Against Natural Order:
Discretionary Scarcity and the Structure of Money

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It is within the framework of hegemonic struggles that the participants determine what object is to serve as the general equivalent of money, which assets are tradable for money at par and upon demand, and which institutions are entitled to create that money. —Joscha Wullweber, Money, State, Hegemony: A Political Ontology of Money, 318-19

Introduction

Money defies easy conceptualization, as it is never simply one thing. Instead, money can only be understood from a systems perspective, with various forms nestled into a hierarchy according to their "moneyness" which can often shift underfoot at a moments notice, a financial crisis making the demarcation acute.[1] Today within the United States, central bank currency lies at the top of the hierarchy, being the "ultimate" money which bank deposits— from Wells Fargo to local credit unions— are tradeable at par on demand for.[2] These latter are (private) bank credit money, representing a promise to pay the higher, (public) "ultimate" money for settlement of debts. Below these two levels domestically lies various forms of near money, themselves often situated into their own ranked placement depending on the composition of collateral, perceived risk, and the institutional mechanisms to generate par convertibility.[3] These forms include financial derivatives (e.g. options), repurchase liabilities (repos), government bonds, commercial paper, and the multitude of debt instruments (promises to pay) that are treated as money equivalents due to their perceived liquidity, which is the ability to be converted into a higher

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[1] Perry Mehrling, "The Inherent Hierarchy of Money," 2012, https://sites.bu.edu/perry/files/2019/04/Mehrling_P_FESeminar_Sp12-02.pdf; Joscha Wullweber, "Money, State, Hegemony: A Political Ontology of Money," *New Political Science* 41, no. 2 (April 3, 2019): 313–28, https://doi.org/10.1080/07393148.2019.1596686.

[2] Perry Mehrling, "The Inherent Hierarchy of Money," 2012, https://sites.bu.edu/perry/files/2019/04/Mehrling_P_FESeminar_Sp12-02.pdf. Being "tradeable at par on demand" means it trades at a 1-to-1 ratio whenever demanded.

[3] Joscha Wullweber, "The Politics of Shadow Money: Security Structures, Money Creation and Unconventional Central Banking," *New Political Economy* 1, no. 26 (January 3, 2020): 1–17, https://doi.org/10.1080/13563467.2019.1708878.

form of credit, whether bank or public.[4] This interlocking network of debt instruments acts as the source of ever compounding promises to pay by being collateralized, leveraged for deposits or *other* near money forms, creating their own wealth claims disconnected from the "real" economy[5] and traditional banking. A system of near money creation forms parallel to the commercial banking sector and bank money creation explicitly sanctioned by the state.[6] Non-financial firms and investment banks construct a large edifice commonly referred to as "shadow" banking, the exact definition of which is hotly contested.[7] Here it is defined as: the multitude of entities involved in the creation of near money claims that then circulate as proposed money equivalents, all without direct access to the central bank and thus without an institutional backstop and attendant regulations.

With the shadow sector now responsible for around 50% of all global assets,[8] its role as a driver of wealth creation and therefore the direction of society is unprecedented. This is all the more made obvious when it impinges upon the "real" economy, with its overleveraging leading to cascading defaults and plummeting asset valuations— a key part of the story of The Great Financial Crisis of 07-08'.[9] The ensuing bailout of the major players involved brought the ontology of money back into the public consciousness, questions of where it comes from and

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[4] Zoltan Pozsar, "Shadow Banking: The Money View," *SSRN Electronic Journal*, 2014, 7-15, https://doi.org/10.2139/ssrn.2476415.
[5] "Real" in economics vernacular refers to physical goods and services.
[6] Zoltan Pozsar, "Shadow Banking: The Money View," *SSRN Electronic Journal*, 2014, https://doi.org/10.2139/ssrn.2476415.
[7] Common definitions include: non-bank financial institutions that engage in maturity transformation, or short term funding of long term lending; all institutions outside the banking sector that engage in credit intermediation, which is taking in deposits from savers and lending it to borrowers; or a system of repo liabilities supported by tradeable collateral, or short-term deposits backed by whole sale securities with high liquidity. Laura Kodres, "What Is Shadow Banking? - back to Basics - Finance & Development, June 2013," Imf.org, 2013, https://www.imf.org/external/pubs/ft/fandd/2013/06/basics.htm; Daniela Gabor and Jakob Vestergaard, "Towards a Theory of Shadow Money," *Institute for New Economic Thinking*, 2016, https://www.ineteconomics.org/uploads/papers/Towards_Theory_Shadow_Money_GV_INET.pdf.
[8] Reshma Kapadia, "'Shadow Banks' Hold Half of Global Assets. Concerns Grow.," barrons, n.d., https://www.barrons.com/articles/shadow-banks-account-for-half-of-the-worlds-assetsand-pose-growing-risks-8f4b5961; "Global Monitoring Report on Non-Bank Financial Intermediation," 2024, https://www.fsb.org/uploads/P161224.pdf.
[9] See *Crashed* by Adam Tooze for a good overview of the reasons for the crisis and the institutional response to it.

how it gets distributed became paramount for the first time in at least a generation.[10] Money's scarcity— or apparent lack thereof with the bailout programs, quantitative easing lending, and Federal Reserve discounting operations— was beginning to be questioned. From this, an obfuscated but yet increasingly visible monetary constitution could be gleaned. The succession of social order was dependent on money being scarce for some and not for others, and its dearth discretionarily suspended when the transmission of social order was at risk of being truncated and morphed into something else.

An inquiry into the founding structures of modern money, irrevocably capitalist, reveals this monetary constitution arguably in place from the moment central banking first came on the scene in 1694 with the creation of the Bank of England.[11] Questions of scarcity of issuance and access to credit were meant to be in part answered by this formative institution being placed as the lynchpin of a nationally unified monetary system. Finance's role in expanding the capacity to create wealth and therefore spur economic growth is given a sanctioned flourishing, with bank money and eventually near money instigated by this sector's ascendant position within state structures. The legitimacy of the multitudes of near money today is contingent upon sovereign structures that allow its issuance, liquidity, and transference;[12] an evolutionary development within a monetary infrastructure organized vertically and reliant upon positionality enforced through these two forms of scarcity— issuance and access. Ultimately, discretionary scarcity is

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[10] David Graeber, *Debt: The First 5,000 Years* (Brooklyn, Ny: Melville House, 2011), 14-18. Greta Krippner in *Capitalizing on Crisis* lays out a picture of a post-World War Two central bank being far more explicitly political and interventionist when it comes to their involvement in fiscal policy (how money gets spent). Monetary debates were all the more public during this time period as there were Depression-era regulations in place that limited total credit flows in the economy, decisions of who was to receive such limited credit were pressing and frequent. Greta Krippner, *Capitalizing on Crisis*: *The Political Origins of the Rise of Finance* (Cambridge, Mass.; London: Harvard University Press, 2012.

[11] Geoffrey Ingham, *The Nature of Money* (Polity, 2004), 126-133.

[12] Joscha Wullweber, "Money, State, Hegemony: A Political Ontology of Money," *New Political Science* 41, no. 2 (April 3, 2019): 313–28, https://doi.org/10.1080/07393148.2019.1596686. US Treasury bonds in particular hold a favored, majority role in shadow banking, as they are seen as the harbor of ultimate "safety." Daniela Gabor and Jakob Vestergaard, "Towards a Theory of Shadow Money," *Institute for New Economic Thinking*, 2016, 23-26, https://www.ineteconomics.org/uploads/papers/Towards_Theory_Shadow_Money_GV_INET.pdf.

the operative criterion that makes this system of money sequentially secured. In what follows, the disparate but yet ideologically coherent ways it has been employed will be examined.

Economic liberalism is the doctrinal locus that depoliticizes money, obscuring its inherently political structures, scarcity of issuance and access to money being the baselines of this construction. Notions of a "natural" monetary system whose asymmetry is integral for hierarchical ordering is then justified, even in the face of zero-sum interventions and expansions. Historical crises, inequalities, and inner-workings of the system are closely mirrored to contemporary conditions. How forms of money become instantiated in modernity, finance's role in it, and the class-based presuppositions immanent are broadly replicated whether in bank credit money in 1694 or through repo transactions in the money (short-term) market in 2007. By examining this paradigm, the terms upon which credit flows into the economy and how it affects society's order will become more transparent. Monetary scarcity will be judged by its structural configuration and latent functioning, against purely theoretical postulations and abstract declarations of naturality.

