

Monetary sovereignty and the ‘Invisible Leviathan’: the politics of Marx’s theory of money

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Abstract:

A debate has recently emerged in Heterodox Economics and Political Economy on the nature of monetary sovereignty, and whether it can be democratized and wielded to address the social and environmental catastrophes of our age. While Modern Monetary Theory understands monetary sovereignty to be relatively unconstrained, Post-Keynesian, Structuralist, and Critical Macro-Finance approaches point to various external limits on states’ abilities to govern money – from the international currency hierarchy to the offshore nature of money creation. This article evaluates this debate in light of Marx’s monetary theory. Under capitalism, money constitutes the social adhesive of a world of privatized production and mass dispossession, which conjures an anonymous, competitive logic that Marx terms the ‘law of value’. To function in this way, money must be underpinned by an historically novel form of state sovereignty. The state must both back money with its coercive powers and insulate monetary governance from popular forces, or else risk losing the confidence of the profit-driven private actors upon which money relies. Yet in exercising its sovereign capacity to govern domestic and international money relations, the state inadvertently reproduces the law of value on a global scale – an ‘Invisible Leviathan’ that subordinates states to its dictates. Contra the Heterodox literature, then, monetary sovereignty is not a vehicle for radical democracy or social/environmental justice, nor is it simply constrained by external limits. Instead, monetary sovereignty is innately a practice of depoliticization that unwittingly produces a global logic of economic domination that binds states’ hands.

Money and sovereignty in an age of catastrophes

Climate change has injected new urgency into debates on the relationship between money and the state – for good reason. Within the confines of capitalist society, money is the only means by which this catastrophe might be addressed. With its unique ability to command resources and labour, money endows its bearer with unrivalled social power to pursue given ends. Expanding renewable energy infrastructure or decarbonizing industrial processes is to a significant extent a matter of creating and directing an appropriate quantity of money into the right places, whether through public spending or by mobilizing private wealth. Harnessing money in this manner is unimaginable without enlisting the state – the institution that enjoys the prerogative and bears the responsibility of governing society’s monetary affairs.

Appropriately, there has recently been a resurgence of debate within Heterodox Economics and Political Economy on the concept of monetary sovereignty, guided in part by a normative impulse to reconsider how the state's money powers could be wielded to meet environmental and social challenges.

The gauntlet has been thrown down by proponents of Modern Monetary Theory (MMT), who insist that the state's monetary capacities are restrained only by misguided ideas and resource constraints (Wray, 2002; Mitchell and Fazi, 2017). Sovereign states have it within their powers to address climate change, poverty, and a host of social ills – if only the levers of monetary governance could be democratized or at least grasped by the right political actors. Other Post-Keynesian, as well as Structuralist, approaches have pushed back on aspects of MMT's analysis, arguing that many states find their monetary sovereignty restricted by their position within a global currency hierarchy (Prates, 2020; Vernengo and Pérez Caldentey, 2020). To properly exercise the state's control over money for just ends requires global reforms to the unequal international monetary system. Finally, for scholars associated with the Critical Macro-Finance approach, monetary sovereignty has been reconstituted by the increasingly private, offshore, and fragile character of contemporary money creation (Pistor, 2017; Murau and van 't Klooster, 2023). Such accounts express doubt about the possibility of extricating an unconstrained, Westphalian form of monetary sovereignty from today's crisis-prone, deterritorialized monetary order. Overall, these literatures have raised important points about the possibility of instrumentalizing the state's governance of money as a means for emancipation. Eich (2022: 213-214) captures well the general tone of the debate in his call for the 'democratization of money power' and for the reimagining of money as 'a public good whose provision needs to live up to standards of social justice', despite the obstacles that currently stand in the way of this vision.

The aim of this article is to evaluate this debate in light of Marx's theory of money and the state, drawing particularly on Open and Political Marxist interpretations (Clarke, 1988; Bonefeld, 2014; Burnham, 1995; Meiksins Wood, 2016). This article does not contend that Marx's writings offer a superior technical account of the modern state-money nexus. While Marxist thinkers like Lapavistas and Aguila (2020) and Milios (2006) have provided compelling critical engagements with elements of the Heterodox literature, from Chartalism to endogenous money theory, it remains the case that there is no Marxist scholarship that rivals the empirical rigour of Structuralist, Post-Keynesian, and Minskyian accounts of capitalism's public-private financial 'plumbing' (Gabor, 2020). What Marx instead offers, it will be argued, is a critical theory of the social and political dynamics unleashed by the technical structure of modern money. The Heterodox schools describe this monetary structure in illuminating detail, but lack the conceptual tools to grasp its full implications.

For Marx, modern money is not a politically neutral instrument that can be employed for diverse ends. Instead, money socializes capitalism's autonomous productive units and dispossessed proletarians into a coherent system, and in doing so brings to life the 'law of value': an untethered logic of competition over labour time. Through the competitive pricing of commodities, market participants inadvertently construct labour productivity averages that they must match or else face economic extinction. For money to function in this manner, it must be underpinned by an historically unique form of state sovereignty. Modern monetary

sovereignty, this article insists, does not imply the state's ability to intervene at will in economic life. It instead constitutes the power of the state to stand apart from the economy and civil society as a supreme yet impersonal institution, responsible for securing the conditions for bourgeois economic reproduction, which includes the stability of money. To perform this role requires the state's active depoliticization of monetary governance, without which it would be impossible for the state to secure the confidence and cooperation of the myriad profit-driven private actors that make modern money function. The state is thus monetarily sovereign in the sense espoused by the doctrine of popular sovereignty, which dictates that the state must govern not according to the demands of the flesh and blood population of its territory but according to the general interest of 'the people' as an imaginary abstraction. In capitalist society, this general interest is that of capital – an anonymous economic compulsion – in service of which the state must flex its money-making powers.

