary temporarily in order to absorb unforeseen shocks (an oil shock or a rapid deterioration in the industrial relations climate) than a central bank that does not have such a reputation. In this latter case, the bank will be suspected of launching the economy on a trajectory leading to accelerated inflation that will give rise in turn to distribution effects, since the various forms of financial wealth are not all indexed to the same degree to the inflation rate. These potential losses of capital actually occur when the holders of imperfectly protected assets are obliged to sell.

This is why, as already indicated above, the nominal anchorage is a crucial element in trust in money. If the monetary regime is such that the expansion of credit causes agents to expect a price drift and such a drift weakens the obligation to settle by devaluing debts, then that regime is suspected of iniquity. Savers perceive that the payment system, which has to express the general interest since it constitutes the market economy's social bond, operates solely in the interest of debtors. They will then challenge the monetary rules in force by looking for a refuge outside the official system (e.g. in a foreign currency) that preserves the potential liquidity of their wealth. This triggers a wave of speculation against the national currency. This attitude among private agents reflects their mistrust of the institution responsible for monetary policy. If it is sufficiently widely shared within the financial community, it will force the central bank to change its policy by tightening the conditions for settling debts.

Systemic risk is another threat to trust in money. This threat manifests itself in contagion phenomena: large-scale sell-offs in the financial markets, fear of insolvency precipitating a tightening of the debt settlement requirements that further exacerbates the insolvency, a series of bank runs. This systemic risk is the most striking manifestation of the social role of money. The overall coherence achieved by the obligation to settle debts is not the general conciliation of private interests. On the contrary, systemic risk shows that there are situations in which the preservation of private interests gives rise to decentralised behaviours that trigger mutual reactions, the collective result of which is damaging for all. In this situation, acceptance of the money is not in question. However, the excessive stringency of the conditions governing debt repayment, which is due to the shortage of central bank money, causes economic stagnation or even depression.

The unique position of the monetary authority—the central bank in contemporary economies—can now be understood. Its daily operations within the payment system may be routine as long as the debt structure evolves within the range of viability. However, that depends on the trust agents have in the money. That trust enables them to conclude debt contracts and to manage their investments by acting as if the collective risks—cumulative deterioration of the nominal anchorage and systemic risk—were highly unlikely to materialise. Thus monetary policy, when it is predictable and stable, gives private agents a collective advantage in the form of a reference framework for evaluating the solvency of debts.

What principle of communication does the central bank have to adopt in order to secure such adherence to the monetary regime that it can be applied in practice? It has to establish a general interest discourse as a reference point. The aim here is certainly not to declare that all private interests can be reconciled. Rather it is to instil the belief that the central bank will act in such a way as to ensure that money is at the service of all, in accordance with its status as a general principle of social cohesion. It is a question of instilling social faith: trust in money is sustained by belief (Simmel 1987).

Belief and Trust

Belief is a collective process. Nevertheless, it is the product of subjective interactions between economic agents. It expresses the representation of each individual's membership of the collectivity formed by the mutual interdependence of all members of society. The collectivity is not the collection of individuals, but the totality of their relations. When the collectivity is the totality of relations instituted by the market division of labour, that membership takes the form of debt and the obligation to settle debts. This is why the ultimate means of settlement is the representative of society faced with the multiplicity of private debts. Its unanimous acceptance certainly signifies that everyone belongs to the same payment system and hence to the same system of social rules. Thus to have trust in money is to believe that others are going to accept the rules stipulating that they have to honour their debts. Thus confidence is based on the basic monetary rules of the market economy. However, the process by which it is created draws on representations and attitudes that are not simply economic behaviours.

Money is the reason of the market economy as a whole. As we showed in the first part, money expresses the totality because it is a system logic. Money as totality is the factor linking together the fundamental rules that define the payment system: the unit of account, the principle governing the creation of money and the principle governing the settlement of individual balances. These rules are universal. They make the market economy an economy of the human race that is particularly corrosive for modes of social affiliation based on status, custom and personal subordination. Money expresses a hierarchy of value by making numbers and the obligations attached to them abstract. Individuals' membership of the hierarchy of value requires them to comply with society's evaluation of them, from which are derived the settlements to be carried out. Money endows society with a system of interdependencies that maintains the impersonality of inter-individual relations. At the same time, it creates economic rationality, that is the aptitude to express individual aims and to attempt to achieve them objectively through monetary quantification. In this sense, it can be said that interdependence based on the monetary logic maintains the autonomy or freedom of the individual.

The question of trust in money is strongly influenced by this logic, in which each individual is linked to the anonymous community of others by fundamental, universally valid rules. For the individuals who participate in this system, the logic itself appears to be a basic norm that can only be presupposed. It is this relation of belonging to a system that is experienced subjectively as a belief. That belief is the relationship that individuals have with the hierarchy of value (the coherence of the fundamental rules) that establishes them as members of the market society. We can say that money appears to individuals as a basic norm of the society in which they live, in the same way as the law or a moral prohibition. Thus the belief is the expression of a vertical relation that is characteristic of the hierarchy of value. It is a relationship that cannot be questioned without causing a crisis of belonging. Thus Claude Lévi-Strauss declared that belief was the very foundation of life in society. Given the foundational nature of belief, there is necessarily a lack of knowledge, an irreducible opacity about the social whole for those individuals who act according to the fundamental rules governing money. Why do these rules exist? This is a question that does not arise in economic practice.

Thus private agents have a relationship with money that is not a contract, that is not the object of calculation and that is not transparent to

each individual in the sense that nobody can declare themselves the originator of this fundamental norm. Money is the basic precondition for the market society, and the presupposed hierarchy of value is the precondition for being able to perform calculations and to enter into contracts. Thus it can be said that to experience money practices is to experience otherness, that of the social whole relative to each individual. It might then be wondered from what mental creations this common belief of belonging to the same system of monetary rules emerges.

One possible response is to advance the hypothesis that to experience belonging to a whole that goes beyond the individual is represented mentally by the recognition of symbols. Those symbols are idealised representations that call on the collective memory of archetypal events from the past. For example, the financial crisis of 1929 is an event that is reactivated by financial market traders and commentators in the financial press every time anxiety about market stability surfaces. This reactivation never gives rise to an objective comparison of the situations. Rather, it is the point around which opinions confused by the uncertainty of the current situation crystallise. This crystallisation certainly marks the return of what had been repressed, namely the threat of panic that always lurks behind the attitudes associated with financial behaviours. There are symbols of crisis, certainly, but there are also symbols of order and pacification. This is the case with gold in those troubled periods during which, as at the end of the 1970s, all the major currencies were being eaten away by inflation. It is both the idealised memory of the gold standard and, more profoundly, the mythical virtues attributed to gold as the materialisation of sacred power that confer belief in a fixed point to which the monetary system can cling.

Thus the symbols transfer to money the attributes of sovereignty experienced in other situations, which facilitates the development of belief. Since sovereignty is one and indivisible, it is possible that the dynamic of the analogy transfers metaphors of sovereignty from the political or religious spheres to money. Trust is established through the ways in which this transfer is effected.

Another response, investigated in the present volume by J. Birouste,[14] involves saying that trust is to be found in the promise to relieve subjects' tensions. Subjects are, after all, deprived of social recognition by the division of labour. The only way for them to have their identity recognised, and thereby temporarily assuage their debt of recognition towards society, is to submit to the monetary rule. Since they continuously experience this

lack of social recognition as it constantly renews itself, individuals unanimously confer on money an emblematic power that goes beyond the symbols of power or transcendence. It follows that, even though it may rely on state or sacred symbols, trust in money is intrinsic to the universality of the logic of which it is the basis. This distinction renders the notion of the depoliticisation of money, for example, intelligible. Since money has a universal logic, without conscience and without territorial or cultural limitations, the confidence people have in it is compatible with many different forms of representation.

The Independence of the Central Banks: A Way of Legitimating Money in a Singular Historical Context

According to the arguments set out above, to legitimate money is to prevent the conflicts of interest that are inherent in the uncertainty about the future evolution of debts from becoming polarised around liquidity. This happens when certain thresholds of anxiety are breached, triggering collective phenomena. Two generic processes have been identified: the fragility of debts, which because of its possible consequences can be called 'systemic risk', and the loss of nominal anchorage, which may cause the established money to be rejected.

Money is legitimate if economic agents believe that these two thresholds will not be breached. This determines not an equilibrium but rather viable trajectories. Bankruptcies occur, but they remain individual. Disruptive price fluctuations occur in certain financial markets, but they remain localised. To keep the monetary economy within a sphere of viability is, as we saw above, a problem for monetary policy. Since the thresholds depend on the agents' belief in the validity of the monetary rules, the degrees of freedom enjoyed by monetary policy makers are all the greater the more legitimate their actions are in the eyes of private actors in the economy.

When it is hypothesised that their belief is strengthened by symbolic processes of sovereignty transfer, the legitimacy of money is apparently being placed under political tutelage since, in our contemporary societies, sovereignty is national and democratic. However, a serious difficulty arises here. For the major currencies, notably the dollar, the users' space is very far from covering that of the citizens of the issuing country or that of

the residents of that country. Moreover, the extent of that dissociation is not constant over time. Thus it would appear useful to examine the recent infatuation with central bank independence from the perspective of financial globalisation.

The Politicisation and Depoliticisation of Money

Nobody will be surprised that modern political sovereignty lies within a bounded territory, that of the nation. To mark out external borders is a founding act that is decisive in creating belonging, each citizen's relation to the national collectivity. Thus nations, by defining their own borders, strengthen each other's sovereignty. The external border is accompanied by an internal legal border that marks out the boundaries between the private and public spheres. Separating, identifying, classifying—these are the fundamental operations in a political order (boundary between the market and public services, for example, or, within the social economy: socio-occupational categories, beneficiaries of social rights, etc.). They are accomplished legitimately in the name of belief in a symbolic entity: national sovereignty.

The monetary norm, in contrast, is the basis for what has been called the 'payment system'. This is a system of abstract rules whose application is, in principle, unlimited. Money is well suited to universality; the space within which debts circulate tends to be global, homogenous and generalised. The conditions under which they are settled must be compatible with this extension.

The distinction between the economic and political spheres is not simply one between fields of practice but also, and more particularly, between modes of abstraction. Thus the legitimacy of money cannot be confused with political sovereignty. This is why we have to speak of the symbolic transfer of sovereignty between these two orders of normativity. Depending on the historical period, the dominant interaction goes in one direction or in the other. This is why money can be said to be more or less 'politicised' depending on the scale of the obstacles to the international expansion of capital.

A universal monetary order gradually came into being, spurred on by the major financial expansion of the last third of the nineteenth century. It flourished at the turning of the twentieth century but broke up when the first shots were fired in the First World War. In the gold standard, the monetary norm was formalised by the convertibility rule. Recognised as

a common higher principle by the great powers, this rule established the universality of money. It was possible to speak of an 'international monetary constitution' that was brought to bear on the regulation of national currencies, linked together like components of a global currency.[15] Thus it would be inappropriate to use the term 'monetary policy' to describe the functioning of the international monetary system during this period. Accordingly, the central banks did not need a mandate assigned to them by the political authorities. The mandate was established automatically through compliance with the convertibility rule. It was so firmly established that even the Bank of England's temporary suspension of convertibility in order to deal with certain particularly dangerous financial crises did not shatter economic agents' belief in convertibility. A universal monetary order does not, of course, preclude differences in financial power between nations, the hierarchy of positions and the supremacy of certain currencies. However, there was never any question that the Bank of England managed its key interest rate with the sole aim of regulating short-term capital movements in accordance with the convertibility rule, without giving any consideration to the possible economic or political purpose of its actions.[16]

On the contrary, the upheavals of the world wars and the trauma of the Great Depression placed some serious barriers in the way of the international expansion of capital. Moreover, the rise of new social forces changed not only political power relations but also the very issues at stake in democracy. The instituting power of national sovereignties established social rights. These rights provided the permanent legal framework for the implementation of economic policies with a social purpose. After the Second World War, we entered the Keynesian world of insular national economies of limited openness, protected by controls on capital movements. In this economic universe, money had to fall back for its legitimacy on its instrumental role of supporting social purposes, which governments converted into economic policy objectives. Monetary policies were drawn up; certain central banks in certain countries with federal political systems were even independent. However, money was an instrument of secondary importance compared with public expenditure or state action on financing. Government responsibility for all national economic policies was not contested.[17]

Within this group of national economies managed by governments declaring their intention of achieving their objectives in complete autonomy, international monetary relations were completely transformed.

They could be conflictual, as they were in the 1930s, when countries sought to export their unemployment by means of competitive devaluations and tariff barriers. The reduction of money to an instrument of public action reached its zenith at that time. After the war, Bretton Woods was an attempt at reconciliation. Contrary to what is sometimes said, this monetary system was in no way an attempt to restore the gold standard. Bretton Woods was a treaty negotiated between governments; it did not involve adherence to a universal monetary principle. This treaty was not intended to restrict the autonomy of national policies. On the contrary, the aim was to make them more efficient by means of a few rules to foster good behaviour and intergovernmental financial resources. It was a monetary disarmament treaty similar to the trade disarmament agreement that established the GATT. This treaty stipulated that international controls on capital movements were perfectly legitimate, a measure that complemented the politicisation of money. The aim was to construct a broad economic development space in which each government could conduct its own policy by virtue of mutual recognition of the means of restricting each country's baleful influence on the others. Of course, a treaty of this kind between countries of unequal power could not prevent the USA from imposing provisions that favoured it. Nevertheless, far from hampering the rapid development of Western Europe, this actually fostered it.

The pendulum was swinging towards a need to depoliticise money because the international expansion of capital, stimulated by the economic development of the 1960s, first exceeded and then simply shattered the limits set by Bretton Woods. What is so fascinating about this whole affair is that, in its initial phase, the monetarist ideology upheld a dual, contradictory postulate: on the one hand, money was to be depoliticised at nation level by applying a quantitative monetary rule, while, on the other, national autonomy was to be strengthened by means of flexible exchange rates. These two objectives were compatible only in the concept of equilibrium. The international monetary upheavals saw to it that this illusion was dispelled. They showed once again that financial freedom could give rise to the direst chaos in the absence of a universal monetary norm, because financial commitments are not self-regulating.

The mid-1980s, at the height of the dollar's instability, the crisis of international indebtedness and instability in international currency markets, saw the emergence of a twofold shift. On the one hand, there was an effort to re-establish a minimum of rules intended to foster good

behaviour among the G7 governments. On the other hand, and more importantly, a debate was launched on central bank independence. The first attempt, which was formalised in the Louvre Accord in February 1987, came to a sudden end. This agreement, which was concerned with management of the floating currency system, did not challenge the autonomy of national policies. However, partial measures of this kind, which claim to be continuing the practice of subordinating monetary sovereignty to political sovereignty while at the same time encouraging financial freedom, are doomed to failure. When the space within which debts circulate becomes global, the monetary order has to be based on a universal principle of legitimacy. This is the significance of the second debate.

The question is not that certain central banks can have independent status in certain countries: this has been the case for a very long time. *Rather the question is to put forward central bank independence as the universal principle of a new international monetary order in place of the convertibility that defined the gold standard*. Instead of a formal anchorage based on an official declaration of the price of the same metal in the various national units of account, what was being sought was an institutional anchorage based on the separation of the central bank's monetary power from governmental power within the state. This raises the following question: what belief can legitimate an institutional innovation of this kind?

Ethics and Politics

The debate on independence among economists did not approach the question in this way. It is true that the debate was particularly disappointing. Obsessed by inflation and paying scarcely any attention at all to the international monetary system, the economists' deliberations made use of broad definitions of independence. An ill-assorted series of legal provisions drawn from documents on the status of the various central banks was put forward for consideration.[18] Since the question of the legitimacy of money was never raised, the confusion between what is and what should be, i.e. between de jure and de facto independence, became inevitable. It was sufficient for a central bank to be declared independent for it to be invested with the sole virtue that seemed to interest the authors, namely being part of the battle against inflation. It was only in Europe that the international dimension was taken into account, since the

link between independence and the establishment of the monetary union was accepted as an obvious fact.

And yet the question remained. What might persuade economic agents to believe in the legitimacy of a monetary institution not subject to the authority of a democratic government? Durkheim, for example, notes that a society based on the division of labour cannot survive if there are no moral ties between individuals.[19] On a different level, ethics played a major role in the confidence private agents placed in the gold standard, above and beyond all governmental guarantees.[20] They took the validity of the international financial commitments for granted. Private debtors could go bankrupt. But entire groups of debtors could not put pressure on governments in order to implement monetary sleights of hand in such a way as to reduce the value of their debts. This meant that public debtors could be treated in the same way as private debtors. Agents believed in the primacy of financial commitments over political concerns. Since the nominal value of a debt was universally acknowledged, the security that represented it could circulate within a vast space. Liquidity was assured, thanks to the variety of types of credits and the scales of transactions in the markets.[21] Furthermore, apart from the serious disruptions caused by major individual bankruptcies, fairly restricted fluctuations in interest rates meant that indebtedness could be controlled.

However, believing in this primacy of ethics meant believing in a source of sovereignty greater than national sovereignty. It was undoubtedly here that the symbolic investment in the belief in the virtues attributed to gold was able to come into play. Since gold appeared to be radically different from debts, it was their impartial measure, the intangible external norm that could not be manipulated. It is here that we come face to face with the mechanism of belief: the distancing from the object of belief is the source of its collective strength.

How could central bank independence sustain a monetary order today that could lend credence to financial commitments covering the whole of the planet? There is no answer to this question. The responses given to the problem of central bank legitimacy are, for the time being, very diverse indeed.

In the approach adopted in the English-speaking world, there is no question at all of ethics. The central bank is an institution within the state that is independent of the executive. It is delegated by parliament, to which the central bank is answerable. Thus central bank independence is embedded within democratic sovereignty. However, in the USA

for example, controlling the actions of the central bank is the subject of a specific procedure. The bank cannot be sanctioned by a vote in Congress. There are periodic, public hearings before the relevant congressional committees. On such occasions, the chair of the Federal Reserve has to explain and justify the monetary policy pursued in the preceding months. Widely reported in the media, these hearings, as well as the Federal Reserve's press releases, feed into more ramified debates within the financial community. The central bank's legitimacy does not benefit at all from the exteriority that applied to the gold standard. It is fragile and challenged and has to be acquired as part of the political process. It is the result of a dialectic that brings the Federal Reserve into contact with the forces that shape economic life.

The importance of ethics was restored with the establishment of the Bundesbank, whose independence placed it at some distance from the political authorities, an exteriority enshrined in the Federal Republic of Germany's Basic Law (*Grundgesetz*) or constitution. This primacy of ethics over politics stemmed from the ordoliberal philosophy that inspired Germany's renewal after the total collapse of the state and of society in 1945. The explicit aim of ordoliberalism is a monetary constitution that protects individual liberty against any kind of arbitrary power, whether it originates from the state or from private interest groups.[22] This is a more profound concept of independence than the independence within the state that prevails in the English-speaking world. This is why the imposition of this model across Europe was to cause major problems, of which the politicians responsible for it seemed scarcely aware. However, it is a model that claims to be the matrix of a new international monetary constitution, for Europe at least.

In the ordoliberal concept, money is explicitly conceived as the basic norm that enables prices to be 'fair prices' that express the general will. The idea of an alliance between each citizen and society as a whole resurfaces here once again. The monetary order is an organic representation of society perceived as a community. This civic conception expresses a belief in a source of sovereignty that legitimates the central bank as an arbitral institution in the same way as the judiciary. The central bank is said to be legitimate because it is an ethical imperative that its actions comply with the monetary order. Since its decisions are endowed with normative value, there is no need for the central bank to be answerable to parliament.

Germans' belief in the Deutschmark is linked to the identification of harmony in the order and stability of money. German public opinion

equates social disorder and inflation. Loss of control over money would be experienced as a symptom of the degradation of the German nation. Conversely, the nation's unity is constituted around the Deutschmark. It is a pillar of democracy because it is closely linked to the integrity of the social order.

Towards a New International Monetary Order

The forms of monetary control are subject to continual change under the effect of financial globalisation. It became clear in the 1980s that international monetary relations were particularly vulnerable to the shocks of all kinds that rock the global economy. Nevertheless, the instability that gripped the relations between currencies did not degenerate into a generalised financial crisis. The central banks of the countries issuing the major currencies commonly used for international trade were sufficiently aware of the financial tensions and worked together in risky situations in order to avoid spreading the systemic risk.

In the 1990s, however, financial globalisation spread even further, reaching the long-term securities markets and extending to new countries. Major adverse events, such as the Mexican crisis of early 1995 or the Asian crisis of 1997, showed that global financial stability was in question and that international monetary policy had to be more coherent and go beyond emergency measures designed simply to stop individual crises from boiling over.

The universal mobility of capital amplifies the economic distortions caused by disagreements between national authorities on the conduct of monetary policy. Financial freedom greatly increased the flexibility of credit and widened the choices of financial investments. However, this adversely affected the predictability of the financial variables and therefore also confidence in any particular currency relative to another.

The de facto solidarity between countries resulting from financial integration made it necessary to internationalise the control of money. An international monetary regime tends to establish itself through the strength of the competition between currencies that plays out in the financial markets. It is the responsibility of the monetary authorities to ensure that this regime is not chaotic. However, we have shown that money is a social principle that acquires the character of a collective object through the rules constituting the payment system. Financial globalisation makes this principle supranational. However, as a result of money's complicity

with sovereignty, the centres of monetary management remain national in character. In order to ensure the stability of the international monetary regime, the national authorities have to overcome the contradictions of their national interests in order to manage the international monetary system as a collective good.

After the Second World War, the problem was solved by the hegemony of a key currency, the US dollar, in a system that seriously restricted the international mobility of capital. The expansionary forces of capitalism broke the bounds of the Bretton Woods system and eventually destroyed it. We are now in a different era, one in which the respective strengths of the principal currencies make global cooperation necessary. What form might it take?

Since the monetary system evolves in tandem with the trends in financial globalisation, the institutions responsible for ensuring that it functions properly must be able to communicate with the international financial markets. The institutions best suited to this task are those independent central banks that have mutually compatible approaches to the responsibilities that their independence requires them to shoulder.

Why do we say that an accord between independent central banks is the means by which an international monetary constitution is to come into being? This notion of accord has to be understood in the broad sense of a common, tacitly recognised higher principle, not in the legal sense of a bill that codifies some basic norms. This notion denotes a set of institutions and ideas that isolate monetary policy decisions from political pressures as far as possible. These possible pressures do not emanate solely from governments. They may equally well issue from political parties, business lobbies or the financial community. It is in this respect that the independence of the central banks is the institutional form of a monetary legitimacy that extends beyond national borders.

It remains to be considered what the content of this legitimacy might be as central bank independence becomes generalised. The first aspect is a process of mutual learning by which the central banks will agree on a common view on what monetary stability means. This may prevent them from defending national monetary rules that may, over time, prove to be incompatible (e.g. fixed exchange rates between currencies when the rates of credit expansion tolerated by the central banks differ considerably). However, this would not guarantee a reduction in financial instability, since greater uniformity of monetary doctrines establishes a parallel with

the relative degrees of confidence accorded to various currencies in international payments. Consequently, private agents seeking liquidity will be alert to short-term differences between investment instruments denominated in different currencies, even though the prospects for medium-term returns are similar. Substitutions between currencies via the intermediary of the cash investments that fuel endemic financial instability must be expected. Thus more coherent monetary policies in a financial environment that is a sound box for shocks of all kinds lead us to expect fewer systematic distortions in interest and exchange rates but greater volatility.

However, independent central banks are better equipped than governments to interact with the markets. By virtue of the information they acquire from their daily presence in the financial markets, they may—if they have the same approach to stability—seek to damp down exchange rate instability on condition that their actions do not conflict with the permanence of the nominal anchorage of prices. They also can and should defuse financial crises that have the power to spread internationally. In order for these interventions to be appropriate, the club of central banks will be prompted to put in place a prudential monitoring system, with shared information and analysis arrangements: information on the interdependencies between financial markets, identification of the financial establishments playing critical roles in market liquidity and monitoring of capital flows and of fluctuations in asset prices, which may be symptoms of destabilising speculation.

Thus from the challenges posed by the changes in finance there emerges an interactive process leading to the establishment of a set of institutions and practices that seek to bring the forms of legitimacy into close correspondence with the universality of the monetary phenomenon.

Notes

1. N. Élias, *The Society of Individuals*, New York, London, Continuum, 1991.
2. J.-M. Thiveaud and B. Théret develop this theme at considerable length; it runs like a thread through the whole of the book (*La Monnaie souveraine*—editors' note).
3. The reference here is to the introduction to *La Monnaie souveraine*, which is reproduced in Chapter 4 of this anthology (Editors' note).
4. Recently, at an important conference, an undisputed theoretician of money, Martin Hellwig, attempted to explain to the whole of the profession that the five fundamental questions relating to money remained

unresolved. He concluded that 'we do not yet have a suitable theoretical framework for investigating the working of a monetary economy' (Hellwig 1993: 216).

