



Money as *Res Publica*

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Our current monetary system is a public-private banking hybrid dominated by private interest, often at the expense of public purpose. This article proposes a conception of money as a “common credit” *res publica*—“a thing of the public”—such that banker powers of money creation and allocation (through lending) are held in trust and subject to regulation or replacement. The idea of common credit underwrites the conditional legitimacy of private bank money creation and the inherent legitimacy in public banking. It supports citizen objections to private banker domination, and it excludes banker claims of regulatory domination entirely.



ARTICLE

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[W]e must republicanize the currency.
Pierre-Joseph Proudhon (1840)

I. Introduction

Today nearly every state delegates its sovereign power to create money by and large to private banks. In what lawyers call the “finance franchise,” most money, in most countries, is created—and allocated—at private banker discretion, simply for private profit, without regard for, and often at the expense of, public interest (e.g., in financial stability, development, or climate adaptation).¹

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1. As financial lawyers Robert Hockett and Saule Omarova explain, the public franchises private bank lending—in effect farming out sovereign money creation—in a sort of quality-control pact: governments permit (via charters) banks to monetize the full faith and credit of the public, while themselves ensuring uniformity in quality of bank issuances across space and time, putatively for the benefit of the economy and the public. Robert Hockett and Saule Omarova, “The Finance Franchise,” *Cornell Law Review* 102 (2017): 1143–1218, <https://doi.org/10.31228/osf.io/vrabq>. See also Robert Hockett, “Finance without Financiers,” *Politics and Society* 47, no. 4 ([2015] 2019): 491–527, <https://doi.org/10.1177/0032329219882190>; Robert Hockett, *The Citizens’ Ledger: Digitizing Our Money, Democratizing Our Finance* (Cham: Palgrave Macmillan, 2022): chs. 3–5, <https://doi.org/10.1007/978-3-030-99566-9>; and Saule Omarova, “The People’s Ledger:

Political philosophers have long considered how institutions should distribute—and “pre-distribute”—resources.² They’ve paid little attention to money and its creation and allocation in the banking and financial system—an important form of pre-distribution.³

How to Democratize Money and Finance the Economy,” *Vanderbilt Law Review* 74, no. 5 (2021): 1231–1300, <https://doi.org/10.2139/ssrn.3715735>.

Further legal analysis includes Morgan Ricks, *The Money Problem: Rethinking Financial Regulation* (Chicago: University of Chicago Press, 2016), <https://doi.org/10.7208/chicago/9780226330464.001.0001>; Lev Menand, *Fed Unbound: Central Banking in a Time of Crisis* (New York: Columbia Global Reports, 2022): chs. 2–3, <https://doi.org/10.2307/jj.15507148>; Lev Menand and Morgan Ricks, “Rebuilding Banking Law: Banks as Public Utilities,” *Yale Journal on Regulation* 41, no. 2 (2024): 591–651, https://scholarship.law.columbia.edu/faculty_scholarship/4504/; Morgan Ricks, Ganesh Sitaraman, Shelley Welton, and Lev Menand, *Networks, Platforms, and Utilities: Law and Policy* (Lulu Press, 2022), <https://scholarship.law.columbia.edu/books/349/>. For discussion for a broad audience, see Robert Hockett and Aaron James, *Money from Nothing: or Why We Should Stop Worrying About Debt and Learn to Love the Federal Reserve* (Brooklyn: Melville House, 2020).

2. On pre-distribution see Liam Murphy and Thomas Nagel, *The Myth of Ownership: Taxes and Justice* (New York: Oxford University Press, 2002), <https://doi.org/10.1093/0195150163.001.0001>; Martin O’Neill and Thad Williamson, “The Promise of Predistribution,” *Policy Network* (2012); Martin O’Neill, “Piketty, Meade and Predistribution,” *Crooked Timber*, December 17, 2015, <http://crookedtimber.org/2015/12/17/piketty-meade-and-predistribution/>; Martin O’Neill, “Philosophy and Public Policy after Piketty,” *Journal of Political Philosophy*, 25, no. 3 (2017): 343–375, <https://doi.org/10.1111/JOPP.12129>; Martin O’Neill, “Justice, Justification and Monetary Policy: The Case of Quantitative Easing,” (unpublished manuscript, 2017); Martin O’Neill, “Power, Predistribution, and Social Justice,” *Philosophy* 95, no. 1 (2020): 63–91, <https://doi.org/10.1017/S0031819119000482>; Alan Thomas, *Republic of Equals: Predistribution and Property-Owning Democracy* (New York: Oxford University Press, 2016), <https://doi.org/10.1093/acprof:oso/9780190602116.001.0001>; T. M. Scanlon, *Why Does Inequality Matter?* (Oxford: Oxford University Press, 2018), 102, <https://doi.org/10.1093/oso/9780198812692.001.0001>.

3. For legal aspects of “coding” capital, see Annelise Riles, *Collateral Knowledge: Legal Reasoning in the Global Financial Markets* (University of Chicago Press, 2011), <https://doi.org/10.7208/chicago/9780226719344.001.0001>; Katharina Pistor, “A legal theory of finance,” *Journal of Comparative Economics*, 41, no. 2 (2013): 315–330, <https://doi.org/10.1016/j.jce.2013.03.003>; Katharina Pistor, “Money’s Legal Hierarchy,” in *Just Financial Markets: Finance in a Just Society*, ed. Lisa Herzog (Oxford: Oxford University Press, 2017), <https://doi.org/10.1093/oso/9780198755661.003.0008>; Katharina Pistor, *The Code of Capital: How the Law Creates Wealth and Inequality* (Princeton: Princeton University Press, 2019), <https://doi.org/10.1515/9780691189437>. For the economics of capital generally, see Thomas Piketty, M. Guillot, B. Garbinti, J. Goupille-Lebret and A. Bozio, “Pre-distribution versus redistribution: Evidence from France and the US,” *VoxEU.org*, Nov. 18, 2022, <https://cepr.org/voxeu/columns/pre-distribution-versus-redistribution-evidence-france-and-us>. A recent exception in philosophy is Peter Dietsch, “Money Creation, Debt, and Justice,” *Politics, Philosophy, and Economics*, 20, no. 2 (2021): 151–179, <https://doi.org/10.1177/1470594X21999736>, who emphasizes the role of collateral in money creation (quoting Marx’s 1844 Comments on James Mill: “credit is given only to him who already has, and is a new opportunity for accumulation for the rich man”).

The broader literature by philosophers on money, credit or debt (without focus on private money creation) includes Sanjay Reddy, “Just International Monetary Arrangements,” in *Global Institutions and Responsibilities: Achieving Global Justice*, eds. C. Barry & T. Pogge (Oxford: Blackwell Publishing, 2005), <https://doi.org/10.2139/ssrn.948736>; Peter Dietsch, *Catching Capital: The Ethics of Tax Competition* (New York: Oxford University Press, 2015), <https://doi.org/10.1017/9780198755661>.

