This article is available open access under a CC BY 4.0 license as part of Berghahn Open Anthro, a subscribe-to-open model for APC-free open access made possible by the journal's subscribers.

FORUM

Two theories of money
On the historical anthropology of the state-finance nexus

Don Kalb

Abstract: The last decade of financial crisis, "financialization" and "quantitative easing" has been a feast of public learning about money and finance. Anthropology, history, and political economy rediscovered a "forgotten" history of money as fundamentally a public good rather than basically a private one. This article discusses the rediscovery of the two competing basic historical theories of money. It also notes that, after a turbulent decade of class and political polarization, including a worldwide pandemic, we also learned that under capitalism it just cannot be publicly conceded that money, if we want to, costs nothing, even though that is scientifically true. The article then reflects upon the current return of inflation and the turn toward "hard and dear money," and what that might mean.

Keywords: capital, capitalism, credit monies, finance, inflation, interest rates, money, state-finance nexus

The nature of money has been more fundamentally contested in the last decade than in a generation; probably as fundamentally as at any other eventful and consequential moment of comprehensive geopolitical, economic, and material-cultural rupture in human history. Money, the ruling ideas of money and finance, the theory of how it is generated, its form, what it does and why, and how it is distributed and why so, tends to register such tremors. Money and finance had not been politicized, however, for a long time.[1] Now they are, and anthropologists should sharpen our alert-system, just like everyone else.[2]

Comprehensive rupture: the conjuncture, to put it lightly, feels rather slippery. No wonder that the concept of the "polycrisis" has recently made the rounds. It sprang from the creative mind of no one less than Jean Claude Juncker, the former President of the European Union—interestingly enough a working-class man coming from a weakly bounded and defined place, Luxemburg—was then picked up by Adam Tooze, the new star publicist of this period and a historian of World War I, to be accepted into the new-speak of the Western intelligentsia and policy makers. "Polycrisis" captures the moment of mutually reinforcing sets of threats to

© The Authors
doi:10.3167/fcl.2023.950102

what we used to conceive of as "order," threats with mutual feedback mechanisms that neutralize the "normal" technocratic management systems of sector A or B, making any aspect of "the whole" for once indisputably political.

After the neoliberal certitudes of more than a quarter century, a sequence of interlocking world events shook the basic routines of capitalist reproduction in the very core of the system: financial crises in the West, "structural stagnation," accelerating class polarization, an assortment of radical political mobilizations on the Left and the Right, followed by the reverberating shock of a global pandemic, prolonged lockdowns of public life, and the breaking out of revanchist warfare in the European East. This all in the foreground, but inseparably interwoven with two other overarching fundamentals: accelerating geopolitical rivalry over the emerging relationships of a multipolar world between a still dominating and therefore universalist "West" and a fast rising China in alliance with a profoundly stagnating Russia (and Iran, Saudi Arabia? . . . parts of the Global South); and the ever more pressing need to face up collectively—as humanity—to the planetary consequences of the capitalocene, for which the blame and the costs are as uneven as the histories of capitalism itself.

I will claim that two basic and opposing historical theories of money, credit, and finance, have come to the fore: a theory of private market-based money and a theory of state-based money. These opposing theories have shaped, and have been shaped by, the ongoing deep histories of what David Harvey (2019) has called "the state-finance nexus": the deep relationships of capital and the state in the leading polities of the system. To characterize them as "state" and "market" is not incorrect but also overly blunt: the concept of the state-finance nexus makes immediately clear that all historical cultural-political-economies were hybrids. But they were not the same hybrids, and on behalf of discussing and contesting the factual possibilities, it is useful to pose the opposites clearly.

This article is occasioned by a deep unease with the almost automatic resort to high interest rates with which the main central banks of the capitalist world are currently responding to the recurrence of price inflation in the system. Making money ever "dearer" and credit ever more expensive and scarce in the midst of a polycrisis hitting a fragile world in which global financial debt has risen to some 350 percent of worldwide production—far more than even ten years ago—seems as shortsighted as it can get; though there is certainly a logic to it. I will come back to this in the Coda to this article. The two opposing theories of state-finance discussed here mark a space of possibility and choice against which the current almost system-wide and resolute resort to shutting down the money pump—better even, make the pump itself disappear from view and then put it out of reach—cannot but appear as a compulsive desire on the part of sections of the governing classes to return to an earlier "safe" neoliberal world of proper "non-artificial," "undistorted," prices and de-politicized money norms, a world with a secure separation of economics and politics. A world that is gone, unless the bosses bring it back and are bold enough to ignore the costs.

Financialized capitalism: The basics

Let us clear up some key terms first. Capitalism: a social formation—not "an economy"!—driven by private organization, appropriation, and allocation of the social surplus. A social order that rests on the "endless" accumulation of capital. Capital: not just monetary or patrimonial wealth, as recent popular texts from Piketty to Graeber suggest, but rather "value in motion" (Harvey 2019), produced within a determined set of social relations of class, expressed in and traversing any of its concrete forms of appearance. Finance: money capital; money begetting money via the circulation of property titles and legally enforceable claims to future "monetary streams" (Robbins 2020a), the driver of speculative and fictitious accumulation. Financialization or financial expansion: the process by which the reproduction of societies becomes

ever more dependent on the circulation of finance, credit, debt, and on the logic of speculative money capital; a predicament in which the imperatives of finance increasingly capture and dictate the social and political forms that feed it. Inevitably, this is the exact background to the current politicization of money.

As Fernand Braudel (1984), Giovanni Arrighi ([1994] 2009), and Jonathan Friedman (1978) have explained, such financial expansions tend to happen at the end of historical cycles of "material expansion," when the returns on investment in existing lines of material production and their associated life forms decline and surplus capital begins to seek a speculative way out, setting up new "circuits" and "spatial fixes," assembling new landscapes of accumulation, new productions, and new speculative "asset classes," from technology to real-estate, cities, states, "human capital," outer space, and crypto, for instance.

The last 40 years have seen a major period of financial expansion, ushering in a series of financial crises (2008–2014) like earlier financializations with turbulent political ramifications.[3] Before, during, and after these recent crises global indebtedness kept steadily increasing. It is now above 350 percent of Gross Global Product. The financialized predicament of humanity is therefore more profound and more universal than ever before. Every life-course and social biography anywhere on the globe is now infested with, and structured by, moments of financialized extraction on behalf of the owners of money capital. This happens via private relations of indebtedness but also via indebted governments whose policies are increasingly forced to seek "value," meaning "surplus value": returns for creditors. In some highly financialized advanced capitalist locations like the United States or Japan, public and private indebtedness together reach as high as 500 percent of GDP or more. China's debt is more than 300 percent of GDP, unprecedentedly high for an "emerging" country and rising world power. Others, such as Germany, have been marked by a certain "financial repression," both in inherent ideologies and practice (Weiss 2020). The exact relations, proportions, and articulations are variegated from place to place. Some peripheral societies, mainly in Central Africa, are still only weakly bankable. Others, postsocialist Azerbaijan, North Macedonia, for example, are being financialized as part of an elite project that seeks to monopolize the credit flows for their own expanded reproduction (Barrett 2020; Mattioli 2020). Others again, often postcolonial nations like South Africa (James 2015, 2020), India (Kar 2020), and much of Latin America, are witnessing political projects both on the Right and the Left that aim to lubricate incipient financialization with modestly redistributive transfer programs designed to lure populations into the formal banking system. Urbanization and the rising ground rent are key mechanisms for financialized accumulation everywhere, but places like Turkey, Ireland, Spain, and China, deeply different in so many other ways, have seen even more momentous "growth machines" around mass urbanization/suburbanization than others, amounting to up to 30 percent of GDP (for the construction sector).

Since finance is quintessentially global, the role of the dollar (and around Europe, the euro) and the interest rate on the dollar in relation to local currencies has become of paramount importance for local lives everywhere, even if not always in immediately visible ways. Where that role is transparent, it has often become openly contested, such as by European right-wing populists, anti-International Monetary Fund Leftists, or Turkish nationalists. The dollar and the euro function as substitute "gold standards," which serve to "discipline" national economies, politicians, democracies, as well as firms and households. One's specific insertion into the international monetary regimes is therefore inevitably deeply political, even though its contestation is, by definition, extremely difficult.

The last fifteen years have seen a feast of accelerated learning about money, finance, and capitalism in general. Anthropology has been an active contributor to that learning, alongside history, literary studies, feminism, philosophy,

sociology, and political economy. Economics, as an academic discipline and as a managerial profession for the daily running of capitalism as we know it, was forced to allow heterodox thinking and to accept contrarian economists in their midst. The cumulative insights of these scholarly endeavors are exciting. Gone is the stillness of neoliberal and neoclassical truisms perpetually recycled during the 1989–2007 belle époque. Heterodox economics commentators like Paul Krugman, Adam Tooze, and Thomas Piketty have become global celebrities. There has also been a revival of Marxisant thinking, including in anthropology (Neveling and Steur 2018, for example).