5. A non-technical account of all these questions can be found in Cartelier (1995).
6. A. Orléan shows that trust, an essential element of any analysis of money, cannot be reduced to a rational calculation in terms of utility.
7. *La Monnaie souveraine* (Editors' note).
8. J. Birouste's contribution is given over entirely to a psychological analysis of money.
9. The notion of payment system is the abstract expression, adapted to economic theory, of a concept of money that essentially falls outside the scope of economics. Besides the articles by J.-M. Thiveaud and B. Théret that have already been mentioned, the reader is referred to those by D. de Coppet and J. Andreau, which are given over to precise analyses of money in non-market societies.
10. See the articles, already cited, by D. de Coppet and J. Andreau, as well as that by J.-M. Servet.
11. By reducing the description of the market to the direct or indirect exchange of an initial endowment in factors of production, general equilibrium theory since Smith has greatly reduced the traditional representation of the market division of economic activities.
12. The reference here is to the hypothesis that agents' initial endowments enable them to live without recourse to the market. While presented as 'technical' (without it, demand functions would not be continuous and general equilibrium might not exist), this hypothesis has profound philosophical implications: the voluntary constitution of society on the basis of individual interests that can be understood in the absence of any society.
13. White (1989).
14. This is a reference to the chapter in *La Monnaie souveraine* entitled 'Confiance et monnaie, Psychologies des liens réparateur, protecteur et intégrateur', 325–356 (Editors' note).
15. Bordo (1981).
16. Sayers (1976).
17. Radcliffe Report, *Committee on the Working of the Monetary System*, 1959.
18. Alesina and Grilli (1991).
19. Durkheim (1984).
20. Frankel (1977).
21. Thomas (1981).
22. Dehay (1995).

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CHAPTER 6

Universality of the Monetary Phenomenon and Plurality of Moneys: From Colonial Confrontation to Confluence of the Social Sciences

Jean-Michel Servet, Bruno Théret, and Zeynep Yildirim

When analysing any social phenomenon, encounters among different social science disciplines and fields of investigation dispersed over time and space may well produce illusory rapprochements. Such encounters nevertheless have great potential for producing truly common knowledge. In matters of money, they provide an incentive to perceive money as a virtually universal phenomenon, while pointing up a considerable diversity of

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monetary instruments, uses and representations, without there necessarily being any continuity within that diversity.

These encounters are also reminiscent of the confrontation between different representations of money brought about by colonisation. In most societies that came into contact with Europeans and then came under the yoke of colonial rule, in some cases as early as the sixteenth century, the ingress of an alien element often resulted in a problematic substitution of monetary instruments[1]: coins, then notes and new units of account, first competed with or supplemented, and then superseded old monetary practices. Likewise, the intellectual encounter between disciplines and multiple fields of enquiry kindles a confrontation between different conceptions of money from a point of view which first competes with and then replaces the shared ground both of the economic theory of commodity money based on the fable of barter and that of the chartalist legal theory based on the doctrine of absolute power of the state. Admittedly, acting as if an interdisciplinary approach looking to promote the unity of social science was in any position to colonise the discourse of economics and law may seem like a pipe dream, since the present tendency is rather, on the contrary, for the entire field of social sciences to be invaded by the formal discourse of economics. But the conceptualisation of money is probably the weak link, even the Achilles heel of economics (and of the doctrine of public law). Moreover, it is not a question of colonising the territories of economics and of law since, even if the field of knowledge about society is not free of relations of domination, one cannot impose a point of view on it by using physical force. This is all the more true since the point of view in question is predicated on the idea that one should not warp the phenomena we observe, by interpreting them on the basis of what they ought to be if they are to fit the a priori ideas one has of them. The heuristic superiority of a conception of money as a universal anthropological concept and total social phenomenon can only be demonstrated by persuasion and cooperation between equals and thus

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replace the conception that makes money an exclusive economic invention of Western capitalist modernity.

From this perspective, we shall play simultaneously here on the two registers of the colonial confrontation of representations of 'savage' and 'modern' money, and of the scientifically oriented confrontation of interpretations concerning the nature and forms of money prevalent in different disciplines of social sciences and in various historical and cultural contexts. The former informs, in particular, the question of the universality of the monetary phenomenon, while the latter, that of the variety of moneys and their social uses across cultures. Together, they reveal that the universality of money is anthropological and not historical in its nature, and that modern Western money, being just one historical money among others, cannot therefore claim to be universal and the bearer of the ultimate truth of all money. To tell the truth, one believes in the universal and/or historically accomplished character of modern money—if one does believe in it—only because it is associated in the mindset of present times with the figure of that other would-be 'universal' which is the nation state.[2]

The two types of confrontation teach us that the monetary institution of society is based on three types of social relations: relation to self, relation to others and a relation to the 'social totality' that transcends individualities and groups. The cultural variations and historical evolution of the forms of these relations and of the specific way of thinking of the social totality do indeed involve various representations and experiences of the monetary institution of society as well as the radically different processes of production of trust, in and by money. Yet this diversity is in no way contradictory to the idea that the monetary phenomenon is universal, that is, that money is an essential institution of most societies.

It is therefore important to distinguish the question of the universality of the monetary phenomenon within human communities established in societies (part 1) from the affirmation of a historical convergence towards a unity of the phenomenon, in the manner of Karl Marx in *Capital* (Book 1, Section 1) or J. F. Knapp in his *State Theory of Money* (part 2). Providing a unitary definition of money, which does not exclude the plurality of moneys, raises some fundamental questions which remain largely unresolved as they are either not perceived or else poorly framed because of a European-centred approach. This will be done on the basis of specificities revealed by colonial confrontations and highlighted by a

number of anthropologists and historians,[3] but not without taking a critical look at certain claims (for example, that there have been 'moneyless' societies).

Universality of the Monetary Phenomenon

The confrontation between different monetary systems brought about by colonisation but also through 'thought experiments' serves as a sort of laboratory by which to highlight monetary structures and developments in a limited time and space beyond local specificities and particularisms. But the analysis of the variants of the crisis generated by the colonial context—that of the Melanesian cases in particular (Akin and Robbins 1999)—fails to reveal any general rules of transformation of a fundamentally unified model, the key to which would lie in the observation of certain European societies and which would be, everywhere and at all times, the unavoidable and impassable horizon of a historical convergence of any monetary institution, the colonial constraint being then assumed to be a mere historical accelerator of this supposedly necessary convergence. At best, it can be considered that the monetary confrontation between different systems introduced de facto by colonisation played and still plays, when the old system has not been completely eradicated, the role of an historical accelerator of certain potentialities of the pre-colonial systems. It is then that these systems reveal their properly monetary nature, which did not necessarily appear before the confrontation.

The universality of money can therefore appear in this case through the diversity of monetary systems and their confrontation. The case of the Yucuna Indians, such as analysed by Laurent Fontaine (2007), provides a perfect illustration of this. It is through its confrontation with the Colombian peso that the coca leaf appears as money. The confrontation reveals that the coca leaf is money, that is to say it functions as money in Yucuna society; the confrontation operates in a way like a telescope whose greater resolution enables the discovery of a new planet; the planet existed before the telescope spotted it, but was unknown to us.

Another example is the episodes of 'hyperinflation' of cowries in West Africa (Hogendorn and Johnson 1986) and in Orissa (northeast coast of India) in the second half of the nineteenth century and in New Guinea in the twentieth century (Gregory 1996, 1997). In the seventeenth and eighteenth centuries, as far as West Africa is concerned, colonisation initially took the form of an alliance between local authorities and

European traders who sought to acquire slaves to export to America and the West Indies, paying for them in local currency. Bypassing traditional Saharan trails—which were the routes for the export of slaves and gold and for the import of cowries—through the Atlantic, European traders then brought cowries (shells from the Maldives in the heart of the Indian Ocean) in mass to West Africa, where these were traditionally tender as money. But then, at the end of the nineteenth century, colonisation took a direct and more violent form in many parts of sub-Saharan Africa. The colonisers marked their presence politically and symbolically from then on by publicly destroying old local means of payment and forcing the people to pay taxes with the coins that the merchants provided in exchange for commercial crops or harvest products. As the demand for money in cowry shells collapsed due to restrictions on their use in transactions with Whites, the result was a 'hyperinflation' of cowries, that largely destabilised the local value systems, in which they nevertheless continued to be tender and circulate for more than another half a century. The introduction of European moneys by substitution then occurred more or less rapidly, more or less intensively, with varying degrees of resistance and consent from the populations and certain social strata.[4] This phenomenon was repeated in New Guinea in the twentieth century.

What does this confrontation teach us? Not that cowries are not recognised from the beginning as money, but an illusion about the nature of this money. A double illusion illustrated on the one hand, by the fact that cowries (and other traditional moneys) continue to be used as money in local social exchanges—which the colonisers interpret as barter[5]—long after the colonisers impose their money; on the other hand by the contemporary interpretation of this hyperinflation using the quantitative theory of money.[6] This double illusion shows that money is merely utilitarian and mercantile for Western thinkers and administrators.

The European presence acts again here like a photographic developer: the confrontation between monetary practices and systems trains the focus on these practices and their differences, while it is a source of potentially reciprocal illusions about the nature of money-things and the monetary practices of the Other, making it all the more difficult to analyse.

Universality of the Monetary Phenomenon and Discontinuities of Monetary Experiences: Mauss Versus Simiand?

Because of such illusions, it is understandable that the universality of the monetary phenomenon, in the sense in which it is meant here as an anthropological universal, an operator of social totalisation, has been and remains contentious. It was contended de facto, as just seen, by the majority of colonisers, who did not imagine that there could be other uses of money as an instrument of payment and account than those specific to their own money. It is still conceptually contested by certain anthropologists and sociologists who, on the verge of admitting it, seem suddenly frightened by the logical implications. Certain criticisms of the book *La Monnaie souveraine* (Aglietta and Orléan 1998) bear witness to such misgivings, which in our opinion are due to the ambivalence of the very notion of the universality of money. According to these criticisms, it would be illusory to liken savage moneys and modern moneys because the latter are ultimately the only real moneys. Let us pause for a moment to examine these claims before returning to the teachings of colonial confrontations.

These criticisms are based on the idea that *La Monnaie souveraine* posits a 'continuity of the monetary phenomenon' (Grenier 2000: 1341), a continuity between exotic moneys and mercantile moneys that does not hold water or at least ought to be better established. For Alain Caillé (2002: 246):

> The book fails to ask this albeit essential question of the self-consistency of money through some very varied social and symbolic arrangements. Better or worse still, it deflects the question without saying so, as if to better accredit the implicit assertion of monetary identity and permanence, without arguing it as such.

Yet for this sociologist, if 'money plays a significant symbolic and material role' in 'savage' societies as in modern societies:

> this role is so different in the two cases that it would probably be better to stop talking about money to refer to goods of archaic value. Each of these two universes is structured by a series of equations each time solved in terms of a certain monetary amount. But it is not the same money. (Caillé 1995: 19)

The historian Sylvain Piron says the same thing in his own way: the price paid for the comparative study in *La Monnaie souveraine* is that it has 'a blind spot'. Money is actually conceived of there:

> as an ahistorical principle which supposedly always expresses the same relation to the social totality, the variations affecting only the ways in which this totality is constructed. This oversight of historicity is besides expressly laid claim to on various occasions through the readiness to identify an 'archaism' at work in the monetary phenomenon that economic thought is supposedly unable to grasp. (Piron 2002: 257)

The anthropologist and philosopher Marcel Hénaff considers that the book in question may well be on the 'wrong track' since its 'contributions [...] are put into perspective according to the hypothesis of a genealogical continuity between ceremonial money and modern money' (Hénaff 2002: 403). For Hénaff, in fact, one can only 'strictly speak of money in the situation of market exchange...' (ibid.: 406).[7] This reiterates Simiand's position in a debate contradicting Mauss, and restated by historian Jean-Yves Grenier: 'money must be considered a new institution, tied to modernity' (Grenier 2000: 1341), a position which is obviously opposed to the following formulation by André Orléan: 'In any age, the monetary phenomenon has a "holistic", strictly archaic dimension [...] the logic of which would radically elude the modernity of the economic order' (Orléan 1998). In this regard, Grenier recollects the content and the methodological issue at stake in the Mauss/Simiand debate, regretting that it was not taken into account.

It is probably not too late to do so by first recalling that no evolutionary hypothesis of the passage from a 'primitive' form of money—the money of the reciprocal gift as described by Mauss, for example—to the modern mercantile form of money is posited or rejected in *La Monnaie souveraine*. The only ideas considered in it are on the one hand that market exchange presupposes the existence of money, and that on the other hand the origin of money can be found in sacrificial payments, that is, in debts generated not by horizontal exchanges governed by a principle of reciprocity, but by vertical 'exchanges' between humans and the powers they recognise as sovereign.[8] This founding link between money and sacrifice, moreover, somewhat relativises the universal character of money because all societies, especially those of hunter-gatherers, do not

know sacrificial rites. Hénaff (2002: 219 ff.)[9] claims that sacrificial practices are only instituted in agro-pastoral societies in which humans seek to dominate nature by domesticating it to control life, which is equivalent to encroaching on the domain of the cosmic powers, posited as sovereigns, and to creating a debt towards them:

> Sacrifice would be the process by which, by sacrificing a living person, men restore to the gods ultimate control over nature and, above all, over the life that they have partially appropriated. […] At the same time, the order of the world shifts, passing from the horizontal to the vertical. (Hénaff 2002: 232 and 229)

These considerations suggest that modern and archaic forms of money share a common nature, that of being in an immediate relation to the debt of life and to sovereignty. This 'nature' is a direct observation for exotic and ancient moneys. The fact that this nature is at the heart of modern Western money can be deduced genealogically from the fact that modern money belongs to the heritage of ancient Greco-Roman moneys (Aglietta 2007). *Money*, as an abstract universal concept, is what is common to concrete *moneys* which can, when this general concept is laid down, be considered as forms specific to each societal context of money 'in general'. Thus it is their general nature of money which means that some Melanesian community currencies can fit into the framework of an expanding market economy supported first by the presence of foreign colonial moneys, and next by post-colonial state moneys (Parry and Bloch 1989; Akin and Robbins 1999).

The problem developed in *La Monnaie souveraine* lies thus halfway between Mauss and Simiand. It takes the idea from Mauss against Simiand that the analysis of savage and archaic moneys provides a better understanding of modern money, only by seeking in it what is common to any money, and not, as Mauss does, by positing an evolutionary hypothesis of historical continuity between these moneys, based on the approximation of the logics of exchange by gift-giving and of market exchange.[10] With Simiand, *La Monnaie souveraine* develops the idea that money as a collective belief, 'social faith' (Simiand) or 'socio-psychological, quasi-religious faith' (Simmel), does not arise from contract, or from the state, but from society as a whole and from its social cohesion. However, unlike Simiand who considers money a characteristic feature of modernity, *La Monnaie*

souveraine derives this characteristic from the comparative study of non-modern societies, which allows it to draw the conclusion that monetary representation of the social whole is quasi-universal.

To sum up, if one defines money in relation to the debt of life and sovereignty (so to life and death in both their individual and collective forms as in *La Monnaie souveraine*), then it is indeed an 'a-historical principle', that is, an anthropological invariant on a par with the taboo of incest. But such a principle does not lead to any rejection or 'oversight of historicity' or of the geographical and cultural variety of the monetary phenomenon. In this way:

> The study of the monetary phenomenon must consist simultaneously of: both a theoretical analysis producing a transhistorical definition of the concept of money, and a historical approach comparing and contrasting the abstraction thus constructed against the 'experience' of multiple monetary practices observable in time and space. (Courbis et al. 1990: 5)

Does affirming the universality of the incest taboo lead to positing all systems of kinship as identical? Are modern forms of kinship in logical continuity with the kinship systems of segmental societies because they perpetuate the obligation of exogamy? Obviously not! In short, we agree to consider that savage, ceremonial and other moneys are radically different from modern mercantile moneys, but not that they 'have nothing to do' with them, as Hénaff affirms (2002: 402). Conceptually they all operate as units of account and means of payment, even if the nature of what they count and pay for may be very different or be thought of as very different (Blanc 2000). They are all instruments of quantification, circulation and totalisation of what is recognised as value in a society. Here and there they turn obligations into debts and rights into credit. So money has no history, it has multiple histories that are part of more or less diversified cultures and temporal trajectories, but which have something in common, at a high level of abstraction. They share the fact that sociality or 'sociation', as Max Weber would put it, has a primary and unavoidable monetary form, related to a general characteristic of human intelligence: its ability to manipulate signs including numbers and to use them to build up a picture of society as a whole.

All Societies Have Money: An Anthropologically Fruitful Research Hypothesis for Rereading the History of Colonisation

Let us go back to our parallel with astronomy. But let us put the telescope aside and turn to the logical reasoning of mathematical astronomy which enabled Urbain Le Verrier to anticipate the discovery of Neptune. Why not, in effect, posit the hypothesis that any society, except maybe groups of hunter-gatherers, knows money; and that money is no longer to be observed in reference to our modern monetary practices, but to be identified on the basis of the traces of money in general, which we have just defined from its uses of account and payment. From this perspective, colonial confrontations can take on a different meaning.

In this area, there is actually a troubling observation to be made. In view of the fact that most present-day societies have at least indirectly been in contact with Europeans for a very long time, the overabundance of moneys affirmed in the writings on societies of Oceania contrasts surprisingly with their scarcity in the literature on Amerindian societies, except for the fine examples of the *wampum* of eastern North America, the precious *potlatch* goods from the North American West coast, and goods filling palaeomonetary functions such as cocoa in ancient Mexico.[11] This finding suggests the disappearance of many pre-Colombian American moneys after the defeat against the White invaders and the consequent failure of the collective identity of the Amerindians, thus a loss of sovereignty.[12] In contrast, the flourishing of moneys in Oceania seemingly affirms the collective and particular identity of each of the various groups in relation to each other, reinforced in the general context of a direct or indirect clash with so-called Western culture. Some of these moneys may even have partly become inverted mirrors of … our own moneys, unbeknown to their foreign observers in colonial or neocolonial contexts, similarly to what cargo cults produced (Worsley 1977).[13]

We need only one example here to make such a hypothesis plausible, that of the Desana Indians of the Upper Rio Negro region in Brazil.[14] These people, in direct or indirect contact with Europeans since the eighteenth century, attribute the origin of smallpox and measles to the introduction of glass beads by them. The beads are, along with mirrors, bells, cotton fabrics, hooks, knives, axes and machetes, gifted counterparts or witnesses of relations that Whites considered as trade with these populations. These beads are not designated as 'money' although the social functions of such precious goods in Native American societies are

comparable to what is called money in other cultures, in particular some societies in Oceania or Africa; money from an anthropological point of view, palaeomoney[15] from a numismatic point of view.

Yet according to a myth collected from a Kubu shaman of the Urucu River among these Amerindians of the Upper Rio Negro region, the ancestor of the Whites, Suribo-Goabi, was cooking glass beads in a pot when he accidentally spilled the froth from this cooking; the froth then changed into measles. In another myth, collected near the Tiquié River, the first white women of humanity picked glass beads hanging from a tree to make necklaces; they then offered them to Indian women, who contracted measles shortly after. Note that these beads in the myth itself come from Whites. Whether it is cooking in the first case, or picking in the second, what can be considered palaeomoney-beads is thus subject to a kind of hijacking of food. Through the analogy between palaeomoney and the cooked food or the fruit picked to become adornment, this opposition meets all the mythical materials making palaeomoneys edible antimatters,[16] and beyond, the object of the 'anal character of money' put forward by a large number of psychoanalysts (Borneman 1978).

The analogy between these beads and the rash that characterises both smallpox and measles sheds light on the transformation that takes place between these beads and these two 'skin' diseases. Unlike the flu, from which these Indians seek to protect themselves, for example, by refusing to carry crates suspected of containing it, these Amerindian populations have not refused the gift or exchange and use of beads. Note that these are myths of origin not of money but of those epidemics brought by the Whites, which are particularly deadly for the Amerindians. The myth gives them for origin, a means of circulation or payment treated abnormally as food or fruit (through the act of cooking or picking it). And this dietary practice of a thing which has a circulatory or payment social function that opposes its consumption constitutes a transgression of a prohibition which the disease comes to sanction.

Because of their disastrous consequences, these beads can be understood in this society, as a kind of 'bad money', on which, let us not forget, the myth confers an exogenous origin. What can be noted is that palaeomonetary beads, acquired through ties or exchanges with Whites, give rise to illness and death. And yet these Amerindians circulate them … in the same way as what it is possible to designate by the common term called money in other societies. The ambivalence of 'money', which is part of life (circulation) on the one hand, and of death (stopping circulation)

on the other, is thus found even in those social forms often thought of as archaic, or even as being moneyless. If we want to consider this introduction of beads as part of Westernisation, it is possible to understand it as a common revealing agent of 'their moneys' and of 'our Money'.[17]

The Question of Account (Number)

Numerous examples of 'exotic' moneys also point out that what is sometimes referred to as the 'dematerialisation' process of money, in respect to the evolution of the media of monetary practice from books of account to computers, not only is not strictly speaking abstraction but is not even 'modern'. Abstraction is at the heart of the oldest known manifestations of money.[18]

To demonetise so-called 'primitive' moneys, the coloniser often likened them to barter goods and projected the primary utilitarianism of what he believed to be the 'market economy' onto the Other. The deceptively non-abstract conception of 'savage' moneys was thus disseminated. The question of monetary abstraction primarily referring to the practice of account, the rejection of a functional and utilitarian definition of money and its inclusion in a system of social relations require the question of numeration and its potential monetary dimension to be tackled.

Polish historian Witold Kula clearly showed how, in many societies, the numeration of a certain number of goods or persons was taboo, a taboo which can be understood as a refusal to tax or to commodify these goods (Servet 1989). Not only is a tie found here with modern money in its dual fiscal and market dimensions (Théret 1998), but one is also led to think that money is more generally and essentially part of the very origins of humanity, in the definition of the standards of social relations. These standards can be durably and universally recognised through matrimonial compensations, ritual offerings, instruments of political alliance, etc., so many social acts that require codifications and abstractions. Here we find rites of transfer and scholarly codifications, standard settlement methods and units of account, methods of preserving debts and credits, etc. All these factors lead us to believe that not only does money not emerge as a functional necessity to respond to the difficulties of 'barter', but that, more generally, it is not born in the immediate order of relations of production and exchange. On the contrary, money as an instrument of codification and as a process of standardisation, is a prerequisite for the development of what is called the 'market economy'. This is why, when

Europeans massively introduced local means of payment which also served as units of account, as in the case already mentioned of cowries, or, as in Oceania, they produced copies of them, they depreciated these traditional instruments and thus seriously affected their ability to order society, not only in commercial relations, but also in all internal and external relations to communities, in which they were used as a measure.

In addition, monetary standardisation does not necessarily or exclusively require the fixing of a value or price (in the very general sense and not only in the market sense of these terms including 'tariffs'), it can also limit itself to ordering values. In other words, it can be thought of from a cardinal or ordinal perspective, in a market logic of *worth against* or reciprocal logic of *worth for*. With colonisation, the cardinal and the ordinal can interweave or overlap as in the case of the Wodani shell moneys studied by Stéphane Breton. These have at one and the same time: (1) *individual names* (referring to their particular quality which modulates their value around that of their denomination); (2) *class denominations*: (four, the differentiation of which is 'based on morphological criteria and not on value', although they are hierarchical to the extent that moneys of greater value are found in certain classes and not in others); (3) *ranks*: (nineteen, the lowest of which may be found in different classes); (4) *values*: (value 'calibrated on a scale of 3,000 to 1, which is roughly equivalent to the value in thousands of Indonesian rupiahs') (Breton 2002b: 228).

Two systems of account thus appear to be in competition-complementarity, since the ordinal calibration in thousands of Indonesian rupiahs is superimposed on the cardinal representation according to which shell moneys are divisional moneys (dismemberments) hierarchised according to ranks corresponding metaphorically to parts of the monetary unit which is the body of the person. Indeed, in this society, 'money is defined as an iconic representation of the person, a kind of total person', which, moreover, is a 'metonym of the original body', that of the primordial ancestor whose self-sacrifice by dismemberment is at the origin of the society and its money (Breton 2002b: 222).

Monetary instruments of numeration or qualification may also be confused with circulating money-things, or differentiated from them as in the example of totally abstract units of account. Nevertheless, one cannot subject, as so many economists who adopt a functional approach to money, and various anthropologists who favour the presentation of the uses and circulatory properties of 'exotic' moneys do, the analysis of

account and ordering practices to understanding the payment or clearance function of money in social exchanges.[19] For as not all human societies have conflated the development of accounts on the one hand and payment on the other hand in the same instruments, the analysis of practices of accounting and ordering must first be carried out independently of monetary practices in their circulatory aspects, and only then include the articulations of the account and circulation.[20] Despite their denials, an economistic oversight prevails among many anthropologists in this field, who thus join the approaches of most numismatists.

Market or Plurality of Spheres of Exchange

Finally, while the greatest precautions are taken to say that 'exotic' moneys have something to do with our moneys but are nevertheless radically different, the term market is very often used by the same authors without being truly defined. This is evidenced by the fact that according to various observers, the same movement of goods in the same society will be called exchange of gifts for gifts or qualified as market … Travellers' accounts reveal here too, this encounter between worlds and 'double illusions', as they were rightly designated by Daniel de Coppet (Rivallain 1994). This is especially the case of the encounters between Westerners and colonised peoples because the ideas of both about the 'market' may be very different, as any reciprocal ability to trade does not imply that the traders place the exchange within the framework of identical institutions (Servet 1992).