Contra the Heterodox literature, this article contends that monetary sovereignty is not simply restrained from without by bad ideas, global hierarchies, or private, offshore money creation. Rather, modern monetary sovereignty is inherently an exercise in *self-discipline*. Capitalism's historical rise and consolidation required monetary governance to be freed from monarchical manipulation, placed beyond the reach of an emerging mass politics, and disciplined by market imperatives – a process that this article traces through the case of England's Financial Revolution and its aftermath. In order to reproduce capital accumulation, upon which the state is structurally reliant, policy-makers are pressed to actively depoliticize money. To conceive of monetary sovereignty as a vehicle for achieving radical democratic objectives is therefore to confuse the very nature of the concept, which names the state's purpose as a bulwark against the politicization of the money bonds that unite capitalist society. Further, in exercising its sovereignty through the construction and governance of international monetary relations, the state unintentionally conjures a new form of sovereignty superior to its own: the global law of value, or what Smith (2019) terms the 'Invisible Leviathan'. The state's sovereign power to make money thus bolsters the operation of a global logic of domination, under the rule of which the state must subordinate all objectives – social or environmental – to the achievement of profitability.

Capturing the reins of monetary governance will not allow us to fully address the catastrophes of our time. To create a society centred around human needs and environmental balance requires the creation of democratic mechanisms of social integration and economic cooperation, which would negate the need for money, or at least relegate it to one potential tool among others for the planned coordination of economic life.

The meaning of monetary sovereignty

Sovereignty lost and found

The state's changing control over money was a key part of the so-called 'globalization debate' that dominated political and scholarly discourse in the 1990s (Held and McGrew, 2000). The sovereign capacity to command money had supposedly been transformed by the deregulation

of domestic financial centres and liberalization of capital accounts, the granting of independence to central banks, and the narrowing of the scope for discretionary monetary and exchange rate policy by a panoply of rules (Copley, 2022). Such policy shifts found their rhetorical justification in an emerging consensus within Economics on the optimality of liberalized markets (Mirowski, 2013). These changes inaugurated a new world of globalized money flows that empowered some actors and disempowered others. As Cohen (2011: 175) wrote: ‘financial globalization enhances the authority of market agents at the expense of sovereign governments’.

Against this intellectual current, MMT advances a bold set of claims. The erosion of states’ monetary sovereignty by globalization is understood to be largely an illusion propagated by neoliberal ideologues. In fact, states remain fully sovereign in the monetary realm, if only they were to shrug off their self-imposed shackles. The most pernicious illusion is said to be the ‘deficit myth’ (Kelton, 2020), that is, the ‘idea that a currency-issuing government can run out of money’ (Mitchell and Fazi, 2017: 157). Such mistaken notions derive from a grave error of mainstream Economics, namely its insistence on ‘monetary neutrality’ – money simply emerges to facilitate market exchange but has no fundamental impact on the ‘real’ economy (Wray, 2002).

In contrast, MMT understands money, following the Chartalist tradition, as a ‘creature of the state’ (Lerner, 1947). As Desan (2014) puts it, money is a governing strategy – a matter of constitutional design. Modern political authorities ‘make money’ by stipulating what will be accepted as fulfilment of tax obligations. It is the sovereign’s prerogative to name which things – whether metals or immaterial credits – meet this criterion, and thus MMT adopts a Keynesian interpretation of money as a nominal unit of account defined by the state (Tcherneva, 2016). Money, however, is more than the state-issued currency. Money instead refers to a variety of credit instruments, some issued by the state and some by private market actors like banks, that are united by their convertibility with one another and their denomination in the sovereign unit of account. In Minskyian fashion, this heterogeneous array of credit instruments is arranged hierarchically according to the liquidity and acceptability of the instrument. The state’s money sits atop this hierarchy because it is the ‘*only* economic unit that settles its own debts by issuing more of its *own* liabilities’ (Tcherneva, 2016: 16; emphasis in original).

This argument reasserts the state’s monetary power in the face of financial globalization. For MMT, a state is monetarily sovereign if it can freely define the domestic unit of account, issue its own inconvertible fiat currency, and govern the domestic banking and financial system (Tymoigne, 2020). Unlike households and firms, such a state faces no risk of insolvency because it has a monopoly on the issuance of means of payment. Indeed, monetarily sovereign states face no *financial* constraints at all. States do not raise pre-existing money via taxes or bond sales – they first spend money into existence and then use taxes and bond sales as policy levers to manage the national economy. What constraints monetary sovereigns do face are natural or political in nature. For example, the sovereign power of money creation cannot magic into existence new oil supplies – it may simply bid up the prices of such resources, generating inflation. Similarly, states may tie their own hands by imposing ‘artificial constraints’ on their sovereign capacities, such as balanced budget rules, either ‘out of confusion or political considerations’ (Wray, 2002: 38). Yet if states choose not to handcuff

themselves in this way, MMT insists that a new world of policy flexibility opens up. Freed from illusory concerns over ‘affordability’, monetary sovereignty is seen as key to addressing an array of contemporary challenges, from unemployment (via a Jobs Guarantee) to climate change (via a Green New Deal) (Nersisyan and Wray, 2021).

A hierarchy of sovereignty

Despite emerging in the 1990s, MMT began to enjoy popularity beyond academic circles in the period following the 2008 financial crisis. Its core claims about the monetary capacities of sovereign states were rendered plausible by the US Federal Reserve’s apparent suspension of the monetary laws of gravity in the aftermath of the banking crash (Musthaq, 2021). As Merchant (2021) insightfully observed, ‘MMT provides a formal theory for the current, de facto state policy of unlimited monetary expansion’. Yet MMT is not without its detractors. ‘Much of the MMT literature’, Bonizzi, Kaltenbrunner, and Mitchell (2019: 51) correctly observe, ‘proceeds as if external constraints on policy and development are self-imposed’. This grates against the experience of peripheral nations within global capitalism. Indeed, for several intellectual traditions, particularly those like Structuralism and Dependency Theory that originated in the Global South, meaningful sovereignty is foreclosed for many post-colonial nations by the hierarchical structures of the world market (Kvangraven, 2021). One such structure is the global hierarchy of currencies.