Liberalism as Depoliticization of Scarcity

A preoccupation with scarcity is the standard starting point for economics as an intellectual framework, with price closely following it. This axiom acting as a theoretical postulate that society would need to order itself around is traced back to Scottish Enlightenment philosophers David Hume and Adam Smith, the latter widely considered the "father" of economics.[13] Price as a self-justifying, neutral arbiter emerges soon after on account of the complexity of society and the impossibility of barter, acting as a proximal distributive

[13] Nicholas Xenos, "Liberalism and the Postulate of Scarcity," *Political Theory* 15, no. 2 (1987): 225–43, https://doi.org/10.2307/191676.

mechanism for order.[14] Without a price-denominated market, purportedly humans would devolve our law-based society into a Hobbesian jungle[15], as we are assumed to be "insatiable" within such a framework.[16] This preconception and a view that the state was the guarantor of both its alleviation— in foodstuffs— and its security in the face of competing distributional claims— for market goods and capital— was itself an outcome of the rise of the "economic state" freeing itself from its medieval chains and founding its legitimacy not through the grace of God[17] nor on protection from anarchic conflict.[18] Instead it was increasingly found within an economic arena between agents competing over monetary accumulation in an inherently scarce world, taming the spectre of primordial avarice and bettering society through bounded self-interest.[19] Examples of such rising economic states in the eighteenth century included the constitutional English state and the French absolutist state, both engendered by what Michel Foucault calls a new notion of *governmentality* as their expansive bureaucracies were employed toward securing wealth and welfare through the object of population; political economy animating state action through it's

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[14] A central exponent of this thought is the preeminent and highly influential economist Frederich Hayek. David Schmidtz, "Friedrich Hayek (Stanford Encyclopedia of Philosophy)," Stanford.edu, 2012, https://plato.stanford.edu/entries/friedrich-hayek/.

[15] This jungle is the classic invocation of a state of nature argument, one in which Hobbes proposes that life without civil (state) society– in humanity's "original" state and during interregna– is predicated on a "warre of every man against every man," where the notions of "Right and Wrong, Justice and Injustice" have no place. Thomas Hobbes, *Leviathan* (1651; repr., Cambridge: Cambridge University Press, 1996), 98.

[16] Paul Solman, "The Basics of Economics with Paul Samuelson," PBS News, December 15, 2009, https://www.pbs.org/newshour/economy/the-basics-of-economics-with-p; Nicholas Xenos, "Liberalism and the Postulate of Scarcity," *Political Theory* 15, no. 2 (1987): 225–43, https://doi.org/10.2307/191676; Tomás Lima Pimenta, "Physiocracy: Liberalism and Despotism," *Nova Economia* 34, no. 3 (January 1, 2024), https://doi.org/10.1590/0103-6351/8334.

[17] Michel Foucault, *The Birth of Biopolitics Lectures at the College de France, 1978-1979* (New York: Palgrave Macmillan, 2008), 4; Ernst H Kantorowicz, *The King's Two Bodies: A Study in Medieval Political Theology* (Princeton: Princeton University Press, 1957), 46-7. Thank you to researcher Jan Delaeter for emphasizing this role to me, against assertions of legitimacy through assuring the salvation of subjects, as Foucault invokes in *The Birth of Biopolitics.*

[18] Thomas Benedict Lambert, David W Rollason, and Pontifical Institute of Mediaeval Studies, *Peace and Protection in the Middle Ages* (PIMS, 2009).

[19] Nicholas Xenos, "Liberalism and the Postulate of Scarcity," *Political Theory* 15, no. 2 (1987): 225–43, https://doi.org/10.2307/191676; Michel Foucault, *The Birth of Biopolitics Lectures at the College de France, 1978-1979* (New York: Palgrave Macmillan, 2008), 5; Albert O. Hirschman, *The Passions and the Interests* (Princeton University Press, 1977), "Interest as a New Paradigm."

analytical paradigm.[20] Stimulating commercial circuits and monopolizing trade routes and resources for private actors took precedence over narrow territorial accumulation through war and conquest under this economic governmental archetype, first deployed under broadly considered mercantilism— some modern profit-making initiatives preceding political ones.[21] In supplanting a transient regime of mercantilism,[22] liberalism could be said to become the apotheotic obverse of economics once it became the successor art of government.[23] The philosophy posited a legal apparatus that affirmed productive economic reasoning and action through the repository of the industrious, free citizenry as a grounding conceptual force.[24] This obviated the repressive grounding elements of mercantilism that prevented commercial "freedom of movement," as Foucault describes it,[25] elements derived from the vestiges of absolutist and monarchical rule.[26] Enlightenment individual rights of a certain idea of freedom and equality in political and economic spheres were now homologous and mutually constitutive in the modern age.[27] It then impelled the state to look at the world where monetary accumulation of its citizens

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[20] Michel Foucault, *The Birth of Biopolitics Lectures at the College de France, 1978-1979* (New York: Palgrave Macmillan, 2008), 38-40, 44-5; Michel Foucault, *Security, Territory, and Population. Lectures at the Collège de France, 1977-1978* (Picador Usa, 2007), 107-108; Jean Beuve et al., "Mercantilism and Bureaucratic Modernization in Early Eighteenth-Century France," The Economic History Review 70, no. 2 (November 15, 2016): 534, 537-8, https://doi.org/10.1111/ehr.12284.

[21] Maurizio Meloni, "An Unproblematized Truth: Foucault, Biopolitics, and the Making of a Sociological Canon," *Social Theory & Health* 21 (March 7, 2022): 101, https://doi.org/10.1057/s41285-022-00177-5.

[22] Mercantilism can be broadly understood as encompassing state control of markets and trade, direct instead of indirect state intervention galvanizing economic activity. Danielle Guizzo and Iara Vigo de Lima, "Foucault's Contributions for Understanding Power Relations in British Classical Political Economy," *EconomiA* 16, no. 2 (May 2015): 201, https://doi.org/10.1016/j.econ.2015.06.002.

[23] Michel Foucault, *The Birth of Biopolitics Lectures at the College de France, 1978-1979* (New York: Palgrave Macmillan, 2008), 42-5; Eric Schliesser, "On Foucault on 10 January 1979 on the Art of Governing and the Origin of Liberalism. (I)," Digressions&Impressions, 2020, https://digressionsnimpressions.typepad.com/digressionsimpressions/2020/05/on-foucault-on-10-january-1979-on-the-art-of-governing.html.

[24] Michel Foucault, *Security, Territory, and Population. Lectures at the Collège de France, 1977-1978* (Picador Usa, 2007), 48-9.

[25] Michel Foucault, *Security, Territory, and Population. Lectures at the Collège de France, 1977-1978* (Picador Usa, 2007), 49.

[26] Danielle Guizzo and Iara Vigo de Lima, "Foucault's Contributions for Understanding Power Relations in British Classical Political Economy," *EconomiA* 16, no. 2 (May 2015): 194–205, https://doi.org/10.1016/j.econ.2015.06.002.

[27] Michel Foucault, *The Birth of Biopolitics Lectures at the College de France, 1978-1979* (New York: Palgrave Macmillan, 2008), 44-46; José Luís Cardoso, "Liberalism and Enlightened Political Economy," *The European*

was central, subject to a "scientifically" imbued analysis of commercial activity.[28] In the age of mercantilism and the successive age of dominant liberal thought under industrial capitalism, this would concurrently enrich the state itself.[29]

Central to the liberal doctrine, diminished at certain points in history but never completely effaced, is the proposition of a separation between political society and civil society, or state space versus a market space.[30] Born from this is the idea of a "free market," which is a linguistic turn denoting lack of government intervention, itself a derivative of the French *laissez faire* which was first invoked by Enlightenment philosopher Franocis Quesnay, meaning "allow to do."[31] Liberalism, in proposing this duality and suggesting that part of what it means to be free comes from the ability to buy and sell without state interference, leaves the state with the task of a type of restrained security, the "question of critical governmental reason…[is] on how not to govern too much."[32] Adam Smith saw the guaranteeing of a market space free from government intervention while also having it assuage scarcity and encourage "the opulence of a state"[33] in the "consideration of cheapness and in plenty" to be central to its administrative function.[34] A gradual theorized construction of a pure market space legitimated the commercial markets and newly-minted "economic" agents as they became freed from the institutional yoke of feudal-era

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Journal of the History of Economic Thought 22, no. 6 (October 2015): 939-44, https://doi.org/10.1080/09672567.2015.1088878.

[28] José Luís Cardoso, "Liberalism and Enlightened Political Economy," *The European Journal of the History of Economic Thought* 22, no. 6 (October 2015): 934–48, https://doi.org/10.1080/09672567.2015.1088878.

[29] Cardoso, "Liberalism and Enlightened Political Economy," 934–48.

[30] Michael Walzer, "Liberalism and the Art of Separation," *Political Theory* 12, no. 3 (1984): 315–30, https://www.jstor.org/stable/191512; Jonathan Nitzan and Shimshon Bichler, *Capital as Power* (Routledge, 2009), 26-7.

[31] "Garnier on the Origin of the Term Laissez-Faire | Online Library of Liberty," Libertyfund.org, 2025, https://oll.libertyfund.org/pages/garnier-on-the-origin-of-the-term-laissez-faire. Quesnay was a leading figure of the Physiocrats, seen as forerunners of classical liberalism and proponents of a natural law-based approach to economics— the term *laissez faire* emblematic of this thinking. Tomás Lima Pimenta, "Physiocracy: Liberalism and Despotism," *Nova Economia* 34, no. 3 (January 1, 2024): 9-10, https://doi.org/10.1590/0103-6351/8334.