We have also increasingly started to appreciate the close association of capitalism, and its narrow concepts of value and growth, with impending environmental disaster and health emergencies (COVID-19). So we have rightly started to talk about the "Capitalocene" rather than the Anthropocene (Moore 2015). Capitalism cannot do without endless growth. While that is stressful in itself—though mostly represented as virtuous—this applies with a vengeance to indebted societies. Credits are based on taking a cut of projected future growth. Without growth, debts can never be paid back unless we "start to eat each other." Without growth, credit will not be "rolled over" (renewed after its end date) unless with a punishing interest rate that will require austerity: an attack on public services and local social standards, as Greece, Argentina, Indonesia, South Africa, and many others subjected to "structural adjustment" have learned (see also Powers and Rakopoulos 2019), and many others may well be forced to learn in the next years, as inflation and high interest rates will hit their public budgets and hopes on progress. Indebtedness subdues national and popular sovereignty, and therefore democracy, to the sovereignty of capital as value on the move. Robbins has calculated that in order for US citizens to pay back their cumulative debts, growth of around 15 percent per year is required for a full generation. While impossible, this would also be a straightforward crime against both humanity and the earth (Robbins 2020b).

If post-crisis intellectual contestation made an end to the stillness of neoliberal hegemony, it was compounded by dramatic political contestations on the streets, among social network-based "communities," in the media, and in the halls of power. First came the largely left-liberal risings of 2011 epitomized by Occupy Wall Street and the circum-Mediterranean mobilizations against political repression and austerity. Then the right-wing undercurrents of the early 2000s showed their ongoing strength. The liberal center within Western politics crumbled spectacularly first with the Tea Party in the US, then the Trump and Brexit victories. The Anglo-winners of World War II now joined the longer-run neo-nationalist developments on the European continent and worldwide.[4] We have witnessed the rise of rhetorics of "civilizational difference" coined against the imagined flat world of globalism and Western cosmopolitan hegemony; the escalation of inequalities; the unashamed display of plutocracy; and the accelerating decline of American hegemony, now facing the rise of a China with predictably durable non-Western characteristics but also the rise of militarist "revisionist" powers such as Russia, Iran, and Turkey.

All of this is profoundly interwoven with the deeper causes, mechanisms, and effects of a financialized global (but also "Western") capitalism in crisis. Finance appears both as motor, medium, and outcome of the contemporary predicament; speculation and the ground rent as its preferred refuge; impossible to disentangle from the wider historical ensemble; a driver as much as an expression of global crisis; sometimes also imagined as its redemption.

State reactions to the worldwide COVID-19 pandemic often seemed entirely shaped by recent learning—open the money taps and deal with the problem! Various commentators cheered that neoliberalism was now all but dead as states seemed to be finally re-assuming sovereignty over capital, backed up by their central banks, re-taking responsibility for the welfare

and health of their citizens in a way they had not been willing to do for decades (Lanchester 2021; Middelaar 2021; Tooze 2021). In 2020–2021, there was a whiff of left-wing public desire in the air to the point that even right-wing parties and politicians could not but actively follow the shift. Worryingly, however, already at the UN COP26 (United Nations Climate Change Conference) in Glasgow in the spring of 2021, the sheer possibility and capacity to create public money and public programs to counter the climate crisis was kept completely out of the picture. Mark Carney, former President of the Bank of England, went around announcing a corporate capitalist alliance worth over US$100 trillion that would solve the issue if people would only let them (see Carney 2021). The green transition became "a chance for growth" and a great private business case (driven by subsidies, of course). Shortly after, in response to a predicted rise in inflation as the pandemic ebbed, US central bankers began discussing the need to ratchet up interest rates and make money "dear." They began fearmongering about a repeat of the "stagflation" of the 1970s and pointing, classically, to rising wages as the key problem. They warned for the eventual necessity of a "Volcker Moment" (1980), referring to Federal Reserve President Paul Volcker who famously tripled the interest rates on the dollar in order to knock out long-run inflation in the United States—and by so doing condemning the indebted Third World and Second World to crisis, collapse, and subsequent "emerging market" status in a "monopolar" world dominated by Western capitalism, while producing mass unemployment in the West. I will come back to this in the final coda.

Money: Whence and how so?

The key question in all this is: where does money actually come from? Hadas Weiss's German informants would probably tell you that money is wealth coming from labor, productivity, competitiveness, and saving (Weiss 2020). In believing this, they combine vernacular versions of a Ricardian labor theory of value with a folkish Schumpeterian theory of competition. Some of her interlocutors may add a further "ordoliberal" element: overall societal efficiency matters for the successful accumulation of money and therefore for mass prosperity. German society, in that vision, is like a machine that puts a set of hard and soft public utilities to work, from morality to law to institutional design, production, and social discipline more generally. This is German pride in a nutshell. "Germany works and competes," and does so better than others, which is why it will deservedly amass export earnings. There is more than a whiff of vernacular mercantilism, too, in that narrative.

When I grew up in the 1960s and 1970s in the Netherlands, something like this vision of money and wealth was also prevalent there—despite a history deeply different from that of the neighboring German state, one based in merchant capitalism and therefore much more overtly financialized than its German neighbors. Compared to Germany, however, it does evince a much weaker popular labor theory of value—despite a shared historical Protestantism. Nevertheless, in the 1980s, when I studied the Philips Corporation, with its headquarters in Eindhoven (Kalb 1997), the management had only recently stopped bringing employees together for "social meetings" at work where they would be tutored on the importance of saving part of their salaries. With the savings of all the nation's industrial employees (Philips employed circa 100,000 people across the country in the 1960s), the banking system would be equipped to generate new capital cheaply, and so propel further industrial growth and thus more production, higher incomes, more consumption, and again more savings: the virtuous circle of industrial take off and further Fordist growth. Workers in Eindhoven factories believed in this theory, as did Weiss's German interlocutors. A somewhat similar vernacular sensibility about wealth and money accumulating through labor, savings, and investments in material production was shared worldwide in those heady days of in-

dustrial modernism and development, including in the socialist and the developing world. It was still believed until very recently in China. That narrative echoed contemporary development economics and World Bank recommendations: hard work in manufacturing, export earnings, savings, investments.

In the great capitalist hegemons, the United States and the United Kingdom, where the stock market and private credit and therefore speculation and debt had always played a much larger role, both de facto and in the popular imagination. Vernacular theories were probably more diversified and finance, credit, and debt played a larger role in middle-class life, despite recurrent official discourses of austerity, that were in fact mostly targeted at the working class (see, for example, Mattei 2022). On the European continent, mortgages, consumer credit, and suburban private living in family-owned properties, as in the United States, were not introduced on a mass scale until as recently as the 1970s. In the rest of the world even substantially later and very unevenly.

Such vernacular theories of the production of wealth through labor and trade relied ultimately on a simple underlying liberal theory of money. In that liberal theory, money was seen as a practical invention of the market. Adam Smith, for instance, believed that men had always evinced "the propensity to barter." But as societies became more complex and large-scale, so the liberal theory went, such barter arrangements became a drag on commerce. And so money was discovered out of the practical needs of the trader. Money, either in the form of shells, or salt, or coins, thus became a universal medium of exchange in the Neolithicum, 5,000 years ago. For such a medium to last, however, it had to function as a durable and reliable store and measure of value, and it had to be portable. And so precious metal appeared (Goetzmann 2016; Graeber 2011). Crucial for our concerns: money had to be earned first. In the liberal vision the cycle is perfectly clear: first labor, then the trading of a product, then money. Spending money is only possible after it is earned, a reward for hard labor and smart trading.

The great city-states and empires of the Bronze Age added an important element to the key money functions of storing and measuring value: they gave the coins their sovereign imprint and therewith a guarantee of their value. That value was believed to reflect their contents of precious metals. Here the liberal theory of money merges fully with the "metallist" theory of currency. Humans began minting coins from copper, bronze, and increasingly silver and gold, allowing a massive expansion in the space and time of exchange and accumulation. Metal money also served to make the emerging and rather violent class inequalities of the Bronze Age relatively durable from the point of view of the elites holding it. This was the moment of the powerful historical empires in Eurasia, from the Roman Empire in the West to India and China in the East, with their unprecedented war-making, slave trading, and widely flung commerce; their dynamic urban economies, armies, and navies. Money and violence were the glue that held them together.