According to Cohen (2004), currency hierarchy is a result of the deterritorialization of money since the collapse of Bretton Woods. Growing cross-border money flows have gradually undermined the ‘Westphalian Model of monetary geography’ whereby national governments had an ‘absolute monopoly in the governance of monetary affairs’ (Cohen, 2004: 5). With national monies exposed to competition from one another, a pyramid of currencies has emerged. Post-Keynesian approaches too argue that the international currency hierarchy constrains the monetary sovereignty of those lower down the pyramid. Peripheral states’ ability to conduct autonomous monetary policy is limited by the (il)liquidity of their currencies (Prates, 2020; Vergnhanini and De Conti, 2017). Nations with relatively illiquid currencies will be forced to pay a premium to investors to incentivize them to hold assets denominated in their currency. This often takes the form of higher interest rates, which may contract the domestic economy (Alami et al., 2023). Further, speculative cross-border money flows can wreak havoc upon peripheral states’ attempts to independently manage their monetary affairs (Alami, 2019). In periods of exuberance, capital inflows inflate emerging market asset prices, spur credit bubbles, and appreciate their currencies. Yet when investors flee to safety, the reversal of these money flows threatens to burst asset and credit bubbles and crash the currency.

Peripheral nations are also pressed to accumulate foreign currency due to their subordinate position within an international division of labour. According to Latin America’s Structuralist tradition, global capitalism is characterized by a process of unequal exchange between advanced industrial centres and raw material-exporting peripheries (Fajardo, 2022). Peripheral states seek to escape their predicament by promoting industrialization, but this requires imports of technology and capital goods that in turn require access to foreign currency (Vernengo and Pérez Caldentey, 2020). As Bonizzi, Kaltenbrunner, and Mitchell (2019: 54-

57) argue, peripheral nations can access foreign currency in three (problematic) ways. First, through rising exports – although this may mean embracing extractivist export models or seeking to lower imports through contractionary policies that hamper industrial investment. Second, by borrowing in foreign currency or attracting financial inflows into assets denominated in the local currency. While the former solution implies the dangerous accumulation of foreign-denominated debts, the latter courts the volatility risks discussed in the previous paragraph. Finally, through the creation of domestic credit that can be swapped for foreign currency on the foreign exchange market. This approach also faces several obstacles, including the lack of depth of peripheral financial markets and, once again, the need to impose high interest rates to attract foreign capital due to the local currency's subordinate global position.

For peripheral states facing such profound international inequalities, the fact that they retain the constitutional power to 'make money' in a Chartalist sense is little consolation (Desan, 2014). Currency hierarchy accounts, however, do not necessarily reject the concept of monetary sovereignty as a normative aspiration. Instead, they tend to insist that the realization of full monetary sovereignty for Global South countries requires transformations in 'global and regional monetary and financial systems' (Bonizzi, Kaltenbrunner, and Mitchell, 2019: 58). In our time of climate and health disasters, and the accompanying economic fallout, the need for peripheral nations to boost their 'monetary and economic sovereignty in order to powerfully face the unequal international division of labour has rarely been more urgent' (Gadha et al., 2022: 1)

Sovereignty offshored

A final strand of scholarship, associated with the emerging field of Critical Macro-Finance, argues that the barrier to true monetary sovereignty posed by the international hierarchy of currencies is compounded by the increasingly private, offshore, and crisis-prone nature of money creation (Murau and van't Klooster, 2023; Pistor, 2017). These developments render anachronistic the Westphalian monetary sovereignty paradigm that posits a neat correspondence between money and national territories.

The Critical Macro-Finance literature conceptualizes capitalism as a network of interlocking balance sheets, arranged hierarchically at both the national and international scales (Gabor, 2020; Mehrling, 2017). Central banks are at the apex of national money hierarchies, and the central bank that issues the world's reserve currency sits atop the international currency hierarchy. Within this system, Murau and van 't Klooster (2023: 1321) argue, money is created when an economic unit expands both sides of its balance sheet by issuing 'a new monetary instrument, e.g. deposit, against a loan or bond'. Money is fundamentally a state-market hybrid: its creation is undertaken by public, private-public, and private entities. The public institutions of the state issue money in a variety of forms, from central bank reserves to coins. Private-public entities are regulated, licensed, and backstopped financial institutions that issue money, such as commercial bank loans/deposits. Private entities are often unregulated, unlicensed, or uninsured institutions that nevertheless issue a variety of credit instruments, from commercial paper to cryptocurrencies (Murau and van 't Klooster, 2023).

Despite the heterogeneity of these different credit-forms, they nevertheless all constitute money to the extent that they are denominated in a certain national unit of account and can be exchanged for one another at a 1-to-1 ratio (Murau and van 't Klooster, 2023). Yet simply because an entity issues money in a specific national denomination does not mean that this entity must be located within that national territory. Offshore money creation occurs when an institution located in one state's jurisdiction issues money denominated in another state's unit of account. Contemporary offshore money creation has its roots in the emergence of the Eurodollar market in the 1950s, whereby banks in the City of London began to issue loans in US dollars so as to evade UK and US post-war banking regulations (Helleiner, 1994). Today, most dollars are issued by either private-public or private institutions, and most of this occurs offshore (Murau and van 't Klooster, 2023: 1326). States therefore cannot be said to wield meaningful monetary sovereignty in a Westphalian, territorial sense.

In addition, such accounts insist that the global monetary and financial system is increasingly prone to politically destabilizing meltdowns. Pistor (2017) argues, following Minsky, that credit money systems have an inherent drive towards speculation and risk taking. In moments of crisis, in which each market actor desperately seeks to balance their assets and liabilities, the state emerges as the only entity that can offer relief by either suspending legal commitments to pay or by injecting emergency liquidity into the system. Yet this places the state's monetary sovereignty at hazard. Massive discretionary state interventions of the kind pursued in the aftermath of 2008 may prevent financial collapse, but they also give private enterprises 'the upper hand over states' and neutralize political pressure for reform (Pistor, 2017: 497). Allowing the system to implode, however, would fundamentally undermine state authority.