All human societies experience a plurality of ways of transferring goods (not just 'gifts' versus 'trade'). The simple opposition between gift and market is highly reductive in order to fully understand the logics at play and the evolution experienced by the forms of circulation over time.[21] The spotlight on the gift has however the virtue, essential in our eyes, of recalling that the ideology of the market and its economistic myths are not the alpha and the omega of the human condition… Thus the work of questioning preconceived ideas, begun in *La Monnaie souveraine* about money, should also be undertaken about the market. Karl Polanyi and the substantivist approaches of economic anthropology, engaged this criticism over half a century ago by developing the theoretical distinction between port of commerce and market place; nevertheless, much remains to be done to understand that within contemporary societies, the unity

of the market is a sham, an illusion that permeates our representation of money (Servet 2005).

This rereading of the categories constituting market and gift is essential to understanding the effects of colonisation in monetary terms, given the market and tax prejudices that Europeans had about money. We know that the areas of social life in which monetary instruments can play a role are extremely diverse: money can make up a dowry, can be used to acquire a canoe or to compensate for an insult, a murder, etc. An instrument may cover a wide range of uses or, on the contrary, may be extremely compartmentalised and may be unifunctional or almost so. Thus, various scenarios have been observed in the face of the introduction by Europeans of the forced use of their moneys (Akin and Robbins 1999). In a certain number of situations, which are quite frequent, old 'moneys' are reduced to particular social fields and the tax, commercial and in some cases also ritual functions are fulfilled by the instruments introduced by the coloniser. The various instruments are then completely compartmentalised, or there are times and forms of transition and conversion. We also observe situations where the composition of ritual transfers, for example of dowry, is transformed to give way to new monetary instruments (coins, notes); this composition reflects the more or less marked capacity of control of elders or certain clans and the relations of dependency involved in marrying in these societies. Finally, in some cases, the elderly or clans, who do not control, for example, the external flows of income (procured in particular by working as a wage earner on external plantations or as servants or as coolies in the ports), prohibit the social and ceremonial uses of the new instruments, with the 'non-market' uses of the old moneys thus being long conserved.

The 'crisis' manifests itself therefore in these societies in the breaking apart of the various complementary social functions of monetary instruments, of substitutions of instruments, of recompositions of what was compartmentalised, and finally, more often than not, in an opposition between so-called 'economic' and other 'non-economic' functions of money. Certain fields of activity, not necessarily those expected by Europeans, then hyper-develop as shown by the cases of *kula* in Melanesia or the *potlatch* of the West American coasts: the prohibition of war results in peaceful confrontations mediated by the circulation of precious or semi-precious goods, in parallel to so-called trade.

That said, in the very long historical process that ties the present time with the origins of the specifically human forms of exchange of compensation and circulation of values, the rise of contractual ties of payment is undoubtedly a major novelty which introduced, through its development, an increasingly obvious break with the money specific to gift-for-gift chains. These contractual ties, which may arguably have always existed, particularly in relations between societies (Bloch and Parry 1989), have become more or less dominant depending on these relations (and colonisation has greatly accelerated the process for many of them) to the point of subsuming the ancient alliance relations (the ties that are settled by compensation); they then required instruments of equivalence so the ties could be broken at the time of payment. In this regard, let us recall, on the one hand, the universal presence of palaeomoneys having the form of sharp objects (axes, knives, etc.) but only able to cut metaphorically at the time of payment; on the other hand, the etymology of terms designating bonds and ties to speak of debt; finally the ritual still practiced in Europe of the handing over of a small coin when given a knife (liable to cut the bonds of friendship) and that is immediately necessary to re-establish by a counter-gift. The novelty lies precisely in the belief in an instrument's ability to cut the tie by putting an end to any obligation. Trust then shifts from the solidity of the tie to the ability to break up 'on good terms'. It is understandable then that colonisation introduced many conflicting situations around exchange contracts and transactions, given the mutual ignorance of the trading partners, for some, according to the morality of *value for* and, for others, according to the morality of *value against*.

The development of contractual relations of payment to the detriment of compensation probably brought about a more or less rapid change in the process of building trust in the monetary institution. Trust in relations of alliance and compensation bears directly on individuals and their group of affiliation, even if moneys can be fetishised and invested with seemingly intrinsic magical powers (for example when the genealogy of their successive holders is recalled at the time of their transfer and this genealogy seems to guarantee their quality). With the development of contractual relations of payment, trust seems to move from people to things and is instrumentalised. Reliable instruments are needed for all measured obligations, to 'settle accounts', that is, to believe that the tie is being cut. Trust then seems to bear on things (even if it is in fact human beings and social relations which bind them that are involved through instruments and institutions). Hence the importance of measurement and weighing

systems and more generally technical standards in monetary 'progress'. Money is then supposed to be 'worth something', whether this value is intrinsic or imposed on all its users (through what is wrongly referred to as a process of dematerialisation of monetary instruments).

Money thus appears as a double mediation: as an intermediate object and as an institution that crystallises trust. This is transparent in the current dualistic systems—particularly in Europe of the *Ancien Régime*—marked by the separation of account and payment. On the one hand, the account system is a numerical order given to the world by politics (one counts in pounds, shillings and pence for example, as elsewhere in units that are called imaginary even if they seem to refer to metal bars or loincloths). On the other hand, the means of payment take for the most part a metallic substance form and display a public standardisation as well as a natural body supposed to objectify value. However, alchemy and the metaphysics of metals tie them to sovereignty: when for example gold is thought royal metal *par excellence* corresponding to fire and the sun; while the silver metal corresponds to the queen of feminine, watery and lunar essence.[22] As Pascale Absi (2008) shows, the intrinsic value of metals cannot be based on the mere trebuchet of bankers and merchants, as both the cosmic order and consequently the political order permeate the daily life of the practices and representations that allow everyone to understand the world and to act.

With the silver and gold standards, the nineteenth century may have given the scientistic illusion of a natural monetary order based solely on the objective price ratios of a certain quantity (weight and fineness) of metal and, beyond a value ratio, determined by the relative conditions of supply of various precious and semi-precious metals. Europeans have largely wanted to impose this reified view of money and values on the rest of the world. In this view of things, trust would then be that which the economic actors place in particular in the relative prices of gold and silver. In fact, these obviously depend on human conventions of a political order, which establish, but not everywhere and always, these metals as money. C. A. Gregory shows this when he reports the testimony of an incident in the Solomon Islands between a tax collector and a resident who, having given four shillings instead of the five demanded, and in the face of the insistence of the tax collector, returns home, breaks a traditional coin of shell beads and spends several hours reducing one of them to the exact shape of a shilling. When, one day later, he hands over to the tax collector the proceeds of this metamorphosis of a precious item into a coin-like

object, he fails to understand why the collector refuses this money which is marked by the value of the lineage of his ancestors and which therefore, in his eyes, is much more valuable than the metal coins bearing the images of a very distant authority (Gregory 1997: 253).

On the (Social/Territorial) Plurality of Moneys

The confrontation of outside and indigenous moneys in colonisation and the conceptions of money in social science discourses reveal that the idea of universal money goes hand in hand with and even implies the plurality of moneys. Regardless of the degree of monetary integration and the capacity of money in a society to concretely form a whole thought of as such, money, beyond its material fragmentation and fragmentation of usages, is always, as a unit, an abstraction. When, under certain conditions, a unity appears, it is always imaginary, even mythical, because of the plurality of instruments. This unity presupposes a prior fragmentation and vice versa, the two being always in dialectical relation of opposition and complementarity.

Furthermore, given the historical and geographical variety of societies and their principles of composition or grouping, it is only possible to postulate a universal money without a multiplicity of moneys, by claiming a linear evolutionary vision of the world, in which modern money, with universal pretension and buoyed by the dominant forces of capitalism, is supposedly the ultimate point of completion of the history of humanity, the end of history in a way. However, this conception collides with historical phenomena in the same way that the moneys of the colonisers found their limits in the pre-existing monetary practices of the colonised.

It is therefore a misleading simplification of expression to consider that modern money is a unified, even unique entity with a universal vocation. Certainly the monetary systems of modern states can be characterised by their centralisation and their regulation by a single centre, opposed to the generally segmented character of the non-modern systems, excluding the city states.[23] Yet on one hand, these monetary systems, which can be called ‘territorial’ (Helleiner 2003),[24] are themselves multiple, most often in competition with each other, and overcoming this multiplicity by way of a universal money would entail the formation and completion of a principle of totalisation allowing all humanity to build and think of itself as a social whole. Now, as the repeated failures of various experiments of purely supra-state monetary union of a non-imperial nature show, this

is a question which, in view of the struggles among states for power, is destined to remain largely unanswered in a capitalist framework in which the reference model is rather that of free banking, the ideal-type of monetary fragmentation if ever there was one. On the other hand, even if this question was resolved, for example by the creation of a genuine worldwide federation of states, we could still not speak of the unicity of modern money. Even in the best established and most stable nation states, this oneness is not the rule. It is possible to speak at best of the oneness of the unit of account, because in terms of means of payment, the plurality of issuers remains the norm. Thus banknotes are generally issued by central banks while coins remain the prerogative of public treasuries, commercial banks being, as for them, invested with the power to issue variants of scriptural money.

In the modern state, multiple means of payment circulate in plural methodical confidence networks, public and private banking networks which are monetary circuits. Money is unified there, the official unit of account being conflated with the units of payment, only because these networks are interconnected by the institution of a general convertibility of the means of payment, convertibility maintained at par due to the hierarchical confidence in the monetary power centralising the overall system. The social totalisation brought about by modern moneys thus takes less the form of a once and for all established 'one' merging with the state than the form of a compromise between the various social forces that issue and/or use money, a social pact that allows for the stabilisation of internal exchange rates between plural moneys issued according to economic (capitalist-market), political (fiscal-redistributive) and social (mutualist-reciprocal) logics that may be contradictory. That said, the model needs to be further complicated to take into account what many of these nation states do not actually constitutionally have, that is, a transfer of absolute sovereignty and thus an authority capable of guaranteeing such social pacts throughout their territory (this is particularly the case in federal political systems). It is then necessary to add the establishment of a territorial pact between the various orders of government which share competencies in the political order to the list of conditions for the unification of modern monetary systems.

As shown in several chapters of the book *La Monnaie dévoilée par ses crises* (Théret 2007), various arrangements between users and actual and potential issuers of money are required due to social and territorial divisions of human activities; while their viability is continuously questioned

and cannot be considered as being secured once and for all. More than the oneness of modern moneys, it is therefore centralising political projects that must be spoken about, projects based on an ethic of building a secular sovereignty and which, although part of a long historical perspective,[25] never really succeeded (unless it is considered that the Bretton Woods system was a sort of culmination of such projects). Only a lack of historical perspective could have led to modern money being considered as not historically and culturally situated money like ancient and exotic moneys.[26] However, as a historical money of regional (Western) origin, modern money must be regarded as no more or less informative than the latter on the general nature of money and its concept; only the comparison between all the 'species' of money can provide such information. Moreover, given the discontinuities between these species, modern money cannot be considered as a point of accomplishment or complete fulfilment of the profound nature of what constitutes the universality of money. Not only are territorial moneys a recent creation on a historical scale, very recent even for some countries,[27] but they have also never been 'as dominant or willingly accepted as conventional wisdom suggests. They were constantly contested in the various ways that we are witnessing in the current period' (Helleiner 2003: 2).

The future of national moneys is therefore hardly secure: dollarisation and monetary instability in many countries, repeated financial crises, the institution of the euro which is supposed to preserve Europe from these various evils, bear witness to this. And this destabilisation hardly plays in favour of the institution of a universal money accompanying the trends to financial and commercial globalisation: on the one hand, the current global monetary trend is rather towards an increase in the number of purely flexible exchange rate regimes,[28] which is understandable given the increasing inequalities between countries in terms of wealth and ability to generate productivity gains; on the other hand, the euro is a symptom of the construction of a new regional political order of a federal type limited to the European continent, and therefore more an obstacle to a world currency than a step towards the monetary unification of humanity. In fact, the present situation of a changing point of reference for the political organisation of societies, with federalism seemingly taking the place of the unitary state, is not without evoking the passage from the ancient city to the Empire (Hellenistic and Roman). Just as then, such a development does not necessarily lead to the centralisation of monetisation on a global scale, or even within regional federations.

In any case, as soon as one escapes from the power of fascination exercised by the idea of a universal money buoyed by the inexorable development of a cosmopolitan and stateless world capitalism, i.e. without territorial ties, as soon as some credence is given to historical and anthropological material, all the evidence shows that the human norm is not universality of a currency but plurality of moneys, social and territorial moneys. This is obvious for the money of payment, for which oneness is characteristic of a situation of centralisation crisis in which the single money that is in use ends up being destroyed. But, although less obvious, especially for modern territorial moneys, it is also true for the money of account, as we will now try to show.

The Unit of Account Between Singularity and Plurality: A Permanent Tension at the Heart of the Modern Territorial State

Numerous anthropological and historical studies have proven that the oneness of units of account is not the rule in non-modern societies. To the various cases of multi-currency systems examined in *La Monnaie dévoilée par ses crises*, one can add the striking example of imperial China in the early twentieth century (Kuroda 2005). For more than three centuries, the *liang*, a unit of account for silver money weighed and circulating as ingots, had been combined with the *wen*, a unit of account for the copper money in coins (cash) circulating in the form of ligatures with a value of 1 *qian* per 1000 *wen*. Moreover, these units of account did not have the same value according to the regions and the goods exchanged, the copper cash and silver of an official face value of a *wen* being counted for different values depending on the case, even if in each region there was usually a reference *liang*, but which was not legal tender. In addition, these regionally valued metal moneys were supplemented by foreign moneys (notably the Mexican dollar) and notes issued by local merchants and some banks (mainly in trading ports). Finally, 'the exchange rates of the various forms of currencies fluctuated on an almost daily basis and even a ten-cent silver coin was quoted separately from the one silver dollar' and not counted exactly for its tenth part (Kuroda 2005: 106).

Nigeria is another example where, despite the British coloniser's desire to impose its own unified system following the model set by the home country, the monetary system remained plurimonetary until the end of the Second World War. Until their final prohibition, depending on the types of exchange and regions, cowries, various types of shackles, iron and

brass bars, copper wire and traditional moneys were used and preferred to colonial money and exchanged with each other at different exchange rates varying both seasonally and over a longer period of time (Ekejiuba 1995: 137–138).

In the case of modern Western moneys, the oneness of the unit of account is generally considered a 'stylised fact' under a figure of territorial sovereignty and an achievement characteristic of their functioning. So the economist would not have to look at it. But many observations call into question this watered down concept of the unit of account. Thus, for example, the plurality of units of account is inherent in gold–silver bimetallism, which prevailed in continental Europe and the United States until the late nineteenth century, beyond appearances. Of course, this plurality was exercised within the framework of a fixed ratio between the two standards, which gave the system of account its unity. However, under Gresham's Law, if the market ratio between the two metals differs from the official one, a dualisation of the unit of account takes place since the unit of account of the undervalued metal coinage, which exits circulation, is greater than that which is revealed by its official ratio to the other coined metal, which remains in circulation. In other words, the unit of account—determined by the metal market—of money-things that serve as a store of value—is different from the—official—unit of account of money-things that serve as a medium of circulation. Note that this duality is not necessarily a cause of monetary crisis, because it is equivalent to a de facto monometallism, based on a trusted money—of overvalued metal—that does not tend to be hoarded for speculative purposes (Gillard 1991).[29]

However, such a process of dualisation of the unit of account is not specific to convertible metal currencies. It is the case of self-referential moneys in situations of partial dollarisation in which the dollar serves as a reserve instrument while the national money circulates and is used to set prices and tariffs—Jérôme Sgard then talks about dissociation of the (actual) unit of account and the (official) unit of payment (Sgard 2007). In this case, however, the dualisation of account may be a symptom of a crisis of trust in the national money, due to a continuous loss of purchasing power of the official unit of account. The recent experiences of currency boards intended to end this crisis of trust only treat the symptom and not its cause since they maintain a plurality of standards convertible into each other at a fixed official exchange rate. In view of the inevitable differences in inflation rates and productivity gains between countries thus

tied monetarily, this situation inevitably leads in time to a dualisation of the unit of account.

Monetary pluralism is furthermore inherent in the fragmentation of society into spheres of exchange in which the same good can be evaluated differently. However, *pace* those who claim that so-called Western societies can be characterised by a general fungibility of money, that is to say that the same money circulates equally throughout society, it is possible to argue, with Viviana Zelizer, that this is not in fact the case. Zelizer convincingly shows that even in the United States, the populations of European origin practised moral earmarking of the uses of money below the surface, thus compartmentalising its use, in the nineteenth and twentieth centuries (Zelizer 1997, 2002; Salmona 1999: 375 ff.). This compartmentalisation can be related to the plurality of the origins of debts and thus the types of transactions (market, fiscal, social, domestic) that open them, debts that do not have to be accounted for in the same way. For example, public accounting (which has no capital account because the idea of depreciation does not make sense at this scale) and business accounting (in which the capital account plays a central role in valuation)[30] correspond to different systems of valuation of the production and consumption of goods and services. Thereby, depending on the interests they serve and the accounting rules, the accounts regularly record the same things at different values, which means that it is not the same unit of account that evaluates them. Thus there is indeed a plurality of units of account.

For its part, the role of the national unit of account is to convert economic, political and social debts contracted in various spheres of exchange and monetary circuits, into each other, in order to homogenise them throughout the political territory claimed by the state. The dollar thereby reads: 'This note is legal tender for all debts, public and private'. Such a unification of the system of accounts requires the fixing of exchange rates between the spheres of exchange, rates which, if conventionally fixed at parity, can perfect the illusion of oneness of the account. Implicit conventions and illusion that monetary crises will make exchange rates explicit by calling them and even convertibility itself into question.

Finally, it should be noted that while the fragmentation of society into spheres of exchange is generally considered to be spatially uniform, monetary crises further show that there are underlying regional fragmentations of monetary spheres, particularly in federal political systems. Thus, during

the recent crisis in Argentina, the re-emergence of provincial currencies denominated in the national unit of account but which could be exchanged at rates below par depending on the province, shows that the same unit of account does not inherently have the same value in different regions.

In reality, the oneness of the unit of account or, at the very least, the unity of the system of account applies as a rule respected in a political territory unified under a figure of sovereignty, only in periods of stability of 'modern' monetary systems. Therefore, rather than a proven, indisputable fact, the oneness of the account is a norm born with the political ideal of the national unitary territorial state and its affirmation against empires, an ideal renewed by the (admittedly more implicit than explicit) promotion of the federal state as a necessary form of overcoming territorial states to ensure peace between nations sharing borders. Let us think again of the euro, the second pillar—after the establishment of the primacy of European law over national systems of law—of the construction of a supranational European state. Has its unit of account status not, in a variable way depending on the spheres of transaction (food, automotive, real estate), had difficulties in supplanting the old national units of account which are no longer officially valid, in daily monetary practices? Let us also think of the political problems facing the construction of Europe, which need to be solved if this 'single currency' is to last. It is not enough to prohibit the circulation of foreign currencies as a matter of fact and to decree the unit of account; it is still necessary that users of money adhere to it and that means of payment denominated in this unit are exchanged at par in a routine and permanent way. This implies that trust reigns flawlessly in the payment community unified by the unit of account.

The unit of account is therefore a fragile 'standard' since it is only maintained in its integrity through collective trust. This trust depends on the solution to the game that structurally opposes the arbitrariness of the sovereign state, which, as a higher authority, decrees the unit of account and has the ability to manipulate it, and the strategic power of social agents and groups who, as users and/or issuers of means of payment via credit, have weight in the monetary circuits and may choose for their transactions another standard, using, for example, a particular means of payment as a standard. But trust can also depend on an internal political game between different orders of government.

The unit of account, thus less decreed than elected, is in fact the result of the stabilising compromises of these power games; it is, therefore, socially neutral neither in the order of relative prices nor in the establishment of accounts, that is to say in the distribution of debts and credits according to social and territorial belonging.[31] Additionally, it is only stable if this distribution does not exacerbate the distributive conflicts and therefore does not go too far against the hierarchy of values peculiar to the social formation that the unit of account must totalise as a community of payment. Finally, the unit of account is tied to the type and manner in which sovereignty is exercised and to its legitimacy, as shown by the monetary contestations and changes that have marked the history of moneys.

Different Societies, Different System-Units of Account

There is no universal recipe for the establishment of trust. Trust ultimately pertains to the ethics and symbolism of what belonging to the whole stands for—we call ethical confidence this kind of trust—beyond routine (methodical confidence) and strategic (hierarchical confidence) behaviours. This finds confirmation in the idiosyncratic character of ways of managing and emerging from monetary crises, specific to each society, even if their phenomenal forms are nevertheless similar. One can thus speak of cultural arbitrariness of the unit of account—like the arbitrariness of the linguistic sign—meaning it is not regulated by any 'objectivity' or economic rationality, which probably explains why economists are so disdainful of it. Speaking of arbitrary does not mean that the choice of the system-unit of account is made at random. It is quite the contrary, since such arbitrariness obliges a political gesture anchoring money in the social imagination of society, a money that is of great importance for the formation of economic value and the hierarchisation of social values. The unit of account is part of the political history of the political community that adopts it and must incorporate it into its 'mentality', its 'instituted imagination', its idiom.

Hence, assuming that 'only a very proficient linguist can do any but the most elementary arithmetic in more than one language' (Crump 1978: 510), major consequences in terms of trust are to be expected of any marked instability and any change in the account system. The reference system-unit of account may then only change when the symbolic universe of a social group changes, when the way it represents sovereignty comes

into crisis and/or is modified, although this change is in continuity with past monetary practices. A typical example is the young United States of America that made the founding political gesture of adopting the dollar (which was at the time no other than the Mexican peso) as unit of account and the decimal system of account, to better signify their revolutionary break from British tutelage and its traditional account system pound sterling-shilling-penny, a break which was nevertheless in line with a prior 'pesification' of the American colonies as they federated.[32]

This a priori arbitrariness of the unit of account,[33] the conventional—though embodied in the psyche—character it holds because it is part of the language, actually only expresses the relational, cultural, political and historical essence of the value of all things.[34] Value, system and unit of account are realities that are—historically and geographically—situated, and their institution is a political activity. Their variety refers to the cultural diversity of territorial societies, as the fruit of their own histories. And if the unit of account represents the social whole that ought to be represented and/or imagined, unless it be otherwise unthinkable, then each historically constituted and territorialised social whole—which cannot yet necessarily be reduced to a unitary state—has necessarily its own unit of account:

> In each sovereignty zone, there is a single system of national units of account […] and thus there are as many definitions of the accounting system as there are different spaces of sovereignty. (Boyer-Xambeu et al. 1986: 39)

This logical implication sheds light on what remains a mystery for the economist, namely the multitude of empirically observed units of account, multiple units which are far from being perfectly convertible and substitutable for each other because they reflect social and territorial discontinuities and inequalities. This multiplicity implies that we can only speak of a unit of account locally, the real question being that of the spatial limits of this 'location'.

This question of the territorial scale on which a unit of account prevails is central to the contemporary world, where the norm of the oneness of the account has become the political ideal of the nation state. This is revealed in an apparent paradox: at the level of the territorial states which share the world space without overlapping sovereignties, this political ideal leads, given the multiplicity of states, not to the unity but to

the plurality of units of account. In fact, we have evolved from a situation in which foreign and 'native' coins circulated relatively freely across the political boundaries of the issuing powers (Boyer-Xambeu et al. 1986) to another in which moneys, now territorialised, no longer have legal validity outside these borders (which have multiplied), unless monetary unions or new reinstituted forms of empires emerge. This new state of the world corresponds in practice to the regression rather than the progress of universalism if we compare it to that of the age of empires with universal vocations and supported by a religion itself claiming universality. In other words, the unification of units and/or systems of account on a national basis corresponds to a fragmentation of the world monetary space, in return for the centralisation of local or regional spaces. Here we find the dialectic of opposition and complementarity between centralisation and fragmentation already mentioned.

This renewal of diversity of the units of account is reflected in their denominations, which mirror the subjectivity of the objectifications constructed by the institutions of state and capitalism. Through the denominations of moneys that either borrow their name from units of weight measurement (pound, mark, drachma, peso, peseta), or refer to sovereign powers (ducat, real, crown, sovereign, ecu), or even communities of belonging (franc, florin, bolivar, euro, etc.), we see the opposition, which we find in monetary theories, between two principles of legitimation of the unit of account referring, respectively to two contradictory uses of money, its market use and its fiscal use. Nevertheless, if certain names of weight units assigned to moneys persist, it is not necessarily because of a predominant influence of traders in the societies which retain them, as these denominations are also part of the mythical narrative which seeks to objectify the value of money by covering the state arbitrariness of any unit of account and the impossible objectivity of measurement of value with a chaste veil. This fetishism characteristic of Europocentric thought finds its foundation, long before the institution of money minting (adopted in Europe via Ancient Greece), in metal coins weighed in Mesopotamia, in Egypt and the Arab world. But the existence of other histories, that of China in particular (Thierry 1991, 1993; Kuroda 2000; Lamouroux 2007) in which original money has nothing to weigh and is more clearly presented as an abstract unit or a non-quantifiable standard, and in which it is recognised by its monetary qualities that are not reducible to its weight or size, questions the universal character of this materialistic concept of the unit of account. In these other traditions, the

money of account appears, well before the dualistic moneys of the end of the European Middle Ages, as an imaginary entity founded in collective beliefs, independent in essence of the thing which serves as its support.