In short, it was this supposedly natural logic of expanding commerce, driven by all-human propensities toward exchange, that seemed to explain the historical appearance and function of money as we know it. The market invented money, and money was a reward for prior labor. Its function was universal exchange, standard measures, and the storing of value. In the liberal theory, money was imagined to be "neutral," hard, honestly reflecting the real value of its metal base in the market, a measurable reward for labor done. Not "artificial" or "distortive." And this is indeed how it was made to appear throughout much of European history from the Greek city-states onward. Without exception, those West Eurasian states tended to be ideologically loyal to the metallist-liberal theory of money.

What a shock then for a Venetian merchant in the fourteenth century to be confronted with a non-European reality that worked in the opposite way: the market and its traders were not

the origin and anchor of it all but rather the state and its ruler. Here is Marco Polo writing about his discoveries in China; a long quotation from the passage on "How the Great Khan causes the bark of trees, made into something like paper, to pass for money all over his country" in order to taste the full flavor of his surprise and to give a sense of context and implications:

> The emperor's mint . . . is in this . . . city of Cambaluc . . . . You might say he has the secret of alchemy in perfection . . . for he makes his money after this fashion: He makes them take of the bark of a . . . mulberry tree, the leaves of which are the food of the silkworms, these trees being so numerous that whole districts are full of them. What they take is a certain fine white bast or skin . . . and this they make into resembling sheets of paper, but black. When these sheets have been prepared, they are cut up into pieces of different sizes. All these pieces of paper are issued with as much solemnity and authority as if they were of pure gold or silver; and on every piece a variety of officials . . . have to write their names, and to put their seals. And when all is duly prepared, the chief officer deputed by the Khan smears the seal entrusted to him with vermilion, and impresses it on the paper, so that the form of the seal remains imprinted on it in red; the money is then authentic. Anyone forging it would be punished with death. And the Khan causes every year to be made such a vast quantity of this money, which costs him nothing, that it must equal in amount all the treasure of the world.
>
> With these pieces of paper . . . he causes all payments on his own account to be made; and he makes them to pass current universally over all his kingdoms and provinces and territories, and whithersoever his power and sovereignty extends. And nobody, however important . . . , dares to refuse them on pain of death. And indeed everybody takes them readily, for wheresoever a person may go throughout the great Khan's dominions he shall find these pieces of paper current, and shall be able to transact all sales and purchases of goods by means of them just as well as if they were coins of pure gold. (quoted in Goetzmann 2016: 191–192)

Polo then continues to explain that in the lands of the Khan, foreign merchandise, gold, silver, pearls, or gems cannot be sold, except to the Khan himself, who held a monopoly. For this, he pays "a liberal price" with his paper money. "So he buys such a quantity of those precious things every year that his treasure is endless, while all the time the money he pays away costs him nothing at all." Then Polo concludes: "Now you . . . (know that) . . . the great Khan may have, and in fact has, more treasure than all the kings in the world; and you know all about it and the reason why" (Goetzmann 2016: 192).

This fragment does not mention that China's world leading paper, silk, and porcelain industries were largely state monopolies too, and that it was these products that the steady stream of foreign merchants was coming for. Such monopolies on world class luxury goods were further support for a monetary state system that did not, as in historical Europe, run on the gold and silver controlled by wealthy merchant families or silver mine owning dynasties such as the Fuggers. In Song China, it ran on mere state issued paper "that costs nothing," and that everyone was held to believe in and transact with.

Credit monies and the state: Chartalism and bourgeois revolution

Against the background of Marco Polo's surprises in Song China, we need to reflect on three issues: (1) "the state theory of money"; (2) the Western amnesia of this "state theory" since the 1970s; and (3) its recent return, associated with the financial crisis, consequent "quantitative easing," the rise of "modern monetary theory" (Kelton 2020), and ideas such as "finance as a

franchise of public trust" (Hocket and Omarova 2017).

Song China was a quintessential case of "chartalism." Chartalism, or the "state theory of money," was developed by Georg Friedrich Knapp in 1905 in Germany (Knapp [1905] 1924, see also Graeber 2011), and was introduced a bit later into the English-speaking world by Alfred Mitchell-Innis (1913). It builds on John Baptiste Say, John Stuart Mill, Karl Marx and even some formulations of Adam Smith, but the German background in itself is significant. Knapp and Mitchell-Innis showed that money as currency was not a special type of commodity generated within the market, as liberal theory imagined, but rather a state-based invention backed by the (potential) tax base of the sovereign. Not exchange between individual traders, but taxation and credit were the origin of money, an aspect of the social order as a whole; plus, money appeared here not as a result of labor but in fact prior to it, embedding it, making the social division of labor possible in the first place. "There is no question," wrote Mitchell-Innis, "that credit is far older than cash" (1913; quoted in Pettifor 2017: 15; see also Graeber 2011). Money issued by the sovereign state was in fact a deferred and guaranteed obligation by the sovereign to arrange payment of its commodity equivalent (in gold or grain or whatnot) to the holder of this money if so demanded—as nicely shown in the Marco Polo quote. This sovereign guarantee was secured against present and future "creditable" fiscal income. The deep pocket of the state, stretching over potentially "endless" time frames and extensive and potentially growing territories and populations, created what we might call an "infinite security." Song China is the perfect exemplar.

The state theory of money rejects the market-based ideas of money associated with "metallism theory." It claimed that the state had always, in principle, been able to create paper money ("from nothing") by issuing it as legal tender and accepting it for tax payments and other "vertical" obligations of its subjects. Not the value of precious metal as such, but ultimately the credit and therefore credibility of the state enabled the making and circulation of currency. The chartalist account, thus, gives priority to "vertical" and tax-driven money creation versus "horizontal" commercial money. It privileges "empire" over "entrepreneurs," politics over markets. Song China is the pure type with public paper money already circulating extensively in the thirteenth century if not earlier—Europe had to wait until the eighteenth century. Official metal coins with little inherent value went as far back as the age of Confucius. But elements of chartalism have been present in almost all official state currencies, including in classic Greece and the Roman Empire, where coins over time also tended to lose their inherent value (Scheidel 2009). This was so even when the sovereign for very practical reasons chose to produce or renew bronze or silver coins with a nominal value close to their actual value in precious metal. Maintaining a state narrative of "sound" money was often a necessary imperial or royal concession to powerful oligarchies who controlled substantial pools of currency, and thus helped to avert civil war. Or it could be, as in the Elizabethan English case, Venice and the United Provinces, a way to align the state structurally with mercantile interests and attract the support and wealth of international traders. The "sound base" was an expedient political choice where monied oligarchies existed but not a necessity, and it could be temporarily lifted in times of need, when states needed money for military investments for example or to deal with other crises.

In a capitalist context, this potentially infinite security offered by (potential) fiscal revenue subsequently helped to set up credit monies issued by banking and trading houses. This at least is what happened in the West of the Eurasian landmass, but apparently not, or not on the same scale, in historical China (Rosenthal and Bin Wong 2011). In the West, investors in state debt, that is houses with an invested claim on the future tax incomes of the state, could begin to write out loans to third parties against interest, not only from their present money re-

serves but also from their future guaranteed incomes (Di Munzio and Robbins 2016; Robbins 2020a; Vogel 2017). Credit money is a claim on the future income of a borrower "of good standing" and "merit" who can be expected to be productive and pay it back with interest, and who is now considered legally "junior" and subordinate; and it is provided by credit from a legally "senior" creditor whose resources derive from a "security" that in turn is derived from his status vis-à-vis the sovereign. As Robbins points out (2020a), this is therefore at its core a speculative process based on the credible probability of a projected future, underwritten by the signature of the sovereign and based in the enforceable legal hierarchy between senior lenders and junior borrowers.

Credit money lifted the obstacles to capital accumulation and commerce posed by the inherently limited stock of precious metal. Societies could now be flooded by credit, and this credit could sow the seeds for "endless" economic growth as well as for the growing future tax intakes that could once again back up new cycles of credit money generation, and "endless accumulation" by the lords of finance. Here we meet, in other words, the state theory of money in capitalist contexts, the basis for the capitalist state-finance nexus. But we meet it in a form that hides its political essence and reproduces the ideology of sound money produced in the market, a key ideological mystification of liberal capitalism akin to the liberal narrative about juridical equality and freedom of contract of workers and capitalists.

