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fig. 1

Let me begin with two recent stories about currency. The first involves the new design for the Canadian $100 bill that went into circulation in November 2011 [see fig. 1]. The reverse of the bill features a woman scientist peering into a microscope. Controversy erupted when a report released through a Freedom of Information request revealed that the image had been altered in response to feedback from focus groups. Participants had reacted negatively to the original image of the woman because she appeared to be of Asian descent. Some had expressed concern that the image stereotyped Asians as excelling in the sciences, while others were opposed to representing only one ethnic minority on the notes. As a result, the image was changed so that the woman on the currency now has Caucasian features—in the words of a Bank of Canada spokesman, she is of “neutral ethnicity.”[1] This “whitewashing” of the currency was criticized from many fronts. The Governor of the Bank of Canada, Mark Carney, was compelled to apologize; in his remarks he sought to reassure that, “Our bank notes belong to all Canadians, and the work that we do at the Bank is for all Canadians.”[2]

The second story comes out of the Occupy movement, where currency has been used as a tool for social protest. The Occupy George movement encourages protesters to circulate “dollar bills stamped with fact-based infographics” that inform “the public about America’s daunting economic disparity.”[3] There are five stamps available that make visible an array of facts. One illustrates that the richest 400 Americans have the same net worth as the bottom 50 percent of Americans (or 150,000,000 people) [see figs. 2–6]. Another infographic shows that the average CEO earns 185 times more than the average worker. Yet another uses a pie chart to illustrate that income growth disparity is wider today than it was during the Great Depression. The Occupy George website provides data to support all of these assertions. Templates are also provided so that you can overprint your own paper money in a photocopier; there is also information as to how you can order custom-made stamps with these designs.

Both of these stories point to cracks in the state currency. In the first example, the Bank of Canada strives to affirm its capacity to speak to and for "all Canadians." Yet the Bank demonstrates, through its mistakes, that it is unable to do so. It makes the double error of submitting to the concerns raised by some individuals in their focus groups, but then of presuming that the solution to these concerns is whiteness—a "neutral" ethnicity—that is representative of "all Canadians." As Minelle Mahtani suggests, in this colour-blind configuration, "white is non-racial," and it erases the contributions of all other groups to Canadian society.[4] In the second example, the Occupy George movement uses money as a form of social media to discredit the pretense that currency is universally and equally available. It is precisely the inequalities of currency distribution that the infographics highlight, as they make starkly visible the uneven circulation of money and its concentration in the pockets of the wealthy. In this example, it is the faultlines of class that have prompted a visceral response.

While I do not want to overburden these examples with meaning, I do think that they are indicative of two things. First, currency is not just a neutral economic tool, as the economists would have it, but it embodies cultural, political, *and* economic values.[5] Moreover, while there has been a tendency for people to take for granted the money that passes through their hands, these examples suggest that people are not so quick to do so anymore. Second, these two examples affirm that states and currencies are intimately imbricated, even as this relationship is unravelling.

A detour through the historical relationship between Western states and currencies provides some insight into the contemporary challenges to currencies and the breakdown of confidence in them. Currency did not originate with the state, but by the twentieth century it was axiomatic that currencies were within the domain of the state, and the printing and issuing of money was an accepted marker of state sovereignty and territorial power. Eric Helleiner, who has undertaken the most extensive research of national currency formation, indicates that England is usually accredited with establishing the first homogenous national currency in the early part of the nineteenth century.[6] The spread of national currencies followed relatively quickly in parts of Europe such as France and Germany. The United States and Japan had created territorial currencies by 1914. In the interwar period, other independent countries in Europe, Asia, and the Americas followed, notably those countries, such as Canada, that had been part of the British Empire. Another group of national currencies emerged after WWII, in the newly decolonized countries of Latin America, the Middle East, Africa, and Asia.