For Murau and van 't Klooster (2023), this calls for the reformulation, but not scrapping, of the notion of monetary sovereignty. Instead of denoting genuine command over territorial money, a state has 'effective monetary sovereignty' to the extent that it can *control* public money, *regulate* private-public money, and *manage* private money (Murau and van 't Klooster, 2023: 1328). A monetarily sovereign state is one with the ability to 'use its tools for monetary governance to achieve its economic policy objectives' within the 'confines of the global credit money system' (Murau and van 't Klooster, 2023: 1328). No longer a radical vehicle for social or environmental transformation, monetary sovereignty becomes a cold description of the manner in which states navigate the profound binds of a private, offshore, crisis-prone money system. For Pistor (2017: 516, 513), by contrast, 'the very operation of the money system is anathema to democratic self-governance', which is the 'source of sovereignty in constitutional democracies'. In contemporary conditions, states struggle to exert meaningful control over the money creation process and find their sovereign capacities fundamentally imperilled in moments of acute financial collapse, in which the entire edifice of private credit relations threatens to come crashing down.

Heterodox literatures have raised important questions about the interaction between state power and global economic structures. While MMT sees an emancipatory form of monetary sovereignty – fit to combat the social and environmental crises of our age – as within our grasp, other Post-Keynesian and Structuralist approaches insist that wielding the state's money powers for just ends first requires the onerous task of international monetary reform.

Critical Macro-Finance approaches, however, suggest that such discretionary, Westphalian-style monetary sovereignty may be fatally compromised by the privatized, offshore, and fragile nature of money creation today.

The remainder of this article will bring a Marxist perspective on money and the state to bear on this debate. Marx's account should be understood not as a rival economic model of the technical structure of the state-money nexus, but as a critical theory that interrogates both the role of money in the reproduction of capitalist social relations and the kind of politics required for money to perform this role. For Marx, money under capitalism constitutes the social adhesive of a world of privatized production and mass dispossession, which conjures a global competitive logic that Marx terms the 'law of value'. To function in this way, money must be underpinned by an historically novel form of state sovereignty. The state must both back money with its coercive powers and depoliticize monetary governance by insulating it from popular forces, or else risk losing the confidence of the profit-driven private actors upon which money relies. Against Heterodox accounts, then, monetary sovereignty is not a vehicle for radical democracy or justice, nor is it simply impinged upon from without by external limits. Instead, monetary sovereignty is innately a practice of depoliticization that unwittingly produces a dominating form of global *economic* sovereignty that disciplines states.

Marx and the sovereignty of money

A monetary theory of value

Contemporary debates on monetary sovereignty rarely engage with Marx's value theory because it is understood to be fundamentally non-monetary. Schumpeter (2010: 21, 387) was an early critic of 'Marx's distinctly weak performance in the field of money', claiming that Marx believed that value 'exists independently of ... exchange relations'. According to Ingham's influential account, Marx's thought is of a piece with 'orthodox economics' in that capitalism's money forms are seen as so many 'monetary masks or veils' that obscure the "'real" social relations' (Ingham, 2004: 62). For Marx, 'money can be analytically "bracketed"' if the theorist is to interrogate the true relations of capitalist production (Ingham, 2004: 62). This widely held view is difficult to square with Marx's writings. Indeed, according to the value-form interpretation elaborated below, money is understood to be key to Marx's analysis of capitalism, and indeed central to his most foundational category: value.

For Marx, money is not a numeraire or unit of account that measures pre-existing value (Arthur, 2005: 41; Milios, 2006). Indeed, value is not a physical substance produced by labour's timeless metabolism of nature that is somehow embodied in the commodity and then *expressed* as money. Instead, value is a 'purely social' aspect of commodities: 'Not an atom of matter enters into the objectivity of commodities as values; in this it is the direct opposite of the coarsely sensuous objectivity of commodities as physical objects' (Marx, 1976: 138-139). The commodity's value dimension results from its enmeshment within capitalism's fully monetized social relations (Bonefeld, 2023). When commodities are repeatedly and systematically exchanged for money under competitive conditions, the unique attributes of

goods and services, and the distinctive features of the ‘concrete labour’ that produced them, are stripped away. Through the prism of money, substantively different commodities confront one another as identical coagulations of ‘human labour in the abstract’, varying only in their magnitudes as denoted by their prices (Marx, 1976: 166). Marx’s concept of value signifies this social relationship of equality and commensurability established between commodities and the labour that produces them, brought about through the social technology of money. Instead of simply veiling value relations, money is generative of them in this sense.

As a means of abstraction from concrete differences, money serves as a kind of universal grammar for economic agents, integrating them into a unified economy. But money under capitalism is not a benign accounting tool. Money is the form that human sociality must assume in a system of private production and mass dispossession. Capitalist production and distribution are undertaken by private, independent enterprises (Lapavistas and Aguila, 2020: 304). These enterprises are not coordinated *ex ante* in a planned fashion, nor can they usually rely upon extra-economic modes of wealth appropriation (violence, political protection, etc.) (Smith, 2017: 84). Additionally, the bulk of the population are proletarians – barred from direct access to the means of subsistence. Their reliance on money is an index of their dispossession. Both of capitalism’s major social classes are thus forced to participate in competitive, monetized commodity exchange as a matter of their very reproduction, and are consequently socialized through this process into a coherent market system (Meiksins Wood, 2016). Money is the social glue that holds in place these unjust class relations – it is the mode of socialization appropriate to an antisocial world.

If money is a vehicle for the social integration of capitalism’s atomized and dispossessed subjects, it also brings to life a temporal form of domination (Bonefeld, 2014). By participating in competitive market exchange, enterprises unconsciously establish average money prices for various types of commodities that reflect the average labour time necessary for their production. This is the quantitative dimension of value – ‘socially necessary labour-time’ – and it acts a regulative mechanism, rewarding enterprises that produce at above-average pace with above-average profits and pushing laggards into bankruptcy (Marx, 1976: 202). Market participants are thus cast into a desperate competition to keep up with the constantly advancing productivity frontier. Money is the social infrastructure that brings these market-wide productivity standards into existence through the competitive pricing of commodities; it is money that communicates to enterprises their success or failure to match these temporal standards through the distribution of profits; and it is a lack of money that extinguishes uncompetitive enterprises. Marx terms this dynamic the ‘law of value’ (Marx, 1976: 294).