There was one issue left to make this gamble work for private capital: the sovereign had to be made universally reliable in his payments to his creditors and not be tempted to wipe them out (as often happened to emergent capitalists in China). The solution was that the crown was subjected to binding rules dictated by the creditor class. This dual move, the subjection (and therefore responsibilization) of the sovereign and his debt (now: the "national debt") to "senior" creditors, combined with a monetary expansion driven by credit monies signed off by seigniorial actors (bankers), is nothing less than the finance-capitalist core of what Marxists have always called the bourgeois revolution (Davidson 2017).

The key historical event in this process is the Glorious Revolution of 1688 in England that overthrew the Catholic King James II and put the Protestant invader William of Orange, *Stadholder* and military commander of the United Provinces (now the Netherlands), on the throne. The revolution culminated in the making of the Bank of England in 1694, which furnished the credit to make war against France. King William was himself the largest investor-stakeholder in the Bank (Clapham 1944; Kalb 2013, 2018b; Robbins 2020a). The revolution subjected the sovereign to a parliament of landlords and merchant investors, not unlike the *raden* of bourgeois citizens in the United Provinces itself. In other words, William of Orange, the Dutch financier and in fact military leader of the continental capitalist class, attained "seniority" over his role as King William of Orange of the United Kingdom. The latter bound himself as sovereign to the rules imposed by the former. And so the United Kingdom emerged, as a contract between the finance-capitalist class and the new military-fiscal state.

The model itself, both of the Bank and of a sovereign subjected to a parliament of investor-citizens, and therefore subjected to "rules" and "contract," was not at all new. It was based on the prior examples of European city-states, the Dutch and Italian in particular. The city-state is a state form in which private capital finds a way to pool its resources for collective capitalist action. That happens via sometimes forced credits to the state, as in Venice; or by collective decision to use the universally high tax bases of these city-states for collective and speculative (military) projects. The principles perhaps go back to the antique city-state phenomenon more generally. Capitalism as we know it is therefore historically not only based on the secure property rights cherished by the liberals, on the one hand, and the dispossessed "free" labor and exploitation in production targeted

by the Marxists on the other, but just as much, and mutually reinforcing, in the making of the capitalist dominated state-finance nexus. This is a complex set of institutionalized class relations in which the private accumulation of capital dominates "in the last instance." It involves representation, taxation, contract, property rights, public credit, the "national debt," and the seigniorial banking complex; and it is ideologically expressed, as well as obscured, in historical liberalism.

This "Anglo-Dutch moment" of 1688 (Israel 2008) then was the ultimate break with the preceding but slowly crumbling financial repression of medieval Catholic Europe. Catholic Christianity, and Islam as well, had always equated the taking of interest with illegitimate and illegal usury—illegitimate because it was seen as an exploitation of weaker souls who were supposed to be equal under God and associated with the widespread popular indebtedness and slavery so characteristic of the pre-Christian Roman Empire to which Christianity had been a reaction. Islam emerged from similar anti-usury concerns and allowed only participatory stakes in enterprises as well as fees on financial arrangements as a way to make money from money (see a.o., Pitluck 2020). Christianity was, as Graeber stresses (2011), the most radical anti-money ideology coming out of the turmoil of the antique age of empires. In the end, it entirely failed, but it took a millennium.

Central to its failure was the rise of the city-state phenomenon within the fragmented feudal polity of the Holy Roman Empire. Feudal competition and military rivalry in the fourteenth and fifteenth centuries made even the pope himself thoroughly indebted to the Medici of Florence. In return for financial services to the papacy, the Medici had been allowed not just to sponsor the artistic and ideological blasphemy of the Renaissance but also to demand a serious interest rate, previously rejected by the pope as usury. In the end, the Medici themselves usurped and subjected the papacy by nominating one of them as the pope (Parks 2006). Thus, they achieved by way of credit and diplomacy a result not unlike William of Orange's usurpation and then subjection of the British crown. Finance capital "became senior" in both cases. The reformation was the next step in the breakdown of anti-usury. The rise of the Dutch mercantile-financier city-state, born out of a popular rebellion against the Spanish-Habsburg ancien régime and run on behalf of an electorate of 60,000 domestic and international investors (see Vogel 2017), led to mercantilist hegemony over the European state system as expressed in the Peace of Westphalia of 1648. Under military threat of France (the emerging continental empire of the seventeenth century), it played a key ideological and military role in executing the Glorious Revolution of 1688 in England, which was in fact a military invasion paid for by Amsterdam and its Dutch urban confederation. Finance, seigniorage, and rent-taking had now become powerful state-making forces that were driving the ascent of the North West European Protestant merchant capitalist empires. Their rise would consolidate the historical shift away from a Eurasian system focused on China and the East toward a transatlantic Western-dominated world system, which now, led by the Dutch and English, would swiftly become a capitalist world system. The making of the capitalist state-finance nexus and the subsequent emergence of fiscal-military states geared up for "primitive accumulation" was a key moment. While ideologically boasting a liberal and market-based theory of "sound" money (versus the "corrupt" ancien régimes in Europe and the East), it was in fact driven by a state theory of money, out of which, in the end, capital was made. There was in place now a speculative-military mechanism, an "armed money machine" that would become a massive boost for primitive accumulation outside and inside Europe.

Rebirth of the state theory of money

Chartalist theory served as an intellectual inspiration for the Keynesian revolution in economics. Keynes's "Treatise on Money" ([1930] 2011)

referred explicitly to Knapp and Mitchell-Innes in its opening pages and laid the groundwork for his "General Theory of Employment, Interest, and Money" ([1936] 2017). With the fast and wholesale demise of Keynesianism in academic departments and policy making since the 1970s, the underlying state theory of money also disappeared from public awareness. As with Keynesianism, the theory was now associated with inflation, stagflation, and an interventionist and redistributive state, the arch-enemy of the neoliberalism of "sound money," "undistorted prices," and the separation of politics and economics, that swept through the halls of power in these years.

This attack, and then the subsequent public amnesia of the key chartalist insights on money, happened, paradoxically, when the dollar had just been unlinked from gold (1970), and had in fact become an undisguised fiat currency, probably the first one in the history of Western hegemons to be so openly blasphemous against metallism. Key monetary authorities working with Robert Lucas's "rational expectations" model were hell-bent on squashing both the inflation of the 1970s as well as any intellectual-political freedom that might derive from the obvious fiat character of contemporary money. With the assertive mission to produce durably low inflation (see also Holmes 2013; Kalb 2005), a quasi-metallism immediately returned through the backdoor as gold was thrown out through the front door. The euro was a response to the dollar leaving the gold standard (and destroying Bretton Woods) and was set up as an intra-European gold standard, overriding any possible democratic sovereign aspirations to turn fiat currencies to any wider public purpose beyond following the private markets (Slobodian 2018). Global markets were the gold standard that would discipline indebted states and their democratic publics through the possibility of harsh punishments by the markets (expressed in interest rates and sovereign "spreads"). Global markets spoke "the truth" that democratic publics would not like to hear. Neoliberalism was, from this perspective, a powerful restatement of the metallist theory of "dear" money at the moment any metal base had disappeared.

David Graeber (2011) helped significantly to bring the state theory of money back into public debate in the aftermath of the financial crunch of 2008. True, a neo-chartalism was already emerging among heterodox economists in the 1990s. And in small circles, there was already some excited talk about "modern monetary theory"—a radical update to chartalism (Braun 2016; Fullwiler et al. 2012; Kelton 2020). But Graeber's book on debt, coinciding with Occupy Wall Street and in a way its intellectual expression, enjoyed huge blockbuster sales worldwide. Graeber emphasized that the good kings of the Bronze Age would regularly wipe out popular indebtedness and produce a clean slate on behalf of the common good. In the present financial crisis, in contrast, states were obviously scrambling to back up the failing investment banks and their senior owners while abandoning citizens to austerity, unemployment, default, and dispossession. The sums handed over under threat of utter mayhem truly seemed astronomical at the time, given the decades-long neoliberal rejection of public largesse.

I have earlier called this a defining moment of state capture by finance capital (Visser and Kalb 2010; Kalb 2018b). While credit monies had been anchored in capitalist states since at least 1688, now it was the big creditors themselves that demanded state-underwriting and new money creation for their very survival, and they got it at once. But visible for everyone was also the return of the state theory of money. It was soon to get a radical new offshoot in Modern Monetary Theory. The new narratives claimed that alternatives for neoliberal austerity and free money to the rich were perfectly possible. Money and finance were a public good derived from public trust and popular sovereignty. As long as a state was lending in its own currency, it could always offer long-run low-cost liquidity and credit for public purposes. Inflation could be managed.