[32] Michel Foucault, *The Birth of Biopolitics Lectures at the College de France, 1978-1979* (New York: Palgrave Macmillan, 2008), 13.

[33] Here meaning the citizens that made up the nation-state.

[34] Adam Smith, *Letters on Jurisprudence* (1766; repr., Oxford, England: Clarendon Press, 1978), 338, 398.

controls,[35] comporting with and accelerating an already existing historical trend. Codification of hitherto majority privately-enforced merchant guild customs— such as contractual pursuance, trademark laws, and recognition of enforceable and negotiable promises as payment (e.g., bills of exchange)[36] — were steadfastly already being "elevat[ed]" into the "common law and equity courts" of the late medieval and early modern western state.[37] Blossoming money and capital markets were the correlative outcome of the myriad legal decisions[38] and sovereign security thus provided, the decisions both preceding and continuing through the realization of the Enlightenment.[39]

Merchant law and technologies of modern finance were becoming unfettered throughout Europe especially,[40] their championing and inchoate, *de jure* codification anterior to liberalism but eventually becoming impossible to detangle from it. Eventually, access to markets to realize exchange-value of an asset (as opposed to use-value) began to be caught up in what the

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[35] Such controls include the elements of purely private power that guilds were conferred in the medieval period: closed-shop privileges (intra-guild trade in raw and semi-finished goods), monopolies in commerce and industry, and insular powers of ordinance and inspection. John R. Commons, *Legal Foundations of Capitalism* (1924; repr., New Brunswick, New Jersey: Transaction Publishers, 2007), 225-29.

[36] John R. Commons, *Legal Foundations of Capitalism* (1924; repr., New Brunswick, New Jersey: Transaction Publishers, 2007), 230-1.

[37] John R. Commons, *Legal Foundations of Capitalism* (1924; repr., New Brunswick, New Jersey: Transaction Publishers, 2007), xxviii, 228-235; Emily Kadens, "Order within Law, Variety within Custom: The Character of the Medieval Merchant Law," Chicago Unbound, 2015, 63-4, https://chicagounbound.uchicago.edu/cjil/vol5/iss1/6/.

[38] Noteworthy legal decisions include a 1537 mandate that gave unsecured bills of exchange holders the rights of common law creditors ("right of appeal" central to this) within the jurisdiction of the Holy Roman Empire. Marie-Thérèse Boyer-Xambeu, Ghislain Deleplace, and Lucien Gillard, Private Money & Public Currencies (M.E. Sharpe, 1994), 39. Legalization of interest in England occurred in 1545, revoked, re-legalized, and set limits upon in different socio-legal moments for the next century and half, although workarounds to it's *de jure* theological prohibition were occurring throughout the continent since at least the 14th century byway of international bills of exchange dealings. Fernand Braudel, *Civilization and Capitalism, 15th-18th Century. Vol.2, the Wheels of Commerce* (Berkeley, Calif.: University Of California Press, 1992), 562-4; Glyn Davies*, History of Money* (University of Wales Press, 2010), 219-223. Additionally, in England negotiability of inland bills of exchange were legally codified in 1697, followed by the Promissory Notes Act of 1704 that confirmed the negotiability of bank notes issued by goldsmiths; Glyn Davies notes that these "dealings in bills" by the bankers greatly increased the "general liquidity of the money market," both domestically and throughout Europe. Glyn Davies, *History of Money*, (University of Wales Press, 2010), 251-2.

[39] For a view on the money and capital markets formed within the exchange fairs of Europe, see Fernand Braudel, *Civilization and Capitalism Vol 2*, 81-113.

[40] Emily Kadens, "Order within Law, Variety within Custom: The Character of the Medieval Merchant Law," Chicago Unbound, 2015, https://chicagounbound.uchicago.edu/cjil/vol5/iss1/6/.

definition of "liberty" was in the common law courts of the UK and the US by the middle of the modern era.[41] Here the representative sovereign was proposed by liberal jurisprudence to, in a way, allay a scarcity of *assetization* and the opportunity for the realization of profit through promises and speculations about the future, as well as judicial safeguarding against the vagaries of such speculation when the securitization of things like generational estates were at stake.[42] It routed this through the expansive legal protections granted to "incorporeal property, or debts…[which] is the…future behavior of creditors and debtors…the expected beneficial performance of duty."[43] Essentially, turning an object into an asset through its use as collateral transmutes the expectations of the parties, the underlying asset, and all potentialities into a price and payment stream. Near money, various debt instruments acting as promises to pay and trading in liquid markets find its legal possibility within such a configuration, as law enforces the working rules that dictate this "expected beneficial performance" of others through enforcement of legal contracts and the asymmetric granting of privileges.[44] Without legal guarantees, the risk involved in these debt instruments would be too great for further collateralization and transmission, precluding any significant degree of "moneyness" from being realized. Power to withhold, to legally enforce a right against all the world, drives a valuation of a near money asset

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[41] John R. Commons, *Legal Foundations of Capitalism* (1924; repr., New Brunswick, New Jersey: Transaction Publishers, 2007), 32-4, 52-5, 235-53.

[42] Katharina Pistor, *CODE of CAPITAL: How the Law Creates Wealth and Inequality*. (Princeton University Press, 2019, 35-9, 42-6.

[43] John R. Commons, *Legal Foundations of Capitalism* (1924; repr., New Brunswick, New Jersey: Transaction Publishers, 2007), 24. For an estate, the transformation from corporeal to incorporeal property is realized in the trust. The estate becomes something more than the land and the house, now representing a purely legal relationship between trustee and beneficiary, a debt that necessitates certain legally mandated future behavior by the trustee.

[44] John R. Commons, *Legal Foundations of Capitalism* (1924; repr., New Brunswick, New Jersey: Transaction Publishers, 2007), 24; Katharina Pistor, *CODE of CAPITAL: How the Law Creates Wealth and Inequality*. (Princeton University Press, 2019), 12-15. Creditor-debtor relationships and the balance of power between the two resists being mapped directly onto class struggles or a set position, i.e. creditors always having more recourse than debtors or vice versa. Instead, they are products of a contested legal order above all, evolving or devolving at certain times and places to give more privileges to one of these parties over the other, always contextual. The balance of power seems to often be more related to institutional size and therefore access to certain legal codings, such as limited liability for corporations versus an individual taking out student loans, the former having an easier time of discharging debt during bankruptcy proceedings and successfully shielding personal assets. Katharina Pistor, *CODE of CAPITAL: How the Law Creates Wealth and Inequality* (Princeton University Press, 2019), 56-9.

based upon speculation of the future, both in this right being honored and future prospects of market-wide liquidity ("health" of the economy), among others.[45] All of these economic rudders attached to the capitalist assemblage over centuries, justified by novel notions of property and liberty which found refuge in the blanket of an economically-tinted liberal jurisprudence. A telos of progress, the separation of market and state spaces, and invocations of "rising ships" providing strong elite convictions helped demarcate the wealth outcomes of market space as a normative positive, shielding it from the state and popular calls for redistribution.[46]

The contrasting demands of liberal philosophy— to secure the functioning of markets from scarcity and to nevertheless govern with austere frugality— are indicative of a proposed axiomatic truth: an idea that a supposedly "natural order" arises out of economic relations through the medium of a market, and that the state must do whatever it takes to ensure such order remains instantiated.[47] This legitimating ideology necessitates what it forecloses, a central role of the state in shaping economic relations. The ramifications are numerous, and do more to run cover for social and economic inequalities than lubricate any semblance of "free competition." Legal scholar Bernard Harcourt summarizes this stance in unequivocal fashion:

> The ideas of natural order and market efficiency have helped naturalize the market itself and thereby shield[ed] [it] from [a] normative assessment [of] the massive wealth distributions that take place there. Those distributions come to be seen as the natural consequence of an orderly market, and as such are less open to normative evaluation. They become more normal, somewhat necessary, and assessing them becomes practically futile. And the result is that those very distributional consequences get shielded from

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[45] Massimo Amato and Luca Fantacci, *The End of Finance* (John Wiley & Sons, 2013), 16-18. The power to withhold determining a value of an asset is quintessentially found in patents. They invest in the owner not the right to use, but the right to *disallow* its use. Thorstein Veblen, *Absentee Ownership and Business Enterprise in Recent Times: The Case of America* (1923; repr., Boston, MA: Beacon Press, 1967), 65-66.
[46] Jonathan Nitzan and Shimshon Bichler, *Capital as Power* (Routledge, 2009), 26-7; Matthew W Slaboch, *A Road to Nowhere: The Idea of Progress and Its Critics* (Philadelphia: University Of Pennsylvania Press, 2018).
[47] Bernard E Harcourt, *The Illusion of Free Markets* (Harvard University Press, 2012); Tomás Lima Pimenta, "Physiocracy: Liberalism and Despotism," *Nova Economia* 34, no. 3 (January 1, 2024): 9-10, https://doi.org/10.1590/0103-6351/8334.