Capitalism’s class relations are both the premise and result of this impersonal form of domination (Bonefeld, 2014). It is the proletariat’s dispossession and capitalist property’s private, independent nature that renders both classes fundamentally dependent on money and markets, transforming the law of value from a mere economic signal into an inescapable compulsion. Marx’s contention is that capitalism’s monetized social relations produce an economic logic that escapes the control of all agents – bourgeois and proletarian alike – and imposes itself back upon them with unrelenting force: ‘The social character of activity ... here appear[s] as something alien and objective, confronting the individuals, not as their relation to one another, but as their subordination to relations which subsist independently of them’ (Marx,

1993: 157). This alienated form of economic domination does not result simply from the use of money – an age-old practice – but rather from capitalism’s peculiar constellation of class relations for which money serves as the vital connective tissue.

Politics, economy, sovereignty

Marx’s theory of money outlined above can appear as an apolitical analysis of a system of self-moving economic forces, with little space for matters of state or sovereignty. However, as the traditions of Open Marxism and Political Marxism insist, capitalism’s intangible economic forms – of which money is perhaps the most abstract – are underpinned by a fundamental reconfiguration of state sovereignty.

The birth of capitalism is understood in the Political Marxist tradition as a process of social distillation, whereby the intermixed economic and political elements of feudal society were separated out and consequently transformed. Under feudalism, the economic and political were indistinguishable. Lords and monarchs extracted economic surpluses from the peasantry by means of political, juridical, and customary relations of domination and dependence (Brenner, 1977). The collapse of feudalism entailed the gradual evacuation of political mechanisms of domination from the immediate process of economic exploitation, as the ruling class lost the ability to extract tribute through political privilege or violence (Brenner, 1977). This political content did not vanish, but was rather concentrated in the form of a centralized state – ‘a separate entity, beside and outside civil society’ – equipped with a monopoly on violence (Marx and Engels, 1947: 59). This unified state gradually ceased to function as the monarch’s property and instead assumed the form of a liberal public institution (Gerstenberger, 2007).

The growing impartiality of the state, however, both constituted and concealed its bourgeois class character. As Clarke (1988: 131) notes, capitalists rarely unite around ‘substantive policy issues’ because ‘the relations between capitals are relations of competition and conflict’. The bourgeoisie’s political victory thus lay in the state’s transformation into a formally indifferent apparatus for securing a framework for competition, namely the defence of property, enforcement of contracts, and – crucially – stable governance of money. The result of this interrupted historical process is capitalist modernity, whereby economic reproduction chiefly occurs by means of competitive, monetized commodity exchange between politically equal (if economically unequal) agents – superintended by an impersonal state (Meiksins Wood, 2016).

Capitalism’s politics/economy divide is perpetually contested, as various groups strive to (re)politicize the economy in their favour. In the early canon of liberal thought, the threat was often seen to emanate from a revanchist aristocracy that sought to re-establish tributary forms of politico-economic reproduction (Meiksins Wood, 2016). As industrialization, democratization, and later decolonization transformed the global political economy in the nineteenth and twentieth centuries, it was the urban proletariat of the core and the racialized populations of the periphery that increasingly disturbed liberal imaginations, generating fears that the dispossessed would seek to improve their lot by pressuring states to warp markets and seize private property (Landa, 2012; Slobodian, 2018; Getachew, 2019). Combatting this creeping politicization of economic life requires vigilant policing and, at times, extraordinary

interventions by a disciplined state (Bonefeld, 2016). The separation of the economic and political under capitalism can therefore ‘only ever be provisional’ – its reproduction or dissolution is determined by ‘the development of the class struggle’ (Clarke, 1988: 141-2).

The emergence of capitalism’s bifurcated social forms occurred side-by-side with a transformation in the concept of state sovereignty. In contrast to Jean Bodin’s absolutist sovereignty doctrine, the notion of popular sovereignty arose in seventeenth century Europe as a critique of the divine right of kings. Against the claims of monarchs to proprietary control of the state, an array of liberal and proto-liberal thinkers contended that true sovereignty lay with ‘the people’ (Morgan, 1988). This people, however, was not the diverse, flesh and blood population of the nation, but a fictitious community – a ‘ghostly body politic’ (Miller, 1988). For theorists of popular sovereignty, beginning with Thomas Hobbes, it is only by submitting to a ruler authorized to govern in their name that a multitude of individuals is fused into a unified people ‘with a single determining will’ (Skinner, 2009: 345). Incidentally, this is homologous with Marx’s monetary value theory. It is through their relationship to money that the incommensurable products of concrete labour are equalized as merely different quantities of abstract labour. Similarly, ‘the sovereign works as a *general equivalent* of [their] ... subjects, the only means by which they may recognize themselves as equals’ (Hillani, 2020: 8; emphasis in original). As Hegel (1991: 279; emphasis in original) once remarked, ‘[w]ithout its monarch ... *the people is a formless mass*’.

Popular sovereignty is an almost ‘anti-political’ concept whereby the people, as ‘silent onlookers’, ‘take no active political role in governing’, except in extraordinary circumstances (Lee, 2016: 5). Resultingly, this doctrine could be wielded as much against the democratic ambitions of the actual population as against royal abuses of power. The primacy of the people could be adduced to defend the impersonal character of the state – and by extension a depoliticized economic arena of property, contract, and exchange – from the collective power of an emergent proletariat. Indeed, to allow the propertyless to dictate state policy, even if they constituted a majority, would violate the state’s responsibility to legislate in the interest of the entire people as an abstract fiction. Equipped with this argument, ‘[o]pponents of democracy were now able to invoke the name of the people without fear of stirring them’ (Miller, 1988: 115).