In this context, the Bank of England in 2014 found it expedient to explain in its own *Quar-*

terly Bulletin where money comes from: 97 percent of all liquidity, the bulletin's authors said, is nowadays generated by private bank credit loaned to debtors deemed credit worthy (McLeay et al. 2014). Present money was credit money that did not at all come from existing savings. It was simply underwritten by the state. Monetary authorities thus affirmed the credit theory of money, and were in fact making a respectful bow to the state theory of money.

Paradoxically, this statement by the Bank of England also made clear that the public only came into the monetary equation as the silent final guarantor of it all. Neoliberalism, "rational expectations," and the deregulation of private banking had ushered in a system where the state, the nation, and its tax base had become all but captured for the purpose of guaranteeing the speculative rent-seeking activities of money-capitalists. The state and the nation were eventually called upon to sign off on the costs of escalating public guarantees. They had little say in its regulation, let alone its purposes. The money-capitalists returned this free gift by rejecting any responsibility for the national tax base: They preferred to hide away in their low tax world archipelagos (Shaxson 2018), which were still largely located in the Caribbean, just as in the eighteenth century. Meanwhile they embraced a classic cosmopolitanism of and for the elites. "Whose sovereignty?" they seemed to be asking with a cynical grin. Local social outcomes, meanwhile, were ever more unequal, dispossessive, disenfranchizing, and plutocratic. The populist revolts that shook the political systems of the Western world and elsewhere in the course of the 2010s, moving from Left to Right over time (Kalb and Mollona 2018), may have been a surprise for the liberal commentariat and the ubiquitous army of policy intellectuals, but they hardly came out of the blue.

Magnifications and Contestations

Enter "Quantitative Easing." Central bankers, as shown above, must always have been quietly aware of the basic correctness of the state theory of money. The key central banker of the crisis, Ben Bernanke of the Federal Reserve, was knowledgeable about the Wall Street crash of 1929 and the subsequent world-deflation. He had written about how central banks should have reacted (Bernanke 2016). His retrospective recommendation: massive injections of fiat money in order to re-inflate the stock market. Milton Friedman had once said the same and called it "helicopter money" (see Buiter 2014). Bernanke, thus, came with the watermark of one of neoliberalism's most important thinkers. Faced with certain collapse, this apparently gave him the political credit to break the financial mold of the preceding 30 years without in fact changing the ideological paradigm.

When the Western "privatized" financial system suffered its cardiac attack in 2008 and the economy went into a tailspin, the political class, fed on decades of neoliberalism, was unprepared to the extreme and struck by simple disbelief. Subsequently, US President Obama—as unprepared as anyone else, see his veneration of "behavioral economics" with its trivial embrace of "nudging" for the public good—was allowed a large sum for public investment purposes to fight the swift decline of the economy, but many argued that this amount was simply too little, too late. European politicians were worse. They first went into a round of loud denials that Europe had anything to do with the crisis ("American financial casino capitalism versus solid productive capitalism"). When mayhem then inevitably reached the continent, they extolled collective solidarity, but upon leaving the room in Brussels, they immediately began sabotaging its conditions of possibility (Kalb 2018c; Legrain 2014). Instead, they orchestrated a frantic sovereign competition for austerity on behalf of national budgetary soundness, lauded as the universal morally correct path to economic salvation, and blamed "southern profligacy" for state debts in the European south. With the support of their increasingly nationalist electorates, the northern core proudly imposed draconian austerity on their domestic economies—with

Brexit as a result.[5] Calling this "a moral example for others," they thus began a fierce competition on the market for sovereign credit, inevitably crushing the fragile southern tier of the Eurozone and the eastern tier of the EU (the sovereign "credit spreads"). Those states were now going to pay much more for the financing of their public debts, debts that would inevitably increase because of the economic crisis the EU was inflicting upon itself. Greece revolted but was humiliated; Italy's Silvio Berlusconi, always concerned about his popularity, was unwilling to follow but got unceremoniously deposed by the European Council; in all countries, in particular Hungary, Poland, the Netherlands, Finland, Denmark, France, and Italy, the radical Right was significantly strengthened. The rifts in the EU produced by that series of fateful moments have not been entirely healed yet, though the *NextGenEU* federal budget with which the EU responded to the COVID-19 crisis in 2020 appeared at least to be a temporary game changer (Kalb 2022; Middelaar 2021; Tooze 2021). The initial North/South rifts within the eurozone were overlaid by subsequent East/West conflicts within the EU, which on the surface were about different issues but had their roots in the same crisis too (Kalb 2018a, 2019), as was the departure of Britain. When it finally dawned upon the markets that the actions of European politicians could only mean that they were abandoning the whole Euro-project, they began betting massively against the survival of the Common Currency itself, further increasing the cost of debt and the "sovereign spreads." Only at that point did key European politicians retreat from their morally correct abyss, mostly under loud (and correct but trivial) denunciations of those "greedy" markets and the US-dominated rating agencies. It took the rest of the decennium for them to acknowledge that they had been shooting themselves fatefully in the foot; an acknowledgment wrapped in silence, though.

It was in that rolling context of shock (2008–2014) and political paralysis that a small coterie of powerful central bankers, led by Bernanke, took responsibility and launched, one after the other, "Quantitative Easing" (QE). Together they pumped an equivalent of more than 25 percent of OECD GDP in fresh fiat monies into the system, sovereign fictitious capital, so to speak, and pulled it from the brink (growing to no less than 40 percent during the pandemic). Bond prices stabilized, stock markets turned around, banks, sovereigns, and institutional investors (Blackrock first of all) were drawn into an upward swirl. Martin Wolf (2015) and other critical liberal commentators have persuasively argued that QE probably prevented a full political and economic collapse of the Western system comparable to the 1930s. A similar injection in Keynesian mode, where the new monies were channeled via governments, might have done the same, and would have generated more employment, more equal effects over classes and territories, would have limited the rent-taking, and could have potentially reversed the decades-long trend toward deeper inequalities and the sidelining of labor (see Pettifor 2017). But not even the parliamentary Left in Europe were ready to take on more state debt or think in Keynesian ways. Most of the social democratic and "green" electorates in the European core in the 2010s supported austerity out of principle. Finance capital and the bond market would not have accepted a Keynesian re-emergence without a fierce battle waged over all states, for which not a single politician (after the humiliation of Yanis Varoufakis, Greece's finance minister and pan-EU Leftist) was prepared. Free gifts of capital from central bankers with the politicians and the public left out stood a much better chance. And so the Western world got the unique oxymoron of state austerity combined with central bank quantitative easing that became characteristic of the 2010s.

Quantitative Easing expressed financialized state capture (see Visser and Kalb 2010). Central bankers were never expected to plot the revolution by design. QE did prevent a meltdown and system-wide deflation, but the new monies publicly sponsored capital and property and left the class relationships that had produced the crisis in the first place entirely intact, indeed

gave them another lease on life and further magnified them. Technocrats manage but cannot deliver ideological or social change in the absence of political forces ready to charge. Ten years after the crash, the financial class and large property holders worldwide came away with an increase in their collective stock market value of 300 percent; housing was everywhere on a steep upward trajectory once more. Global public and private debt, meanwhile, had further increased to a similar 300 percent of global GDP. Inequalities had risen further and were going to be blatantly exposed by the COVID-19 pandemic. The labor share in GDP as compared to the capitalist share continued to fall, a fall subsequently reinforced by the pandemic. Urban housing was becoming unaffordable for new households in many places, pitting generations and classes against each other. The path of non-change was clear and entirely unsustainable.

While QE was a financial present for fictitious accumulation, it was the simultaneous, massive, Chinese monetary stimulus that did the most to pull the global economy out of its downward spiral. Chinese domestic credits were proportionally at least similar to QE in the West (see Magnus 2018). But they took the form of state-guided investments into ongoing material expansion, channeled largely through state-owned banks and state-owned enterprises, and oriented toward unprecedented urbanization projects. China in two years consumed more cement than the United States in the whole twentieth century (Harvey 2016). Its needs for oil, iron, copper, machine tools, and soya beans were gargantuan. Remember the Song Empire and think of "Socialism with Chinese characteristics" but now in its hard Keynesian state capitalist version. After the clouds of crisis cleared, China was now the first or second national economy. It had helped to reignite economic growth in both the Global North and the Global South, was spending hundreds of billions of dollars on new "Silk Road" infrastructure projects anywhere in the world and had emerged as a potential non-liberal world hegemon—if that were a possibility.