In this discussion I question the legitimacy of the finance franchise from a republican perspective.⁴ It's not obvious how, if at all, standard republican

org/10.1093/acprof:oso/9780190251512.001.0001; Dietsch, "Money Creation, Debt, and Justice"; Clément Fontan, François Claveau, and Peter Dietsch, "Central Banking and Inequalities: Taking off the Blinders," *Politics, Philosophy & Economics* 15, no. 4 (2016): 319–357, <https://doi.org/10.1177/1470594X16651056>; Peter Dietsch, François Claveau, and Clément Fontan, *Do Central Banks Serve the People?* (Cambridge: Polity Press, 2018); Alexander X. Douglas, *The Philosophy of Debt* (London: Routledge, 2016), <https://doi.org/10.4324/9781315681009>; Johannes van 't Klooster, *How to Make Money: Distributive Justice, Finance, and Monetary Constitutions* (PhD thesis, Department of Philosophy, University of Cambridge, 2017); Jens van 't Klooster, "Central Banking in Rawls' Property-Owning Democracy," *Political Theory* 47, no. 5 (2018): 674–698, <https://doi.org/10.1177/0090591718810377>; Jens van 't Klooster, "The Ethics of Delegating Monetary Policy," *Journal of Politics* 82, no. 2 (2020): 587–99, <https://doi.org/10.1086/706765>; O'Neill, "Philosophy and Public Policy after Piketty"; O'Neill "Justice, Justification and Monetary Policy"; Marco Meyer, "The Right to Credit," *Journal of Political Philosophy* 26, no. 3 (2018): 304–326, <https://doi.org/10.1111/jopp.12138>; Lisa Herzog, "Global Reserve Currencies from the Perspective of Structural Global Justice: Distribution and Domination," *Critical Review of International Social and Political Philosophy* 24, no. 7 (2021): 931–953, <https://doi.org/10.1080/13698230.2019.1616441>; Joshua Preiss, "Did We Trade Freedom for Credit? Finance, Domination, and the Political Economy of Freedom," *European Journal of Political Theory* 20, no. 3 (2021): 486–509, <https://doi.org/10.1177/1474885118806693>; Leah Downey, "Delegation in Democracy: A Temporal Analysis," *Journal of Political Philosophy* 29, no. 3 (2021): 305–29, <https://doi.org/10.1111/jopp.12234>; Joseph Ferret Mas, "Distributive Justice, Political Legitimacy, and Independent Central Banks," *Res Publica* 30 (2024): 1–18, <https://doi.org/10.1007/s11158-023-09619-x>.

Relevant works by the author include Aaron James, "Money as a Currency of Justice," *The Journal of Contemporary Legal Issues* 23, no. 2 (2022), <https://digital.sandiego.edu/jcli/vol23/iss2/3/>; Aaron James, "Money, Recognition, and the Outer Limits of Obliviousness," *Synthese* 202, no. 2 (2023): 1–24, <https://doi.org/10.1007/s11229-023-04252-w>; Aaron James, "Rawls, Lerner, and the Tax and Spend Booby-Trap: What Happened to Monetary Policy?", in *A Theory of Justice at 50*, ed. Paul Weithman (Cambridge: Cambridge University Press, 2023): 60–77, <https://doi.org/10.1017/9781009214704.005>; Aaron James, "Money in the Social Contract," in *The Philosophy of Money and Finance*, eds. Joakim Sandberg and Lisa Warenski (Oxford: Oxford University Press, 2024), <https://doi.org/10.1093/oso/9780192898807.003.0013>; Aaron James, "The Credit-Money Hierarchy: A Republican, Egalitarian Appraisal," *Wisconsin International Law Journal* 42, no. 2 (2025): 117–141, <https://doi.org/10.59015/wilj.SHYM9339>; Aaron James, "Kant, Innes, and the Copernican Turn in Monetary Theory," in *The Palgrave Handbook of Philosophy and Money*, ed. J.J. Tinguely (Cham: Palgrave Macmillan, 2024), https://doi.org/10.1007/978-3-031-54140-7_12; Aaron James, "Does Adam Smith Have a Theory of Money?" *Social Philosophy and Policy*, forthcoming; and *Money from Nothing* (with Robert Hockett).

4. By "legitimacy" I mean "basic justice," a sub-set of relatively important justice issues. "Legitimate" means simply "not illegitimate," for meeting certain basic justice requirements. I use this minimal normative notion for simplicity; it is compatible in many cases with richer notions, which I merely don't focus on. My usage is consistent with Bernard Williams, "Realism and Moralism in Political Theory," in *In the Beginning was the Deed*, ed. Geoffrey Hawthorne (Princeton: Princeton University Press, 2005), <https://doi.org/10.1515/9781400826735.1>; and practice-based justification in Aaron James, "Constructing Justice for Existing Practice: Rawls and the Status Quo," *Philosophy and Public Affairs*, 33, no. 3 (2005): 281–316, <https://doi.org/10.1111/j.1088-4963.2005.00034.x>; Aaron James, *Fairness in Practice: A Social Contract for a Global Economy* (New York: Oxford University Press, 2012), <https://doi.org/10.1093/acprof:oso/9780199846153.001.0001>; Aaron James, "Why Practices?" *Raison Politiques* 51, no. 3 (2013): 43–61, <https://doi.org/10.3917/rai.051.0043>.

principles for political and civil matters apply to the dynamics of contemporary finance.⁵ Yet I submit that republican thought can be helpful and telling. What's needed is a constructive retrieval, a re-fashioning of ideas from one or more republican traditions for finance in our time.⁶

The revival of Roman republican thought, in the work of Quentin Skinner and Philip Pettit, suggests drawing forward concern for liberty—perhaps understood, as for Pettit, as the absence of domination.⁷ The idea of domination does apply to bank money creation decisions, as I'll explain. Yet it is not the only or even the most central way republican thought is relevant to money and banking. In this discussion I refurbish a further coin of legitimacy assessment, which in turn shapes who has standing to lay claim to domination and when: that old Roman notion of a *res publica*, “a thing of the public.” As I explain, the fact that money is a thing of the public, understood as “common credit,” grounds sweeping moral criticism of the finance franchise.

My argument begins from a thesis about the nature of money itself, what I call the thesis of “Common Credit.” Turning to moral justification, I assume the framework T.M. Scanlon calls “what we owe to each other” and defend a legitimacy condition on how common credit is used. Roughly, because a banker monetizes the combined confidence of its users, they in turn have a right to withdraw faith. Banker powers of money creation and allocation, through lending, are thus held in trust and subject to revocation and/or discipline, conditional upon ongoing service to common interest (the “Trust Principle”). Turning to forms of banking, I motivate two administrative prin-

5. I mean familiar principles such as a “right to non-arbitrary treatment,” “due process of law,” “equality before the law,” “rule by law not by men,” “sovereignty held by the people,” “political power held in trust, subject to vigilant accountability,” “liberty as a basic right of the citizen,” and so on.

6. Pettit suggests drawing from traditional republican ideas and “generating a novel way of thinking about freedom and government in the contemporary world,” in “Two Republican Traditions,” in *Republican Democracy: Liberty, Law and Politics*, eds. Andreas Niederberger and Philipp Schink (Edinburgh University Press, 2013), 169, <https://doi.org/10.3366/edinburgh/9780748643066.003.0008>. I would put this project, applied to money and finance, as one of “constructive interpretation,” as in other areas of law or normative political philosophy. See, e.g., Ronald Dworkin, *Law's Empire* (Cambridge, MA: Belknap/Harvard University Press, 1986) and James, “Constructing Justice for Existing Practice”; James, *Fairness in Practice*; James, “Why Practices?” Thomas, *Republic of Equals*, can likewise be read as offering republican constructive interpretation of Rawlsian themes.

7. Quentin Skinner, *The Foundations of Modern Political Thought, Volume 2* (Cambridge: Cambridge University Press, 1978), <https://doi.org/10.1017/CBO9780511817892>; Philip Pettit, *Republicanism: A Theory of Freedom and Government* (New York: Oxford University Press, Clarendon Press, 1997), <https://doi.org/10.1093/0198296428.001.0001>; Philip Pettit, *A Theory of Freedom: From the Psychology to the Politics of Agency* (New York: Oxford University Press, Polity Press, 2001); Philip Pettit, *On the People's Terms* (Cambridge: Cambridge University Press, 2012), <https://doi.org/10.1017/CBO9781139017428>; Philip Pettit, *The State* (Princeton: Princeton University Press, 2023), <https://doi.org/10.1515/9780691244396>.

ciples (the “Neutrality Principle” and the “Simple Presumption”). Together with the Trust Principle, each principle challenges the legitimacy of the modern finance franchise and, subject to empirical considerations, helps to justify greater reliance on public banking.