Nevertheless, certain strands of liberal thought voiced concern that this doctrine unintentionally gave license to the radically democratic – even revolutionary – forces that roiled Europe from 1848 through 1917 and beyond. Popular sovereignty, Hayek (1960: 106) argued, conceived of ‘majority rule as unlimited and unlimitable’, a notion that could not be reconciled with capitalism’s survival. For neoliberals like Hayek, sovereignty instead must rest with a set of binding rules that constrains governments from surrendering to popular pressures to politicize market relations (Biebricher, 2014). Yet Hayek also sympathized with the Schmittian idea that, if the existence of bourgeois civilization is threatened, it is within the state’s sovereign powers to forgo these rules and declare a state of exception until the enemy is vanquished (Biebricher, 2014).

What is clear is that the modern doctrine of sovereignty – in its popular and neoliberal forms – can lend itself to a philosophy of ‘limited government’, appropriate to the ideological fortification of capitalism’s politics/economy split (Lee, 2016: 1). It is sovereignty in this sense

of a doctrine of centralized, disciplined, and unresponsive power, rather than democratic self-government, that characterizes the modern state's governance of money.

Monetary sovereignty and depoliticization

From the earliest writings on the topic, sovereignty has been conceived as inextricably tied to money. As Bodin wrote in his 1576 *Six Books of the Commonwealth*, 'the right of coining money ... is of the same nature as law, and only he who has the power to make law can regulate the coinage' (Bodin, 1992: 78). And yet Bodin (1992: 79) admits: 'It is true that in this kingdom many private persons once had the power to coin money', including an assortment of counts and bishops. Taking flight from France's *ancien régime*, the state's money privileges are today challenged not so much by lordly or ecclesiastical authorities as by private financial actors that are not limited by the bounds of sovereign territoriality. Contemporary monetary sovereignty does not, therefore, signify the state's sole prerogative to issue or control money – it is instead a doctrine of the depoliticized governance of money that serves to reproduce capitalism's politics/economy divide. This form of monetary sovereignty emerged from a historical process whereby the powers to govern money were i) unified in the hands of increasingly liberal, bureaucratic states and state-sanctioned financial institutions, ii) insulated from the threat of monarchical or (increasingly) popular political interference, and iii) ultimately subordinated to world market imperatives. This process was exemplified by the English Financial Revolution of the seventeenth and eighteenth centuries that has a claim to be the origins of capitalist money (Ingham, 2004; Desan, 2014).

Prior to the Glorious Revolution of 1688, England's system of public finance was in significant part characterized by the arbitrary exercise of the monarch's personal power. Private lenders were reticent to lend to the monarchy because of the lack of legal recourse in case of default (Carruthers, 1996: 55). For this reason, English monarchs regularly strong-armed their way into private lending markets by way of 'forced loans', which were rarely repaid according to initial contractual stipulations (North and Weingast, 1989: 810). In 1672, facing a fiscal crisis brought on by war with the Dutch, Charles II defaulted on his debts in what became known as the Stop of the Exchequer, ruining several of the Crown's chief creditors – Lombard Street's goldsmith-bankers (Carruthers, 1996: 61-69). This traumatic souring of Crown-creditor relations, alongside a longer-run evolution in English political economic thought, contributed to the momentous financial changes that accompanied the growing power of Parliament within the English state following 1688 (Wennerlind, 2011). A range of measures acted to depersonalize and rationalize state finance, including the Parliamentary auditing of public finances, the growing power of a professionalized and non-partisan Treasury, and the earmarking of certain taxes for specific purposes, including a new Land Tax on English capitalist agriculture (Carruthers, 1996: 69-70).

These changes culminated in 1694, when the English state borrowed £1.2 million to fund its war with France from a group of investors chartered as the 'Bank of England' (Desan, 2014: 295-329). Unusually, this loan did not take the form of specie, but of Bank of England notes, which the state then injected into the economy when it spent. In subsequent years, this lending arrangement was extended, the notes were made transferable (they could be exchanged on the

market and redeemed for specie on demand), and notes were accepted by the state as tax payment (Desan, 2014: 295-329). Money creation was no longer solely a sovereign prerogative, but was significantly determined by market actors' risk/return calculations. This monetary revolution depended upon the depoliticization of monetary governance that had accelerated after 1688, without which the buy-in of private lenders could not have been secured. The English state consequently gained hitherto unimaginable powers to raise finance, while simultaneously its monetary governance was required to be more disciplined. This was epitomized by the Case of the Bankers, which in 1700 produced a 'recognizably liberal' judgement that strengthened the legal rights of the Crown's creditors against the risk of sovereign default (Desan, 2014: 284). 'The state', McNally (2020: 126) argues, 'was to be subsumed to impersonal power – to the compulsions of money and the market'.

Alongside this paper money revolution, a similar depoliticization of coinage was taking place. By the late seventeenth century, the silver content of English coins had been greatly reduced by the actions of an amorphous network of 'clippers, counterfeiters and smugglers, [and] the pirates of the silver fleets in the Caribbean and Indian Ocean' (Caffentzis, 2021: 31). The authorities were confronted with two options: devalue the currency or increase the silver content of English coins in line with their nominal value. In part due to the advocacy of John Locke, the latter path was chosen by the British state in 1696, and so began a gruelling process of recoinage. As several scholars have argued (Caffentzis, 2021; McNally, 2020: 138-145; Eich, 2022: 47-75), Locke considered devaluation to represent the sovereign's reneging on its prior commitments – a dangerous act of political discretion that could destabilize the fragile monetary fabric of an emerging commercial society. Locke's eye was trained in particular on the expanding world market. While domestic actors could be convinced to keep faith in the devalued coin, international actors could not. Recoinage, for Locke, was thus the only strategy that could maintain England's successful insertion into global commercial relations – it amounted to the recognition that the world market exercised ultimate discipline over national politics.