On the other hand, we must look for the reason why the unification of the national monetary space can never fully succeed, in the multiplicity of national units of account. Indeed, the logic of monetary arbitrariness also applies to exchange rates between national units of account, that are the result of political actions which, either fix them, let international markets determine them on a day-to-day basis, or let them float by limiting their fluctuations. Here we find a situation of plurality of units of account similar to that of pluri-metallic money. Since in external exchange, a national money acquires a value that does not necessarily correspond to its internal value, whether it is 'weighed' in purchasing power, or 'minted' with the sovereign seal and supported by centralised price controls and tariff setting, there is indeed duality of units of account for the same currency. And here too, this plurality can be compatible with the unity of the account system: all it needs is for the internal and external circuits of exchange where the money is counted differently to be relatively sealed off and to communicate with each other only through 'airlocks' where the means of payment symbolically changes value when it passes from one circuit to another. Thus, through the mediation of the Bank of Amsterdam, as shown by Lucien Gillard (2005), the florin of the United Provinces was able, for nearly two centuries (seventeenth–eighteenth century) to have two units of account depending on whether it was metallic and circulating within the country, or *banco* used for foreign trade. Similarly in Cuba, since 1993, the Cuban peso has had two exchange rates against the dollar, depending on whether it circulates within or outside the redistributive tax circuit (Marques Pereira and Théret 2007).

Finally, as a last source of pluralism for modern units of account, the international monetary fragmentation and the diversity of ways of valuing national currencies can also lead to the formation of private international mercantile moneys. Many historical examples show that certain social groups (itinerant merchants, diasporas, nomads or immigrants, European banking families, Ottoman tax farmers) count in market and international currencies, alternatives to the moneys of the sovereigns. This is the well-documented case of the Europe of merchant bankers of the sixteenth century where

> The exchange currencies in which the bills of exchange are exclusively denominated are either conflated with the territorial units of account or created specifically for exchange through bills; thus the ecu de marc in Lyon and Rouen differed from the French unit of account until 1575. (Boyer-Xambeu et al. 1986: 39)

This type of situation recurred in the 1970s with the development of the Eurodollar market.

Conclusion

Even if they extend the qualification of what is monetary to a more or less wide field of instruments and uses, all societies experience in fact more or less significant monetary fragmentations, or in other words compartmentalisations of the use of various instruments. This fragmentation probably reaches such a degree in some of them, that no abstract term, bringing together a set of instruments, can be thought of under the common word of money, hence the assertion, mistaken in our view, of some historians and anthropologists that these societies are moneyless. On the other hand, a limited number of societies, including our own, consider money as unified, and thus as a fungible good. But the comparison of the various species of money, and what surfaces in monetary crises, leads us to legitimately affirm, and we think we have shown it, that this is more a political norm than a reality.

In a perspective which sees in any money an operator of social totalisation, monetary fragmentation then appears, not as the negation of such totalisation, as an overhasty interpretation might suggest, but as an expression of the symbolic competition between various forms of sociation, of construction of the whole, which is characteristic of modernity. In fact, four major types of means of payment correspond to the four forms of certification and guarantee of the value of money, namely weighing (mercantile moneys), mintage (political moneys), signature (private credit moneys) and foreign exchange (international moneys). Yet these various species of money also define communities of payment, each of a different nature: weighed money (i.e. valued with reference to its substantive content) is tender in circles of exchange among equals rejecting any higher human authority and based on conventions of equivalence; minted money (valued with reference to the tax requirements of the seal holder) is the money of the polity or state; signed money (valued according to

the personal credit of the signatory) is valid within a civil society of individuals formed by social networks of belonging; finally, exchanged money (valued according to the relative power of the various payment communities) originates and circulates in the (international) society of collective individuals that are, on this scale, any of the foregoing groups. Each of these forms of monetary sociation can have its own unit of account, so that any official territorial unit of account, decreed by the state, can be simultaneously challenged in three ways. As a result, except through totalitarian operations, consisting of merging the four forms of grouping in the state and totally closing its borders, the oneness of the unit of account and therefore the general fungibility of moneys cannot structurally occur in actual practice. A universal money, in the historical and not the anthropological sense of the term, is therefore impossible, or rather incompatible with the aspiration to democracy which constitutes the other side of modernity.

Beyond deceptive appearances there lies therefore at the heart of modern money as of other moneys an essential tension between general fungibility and compartmentalisation. Social hierarchies and moral orders that set the uses and prohibitions of money are all elements producing diversification and fragmentation. And yet this does not necessarily lead to an absolute seclusion of monetary instruments and uses. How can we explain this? How can we understand in particular that compartmentalisation could have appeared to many observers as a strong characteristic of most so-called 'primitive' societies, to such an extent that 'primitive moneys' could have been opposed to the 'all purpose money' of so-called 'modern' societies? Where does the other pole of the representations of money, its general fungibility stem from? Moreover, if money does not have, in so-called 'Western' societies, the general fungibility that economic theories generally attribute to it, how can we think of money as a unified instrument?

Our hypothesis to answer these questions is that it is the potential equality of subjects against the sovereign, the monetary issuing power, or of believers against a divinity, even of peoples in a situation of resistance against a foreign occupant, which allows the more or less durable circulation of an instrument thought of as unique.[35] One of the essential conditions for the unitary representation of money (whether thought of as an economic or political object, or as a vital flow) would therefore be that its users (who may in some cultures be the human supports of the money flows thought of as the breath of life) may, from a certain point

of view, think of themselves as equals, even if, moreover, the money functions as an instrument for the constitution, recognition or validation of differences.

How can we understand in fact, if not by their position as political subjects, that non-Christians (such as Jews) in a Christian kingdom, or non-Muslims (such as Jews or Christians) in a Muslim state, pay the tax that allows them to maintain their difference and to engage in such and such economic activity in a common currency? Similarly, the regulation of the tension between general fungibility and value hierarchy of social groups in France of the *Ancien Régime* can be related to the fact that there were no prohibitions on the use of such or such types of coin (although, in fact, certain social groups did not have access, for example to gold coins), whereas at the same time certain privileged groups (nobility, clergy) did not pay certain infamous taxes, signs of servitude to which, therefore only the third estate was subject. It was also through differences in tax liability that, in the Ottoman empire, the warrior elite distinguished itself from the agricultural producers and from the various social orders making up that empire (Yildirim 2000, 2007).

In modern democracies, one finds this potential equality vis-à-vis the *Res publica* or the Commonwealth, and consequently an imaginary unifying money between the 'economic' subjects thought of as potentially equal in the 'market'. However, this flattening of values in the economic order contradicts the hierarchies and moral orders that constitute the fabric of society, hence, once again, a permanent tension between fungibility and compartmentalisations.

No doubt contemporary India, considered to be the 'greatest democracy in the world', and a federal state to boot, is emblematic in this respect and we will end with this. For how can it be explained that, in this country, a community of payments can exist while society is divided into castes, meaning that a certain number of Hindus practice very restrictive avoidance rituals, to the point of not sharing food with a *dalit*, previously named an untouchable, without being struck with impurity in the eyes of the so-called 'superior' castes? Is it not money which, by its ability to support the tension between equality and hierarchy, makes this enduring combination of a democratic state and a caste system possible?

On the one hand, the organisation of a society into castes tends to hyper-develop the social division of productive activities of goods and services. As each caste is specialised in performing a limited number of tasks, it could not perform a number of other tasks within the whole

community. This forced interdependence presupposes reciprocal benefits and material transfers of goods, which could make a unified monetary instrument a useful tool for settling these transactions. Money lenders in the caste system are themselves a group that has the function of saving and lending; it is even for them a pressing moral obligation meaning that, far from being shamed by the peasants, they were able to be protected from the abuses of political power.[36]

On the other hand, at the same time, the monetary instrument involves in its payment function, putting in direct physical contact people and groups who practice in our eyes complex rituals of avoidance and who, for example, do not drink or eat from the same utensils. Some historical evidence shows not only the multiplicity of payments 'in-kind' (which a thorough analysis would no doubt translate as partial and compartmentalised means of payment) and of reciprocal exchanges of services, but also that payments by untouchables to higher castes were made by putting the coins in a pot filled with water, which avoided direct contact. However, most of these compartmentalisations limiting the use of a common money have disappeared and it is striking that, in some villages, the so-called 'upper castes' refuse to drink tea from a cup that may have been used by a *dalit* and require that tea be served to them only in disposable plastic cups, while the same supposedly superior castes accept the change of money in a coin that potentially anyone could have touched.

Beyond its foundation in the political relation of all subjects being equivalent with respect to the state, this capacity of money to transcend the different castes stems undoubtedly from institutional practical compromises and their evolution. It is the same reason why people of different castes rub shoulders within a certain proximity in public transport. The assertion of differences is made in particular contexts and not necessarily permanently, and these particular instants are sufficient to affirm and sustain differences and hierarchies.

Notes

1. It is probably relevant to compare these historical examples of monetary substitution caused by colonisation with what happened when certain tyrants of Greek cities in the seventh century BC introduced/reinvented *nomismata* (coins) and substituted them (probably only in part) for the old *obeloi* (pins) and other old methods of payment and clearing. The same questions can be asked about the 'hyperinflation' of square-socketed

Armorican axes in Gaul at the time of Roman conquest and when these bronze objects seem to be reserved for ritual functions (many deposits of very large numbers of axes in lakes for example, or near bridges) Rivallain and Servet (1996).

2. Surprisingly, this is recognised by economist Jacques Melitz in his criticism of Polanyi: 'Anthropologists and economists should be careful not to suggest that we have reached a peak in the development of money. History leads us to believe that not only can the present monetary system be improved, but also that in the more or less distant future, our system will be stored in the museum as part of the endless collection of humanity's monetary experiments' (Melitz 1970: 1032).
3. See especially the issue of *L'Homme*, 'Questions de monnaie', edited by Stéphane Breton (No. 162, April 2002) and *Journal des anthropologues*, 'Monnaies: pluralité et contradictions', edited by Laurent Bazin and Françoise Bourdarias (No. 90–91, 2002).
4. If the end of international trade in cowries marked virtually the end of their domestic circulation in West Africa, their complete disappearance from the monetary circuit took more than another fifty years (Gregory 1996: 199). For the case of Nigeria, cf. Ofonagoro (1979) and Ekejiuba (1995).
5. Cf. Ofonagoro (1979: 648). In fact, barter is by no means attributable to Africans who, on the contrary, mobilise in their exchanges all the panoply of their traditional moneys, but to colonial commercial companies that use it in order to protect themselves from the devaluation (relative to local moneys) of the money imposed by the then prevailing coloniser, and to take advantage of the fact that they can set as they see fit the prices of the local products they export in prices of imported products (cf. Ekejiuba 1995: 141, for the case of Eastern Nigeria).
6. See in particular Hogendorn and Johnson (1986) and the critique of their 'quantitativist' interpretation by Gregory (1996).
7. The hesitation or even refusal to consider primitive or exotic moneys as full money, even if 'savages' would do so themselves (Breton 2002a: 8), is reminiscent of the position of nineteenth century economists who refused to consider bank money as real money, represented in their view, exclusively by metallic money.
8. Cf. the example that Stéphane Breton (2002b) recently drew attention to: the founding myth of the Wodani society associates the development of the cultivation of gardens meaning people no longer die of hunger with the self-sacrifice of a primordial ancestor Buba, a sacrifice that is recursively repeated in symbolic mode by means of an 'isomorphism' between the various products of the gardens, certain parts of Buba's body assimilated to the social bodies and the various moneys of payments for the compensation of people lost by one clan and taken by another.

9. Referring here to R. Hamayon, *La Chasse à l'âme*, 1990, Nanterre, Société d'ethnologie.
10. This evolution ranges for Mauss from 'total prestations'—exchanges between groups in which material goods are only one element in a whole series of non-economic transfers—to impersonal individual modern exchanges of commodities, via individual exchanges of gifts between persons representing groups (cf. Parry 1986: 457). A critique of this Maussian genealogy of market exchange was made by C. A. Gregory for whom 'the underlying principle of the exchange of gifts is not interest' (Gregory 1980: 636), which would dismiss the idea that behind the gift there is a combination of interest and disinterest, an idea which is the basis of the continuity hypothesis. For a very enlightening clarification on the scope of the rapprochement, see Parry (1986).
11. On the latter case, see Agnès Bergeret's splendid work (2003) and the thesis of Piedad Peniche-Rivero (1980). See also Cesar Gordon's recently published anthropology thesis on the Xikrin-Mebêngôkre Indians of South-East Para (Brazil) and which puts at the heart of the socio-symbolic reproduction of this society a traditional circulation of precious goods of a monetary nature that explains why the group welcomed the 'modern' goods very favourably, integrating them into its traditional economy (Gordon 2006). In this case, we find a situation close to the 'Melanesian model'.
12. This is by the way a hypothesis made by Claude Lévi-Strauss in his photographic book *Saudades do Brasil* in which he considers that there must have been a great civilisation of Inca or Mayan type in the Amazon, that disappeared following the repeated destructive incursions of Western pirates along the Amazon.
13. The people of Oceania have imitated our monetary practices; they were able to hyper-develop palaeomoneys by imitating our currencies and the uses they think we make of them, (as they did in the cargo cults, which are cults based on gesture mimetism) (Editorial note).
14. Here we draw on the work of Dominique Buchillet (2013).
15. See for a definition of the concept of palaeomoney Servet (1981: 81–83), Servet (1998: 295), and in this volume Courbis, Froment and Servet, Chapter 3: (pages 5–6).
16. See, in this sense, some elements of the analysis of the myth of the bird nester in Claude Lévi-Strauss's *Mythologiques*, referenced in Servet (1979).
17. It is also necessary to review here the double-entry bookkeeping systems observed in the exchanges between local populations and European traders.
18. 'Numbers are words. This may seem trite, but the full significance of the fact is lost as much to linguists on one side, as it is to mathematicians on the other. Once the idea of number is grasped, it is not too difficult to

see that any number, or indeed all numbers equally (save possibly “one”), represent the ultimate degree of abstraction in any language’ (Crump 1978: 503).

19. In 1978 the anthropologist Thomas Crump noted that ‘the place of accounting and arithmetic in small-scale societies has been little studied by anthropologists. The limitations of numeration in primitive languages are fairly widely known, but de Coppet’s specialised study of money and money-based arithmetic among the ‘Are ‘Are [...] and Gerschel’s short general study ... are the only recent studies of the specific phenomenology of numbers’ (1962: 503). Since this observation was made, if we leave aside the special issue ‘Questions of Money’ in the journal *L’Homme*, no. 162, 2002, which joins the perspective opened by de Coppet, things have not changed much, the analysis of the circulation of money-things, still far outweighs that of the formation of units or systems of account.
20. For an example of this method, cf. Andreau (1998).
21. Cf. for example Parry (1986) for an account of the plurality of types of gift.
22. This is particularly the case in pre-Hispanic Andean civilisations where gold represents the sweat of the sun and silver the tears of the moon (Harris 1989: 258).
23. But these could survive only by forming federations or confederations of cities which, because of the dominance of one of them over the others, had a quasi-imperial form. In these federations or empires, as in the eastern empires, there was no forced and/or effective monetary monopoly. Even in the Roman empire, although centralised and with an efficient administration, as Jean-Michel Carrié shows (2007), the official money issued in the peripheral provinces could be of much lower quality and value than the money circulating in the centre of the empire, without necessarily causing problems of homogenisation of the monetary system as a whole.
24. This author likens territorial moneys, which have a political monopoly on circulation within a territory, with national currencies issued by nation states established from the nineteenth century onwards.
25. The idea came into being in the mid-seventeenth century with the Westphalian treaties, which are considered the premises of the international system of nation states.
26. ‘To date, these historical questions have not received as much attention as one might expect in scholarly literature. Most economists and political economists analyzing contemporary monetary transformations have not tried to place these developments in a longer historical context. The territorialization of currencies is also remarkably understudied in the large literature on the history of territoriality and state building’ (Helleiner 2003: 1).

27. 'Territorial currencies are a modern creation, emerging for the first time in the nineteenth century and becoming a standard monetary structure in most countries only during the twentieth century […] Before the nineteenth century, monetary structures in all parts of the world, including Europe, diverged from the territorial model in three ways: foreign currencies frequently circulated alongside domestic currencies, low-denomination forms of money were not well-integrated into the official monetary system, and the official domestically issued currency was far from homogeneous and standardized' (Helleiner 2003: 2–3).
28. Despite a certain fashion for Currency Boards during the 1990s, fixed exchange rate regimes between 1991 and 1999 account for less than 10% of all exchange rate regimes (Théret 2003: 78).
29. We thank Laurent Le Maux for drawing our attention to this point at the Study Day 'Les frontières du dollar', Dijon, University of Burgundy, 13 May 2005.
30. To the point that Max Weber made its appearance the true criterion for the emergence of capitalism.
31. The asymmetrical pesification of 2002 in Argentina during the final crisis of the Currency Board, followed by the repurchase of provincial currencies by the Federal State are edifying examples. See also the ending of the German hyperinflation of the 1920s described by André Orléan (2007).
32. The Spanish peso of eight reals of silver minted at the Casa de la Moneda de Mexico, renamed dollar because of its resemblance to the Austrian thaler of Empress Maria-Theresa, was indeed the main coin circulating there (Desmedt 2005).
33. Which can be extended to the system of account, given the multiplicity of logical bases of cardinal numeration (base 10, base 12, even base 20 as in Tzoltil: Crump 1978) and their possible practical combinations in an ordinal perspective, as for example in the 'Are'are of the Solomon Islands studied by Daniel de Coppet (1998).
34. On this point, cf. Simmel (1986), and, extending it, Appadurai (1986).
35. The idea of unity as subjects bound by the same money is arguably, on the contrary, validated by the fact that international moneys have very often been materially different from the internal money or moneys, for instance when the opposition internal silver money/external gold money is observed.
36. From this point of view, colonisation destroyed this balance by introducing 'market' principles in both lending and land, and 'usurers' have become scapegoats for peasant revolts (Hardiman 1996).

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CHAPTER 7

An Interdisciplinary Approach to Money as Cultural Capital and a Total Social Fact

Bruno Théret

Money is a social invention that goes far back into human history; its trace can be found in most societies, however constituted and organised, and whether or not they form states.[1] It is not a specific feature either of modern capitalist societies or of the way the West evolved towards that modernity. The study of money requires us, then, to break away from the traditional conception that reduces it to its use as an economic instrument for market transactions. The nature of money, construed in relation to the similarities that make it possible to speak of money in societies of very different forms, can only be truly understood through a scientific enquiry mobilising a comparative approach to the spatial and historical

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diversity of actual monetary experiences re-situated in their respective societal contexts.

Hence the increase in the level of abstraction, based on the construction of a common interdisciplinary conceptual language, that is required to identify what it is that makes money a (near) universal phenomenon. This is what was attempted in *La Monnaie souveraine* (Aglietta and Orléan 1998). In that book, the universality of money resides in its being an operator of social belonging, of mediation in the most varied social intercourse in which it acts as a representative of social totality, both in modern societies and in ‘primitive’ and ‘pre-industrial’ societies.

This paper extends this approach starting out from what might be seen as the principal limitation of the book, namely that, contrary to what its premise—that the market economy presupposes money—would require, it failed to make any real break with current thinking which defines money by a list of economic functions reducing it to a mere institutional veil covering a ‘real’ market economy. The paper begins by introducing synthetically the ideas that make *La Monnaie souveraine* quite original, arranging them into the triad of debt, sovereignty and trust (Sect. 1). Next it introduces the idea that money is in itself a social relationship that reproduces itself in accordance with a specific autonomous logic. This has two implications: it leads to a distinction being drawn between its generic properties (functional forms) and its non-monetary uses (non-functional with respect to the reproduction of money as such) (Sect. 2); and it implies that money is not to be reduced to an institution but that its three ‘states’ are to be examined simultaneously, that is, the three forms of its being-in-the-world associated with it being at one and the same time a system of signs (language), a system of objects (materiality) and a system of rules (institution) (Sect. 3). Lastly, a matrix of the correspondences among these various states and forms of money is presented (Sect. 4). This matrix, while still supported by the tripod of debt–sovereignty–trust, serves as a representation of the phenomenon of money as a total social fact.

The Money Tripod: Debt, Sovereignty and Trust

La Monnaie souveraine sets out a theory of money that supposedly holds for a vast array of societies and not just for today’s capitalist societies. That theory hinges on the three concepts of debt, sovereignty and trust.

Money and Debt

Any society that uses money may be thought of as a tissue of debts which, beyond their various natures or origins, are engendered by transfers of ownership of real or symbolic goods. Such debts may arise out of various transactions: gifts among humans and between humans and divinities or other spirits; market transactions; or levies that are centralised and redistributed. Money is the medium that gives measurable and quantified form to the set of social relationships that constitutes a society. Through the mediation of money, the social interdependencies that take the form of reciprocal rights and duties among the members of a society and between them and their collective organisations or their representatives are translated in terms of debts and claims that are homogenised in varying degrees.

Money thus appears first as a unit of account, through which it is in the first instance a symbolic form of unitary representation of the social totality. But money is also what makes debts and claims circulate among members of the society, thereby giving it a dynamic unity. By circulating in the string of payments, currency is what allows debts to be honoured and therefore renewed within a cycle that lies at the heart of social reproduction. Inasmuch as it is both a unit of account and a means of payment, money is therefore a key social tie, an operator of totalisation unifying the system of debts and dynamically reproducing it. It symbolically represents the society as a whole, and that representation is active in that it is involved in constructing and reproducing whatever does not necessarily pre-exist it.

La Monnaie souveraine draws attention to the central position within the system of debts of the originating or primordial form of the 'life debt'. This life debt reflects the fact that, in any society, humans are born, procreate and die: they receive, give and relinquish life. Life is therefore a gift that lies at the source of specific relationships of indebtedness that can be characterised as life debts: each human being is acknowledged socially to be endowed with a capital of life ('reserve of life') the worth of which varies in accordance with their social status, which may be appropriated in various ways and which may be the subject of various transactions entailing the creation and circulation of debts.

Life debts lie at the heart of social reproduction, since any group, any society, if it is to endure, must confront the necessity of perpetuating itself regardless of its members being mortal, and that means

maintaining the overall 'life capital' of the society and passing on life debts between generations.[2] This maintenance and transmission are effected by the concatenation, throughout individual life cycles, of ritualised real and symbolic transactions bonding humans with each other and with supra-human beings (ancestors, divinities, spirits, clans, nations, fatherlands) at the time of births, initiations, weddings, funerals, murders, sacrifices and so on. Money originates here in sacrificial payments—as a substitute for live victims—but also in offsetting payments for any deficits in life capital between groups brought about by exchanges of women or by murders, and then in the payment of taxes that appear with the emergence of centralised political authorities, all of which are payments relating to various forms of life debts.[3]

Money and Sovereignty

This conception of money has two fundamental theoretical consequences. The first is that the universality of the phenomenon of money is well established; since there is no society in which humankind is immortal, the life debt is necessarily found in every society, although this does not imply that it is always identical in form and that it is thought of as such in that society. Thus while, in modern capitalist societies, the life debt may be refuted by the prevailing economic ideology that stages an asexual, immortal and rational individual socialised by means of purely contractual private debts, it still abides in the form of the social debt represented by taxation (lifelong obligation to the state) or its counterpart of spending on social protection (obligation of the state to every citizen).

The second consequence is that the money–life debt relationship contains the foundations of the connection between money and sovereignty. Is death not the primary manifestation of sovereignty, and immortality its ultimate source? This sovereignty of what appears immortal in symbolic terms explains that the locus of sovereignty was first, and for believers still remains, in the herebefore or the hereafter, where the cosmic powers from which humanity hails are imagined to reside. From there too stems the idea that the life debt is a debt with respect to the sovereign, an authoritative unreleasable debt as John R. Commons (1934) put it, which it is impossible to truly pay back in the course of a human life, but which can only be honoured by regular payments (sacrificial payments, annual taxes) from which death alone can provide release.[4] Hence again the point that political sovereignty is based on the continued

existence of the group, beyond the biological death of its members; the sovereign group does not know death; on the contrary it ordains it. And hence finally, whenever the exercise of sovereignty no longer draws any legitimate basis from some divine right, the profane character of sovereign authorities means that their legitimacy hangs on their capacity to protect the lives of individuals and the group alike.

Through the representation of the life debt, money and sovereignty maintain a close constituent relationship even in their respective ambivalences, because it is through the circulation of money and an uninterrupted cycle of payments that society reproduces itself and appears to its members as eternal and therefore as the sovereign authority. But sovereignty that wields imperium may also, quite legitimately, put people to death; its reproduction may momentarily involve a forced levy of live victims, rendering pointless any resort to money which then no longer circulates, the life debt being paid in kind. This entropy of sovereignty is reminiscent of that associated with the hoarding of money that atrophies monetary circulation and therefore the cycle that gives life to society.