This argument speaks to a larger question: Does monetary cooperation generate issues of legitimacy or basic justice in its own right? Few political philosophers have considered whether moral principles are justified *in virtue of monetary cooperation* in its own right—quite aside from, and without assuming, independent justice demands that money or banking might serve instrumentally.⁸ My argument shows how some moral principles can be so justified, for and from monetary practice, once money is properly interpreted in terms of the combined, common credit of its users.⁹

I also claim this characterization gives meaning, in one morally relevant sense (which I specify), to the idea that money is a *res publica*, even in the absence of a state. This does not assume a general theory of what a “thing of the public” is, be it the state, public safety, public utilities, or public health. The present argument claims only that the distinctive promissory nature of money and banking gives meaning and moral significance to the republican idea of money as a public thing. It grounds one important form of moral assessment, even if other forms are as or more important. To situate the idea of money as a public thing in the republican tradition, I also consider how it shapes claims against domination.

Section II presents the thesis of Common Credit. Section III specifies a sense in which money is thus a “public thing,” which in turn grounds the Trust Principle. Section IV motivates the Neutrality Principle and the Simple Presumption. Section V applies the foregoing to the modern finance franchise. Section VI turns to domination, explaining how the idea of money as a *res publica* bolsters citizen objections to banker domination and excludes banker claims against regulatory domination. Section VII closes by comparing “free banking” republicanism.

II. Common Credit

The idea of money as a *res publica* was expressly applied to sovereign coinage at least since Jean Bodin.¹⁰ On one explanation, money is a public thing in

8. For discussion see James, “Money as a Currency of Justice.”

9. I rely on a practice-dependent method for justifying basic principles from and for independently interpreted social practices, in the present case, monetary practices. See James, “Constructing Justice for Existing Practice,” James, *Fairness in Practice*, and James, “Why Practices?”

10. Jean Bodin, *On Sovereignty: Four Chapters from the Six Books of the Commonwealth* (Cambridge: Cambridge University Press, [1576] 1992), <https://doi.org/10.1017/CBO9780511802812>.

just the way law is. Money is a “creature of law,” whether of the state or some political authority (perhaps an ancient religious authority), as according to a state “chartalists.”¹¹ Whatever republican principles bear on *any* exercise of sovereign legal authority would thus apply to money and banking automatically. A republic’s money would have to be issued and managed “on behalf of the people,” subject to public accountability, by appropriately representative or responsive political organs, including public banks and financial regulatory authorities.

While this may be true of state moneys, it’s not true of money or banking, *per se*. Neither requires a political authority, conceptually speaking. Classical economics is right about that, but misleading about the way money arises “endogenously,” from within an economy. The classical picture speaks broadly of “exchange” aided by a “means of exchange,” but fails to distinguish mere barter from *monetary* exchange, which is to say, settlement of a debt for a good or a service by a recognized credit or “means of payment.”¹² This lack of clarity in turn obscures the relation between money and the state: credit money, founded in part on confidence in redemption “from below,” is part and parcel of the society-state nexus and any state’s legitimacy. A state’s legitimacy turns ultimately on its keeping confidence in a “monetary social contract,” run around procuring (e.g., through work), spending, and paying debts, including tax debts, in the state’s means of payment.¹³ State chartalists correctly highlight the predominance of state money issuance; they obscure the nature and importance of trust or confidence “from below,” which equally animates stateless monetary cooperation.

I assume a money is just a sort of promise: a promissory IOU one can spend, i.e., an understood, widely enough accepted means of payment or debt settlement—“that which pays.”¹⁴ An item is thus only *money* given the “full faith and credit” of the people using it, together honoring claims to its

11. G. F. Knapp, *The State Theory of Money*, trans. Augustus M. Kelley, [1924] 1973; Abba Lerner, “Money as a Creature of the State,” *The American Economic Review* 37, no. 2 (1947): 312–7. Though Knapp is most closely associated with state chartalism, I take it that even he accepts that state money is but one instance of money as a means of payment. J. M. Keynes, who cites Knapp approvingly, is also ambivalent, referring to the acceptance in a “state or community,” in *A Treatise on Money*, Vol. 1 and 2 (Macmillan & Co., 1930), 4, note 1 (italics mine).

12. James “Money, Recognition, and the Outer Limits of Obliviousness”; James, “Does Adam Smith Have a Theory of Money?”

13. See James, “Money in the Social Contract,” drawing from Innes.

14. That is, whether by law or custom, a money is whatever it is that people together count or recognize as settling enough debts in their credit and debt accounting—be it clay bars, coins, or banker IOUs. See Hockett and James, *Money from Nothing*, ch. 1. A “means of payment” is not to be confused with a mere “means of exchange,” which may or may not be understood to settle debts—see James “Money, Recognition, and the Outer Limits of Obliviousness”; James, “Does

redemption in settlement of debts, as I'll explain. This in turn gives sense to the idea that a money "belongs to" the users who give it currency, a sense in which it is "their thing," even without state issuance.¹⁵

The remainder of this section develops this thought in a stylized model of stateless monetary cooperation founded upon trust alone.¹⁶ To begin, we assume no bankers. All members are money issuers: they each begin on a relatively equal footing in their powers to make promises and credibly create their common money. We then introduce special banker powers, extended in trust. State empowerment of bankers, as in the finance franchise, is a still further step, discussed later.

In Smith's famous parable on the origin of money, a butcher and baker find that they do not have goods to barter with each other—the baker has bread and wants meat, while butcher, who has meat, has no need of bread. Smith was simply wrong to say that "No exchange can, in this case, be made between them."¹⁷ As British financier and diplomat A Mitchell-Innes explained, the baker can simply pay the butcher for meat in *a credit*—he can pay today in a promise to pay.¹⁸

The baker could of course always just *borrow* the meat on credit, settling the debt by returning with some good or service later (e.g., Tuesday, for hamburger today). Then the debt between them would remain outstanding (not being settled until Tuesday). But supposing the pair wished to settle *today*,

Adam Smith Have a Theory of Money?" For credit/debt theories more focused on state money, see Keynes, *Treatise on Money*; Douglas, *Debt*.

15. My analysis of monetary cooperation and my overall argument about its moral significance do not assume any particular social ontology—so long as the analysis preserves the collective nature of "combined" common credit, as I call it below. I propose an "ideational" social ontology elsewhere. For the case of money, see James, "Money, Recognition, and the Outer Limits of Obliviousness." For "ideational structure" generally, see Aaron James, "Ideational Structure," *Social Philosophy and Policy* 41, no. 1 (2024): 126–138, <https://doi.org/10.1017/S0265052524000359>.

16. Real world examples of credit-money cooperatives include Local Exchange Trading Systems. See "Local exchange trading system," Wikimedia Foundation, last modified Aug. 12, 2025, 11:59 (UTC), https://en.wikipedia.org/wiki/Local_exchange_trading_system. I take it my points about common credit also apply to alternative hypothetical genealogies, including traditional ones that imagine gold emerging as a medium of exchange and backing "fractional reserve" banking.

17. Adam Smith, *The Wealth of Nations*, ed. Edwin Cannan (New York: The Modern Library, [1776] 1994), I.vi.2.

18. A. Mitchell Innes, "What Is Money?" *The Banking Law Journal*, 30 (1913): 377–408, <https://www.community-exchange.org/docs/what%20is%20money.htm>; A. Mitchell Innes, "The Credit Theory of Money," in *Credit and State Theories of Money*, ed. L. Randall Wray, (United Kingdom: Edward Elgar Publishing, 2004), 50–78, <https://doi.org/10.4337/9781843769842.00008>. On credit money see also R. G. Hawtrey, *Currency and Credit* (London: Longmans, Green and Co., 1919); Robert Hockett, "Rousseauvian Money," *Cornell Legal Studies Research, Paper Series* No. 18–48, <http://dx.doi.org/10.2139/ssrn.3278408>; Hockett and James, *Money from Nothing*, ch. 7.

they can still exchange: they simply swap debts. The baker owes the butcher for meat today; but supposing the baker is also owed candlesticks by the candlestick maker, these debts might cancel. If the butcher wanted candlesticks, the baker could settle with the butcher, today, by passing along the candlestick maker's credit. The butcher would still hold the *candlestick maker's* IOU, an outstanding debt. But the *baker* would have swapped himself out of the picture; he *paid* the butcher, today, in transfer of an IOU. The butcher and the baker themselves, they're "square" in final settlement.