From the nineteenth century on, as the liberal character of the British state was further cemented, monetary depoliticization was increasingly pursued as an inoculation against the threat of proletarian power rather than aristocratic prerogative (Clarke, 1988). The 1844 Bank Act illustrates this. Following a period of financial instability, the Bank of England was granted a monopoly on the issuance of banknotes – an important step in its transformation into a modern central bank. And yet note issuance was simultaneously to be limited by the quantity of gold reserves. The Act's passing was driven in part by the political anxieties of its progenitor, Robert Peel. Perturbed by the growing power of the working-class Chartist movement, which 'encouraged popular expectations of how the government might intervene in the economy to address issues of social justice', Peel sought to create an 'automatic, nondiscretionary' governance mechanism that would 'insulate monetary management from popular political pressures' (Helleiner, 2002: 81-84; see also Whale, 1944: 110).

The same basic political logic underpinned the international Gold Standard. By anchoring their currencies in gold, states from Britain to Brazil committed to subordinate the national politics of monetary governance to global market discipline by adhering to a strict policy rule (Bordo and Kydland, 1995). Doing so would, states hoped, disempower the forces of domestic

disorder – whether the growing political ambitions of the proletariat in the imperial metropolises or the perceived incivility of the racialized groups occupying Latin America’s interior – and consequently convince international investors of the credibility and cosmopolitanism of their policy-making (Topik, 2013). The experiments in monetary governance that followed the Gold Standard’s collapse can be read as, in part, a quest to discover a similar mechanism to defend money from popular contestation in an age of labour unrest, from money supply targeting to central bank independence to currency union (Burnham, 2014; Krippner, 2012; Gill, 1998). The short-lived Bretton Woods system too is best understood as a strategic effort to accommodate and confine the democratic forces unleashed by universal suffrage and trade union militancy within a flexible yet technocratic ‘international monetary constitution’ (Bordo, 1993: 28; see also Eichengreen and Temin, 2000). Monetary depoliticization is thus never an unassailable fact – it is an ongoing, tendential process that requires the state to outmanoeuvre the forces that would instrumentalize monetary governance for illiberal ends, whether despotic or popular.

To speak of the depoliticization of money, as it is deployed in the Open Marxist tradition, is not to imagine that a politically neutral form of monetary management is possible. As Burnham (1995: 101) writes, the ‘act of “depoliticising” is itself political’. Capitalism depends upon the ‘political practice of depoliticized socio-economic relations’ (Bonefeld, 2014: 176). The state must continually rid the market sphere of directly political forms of economic reproduction, such that the principles of competition, contract, and exchange may reign supreme. This is a class politics. The two parties that stand before one another in this depoliticized market, free to contract as legal equals, are the capitalist and the dispossessed proletariat. As Marx (1976: 280) puts it, the ‘one smirks self-importantly and is intent on business; the other is timid and holds back, like someone who has brought his own hide to market and now has nothing else to expect but – a tanning’. The depoliticization of money is therefore not simply one governance strategy among others, as it is sometimes presented (see Eich, 2022; Hay, 2007). It is instead a vital moment in the perpetuation of capitalist class relations. The state must ensure that the monetary infrastructure is not captured by any particular social group – whether elite faction or popular majority – so that money may better serve as the means of integration of capitalism’s formally independent subjects. More than a matter of ideological conviction, monetary depoliticization is a requirement imposed upon national policy-makers by mercurial world markets. If the state cannot assure global investors of the political independence of its monetary governance, it risks provoking an assortment of sanctions, from capital flight to a run on the currency.

However, once depoliticization is accepted as the lodestar of monetary governance, a great diversity of concrete monetary strategies may be pursued. For instance, the period following the English Financial Revolution saw a flowering of debates on a range of monetary issues, including the relationship between commodity and paper money, the dynamics of the financial system, the relationship between money and capital accumulation, and the form and functions of monetary policy (see Helleiner, 2002; Desan, 2014; Wennerlind, 2011; McNally, 2020; Eich, 2022; Arnon, 2010). These debates were fiercely political. Scholars and statesmen clashed over questions of how to devise the correct system of punishments for monetary criminals, how to construct mechanisms of currency convertibility so as to better manage the

articulation of national and world markets, how to govern the practices of different financial institutions, and indeed how to manage financial crises when they invariably erupt. What they did not generally dispute was the doctrine – increasingly an article of faith – that the reins of monetary governance must first be placed beyond the reach of dynastic and mass politics before responsible bourgeois interlocutors can safely discuss monetary affairs. Walter Bagehot, a ‘pro-interventionist’ and advocate of a ‘discretionary policy role’ for the central bank (Arnon, 2010: 4, 285), put it concisely in the 1872 edition of *The English Constitution*: ‘it must be remembered that a political combination of the lower classes, as such and for their own objects, is an evil of the first magnitude’ that ‘can only be averted by the greatest wisdom and the greatest foresight in the higher classes’ (Bagehot, 2012: 202; see also Landa, 2012: 39-43).

Indeed, so long as the threat of politicization of capitalism’s money relations is held at bay, the state can confidently undertake quite spectacular monetary interventions. Post-2008 unconventional monetary policies could be pursued in part because the social forces, namely powerful labour movements, that could have translated such policies into an inflationary wage-price spiral or, worse, demanded that the state’s extraordinary powers of money creation be used to directly alleviate poverty, had long been defeated by neoliberal restructuring (Doorslaer and Vermeiran, 2021). In the language of the Bank for International Settlements (2022: 42, 52), ‘[o]nce a low-inflation regime is established’, underpinned by ‘labour’s decreasing structural pricing power’, ‘monetary policy can afford to be more flexible ... Having gained precious credibility, it can reap the benefits. At the same time, monetary policy must ensure that the regime is not jeopardised’. Indeed, at different moments the state may need to loosen the monetary spigots so as to avoid market collapse or tighten them so as to reimpose discipline on the wage-dependent class, without which capital accumulation could not take place. Depoliticization does not favour one monetary policy stance over another. It grants states the freedom of manoeuvre to do what is necessary to govern capitalism’s conflictual, crisis-marked development.

The politics of money and emancipation

The different strands of the Marxist theory of money and the state can now be gathered together and brought into conversation with Heterodox approaches to monetary sovereignty. Two core implications come to the fore.