> political, social, and moral debates: the naturalness of the market depoliticizes the distributional outcomes.[48]

Harcourt echoes the depoliticization of an already politicized construction, a "politics of depoliticization," as theorist Stefan Eich calls it,[49] through the conjuring of natural order.[50] The market is always a site of exogenous construction and regulation, inherently privy to politics because of its distributive outcomes, and thus additionally being the corollary of structural violence.[51] Allocative developments that find their origin in the economic sphere are thus posited as outside of politics, state intervention attenuating even drastic asymmetries is then perceived as tyrannical or myopic overreaching by economic liberalism.[52] In this, liberalism as an explicit legitimating ideology of inequality and power in general is seen, as it presupposes that some level of asymmetric distribution that results from market processes are just, or "natural." The spectrum of debate within liberal economic philosophy becomes what exactly constitutes a "free" market, or what level of government frugality is appropriate to guarantee it.[53]

A paramount example of invocations of such naturality in monetary structures is seen in the fallout after the creation of the Bank of England, with calls to abide by some inviolable monetary convention past set.[54] Arguing for an honoring of such a convention, putting the unit of account's value below the bar of politics, ossifies creditor-debtor relations and rules out explicit state intervention in redistribution through its modulation. In this, the debates about the monetary

[48] Bernard E Harcourt, *The Illusion of Free Markets* (Harvard University Press, 2012), 32.
[49] Stefan Eich, *The Currency of Politics* (Princeton University Press, 2023), 202.
[50] The philosophical move to posit a natural order derived from natural law and a harmonization of interests through a property-owning, pervasively marketized society is, again, an outcome of the Physiocrat movement. Tomás Lima Pimenta, "Physiocracy: Liberalism and Despotism," *Nova Economia* 34, no. 3 (January 1, 2024): 9-10, https://doi.org/10.1590/0103-6351/8334.
[51] David Graeber, "DEBT, VIOLENCE, and IMPERSONAL MARKETS: POLANYIAN MEDITATIONS," 2009, https://davidgraeber.org/wp-content/uploads/2009-Debt-violence-and-impersonal-markets-Polanyian-meditations.pdf.
[52] Michael Walzer, "Liberalism and the Art of Separation," *Political Theory* 12, no. 3 (1984): 315–30, https://www.jstor.org/stable/191512.
[53] Michel Foucault, *The Birth of Biopolitics Lectures at the College de France, 1978-1979* (New York: Palgrave Macmillan, 2008), 44-5.
[54] Stefan Eich*, The Currency of Politics* (Princeton University Press, 2003), 47-9, 54-5.

standard principally revolved around mediating between the competing claims of creditors and debtors and commerce and landed interests; disputes around pecuniary creation continue to have the same tenor today, with the additional battle over market outcomes leading to massive, coercive power in the hands of individuals or corporations.[55] Modern markets and the legal rules which dictate them are downstream of sovereignty and consequently have their distributional outcomes inflected with politics.[56] This is seen in the state's historic role in regulating the bounds of monetary infrastructures, consequently determining social order as the "web of financial claims is…the very fabric of economic life."[57]

Financial elites looking to the state as a guarantor of credit has been present even in the leadup to the formation of the Bank of England, with the original usurping cohort exhorting the lack of a national debt to act as "safe" collateral and the absence of other financial products, both intrinsic in the model of "Dutch finance."[58] Securing assets for the financiers of their day was not the only purpose found within the formation of the bank, but also a sanctioning of exactly who is able to issue public money in credit form (bank notes and deposits).[59] While the problem of heterogeneous forms of credit systems outside state space was a perennial issue of its authority and centralization throughout history, the dawn of the central bank enabled the attenuation of this issue through its absorption into sovereign structures. Subject to centralized stringency by the state's increasing capacity for control over areas of life, credit creation was made artificially

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[55] Stefan Eich, *The Currency of Politics* (Princeton University Press 2003), 69, 73-5.
[56] John R. Commons, *Legal Foundations of Capitalism* (1924; repr., New Brunswick, New Jersey: Transaction Publishers, 2007), xxx-xxxi, 52, 54-5, 63-4.
[57] Perry Mehrling, "A Money View of Credit and Debt," 2012, 2, https://www.cigionline.org/sites/default/files/inet2012mehrling_amoneyviewofcreditanddebt.pdf.
[58] John David Angle, "Glorious Revolution as Financial Revolution," 2013, https://scholar.smu.edu/cgi/viewcontent.cgi?article=1001&context=hum_sci_history_research. The model of "Dutch Finance" at this time included financial techniques such as the widespread circulation of bills of exchange, issuance of public bonds, and derivatives (Amsterdam Stock Exchange) based on the latter. Giovanni Arrighi, *The Long Twentieth Century: Money, Power, and the Origins of Our Times* (London: Verso, 1999), 142-44; Anush Kapadia, *A Political Theory of Money* (Cambridge University Press, 2023), 108-12.
[59] Geoffrey Ingham, *The Nature of Money* (Polity, 2004), 127-31.

scarce through the union of national rule and private credit creation.[60] Moreover, the constitutive relationship between the state and scarcity in the monetary realm was its acting as lender of last resort (LOLR), an implicitly designated role for central banks concomitantly found in England's archetypal example as the scope and responsibility of its operation was eventually realized throughout the 18th century.[61] The evolution of the LOLR function and its adherence to the smooth-functioning of money markets, banking, and the overall public-private monetary nexus was subject to the aspirational separation between politics and economics and the supposed naturalness of inequality propounded by liberalism, but whose use and outcome, it must be analyzed, could never be anything but political.

Scarcity of Issuance as Politics

Contestations over who gets to issue what is considered money, whether in credit form (bank note, deposit, bill of exchange, etc.) or hard specie, are acutely manifold throughout history.[62] Credit monies gain their value from being a debt, someone's IOU ("I Owe You"), and they are imbued with the ability to make a call on someone else's liability.[63] In this, credit money can be issued amongst local communities through simple commodities such as wheat denominated in an abstract unit of account,[64] or amongst insular merchant networks in continental Europe using bills of exchange.[65] Local or regionalized, non-state credit systems are then ubiquitous throughout history, in interregna and regna, its intense relegation to state

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[60] Richard H. Robbins and Tim Di Muzio, *Debt as Power* (Manchester University Press, 2016), 36-40.
[61] Thomas M. Hunzphmy, "LENDER OF LAST RESORT: THE CONCEPT IN HISTORY," 1989, https://www.richmondfed.org/-/media/richmondfedorg/publications/research/economic_review/1989/pdf/er750202.pdf.
[62] Akinobu Kuroda, *A Global History of Money* (Routledge, 2020).
[63] Perry Mehrling, "A Money View of Credit and Debt," 2012, https://www.cigionline.org/sites/default/files/inet2012mehrling_amoneyviewofcreditanddebt.pdf.
[64] Michael Hudson, *Temples of Enterprise: Creating Economic Order in the Bronze Age Near East* (Baskerville, Virginia: ISLET, 2024), 19-21.
[65] Among a plethora of other configurations. Akinobu Kuroda, *A Global History of Money* (Routledge, 2020); Fernand Braudel, *Civilization and Capitalism, 15th-18th Century. Vol.2, the Wheels of Commerce* (Berkeley, Calif.: University Of California Press, 1992), 112-14.

sanctioned spaces only a recent development.[66] Such relegation is found in the formation of a central bank and, in looking at the paradigmatic forerunner, the Bank of England, what Geoffrey Ingahm calls "capitalist credit-money."[67] Its formation required the Glorious Revolution (1688), the deposition of the King, and the reconstructed monarchy's subordination to an aristocratic parliament concomitant with a new social constitution.[68] The act entailed certain private financial elites in the banking sector the ability to graft their previously parochial forms of credit creation onto the edifice of the state and gain a clear enforceable legal hierarchy between creditors and debtors in the production of credit money.[69] Per Anush Kapdia, "turn[ing] private IOUs into publicly acceptable IOUs," is necessarily a "financial expression of legitimacy" of the political state, subsuming pecuniary relationships into its juridical remit.[70] Private credit, principally in bills of exchange, combined with state sovereignty and their (gold and silver) coinage; bank notes soon took hold to the greatest extent in history.[71] A security of speculative ventures in profiting off extending credit money was derived from the guarantee of the sovereign's ability to rule (especially in tax collection) and provide reserves for its expansion, a result of these monies being situated into the state's monetary hierarchy.[72] Enforced scarcity of monetary issuance, consigning "invalid" monies outside the hierarchy, would help slowly disrupt and nullify the various locally and regionally autonomous forms of credit, highlighting the state sanctioning of