And if debt swapping in this fashion is convenient, a community could make a practice of it. They just reach a certain understanding: the IOUs created in promising are likewise transferrable among its all its members. Being widely accepted as payment for meat, bread, beer, shoes and the like, the IOUs become credit money. The butcher could now equally accept an IOU from the baker, in full payment today, as spendable credit money, which he could spend or save. To spend, he'd transfer the IOU to the cobbler for shoes, who himself might pay it to the doctor for an examination, who herself might finally buy bread from the baker. If he saves instead, while continuing to sell meat for further IOUs, he may soon be in surplus relative to the cooperative, perhaps with designs of becoming a capitalist.

Such a cooperative could run well enough by an informal "trust and verify" method, in the absence or the shadow of a state.¹⁹ When a claim to an IOU's redemption is made but not honored—e.g., the cobbler offers to pay for dental services but the dentist refuses—the claim might be enforced by requests or demands, aided by a sense of fairness, and, if necessary, risks or threats to reputation and future business. Durable trust could be secured in further arrangements, such as common standard for what is promised, in some arbitrarily selected unit of account. While memory or scrip or notebooks might serve for a time, given faulty memories and ease of confusion, it will also help to track shifting credits and debts, deficits and surpluses, in a reliable and public fashion. For added convenience, a scorekeeper could keep records as well as offset credits and debts against each other at the end of each day.

In theory, the scorekeeper job could be rotated; no one member would keep records or create IOUs in any special capacity, i.e., as a *banker*. Given their similar reputations for fidelity, in a culture of promissory accountabil-

19. In fact modern monies emerged before or in parallel with sovereign coin in "bills of exchange" issued and accepted at fairs in an inter-European bank network. Marie-Therese Boyer-Xambeu, Ghislain Deleplace and Lucien Gillard, *Private Money and Public Currencies: the Sixteenth Century Challenge*, trans. Azizeh Azodi (New York: Routledge Press, 1994), <https://doi.org/10.4324/9781315491059>.

ity, each member's IOUs might be trusted by presumption, absent special reason to discount their value. Even with no banker enjoying privileged position, the promises of each are backed by the credibility of *the cooperative itself*. They're vouchsafed by its animating common understanding, which itself helps secure the promise of ongoing redemption within the network of trust.

At the same time, banking does bring many conveniences and blessings—greater riches and wealth, for instance. A trusted banker could “intermediate” between borrowers and lenders, saving them the trouble of finding each other, for a fee. She could also simply create money “out of thin air”—by making promises.²⁰ She needn't fund her IOUs with IOUs “held in reserve” (though reserve assets may bolster her credibility). In extending a loan, she creates a promissory IOU on her say so, “from nothing,” which the borrower can then spend as credit money in the larger economy.²¹ The banker's IOUs are “funded” in the first instance by their wide acceptance. They're widely accepted for being ranked highly enough in a hierarchy of credit, a (perhaps implicit) ranking of the quality of promises to pay.²²

Whether as an intermediary or money creator, the banker is lending, but at the same time borrowing from her depositors, accepting in exchange their

20. Perry Mehrling, *The Money Interest and the Public Interest: American Monetary Thought, 1920–1970* (Harvard University Press, 1997), <https://doi.org/10.4159/9780674059610>; Perry Mehrling, *The New Lombard Street: How the Fed Became the Dealer of Last Resort* (Princeton: Princeton University Press, 2011), <https://doi.org/10.1515/9781400836260>; Perry Mehrling, “The Inherent Hierarchy of Money,” in *Social Fairness and Economics: Economic Essays in the Spirit of Duncan Foley*, eds. Lance Taylor, Armon Rezai, Thomas Michl (Routledge, 2013), <https://doi.org/10.4324/9780203109502-27>; Perry Mehrling, “Payment versus Funding: The Law of Reflux for Today,” in *Monetary Economics, Banking and Policy*, eds. Penelope Hawkins and Ioana Negru (Routledge, 2022), <https://doi.org/10.4324/9781003142317-8>; Richard Werner, “Can Banks Individually Create Money Out of Nothing?—The Theories and the Empirical Evidence,” *International Review of Financial Analysis*, 36 (2014): 1–19, <https://doi.org/10.1016/j.irfa.2014.07.015>; Hockett and James, *Money from Nothing*, ch. 9.

21. Note that neo-classical economics long acknowledged this point in the guise of what Knut Wicksell called “bank money,” which John Hicks later termed banker “fountain pen money.” It nevertheless failed to reckon with the importance of “endogenous” money (created by banks *within* an economic system). That reality did not mesh with the standard view that money is but a “neutral veil” for “real” relations of exchange of production, with banks merely “intermediating” between savers and borrowers for a fee. This renders them inconsequential, aside from temporary disruptions (to be managed by monetary policy). The fact that that “endogenous money” was not “neutral” and shaped production was better appreciated by others, including the American institutional school, J.M. Keynes and many Keynesians (at least outside the neo-classical “synthesis”), Joseph Schumpeter and other “Austrians,” among other traditions in “heterodox” economics.

22. Mehrling, “The Inherent Hierarchy of Money”; Mehrling, “Payment versus Funding.”

own IOUs in promises to pay. The two parties swap promissory debts.²³ At the banker's discretion, she'll issue a promissory IOU to a loan applicant, which is her liability and the borrower's asset. She'll do that given the borrower's own promise to repay (perhaps with interest), which, as his own IOU, is his liability and her asset. He'll swap his IOU for hers, which is a "demand deposit" that he can spend on things of value with others who might not trust his personal IOUs for wider redemption.

An extraordinary power is thus created, which should raise questions of legitimacy of concern to any community. Bankers not only create money "from nothing" on the strength of their promises; they also *allocate* it, in the very act of creation, affording it to certain parties and not to others. For being shown a banker's favor, a spendable IOU is afforded to me, say, *rather* than, say, you, another loan applicant, perhaps of equal credit (perhaps the banker didn't like your manners or your skin color, or applied established credit standards arbitrarily). Fairly or unfairly, I'm suddenly richer than you, all else equal, in money—which may give you grounds for complaint. An *elastic* credit money system—in which money expands as promises are made—is thus *inherently distributive*. Especially if a society comes to rely heavily on money, and a banker is the only or the main source of it, how could this not raise questions about how or on what terms monetary privilege for some could be acceptable to everyone?

One solution establishes a public bank. The bank issues IOUs expressly in the name of the cooperative, in the name of its common credit. Those IOUs assume top position in the hierarchy of credibility, becoming widely accepted as payment. While the bank may profit from lending, all decisions about money creation and allocation (perhaps made by a rotating committee) would be self-consciously aimed at and guided by some stated common interest objectives, being held to account by that promise. New IOUs issued would potentially change the value—the purchasing power—of any IOUs outstanding. But so long as the bank allocates them well—e.g., in ways that increase productive activity in goods and services, so that IOUs purchase steadily more than they otherwise would—the bank is directly serving common interests that motivate establishing a money in the first instance.

But suppose the cooperative declines to go this route. One enterprising member has left her job as a metalsmith, making promising her business.

23. For an overview, see Michael McLeay, Amar Radia and Ryland Thomas, "Money Creation in the Modern Economy," *Bank of England Quarterly Bulletin* (Q1 2014), <https://www.bankofengland.co.uk/quarterly-bulletin/2014/q1/money-creation-in-the-modern-economy>. See also Hockett and James, *Money from Nothing*, ch. 9.

For running a decent shop, skillfully and attentively accumulating local knowledge, her IOUs have become widely trusted for settling debts within the community, based on her private credibility. Being elevated in a hierarchy of credit, she's become their banker. She can swap IOUs and profit. She can issue money "from nothing" as she pleases—if only to purchase butter and bread, and perhaps a nice cottage. She can do well for herself, while making no promise to issue IOUs in the cooperative's name, based on its common credit, and no promise to serve common interest. Even so, if she shows due liberality, everyone will find greater ease of borrowing and lending, along with new productive activity or enjoyments that easier money enables. The division of labor is thus refined and the wealth of nations steadily augmented, as Adam Smith's good book says. As the banker gets richer, they all get richer together.