As this brief historical genealogy suggests, the territorialization of currency has often accompanied movements for national independence. Indeed, while each national case is different, Helleiner suggests that there have been four main drivers: the desire to construct national markets, the promotion of both macroeconomic and fiscal goals, and the strengthening of national identities.[7] The monopoly over the issue of currency legitimized the role of the state. In turn, currencies were used to promote

ideas of the "imagined community" of the nation.[8] As states wrestled monopoly over currency out of the hands of private banks, it was adorned with images such as parliamentary buildings, figureheads, flags, and coats of arms.[9] But these images were not just sentimental: they both appealed to and legitimated public trust in the currency. Confidence in the state was absolutely essential for the smooth circulation of money, especially with the rise of paper currencies. For what else, other than trust, would make it possible for otherwise worthless pieces of paper to circulate?

The rise of states, national currencies, and liberal markets have thus gone hand in hand.[10] States have a foundational role in producing what Marx called "fictitious capital," that is, tokens of value that are not backed by any metal reserve.[11] It was common practice for issuing banks to circulate far more in currency than the wealth held in their reserves, e.g. gold ingots, which provided them with an income-generating loan. With the rise of nation-states, as banks became centralized they gained a monopoly over the money supply, and gradually took control over other monetary levers, such as interest rates.

When central banks printed money, they were financing government debt, in that the amount in circulation far surpassed state reserves.[12] The creation of national currencies effectively enabled a loan to the state—just as the Bank of England was formed in 1694 to lend money to King William III for his war against France. The trick that they play is thus to turn sovereign debt into public money. Or to put it differently, money is a form of "*socialized* debt."[13] This makes public confidence doubly important, for not only must the population trust the paper notes that pass through their hands, but they must do so to ensure that there is not a run on the currency, which would lead to its collapse, and the failure of their own economic and political system.

To assert that the circulation of national currencies is rooted in public trust is not to suggest that this relationship is unproblematic. Marieke de Goede has documented the complexity of Western finance over the last several centuries, and the heated debates over currencies, credit, debt, risk and speculation, which tend to be exacerbated in moments of crisis.[14] In the maelstrom of the early half of the twentieth century, this was certainly the case, as new configurations of currency and the social contract emerged. In many instances, the overprinting of currency was both a cause and consequence of spiralling economic problems. The interwar period was especially fraught. European countries were plagued by different combinations of hyperinflation, deflation, recession, unemployment, and of course, in the US there was the stock market crash, the impact of which resonated much more broadly. A return to a modified gold standard after WWI was an attempt to seek some stability.

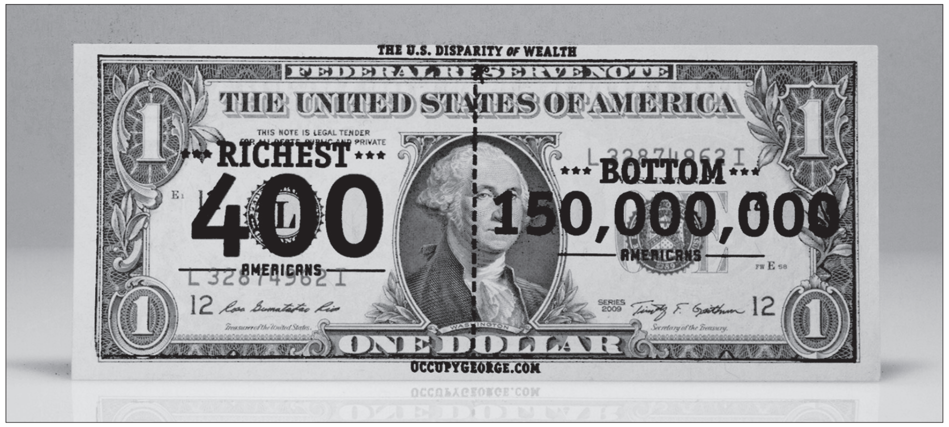
In the 1940s, public debt exploded to pay for the war and its aftermath. Again, governments sought to offset (or hide) their economic woes by printing extraordinary amounts of money, which only exacerbated their problems. WWII thus led to another search for currency stability, which resulted in the implementation of the Bretton Woods system that pegged Allied currencies to the US dollar, which was in turn pegged to gold. The thrust to internationalism, however, took place alongside the strengthening of nation-states. As Timothy Mitchell has described, the post-WWII period also marked the rise of the idea of the "national economy."[15] The economy became a geopolitically bounded, "knowable, calculable, and administrable object" in the purview of the nation-state.[16] States planned their economies, through maximizing national outputs and gross domestic product. This encouraged a new way of understanding the population, and asking "Who is productive?"[17] The state began to show an interest in protecting its human capital by encouraging productivity. At the same time, increasing labour struggles also meant that states became more interested in reducing unemployment. Thus, we find, after WWII, the rise of the concept of social citizenship, as articulated by T.H. Marshall, with the state providing "a modicum of economic welfare and security" for its citizens.[18]