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[66] David Graeber, *Debt: The First 5,000 Years* (Brooklyn, Ny: Melville House, 2011); Akinobu Kuroda, *A Global History of Money* (Routledge, 2020), 195-99.
[67] Geoffrey Ingham, *The Nature of Money* (Polity, 2004), 131-3.
[68] Colin Drumm, "The Difference That Money Makes: Sovereignty, Indecision, and the Politics of Liquidity," escholarship.org, 2021, 51-4, https://escholarship.org/uc/item/57h0m1x1.
[69] Geoffrey Ingham, *The Nature of Money* (Polity, 2004), 107-33; Don Kalb, "Two Theories of Money," *Focaal* 2023, no. 95 (March 1, 2023): 100-1, https://doi.org/10.3167/fcl.2023.950102.
[70] Anush Kapadia, *A Political Theory of Money* (Cambridge University Press, 2023) 48-9.
[71] Massimo Amato and Luca Fantacci, *The End of Finance* (John Wiley & Sons, 2013), 187-88, 192-3. It should be noted that purely paper money first became widespread in China as far back as the 10th century, its common usage thoroughly out of practice by the middle of the 15th century. Glyn Davies, *History of Money* (University of Wales Press, 2010), 181-4.
[72] Don Kalb, "Two Theories of Money," *Focaal* 2023, no. 95 (March 1, 2023): 100-1, https://doi.org/10.3167/fcl.2023.950102.

monopolizing issuance as a case of differential power. With state backing, bankers garnered the ability to control society's credit flows full stop, thereby having the ability to "effectively incapacitate or restrict the money supply and war against possible alternatives to their effective monopoly."[73] Disputes between creditors and debtors then operated within state jurisdiction, the supply of money and the malleability of units of account becoming exclusive political prerogatives of the sovereign.[74]

In this political marriage that resulted from the blood and social revolution of 1688, financial creditor elites gained formal convertibility into state money (the pound sterling unit of account and its representative bank notes) and privileged access to assets newly made "safe" by the creation of a national debt.[75] The state's debt repayment was revolutionized, not beholden to the individual circumstances and whims of the King, but to the transcendental prospects of the nation-state as a whole, represented in a sovereign (treasury) bond.[76] By transposing the credit risk onto the self-referential citizenry of the juridically and geographically bounded nation-state and its future productivity, private finance set the stage for the era of intense capitalist accumulation. This move "under[wrote] the rise of collateral-based finance in the twentieth century and plays a crucial role both for financial lubrication and financial stability," per economic historian Nina Boy.[77] Previously strictly private credit money became not only

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[73] Richard H. Robbins and Tim Di Muzio, *Debt as Power* (Manchester University Press, 2016), 27-8.
[74] Richard H. Robbins and Tim Di Muzio, *Debt as Power* (Manchester University Press, 2016), 27-8; Colin Drumm, "The Difference That Money Makes: Sovereignty, Indecision, and the Politics of Liquidity," escholarship.org, 2021, 186-88, https://escholarship.org/uc/item/57h0m1x1. Although exercising this option would be weighed against intra-elite interests, their power being shown (in part) in the fiscal discretion of parliament and in the bond market through the interest rate, the latter an impersonal representation of elite opinion. Thank you to Colin Drumm for elucidating this point over discord.
[75] Nina Boy, "The Backstory of the Risk Free Asset: How Government Debt Became 'Safe,'" in *Central Banking at a Crossroads: Europe and Beyond*, ed. Charles Goodhart et al. (Anthem Press, 2014), 177188, https://www.cambridge.org/core/product/E06149161C15D72C96496E11B8C771DE.
[76] Geoffrey Ingham, *The Nature of Money* (Polity, 2004), 128-31.
[77] Nina Boy, "The Backstory of the Risk Free Asset: How Government Debt Became 'Safe,'" in *Central Banking at a Crossroads: Europe and Beyond*, ed. Charles Goodhart et al. (Anthem Press, 2014), 177188, https://www.cambridge.org/core/product/E06149161C15D72C96496E11B8C771DE.

convertible into and accepted as state money, but its reserves gained a now unheralded asset in the treasury bond, in both counterparty wealth and safety.[78] A certain strata of elites (banking and merchant)[79] could now use this preferential reserve access to an IOU that emanated from the debt of an entire nation-state to base their dealings in the art of finance and speculation off of, becoming a motor of disproportionate wealth creation through the means of credit.

In the operation of the public-private banking compact, the English state agreed to use its unparalleled domestic power to determine exactly who was able to have the privilege to create bank-notes and have access to its debts. It arrogated monetary rights for the sake of idiosyncratic gains amongst a cohort of financial elites byway of charters and draconian responses to broadly construed "counterfeiting."[80] Local informal and formal credit systems were slowly phased out on account of centralized taxation precluding in-kind payments, interregional market dependence supplanting local, and the eventual monopolization of bank note issuance by the BOE in 1844.[81] This basic composition and gradual consolidation was replicated in leading western states throughout the 19th century with the incorporation of central banks into their monetary assemblages, credit structures becoming vertical and relatively homogenous.[82] However, intra-elite discord could inversely stifle the centralization of monetary power through the creation of central banks and thus a national monetary standard, as seen in the example of the history of the First and Second Banks of the United States. Populist and constitutionally-minded

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[78] Nina Boy, "The Backstory of the Risk Free Asset: How Government Debt Became 'Safe,'" in *Central Banking at a Crossroads: Europe and Beyond*, ed. Charles Goodhart et al. (Anthem Press, 2014), 177188, https://www.cambridge.org/core/product/E06149161C15D72C96496E11B8C771DE.
[79] Akinobu Kuroda, *A Global History of Money* (Routledge, 2020), 132-34.
[80] Richard H. Robbins and Tim Di Muzio, *Debt as Power* (Manchester University Press, 2016), 42-43.
[81] Craig Muldrew, *The Economy of Obligation: The Culture of Credit and Social Relations in Early Modern England* (New York: St. Martin's Press, 1998), 91, 328-9; Akinobu Kuroda, *A Global History of Money* (Routledge, 2020), 128, 195-6; Eric Helleiner, *The Making of National Money: Territorial Currencies in Historical Perspective* (Cornell University Press, 2019), 81-4.
[82] France (1800), Germany (1871), Netherlands (1814). "The History of Central Banks," The Economist, April 27, 2017, https://www.economist.com/briefing/2017/04/27/the-history-of-central-banks.

pretensions inhibited the power of the monopoly conferred by a federal bank, with the various state banks taking umbrage with their powers of note issuance being curtailed by the presence of the former.[83] Cutting against the popular association with the agrarian interest versus business interest dichotomy being directly transposable onto the debates surrounding state versus federal banking at the time, historian Bray Hammond notes that in 1812, "business[es] sheer[ed] toward closer association with…state governments, and the agrarians…toward the federal government."[84] State banks clamored against the imposed scarcity of their credit power and were looked at by business interests to provide ample "instruments for business expansion" in a time of now non-nascent industrialism.[85] Doubly, some looked at the federal bank as failing to police the bounds of money creation in the unincorporated banking and corporate spheres, the patchwork of debts issued by the various institutions and their acting as monetary instruments often continuing despite lack of charter.[86] Issues of a consensus between elites regarding how the structure of artificial scarcity in money creation was to be put into place were central to the rise and falls of central banking in the early US. Unlike England there were no issues with an unaccountable monarch stifling debt repayments and violating a monetary standard,[87] so the impetus of social revolution (already recently spent) would have to be swapped out for relative elite unanimity in this issue. It would eventually take repeated financial crises that accompanied the acephalous domestic banking system during an epoch of increasing market (and thus credit)

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[83] Hal S. Scott, *Connectedness and Contagion: Protecting the Financial System from Panics* (Cambridge, Ma: The Mit Press, 2016), 81-88.
[84] Bray Hammond, *Banks and Politics in America from the Revolution to the Civil War* (Princeton; Oxford: Princeton University Press, 1991), 219.
[85] Bray Hammond, *Banks and Politics in America from the Revolution to the Civil War* (Princeton; Oxford: Princeton University Press, 1991), 219.
[86]Bray Hammond, *Banks and Politics in America from the Revolution to the Civil War* (Princeton; Oxford: Princeton University Press, 1991) , 185.
[87] John David Angle, "Glorious Revolution as Financial Revolution," 2013, https://scholar.smu.edu/cgi/viewcontent.cgi?article=1001&context=hum_sci_history_research.

entrenchment to align the interest of state banks with those of both agrarian and leading business interests, resulting in the Federal Reserve in 1913.[88]

As charters extended beyond their hyper-monopolies in London, and as commercial banks became subordinated under the onus of the Federal Reserve in DC, the debates and social conflagrations that defined the birth of capitalist-credit money became largely left in the past, the state-credit nexus becoming normalized.[89] Domestically, questions of who gets to issue liabilities that trade at par with official state money seemed to be quite settled with the Federal Reserve system and its commercial banking network.[90] Private, non-banking debt and equity claims (near money) were no longer at odds with this network but were legitimated by it, the encroaching predominance of finance in non-financial ventures shown by the now robustly institutionalized stock and bond markets.[91] The progenitor of these structures in the US was the merger movement at the turn of the century, conglomerates and -opolies coming to dominate the economic sphere[92] and bring about "the age of the publicly traded corporation."[93] An interlocking directorate led this turn and orientation toward financial markets and mergers in an effort to cease so-called ruinous competition, with investment bankers having prominent and numerous positions throughout corporate boards, helping dictate cash flows and the directives to become publicly traded.[94] Private finance ratcheted up its involvement in industry during this period, controlling the reigns that led to the dominance of the modern corporation and the sunset of nominal