Still, and here's the essential observation: if they thus bank with her, she equally banks on them. The community's trust and acceptance of her IOUs for payments amongst themselves is what "funds" her business and livelihood. She's financed by *their shared confidence in each other*, and in effect monetizes it. Enough members must have confidence that enough others will accept her IOUs if they themselves are to accept them. And if they withdraw their confidence in her, she's lowered in the hierarchy of credit and back to metalsmithing. The banker's power to create and allocate their combined credit, by issuing IOUs at her discretion, is afforded "in trust," as a grant of faith, which the group could equally revoke given signs of bad faith.

In other words, the banker monetizes the *common credit* of the community. Specifically, her IOUs count as money among their many expected users, but not on the credible promise of redemption by any given member. They are funded on the group's *combined* credibility and general trust, secured in their common understanding. Call this claim about money the thesis of

Common Credit IOUs count as monetary only in virtue of the combined credibility of some group that can be expected to accept those IOUs, widely enough, in settlement of debts.

III. The Trust Principle

As a claim about money, the Common Credit thesis neither morally permits nor proscribes giving a banker special monetary powers. Assume it can be permissible, on the promise of service to common interest for the reasons noted (conveniency, durability, increased lending, a more productive divi-

sion of labor, rising standards of living, etc.). When special powers are afforded, their legitimacy from a moral perspective seems to come with strings. The group is not morally liable to abide any form of their use. Members of the group retain a right, for cause, to limit or withdraw the privilege their own common credit affords.

Why so? Because a basic social fact about banking is morally relevant. Again, if members of the cooperative bank with a banker, she equally banks on them, on their wider acceptance of her IOUs in payments amongst each other, in their confidence not just in her but in each other. That, ultimately, is what “funds” her business. Her own IOUs are raised to the status of money only by *what’s theirs*, their combined, common credit.

Their credibility is “common” because combined, but also “held in common.” It’s attributable as a property of the group taken collectively and, we might add, something that only “belongs” to them taken all together. And so there is a basic sense in which money is a “thing of the public,” in this case of the monetary cooperative itself, or all its members taken collectively. In that case, it seems from moral point of view that money users must enjoy moral immunity against certain appropriations of what’s theirs.²⁴ Were members of a monetary community to lack such a right, they’d be left exposed without recourse to any way their common credibility is used—in what could easily be the banker’s unfaithfulness, unfairness, exploitation, or domination. The risk of such misuse arises in any socially established hierarchy of credit. It becomes *especially* sharp when states delegate and entrench banker power—of which more later.

Accordingly, when allowing special money-creation powers isn’t working out for common interest, as per their grant of faith, members of a monetary community retain a moral right to exclude a banker from franchising their own credibility in redemption. If the banker stops being careful in her book-keeping, partial in her lending, or profits excessively, perhaps people get to talking. They agree, by rights, not to accept her IOUs any longer, or just run her out of town. Nor would a community be forced to contemplate forgoing the blessing of banking all together. A public bank can simply issue IOUs directly in the name of the common credit, promising to serve common inter-

24. Cicero finessed this point: coinage being a thing of the people, it not only belonged to the people, in the present sense, but had to come with further property-like ownership powers that only an aristocrat or ruler would exercise. My claim, to the contrary, is that at least one power of common ownership—exclusion—was or is available, morally, to a non-hierarchical cooperative. See Valentina Arena, “Popular Sovereignty in the Late Roman Republic: Cicero and the Will of the People,” in *Popular Sovereignty in Historical Perspective*, eds. Richard Bourke and Quentin Skinner (Cambridge: Cambridge University Press, 2016): 73–95, <https://doi.org/10.1017/CBO9781316418024.004>.

ests directly. Instead of appropriating the common credit for private interest, at private discretion, the bank can directly serve the common interests that motivate the need for money and banking in the first instance.

In sum, there's a good, morally relevant sense in which a money is a *res publica*. For being founded on its common credit, a money can be said to *belong to a group in common*, with the following morally relevant features:

- (i) The combined credibility in virtue of which IOUs rise to the status of money is *attributable to a group taken collectively*.
- (ii) Members of such a group enjoy a default *right of use*, i.e., a right to use those IOUs and thus rely on their common faith and credit.
- (iii) Members also enjoy *rightful immunity* against appropriation of their common credit, absent special justification (such as service to common interest).
- (iv) Members accordingly enjoy a default enforcement *right to exclude* (e.g., special banker use) in case of abuse, where special justification is not forthcoming.

This first condition is a thesis about money's social nature, whatever may be true morally. The remaining conditions specify ways monetary cooperation can be morally relevant. The bundle of rights could plausibly be established by convention or (perhaps implicit) understanding in a credit cooperative. As moral rights, their validity is independent of their recognition.

The rights listed do not say expressly whether it is morally permissible to establish special monetary powers. Our stylized model of how they are socially founded suggests the following regulative principle for their legitimacy.

The Trust Principle Absent special justification, in a credit money system founded upon common credibility and confidence, it is permissible to entrust bankers with special powers of money creation and allocation only if they serve common interest and can be and are revoked when they do not. Specifically: (i) their exercise must reliably serve common interest; (ii) they can permissibly be revoked for cause when they do not; and (iii) they must be revoked where feasible when performance is poor enough.

The Trust Principle is open to contractualist defense as a moral principle of "what we owe to each other."²⁵ What is right or wrong, just or unjust, per-

25. T. M. Scanlon, *What We Owe to Each Other* (Cambridge, Mass.; London: Belknap Press of Harvard University Press, 1998), <https://doi.org/10.2307/j.ctv134vmrn>.

missible or impermissible, is then a function of what regulative principles each of everyone affected can reasonably accept or reject, taking each person (or relevant standpoint) one by one. The strongest objection to a principle, based on how their relevant interests or claims compare, prevails. We then ask of a context: What are the relevant interests or claims? How do they compare? Which prevail?

Arguably, no one can reasonably object to banking as such, given its many conveniences and blessings. Most anyone has very good reason to object to being denied its benefits, in access to loans and consequent rising standards of living. Nearly everyone can reasonably insist on its permissibility in some form or other, public or private, so long as it serves common purposes. Those least advantaged by *one form* of banking may have a point; but they won't plausibly mount decisive objection to any banking at all. They can only reasonably insist upon better banking, which better serves their interests—e.g., well-run public banking, with a mandate to support people like them.

Among forms of banking, the users of a credit money will generally have potentially weighty objections to ways their common credit is used. Given a banker's unfaithfulness, unfairness, exploitation, or domination, they can't reasonably be asked to simply acquiesce. They'll have strong claims to be permitted remedial action, at the very least, de-monetization of an untrustworthy banker.²⁶

But if remedial action is morally permitted, is it always morally *required*? The Trust Principle allows "special justification" in considerations of practicality (e.g., feasibility, lack of decent alternatives, grace periods, benefit of any doubt in good faith, etc.). Perhaps a collectively rational effort to withdraw trust and de-monetize a banker's IOUs seems likely to fail for lack of mutual assurance among would-be reformers. Community members looking around won't be morally required to do the tragically impossible. At other times, when banker performance is poor enough, a de-monetization push may become required (inaction becomes impermissible) if political stars align, despite considerable uncertainty.