Thus, synchronized financialized state capitalism in two starkly opposed varieties had saved the system by greatly magnifying its credit dependence and resurrecting the state theory of money. But by seeking to restore the status quo ante, it had also changed it forever. Without those financialized state supports, the system did not appear to work any longer. Western central banks kept proclaiming their wish for a return to "normal": stop buying assets, sell existing central bank assets back into the markets, and finally bring zero interest rates up to the historically expected levels of well above 3 percent. Such efforts had steadily failed in the 2010s: stock markets immediately began deflating and capital cried wolf. The last one collapsed in the spring of 2019. Both the Fed (Federal Reserve) and the ECB (European Central Bank) began QE again in September, after which the pandemic brought a temporary stop to such efforts at "dialing back" to normal (Sandbu 2019). Financialized capitalism at its peak, as expressed in asset values, has become structurally dependent on massive injections of fiat money, free liquidity, historically low interest rates, and further fictitious and speculative accumulation by and for the wealthy, made possible by massive public underwriting of the monetary system and the plutocracy it supports. Actual economic growth, meanwhile, remained very low and had become substantially dependent on an ongoing Chinese material expansion driven by a similarly state-orchestrated addiction to credit (here via the state banks, but possibly also via quantitative easing by the People's Bank of China). Neither the Chinese nor the global economy could apparently do without that anymore.

This is where we were in summer 2021: an East-West duet in financialized state capitalism. Both in denial: the liberal one singing the gospel of the universal supremacy of private capital markets and awaiting their "natural" resurrection; the other imagining itself as a socialism with Chinese characteristics. But then post-pandemic inflation appeared. And Putin invaded Ukraine. Let us look into this moment, but first quickly look back, and then forward.

Coda

To various observers (Lanchester 2021; Middelaar 2021; Tooze 2021), the reactions of states and central banks to the COVID-19 pandemic had appeared as a final breakthrough, an affirmation of what had been learned about money and finance in the 2010s: the return of the state theory of money. Central banks and political elites opened the taps almost without blinking. When that happened, electorates and state elites began moving somewhat toward the Left with the elections of Biden, the EU *Nextgen* program, and in various European elections, reflecting shifts of sentiment toward public investment, inequalities, care, and environmentalism. Black Lives Matter and movements against exploitation and oppression made egalitarian claims. Various states made promises of investments in education, a sector that had been left to slide down for decades. State elites began talking about "repair."

"Repair," however, was rather a backward-looking notion with an overly domestic focus. It did not involve an attack on the speculative outgrowth of capital that had been allowed to happen. An inherently worthless Ponzi-type phenomenon like crypto-currency was commanding a fictitious value of some US$3 trillion in the summer of 2021. Stock markets were hugely overvalued. Western central banks had produced some US$15 trillion in "free liquidity" for capital markets and domestic economies, but were not even capable of finding the promised US$20 billion to vaccinate the Global South against COVID-19. Nor did "the West" ever appear to be going to honor the US$100 billion it had promised the Global South to help "green" their economies. More fundamentally, money-technocrats in central banks kept generating free money within the narrow legal formulas of their programs, and it was taken up by the usual private actors and market channels, mostly for speculative carrying trades and cheap financing of existing debts. Nowhere were politicians brave and clearsighted enough to carve out new public channels and collective missions for the newly discovered monetary capabilities. They remained just a technocratic tool for preventing deflation in their domestic economies. There was no other narrative. There was "state money," but no one was going to politicize it as such, except the radical Right, which routinely denounced it as another proof of liberal degeneration, "debasing their currency," and corrupting the dignity of their white lives.

Most worrying, as noted before, was the complete absence of a collective and public mission in relation to the towering crisis of global warming. At the COP 26 conference in Glasgow in September 2021, the trillions of dollars of investment required for a global energy transition were imagined to be coming almost entirely from private capital markets, for whom, in the words of the leading "green" central banker Mark Carney, global warming was a unique business opportunity. Global capital would throw at least a US$100 trillion to it if only we allowed them their deserved good returns on capital (see also Carney 2021). China and India let the conference cold-bloodedly fail, pointing out with much sympathy from the Global South that in the absence of far more generous public support from the West, the whole enterprise would be a straightforward punishment of the periphery. Such public money from the West, however, was nowhere to be seen in Glasgow, even though mountains of speculative capital and "free public money" for capitalist use were obviously glistering above the clouds on the Scottish horizon. No surprise that COP 27 in Egypt (fall 2022) subsequently decided that the previously agreed goals of limiting global warming to 1.5 degrees should be abandoned. "Stop the hypocrisy," a minister from Saudi Arabia summed it up as oil prices were going through the roof with Putin's war in Ukraine (Hodgson 2022).

What about the return of inflation? Small wonder that if money is provided practically for free while productivity hardly increases and states refuse to channel that money to where it is needed there will at some point be some inflation, certainly under the conditions of a lingering pandemic with lockdowns. But what type of

inflation actually matters? There had been huge increases in the prices of housing, health, and education in the last 30 years, with an acceleration in the 2010s. Those increases, combined with the squeeze on labor incomes, were hitting the social reproduction of majorities and had deepened inequalities everywhere. But these had never been a concern for the markets or the central banks. Inflation of public values was entirely discounted. Asset values, too, got hugely inflated. The speculative bubble of the crypto currencies was just the tip of the iceberg. But that was not a problem in capitalism. Then the "build back better" stimulus of US President Joe Biden finally began putting some extra money in the hands of workers and consumers during the pandemic—absurdly enough further inflating the crypto currencies as young people confined to their homes began actively joining the speculative opportunities as if they were mere digital games, and began sending their small monies to Binance, TFX, and others, in the end losing out en masse.[6] The Biden stimulus, combined with the pandemic-induced productivity declines in the global value chains (China etc.) triggered precisely the sort of consumer price inflation that central bankers under capitalism had always been concerned about, basically because they indicated a slacking of labor discipline. In 2021, it was in particular the price of second-hand cars that were rising in the United States—new cars were hard to get—while Europe had as yet hardly seen any inflation. In 2022, the factors behind inflation shifted from goods to services, in particular what the Fed calls "non-rental services" such as hospitality, care, and health, which in the United States are often rather monopolistic sectors where capital can easily impose higher prices, which is exactly what seemed to be happening (Armstrong 2022). In other words: no slacking of labor discipline but rather an amplification of capital's monopoly powers. Combine this with the withdrawal of significant sections of badly remunerated labor from the US labor market—US labor participation is now just above 60 percent, well below Europe and far below where it once was when labor was less exploited—and it becomes clear what the problems are. Putin's war has driven up the prices of dirty energy and the profits of the dirty energy corporations, hardly a case of excess consumer demand and certainly a case for speeding up the energy transition with cheap public investment (while claiming public property rights). Central bankers have followed Friedman's dictum that "inflation is always a purely monetary phenomenon." But the evidence is largely to the contrary, as even the *Financial Times* feels regularly forced to concede (in its specialist analyses but hardly in its headlines).[7]

Why then are the central banks determined to drive up the interest rates? Why ignore the reports of the IMF (International Monetary Fund) that 60 percent of non-core countries are facing almost immediate bankruptcy in the new "dear money" regime? What is the logic? While future research will have to clear this up in detail, it is clear that a narrative of "credibility" matters. The story says that the money-technocrats have used cheap public money (quantitative easing, zero or even negative interest rates) to avert post-crisis deflation in the 2010s, and so now they will use "dear money" in the 2020s to ease post-pandemic inflation back to their statutory 2 percent. Credibility restored.

There is a particular historical narrative at work here that should have been exposed as a partly self-serving lie long ago. That narrative extols the central banks for taking control over inflation in the 1980s by "inflation targeting" and high interest rates. The narrative suggests that by doing so, central bankers have single-handedly produced the "great moderation" of declining prices and "healthy growth" of 1992–2008. If you believe that "inflation is always a monetary phenomenon," the story makes sense. Hence, the current rhetorical stress on "expectations of a wage–price spiral" that also needs to be countered "aggressively." The suggestion is that the current predicament is nothing but a repeat of the 1970s–1980s: we know what we have to do and history is a testament to our knowledge and credibility. Except that that

wage–price spiral, overall, cannot be shown to actually exist these days.

The underlying real cause of that golden period of "moderation" and growth, however, was the globalization of capital and the tripling of the world proletariat exploited in the global factory (including agriculture). It was not inflation-targeting central bankers who were fundamental for that golden period of global capitalism but the mobilization of ample cheap labor pools in poor, often indebted, newly capitalist countries that had abandoned socialism and developmentalism; plus, of course, the "disciplining" and active (self) dismantling of organized labor at home. If you want to formulate it bluntly and simply, and be at best 30 percent wrong: it was not Western central bankers but the Communist Party of China that made global capitalism flourish under "the great moderation." Importantly, as we have seen, China deployed its own version of the state theory of money in doing so and with a clear sense of mission beyond letting the markets just run roughshod.