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88 Eric Helleiner, *The Making of National Money: Territorial Currencies in Historical Perspective* (Cornell University Press, 2019), 34-5; Gabriel Kolko, *Triumph of Conservatism* (1963; repr., Simon and Schuster, 2008), 242-54.
89 Geoffrey Ingham, *The Nature of Money* (Polity, 2004), 131-3, 136-44.
90 Eric Helleiner, *The Making of National Money: Territorial Currencies in Historical Perspective* (Cornell University Press, 2019), 35.
91 Karen Ho, *Liquidated: An Ethnography of Wall Street* (Durham: Duke University Press, 2009), 183-7.
92 Karen Ho, *Liquidated: An Ethnography of Wall Street* (Durham: Duke University Press, 2009), 176-79; Gabriel Kolko, *Triumph of Conservatism* (1963; repr., Simon and Schuster, 2008), 18-21, 267-8.
93 Steve Fraser, *Every Man a Speculator: A History of Wall Street in American Life* (Harper Collins, 2009), 171.
94 Karen Ho, *Liquidated: An Ethnography of Wall Street* (Durham: Duke University Press, 2009), 176-78.

industrial competition in this country.[95] This was for the purposes of economies and markets of scale and stability, spurring liquid financial markets that could now suffuse society with compounding near money claims and the corollary of tremendous financial profits.[96] Bankers (seen as a class) then solved the issue of control over the illusory benefits of the issuance of near money after centralizing credit money, with their benefiting from corporate and private liabilities through these markets. However, with all manner of industry now imbricated in such financial markets, and a growing public involvement thanks to state catalyzation of middle-class investment through Liberty Bonds in World War One,[97] discretionary scarcity of access to credit, not issuance, becomes ever more prominent.

Scarcity of Credit as Politics

Access to liquidity is the determinant of health in a capitalist financial system,[98] its institutionally abundant opportunity during times of good and discriminative opportunity during times of bad being the exigency of the state.[99] In the former scenario, sanctioned and generated liquidity opportunities by the state induce economic expansion, inevitably creating apogees and correlatively periodic crises within the structure, necessitating intervention.[100] In the US, with the financial infrastructure being implicitly generated by state member banks within the Federal Reserve system,[101] the burden of alleviating the scarcity of credit during a crisis falls onto the

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[95] Gabriel Kolko, *Triumph of Conservatism* (1963; repr., Simon and Schuster, 2008), 19–25, 280-85.
[96] Gabriel Kolko, *Triumph of Conservatism* (1963; repr., Simon and Schuster, 2008), 18-21; Karen Ho, *Liquidated: An Ethnography of Wall Street* (Durham: Duke University Press, 2009), 183-7.
[97] Julia C. Ott, "When Wall Street Met Main Street: The Quest for an Investors' Democracy and the Emergence of the Retail Investor in the United States, 1890-1930," *Ssrn.com* 9, no. 4 (December 2008): 1-3, https://doi.org/khn086.
[98] Perry Mehrling, "Financialization and Its Discontents," *Finance and Society* 3, no. 1 (October 30, 2017): 4-5, https://doi.org/10.2218/finsoc.v3i1.1935.
[99] Massimo Amato and Luca Fantacci, *The End of Finance* (John Wiley & Sons, 2013), 14-15, 45-7.
[100] Hyman P. Minsky, *Stabilizing an Unstable Economy* (New York: Mcgraw Hill Professional, 1986), 68, 70-3, 86-7.
[101] For the sake of brevity, the focus will be nearly completely constrained to the United States for the rest of the paper. The same principles will apply to other so-called "monetary sovereigns" though. For an explication of this designation in a heterodox framework, see "Monetary sovereignty is a spectrum: modern monetary theory and developing countries" by Bruno Bonizzi et al.

central bank in its role as the LOLR.[102] It is here that one finds the foremost case of scarcity and its discretionary management as the essential prerogative of the state vis-a-vis money itself. This mantle of public backstop to the chain of private liabilities was implicitly recognized early on,[103] but only formally assumed and championed by central bankers after repeated bouts of financial crises rocked the system throughout the Victorian era and subsequently Walter Bagehot's famous urging of the BOE to view liquidity issuance in such instances as its enshrined public duty.[104] Indecision over who should have access to credit and under what terms are questions never fully settled, brought back into public debate during crises, as evidenced by the response to the bailout of "Wall Street" in the aftermath of 08'.[105] While the pervading rule since the late 19th century has been "lend freely at a high rate against good collateral,"[106] it has repeatedly been predicated on discretion related to institutional affinity[107] and a monetary politics of status quo non-distribution or upward redistribution.[108] Exclusionary, discretionary access to credit through the institution of the state's central bank is emblematic of debt as a technology of power, bailing

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[102] Perry Mehrling, "Financialization and Its Discontents," *Finance and Society* 3, no. 1 (October 30, 2017): 1–10, https://doi.org/10.2218/finsoc.v3i1.1935; Walter Bagehot, *Lombard Street: A Description of the Money Market* (1873; repr., Beyond Books, 2021).

[103] Charles P. Kindleberger, *Manias, Panics and Crashes: A History of Financial Crises* (1978; repr., Basingstoke: Palgrave Macmillan, 2005), 226-7.

[104] Michel Aglietta, *Money: 5000 Years of Debt and Power* (Verso Books, 2018), 209-215; Three crises stand out, all precipitated by intense speculative manias and followed by liquidity droughts: 1847, 1857, and 1863. Kenneth N. Kuttner, "Victorian Financial Crises and Their Implications for the Future," *Business Economics* 45, no. 2 (February 2, 2010): 102–9, https://ideas.repec.org/a/pal/buseco/v45y2010i2p102-109.html.

[105] This bailout was the unprecedented intervention by central banks, finance ministers, and banking regulators worldwide to prevent insolvency by key financial players (banks and non-banks) and to induce liquidity into financial markets; some estimates put the cost around $7 trillion. Adam Tooze identifies four main mechanisms of intervention: bank loans, recapitalization, asset purchases, and state guarantees for bank debts, deposits, and sometimes entire balance sheets. Adam Tooze, *Crashed: How a Decade of Financial Crises Changed the World* (New York, New York: Viking, An Imprint Of Penguin Random House Llc, 2018). Additionally, the Occupy Wall Street Movement in 2011 is an exemplary case of wide-spread popular resentment toward the mechanisms of the bailout and the public questioning over asymmetric access to state support.

[106] Perry Mehrling, "Essential Hybridity: A Money View of FX," *Journal of Comparative Economics* 41, no. 2 (May 2013): 355-7, https://doi.org/10.1016/j.jce.2013.03.007.

[107] Charles P. Kindleberger, *Manias, Panics and Crashes: A History of Financial Crises* (1978; repr., Basingstoke: Palgrave Macmillan, 2005), 226-7.

[108] Louis Rouanet and Peter Hazlett, "The Redistributive Politics of Monetary Policy," *Public Choice* 194 (November 26, 2022), https://doi.org/10.1007/s11127-022-01009-w; Tim Lee, Jamie Lee, and Kevin Coldiron, The *Rise of Carry: The Dangerous Consequences of Volatility Suppression and the New Financial Order of Decaying Growth and Recurring Crisis* (New York: McGraw Hill, 2020).

out certain institutions and enabling some to a legal right of profit to the detriment of others is made explicit during such crises, but is operative during normalcy as well.[109]

Contra to Bagehot's claim that a central bank is "withdrawn from the political world…not subject to political pressures,"[110] history is rife with exceptions to his general rule, emergency access to credit often decided by institutional relationships and personal amities.[111] In England, loans were often made to "insolvent Duke's," landed aristocratic interests falling behind in the now commercially-oriented world, and collateral was routinely advanced against the "personal security" of those politically connected.[112] Closer to home, The Second Bank of the US was in part created to recoup the value of government war loans bought by financier third parties who saw its formation as the only way to "enhanc[e] the value of their holdings" by garnering a sovereign guarantee.[113] Governments further saw their crafting of new schemes and techniques for securitization in the private sphere as a way to mitigate the dearth of credit opportunities during normal times. Encroaching colonization of Indigenous land in the 18th and 19th century was purposefully encouraged for such a reason, as the ruling classes saw land acquisition as the primary means to settle debt through it's securitization, the loss of the ability to appropriate Indigenous lands motivating figures such as George Washington and Thomas Jefferson in supporting a war against Britain.[114] In the modern era, the privatization of government-sponsored entities to generate mortgage-backed securities in an effort to explicitly

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[109] Richard H. Robbins and Tim Di Muzio, *Debt as Power* (Manchester University Press, 2016).
[110] Walter Bagehot, T*he Collected Works of Walter Bagehot, Vol. 11*, ed. Norman St John-Stevas, (Oxford, England: Oxford University Press, 1986), 149-150.
[111] Charles P. Kindleberger, *Manias, Panics and Crashes: A History of Financial Crises* (1978; repr., Basingstoke: Palgrave Macmillan, 2005), 238.
[112] Charles P. Kindelberger, *Manias, Panics, and Crashes: A History of Financial Crises* (1978; repr., Basingstoke: Palgrave Macmillan, 2005), 238.
[113] Hal S. Scott, *Connectedness and Contagion: Protecting the Financial System from Panics* (Cambridge, Ma: The Mit Press, 2016), 84.
[114] Richard H. Robbins and Tim Di Muzio, *Debt as Power* (Manchester University Press, 2016), 65-68; Woody Holton, *Forced Founders* (UNC Press Books, 2011), 3-5, 31-8.