Can bankers themselves object to the Trust Principle? As formulated, it sidesteps immediate complaint. Trust must be withdrawn "for cause," given

26. Objections to domination, exploitation, etc. can block banker immunity to de-monetization in the way suggested but still retain force on the further question of what form of banking is acceptable, which I turn to momentarily. The Trust Principle is only a necessary condition for the permissibility of a form of banking. When forms of banking each serve common interest in some contextually relevant sense (e.g., they both support productivity and overall growth), appeal to domination might adjudicate between them. One could argue that domination complaints are rebutted by the fact of common interest service, but I don't assume that here.

some relevant conception of common interest in context. Otherwise, a banker could indeed reasonably complain. If suddenly looking at the pointed end of “populist pitchforks,” despite investing time and resources in good service to common interest, a banker would have good reason to herself object to domination or arbitrary treatment. When trust is withdrawn “for cause,” however, a de-monetized banker cannot plausibly complain of the mere loss of privilege as such. A banker may well have an *interest* in holding privilege and its continued economic benefits. But an interest in power and money is not necessarily a *morally relevant claim*, let alone sufficiently weighty grounds for reasonable complaint in comparison to the *users’* weighty objections.

Crucially, a banker was only ever afforded special monetary powers in the name of her service to common interest. The de-monetization of her IOUs is not, as such, a relevant reason for her to complain: for special monetary powers were always only a conditional grant of faith. And if a newly out-of-work banker asks what she is expected to do next, having forgone other (e.g. metalsmithing) activities, there will often be a fair answer, e.g., that she has been well remunerated for her troubles and now simply asked to pursue a different line of gainful employment (without having to leave town).

IV. Administrative Principles

The Trust Principle does not specify any sort of banking regime, be it private, public, or some blend. But its content and justification can still shape our presumptions about what forms of banking can or cannot be trusted to serve the common interests that justify having bankers at all.

Ever since Adam Smith’s *The Wealth of Nations*, it has often been assumed that private banking is legitimate and should be relied upon by society for its instrumental benefits—growth, rising standards of living, general welfare, and so forth. If public banking, including central banking, is needed (as Smith allowed), it serves common interest only where private bankers fail (given “market failures” in today’s version).

Smith’s vision was plausible in its day, given abusive sovereigns of the time.²⁷ But such was his extraordinary influence that, even as times changed, certain presumptions of an administrative nature, about how prudent, disciplined bankers could be trusted, became a starting point for respectable argument rather than a proposition in need of constant re-evaluation. Later empirical appeals—to the informational virtues of markets, or the check-

27. On why Smith lacked a theory of money but, partly for political reasons, relied on a metalist conception of bank discipline, see James, “Does Adam Smith Have a Theory of Money?”

ered history of state administrative management—operated against this presumptive normative backdrop.²⁸

As for the Trust Principle, one question is whether a Smithian presumption—in favor of private banking and against public banking—allows a community to effectively exercise its prerogative to re-define the banker job. If, for instance, private banking is presumed so firmly that public banks address only the very worst crises (e.g., waiting in the wings as a Bagehot-style lender of last resort), a community may have to abide serious abuse, exploitation, or domination (with or without a putative “market failure”). Even a seemingly technocratic presumption against precautionary management (e.g., to “wait and see” and merely “clean up the mess,” Greenspan-style) might disable timely action. A community would have to wait for profiteering bankers to cause financial and social ruin and only then, in the aftermath, move to a more cautious (perhaps still minimal) form of public management.

Other administrative presumptions are more plainly consistent with the Trust Principle’s letter and spirit. Consider two candidates. A first principle has us trust banking forms according to the best available evidence, continuously updated over time.

The Neutrality Principle Given money’s status as a public thing—common credit—its creation and allocation are only properly entrusted to the form of banking that can be expected, on the best available empirical grounds, to best serve common interest. All forms of banking—private, public or some blend—must reliably prove and continuously earn their keep.

A second, stronger principle treats public banking as trustworthy by default, subject to re-consideration by empirical trends.

The Simple Presumption Because money is founded upon common credit, public banking’s service to common interest is properly trusted by default, until it proves sufficiently unreliable. Private banks are not to be entrusted with money creation powers by default; they must prove and continuously earn their keep.

28. The Smithian view’s status as orthodoxy in over two centuries of classical and neo-classical economics goes well beyond what Smith claimed. In my reading, his original case for private banking was plausible progressive wisdom in his day, but never a narrowly empirical argument, in the contemporary social scientific sense. It carefully drew from worldly observation of commerce, moral sentiments and appraisal, and especially skepticism about existing credit money experiments and sovereign uses and abuses of money issuance. James, “Does Adam Smith Have a Theory of Money?”

On either principle, practical reasons (e.g., informational or political ones) may be said to favor entrusting the common credit to private banker hands, in certain times and places. But both principles undercut conventional banking wisdom since Smith: we should not trust private banking's service to common interest by default, relaxing the presumption only as necessary to give public banks limited supporting roles. Private banking may turn out not to be legitimate at all. It must earn its legitimacy continuously, conditional upon its *ongoing* service to common interest as times change, in view of the full range of available and emerging options, both private and public.²⁹

The Neutrality Principle relaxes the traditional Smithian presumption in favor of private banks. The Simple Presumption flips the presumption to favor public banks. But then why trust public banks by default? A simple answer is that public things are to be entrusted to public hands, absent compelling reason for not doing so. At the same time, the Simple Presumption is specifically about monetary cooperation and its management, which may work differently from other "public things" such as security, water or electricity. Why public banking should be trusted by presumption still must be explained. Furthermore, the Simple Presumption admits public banks can be proven "sufficiently unreliable." So why aren't we in any case deciding amongst banking regimes—public or private or some mix—on the best available empirical grounds, as per the Neutrality Principle?

One rationale—which I simply sketch—flows from a public bank's direct relation to common credit, suggested earlier. Like any bank, a public bank banks on combined confidence in acceptance of its IOUs. But, unlike a private bank, it issues those IOUs expressly in the name of the common credit, and promises *direct*, "hands on" service to the very common interests that justify banker powers in the first place. Again, decisions about money creation and allocation are *self-consciously aimed at and guided by* some stated common interest objectives, being held to account for that promise of direct service.

That promise must be trusted, to be sure, and to keep faith a public bank must deliver well enough. But, the idea goes, a public bank is a proper object of trust by default. Much in the way credible promisors are normally trusted by presumption to do as they promise, subject to promissory accountability in the "trust and verify" manner, a community can have good reason to presumptively extend faith to a public bank's project—subject to revocation

29. See also Downey, "Delegation in Democracy."

if it proves “sufficiently unreliable.”³⁰ By contrast, private for-profit bankers make no such promise in the first instance. If a private banking system can nevertheless be relied upon despite its inadvertent, “hands off” method of serving common interests, this cannot be presumed and must be established on a continuous basis.

To elaborate: for-profit bankers cannot be trusted—not to do what they do not promise to. Their enterprise is organized around methods of making money from money. They bank on common credit, appropriating it for profit, but make no express promise in its name, with no promise to serve common interests directly. If, as it happens, their lending activity turns out to serve common interest—as though by an “invisible hand”—it does so, from the point of view of any given banker’s profiteering, inadvertently. When common interests are thwarted (e.g., a crisis erupts), a given banker can correctly explain that they of course never promised other than to seek profit. They cannot be aptly called to account for breaking a common interest promise they never made. So they are quite unlike public bankers: they are allowed to be personally unaccountable to the community for serving the common interests that justify their monetary powers in the first instance.

Which is not to say private bankers shouldn’t be relied upon nevertheless, all things considered. But relying upon them is less like trusting a promisor of basic credibility than that of “trusting” a machine (such as the brakes in one’s car) to work as predicted, or betting on someone’s prudential self-interest (e.g., in steering and breaking to avoid collision). If a community is to forgo direct, good faith service to common interest, it can reasonably expect the best available evidence to continuously show that common interest is better served by a more inadvertent method—with no promises, and no promissory accountability. The element of inadvertence thus carries a standing burden of empirical justification (for private bankers to “prove and continuously earn their keep”)—the greater the reliance, the heavier the burden.