One could say that post-WWII Western governments were offsetting their sovereign debt by repaying a public debt through social programs such as pensions, healthcare, and bonds.[19] Indeed, for David Graeber, the monetization of the national debt, for all its problems, has nonetheless "opened the way to seeing government itself as a moral debtor, of freedom as something literally owed to the nation."[20] Redistribution and investment in the social and built infrastructure were used to enlist the support of the population.[21] Yet, while there has been a tendency to romanticize state provisions in this era, it is important to emphasize that the system continued to be based upon a precarious foundation of state debt that indebted the population to the interests of the ruling classes. At the same time, there was certainly more scaffolding in place to prop up the system. As national debts—and public liability—started to climb, monies were directed to public interests. Capitalism was thus made palatable by smoothing out, to a certain degree, its intrinsic unevenness.

In the present crisis we find that the huge cracks in the financial system are being exposed: the economic advantages of the ruling classes have spiralled upwards while the protective scaffolding for the vulnerable has fallen. Confidence in currency, and in the economic system more widely, has been shaken. Yet at no time has the need for this confidence been as necessary to keep the system afloat—if that is what is desired.

The "fictitious capital" that worried Marx over 130 years ago has exploded, especially over the last 40 years. In 1971, Nixon suspended the convertibility of dollars into gold and brought about the end of the Bretton Woods agreement The connection between currency and metal reserves was broken. In the words of Philip Coggan, "From that point on, the final link with gold was removed and the ability of governments to run deficits, on both the trade and budget accounts, was vastly increased. Money and debt exploded."[22] Yet the problem was not so much that money was no longer rooted in gold or silver. Although their value appears to be "natural" or intrinsic, the value of metals is just as much of a social construct as paper. What the metallic anchor had ensured, however, was that there was a built-in limit to the system, determined by the natural scarcity of gold.

With the end of Bretton Woods also arose the creation of what Coggan calls "extra money."[23] Some of this was state money. As has been common practice in history, and as has been alluded to above, states produce more money to ease the repayment of their debts; this led to the high inflation of the 1970s. But the demise of Bretton Woods also reflected the rise of capital markets, and the importance of new financial instruments such as Eurodollars, Eurobonds, and derivatives.[24] Susan Strange has called these new instruments "mad



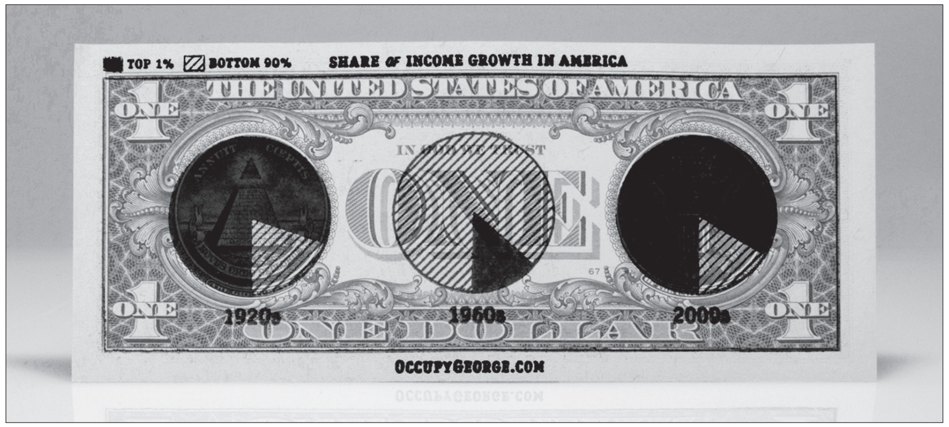
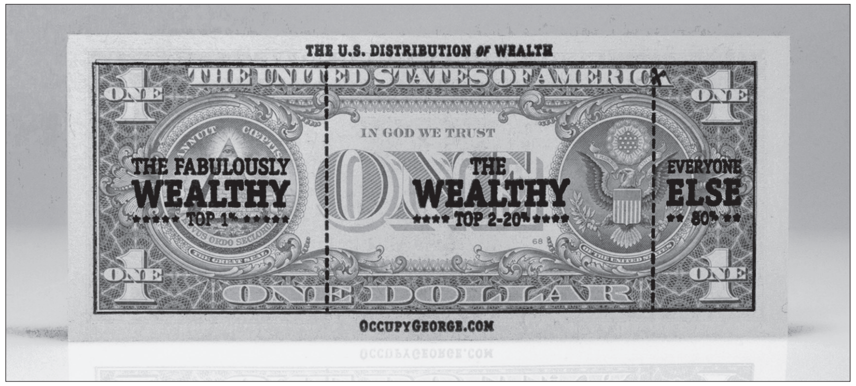