augment the liquidity of private financial markets was started in 1968, with the privatization of Fannie Mae;[115] Fannie Mae and Freddie Mac (chartered through the US Congress in 1970) are still the majority players in this field today, providing packaged mortgages to be bought, traded, and leveraged in private markets.[116] The expansion of securitization spurred by the government for the benefit of institutional financial actors is then a throughline going back even to pre-independence in the US. By broadening the class of assets available in a financial market, liquidity of all endogenous assets is then given velocity; this is central for near money claims to become so expansive, as liquidity is a component that distinguishes money from other forms of wealth.[117]

A turn toward the phenomena of financialization[118] during the "long 70's"[119] was itself a mechanism to establish asymmetric access to credit— both on terms and ability to leverage— generating an alternative means of class formation in the face of competing claims to wealth in an era of declining industrial profits.[120] Central bank interest rate policy reflected such class

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[115] Oliver Kessler and Benjamin Wilhelm, "Financialization and the Three Utopias of Shadow Banking," *Competition & Change* 17, no. 3 (August 2013): 252, https://doi.org/10.1179/1024529413z.00000000036.

[116] Andreas Fuster, David Lucca, and James Vickery, "Mortgage-Backed Securities," February 2022, https://www.newyorkfed.org/medialibrary/media/research/staff_reports/sr1001.pdf.

[117] Joscha Wullweber, "Money, State, Hegemony: A Political Ontology of Money," *New Political Science* 41, no. 2 (April 3, 2019): 326, https://doi.org/10.1080/07393148.2019.1596686.

[118] There are various definitions of this term, I will highlight two overlapping definitions for our purposes: 1) the derivation of majority profits from financial activity; 2) the subsumption of evermore facets of life into the paradigm of financial logic. Greta R. Krippner, *Capitalizing on Crisis: The Political Origins of the Rise of Finance* (Cambridge, Mass.; London: Harvard University Press, 2012), 27-8; Randy Martin, *Financialization of Daily Life* (Temple University Press, 2002), https://doi.org/10.2307/j.ctt14bsxq4.

[119] The "long 70s" refers to the global economic crisis of the late 60's through the early 80's that saw major shifts in the world economy and financial system, drastic reorientations of organization occurring on both fronts. Salient developments include the dissolution of the Bretton Woods monetary order, with the US repudiating the gold standard in 1971 and other major currencies becoming unpegged and free-floating in 1973; the turn toward financialization and the deregulation and efflorescence of financial innovation; a domestic rebuking of Fordist-Keynesianist national models of monetary and industrial policy; the "deindustrialization" of high-income countries and a reshoring toward low-income ones. I am basing this designation off of the work of Giovanni Arrighi, who saw this period as representing a constituent economic crisis that, along with the depression of 1873-96 and the thirty year crisis of 1914-45, formed the "long twentieth century," the most recent phase of capitalist development from a world-systems perspective. See Giovanni Arrighi, *The Long Twentieth Century: Money, Power and the Origin of our Times* for a full elaboration.

[120] Greta R. Krippner, *Capitalizing on Crisis: The Political Origins of the Rise of Finance* (Cambridge, Mass.; London: Harvard University Press, 2012).

ends,[121] ever higher rates breaking the back of labor through raised unemployment[122] and incentivizing both domestic and international capital flows toward the higher returns of the financial sphere.[123] This policy, along with compounding deregulatory decisions for finance and banking over the same period, led to a deferment of questions of class politics to the markets, not the government. As economic sociologist Greta Krippner remarks:

> [B]efore 1980…policymakers were forced to make explicit choices about which sectors to favor in the allocation of credit. As these choices became increasingly politicized, the deregulation of financial markets offered a means to substitute the rationing mechanism of the market for the heavy hand of the state. In particular, the elimination of interest rate ceilings meant that the market could do the choosing in deciding which sectors to favor in the distribution of capital, sparing policymakers this unpalatable task. [M]arkets did *not* prove to be particularly effective rationing devices, and deregulation opened the taps on credit in the U.S. economy.[124]

Market forces were reinforced again with ascriptions of omnisciently allocating a natural, efficient economic order using interest rates as their distributive price— (neo)liberal apologetics of the past breaking through after the Keyensian interlude[125] of the previous four decades.[126] Certain prescient observers saw a perhaps unintended but still welcome outcome of credit having no truncated parameters, with price being the only speedbump of access: large and/or institutional players were able to absorb high costs by the displacement of inflationary pressure onto their asset prices, seeing their wealth increase and opportunities for enlarging leverage abound.[127] Now increasingly debt-laden individuals were left at the mercy of the markets because

[121] Tim Barker, "Other People's Blood," n+1, May 1, 2019, https://www.nplusonemag.com/issue-34/reviews/other-peoples-blood-2/.
[122] Tim Barker, "Other People's Blood," n+1, May 1, 2019; Greta R. Krippner, *Capitalizing on Crisis: The Political Origins of the Rise of Finance* (Cambridge, Mass.; London: Harvard University Press, 2012).
[123] Ken-Hou Lin and Donald Tomaskovic-Devey, "Financialization and U.S. Income Inequality, 1970–2008," *American Journal of Sociology* 118, no. 5 (March 2013): 1292, https://doi.org/10.1086/669499.
[124] Greta R. Krippner, *Capitalizing on Crisis: The Political Origins of the Rise of Finance* (Cambridge, Mass.; London: Harvard University Press, 2012), 142.
[125] Keynesianism was marked in part by direct intervention into the economy by the state through public investment, price controls, government-owned industry, capital controls, social welfare programs, and New Deal financial regulations. Jonathan Levy, *Ages of American Capitalism* (Random House, 2021), 453-7, 464-66, 470-2, 482-7.
[126] Robert Meister, *Justice Is an Option* (The University of Chicago Press, 2021), 184-5.
[127] Albert M. Wojnilower, "The Central Role of Credit Crunches in Recent Financial History," *Brookings Papers on Economic Activity* 1980, no. 2 (1980): 277, https://doi.org/10.2307/2534325.

of central bank commitment to wage and price stability, these prerogatives erroneously defining the rise of the "independent" (apolitical) central bank.[128] Citizens were now only able to attain such salves through asset appreciation to expand their own balance sheets, principally through home ownership.[129]

In the aftermath of this intense period of financial deregulation and class conflict through monetary means, the so-called independent central bank became an activist of intervention, the diminishment of volatility in financial markets becoming their *raison d'etre*[130]— echoing the reason for the formation of its paradigmatic historical antecedent in the BOE.[131] This approach was illuminated clearly in 1998, with the famous "Greenspan Put," successive interest rate cuts in an otherwise strong economy sending the message that the "stability of financial markets is…an express responsibility and priority of the central bank."[132] Explicit government preemption against downward turns "colored all market behavior since…laying the groundwork for bigger bubbles."[133] As economic expectations largely determine valuation,[134] the signalled backstopping of ever increasing forms of near money resulting from deregulation saw asset prices rise secularly; access to credit for assets and ability to leverage near money claims now

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[128] Greta R. Krippner, *Capitalizing on Crisis: The Political Origins of the Rise of Finance* (Cambridge, Mass.; London: Harvard University Press, 2012), 144-6; Lisa Adkins, Melinda Cooper, and Martijn Konings, *The Asset Economy* (John Wiley & Sons, 2020), 41-3.
[129] Lisa Adkins, Melinda Cooper, and Martin Konings, *The Asset Economy* (John Wiley & Sons, 2020), 41-3.
[130] Tim Lee, Jamie Lee, and Kevin Coldiron, *The Rise of Carry: The Dangerous Consequences of Volatility Suppression and the New Financial Order of Decaying Growth and Recurring Crisis* (New York: McGraw Hill, 2020).
[131] Nina Boy, "The Backstory of the Risk Free Asset: How Government Debt Became 'Safe,'" in *Central Banking at a Crossroads: Europe and Beyond*, ed. Charles Goodhart et al. (Anthem Press, 2014), 177188, https://www.cambridge.org/core/product/E06149161C15D72C96496E11B8C771DE.
[132] Tim Lee, Jamie Lee, and Kevin Coldiron, *The Rise of Carry: The Dangerous Consequences of Volatility Suppression and the New Financial Order of Decaying Growth and Recurring Crisis* (New York: McGraw Hill, 2020), 26.
[133] Tim Lee, Jamie Lee, and Kevin Coldiron, *The Rise of Carry: The Dangerous Consequences of Volatility Suppression and the New Financial Order of Decaying Growth and Recurring Crisis* (New York: McGraw Hill 2020), 26.
[134] John R. Commons, *Legal Foundations of Capitalism* (1924; repr., New Brunswick, New Jersey: Transaction Publishers, 2007), 19; Jens Beckert, *Imagined Futures* (Harvard University Press, 2016).