Money and Trust[5]

The third component of the theoretical triptych of *La Monnaie souveraine* is trust. Ever since fiat money won out over coinage it has been a commonplace to assert that money has been grounded in trust (Simmel 1978; Simiand 1934). On the foreign exchange markets, national currencies are evaluated in accordance with the level of trust financial operators have in them, which is estimated from the presumed capability of the nation's monetary authorities to honour their public and private debts. But can this obvious fiduciary character of fiat money be generalised to any money? To assert this, *La Monnaie souveraine* puts forward a conceptualisation of trust that goes further than likening it to the idea of credibility[6] and identifies three forms of it: methodical confidence, hierarchical confidence and ethical confidence.[7]

Methodical confidence is the most currently highlighted; it is due to mimetic behaviour by which an individual routinely accepts money because others do the same, with everyone believing that it will be accepted tomorrow and the day after tomorrow at today's value. Hierarchical confidence refers to the hierarchical fact that money is underpinned by a collective power which itself inspires trust in that it represents or participates in a protective sovereignty. Trust is also ethical confidence

because it pertains to the symbolic authority of the system of values and collective norms that are accepted by consensus and form the basis of membership in society; a money enjoys ethical confidence whenever its modes of issuance, distribution and circulation appear to ensure the reproduction of the society in keeping with those values and norms. So ethical confidence is to hierarchical confidence what legitimacy is to legality and what symbolic authority is to political power.

By this conception, sovereignty has a central part in trust for if sovereignty is legitimate, trust in money is ensured, methodical confidence being underwritten by hierarchical confidence and hierarchical confidence by ethical confidence.

Money Is Not What Money Does

For its authors themselves, *La Monnaie souveraine* was flawed on some points and accordingly they went back to the drawing board. This is testified to both by M. Aglietta and A. Orléan's re-writing of their *La Violence de la monnaie*, published in 2002 as *La Monnaie entre violence et confiance*, and by *La Monnaie dévoilée par ses crises* (Théret 2007), which gives an account of work on monetary crises undertaken as a follow-on to the publication of *La Monnaie souveraine*.

The main idea derived from those works that will be developed here is that a priori money must be thought of as an entity to be defined not by functions with respect to something outside of it, but by its own constituent properties.[8] This idea is based on the observation that monetary crises do not necessarily arise from a mismatch between a monetary system and the societal context of which it is part, or from shocks arising outside of that context. A crisis may also stem from an inadequate construction of the monetary system itself, that is, from the fact that a currency fails to form a viable system within a territory. This leads to considering money at first glance as a specific set of relations taking on various forms: symbolic (unit of account, seal, signature), material (means of payment: coins, banknotes, ledger entries), and institutional (rules of accounting, payment, issuance, foreign exchange). Seeing money as an entity that is structured in itself leads a priori to considering it not on the basis of its multiple uses in context, but as a universal social bond with its own logic of reproduction which must therefore be elucidated.

Generic Properties and Non-Monetary Uses of Money

Such premises lead to a clear and explicit break with any approach to money that defines it on the basis of a market or bargaining transaction alone and the three (or four) functions of standard of value, medium of circulation (possibly separated into a medium of exchange and unilateral means of payment) and of a store of value. Heterodox economic theories generally confine themselves to restricting the number of these functions and ranking them by considering (1) that the store-of-value function is not a specifically monetary function[9]; (2) that the unit-of-account function comes first logically and historically and (3) that the means-of-payment function is derived and encompasses the medium-of-exchange function and not the other way around.[10] That is admittedly a step forward, but even so money is still defined from somewhere outside of itself and not by its 'nature' as a specific social relation that creates its own social space. Ultimately we come back to a real/monetary dualism where what is real comes first, as in the theory of commodity money, since the monetary phenomenon is defined on the basis of the real phenomenon. In short,

> It is not enough to emphasise the role of money as a unit of account to escape from the real approach in terms of the three functions of money. The juxtaposition of a nominalist outlook in dealing with the unit of account and of a patrimonial outlook in dealing with the medium of circulation brings us back to the usual disconnection between the functions of measuring prices and of mediating exchange. These functions have generally been handled analytically in an independent way, with no logical necessity for them to be made attributes of the same 'money' as an economic object: the measurement of prices falls to a conventionally adopted yardstick or a standard constructed by the observer; the mediation of exchange is performed by a form of wealth that is liable to be a store of value. (Boyer-Xambeu et al. 1990: 36)

In fact, the notion of function cannot serve to define money unless it refers to functional forms of its own operation as a specific social relationship (as in Marx's definition of functional forms of capital). That is the only way to think of the functions of money consistently with the idea that the general abstract concept of money corresponds to an anthropological invariant and is therefore presupposed in any monetary economy.

Payment and account must therefore be considered to be not functions of money in the usual sense but 'primary concepts of a theory of money' to take up an expression Keynes uses to characterise money of account (cited by Ingham 2002: 124); they are its 'generic properties' (ibid.), its very nature, its elementary forms. So, strictly one should speak not of the functions of money but of its uses, to characterise the specific forms that money takes in varied social contexts (of which for that matter money is a precondition) and which, unlike account and payment, are not necessarily found in all such contexts. These various uses (store of value, monstration, symbolic representation of political authority and/or of wealth, means of market transaction, pledge and so on) may correspond to practices that are not specifically monetary and therefore rational from the standpoint of the logic of the workings of money as such, but are on the contrary in contradiction with the reproduction of its generic properties. These specific uses must therefore be seen rather as latent sources of monetary crisis. This is patent in the case of the store-of-value function of modern money, it being a use of money that directly threatens the continuity of payments.[11]

That said, the two generic properties of money—account and payment—are not enough to define it as a form of social intercourse that can be perpetuated as such over time. For that, it has to have an institutional dimension and therefore be characterised also by a third generic property, namely the property of being the outcome of monetisation by which it is created, distributed and destroyed in accordance with particular rules. It is through such a process of monetisation that both forms of unit of account and means of payment of currency can be functional to its reproduction. It is through monetisation that the system of account is incorporated in objects that thereby become means of payment. Reciprocally the use of those means of payment in transactions governed by heterogeneous economic, political and symbolical logics has a feedback effect on the system of account (notably by playing on the unit of account) and therefore on the monetisation process (cf. Fig. 7.1).

For instance, the co-existence of a single system of account and of more than one money of payment is problematic, and raises the question of how the cohesion of the whole monetary system of payments can be maintained and continued over time. For, unless a situation of monetary disorder is to prevail, keeping accounts and making payments are activities that involve not just following rules of accounting and payment of debts but also rules for including the multiple transactional spheres

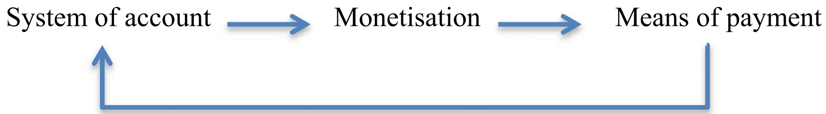


Fig. 7.1 The cycle of functional forms of money at the heart of the dynamics of monetisation

within the framework of a unified system of account. A third generic property must then be introduced into the constituent formula of money which expresses that it is also a principle of order and the organisational crystallisation of a collective action, or, to put it another way, a collective intentionality aimed at perpetuating money (Commons 1934). Rules about accounts and payments must be introduced ensuring compliance with there being just a single system of account and ensuring that all payments use this system; these are the institutional conditions whereby a community of payments can be formed and can endure.[12]

In particular, in modern systems with single units of account and cardinal numbering, the unicity of the unit of account is constantly threatened by there being more than one means of payment. For such unicity tends to extend the circulation of the various means of payment beyond their original sphere of validity and so bring them into competition. Trust in the quality of some means of payment with respect to others may thus be called into question and the unicity of the unit of account comes under threat. From the moment there are differences in quality and fiduciarity between means of payment that are made out in the same unit of account, they tend no longer to be convertible into each other at par value. Exchange rates then arise that are not only differentiated but also fluctuating and indicative of fragmentation in the system of accounts.[13] Containment of this intrinsic contradiction between the unicity of the system of account, which defines a community of account, and the plurality of means of payment, which is a reminder that such a community is a society in which several transactional spheres or networks of social exchange and therefore of payment coexist, requires institutions that govern the issuing and circulation of the various means of payment and which, therefore, constitute the monetary order instituting a community of payment that is conflated with the community of account.[14]

Admittedly in the case of modern money the segmentation into multiple spheres of exchange specific to community-based societies or ancient state societies is attenuated, but it is offset by a marked differentiation into three major orders of transactions (market, state and family). The tendency for a monetary space to be broken up is then expressed twofold: first by the issuing of capitalist moneys differentiated from fiscal moneys,[15] and second by the plurality of banking networks and the fact that bank moneys issued in national units of account may no longer be accepted at par whenever certain issuing banks appear to be in difficulty.[16] It is only when all banks are underwritten by a central bank acting as lender of last resort against the risk of illiquidity that it appears natural to the public for bank moneys to be exchanged at par among themselves routinely and with the national public currency. And this guarantee, which is the basis of credibility, generally has as its counterpart the banks' acceptance of a set of collective rules constituting a monetary order.[17]

The risk of fragmentation of the community of payment by differentiation of the system of account in terms of transactional spheres and networks is, however, only one of two possible sources of monetary crisis threatening the continued existence of communities of payment. The other risk is the reversed risk of them becoming undifferentiated and centralised through the destruction of the plurality of means of payment. When the authority governing the system of account and deciding on the unit of account simultaneously issues means of payment for its own ends, there is a risk that its money will invade all of the transactional spheres and drive the other instruments of payment out of circulation. This risk may be thought of as endogenous or exogenous depending on the origin of the monetising authority that tends to impose its money—internal (r)evolution of a society or colonisation. But in both cases, the segmentation or differentiation of society tends to be called into question since the diversity and prevailing hierarchy of forms of debt is contested, the social compromises that previously prevailed being broken, which may amount to a crisis of ethical confidence.[18] The rules of the monetary game must therefore also guard the community of payment against this risk of centralisation. In the case of societies with a low level of differentiation, what is at stake because of such a risk is the loss of all autonomy of the short-term individualist order, governing market transactions, with respect to the social order that allows society to reproduce itself over the long-term (Bloch and Parry 1989).[19] For more widely differentiated societies, this means that the monetary order cannot be conflated with the

political order but is conceived of as embedded in the order of market transactions, its legitimacy not being conflated with its legality. This may account for the monetary crises in the aftermath of major wars when, because of, say, the liabilities that accumulated during wartime, the state is unable to escape from monetary centralisation that is no longer legitimate because hostilities have ceased.[20]

What Is Good Money?

From the distinction between the generic properties and the non-monetary uses of money, it ensues that a money may be considered 'good' from two standpoints that may prove contradictory: the standpoint of the reproduction of money as such and the standpoint of the economy in which that money is called to operate. This explains that 'superior quality money does not necessarily indicate a superior economic performance' and that 'sound money is no guarantee of a sound economy, either today or in the Middle Ages' (Davies 2002: 172). As many an historical experience shows,[21] introducing or re-establishing a money of quality, that is an enduring form, may on the contrary come at a high economic price in the form of a monetary shortage and economic depression, which invalidate the conventional thinking 'that intrinsically good money is necessarily good for the economy' (ibid.). In this dialectic of what is good for money and what is good for the economy, there clearly arises the issue of the autonomy of the phenomenon of money with respect to its social environment and therefore with respect to the social whole and in the reproduction of which money must take part, especially in representing it as a totality.[22] This has three theoretical consequences.

The first is that Gresham's Law by which bad money drives good money out of circulation must be reconsidered, that being a statement that gives precedence to an extra-monetary viewpoint about what good money is. From the monetary viewpoint of the circulation of debts and the dynamic reproduction of the social whole, it is the money that circulates that is good money, the so-called good money being good only because it best fulfils the extra-monetary function as a store of value, a viewpoint that is not necessarily the right one for judging the 'functional' character of money for its economic and social environment. Besides, this 'law' cannot be considered universal for, assuming that it were scientifically established, it could only hold for coinage regimes in which the presence of a market for the precious metal used in coinage was liable to

bring about its demonetisation (whenever it becomes more profitable to sell coins at the market value of the metal than to use them as money) (Fetter 1932: 493).[23] When currencies are purely fiduciary, as the dollarisation process shows, it is generally the good money (that in which people trust) that drives the bad one (the one in which trust has been lost) out of circulation (ibid.: 492).

The proposed terminological precision also justifies avoiding any confusion between monetary crises and financial crises. There are monetary crises that do not result from a financial use (in the modern meaning of the word) of money (such use may not be meaningful or may be prohibited), but which originate either in a fragile and poorly regulated monetary structure or in the coming together of several moneys of account within one and the same monetary area. It is true that whenever there is dependency on finance with respect to currencies, monetary crises necessarily disrupt financial mechanisms and the financial crisis accompanies the monetary crisis. But, in contradistinction, financial crises do not necessarily entail monetary crises, and nineteenth-century France provides several examples of this.[24] Even modern moneys may have 'experienced marked instability in their value and therefore no longer ensure the function of a reserve of value, but without automatically losing their qualities as instrument of payment and unit of account' (Courbis et al. 1990: 12). It is only in an historical context where credit money dominates and where there is public debt that a financial crisis is seldom of no consequence in monetary terms.

The distinction between generic properties and uses of money that are not specifically monetary implies a latent contradiction between the politico-symbolic and economic dimensions of moneys.[25] A good money in politico-symbolic terms is not necessarily a good money in economic terms, even if there may be good compromises—virtuous circles—between the two rationales under certain historical circumstances. Moreover, the definition of what makes for good money from these two standpoints may be reversed depending on the representations of what it is that must form the foundation of the political society unified by the monetary system, of what wealth is, and of the balance of power among the social interests present in the society (essentially between creditors and debtors). There is no room here to develop this point in full and it shall be illustrated briefly by an historical example, that of the Great Recoinage of 1696 in England.[26] The 2002 introduction of the euro will also be evoked.

After its Glorious Revolution of 1688 and its entry into the Nine Years' War against France in 1689, England experienced a very serious crisis in its monetisation regime which the founding of the Bank of England in 1694 failed in any way to resolve.[27] In seventeenth-century England, silver, which was the metal of reference for setting the unit of account, was structurally undervalued at the mint in comparison with its market price, which led to silver coins being clipped and counterfeited, or even melted down and exported. These phenomena were unparalleled in scale in 1690, especially because of the requirements for financing the war, with the result that the discrepancy between the official and actual metal content of silver specie widened from 12% in 1686 to 55% in 1696. Hence a serious crisis arose in the system of payments—a shortage of legal tender and the poor quality of what remained in circulation—and in domestic and foreign transactions, together with high inflation and a falling foreign exchange rate. After some intense debate involving a surprising number of 'experts' who were more less closely connected with the political figures who counted,[28] three different strategies for getting out of the crisis emerged that can be associated with the names of Lowndes, Davenant and Locke. Lowndes, Secretary to the Treasury, supported a position that was widely shared by the 'economists' of the time, which was to avoid the deflation inevitably associated with recoinage on the basis of the former standard of the intrinsic value of the coins[29]; he advocated recoinage with a 25% devaluation of the standard. Davenant, who was isolated and largely ignored, proposed waiting until a more suitable time for recoining and developing credit money to offset the effects. Locke argued for the need of a recoinage in line with the former standard. This was the strategy chosen by William III and implemented by Parliament, at the cost of an economic crisis that was worsened by the monetary shortage it caused—the monetary mass in silver being halved and the new coins continuing to be exported—and of a poorly financed war that had to be ended to the country's detriment.

Now, while the proposals from Lowndes and Davenant were pragmatic and guided by market and fiscal concerns, Locke's was doctrinal and based on the politico-symbolic order of things. For Locke, good money was not money whose monetisation complied with economic necessities but money whose 'Standard once this settled, should be Inviolably and Immuably kept to perpetuity'.[30] For Locke, 'neither the sovereign (by devaluation), nor the subjects (by counterfeiting) were legitimately entitled to manipulate to their advantage currencies, which have a natural

value' (Desmedt 2007: 329). The fact of the matter was that 'Money, which he defined strictly as gold and silver, had a unique, universal and imaginary value' which could therefore neither 'arise from utility', nor be exchanged, nor even 'be influenced by the extrinsic trappings of particular minting processes' (Appleby 1976: 55). This conception 'naturalised' money therefore, with the unit of account being reduced to a yardstick of the quantity of silver incorporated in the various coins. It drew its strength from its coherence with the new liberal political system just introduced and of which Locke was also the great thinker and source of inspiration.

For Locke, the invention of money preceded the invention of the State; it was part of the state of nature, the state of abundance in which any individual could freely appropriate the resources of nature without harming others, private appropriation being limited by the individual's capacity for labour. Nonetheless, the development of transactions resulting from such appropriation and from its limits led to the invention of money, and money, by allowing the accumulation of resources leading to 'unequal and disproportionate possessions' meant that relations between people could no longer be self-regulating. Hence the need to escape from the state of nature and set up a civil government with sovereign power to regulate the conflicts to which such inequalities inevitably gave rise.

Thus money for Locke was in a position of sovereign authority outranking the authority of the state, which was reduced to an executive power subject to that authority. The state therefore could not modify the definition of money set by tacit consent back in the state of nature. For the new, still very fragile, political system of parliamentary monarchy to sacralise money by consolidating the definitional value of the money it inherited thus appeared as a precondition for its legitimacy and its prestige. The purpose thereby was to found hierarchical confidence in the new monetary and financial system which, was simultaneously put into place after the establishment of the Bank of England, in an ethical confidence supported by the belief in an eternal money (by making the monetisation regime consistent with the constitutional principles of the new political and social order). It was logical, then, beyond the issues of political economy underlying the various positions and the final choice that was made, that in this critical period of the history of England, the politico-symbolic aspect should win out over the economic aspect. The necessities of institutionalisation and legitimation of the new state and the role of money in the formation of the political community underpinning that state prevailed over all other short-term considerations.

The introduction of the euro[31] is reminiscent in a way of this politico-symbolic monetary act that founded English liberal parliamentary monarchy. It similarly consisted in consolidating via money the dynamic of a nascent political order by creating, founding and legitimating symbols for it. The policy of the strong euro, its rooting in an authority that is the guardian of its value and that is placed beyond the reach of executive and legislative political authorities alike, is a sort of functional equivalent in a context of pure fiduciary money to the policy of the immutable anchoring (it was to last for more than two centuries) of the pound sterling in a weight of metal. By making a hard currency of it, the purpose was to make the euro a symbol of power that could even stand up to what remains the key currency of the international system, the US dollar; even if it were at the cost of an economy that failed to live up to the promise made by the instigators of the new currency, namely the promise of a dynamic economy impelled by monetary unification and the end of competitive disinflationary policies within the new monetary area.[32] Here again it seems that a good political money is not necessarily one that performs well economically, and that when it comes to monetisation, it is often political logic that takes precedence over economic logic.

That said, in the two cases evoked, the good political money is a strong, overvalued and deflationary money, whereas the good economic money is on the contrary a weaker and plentiful money. Those situations relate to 'mercantilist' arrangements in which the political sphere, supported by social groups of creditors (*rentiers*) with fixed incomes, looks first to the outside and is more concerned about its relative power with respect to other sovereign political entities than about the economic and social situation prevailing at home. But the reverse situation may arise where the good political money is an abundant money, with an inflationary trend, favouring debtors, while the good economic money is a stabilised money that serves better as a store of value. This is the case when the political sphere is more concerned with its life debt with respect to its population, whereas economic power is in the hands of a capitalist class that favours growth driven by exports, a situation that has been recurrently found in Latin America.

The Three States of Money

These remarks, which rather ruffle contemporary common sense, become clearer if we extend a little further the examination of the autonomous and primary social reality of the phenomenon of money. For this, the

point of view of money as a social relationship that reproduces itself over time in accordance with its own logic via the interplay of its various functional forms, must be combined with another point of view which apprehends money as a social phenomenon appearing in three forms that can be characterised as states (by reference to the states of matter as gas, liquid and solid). Among money's ways of being-in-the-world, we should distinguish: its *embodied* state, in which it appears as a standard of value and trust; its *objectified* state that is mainly to be found in the monetary instruments that serve as means of payment; and its *institutionalised* state, which consists in the various rules and regulations that unify a monetary area governed by a system of account and forming a community of payment.

Embodied Money: Account and Trust

Let us return to trust, the psychosociological level of analysis of the phenomenon of money, in which money may be said to be in its embodied state. This trust is ultimately social faith in the stability of the system of account, knowing that accounting is first of all a mental activity. Speaking of embodiment means that money is present in the very person of its users, that it is part of their habitus, that it is inscribed in their system of dispositions, with social faith at issue in each individual. Money must therefore be thought of as a 'symbolically generalised medium of communication' (Ganssmann 1988), a 'special language' (Ganssmann 2001) allowing people to communicate with the intent of interrelating and engaging confidently in economic and social transactions. Here it is the symbolic dimension of money that is active; it operates as a system of signs by which shared symbols and meanings can be exchanged (Codere 1968; Wennerlind 2001; Hart 2007).[33] Just like linguistic signs, monetary symbols speak, disclose information and meanings and create shared experiences. Trust in money appears, then, as the outcome of successful 'communication via money' (Ganssmann 2001: 146).

This communicational approach circumvents the 'enigma of money' as posed by Karl Menger: why do economic agents exchange objects that have value against money that has none? The fact is that 'there is no rational ground for the selection of signs, except that they have to be understandable'. Now, 'the less intrinsic importance an object serving as a sign has, the less communication is liable to be disrupted by outside interest in the objects as objects' (ibid.: 149).

Moreover, if we follow Heiner Ganssmann, successful communication that therefore allows actions to be co-ordinated implies that 'the objects serving as signs' have three properties: 'a sign must be recognisable in an environment composed of other signs; the use of the sign must be repeated so that regular recognition and expectations about the future become possible; a sign signals its own meaning and simultaneously which game it is that is being played' (ibid.: 148).[34] Now, those are properties that are the foundation of the forms of trust characterised in *La Monnaie souveraine* as methodical confidence and ethical confidence and that rely on the individual's self-subjection to his representation of the social whole which he shares with the other members of the payment community.

Methodical confidence is grounded in the routine communication of monetary signs. Vice versa, the regular uses of monetary signs spread faith in their quality, since 'by participating in monetary exchanges individuals reveal their trust and confidence in money' (Wennerlind 2001: 560). As 'this revelation communicates to the larger public sphere that a person also shares a common trust in the social order' (ibid.), trust follows from confidence and the two feed on one another. In actual fact, methodical confidence attaches to means of payment whereas ethical confidence relates to the system of account. Means of payment are the objectified signs that must be accepted in routine transactions for methodical confidence to come about. The unit of account, on the other hand, is the abstract sign of a relationship between individuals and the social whole, a sign of inclusion within a community in which the same language of prices and tariffs is spoken. Its acceptance is admittedly related to the acceptance of means of payment, but only inasmuch as these constitute a unified system, form an ordered whole, the payment community that is then conflated with the community of account; ethical confidence is trust in this ordering of things. The use of money thus communicates trust in money, by a self-reinforcing process whereby a property of language is expressed and which is that it allows 'shared understanding among its users that occurs in the absence of any learned authority overseeing the dissemination of that understanding' (ibid.).

From this perspective that is also found among the proponents of free-banking, it barely seems necessary, then, to call in any authority or any power on which to found trust in money. But that would be to disregard the fact that access to money is unequally distributed: money is not just a cognitive resource, an abstract system of account that is unanimously shared, but it is also a set of means of payment which are unevenly

distributed claims on society and which may be appropriated or privately controlled.[35] As a set of signs that may be created, distributed, destroyed and re-created periodically within a payment community, money, especially during crises, may appear to the part of that community which is excluded from control over this process, not as a tool of cooperation and coordination but as a resource of power whose unequal distribution is unjustifiable, contestable and therefore a source of conflict.[36] Trust in money cannot therefore only be rooted in its capacity to engender coordination, but it must also and first of all be rooted in the regulation of conflicts relative to the issuing and distribution of means of payment; a trusted money is a money that can only be a good convention of coordination if it is a good social compromise.

It is hierarchical confidence that expresses such a compromise by recalling that the routine and ethical self-subjection to the practice of monetary language comes up against its limits in the unequal access to money. It reflects the fact that the acceptance of money also relies on the feeling of protection provided by a hierarchical regulation of monetary power stayed by force and statutory requirement. Correlatively, ethical confidence changes meaning since there is no longer any such thing as a spontaneous social order. Hierarchical confidence in the institutional system that regulates conflicts about access to money and comes up with the compromises among interests necessary for coordination cannot be embodied by agents unless the rules of the established monetary game are legitimate, that is, unless they are congruent with the values and norms that underpin membership of the whole—account and payment communities united under a single sovereign figure. Ethical confidence draws its extra-monetary and truly cultural and historical dimension from that.