fig. 2–4



figs. 5–6

money."[25] Designed to manage and minimize risk by taking advantage of the volatility of the market, these "mad monies" now discipline the behaviour of states. They no longer have the same capacity to regulate their own currencies, but it is a problem of their own making, and even in their own interests and in the interests of their ruling classes.[26] As Nigel Dodd observes, the result is a huge disconnect that heightens the precariousness of the system: as finance has become more and more globalized, currency still tends to be territorialized in the nation-state.[27]

In the "developing" world, the end of Bretton Woods and the resultant devaluation of the dollar led to "a massive net transfer in wealth from poor countries, which lacked gold reserves, to rich countries, like the US and Great Britain, which retained them."[28] The rapid rise in the price of gold benefitted those countries that held gold reserves; in contrast, the plunging value of the US dollar drained the more impoverished countries, which held the dollar in reserve. In turn, the supra-national organizations that arose alongside the Bretton Woods agreement—the World Bank and the International Monetary Fund—reoriented their mandate to provide loans to now impoverished "developing" countries. In the 90s, their mandate would change again, to

the disciplining of indebted economies through structural adjustment that insisted upon more liberalization and marketization. Demands were also made that government spending be reduced to a bare minimum.

Similarly, Western economies were embracing liberalization, marketization, and reduced government spending. Attacks on labour were commonplace, as another mechanism for disciplining the economy. The result is a system that conspires to create more financial exposure and vulnerability for individuals, with no support structures. The profit-seeking interests of capital markets predominate, with no investment in public gains. This is exacerbated by the concomitant rise in consumer debt, through the role that capital markets plays in individual lives in the form of mortgages, credit card accounts, and instalment plans.[29] It is not unimportant that the current crisis was triggered by predatory financial practices and subprime loans made by private investment banks.[30] The impact has been felt unevenly. While the majority of those who have lost homes in the US have been white, there has been a disproportionate impact on African-American and Latino families, with other racialized groups also at high risk of foreclosure.[31]

It is almost unremarkable that the current crisis has unfolded, given the conditions for a perfect economic storm that have just been laid out. As with the interwar period described above, wartime spending and debt has spurred economic volatility, leading to widespread currency devaluation, recession, and unemployment. Yet today, there is less of a sense of transnational or international cohesion regarding possible solutions, and there is no new Bretton Woods system in the making. Not only does a much more individualist and competitive worldview predominate within a changing geopolitics of world power, but the authority of states has diminished. They are much more clearly beholden to markets and private interests, and much less interested in social welfare. What is perhaps especially remarkable about the current storm, however, is that the responses to the crisis have generated their own additional crises.