First, to say that the modern state is monetarily sovereign does not imply that it has the capacity to make money as it pleases in the fashion imagined by MMT (Wray, 2002; Kelton, 2020). Yet true Westphalian-style monetary sovereignty is also not simply restricted by external forces as suggested by post-Keynesian, Structuralist, and Critical Macro-Finance accounts (Prates, 2020; Murau and van ’t Klooster, 2023; Pistor, 2017). Instead, monetary sovereignty is innately an exercise in the state’s self-disciplining. The modern state’s fantastic money powers depend on the cooperation and confidence of an array of profit-driven private actors – from enterprises deciding in which currency to conduct their transactions to the commercial banks that create deposit-money denominated in the state’s unit of account to global currency dealers that help deliver a world market judgement on this unit of account’s

worth. Securing the favour and collaboration of these private actors is a perilous undertaking that requires the state to actively shield the management of money from destabilizing political forces. For this reason, the very emergence of capitalism depended upon the reins of monetary governance being centralized in the hands of a depersonalized state and insulated from aristocratic interference and increasingly from an emerging mass politics. To radically democratize the state's governance of money in the name of tackling global inequality or climate change would be to collapse a central pillar of monetary sovereignty itself. Money would no longer serve as an effective means for mediating capitalist class relations, and thus the state's extraordinary monetary power would dissolve in the hands of those who would seek to harness it for democratic ends.

Second, in exercising its monetary sovereignty, the modern state inadvertently produces an automatic system of economic reproduction that comes to dominate it. Money, as Marx discovered, is the social glue that holds in place capitalist class relations and in doing so it gives life to an abstract economic compulsion to compete or perish. By governing domestic money creation and the operation of international exchange rate regimes, the modern state unleashes this logic of competition over labour time on a global scale (Kettell, 2004). The international monetary relations constructed and superintended by states are the infrastructure of the global law of value, through which world labour productivity averages are established and communicated to particular national territories (Copley, 2022: 32-35). States' very reproduction depends upon the continuation of capital accumulation within their territories, and so they must perpetually strive to boost the competitiveness of their national economies in light of global productivity standards that they themselves unintentionally construct. This dominating social dynamic constitutes an 'Invisible Leviathan': a system of social relations produced by human institutions that has nevertheless 'usurped from conscious humanity effective control over the socio-economic life process' (Smith, 2019: 13). Far from a vehicle for genuine social emancipation, monetary sovereignty is a mechanism through which the state creates a superior form of global economic sovereignty that subordinates all to its ordinances (Merchant, 2021).

While the Marxist approach to monetary sovereignty outlined above differs radically from that found in the Heterodox literature, it can be easily synthesized with many of this literature's insights (see Alami, 2019; Bernards, 2023). For instance, nothing in the Marxist interpretation invalidates Structuralist and Post-Keynesian analyses of the global currency hierarchy, nor their normative aspirations of achieving more equitable international monetary relations (Prates, 2020; Gadha et al., 2022). Although all national economies are subordinated to the global law of value, there is a high degree of inequality between states in terms of their ability to use monetary governance to navigate these global competitive pressures – a phenomenon that cannot be explained without recourse to these Heterodox traditions. It is also entirely possible, and indeed desirable, for effective international cooperation to alleviate the most extreme imbalances in currency power between sovereign states. Finally, contemporary Post-Keynesian and Minskyian accounts are unrivalled in the empirical sophistication of their descriptions of capitalism's public-private financial undergirding (Tcherneva, 2016; Mehrling, 2017; Gabor, 2020; Pistor, 2017; Murau and van 't Klooster, 2023). It is through the hierarchical interconnections between public and private credit instruments that the silent

imperatives of the law of value are transmitted, which makes the aforementioned literature vital for grasping capitalism's operation today.

However, while Heterodox approaches to monetary sovereignty comprise powerful exercises in the *anatomy* of modern money, they fail to capture the processual dynamic of contemporary money relations. The concept of monetary 'hybridity' present in Minskyian scholarship is illustrative of this limitation (Mehrling, 2017). It functions as a compelling description of a frozen image of capitalism's intertwined public-private financial structure, but tells us little about the untethered logic of social domination brought to life by these relations – a logic that is more than the sum of its state or market parts. By shedding light on this dynamic, the Marxist interpretation pours cold water on the 'progressive, emancipatory vision of national sovereignty' found in certain Post-Keynesian scholarship, in which the state asserts its money-making capacities in the name of 'social justice, redistribution', and 'socio-ecological transformation' (Mitchell and Fazi, 2017: 12). By (re)producing capitalism's monetary circuitry, states effectively subordinate all political objectives to the cardinal purpose of securing 'money as more money' (Bonefeld, 2014: 40). To speak of democratizing this monetary infrastructure or seizing it in the name of planetary justice is to espouse a notion of 'monetary neutrality' that is different but no less erroneous than that axiomatized by Neoclassical Economics. Money is framed as a *politically* neutral apparatus that can be wielded for diverse ends, rather than as the means of socialization of a class-stratified world of private property and mass dispossession. If social production was not parcellized among myriad private owners in need of market coordination but instead subjected to democratic deliberation, and if people were not forced by the threat of destitution to work for wages but were rather guaranteed access to the means for a dignified existence, money would be robbed of the very social power that makes its governance coveted in the first place.

Monetary reform may at times be an appropriate strategy to ameliorate some of the worst social and environmental outrages generated by capitalism. Even moderate amendments to the hierarchical and volatile global monetary order could mean the difference between subsistence and utter calamity for great swathes of people, particularly in the Global South (Kregel, 2015). However, addressing the intersecting catastrophes that confront humanity today requires far more than the control of modern money – the substance that mediates an unjust and dominating system of class relations. It requires the replacement of these class relations themselves by collective, democratic forms of economic reproduction. In such a world, money would perhaps disappear altogether, replaced by alternative mechanisms of democratic economic planning. Or money may be reconfigured to serve as one tool among others for the conscious coordination of economic life – no longer itself the '*real community*' (Marx, 1993: 225), but merely an instrument subservient to a community of 'associated producers, govern[ing] the human metabolism with nature in a rational way' (Marx, 1981: 959).

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