If the Simple Presumption thus has a rationale, present purposes don’t require establishing it over the Neutrality Principle. Along with the Trust Principle, both pose a basic challenge to the modern finance franchise—as

30. This is not to say any bank called a “public bank” should be trusted by default. Some organizations may not live up to the name, making no promise of common interest service, doing so as mere formality (while doing the dictator’s favors), or having fallen into corruption or rank incompetence. Nor must a public bank true to its name be government *owned*, as opposed to privately owned but defined by public service functions. (See Thomas Marois, “A Dynamic Theory of Public Banks (and Why it Matters),” *Review of Political Economy* 34, no. 2 (2021): 356–371, <https://doi.org/10.1080/09538259.2021.1898110>.) What functionally defines a public bank *true to its name* is the way it is organized around a promise of direct common interest service, in its charter, division of roles, culture of governance, bases for decisions, and so forth.

I explain momentarily. I should note that further considerations of domination, exploitation, or unfairness might also bear on what banking forms are legitimate or justified, and what administrative presumptions are appropriate. Complaints of domination, for instance, can help justify the Trust Principle as against banker immunity to de-monetization, as suggested earlier, but also justify the Simple Presumption over the Neutrality Principle. Perhaps properly “independent” public banking is a necessary check on private banker power and not dominating itself, for reasons suggested later. Alternatively, even if the Neutrality Principle is maintained, appeal to domination might favor shifting a public/private balance when all else is equal in common interest service. That might justify heavier reliance on public banking, or, if public banking is seen as the bigger threat, heavier reliance on private banking—in the limit “free banking” (of which more later).

V. The Finance Franchise

When a state issues a money, as most states do, it can technically create and allocate that money itself, via a treasury, central bank, and network of public bank offices. What states mainly do instead is grant for profit private banks formal permission, by bank charter, to issue IOUs in the government’s name (e.g., as US dollars), usually in the form of loans. In effect, states thus elevate private bankers in the domestic hierarchy of credit.³¹ When bankers are allowed to issue sovereign money—rather than prosecuted for “counterfeiting” it—their IOUs are thereby “funded” as state money, by the state’s imprimatur and backing and their consequent wide acceptance in settlement of commercial debts (e.g., for goods and services) and debts to the state (e.g., fees, fines and taxes). In this way private bank lending creates and allocates most of the “money supply” (80% by one estimate³²), purely for private profit, at the banker’s discretion.³³

31. See James, “The Credit-Money Hierarchy,” for the case of the global credit money hierarchy, which includes domestic finance franchises and their franchisor governments and central banks.

32. “How is Money Created?” Bank of England, last updated Oct. 1, 2019, <https://www.bankofengland.co.uk/explainers/how-is-money-created>.

33. An increasing share is “shadow money” created by bank-like entities at one step further removed from government issuance, authorization, or regulation—all with implicit central bank blessing or express accommodation. Here government is mainly a supplier of “safe” assets, such as U.S. Treasury securities, which provide collateral for promises to pay, e.g., in repurchase (“repo”) agreements (see D. Gabor and J. Vestergaard, “Towards a Theory of Shadow Money,” Institute for New Economic Thinking, April 2016, <https://www.ineteconomics.org/research/research-papers/towards-a-theory-of-shadow-money>). Historically the U.S. Federal Reserve cultivated the “eurodollar” and other “shadow banking” activities, foreign and domes-

States typically mitigate the outcomes of this arrangement in several ways, each with its own limitations. First, private banks are meant to compete for deposits—though large or monopolistic banks often undercut market discipline. Second, governments regulate banking business (with liquidity, capital, and reporting requirements, etc.)—though often by rules heavily influenced by banker policy preferences. Third, central banks offer emergency lending and debt monetization to stabilize private banking and support fiscal policy in times of wars, pandemics, or other crises—though while often implicitly backing “too big to fail” banks.³⁴ Fourth, public spending enabled by a government central bank (e.g., the U.S. Fed creating money pursuant to legislated payments), along with a division of labor between “fiscal” and “monetary” authorities, serves to adjust or adapt to banker decisions for larger macro-economic purposes (e.g., counter-cyclical stability, promoting a preferred distribution, etc.). Even so, again, money created directly by government central banks represents only a relatively small share of money issued.³⁵

Though the Common Credit thesis does not assume the existence of a state, it applies straightforwardly to state money issuance or its delegation. So long as state IOUs circulate as good money, the Common Credit thesis explains why: the IOUs in effect monetize the combined, common credit of a community of users. States corroborate the point in issuing IOUs expressly in the name of their society’s “full faith and credit.” They thus *claim* backing by the sustained societal and economic activity of their subjects, run on general acceptance of those IOUs. To secure that backing, the issuing government must keep its credibility in redemption of debts to it—in faithfully accepting its own IOUs back in payment of tax and other public debts—as well as confidence in wider acceptance. State IOUs will gain status as money in the first place—certainly as better money—in part because they become widely enough accepted for payment of commercial debts, in expectation

tic. It still backs them today via foreign central bank “swap lines” and domestic implicit bailout guarantees.

34. For the long history of debt monetization, taboos against it notwithstanding, see Will Bateman and Jens van ‘t Klooster, “The Dysfunctional Taboo: Monetary Financing at the Bank of England, the Federal Reserve, and the European Central Bank,” *Review of International Political Economy* 31, no. 2 (2023): 413–437, <https://doi.org/10.1080/09692290.2023.2205656>.

35. A share of the “money supply” is either cash or “high-powered money” credited to chartered banks via their reserve accounts at central banks. A smaller share is government spending administered through the chartered private banks, which includes often only modest (e.g., retirement or temporary unemployment) payments, in many cases made difficult to access (e.g., as mere tax credits). Central banks also set interest rates on interbank lending, paying interest on reserves and buying treasury securities, but with only an indirect and tenuous relation to private bank money creation—often likened to inefficiently “pushing on a string.”

of their general redeemability in an economy (an expectation reinforced by common knowledge of tax demands).³⁶

Insofar as the Common Credit thesis applies to the finance franchise, this triggers a basic condition of the Trust Principle (which mentions “common credit”), along with its justification. As in a pure credit cooperative, people have a variety of good reasons to object to how their franchised common credit is used. That use may be informal, customary or formally permitted, but their objections become only more powerful, if not overwhelming, when states legally entrench highly consequential bank money creation and allocation powers. As per the Trust Principle, if bankers can be permissibly raised in the domestic credit hierarchy, they can equally be lowered, their IOUs demonetized. Their monetary privileges can permissibly be revoked by public instrumentalities, in whatever form they may take, when they fail to reliably serve an apt conception of common interest—“the public interest.”

Accordingly, private banks can be legitimately allowed to offer and profit from such vital services as running the payment system to enable general economic activity; providing banking services to citizens; lending to facilitate commercial and public investment and to finance private consumption (e.g., home or car ownership); and so on. But any such special monetary powers are *held in trust*; they come *only* on condition of reliable service to the government and its citizens. The banker’s job in monetizing the public’s trust and credit, even in pursuit of profit, comes from the start with public responsibility, accountability, and inherent liability to regulation by a visible hand.³⁷

Note that this argument does not turn on a general theory of what any *res publica* is, which equally applies to water, electricity, security, health, or the state and its offices. It is also compatible with, but distinct from, broader views of how to regulate public things placed in private hands, whether in the case of networks, platforms, or utilities, be they in the service of water, heat, power, transportation, communications, or money.³⁸ From a legal

36. If a state allows use of its money among foreigners, its credibility is still founded upon its combined credibility domestically—as, for example, the U.S. dollar is valued in view of expected U.S. economic productivity.

37. Banks also plausibly incur liability to regulation given their corporate structure, which as a form of “private government” must be justified to employees. See David Ciepley, “Beyond Public and Private: Toward a Political Theory of the Corporation” *American Political Science Review* 107, no. 1 (2013): 139–158, <https://doi.org/10.1017/S0003055412000536>, and Elizabeth Anderson, *Private Government: How Employers Rule Our Lives (and Why We Don’t Talk about It)* (Princeton: Princeton University Press, 2017), <https://doi.org/10.1515/9781400887781>.