Objectified Money: Money-Things, Means of Payment

That said, trust in money is merely a prior condition for co-ordinating action. For monetary transactions to develop, there must still be means of payment not only of quality but also in sufficient quantity for debts to be settled. Monetary instruments, means of payment, currencies on which numismatists and anthropologists have focused are also the purest expression of money in its objectified state; money not being expressed from this point of view in words but via things. It is at this level that the question arises of the true monetary nature or otherwise of instruments of payment and that the central and historically recurrent oppositions

emerge of the economic analysis of what money is or ought to be (currency/banking schools; mono/bimetallists; bullionists/greenbackers; free-banking/chartalism; monetarists/Keynesians). The anthropologist Keith Hart uses the metaphor of the two sides of the coin (or of the banknote) to highlight the need for the theory of money to escape from these unilateral conceptions by taking account of both sides of the coin at one and the same time[37]:

> One side is 'heads' – the symbol of political authority which minted the coin; on the other side is 'tails' – the precise specification of the amount the coin is worth as payment in exchange. One side reminds us that states underwrite currencies and that money is originally a relation between persons in society [...]. The other reveals the coin as a thing, capable of entering into definite relations with other things, as a quantitative ratio independent of the persons engaged in any particular transaction. In this latter respect money is like a commodity and its logic is that of anonymous markets. [...] Most theories of money give priority to one side over the other. [...] (But) the coin has two sides for a good reason – both are indispensable. Money is at the same time an aspect of relations between persons and a thing detached from persons. (Hart 1986: 638–639)

But should we not go further and take into account that a coin has not two but three dimensions.[38] It also has an edge that gives it 'depth' without which it would be a pure abstraction. And it is this depth or thickness that gives the coin its substance and its weight, which long served to legitimate the value inscribed on its tails side, while indicating its degree of fiduciarity, that is, the role played in underwriting its official value, through the imprint of the authority unifying relations among people on its heads side. In other words, the edges of coins, the thickness of the means of payment, symbolise the third generic property of money which is monetisation and that means that a value in a unit of account is ascribed to any means of payment. Coin edges express that there is no money without rules as to the issuing and circulation of means of payment, that is, without an institutional dimension of money. And so, picking up on Hart's terms, it can be said that the coin has three sides for the good reason that all three are essential: 'Money is at the same time an aspect of relations between persons', 'a thing detached from persons', and an institutional form connecting people and that thing, a system of rules that means that 'the thing detached from persons' which has been chosen to represent certain relations among people does so legitimately.

Institutionalised Money: Monetisation[39] *and Regulation*

This leads us to the third state of money, its specifically social state, the institutionalised state by which it appears as the political form of a community of payment that is nothing other than a social grouping represented in monetary form. A payment community may more specifically be defined as the monetary expression of a society that first recognises itself in a particular system (or unit) of account; whenever a group comes together around a quantitative mode of accounting for value (whether cardinal numbering that is purely quantitative or ordinal numbering that combines quantitative and qualitative), the conditions are met for it to form a community of payment in which the various instruments of payment are convertible into one another.[40] Within it, various rights and social obligations, whatever their origin—market transactions, gifts (between humans and/or to the sovereign authorities), compensations, tributes, pledges—may be quantified and take the homogeneous form of claims and debts expressed in a common standard within one and the same frame of reference. Society then takes the form of a network of debts bound together first by the system of account,[41] then by the uninterrupted circulation of means of payment.

The origin of debts in transactions of multiple kinds is reflected by there being more than one means of payment, each transactional sphere having to be considered a priori as having its own means of payment, since the sources of trust in the validity and quality of those means of payment are first specific to each sphere; each means of payment has initially a specific area of validity corresponding to the transactional sphere and to the network of users in which it is accepted and circulates on the basis of confidence.

A community of payment is therefore a society in which a set of means of payment circulates while articulated around a system of account (for example, because the means of payment are denominated in or convertible at a fixed rate into a common unit of account in the simplest case of purely cardinal numeration that has become the norm in modern societies), with this set of money-things (real money) and this abstract system (imaginary money) constituting two fundamental aspects of money specific to the community in question. Money is thus what allows a society to assign and socially recognise a quantified value to persons, things, symbols, acts, rights and obligations. As a system of account, it makes society into a homogenous space of assignment of value

above and beyond its discontinuities; it is an expression of the whole and an operator of social belonging. As a set of means of payment, it means that the values assigned in transactions that bind members of the society are recognised and socially validated through payments, which consolidates and confirms membership in society.

In a nutshell, for a money to be truly representative of a social totality and to function as an operator of belonging, for it to be the medium by which this totality is reproduced over time, money itself must endure and take an institutional form that ensures regulation of the contradiction between its one form of account and its many forms of payment. And so Ganssmann is right in saying that 'money only exists if agents use it in accordance with rules [...] the rules for using money constitute money [...] it is not the nature of objects (selected to serve as money) but the compliance with the rules of the game that make for money' (Ganssmann 2001: 141–142). It follows that 'the analysis of monetary relations [...] has as its first task to identify the system of rules that concerns both the definition of the unit of account and the definition of instruments of payment [...] These rules are those of monetisation that plays a central role in the necessary articulation of account and of payment' (Boyer-Xambeu et al. 1990: 35). They are therefore the crux of the truly institutional dimension of any money.

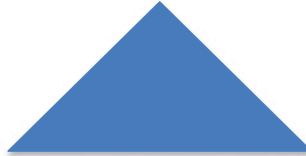
Money, understood at the institutionalised level of the monetary regime founding a community of account and of payment, therefore like trust (embodied money) and means of payment (objectified money), has a triadic structure: it is reflected (1) by conflict among issuers (competition among means of payment); (2) by cooperation and coordination among them when they are within the framework of a single system of account (implying conversions among means of payment); (3) by order born of conflict (compromise among issuers) and of collective action aimed at stabilising coordination via working rules of monetisation. The concept of money may accordingly be represented by the formula of a transaction and of a going concern that we owe to J. R. Commons (1934) (Théret 2001: 105). Hence Fig. 7.2 illustrating the horizontal and vertical dimensions of money, that is, the dimensions that are interindividual and those that relate to the relationships between individuals and collective concerns.

d.3. Hierarchical confidence

c.3. Order–compromise

b.3. Institutionalised money

a.3. Rules of monetisation



a.1. More than one means of payment	a.2. One system of account
b.1. Objectified money	b.2. Embodied money
c.1. Conflict–competition	c.2. Co-ordination–communication
d.1. Methodical confidence	d.2. Ethical confidence

Fig. 7.2 Triadic structure of money as the representation of a community of account and of payment

Money as a Total Social Fact[42]

From the foregoing it turns out that money is at one and the same time a specific language (the system of account), a set of things (the instruments of payment) and an institution (the rules of monetisation). It is not only a thing, a commodity used as a means of exchange, as in its most commonplace sense in economics; nor is it just a simple special language of communication, as in the vision favoured by some sociologists; but nor is it merely an institution, a system of rules, as institutionalist economics usually asserts. It is a total social fact that involves these three dimensions simultaneously, the phenomenon of money being symbolic, economic and political all at the same time.[43]

The Oneness of the Monetary Phenomenon Beyond Its Multiple Forms and States

Money as a total social phenomenon is thus deployed in several states and forms: it is present in the mind, in the world of things, and in the social world; it takes different functional forms in each of these 'worlds'—account, monetisation and payment—that allow it to reproduce itself over time as a social mediation. In all states of money, it is the same inner structure that is reproduced. What makes the unity of the monetary phenomenon is that each of the functional forms of money is the imprint of one of its states, and those states are thereby permanently bound together (cf. Table 7.1).

However, in each of the states of money, the functional form that is in a hierarchically higher position is different and a dominant functional form can be associated with a state. Thus the system of account, although primarily an instituting gesture, is as a language the matrix form of embodiment of money; it is the base of ethical confidence which in turn is the cornerstone of that embodiment process. As for the objectified state of money, it is first to be related to payment and it is the numbered value of the money-things that is then its primary functional form. Lastly, monetisation is the parent form of institutionalisation of money and it appears essentially at this level as a political compromise between social forces for which the unicity of accounts (as a form of sovereignty) and the plurality of payments (which reflects the heterogeneity of the social ties of indebtedness) convey different, even opposing, social challenges, with respect to time (long-term project, medium-term strategy, and immediate operation).

Money is therefore simultaneously a mental and social, individual and collective, ideal and material phenomenon that is at one and the same time economic (general economy of the circulation of means of payment), political (conflicts and compromise as to [i] the power to act on the system of account and to name the unit of account, [ii] legal regulation of issuing/destroying means of payment), and symbolic (system of account; representation of the unit of account and of certain means of payment as symbols of social totality; ethical basis of the rules of the monetary game in values of social belonging).

Money may then be considered in sociological terms as a kind of 'cultural capital' in the sense that such 'capital', to follow Pierre Bourdieu (1979), is a symbolic resource which is inscribed in time (and therefore

Table 7.1 The inner structure of money

	Functional forms → ↓ *states*	*Account*	*Monetisation*	*Payment*
(Symbolic) system of signs at the heart of trust	Embodied Mental schema	**Ethical confidence** associated with authoritative values **Project**	Hierarchical confidence associated with legitimacy of monetary power over the various issuers Strategy	Methodical confidence associated with the stable value of means of payment Routine
(Political) system of subjects acting in the context of rules and sovereignty	Institutionalised Time horizons of collective action	Symbolic unification of a monetary area via the system of account long-term (structure)	**Political compromise constitutive of monetary regime** **medium-term** **(conjuncture)**	Heterogeneity of debts, multiplicity of issuers of means of payment short-term (events)
(Economic) system of things allowing the circulation–renewal of debts	Objectified Valuation principle	Heads: emblems of sovereign authority in the community of account Seal, signature	Edge: institutional guarantees of the quality of monetisation 'anchoring' Weight of metal, foreign exchange	**Tails:** **numbered facial value of means of payment** **Nominal principle**

in the temporality of some form of sovereignty) and is also embodied and formative of the habitus, objectified in durable goods, and institutionalised in the form of rules that constitute an organisation. Through its existence in these three states, the continuity of money is secured and it becomes a cultural heritage of the societies that have invented or imported it.[44]

Money Between Axiological Neutrality and Objectification of Domination

From this sociological characterisation of money it can be deduced, first that value is given to money only in the territorial context where it functions effectively as cultural capital (otherwise it is merely a form void of content, universal but valueless); second that it is a symbolic form that, precisely because of this abstract universal character, lends itself to concealing social relationships that it shrouds with its veil and which, in return, gives it its effective content in context: its regime of monetisation and its specific uses in each society. For money is also a resource of power endowed with a representation (an emblem of the social totality and signs endowed with utility in transactions) which means that when everything seems to be going smoothly, it is forgotten that money may be unequally distributed. And so, since it operates without direct and apparent physical violence (it is even initially the substitute for such violence in sacrifices), through the interiorisation of dominant collective representations, through adhesion, methodical and ethical confidence, social inclusiveness, or otherwise exclusion from the payment community, money may prove to be one of the most sophisticated forms of symbolic violence. That is why it has been and sometimes still can be a substitute for the legitimate monopolisation of physical violence by the state, as in Melanesian societies (de Coppet 1998; Breton 2002). That is also why in a monetary society no-one can live without money and why when one currency is destroyed a hundred others bloom.

The idea that money is symbolic and is cultural capital has two significant implications. As a universal form, money is a language that lends itself to many uses and may take on the most varied social relationships, from the most egalitarian to the most hierarchical. There is no way we can fall into the 'hypostasis of money' (Cartelier 2007). Admittedly money contains in itself a hierarchical principle of ordering that is necessary for its permanence, a principle of collective action and of the presence of the

whole in its parts; it is a symbolic invention that allows human societies to isolate life and death, to re-appropriate certain forms of sovereignty. As a form of the authority of the whole, it therefore gives power to those who can monopolise it and control it, but that does not imply that in itself it necessarily changes into a power to dominate. It may be the instrument of domination through its intrinsic capacity to hide social relations, but it may just as easily allow the distribution of power in an egalitarian way. Everything depends on its system, or even on its regime of monetisation, which, being forms of collective action, are obviously not independent of social relationships themselves. Thus as Bloch and Parry (1989: 22) emphasised, money in general does not in any way in itself convey meanings and moral values, but borrows those of the social relationships it mediates in varied societal settings where it acts as cultural capital.[45] Otherwise it could not be understood that egalitarian community-based societies, just as much as traditional and modern inegalitarian societies use money to represent themselves as totalities.

But money is not only a special language for covering up various social relations by mediating them. As a social form that is able to homogenise heterogeneous things, to ensure contiguity between separated social statuses, to provide comparisons of things that are incomparable, money ensures the continuity of the social fabric beyond its discontinuities, thereby tending to naturalise or even to mask social rifts. By mobilising the strength of numbers, it makes ready to transform class struggles into ranking struggles, to convert social antagonisms and status differences into simple inequalities along a continuum. Thus it has an intrinsic capacity for masking or clouding the very nature of the social relationships that it mediates. Here we come back to Marx's theory on monetary fetishism, a theory which for some anthropologists may be extended to pre-capitalist societies because 'the objects of exchange are probably just as much fetishised [in it] [...] as in a capitalist economy' (Bloch and Parry 1989: 1). And so fetishism does not concern only capitalist money active in transactions of real and symbolic goods (labour force), not just money masking the relations of domination in the form of equivalence. It can also be found, although in a reversed form, in 'savage' currencies used in exchanges of people or rights over people, the anthropomorphic forms of Melanesian currencies being a good example of this (Rospabé 1995; Breton 2002).

So it is only in monetary crises that one can highlight the relations of domination that money conceals, that is, the distributive implications in

social and territorial terms of the forms of control of its regime of monetisation, the extraordinary power of those who, in a society, control the creation and distribution of money. In times of crisis, all of the conflicts masked by the unity of the monetary system and its working emerge again: conflicts between issuers of currencies, conflicts between the monetising authority and the social body that uses the money, distributive conflicts arising from the prevailing modalities of social control within the society, conflicts of sovereignty between currencies.

There is no telling the future of a money, then, without taking account of the way(s) in which these various social and territorial conflicts are regulated within the monetary area where this money is called on to have currency.

Notes

1. Many anthropologists nowadays are 'increasingly convinced there are no moneyless societies' (Rospabé 1995: 24). For example, the received wisdom that the Inca empire did not use money is now contested and the case re-opened: notably, it is accepted that valuable items (including gold and silver) were exchanged as gifts among the Inca elite (cf. Sallnow 1989). It seems that only hunter-gatherer societies that did not seek to control nature and had no sacrificial rites were moneyless societies (Hénaff 2002; Testart 2002).
2. 'Life capital' relates to it being 'as if, in traditional societies (and in many respects this representation outlives them) there were a model of a reserve of life, a store of energy that cannot be tapped or threatened without the need to replenish it being felt' (Hénaff 2002: 298–299). Life as a biological phenomenon and as social existence must be maintained 'in its integrity; any infringement calls for a reciprocal action, a procedure to offset it. Such is the life debt' (ibid.). Cf. also Rospabé (1995).
3. It was Bernhard Laum who soundly established 'the religious and even more specifically sacrificial origin of money' (Scubla 1985: note 73, 213) and 'the association of money not just with procreation but also with murder and death (even if it is to oppose them) [which] can hardly be passed off as contingent…' (ibid.: note 69, 88). 'If currency is considered as a determinate means of payment defined by its nature and its quantity, then cult must be seen as the original source of money' (Laum 1992: 61). The relationship between money and death in the case of a society of 'savages' is developed in the works of Daniel de Coppet (see especially de Coppet (1970).

4. For a particularly stark example of the payment of the life debt in the form of a monetary tax, see the description of the *hasina* of the Merina Kingdom of Madagascar by Bloch (1989: 182–188) and the interpretation of it as a ritual sacrifice in Graeber (1996: 19).
5. For analytical reasons, the term trust is considered as a general form of social faith, and confidence is used to specify the special forms of trust we distinguish as methodical, hierarchical and ethical confidence (see Introduction).
6. Aglietta and Orléan (2002) assert this more forcefully in the wake of Simiand (1934) claiming that money is a bond of trust.
7. This triad ties in with reflections on trust by a number of historians, sociologists and anthropologists. For example, the numismatic historian François Thierry in his own way distinguishes these same three forms for ancient China when he tells us 'these currencies are genuine metal notes whose value is based solely on trust in the government [hierarchical confidence], on the reciprocity of use at the statutory rate [methodical confidence] and on the accreditation from the population [ethical confidence]. […] In a society where a fiduciary monetary system operates, the problem of trust is the fundamental problem. That trust is based on the ties binding governors and governed, but also on the capacity of the rulers to enforce the terms of the contract binding them to those they rule' (Thierry 1993: 6–7).
8. The point is therefore to return to the 'very question of the nature of money' that still concerned the founders of political economy but 'that seems to have lost all relevance' for economics in the mid-nineteenth century since money was then 'characterised as anything that fulfilled the four famous functions' described by Jevons (1876), 'which appear essential to its full manifestation' (Lagueux 1990: 81). The idea that money should not be defined by its functions or by what it does (as in Dalton [1965]) is from the anthropologist H. Codere (1968) who developed a theory of money as a self-contained symbolic system involving four subsystems of symbols: money objects, numbers or a counting system, systems of weights and measures, and writing. More recently the anthropologist A. Testart (2002) has also criticised the notion of function applied to money by underscoring its ambiguity; it conflates 'function and aptitude for the function' (Testart 2002: 26). But Testart remains close to a definition of money by what it does, conceiving of it as 'one or more kinds of goods […] the transfer of which […] is prescribed or preferred in most payments and is deemed to discharge debt', a definition by payment therefore from which it is supposedly inferred that money is the supreme form of wealth ('principal characteristic of money') and its 'subsequent functions as a medium of exchange, a store of value and a standard of

value' (Testart 2002: 34). Our approach here fits with Ingham's position in his *The Nature of Money* (2004) as well as with Tymoigne (2006).

9. Many commentators from all disciplines even consider that money is not a very effective instrument for this 'function'. See, for example, Boyer-Xambeu et al. (1986), Courbis et al. (1990), Servet (1993), Thierry (1993), Ingham (1999), Blanc (2000) and Davies (2002).
10. As Karl Menger and Ludwig Von Mises argue, for whom the function of medium of exchange is the defining function of money and that of means of payment or settlement merely a secondary and derived function: 'the function of money as an object which facilitates dealings in commodities and capital [...] includes the payment of money prices and repayment of loans [...] there remains neither necessity nor justification for further discussion of a special employment, or even function of money, as a medium of payment' (Menger, cited by Von Mises 1981: 49). For Von Mises, defining money as a means of payment is an error that arises from legally uncritical acceptance and from common habits of thinking. 'From the point of view of the law, outstanding debt is a subject which can and must be considered in isolation, and entirely (or at least to some extent) without reference to the origin of the obligation to pay. Of course, in law as well as in economics, money is only the common medium of exchange. But the principal, although not exclusive, motive of the law for concerning itself with money is the problem of payment. When it seeks to answer the question, What is money? it is in order to determine how monetary liabilities can be discharged. For the jurist, money is a medium of payment. The economist, to whom the problem of money presents a different aspect, may not adopt this point of view if he does not wish at the very outset to prejudice his prospects of contributing to the advancement of the economic theory' (ibid.).
11. Nonetheless, it must be considered that this 'function' specifies the money of state capitalist societies the use of which as a store of value and its capacity to change into capital (money) are hypostasised. Hence the ambivalence of this money (Aglietta 1988). It would perhaps be helpful, then, to keep the term 'money' (*argent* in French) for this modern money without confusing it with currency (*monnaie*), whose mediating role in the circulation of material and symbolic goods, or even of people, and whose social reproduction must be thought of as primordial. This distinction echoes that made by various anthropologists who differentiate the 'money' of territorial states and modern capitalism and the 'currencies' circulating in Melanesian local societies (Robbins and Akin 1999). In German this could correspond to the distinction *Munze/Geld* used by Laum (Bensa 1992).
12. It seems that in ancient China this requirement was felt very early on (far earlier than in the West) and formulated as a question of political

economy, which may tie in with the early appearance of paper money too (Von Glahn 1996: 44; Lamouroux 2007).

13. In state-based societies multiple traces are found of this process which may lead to territorial break-up and to the splitting of sovereignty. Thus, after being put in place by Charlemagne, the *livre-sou-denier* monetary system of account split up into several systems (*esterlin*, *tournois*, *parisis*, *de gros flamand*, etc.) in which the *livre* represented different weights of metal (Davies 2002). The same type of differentiation occurred in the case of the Greek talent-mine-stater systems (Attic and Aeginetan systems) (Lombard 1971). One might also think of the recent example of provincial fiscal currencies in Argentina issued in 2001 in the national unit of account, the peso, but whose values were soon differentiated by province and the variable levels of trust inspired by the provincial governments' policies: whereas the patacon issued by the province of Buenos Aires always remained at par, its facial value, some other provincial currencies lost around 40% compared with the national currency (cf. Théret and Zanabria 2007).
14. Boyer-Xambeu et al. (1986, 1990) have clearly highlighted this type of contradiction and the way it was managed in sixteenth-century France where two 'species' of means of payment circulated, the native specie issued by the French sovereign and embodying seigniorage, and foreign species evaluated by their weight in precious metal. This duality caused tension over the unicity of the unit of account that was reflected by an underlying inflationary trend.
15. These fiscal currencies are a priori part of 'market' monetisation, with the treasury circuit looping via markets, and not 'capitalist' monetisation by which 'only a "capitalist" may be involved in opening the circuit and thereby providing for the economic existence of any non-property owning individual' (Iotti 1990: 63). On 'capitalist monetisation', cf. Benetti and Cartelier (1980).
16. This was notably the case in the USA in the nineteenth century where a form of free-banking prevailed. On this, see, for example, Le Maux (2001), Weiman (2006) and Le Maux and Scialom (2007).
17. Cf. *a contrario* the monetary disorder associated with a crisis of credibility in Russia in the 1990s, which arose, argues Motamed-Nejad (2007), because the most powerful banks and businesses there were not truly subjected to the constraint of settling their debts.
18. Cf. Sapir (2007) for the case of Soviet Russia as an example of an endogenous crisis. For an example of an exogenous crisis, cf. the case of the Tiv society of Nigeria in the 1950s where the segmentation of the spheres of exchange was challenged by the colonial power's introduction of a unit of account and a 'modern' means of payment that homogenised all social transactions and payments and simultaneously caused a downturn

in the volume of subsistence goods available, an increase in inequalities in wealth, and inflation in the monetary pledges in matrimonial exchanges (Bohannan 1959). A structural imbalance was introduced between the new monetary institutions (imposed from outside and that promoted modern liquid money as absolute wealth) and enduring social values and norms (that made women and children the supreme form of wealth). However, as some Melanesian societies show (Akin and Robbins 1999), contrary to Bohannan's diagnosis, the resorption of such an imbalance is not forced to lead to the disappearance of the 'savage' money and of the society that it totalises, resistance to centralisation may be reflected by the reduction of modern money to just one means of payment among others and its absorption within the framework of pre-existing monetary rules. Likewise, until 1914, the silver dollar was integrated into the Chinese imperial monetary system without modifying its disjointed operation (Kuroda 2005).

19. Well illustrated by dollarisation in Cuba in the 1990s (Marques Pereira and Théret 2007).
20. Cf. the hyperinflationary crises in the early 1920s in Germany (Orléan 2007) and Russia (Després 2007).
21. The case of England at the time of the Great Recoinage of 1696, to which we shall return, is a good example in this respect (Desmedt 2007), as was recently the Argentinean Currency Board experiment (Sgard 2007). Similarly, in eighteenth-century Japan under the Tokugawa dynasty, the restoration of a 'good money' went along with an economic depression whereas the inflationary period was one of economic prosperity (Carré 2007). In contradistinction, the great inflation of imperial Rome of the fourth century AD does not seem to have impeded its economic dynamism (Carrié 2007). For 'savage' or exotic currencies, a similar correlation between the quality of money and economic deflation (food-based in this case) is found in the Wodani society of New Guinea described by Stéphane Breton, for example, and that it seems can be generalised to all of Melanesia (Breton 2002: 213).
22. For the historian Glyn Davies (2002: 29–33), this dialectic is captured by a pendulum motion between periods when the quality (associated with domination by 'net forces of creditors') and quantity (associated with domination by 'net forces of debtors') of the currency in circulation alternate. The recurrent character over the long term of this to-and-fro motion between the two extremes of quality of money and quantity of money constitutes for Davies a 'metatheory of money'.
23. The scientific basis, including for precious metal coinage, is controversial. For F. W. Fetter (1932), it was popularised in the nineteenth century by the mono-metallists and should be ascribed not to Gresham (1558) but McLeod (then taken up by Jevons in particular). It is to counter the

arguments for bi-metallism that McLeod, who saw a factor of monetary disorder in it, used Gresham's name to make a universal law, a 'theorem' for Jevons, out of the idea that a less valued money (on the monetary market) drives a more valued money out of circulation. For Fetter, who follows Giffen (1891: 304) on this, 'that it is not the badness of the money, but its excess, that leads to the driving out. The driving out can take place when all of the money is equally good. Gresham's law simply explains which money is taken out of circulation, when, at a moment of excess in the total monetary supply, any choice is offered among two or more monies of different commodity values' (1932: 495). Cf. also the criticism by Rolnick and Weber (1986), and the attempt at partial rehabilitation by Selgin (1996).