This global relational vision of capitalism suggests that there might be another type of logic at play than mere central banker "credibility," one though that goes beyond the knowledge and utterances of most Western policymakers. As noted earlier, the key moment in the crushing of inflation in the West was the Volcker shock of 1980. High US interest rates created a reserve army of unemployed in the West and made all the liquid capital in the system flow toward the United States. It therewith bankrupted both the Third World and "really existing socialism." These were the deeper causes for "globalization" and the reduction of the whole world to the status of "emerging market." Money, as we see, cannot ever be a purely monetary phenomenon. Rather, it is a key tool of the state-finance nexus in the leading polities of the system. Might "the West" then be gearing up for a devastating "hard money" competition with everyone else? Might it be that a renewed wave of system-wide proletarianization and cheap asset sales is announcing itself? Are we seeing the knowing or unknowing preparations for a new round of "healthy" accumulation under conditions of renewed global rivalry? Might the narrative of central bank "credibility" just be an early warning for a coming logic of primitive accumulation?

In recent decades, we re-learned about the state theory of money. But by doing so, we also got reacquainted with its inevitable paradox: under capitalism it just cannot be publicly conceded that money costs nothing. It can only cost nothing on behalf of the reproduction of capital. That is, until we radically politicize the origins, channels, and goals of money creation, and refuse to leave those issues to the competence of the technocrats, even when "they are ready to save our economy."

Acknowledgments

This article is a revised, shortened, and updated version of my introduction (Kalb 2020) to *Financialization: Relational Approaches* (Hann and Kalb 2020). An earlier version appeared in Italian as "Transizione verso cosa? Un' antropologia storica della finanza, della moneta e delle crisi economiche" in *Meridiana—Rivista Di Storia E Scienze Sociali*, no. 103 (2022): 35–58. I thank the editors of that theme section for *Meridiana*, in particular Zaira Lofranco, for the invitation and encouragement. Needless to say, I also thank Chris Hann and the other members of the "financialization project" at the MPI—Halle for exciting discussions and common learning: Tristam Barrett, Charlotte Bruckermann, Natalia Buier, Dimitra Kofti, Marek Mikus, and Hadas Weiss. Apart from at the Max Planck Institute, I have presented parts of this text as talks at the Fudan Institute for Advanced Studies, Shanghai; University of Bergen, Political Economy Seminar; American Anthropological Association Meetings, Baltimore; and at the Association of Economic Anthropology meeting in Des Moines, Iowa. I am thankful for interest and engagement. Deep gratefulness goes to my ongoing interlocutors and collaborating colleagues: you know who you are.

Don Kalb is Professor of Social Anthropology at the University of Bergen, Norway, where he directs the "Frontlines of Value" project (2017–2022; Trond Mohn Foundation). Before that he co-led the "Financialization project" at the Max Planck Institute for Social Anthropology in Halle, Germany (with Chris Hann). Until 2017, he was Professor of Sociology and Social Anthropology at Central European University, Budapest. Recent books include *Anthropologies of Class: Power, Practice, and Inequality* (co-edited with James G. Carrier, Cambridge University Press, 2015); *Worldwide Mobilizations: Class Struggles and Urban Commoning* (co-edited with Mao Mollona, Berghahn Books, 2018); and *Financialization: Relational Approaches* (co-edited with Chris Hann, Berghahn Books, 2020). He is Founding Editor and Editor at Large of *Focaal—Journal of Global and Historical Anthropology*, and *Focaalblog*, and edits Berghahn's *Dislocations Series*. ORCID: 0000-0003-4674-7655.
E-mail: don.kalb@uib.no; donkalb@gmail.com

Notes

1. See Stefan Eich (2022) for an elegant and insightful historical overview of the politicization of money.
2. Recent items in the anthropology of finance that deserve mention are among others: Dal Maso et al. (2022), Kanters (2021), and Mikus and Rodik (2021).
3. There is of course a huge literature on the topic of political mobilizations in the context of recent crises. I have myself been engaged with it among others in Kalb and Halmai (2011); Kalb and Mollona (2018). *Focaal* has been a prime journal in anthropology to discuss the politics of capitalist crisis. Of the many articles in *Focaal*, I want to mention the theme sections edited by Dace Dzenovska and Nicholas de Genova (2018), Stefano Boni and Riccardo Ciavolella (2015), as well as Patrick Neveling and Luisa Steur (2018) and Powers and Rakopoulos (2019).
4. I discuss some of the literature in anthropology and outside anthropology in Kalb (2022).
5. For more detail, Kalb (2018c).
6. See Ramaa Vasudevan (2022) for an excellent analysis of the collapsing crypto sector. For data on the losses of the young petty speculators: Louis Ashworth (2022).
7. Such as: Sarah O'Connor (2022); Bill Gross (2022); Martin Sandbu (2022). Also, Robert Reich (2022). For the *Financial Times*' general headline on inflation and interest rates, for example: "Inflation targeting and the 2 per cent goal," The Editorial Board (2022). Martin Wolf's columns agree.

References

Ashworth, Sarah. 2022. "All the young dudes carry the bags." *Financial Times*, 14 December.
Armstrong, Robert. 2022. "The hard kind of inflation." *Financial Times*, 16 December.
Arrighi, Giovanni. (1994) 2009. *The long twentieth century: Money, power, and the origins of our time*. London: Verso.
Barret, Tristam. 2020. "Financialization and reproduction in Baku, Azerbaijan." In *Financialization: Relational approaches*, ed. Chris Hann and Don Kalb, 136–156. New York: Berghahn Books.
Bernanke, Ben. 2016. *Essays on the Great Depression*. Princeton, NJ: Princeton University Press.
Boni, Stefano, and Riccardo Ciavolella, eds. 2015. "Inspiring alterpolitics." Theme Section. *Focaal—Journal of Global and Historical Anthropology* 72: 3–80.
Braudel, Fernand. 1984. *Civilization and capitalism, 15–18th century (3 volumes)*. London: Fontana Press.
Braun, Benjamin. 2016. "Speaking to the people? Money, trust, and Central Bank legitimacy in the age of quantitative easing." *Review of International Political Economy* 23: 1064–1093.
Buiter, Willem. 2014. "The simple analytics of helicopter money: Why it works—always." *Economics* 8 (2014-28): 1–45. https://dx.doi.org/10.5018/economics-ejournal.ja.2014-28.
Carney, Mark. 2021. *Value(s): Building a better world for all*. London: William Collins.
Carrier, James, and Don Kalb, eds. 2015. *Anthropologies of class: Power, practice, and inequality*. Cambridge: Cambridge University Press.
Clapham, John. 1944. *The Bank of England: A history*. Cambridge: Cambridge University Press.

Dal Maso, Giulia; Aneil Tripathy, and Marc Brightman, eds. 2022. "A moral turn in finance?" Theme section. *Focaal—Journal of Global and Historical Anthropology* 93: 1–74.

Davidson, Neil. 2017. *How revolutionary were the bourgeois revolutions?* Chicago: Haymarket Books.

Di Muzio, Tim, and Richard Robbins. 2016. *Debt as power*. Manchester: Manchester University Press.

Dzenovska, Dace, and Nicholas de Genova, eds. 2018. "The political in/of Europe." Theme section. *Focaal—Journal of Global and Historical Anthropology* 80: 1–76.

Eich, Stefan. 2022. *The currency of politics*. Princeton: Princeton University Press.

Financial Times Editorial Board. 2022. "Inflation targeting and the 2 percent goal." *Financial Times*, 16 December.

Friedman, Jonathan. 1978. "Crises in theory and transformations of the world economy." *Review* (Fernand Braudel Center) 2(2): 131–146

Fullwiler, Scott, Stephanie Kelton, and Randall Wray. 2012. "Modern monetary theory: A response to critics." In *Modern monetary theory: A debate*. Amherst, MA: Political Economy Research Institute.

Goetzmann, William. 2016. *Money changes everything: How finance made civilization possible*. Princeton, NJ: Princeton University Press.

Graeber, David. 2011. *Debt: The first 5000 years*. Brooklyn, NY: Melville House.

Gross, Bill. 2022. "The Fed needs to stop raising rates." *Financial Times*, 19 December.

Hann, Chris, and Don Kalb, eds. *Financialization: Relational approaches*. New York: Berghahn Books.

Harvey, David. 2016. *Abstract from the concrete*. Berlin: Sternberg Press.

Harvey, David. 2019. *Marx, capital, and the madness of economic reason*. London: Profile Books.

Hocket, Robert, and Saule Omarova. 2017. "The finance franchise." *Cornell Law Review* 102: 1144–1218.

Hodgson, Camilla. 2022. "Saudi Arabia emboldened at COP 27 as energy demand 'exposes hypocrisies.'" *Financial Times*, 13 November.