fully effectuating class formation, deemphasizing employment.[135] Formulations of sovereign safety and the legal right to reuse collateral[136] fueled repo transactions with treasury bonds as one leg of the operation, proliferating near money deposits in shadow banking and further elucidating the necessity of sovereign support.[137] When combined with an activist central bank, a perverse atmosphere of increasing speculation manifested, emblematic of capitalist markets in general, but in this modern form taken to dizzying heights.[138]

The Great Financial Crisis rendered the ontological scarcity of money inoperative once more, with massive bailouts coming all at once and *ex nihilo* money creation byway of quantitative easing perennially deployed.[139] Governmental policies and deregulations providing institutional access to credit and a stifling of volatility caused a lofty precipice which, when faced with illiquidity in the near money sector (shadow bank repos), fell onto Fed-chartered depository institutions in attempts to find refuge in the highest forms of money available.[140] The system was thus swamped as the illusion of near money *as money* ceased to be the subject of unanimity in the financial community, its attendant value shown to be predicated purely on discursive social dynamics and succinctly described as an "imaginary of the future" by economic sociologist Jens Beckert.[141] Central bank parachuting of market liquidity "probably prevented a full political and economic collapse of the Western system comparable to the 1930s," as

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[135] Lisa Adkins, Melinda Cooper, and Martijn Konings, *The Asset Economy* (John Wiley & Sons, 2020).
[136] Known in financial circles as rehypothecation, the legal sanctioning of it helps fuel liquidity in near money markets and exacerbate financial bubbles. Manmohan Singh, "The Sizable Role of Rehypothecation in the Shadow Banking System," *SSRN Electronic Journa*l, 2010, https://doi.org/10.2139/ssrn.1670740.
[137]Daniela Gabor and Jakob Vestergaard, "Towards a Theory of Shadow Money," Institute for New Economic Thinking, 2016, 18, https://www.ineteconomics.org/uploads/papers/Towards_Theory_Shadow_Money_GV_INET.pdf.
[138] Hyman P. Minsky, *Stabilizing an Unstable Economy* (New York: Mcgraw Hill Professional, 1986); Adam Tooze, *Crashed: How a Decade of Financial Crises Changed the World* (New York, New York: Viking, An Imprint Of Penguin Random House Llc, 2018).
[139] Robert Meister, *Justice Is an Option* (The University of Chicago Press, 2021), 125-33.
[140] Perry Mehrling, "The Inherent Hierarchy of Money," 2012, https://sites.bu.edu/perry/files/2019/04/Mehrling_P_FESeminar_Sp12-02.pdf.
[141] Jens Beckert, *Imagined Futures* (Harvard University Press, 2016).

anthropologist Don Kalb notes.[142] However, there was nothing stopping the government, as counterparty of its own debt, to do the same to those homeowners at risk of insolvency, or the millions who saw their retirements dissipate.[143] Low to near zero interest rate policies were extended to large institutional actors and a general elite stratum, highlighted by the titans of finance in JP Morgan, Citigroup and the like.[144] Alleviation of scarcity of credit was discretionary, predicated on class dynamics and the succession of positionality, as it has been from the founding of the institutional form of the central bank.

Conclusion

In excavating the grounding of legitimacy that perpetuates monetary order and subsequently capitalist sovereignty, it is seen that what is considered legitimate or illegitimate is appraised from the vantage points of the ivory heights of a society— of the ruling classes.[145] Legitimacy is qualified by operations of discretionary scarcity and intervention in the monetary realm, harkening back to the nature of the unfolding of the central bank: as a settlement between political and financial elites and not the plebians. The monetary constitution that originated within this settlement was the recombinant technology of state-credit money, the two spheres previously largely orthogonal and in tension.[146] Credit systems themselves, whether vertically or horizontally constructed, are subject to habitual and discursive psycho-sociological drives that

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[142] Don Kalb, "Two Theories of Money," *Focaal* 2023, no. 95 (March 1, 2023): 104, https://doi.org/10.3167/fcl.2023.950102.
[143] Don Kalb, "Two Theories of Money," *Focaal* 2023, no. 95 (March 1, 2023): 104, https://doi.org/10.3167/fcl.2023.950102; Colin Drumm, "The Difference That Money Makes: Sovereignty, Indecision, and the Politics of Liquidity," escholarship.org, 2021, https://escholarship.org/uc/item/57h0m1x1, 85-6.
[144] Louis Rouanet and Peter Hazlett, "The Redistributive Politics of Monetary Policy," *Public Choice* 194 (November 26, 2022), https://doi.org/10.1007/s11127-022-01009-w, 13. Large institutional actors, including the nine largest banks in America in 2008 (the two mentioned above included), received cumulative subsidies in the hundreds of billions through such sovereign intervention. Adam Tooze, C*rashed: How a Decade of Financial Crises Changed the World* (New York, New York: Viking, An Imprint Of Penguin Random House Llc, 2018), 167-79.
[145] Colin Drumm, "The Difference That Money Makes: Sovereignty, Indecision, and the Politics of Liquidity," escholarship.org, 2021, 483-88, https://escholarship.org/uc/item/57h0m1x1.
[146] Geoffrey Ingham, *The Nature of Money* (Polity, 2004), 107-9.

give them coherence and robustness— value itself is an outcome of these drives, anchored by the belief that tomorrow will align with the expectations of today.[147] Elasticity in the modern system, the widening of credit and an increase of what is considered money in society, can be galvanized at will from the apexes of the monetary system, whether through the state monetizing its own debt or commercial banks creating deposits *ex nihilo*.[148] From this, the starting point of any general economy of credit money is one of abundance, not scarcity,[149] contra economic liberalism. Scarcity can only be introduced through the loss of ethical, habitual formulations found within the credit system, a la systems that see drastic asymmetries occur, needing a periodic "reckoning" to maintain social trust in the replication of the system and its payment clearing mediums;[150] or it can be introduced in the first instance, artificially enforced to generate such inequalities as its founding purpose in vertical systems, seen in the unfolding of this paper.

Discretionary intervention to alleviate the scarcity of credit, or alternatively stated, the influx of liquidity during a successional crisis of illiquidity, echo the theory of sovereignty stated by Thomas Hobbes and further elaborated for modernity by Carl Schmitt: "the sovereign is he who decides the exception."[151] Schmitt and Hobbes remind us that a decisionary mechanism like this— to suspend "natural" rules, or the laws of society during a supposed crisis— is a ruling apparatus of marked political hierarchies. A centralized decisionary ability in the monetary realm

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[147] Michel Aglietta, *Money: 5000 Years of Debt and Power* (Verso Books, 2018), 31-3, 51-8; Jens Beckert, *Imagined Futures* (Harvard University Press, 2016).
[148] L. Randall Wray, *Modern Money Theory: A Primer on Macroeconomics for Sovereign Monetary Systems* (Palgrave Macmillan, 2015); Michael McLeay, Amar Radia, and Ryland Thomas, "Money Creation in the Modern Economy," Bankofengland.co.uk, 2014, https://www.bankofengland.co.uk/quarterly-bulletin/2014/q1/money-creation-in-the-modern-economy.
[149] Georges Bataille, *The Accursed Share: An Essay on General Economy*, Vol.1 (1949; repr., New York: Zone Books, 1988).
[150] Michael Hudson, *Temples of Enterprise: Creating Economic Order in the Bronze Age Near Eas*t (Baskerville, Virginia: ISLET, 2024), 119-29. Or a case of hyperinflation in vertical systems where the self-referential power of money as value has been disconnected, necessitating a new currency to reshore confidence in the monetary signifier, e.g. Germany in the 1920's. Michel Aglietta, *Money: 5000 Years of Debt and Power* (Verso Books, 2018), 220-3.
[151] Carl Schmitt, *Political Theology: Four Chapters on the Concept of Sovereignty*, trans. George Schwab (1922; repr., Chicago: University of Chicago Press, 2005), 1.

has only come about fairly recently, requiring a world of nation-states, central banks, and the suffocation and/or subsumption of the locally variegated forms of credit that previously dominated history.[152] The outcome of this is near money efflorescence and an accretion of debt claims chastening most and seen as an opportunity for institutional leveraging for some. Money creation itself becomes a generative tool of social ordering and power, the resultant social constitution inimical to radically inclusive suspension of its paucity and allowed extension. As near money claims and scarcity of access to credit drive ever compounding inequality, the tenability of the system as one that is forever adequate for purposes of societal progress can no longer be countenanced. Scarcity in economics, and especially in money creation, must once again be politicized and forever denaturalized.

[152] Following Colin Drumm, it must be acknowledged, reckoned with, and further studied that modern money is coterminous with the "foundational violence of modernity: colonization, genocide, and racialized chattel slavery." Colin Drumm, "The Difference That Money Makes: Sovereignty, Indecision, and the Politics of Liquidity," escholarship.org, 2021, https://escholarship.org/uc/item/57h0m1x1, 487.

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