First, the US and UK have introduced Quantitative Easing (QE) to bolster their economies. This is a form of money creation, whereby central banks buy assets—largely government bonds—from financial firms in order to infuse the economy with currency. These assets are not bought with currency, but with electronic credits.[32] The assumption is that all the extra money created will be destroyed once the economy has kicked into gear. Despite this "fictitious"—and dubious—grounding, QE has appealed to Wall Street because it "props up the stock market and boosts their profits."[33] The impact on individuals and general society is less clear, although it is hoped, as the US enters its third round, or QE3, that the stimulated economy will have trickle-down effects on the consumer. But as Benjamin Kunkel cogently remarks, reading through Graeber:

> A far simpler and more effective monetary policy would have been for the government to print a new batch of money, distribute an equal amount to everyone, then sit back and watch as stagnant economies were stirred to life by the spending and debts were paid down and eroded by temporarily higher inflation. The inconceivability of such a policy is a mark not of any impracticability, but of the capture of governments by a financial oligarchy.[34]

Indeed, the public interest is secondary at best.

Second, banks and businesses have been frequently bailed out when they are poised to collapse. Effectively, "public debt [has] replaced private debt."[35] At the same time, there has been very little rescue of individual debtors.[36] Homes are foreclosed on, and coercive measures, including prison, are being used to achieve debt repayment.[37] Racialized communities have been disproportionately affected.[38] Moreover, government programs continue to be cut. In the words of Kunkel, "Western politicians meanwhile excuse their policies by alluding to the national debt. Austerity is required, they say, to placate the bond market—that is, the buyers of sovereign debt."[39] The public interest is not even secondary; it is off the table. Or to quote a popular Occupy Wall Street slogan, "The banks got bailed out, we got sold out!"[40]

This brings us back, after a long detour, to the images with which I began this paper. Public confidence in currency is wavering. A (much-warranted) currency crisis looms. Individual and national debt have exploded. All sense of the public, and of governments being responsible to and representative of the public, has been lost as the bankers and their interests take precedence. Fault-lines of race and class are being exacerbated with the increasing inequities between the bailed-out and the sold-out. But, while Graeber's notion that governments have a "moral debt" to pay the population is dissipating, the solution is not a return to a more powerful state, with more control over the currency and a government that "owes" its population social programs; it is rather to rethink this relationship from its foundations. Historicizing the connection between the state and currency both shows how intertwined this relationship has been, but also suggests that it is a historical accident, not an inevitability.[41] It has been sustained through military strength and state violence, directed outward as well as inward.

It is time to embrace this lack of confidence in currency and the state, and to interrogate the currency that passes through our hands. Only then will we be able to see what other alternatives there might be. ❍

ENDNOTES

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3 http://www.occupygeorge.com.
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6 Eric Helleiner, *The Making of National Money: Territorial Currencies in Historical Perspective* (Ithaca: Cornell University Press, 2003). See also

Emily Gilbert and Eric Helleiner, *Nation-States and Money: The Past, Present and Future of National Currencies* (New York: Routledge, 1999).
7 Helleiner, *The Making of National Money*, 15.
8 Benedict Anderson, *Imagined Communities: Reflections on the Origin and Spread of Nationalism* (London: Verso, 1992).
9 Emily Gilbert, "Forging a National Currency: Money, State-making and Nation-building in Canada," in *Nation-States and Money: The Past, Present and Future of National Currencies*, eds. Emily Gilbert and Eric Helleiner (London: Routledge, 1999), 25–46.
10 Karl Polanyi, *The Great Transformation* (Boston: Beacon Press, 1944).
11 Karl Marx, *Capital*, vol. 3 (New York: International Publishers, 1959).
12 This relationship is actually much more complicated, particularly in the present. The Federal Reserve, for example, mediates between the state and private or commercial banks. The Fed makes a loan to the US government by purchasing treasury bonds, but then lends money to US banks, which then monetize the debt. See David Graeber, *Debt: The First 5000 Years* (New York: Melville House, 2011), 365. The Fed prints money, but the commercial banks create "virtual money," and, as we will see below, there are many other forms of money creation today, such as derivatives, etc.
13 Nigel Dodd, "'Strange Money': Risk, Finance and Socialized Debt," *The British Journal of Sociology* 62, no. 1 (2011): 175–194; emphasis in the original.
14 Marieke de Goede, *Virtue, Fortune and Faith: A Genealogy of Finance* (Minneapolis: University of Minnesota Press, 2005).
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16 Peter Miller and Nikolas Rose, "Governing Economic Life," *Economy and Society* 19, no. 1 (1990): 5.
17 Ibid., 13.
18 T. H. Marshall, *Citizenship and Social Class and Other Essays* (Cambridge: Cambridge University Press, 1950), 6.
19 Benjamin Kunkel, "Forgive Us Our Debts," *London Review of Books* 34, no. 9 (2012): 23–29.
20 Graeber, *Debt*, 372.
21 Emily Gilbert, "Money, Citizenship, Territoriality and the Proposals for North American Monetary Union," *Political Geography* 26 (2010): 141–158.
22 Philip Coggan, *Paper Promises: Money, Debt and the New World Order* (Toronto: Penguin Books, 2011), 236.
23 Ibid., 236.
24 Ibid., 109.
25 Susan Strange, "The Westfailure System," *The Review of International Studies* 25, no. 3 (1999): 345–354.
26 Ibid.
27 The euro is clearly somewhat of an anomaly here. There is not enough room to delve in to the complexities of this example, but many of the same arguments around the role of national currencies apply to the euro, but are simply transposed to the transnational scale. Where there is a significant disconnect, however, is in the discrepancy between the currency and