Holmes, Douglas. 2013. *Economy of words: Communicative imperatives in central banks*. Chicago: Chicago University Press.

Israel, Jonathan. 2008. *The Anglo Dutch moment: Essays on the glorious revolution and its world impact*. Cambridge: Cambridge University Press.

James, Deborah. 2015. *Money from nothing: Indebtedness and aspiration in South Africa*. Palo Alto, CA: Stanford University Press.

James, Deborah. 2020. "Redistribution and indebtedness: A tale of two settings." In *Financialization: Relational approaches*, ed. Chris Hann and Don Kalb, 196–219. New York: Berghahn Books.

Kalb, Don. 1997. *Expanding class: Power and everyday politics in industrial communities. The Netherlands 1850—1950*. Durham, NC: Duke University Press.

Kalb, Don. 2005. "From flows to violence: Politics and knowledge in the debates on globalization and empire." *Anthropological Theory* 5 (2): 176–204.

Kalb, Don. 2013. "Financialization and the capitalist moment: Marx versus Weber in the anthropology of global systems." *American Ethnologist* 40 (2): 258–266.

Kalb, Don. 2018a. "Upscaling illiberalism: Class, contradiction, and the rise of the populist Right in post-socialist Central Europe." *Fudan Journal of the Humanities and Social Sciences* 11 (3): 303–321.

Kalb, Don. 2018b. "Deep play: Finance, demos and ethnos in the new Old Europe." In *The margins of the state*, ed. Bruce Kapferer, 23–66. London: Sean Kingston Publishing.

Kalb, Don. 2018c. "Austerity and the discipline of historical context." In *The global life of austerity: Comparing beyond Europe*, ed. Theodoros Rakopoulos, 130–146. New York: Berghahn Books (Critical Interventions).

Kalb, Don. 2019. "Post-socialist contradictions: The social question in Central and Eastern Europe and the making of the illiberal right." In *The social question in the twenty-first century*, ed. Jan Breman, Kevan Harris, Ching Kwan Lee, and Marcel van der Linden, 208–226. Berkeley: University of California Press.

Kalb, Don. 2020 "Introduction: Transitions to what? On the social relations of financialization in anthropology and history." In *Financialization: Relational approaches*, ed. Chris Hann and Don Kalb, 1–41. New York: Berghahn Books (Max Planck Studies in Anthropology and Economy, vol. 6).

Kalb, Don. 2022. "Double devaluations: Class, value and the rise of the right in the Global North." *Journal of Agrarian Change*: 1–16. https://doi.org/10.1111/joac.12484.

Kalb, Don, and Gabor Halmai, eds. 2011. *Headlines of nation, subtexts of class: Working class populism and the return of the repressed in neoliberal Europe*. New York: Berghahn.

Kalb, Don, and Mao Mollona. 2018. "Introductory thoughts on anthropology and urban insurrection." In *Worldwide mobilizations: Class struggles and urban commoning*, ed. Don Kalb and Mao Mollona, 1–29. New York: Berghahn.

Kanters, Coco. 2021. "The money makers: The institutionalisation of alternative currencies in North-West Europe." Phd diss., University of Leiden.

Kar, Sohini. 2020. "Accumulation by saturation: Infrastructures of financial inclusion, cash transfers, and financial flows in India." In *Financialization: Relational approaches*, ed. Chris Hann and Don Kalb, 64–85. New York: Berghahn Books.

Kelton, Stephanie. 2020. *The deficit myth: Modern monetary theory and how to build a better economy*. London: John Murray

Keynes, John Maynard. (1930) 2011 *A treatise on money*. London: Martino Fine Books.

Keynes, John Maynard. (1936) 2017. *General theory of employment, interest, and money*. London: Macmillan.

Knapp, Georg Friedrich. (1905) 1924. *The state theory of money*. London: Macmillan.

Lanchester, John. 2021. "As the lock rattles." *London Review of Books* 43 (24): 13–16.

Legrain, Philippe. 2014. *European spring: Why our economies and politics are in a mess—And how to put them right*. Clinton, CT: CB Creative Books.

Magnus, George. 2018. *Red flags: Why Xi's China is in jeopardy*. New Haven, CT: Yale University Press.

Mattei, Clara. 2022. *The capital order: How economists invented austerity and paved the way to fascism*. Chicago: Chicago University Press.

Mattioli, Fabio. 2020. *Dark finance: Illiquidity and authoritarianism at the margins of Europe*. Stanford, CA: Stanford University Press.

McLeay, Michael, Amar Radia, and Ryland Thomas. 2014. "Money creation in the modern economy." *Bank of England Quarterly Bulletin* Q1, 14 March. https://ssrn.com/abstract=2416234.

Middelaar, Luuk Van. 2021. *Pandemonium: Saving Europe*. London: Agenda Publishing.

Mikus, Marek, and Petra Rodik, eds. 2021. *Households and financialization in Europe*. London: Routledge.

Mitchell-Innis, Alfred. 1913. "What is money?" *The Banking Law Journal* (May): 377–408.

Moore, Jason. 2015. *Capitalism in the web of life: Ecology and the accumulation of capital*. London: Verso Books.

Neveling, Patrick, and Luisa Steur, eds. "Capitalism and global anthropology: Marxism resurgent." Theme section. *Focaal—Journal of Global and Historical Anthropology* 82: 1–79.

O'Connor, Sarah. 2022. "Has the pendulum really swung from capital to labour?" *Financial Times*, 20 December.

Parks, Tim. 2006. *Medici money: Banking, metaphysics and art in fifteenth-century Florence*. London: Profile Books.

Pettifor, Ann. 2017. *The production of money: How to break the power of bankers*. London: Verso.

Pitluck, Aaron. 2020. "Altering the trajectory of finance: Meaning-making and control in Malaysian Islamic investment banks." In *Financialization: Relational approaches*, ed. Chris Hann and Don Kalb, 111–135. New York: Berghahn Books.

Powers, Theodore, and Theodoros Rakopoulos, eds. 2019. "The anthropology of austerity: People, history, continuity." Theme Section. *Focaal—Journal of Global and Historical Anthropology* 83: 1–121.

Reich, Robert. 2022. "The Fed needs to stop raising interest rates." *The Guardian*, 12 December.

Robbins, Richard. 2020a. "Financialization, plutocracy, and the debtor's economy: Consequences and limits." In *Financialization: Relational approaches*, ed. Chris Hann and Don Kalb, 43–63. New York: Berghahn Books.

Robbins, Richard. 2020b. "The economy after Covid 19." *Focaalblog*, 13 July. http://www.focaalblog.com/2020/07/13/richard-h-robbins-the-economy-after-covid-19/.

Rosenthal, Jean-Laurent, and R. Bin Wong. 2011. *Before and beyond divergence: The Politics of economic change in China and Europe*. Cambridge, MA: Harvard University Press.

Sandbu, Martin. 2019. "Draghi shift reveals how elusive monetary normalization remains." *Financial Times*, 12 March.

Sandbu, Martin. 2022. "Central banks should beware mistaking wage rises for an inflation problem." *Financial Times*, 18 December.

Scheidel, Walter. 2009. "The monetary systems of the Han and Roman empires." In *Rome and China: Comparative perspectives on ancient world*

empires, ed. Walter Scheidel, 137–209. Oxford: Oxford University Press.

Shaxson, Nicholas. 2018. *The finance curse: How global finance is making us all poorer*. London: Penguin.

Slobodian, Quin. 2018. *Globalists: The end of empire and the birth of neoliberalism*. Cambridge, MA: Harvard University Press.

Tooze, Adam. 2021. *Shutdown: How Covid shook the world economy*. London: Penguin.

Vasudevan, Ramaa. 2022. "Crypto convulsions, digital illusions, and the inexorable logic of finance capitalism," *Monthly Review* 74 (7). https://monthlyreview.org/2022/12/01/crypto-convulsions-digital-delusions-and-the-inexorable-logic-of-finance-capitalism/.

Visser, Oane, and Don Kalb. 2010. "Financialised capitalism Soviet style? Varieties of state capture and crisis." *European Journal of Sociology/ Archives Europeenes de Sociology* L(2): 171–194.

Vogel, Joseph. 2017. *The ascendency of finance*. London: Polity Press.

Weiss, Hadas. 2020. "Capital's fidelity: Financialization in the German social market economy." In *Financialization: Relational approaches*, ed. Chris Hann and Don Kalb, 177–195. New York: Berghahn Books.

Wolf, Martin. 2015. *The shifts and the shocks: What we've learned—and have still to learn—from the financial crisis*. London: Penguin.