24. Cf. Théret (1990), vol. 1, chapter 3.
25. The politico-symbolic dimensions are those characterising money in that it is the political bond of common membership of a community of account and payment (Théret 1999). The economic dimensions are those associated with the specific uses of money in different societal contexts; they may be economic uses in the ordinary meaning of the term (i.e. with respect to the market economy and to contractual debts) or political uses (i.e. with respect to the social debt and to public finances) (Théret 1998).
26. Here we use Fay (1933), Appleby (1976), Caffentzis (1989), Diatkine (1988), Dang (1997), Kleer (2004), Larkin (2006) and Desmedt (2007).
27. On the contrary in the year of the Great Recoinage it was on the verge of bankruptcy and had to declare itself in default.
28. Some 400 reports were written on the question.
29. For Kleer (2004), it was above all a matter for Lowndes and the Treasury of subsidising financiers who held metal (banks and tax collectors) so as to secure loans from them with which to finance the war.
30. John Locke, *Some Considerations of the Consequences of the Lowering of Interest, and Raising the Value of Money*. London. 1696, cited by Larkin (2006: 19).
31. Another instance is German reunification with the parity of West and East German marks, the over-valuing of the East German currency being limited even so to a set time for conversion (as in the English case where clipped shillings were taken back at their nominal value for a limited time early in 1696).
32. It is difficult to gauge the cost of this unpaid promise for the long-term future of the euro and of Europe, even if it can be ascribed a part in the failure of the 2005 referendum on the constitution. As for the Great Recoinage of the pound sterling on the former standard, however, it may be considered that, beyond its short-term adverse effects, it was not entirely foreign to the development of British power and wealth under the gold standard regime in the two and a half centuries that followed.

33. The idea that money is a sign, or even a form of language, has a long history going back to the origins of political economy when, particularly with Locke, Montesquieu and Turgot (cf. Giacometti 1984), Lagueux (1990), and Rosier (1990), the discipline was still concerned with the nature of money.
34. 'For the theory of money, it follows that we can leave behind us the traditional propositions about the value of money, which explained its working by isolating a property common to the money object and to whatever it could buy. Such material correspondence between money and goods, the things handled in a monetary transaction, may have existed historically when commodity money was used. But it is not a necessary pre-condition for the working of money. All that is required is the mutual understanding of the agents involved in buying and selling. To ensure such understanding, they must act in accordance with the established rules. The use of any object acting as a monetary sign is both the expression of those rules and an essential component in the communication process leading to mutual understanding and, thereby, to co-ordinated action' (Ganssmann 2001: 148).
35. Cf. Crump (1978). Language too is a resource of power, a distinctive symbolic capital, depending on whether or not one can use it in a manner appropriate to the circumstances, and its evolution too is the subject of regulation-normalisation by political authority (cf. Bourdieu 1995: 83–84).
36. Which can be illustrated by the payment crises related to debt in Ancient Rome as described by Andreau (2001).
37. For Hart, reference to the coin is metaphorical and the contrast between its two sides holds also for 'savage' societies like that of the Trobriands where it recurs in the contrast between *kula* and *gimwali*, that is, between ceremonial exchange of gifts between persons involving political authority (prestige) and the exchange of economically useful items as in inter-individual bargaining (Hart 1986: 647).
38. On that point see also Burns and De Villé (2003).
39. Here monetisation is used to characterise the process of creating currencies in general, including mintage of metallic money (see Chapter 1).
40. The concept of payment and account community was primarily developed by Knapp in his *State Theory of Money* (1905, 1924). It had a prominent influence on Max Weber (*Economy and Society*), Commons' 'transactional theory of money' as 'a debt-paying institution' (Commons [1934] 1990), and Keynes' *Treatise on Money* (Tymoigne 2003), not to mention present neo-chartalists and some post Keynesians.
41. Generally the system of account is reduced to the unit of account, which means that the system of account based on that unit remains implicit, namely, the system which for us has become 'natural' of numeration on

a single basis governed solely by the laws of arithmetic and that prevailed in the development of Western money. As there are moneys that are not governed by such a system, it has to be accepted that what is variable from one society to the next is not just the unit of account but more generally the system of account giving its overall coherence to the system of money objects specific to a society.

42. One can find this characterisation already formulated in Courbis et al. (1991: 322).
43. 'A currency, as an economic thing, is coined by a nation, a political thing, and there is trust in it, it inspires faith and credibility, a phenomenon that is both economic and moral, or even rather mental, habitual and traditional. Each society is one, with its morals, its techniques, its economy, etc. Politics, morals and economics are simply components of the social art, the art of living together' (Mauss, cited by Tarot 1999: 658). To speak of a total social fact is 'to recognize the symbolic dimension of all the facts in which man is caught up and in which he is involved. Now the perception of such facts does not depend on focus alone. One can see in a business just an economic fact and analyse it from that viewpoint alone. But since this fact includes many others, one can also refuse to completely separate economic facts from the social organization in which they are caught up, observe that they refer to facts about values and ideology that are meaningful in their own way, to facts about power which they express or consolidate, impose or reproduce. […] The total social fact, is the corrective for excessive abstraction that may harm science and that are the dangers of ideology, it is the primacy of the material alone over all possible discourse, it is the will to immerse words in things again and always, for science is merely in the service of what is real and we have no science of the real. […] The idea of total social facts is therefore the consequence of a fairly intensive analysis of a single aspect of a society. If we take the analysis as far as it can be, a particular science will be compelled to reintroduce what it believed it had to exclude, for it is the datum that makes it do so' (Tarot 1999: 658).
44. This transpires clearly with respect to the 'great stability of the denomination of units of account over very long periods while realities including monetary ones, instruments of payment to which they correspond undergo many substantial changes in nature, in quantity and in quality' (Servet 1998: 296—referring here to pre-colonial African currencies). Closer to home, 'when we speak of the franc, the pound sterling or the dollar, we refer to metaphysical entities the perpetuity of which is their most remarkable character, and which are part of that conceptual network where the notions of state, nation, territory and sovereignty join up and through which we still think about politics' (Piron 1992: 9).

45. See also Codere for whom 'money as a symbol has the same moral neutrality possessed by anything in the technological and symbolic world' (Codere 1968: 576).

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CHAPTER 8

Money: Instrument of Exchange or Social Institution of Value?

André Orléan

> In social life, everything is representations, ideas, sentiments, and nowhere else can we observe better the effective power of representations.[1]

It is striking that many sociologists observe that their discipline has failed to establish an adequate intellectual framework for the systematic analysis of money. This led Geoffrey Ingham to speak of an 'Underdevelopment of the sociology of money' (Ingham 1998). In the Preface to his

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book *The Sociology of Money* Nigel Dodd is no less forceful: 'Existing sociological analyses of money are relatively insubstantial … a coherent sociological approach to money would be something of a novelty. The persistent inattention of sociologists towards money stems partly from failure to recognise its importance as a consequential social institution' (Dodd 1994: vi). If the analysis advance by Wayne Baker and Jason Jimerson is more qualified, it none the less concludes that 'There is yet, however, no systematic sociology of money' (Baker and Jimerson 1992: 678). In the same vein Jocelyn Pixley notes that 'only a few sociologists have developed a significant body of research on money' (Pixley 1999: 1092). Randall Collins has no hesitation in declaring that '[m]oney is doubtless the single most important neglected topic in sociology … Sociologists ignore it as if it were not sociological enough' (Collins 1979: 196). Finally, as François Cusin writes: 'Sociologists have little studied the behaviour and perceptions linked to money' (Cusin 1998: 418).

How is such a deficiency of sociological thought to be explained—that is, the absence of a general conception of money which would be 'coherent' and 'systematic'? Let us begin by dismissing the notion that this discipline should have intentionally removed this object from its field of study because it was 'insufficiently sociological'. This proposition is quite simply absurd. To be convinced of its absurdity, one need only read the important work of some contemporary sociologists. If there is such a deficiency, it relates to sociology in general. The existence of notable exceptions leaves no doubt as to the relevance and originality of the sociological perspective in monetary matters.[2] To complete our panorama let us add the imposing body of thought that the first generation of sociologists devoted to the subject—Mauss, Simiand, Simmel, Weber. This body of work proposes a similar and original way of thinking, which demanded only to be continued and expanded. Why was this not done? What was the source of the obstacles? Geoffrey Ingham gives us the answer: 'The reason for this puzzling state of affairs, in which the social sciences cannot adequately account for the pivotally important institution of modern society, lies in the legacy of the division of intellectual labour between economics and sociology, which followed the methodological disputes (*Methodenstreiten*) in history and the social sciences at the turn of the last century. As a result, money fell under the jurisdiction of economics, and this fact alone explains sociology's indifference' (1998: 4).

In other words, the obstacle to sociological analysis is a disciplinary rupture in which the study of money was taken over by economics. Once this separation had hardened, around the 1920s, it was followed by a decline of sociological work devoted to this subject, since when money has appeared to be exclusively within economics' competence.[3] The work of François Simiand seems to me to correspond precisely to this turning point. He is one of the last researchers able to be seen as both sociologist and economist, and to advance a general inclusive theory of money, at the same time as the one proposed by economics. But Simiand's work elicited scarcely more of an echo from the economists than from the sociologists.[4] This situation, which persists to this day, is unsatisfactory. Stated simply, as Geoffrey Ingham insists in all his work, money is in itself a social relation, which transgresses the disciplinary boundaries as these have been drawn since the middle of the last century. It is clear that the architecture of the social sciences is in need of radical modification.

In order to demonstrate this, let us begin, in a first section, by showing that the mainstream economic theory of money is incapable of grasping the phenomenon of money in its totality. Here, money is nothing more than an instrument facilitating exchange transactions. This is clearly not false, but is as profoundly insufficient and partial as an approach which reduces the passport merely to its function of an instrument facilitating journeys. What such an instrumental conception omits is exactly the same regarding the depiction of money; that is, authority and influence over actors. Money is only partially revealed as a question of individual rational choice. It is rather the very material from which economic relations are constructed; it is the primary institution of market economies. Let us, therefore, refer to an 'institutional approach', which is opposed to the instrumental conception. The broad outline will be presented in the second section. It is a matter of thinking of money as a social force, which necessarily implies a break with that which is at the heart of neoclassical economic theory—the canonical assumption of individual sovereignty. To achieve this it is necessary to look to the social sciences, especially anthropology and sociology, which have sought to demonstrate the existence of forces beyond individuals, considered singly. Founded on the work of Emile Durkheim and Marcel Mauss, this will be developed in a third section. In the last two sections the emphasis is placed on the role played by the representations of money in which the whole social group invests its trust. To show this, two complementary perspectives are explored: the first (section four) is based on the economists' 'Overlapping Generations

Model' and the second (section five) on the thought of Simiand and Simmel. The conclusion draws on the example of monetary miracles as an illustration of monetary power that is autonomous with respect to the movements of production and consumption.

The Theory of Value as Utility and the Instrumental Conception of Money

At the foundations of the neoclassical economic approach lies the hypothesis that goods have value because they are useful. This intrinsic utility of goods is understood through its effects on the individual mind as it arouses, with an intensity which varies by individual temperament, a desire to possess them. Consequently, the theory of value at the base of the neoclassical paradigm has for its basic hypothesis the relation of the individual to goods in terms of an order of preferences, usually modelled as a 'utility function' $U_i(H)$ measuring the satisfaction that an actor i experiences when he consumes the basket of goods H. From here, this theory introduces markets as the means by which individuals are able to exchange their goods with the goal of increasing the utility of their consumption. The essential function of the neoclassical market is the reallocation of goods in a way which realises the greatest satisfaction for each actor. It demonstrates that with competition, the exchange ratio between good A and good B is equal to the ratio between their marginal utilities. This body of theory in which the exchange rate between goods is deduced from their utilities for individuals is referred to as the theory of value. We find its most accomplished expression in general equilibrium theory. It is at the heart of the neoclassical paradigm providing answers to the basic questions of the nature of goods, of exchange and of markets.

Yet an important characteristic of general equilibrium theory is that it analyses an economy without money! This is not at all accidental: the absence of money is an inevitable consequence of the neoclassical conception of value. Since value has its origin in the goods themselves, that is, in their utility, it is in barter that value is most directly apparent. This involves a logical sequence, first, of value realised in barter followed by the expression of value by money, as exemplified in Léon Walras's major work, *Eléments d'économie politique pure*. Once value is explained in the first section of this work, Walras moves to the study of the bilateral exchange of two goods (Section II), then to multilateral exchange between several goods (Section III). He demonstrates that at the state of equilibrium the

ratio of values is equal to the ratio of scarcities. It is only at the very last stage that money is introduced. In such a conceptual framework, value logically *precedes* price and can be understood independently of money. Moreover, this is the only way by which value can be grasped in its real sense; above all, the economic theorist must not be misled by the 'money illusion'. This was expressed with exceptional pertinence by Schumpeter when he wrote: '... money has been called a "garb" or "veil" of the things that really matter ... Not only can it be rejected whenever we are analysing the fundamental features of the economic process but it must be discarded just as a veil must be drawn aside if we are to see the face behind it. Accordingly, money prices must give way to the exchange ratios between the commodities that are the really important thing "behind" money prices' (Schumpeter 1994 [1954]: 277). It is necessary to bracket the epiphenomenal appearance of money in order to grasp the exchangeability of goods in their own right: that is, their real economic values.

This way of modelling economic exchange necessarily relegates money to a non-essential accessory role. Since the commensurability of goods is established by the value principle prior to monetary exchange, what role remains for money? Neither exchangeability itself, nor the determination of quantitative relations between goods is within its province. In such a framework money plays an exclusively secondary role in facilitating transactions. Merely as an instrument of exchange, Schumpeter wrote: 'Money enters the picture only in a modest role of a technical device that has been adopted in order to facilitate transactions' (Schumpeter 1994 [1954]: 277). 'Facilitate' is used advisedly in so far as these approaches always consider barter to be a possible alternative. Here money is a means, an instrument, in the strictest sense, at the service of a principle to which it is completely subordinate—that is, value. Thus, we speak of an instrumental conception of money, since value is defined as being anterior to the existence of money. All approaches which think of economic value as a substance which precedes exchange, as in the Walrasian scheme, necessarily lead to an instrumental conception of money since value is established logically before the presence of money.

Consequently, once general equilibrium is specified, it is, at a second stage that there is the attempt to introduce money, as exemplified in Patinkin's 'integration of monetary theory and value theory'.[5] Once the economic magnitudes (quantities produced, quantities exchanged, ratios

of exchange) have been determined by the theory of value, the question of the role of money is then posed retrospectively (Patinkin 1965 [1956]: xxiv): Walras did exactly the same, as Joseph Ostroy explains: 'By introducing money after he had completed his theory of exchange, Walras clearly made monetary phenomena an optional add-on rather than an integral component of the mechanism of exchange' (1988: 516). How is this 'optional add-on' explained? The main answer focuses on the process of the distribution of equilibrium allocations, by exchange, once prices and quantities have been established. Money is introduced here as a purely transactional technique enabling the distribution of available goods in accordance with equilibrium supply and demand, but in a decentralised way; that is to say, without going through the Walrasian 'auctioneer' (Ostroy and Starr 1990). As a mere instrument of exchange, money cannot have an impact on value or any feedback on price formation. Value is fundamentally independent of money, in nature and magnitude: money is 'neutral'. In effect, to say that money is 'neutral' signifies that 'the mere conversion of a barter economy to a money economy does not affect equilibrium relative prices and interest' (Patinkin 1965 [1956]: 75). The transition from a barter economy to a money economy where nothing changes serves to underline money's unimportance.

Arguments that focus on money's instrumental role in enabling decentralised transactions are also part of an older tradition which emphasises money's role in overcoming the inefficiencies of barter. This is the famous 'double coincidence of wants': barter requires that the owner of good *A*, who wants to obtain good *B*, meets an individual in possession of good *B* and in search of good *A*. The difficulty of realising this double coincidence leads traders to substitute indirect for direct exchange. By using an intermediary good *M* for the exchange of *A* and *B* transactions, costs can be reduced, especially the delay in realising the exchange, if the good *M* is widely accepted (Jones 1976). This is so even if paradoxically the number of transactions increases: *A*–*M* then *M*–*B* instead of only *A*–*B*. The canonical argument is found in Carl Menger (1892). The advantage of the Mengerian model is that it explains that the emergence of money is driven by the search to reduce transactions costs. None the less, in this approach, even as augmented by Menger, money remains an accessory in the sense of remaining optional: the monetary equilibrium remains alongside the barter equilibrium. This is shown unambiguously in modern developments of the Mengerian approach (Kiyotaki and Wright 1993). What the instrumental approach has never been able successfully

to demonstrate is that money is an essential requirement for the existence of a market economy. On the contrary, barter always remains a theoretical possibility; it is a consequence of the postulate that value precedes money. Money is only an 'optional add-on'.

Analyses that focus on the difficulties faced by neoclassical economics in its efforts to integrate money into its theory of value are not new. Several economists of this persuasion would not disagree. For example, Martin Hellwig (1993: 216) writes: 'in general terms, the problem is to find appropriate conceptual foundations for monetary economics. I believe that we do not, as yet, have a suitable theoretical framework for studying the functioning of a monetary system'. The crucial point is that these difficulties are not merely fortuitous. They are, on the contrary, the inevitable corollary of a particular conception of economic value; that is, value thought of as an intrinsic property of objects, in this case their utility.[6] The extreme anomaly of money in relation to the theory of value in utility is expressed by Menger: 'It is obvious even to the most ordinary intelligence that a commodity should be given up by its owner for another more useful to him. But that every economic unit in a nation should be ready to exchange his goods for little metal discs apparently useless as such, or for documents representing the latter, is a procedure so opposed to the ordinary course of things, that we cannot wonder if even a distinguished thinker like Savigny finds it downright mysterious' (Menger 1892: 239). From the standpoint of the theory of value in utility, money is a perfect enigma. Consequently, to advance an alternative to the instrumental approach to money requires a new theory of value which is what the institutional approach proposes.

The Institutionalist Approach to Money

The institutionalist thesis holds that value and money are ontologically inseparable. They are two faces of the same phenomenon: value requires money to exist and without which it remains virtual and without efficacy. Money sets out publicly that which constitutes value and gives it desirability. Money tells everyone in which unit value is measured; that is to say, it is the means by which the objectivity of value is expressed. In this regard, we find an all important current of research which, from Keynes (1930) to Ingham (1996, 2004), insists on the primacy of the role played by the unit of account in the constitution of the monetary relation and, for this reason, sets itself against the instrumental approach. It follows

that the economic market can only be a monetary one. From their first stages of development market economies were monetary and it is only in this form that value obtains objectivity. Market economies based on barter are inconceivable, as history clearly shows. One never sees a 'return' to barter as an adequate way of structuring large-scale exchange even though localised barter occurs here and there. In the well-researched German inflation, it is true that some doctors are paid in agricultural produce. But in the economy in general, the frantic search for money is the most pressing concern. Many diverse forms of money circulate in response to the actors' frenetic demands. They are obsessed by a single question: in which form is value to be found? This is the economic question *par excellence* and upon which all economic activity depends. When the question does not find a clear answer, there follows a generalised loss of a reference point, rendering all market activity problematic, until it becomes totally immobilised. Such questions as 'does my enterprise make a profit or loss?' are unable to be answered, which clearly demonstrates the essential role played by the unit of account. Monetary crisis provokes a severe perturbation of relations of production and exchange, possibly until total paralysis; for example, as in the food blockage of the towns in Germany in 1923 when peasants no longer accepted the town dwellers' form of money. There followed an outbreak of violence (Feldman 1993).

Thus, in the institutional framework, value only attains a social existence by means of its monetary embodiment. It is money which makes value exist objectively for all.[7] So, it is not necessary to look for the secret of value in any particular substance, such as labour or the scarcity or utility of goods. It is not that these do not play a role, but it is only as a result of that which money institutes, of the kind of objectivity that it creates.[8] Simmel understands this when he writes: '… exchange is a sociological phenomenon *sui generis* … It is in no way a logical consequence of those qualitative and quantitative things that are called utility and scarcity which acquire their significance for the process of valuation only when exchange is presupposed. In exchange, that is the willingness to sacrifice one thing for another, is precluded then no degree of scarcity of the desired object can produce an economic value' (Simmel 1978 [1907]: 100). However, Simmel failed to specify the particular force that produces exchange. For us this force is the desire for money, desire shown by all market participants and which makes each and every one always ready to exchange their possessions for money. The quest for money is the fundamental force that sets market economies in motion, not the search for utility as neoclassical

economics believes. In this way, as Simmel emphasised, there is no 'substance' behind the exchange of goods, only money and the general desire for it. Far from reading the ratios 'one table = 10 euros' and '1 chair = 2 euros' as the result of the ratio '1 table = 5 chairs' as an ultimate verity, as upheld by the theories of value in utility, it is rather, precisely the converse. That is, this last ratio should be understood as a consequence of the two preceding monetary ratios. It is the relationship to money that alone homogenises the goods. There is nothing in the goods like an intrinsic commensurability that precedes exchange and would prove that one table was worth five chairs. This standpoint leads to a theoretical construction of the market order which is far removed from the substantialist theories of value. In our perspective, to say that goods are worth something equivalent is to say that they are able to obtain money in exchange. It is no longer a matter of seeing money price as a veil which asks to be removed in order to gain access to the hidden magnitude which is the real value of goods. In our approach it is precisely the converse, price is the fundamental reality in the sense that the good is worth exactly its price; that is to say, the quantity of money to which it gives access in market exchange. In Simmel's precise formulation: 'value is the epigone of price' (Simmel 1978 [1907]: 94). In summary, exchange does not follow from any 'true' values possessed intrinsically by goods but from the presence of money that everyone wants to acquire because everyone venerates it. At the heart of the market mechanism is the general fascination with money and the overwhelming desire to possess it.

In conclusion, the institutional approach places the dependence of all agents with regard to money as the essential theoretical fact; it is this which must be understood because herein lies the origin of market value. This dependence is expressed in the power of money over all minds; it is this power that needs to be specified and studied. There is abundant evidence for its existence; one needs only to think of the extreme fascination with gold and its equally extreme consequences. None the less, paradoxically, one finds scarcely any theoretical analyses devoted to it. The reason for such a deficiency is not difficult to find; it follows from the preponderance of the instrumental view which sees money merely as a means for exchange for attaining intrinsically useful consumption goods. Our perspective, in contrast, makes the power of money the key mechanism of market exchange, its expansion, and as the linkage between

individuals. In the following section we mobilise the sociological literature—Durkheim and Mauss—in order to consider this power theoretically and to propose a framework of analysis.

The Power of Money: Mauss and Durkheim

In a short essay devoted to 'Les origines de la notion de monnaie', Marcel Mauss presents an original observation (Mauss 1974 [1914]). His starting point is the idea of *mana*, studied at length by Emile Durkheim in *Les Formes élémentaires de la vie religieuse* as the particular force at the foundations of religion. 'What we find at the base of religious thought is not objects or beings which possess in themselves a sacred character; rather it is indefinite powers, anonymous forces, more or less numerous according to the societies, sometimes brought to a single unity, and whose impersonality is strictly comparable to that of the forces whose effects are studied by the natural sciences' (Durkheim 2003 [1912]: 285–286). Mauss takes this further and asserts that 'the notion of *mana* … is directly related to the idea of money' (Mauss 1974 [1914]: 108). Certain objects, the talismans, indirectly acquire money like properties as a result of their magico-religious power. As everyone desires the talisman for its beneficial effects it becomes a precious object. In other words, its magical power is transformed into a purchasing power. This power is not specific to the talisman but is found in other sacred objects that become objects of exchange and come to serve as measures of value. Such might be, according to Mauss, the origin of money: 'The talisman and its possession has without doubt, since the most primitive societies, played the role of objects coveted by all, possession of which conferred on the holder a power which could become easily a purchasing power' (Mauss 1974 [1914]: 111).

For Mauss, therefore, purchasing is primordial, the circulation of goods, the unit of account and the instrument of circulation, at a later stage, are derived from this original power. This is precisely the institutionalist position as we have tried to present it in the preceding section. The fundamental basis of money is the claim to express value objectively for the majority; it is its power over us. This is the essential fact: the functions of money follow. In effect, to say that a good claim to express value for the majority signifies, on the one hand, that each refers to it in order to value their own possessions (unit of account) and, on the other hand, that everyone seeks to acquire it because it is the key of access for

the goods of all those who recognise it as the legitimate expression of value (instrument of exchange). To summarise, *the distinctive feature of our approach is to grasp the reality of money, not as traditionally by the classic list of its functions, but in its capacity to gain the general assent of the group as the legitimate expression of value*.

This viewpoint is extremely innovative for the economist insofar as it conceives purchasing power as the exercise of social power. What is at play in money is not such and such a function; rather, it is the capacity to produce a sentiment of veneration on the part of society's members. 'The purchasing power of primitive money is, above all, according to us, the prestige that the talisman confers on those who possess it and which is used for command over others' (Mauss 1974 [1914]: 111). Following Mauss, it must be said, *à propos* of money, what he said *à propos* of magic: there are at the root of money 'affective states generating illusion and those states are not individual, but derive from a mixture of sentiments appertaining to both individuals and society' (Mauss 1983: 123). This opens up entirely new paths to tackle the phenomenon of money, paths which rely greatly on sociological and anthropological conceptions. Values, whether they be economic, religious or moral, appear here, not as things, but as the expression of this particular power that society exercises over its members, power which is found in its archetypical form in the *mana*. This sociological view finds its most complete expression in Durkheim. In his view, values 'are invested with a special authority by virtue of which their commands are obeyed' (Durkheim 1967a: 40). All values share the same foundation: they are all expressions of the community's ability to command obedience. This theoretical framework led Durkheim to consider religion as 'the matrix of social facts' in which we can see the original form taken by society's authority. It may also be thought of in relation to the economy (Steiner 2005). This analysis is at the heart of our understanding of the phenomenon of money.