financial markets—the currency is transnationalized, but bond markets still operate at a national scale. See Dodd, "Strange Money."

28 Graeber, *Debt*, 362.

29 Paul Langley, *The Everyday Life of Global Finance: Saving and Borrowing in Anglo-America* (Oxford: Oxford University Press, 2008), vii.

30 Dodd, "Strange Money," 182.

31 Debbie Gruenstein Bocian, Wei Li, and Keith S. Ernst, *Foreclosures by Race and Ethnicity: The Demographics of a Crisis*, Report by the Centre for Responsible Lending, 2010, http://www.responsiblelending.org/mortgage-lending/research-analysis/foreclosures-by-race-and-ethnicity.pdf.

32 Coggan, *Paper Promises*, 37.

33 Ibid., 5.

34 Kunkel, "Forgive Us Our Debts."

35 Coggan, *Paper Promises*, 4.

36 Individual debt for "assets" such as homes and education has soared since WWII. In fact, indebtedness for homeownership was encouraged by the state as a counter to communism. This was a highly racialized script, however, as redlining policies made it almost impossible for non-whites to access loans. See Andrew Ross, "Democracy and Debt," in *Is This What Democracy Looks Like?* eds. Cristina Beltrán, A.J. Bauer, Rana Jaleel, and Andrew Ross (2013), http://what-democracy-looks-like.com/democracy-and-debt.

37 Debtors are being jailed in more than a third of US states, often because of legal loopholes whereby they are in contempt of court if they fail to follow up on court summons. See Alain Sherter, "Jailed for $280: The Return of Debtors' Prisons," CBS *Money Watch*, Monday, 23 April, 2012, http://finance.yahoo.com/news/jailed-for--280--the-return-of-debtors--prisons.html. The American Civil Liberties Association has documented the rise of debtors' prisons in the US in its 2010 report *In for a Penny: The Rise of America's New Debtors' Prisons,* http://www.aclu.org/files/assets/InForAPenny_web.pdf#page=82.

38 Bocian, Li, and Ernst, *Foreclosures by Race and Ethnicity.*

39 Kunkel, "Forgive Us Our Debts."

40 Notably, the Occupy movement has put forth several initiatives specially targeted at debt reduction or elimination, such as the Strike Debt movement (www.strikedebt.org) with its Rolling Jubilee project, and the Occupy Student Debt Campaign. See Ross, "Democracy and Debt."

41 Gilbert and Helleiner, *Nation-States and Money*; Gilbert, "Common Cents."

FIGURES

1 Bank of Canada $100 bill (http://www.thestar.com/business/article/1243067--image-of-asian-looking-woman-banned-from-new-100-bills-after-complaints).

2–6 Overprinted $1 US by Occupy George (http://www.occupygeorge.com).

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