The instrumental conception of money interprets its first 'primitive' appearance as a medium of exchange to resolve the contradictions of barter. But, for the institutional analysis, everything is different: the fundamental role of money is as the legitimate expression of value—that is, a socially precious object. In this regard, there is a general consensus among experts on primitive money which rejects the instrumental thesis. Primitive money appears not as a medium of exchange but as a means of payment of non-economic obligations. 'The most important characteristic of primitive monies is that they are means of payment without

serving as media of exchange', Alain Testart tells us (Testart 2001: 38). Max Weber had previously explained that '[t]oday, money has two special functions, serving as a prescribed means of payment and a general medium of exchange. Historically, the function of a prescribed means of payment is the older of the two. In this stage money *does not enter into exchange*, a characteristic made possible by the fact that many transfers of value take place from one economic unit to another which do not involve exchange but yet require a means of payment. Such are tribal gifts between chieftains, the bride price, dowries, head money, damage payments (*wergeld*), and fines—payments which must be made in a standard medium' (Weber 1981 [1927]: 236). That a thing is able to permit an individual to discharge his debt to society, as in the case of tribute, of *wergeld*, or a tax, presupposes that this thing is considered by that society as expressing value in an effective way: the fact of value is to be found in its acceptance by everyone. Thus, ethnographic evidence is grist to the mill for the institutionalist thesis: the specificity of money lies in its objectification of value. Money develops from this generic property until it takes the form that we know today of the general equivalent for all commodities. Like Mauss, we believe that the function of instrument of transactions is secondary; rather, it arises from its fundamental existence as the expression of value. Because mainstream economists have sought to understand value outside money this simple idea has been obscured to the point of disappearance. Mauss makes an important addition to this analysis: the claim to express value shows an understanding of money as a force, a purchasing force, a force of attraction, felt irresistibly by actors.

Mainstream economists are so habituated to thinking of money as a neutral instrument, irrelevant, without efficacy, that this way of looking at money is very likely to take them by surprise. Nevertheless, the institutionalist conception with its emphasis on money's power of attraction and fascination is surely more in harmony with the facts. However, there remains a final step to be taken to drive this approach to a definitive conclusion; to conceptualise money's authority without reference to any religious sentiments. If the recourse to religion has been useful in understanding the nature of our project, it is, nevertheless, perfectly obvious that modern money has been totally freed from religion and the sacred. It is its power *sui generis* that remains to be specified. In the following section we make a detour to the economists' Overlapping Generations Model which is of interest primarily because it poses the fundamental question of collective representations.

The Acceptance of Money: The Contribution of the Overlapping Generations Model (OLG)

The Overlapping Generations Model (OLG) analyses fiat money; that is, inconvertible money without intrinsic value. It seeks to understand that which justifies its acceptance as compensation for real goods. To do this, time is divided into periods corresponding to half of a human life. In this framework each individual lives only two periods—in the first, he is young; in the second he is old. Consequently, a generation of young and one of old coexist in each period. Rice is the only product in the economy and it is assumed that when the individuals are young they produce rice but when they are old they produce nothing or only just enough to live. All of the individuals hope to be able to save some of the rice that they produce abundantly when they are young for consumption when they are old. One obvious way of achieving such a transfer would be to stock the rice. However, it is asserted that this is not possible because rice is perishable. Hence the question: how are the individuals able to transfer part of the value that they have created when young to the period when they are old and in dire need? In this model, money, as it embodies purchasing power through time, enables the transfer. Thus, money plays an essential role.

To understand this, let us assume that the old have a stock of money M at their disposal which enables them to buy rice from the young. In exchange, the young find themselves holders of the stock M and having become old in the following period, they are able to buy the rice that they need from the next new generation of the young. Such is the solution that money makes possible in this OLG model. In this way, the economy ceases to be inefficient and henceforth individuals are able to consume when they are old.

This model, originally proposed by Maurice Allais (1947) and Paul Samuelson (1958), was influential from the end of the 1960s to the middle of the 1980s, where it was central to monetary economics' analysis of money as a store of value.[9] Among a number of counterarguments, one finds the critique that the reality described by OLG is not in fact specifically monetary: that which the young accumulate is not necessarily monetary cash. Without changing the model's logic in any way whatsoever, what the young accumulate could equally well be some retirement rights. This argument seems quite correct. However, when this is considered in relation to the conception of money as the objectification of value, then it is apparent that this pertinent question applies equally to both

retirement rights and to monetary cash. In all such cases, it is a matter of knowing how a particular symbol is able to express economic value for the majority in a stable way, no matter whether it is called 'retirement rights' or 'money'. In contrast to 'search models', the OLG model has the definite virtue of confronting the right question: by what mechanism is value conserved and objectified? Therefore, the answer it provides is of great interest to us.

To show the subtlety of this answer, let us focus on the exchange in which the young of generation t acquire the money in selling their rice to the old of the same period t. It is the key transaction: why relinquish a useful good, rice, for something that is worthless? Here we have Menger's question *à propos* of the useless little metal discs. OLG tells us that the young are prepared to accept money in the hope, having become old, that they are able to exchange money for rice, which increases its intertemporal utility. In other words, the young accept money not for its intrinsic value, for it does not have any, but in the hope that others will accept it in the future. This is the essential argument: the only reason that an individual has for accepting money at time t is the fact another individual will accept it at time $t + 1$. In other words, acceptance today finds justification in acceptance tomorrow. But, if the OLG and the institutional approach agree on this formulation, they diverge fundamentally with regard to the effective forces which lead to acceptance today and tomorrow. Let us look at what OLG has to say.

The economist makes the assertion that acceptance by all is a condition of the model's equilibrium: once everyone accepts money the system can function. This analysis explains monetary economies as conforming to individual rationality. 'Paradoxically, money is accepted because it is accepted' (Samuelson 1976: 276). But how does such an equilibrium come about? Nothing is said on the subject! The instrumentalist's failure to produce sound reasons for the acceptance of money should be stressed. By their reasoning the only motive for the individual to accept money today is the acceptance by individuals tomorrow. This is a consequence of perfect rationality, but no intrinsic properties are attributed to money. Money is only an instrument; and only the acceptance by others tomorrow gives it value. But if the individual has not been successful in finding good reasons for accepting money today, how is he able to believe that those of tomorrow will be better? Obviously, he cannot assume that others tomorrow will find the reasons that he has not been able to find today. If such reasons existed they would reveal themselves to him today.

Those of tomorrow are in exactly the same situation as he is.[10] In the specific case of OLG this is expressed by the fact that tomorrow's generation, like today's generation, will base its acceptance on that of the following generation, on the occurrence of $t + 2$. We are led in this way to an infinite sequence of beliefs carried along by the acceptance of generations to come. But this extension is still not able to provide good reasons for accepting money. The reproduction of the same situation into infinity does not enable an escape from the impasse; it is only postponed until a later date. To be sure, the hypothetical situation in which all generations accept money is, from a strictly, mathematical situation, a model of equilibrium. But the instrumental logic by which it was conceived is not capable of providing the reasons that explain the nature of the equilibrium.[11] For the equilibrium to prevail something else is necessary; the paradox must be abandoned. In other words, there must be reasons driving, without hesitation, individuals of period t to accept money. This is what we call the 'power of money': money imposes itself on actors because it affects them in the here and now. It should be noted that this argument by no means denies that the efficacy of money relies on its use as a means of payment by the majority. But *the acceptance of money by the majority is the result of the mere presence of money which appears to society's members as a necessity, and this is by means of the representations that it imposes*. Moreover, to give a place to money's inherent powers permits the resolution of the coordination of actors since this same attraction which leads generation t to accept money is the best of the arguments for anticipating the same behaviour by the following generation. OLG fails to explain monetary equilibrium because it refuses to introduce such beliefs in money a priori. The formal existence of equilibrium in the model is in no way sufficient to establish why money is accepted. The institutional approach introduces the existence of money's own power of attraction, guaranteeing its general acceptance.

The critique of the OLG model applies to all individualist and utilitarian approaches that reduce institutions to their instrumental role; that is to say, they exist only in as much as they increase individual's satisfaction. However, this utilitarian approach has none the less been able to draw to a conclusion the demystification, initiated by theories of economic rationality, of archaic conceptions of money. In the OLG framework there is no *auri sacra fames*, no 'barbarous relic': money is worth nothing in itself; it is worth only the goods that it can acquire because it is accepted by others. To describe this approach, François Simiand, in his

text 'La monnaie réalité sociale', proposed the term 'Voltairian'.[12] For the Voltairian approach, money is only a convenient medium, nothing more. However, this approach, in the case of money of OLG, fails to provide good reasons for the acceptance of money. There has to be something more than its narrow utility. Money must be able to boast particular qualities which make it attractive. To be sure, it is acceptance by others that ensures that money will give access to goods, but this access takes the autonomous form of the belief in money itself! Simiand understands very well that to criticise the Voltairian approach does not, however, entail recourse to the 'superstitions of another age' (Simiand 2006 [1934]: 233). Modern money does not have a religious foundation, not even a metallic one. The question Simiand posed was how is the value of a monetary symbol determined in an economy which has broken its bond with precious metal. Let us examine his answer.

The Power of Belief: Simiand and Simmel

At first, Simiand sought an answer from the quantity theory of money, which is the monetary reference point for neoclassical economics. According to this, money is worth *pro rata* that which it can buy because money is basically a voucher (Simiand 2006 [1934]: 240). Note that this approach presupposes that money is already accepted. It does not confront the question of acceptance of money as such, but analyses the value of money once this has been established. The volume of marketable goods facing the volume of money means that the value of the latter is determined by the ratio of the two volumes. Simiand immediately emphasises how this presentation is simply false. In using money, it is not only necessary to take into account the multiplicity of the objects, diversity of goods and services, but also diversity of dates of purchase: 'immediate, later, or considerably deferred' (Simiand 2006 [1934]: 240). This leads to an essential observation: 'what is there to say, except that the value of this voucher at present and even more so in the future is not the object of positive statistical determination, but is exclusively a matter of evaluation, estimation, of opinion and, therefore, especially for the future, a matter of "trust" (or "mistrust")' (Simiand 2006 [1934]: 241)? Thus, the estimation of monetary media is not easily accomplished. As with regard to goods, it is a matter not only of considering the present situation, but equally of integrating future variations because they have a bearing on today's evaluations. For Simiand, engagement with

the future necessarily brings in the impact of belief: one moves from an objective evaluation to an individual judgement. From this standpoint, the striking similarity to Keynesian thought should be emphasised. Because Simiand, like Keynes, rejected the possibility of reducing the relation to the future to an objective probabilistic calculation, independent of individuals' beliefs, it necessarily led not only to giving all importance to individual expectations, but more importantly to how these are socially structured. In this way, Simiand writes that the future is 'not a quantitative determined or determinable data, ..., but a matter of judgement which arises from a sentiment more or less indistinct rather than rational prediction: in a word, a matter of trust (or mistrust)' (Simiand 2006 [1934]: 242). Simiand strongly emphasises the role played by social context in the formation of individual judgements. According to membership of such and such a group, one observes large differences in judgements and perceptions ('representations'): 'between nationals and foreigners; between nationals according to their groups, classes, political parties; between foreigners according to their affinities or their information' (Simiand 2006 [1934]: 242). This complex analysis is summarised in the following quotation:

> [The value of a money] is not produced by its physical elements, quantified or quantifiable, between which a mathematical relationship is established which constitutes or measures this value. It is made with judgement, estimation, beliefs, trust, mistrust, produced by feelings as much as by reason [...]: it is simply by a belief and faith in the expression of the value that is borne by the country's emblem. And if this belief and faith have an effect on the physical elements of economic life, this is not of merely subjective ideas and sentiments. This simultaneously intellectual and affective representation of this form of money[13] is not the product of competent informed individuals, but of groups, of collectivities, of a nation; it is social. It has a manifestly objective character because it is a social belief and faith and, as such, a social reality. (Simiand 2006 [1934]: 243–244)

Here we have the heart of our subject: money is a matter of social beliefs. For Simiand the social quality of monetary beliefs is evident in the fact that they vary according to the group under consideration. This systematic differentiation as a function of social context expresses better than anything the fact that these beliefs are genuinely social and not randomly distributed subjective whims: 'the social belief which establishes the value of money [...] is relative to the group and social context in which it is

found, and does not vary in the same way, at the same time, in all groups and contexts' (Simiand 2006 [1934]: 252). His conclusion is that the impact of money on the economy is much more complex than merely its quantity: 'What is there to say except that the quantitative theory shows itself to be radically mistaken in thinking that an economic value relation holds between physical quantities; if economic value varies, it does so only by the impact of these physical movements in the mind and on the actions and reactions of people; and, moreover, on the actions and reactions not of people as individuals, but of occupational groups, of classes, of nations, of the whole society' (Simiand 2006 [1934]: 247). This central role of social representations differentiated according to the circumstances of the groups under consideration applies equally to metallic money. This brought him to the firm conclusion, above all for his era: 'Precious metal money and so-called fiduciary money are often contrasted. We realise now *that all money is "fiduciary". Gold is only the premier fiduciary money: it is no more. But it is no less*' (Simiand 2006 [1934]: 249, emphasis in original).

Let us not forget here that for Simiand, following Durkheim, social beliefs are not pure illusion but sociological phenomena which powerfully express the state of society: 'all who practice sociological studies know that social belief of this force and generality cannot impose itself freely and at random' (Simiand 2006 [1934]: 251). They constitute realities as solid and stable as material facts. In this regard, it is opposed to the 'Voltairian' analysis which can only see money as a convention chosen for its utility, denying the intrinsic power of monetary representations. This 'Voltairian' analysis corresponds precisely to that which we have called the 'instrumental approach' as this is construed by the theory of value in utility: they deny that money is 'power', for it is nothing but an instrument. Simiand's monetary theory is sociological precisely because it takes beliefs for what they are, that is forces which shape behaviour because they mould minds: 'it is not the representation of money which is a veil in front of real economic reality, it is the effort to disengage oneself and go beyond the representation which lifts the veil [...] and this is because the monetary representation is in effect a reality, an integral part, constitutive, essential, in the functioning of the economy itself' (Simiand 2006 [1934]: 257). In his view, this is a matter of fact which seems to us fundamentally correct. It defines precisely the sociological approach to money; that is, an approach which thinks of money as a 'moral authority'. Its power of influence is conveyed by the representations which it cultivates

within the economic groups through their capacity adequately to express the interests of the majority.

One finds a completely convergent analysis in Simmel. To be convinced of this one need only think of the role played by trust for the two writers; but the point is too well known to dwell on. Perhaps less familiar is Simmel's critique of the quantity approach which he believes is incapable of understanding the effective force that money exercises, through its representations, on individuals' consciousness. His position is very close to Simiand when he refers to 'the impact of (the movement of money) on peoples' minds'. Simmel writes

> The notion that the economic significance of money results simply from its value and frequency of its circulation at any given time overlooks the powerful effects that money produces through the hope and fear, the desire and the anxiety that are associated with it. It radiates these economically important sentiments, as heaven and hell radiate them, but as pure ideas. The idea that the availability or shortage of money at a given time produces effort or paralysis; and the gold reserves that lie in the bank vaults as cover for their notes demonstrate clearly that the merely psychological representation of money is fully effective. (Simmel 1978 [1907]: 171)

In this analysis, Simmel presents money as a powerful influence on the whole group. To paraphrase Simiand, the anticipation of its scarcity or abundance influences the present course of the economy much more than actual supply and demand for goods. In such situations, the real extent of the power of money is clearly manifested. As with Simiand, it is the representations of money in the collective consciousness that show it to be an 'inherently sociological phenomenon' (Simmel 1978 [1907]: 172). 'These conspicuous phenomena illustrate clearly that the inner nature of money is entirely a sociological phenomenon, a form of human interaction, its character stands out all the more clearly the more concentrated, dependable and agreeable social relations are' (Simmel 1978 [1907]: 172).

It should be emphasised that for Simmel, as for Simiand, this ability to focus on the expectations of the group is not specific to money. One finds it in all objective mediations which transcend any immediate direct social interaction but which join individuals in social relations. In this respect Simmel notes, there is scarcely any difference between money and a regimental flag, as Durkheim also observed (Durkheim 1967b [1911]:

97). The power of the flag results from its capacity to act on individuals' consciousness. One can define it as the power to mobilise the interests and emotions in a particular direction. For Durkheim, the symbol expresses the moral authority of the collectivity. But, as Simmel and Durkheim both emphasise, this authority is not simply a matter of ideas; it also depends closely on the fabric of the social relations and interests that constitute the collectivity in question. The denser and more concentrated are these relations, the more intensely will the symbolic power affect the whole group. *This point should be emphasised in order to avoid the false conception of beliefs as pure illusion*. Their efficacy depends closely on the ability to mobilise peoples' interests. It is obvious that a self-subsistence agricultural economy is not affected in the same way as a developed industrial economy by the collective expectation of a scarcity of money. A particular conception of money will influence a group to the extent that it is able to shape its material circumstances. It moulds them in a particular way, making certain options more apparent to the exclusion of others.

General Conclusion: The Rentenmark Miracle and the Poincaré Miracle

Our proposed analysis moves away from the traditional economic approach in so far as it challenges an idea of value which is logically anterior to monetary exchange through being based on the commensurability of goods. For us, the only market is a monetary one: value as commensurability does not make sense other than in relation to the precondition of a unit of account. There is no natural homogeneity of goods of which money would merely facilitate the ex post expression. On the contrary, the expansion of the market sphere depends on the ability of money to spread, to conquer new spaces, which we have referred to as its power. In our framework, money draws its power from the emotional investment on the part of the society's members deriving from its diverse representations which act upon individuals, mobilising their interests and beliefs. Furthermore, the force of monetary representation, its power of attraction, is in proportion to the number of individuals who recognise it. One can speak of a mimetic composition of desires transforming the emotions of isolated individuals into a common focus. This phenomenon is at the heart of our understanding of money because of its exceptional intensity from what Durkheim calls a 'group in unison' (Durkheim 1895: 11).[14]

When markets operate routinely and smoothly, agents appear to be reassured that money will be accepted tomorrow as it was yesterday. Money functions as if it were purely an instrument for the exchange of goods, creating the impression that the instrumental conception of money is the correct one. But such situations are only temporary; indeed, they are rarely, if ever, permanent. Events and circumstances can cast doubt on the legitimacy of money which, in turn, can rupture the seemingly stable relationship between the instrument of exchange and goods. Then we see that agents must have more fundamental and powerful reasons for accepting money than the mere fact of its acceptance in the past. At such moments, we see with the utmost clarity the role played by monetary representations. At certain historical conjunctions, their impact is so striking and so contradictory to what the instrumental conception would lead us to expect that contemporaries had no hesitation in describing this as a 'miracle'—the 'miracles' of the German Rentenmark after its introduction on 15 November 1923, and that of the franc on Poinacaré's taking power on 23 July 1926. These events show clearly the collective forces which are at work in money.

These two episodes took place while the countries were experiencing serious difficulties, especially so in Germany. In both countries, there was high inflation and a dangerous depreciation of currency on the exchange markets. The reversals were spectacular: inflation and the falling exchange rates were halted *immediately* even though not a single economic measure had been taken. This is why contemporaries described the events as 'miracles'. It was a matter of purely collective support, of the belief of the social collectivity. Its success was based in part on the role played by certain powerful symbols which were capable of uniting the population around a new monetary norm. In the French case, Poincaré was central, not only for his name, but also his ability to form a small national cabinet, capable of capturing minds and spirits. In Germany, a new currency was created, the Rentenmark, which was backed by a legal mortgage on German property. Even if this backing was purely fictitious, it worked because the German people trusted the propertied classes who controlled the Rentenbank and believed that they had the power to stop the government's printing of money. As the minister of finance, Hans Luther, said: 'The solidarity of the productive classes which the foundation of the Rentenbank expresses is the best guarantee of the trust which it will inspire in the new means of payment issued by the new institution' (cited in Baumgartner 1925: 35).

It is clear that the long-term success of the two experiments cannot be interpreted entirely as the result of pure trust. It also depended greatly on the political and economic choices that followed. At any moment, difficulties arose which could have led to a new crisis. However, it is evident that the constitution of a new legitimate representation of market value in the form of a new monetary norm is essential for a complete return to stability. The collective belief had permitted a new monetary regime to be put in place which proved to be an indispensable condition for a new political economy to be able to see out the day. The episodes underline the role played ex ante by trust in money. They show the autonomy of money in relation to the economy. To be sure, this is a limited autonomy as trust in money could not persist if it were not able to do what it should—that is, to buy goods. But it is an autonomy which is able, for better or worse, effectively to bring about future change. One could not imagine a more striking illustration of the power of monetary representations and their autonomous relationship to the productive economy.

Notes

1. Durkheim (1908). The concepts of *représentations* and *représentations collectives* are central to Durkheim's sociology and French sociology and social psychology in general. They refer to ideas, beliefs, perceptions and sentiments, which are both emotional and cognitive, shared by a social group, shaping the members' understanding and actions. There is no single word in English which adequately expresses this meaning.
2. Which are not limited to those already cited (Baker, Cusin, Dodd, Ingham, Jimerson, Collins, Pixley). See for example, Zelizer (1994).
3. We follow Jean-Jacques Gislain and Philippe Steiner in dating the decline in the 1920s to what they call 'the first economic sociology', a powerful intellectual force uniting such diverse figures as Emile Durkheim, Vilfredo Pareto, Joseph Schumpeter, François Simiand, Thorsten Veblen and Max Weber around the idea of cross-fertilisation of economics and sociology. Among the main causes of the decline, Gislain and Steiner cite the growing institutionalisation of economics and sociology (Gislain and Seteiner 1995: 200).
4. The extent of François Simiand's impact on economists is indicated by the short reference in Joseph Schumpeter's monumental *History of Economic Analysis* (102–103) and the assessment that 'today no group rallies to his banner'. Simiand does not appear in *the New Palgrave Dictionary of Economics* and he is not cited in the mainstream Anglo-Saxon economic

literature, except occasionally for his statistical work in *Le Salaire, l'évolution sociale et la monnaie*. More generally, an idea of the esteem in which French thought was held in the 1920s by economic theorists can be gained from Hayek. 'It is perhaps not too much to suggest that the peculiar stagnation of French economics during that period is at least partly due to the predominance of the sociological approach to economic phenomena' (Hayek 1941: 320). This says everything.

5. Also we can note Frank Hahn's repeated emphases that logically there is no role or place for money in general equilibrium models: see, for example, Hahn (1977).
6. The classical theory of value follows the same logic and leads to the same difficulties. See André Orléan, *L'Empire de la valeur* (2011).
7. Keynes's theory built on this, with a distinction between the cooperative, neutral and entrepreneur economies (i.e. monetary production). On this distinction, see Tarshis (1989: 35–47). For background, see 'Obituary of Lorie Tarshis' reprinted in Harcourt (2001: 116–117).
8. In other words, it is necessary to understand utility as the result of market relations, and not as an intrinsic quality.
9. In this way, it broke with the hitherto dominant economic paradigm which had focused on the function of medium of exchange, compared with Keynes's revolutionary approach to money. Despite its numerous deficiencies, today once again this approach, in the form of 'search models', dominates economic theory.
10. Remember that this model describes a perfectly stationary world in which today is precisely equivalent to tomorrow.
11. It is important to note the similarities between these observations and the analysis advanced by Margaret Gilbert in 'Rationality, Coordination and Convention' (2003: 109–139). Here she studies interaction between two players, David and Joshua, in which there exists a single optimum for the two players which requires a rationale close to ours for its attainment: David will only perform the necessary action P for obtaining the optimum situation if he thinks that Joshua will do the same. Gilbert's conclusion is identical to ours: 'it will be impossible for a given agent to use reason-replication to derive reasons for thinking the others will do their parts in a unique best point if he does not already have independent reasons himself for doing so' (p. 116). Simply, according to Gilbert the infinite reproduction can no longer be made as with OLG's anticipated beliefs. 'David thinks that Joshua thinks that David thinks that … will perform the action P'. The goal pursued by Gilbert is similar to ours in showing that individual rationality will not achieve the collective outcome. This requires something more.
12. Voltaire—is not it he who criticised all superstition so vigorously! This led Simiand to distinguish three stages of human knowledge in monetary

matters, based on Auguste Comte's 'law of the three stages': theological, metaphysical and positive: 'the first is simple belief without any critique of the value and reality of dogma and rites. The second attitude [...] Voltairian: that alleged reality is only appearance, illusion, a veil in front of reality. But in the third stage the paramount role played by collective representations is recognized' (Simiand 2006 [1934]: 228). Therefore this last stage should be called 'sociological'.

13. In this passage Simiand is dealing with inconvertible money.
14. Mimetic unanimity, common affect and the power of the multitude (*potentia multitudinis*) are among many concepts put forward in *L'Empire de la valeur* (Orléan 2011) to specify the process of affective intensification that is found equally in Durkheim and Spinoza.

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