38. Ricks et al., *Networks, Platforms, and Utilities*, and Menand and Ricks, “Rebuilding Banking Law.”

point of view, a state decision to put public money creation in private banker hands is not inherently legitimate; it is only rendered so much as private railway service or private power plants can be, for its reliable service to a family of relevant basic public interests.³⁹

The present account concurs but also differs in three respects. First, it's narrower in scope, being specifically about monetary cooperation. The Trust Principle is justified for conditions that include common credit, special monetary powers, and a range of related moral considerations. So justified, it does not necessarily apply to water, electricity or other things that aren't about combined credibility in redemption. A case for the relevant similarity of some public things might be made. But the present argument can remain agnostic about how far its stated conditions extend. Some things (e.g. political office) may qualify as "public things" in a different or at least broader sense, subject to distinct requirements, appropriate to the thing in question. As for the full scope of "things of the public" and the social and normative features they all share or don't share, the present argument does not turn on any such general theory.⁴⁰

Second, conditional legitimacy in the sense explained is moral rather than legal. Though present in American administrative law, it may or may not be recognized by a given legal order. Where not recognized, it would ground moral argument for legal reform. Third, and relatedly, the proposed account of money as a *res publica* has sweeping critical purchase. It applies to a given private banker in the finance franchise and to the legitimacy of the entire finance franchise itself. It's not just that a given bank charter, already a reciprocal contract, can be revoked, keeping the franchise itself intact. The Trust Principle conditions the legitimacy of all monetary powers created. So remedies range from increased supervision, more cautious regulation, charter revocation of specific private banks, to de-monetizing private bankers all together.

And if a society also cannot permissibly forgo banking entirely, the force of the Trust Principle is that a society may have no choice but to establish a sys-

39. Analyzing American administrative law, Ricks et al., *Networks, Platforms, and Utilities*, lay out a "family resemblance" of characteristic features (means to other ends, service delivery, natural and functional monopoly, network effects, interconnection), along with fundamental concerns (monopoly abuses such as high prices and low output, discrimination, subpar service quality). They also mention "equal citizenship," understood to require "a certain level of material wellbeing and a degree of economic independence [as] prerequisites for meaningful political participation" (p. 19; see also the Introduction generally and Ch. 16).

40. I plan to take up the matter elsewhere.

tem of public banks, or at least re-balance finance in the public's direction, forcing private banks to compete with empowered public banks.

Even then, there is a range of re-balancing options. A very broad spectrum lies between comfortable endorsement of the received finance franchise as necessary and legitimate, if in need of constant tinkering, and a revolutionary view that condemns any franchise arrangements whatsoever as irredeemable—unfit for a modern republic worthy of the name. One may or may not go all the way to (Marxian or Proudhonian) rejection of private property and any capitalistic economy. A mixed, capitalistic economy (for goods and services trade, production, firm ownership, etc.) could simply replace private banks by public banks, which branch from existing central banks across national, regional, and local levels. Less radical, reformist visions mix public and private banking in a mixed real and financial economy, with different “workhorse” and “firefighting” roles carried by different public balance sheets.⁴¹ Along with modest if essential improvements such as better staffed public offices, closer private bank supervision, precautionary regulation, the expansion of central banking tools and judicious use of new public balance sheets might decisively shift society toward greater reliance upon public banks—which could direct money, in loans or grants, to the right places, in far more inclusive credit-money creation.

In considering options, it is tempting to assume an argument for any very robust reliance on public banking must make a case for the insufficiency of the finance franchise as it stands. Why won't conventional regulation along with market discipline suffice? This question is natural given the Smithian presumption, which adds public management only as strictly necessary. It's the wrong question given the Simple Presumption: the burden of justification does not lie on public banking. We can presumptively trust its promise of direct “hands on” service to common interests, take a skeptical eye to private banking, and aptly wonder why conventional “cat and mouse” or “whack-a-mole” regulation, necessary as it is, should be presumed sufficient in the first place.

The Simple Presumption does expect public banks to deliver on their promise; some may prove sufficiently unreliable in certain jobs. Private bankers may prove better in specific tasks (e.g., credit checking and industry-specific lending). But this does not generally justify the finance franchise as a sweeping basis for creating and allocating a society's money. All private

41. Marois, “Dynamic Theory of Public Banks” and Steffen Murau, Armin Haas and Andrei Guter-Sandu, “Monetary architecture and the Green Transition,” *Environment and Planning A: Economy and Space* 56, no. 2 (2023): 382–401, <https://doi.org/10.1177/0308518X231197296>.

banks must still continuously prove their service to common interests, despite not aiming at them, making no promise to serve them.

By the Neutrality Principle, public banking enjoys no special favor. It must be defended in the first instance for its contribution to the banking mix—perhaps on grounds of correcting “market failures,” providing needed “patient capital,” and so on. Even so, the finance franchise is hardly in the clear. It does not enjoy the Smithian presumption in its favor. Any banking regime must be continually re-assessed, in view of the full range of public options, and there is no presumption that any private banks at all should be relied upon in the ways and to the degree we currently do. To gain or maintain legitimacy, private bankers must serve common interest on an ongoing basis, despite not aiming at them, as well or better than public banks or a revised public-private mix. The Neutrality Principle welcomes public banking experiments into the mix, which provide evidence about what is in fact of best common interest service. Where they succeed, the bar of continuous justification for private bankers is raised ever higher, their legitimacy ever more tenuous.

VI. Domination

In the remaining sections, I situate the idea of money as a *res publica* in republican thought by considering how it interacts with complaints of domination. In this section I focus on a potential banker objection. Can private bankers reasonably object on grounds of their domination to any weakening of their franchise privileges? At the very least, might such complaints outweigh citizen complaints against banker domination, justifying the status quo or even greater freedom from regulation?

At first look, the business of money creation can seem to present competing claims against arbitrary, unaccountable power—i.e., “domination,” in a rough sense. The citizen may be said to have a “horizontal” claim against domination by the banker, which is remedied by state regulation or public banking. The banker may be said to have a “vertical” claim against domination by regulators or public bank officials.⁴² It may also then seem that we should simply weigh these competing claims—favoring regulation to the extent “vertical” claims outweigh “horizontal” ones. Strong priority to “hor-

42. I contrast “bankers” and “citizens” for ease of exposition. People who work in banking are usually citizens, and every citizen is, in one sense, a banker: they manage what they owe and are owed, subject to constraints of monetary and non-monetary constraints of solvency and liquidity.

izontal” claims would rationalize financial socialism. Strong priority to “vertical” claims would rationalize free banking.

I suggest this initial appearance is misleading: we should not simply compare and weigh such claims if indeed money is a public thing. Though bankers can in principle have domination claims, as suggested earlier, they nevertheless lack *standing* to complain of public interest regulation, at least under standard governance conditions today. Citizen claims against banker domination then hold sway by default.

To develop this position, return to the banker’s discretion and a borrower’s “horizontal” claim against the charge of “domination,” in at least a rough sense. The banker has power over the borrower, to lend or not, which, absent accountability, he may exercise arbitrarily. Suppose you, a loan applicant, were denied money by a banker despite your good credit (he simply didn’t like the looks of you), while the same banker afforded money to me, another loan applicant of similar credit, at his pleasure (I’m tall and enjoy sailing). If there’s no further accountability—i.e., little risk of market discipline and no regulation, it seems apt to say you were subject to the banker’s arbitrary will.

Now imagine a rudimentary version of the finance franchise: the despot’s banker. Consider a tyrant so capricious as to demand taxes from his subjects in rare gems he happens to fancy. Few can procure the gems, but all stand liable to arrest and incarceration for tax evasion. They’d be apt to revolt, and rightly so. A ruler will thus gain legitimacy, somewhat, if he issues a money that more readily affords annual “purchase” of freedom. For this to work, however, the despot will have to take further steps. First, he’ll have to reliably accept the money he issues back in settlement of tax debts to him. The message “pay me and I’ll *consider* sparing you prison” is not secure liberty, even if most subjects are, as it happens, spared.⁴³ Second, much will depend on the “terms of cooperation” by which subjects are expected to procure the coins or notes needed to “buy” their freedom from prison for the year. If they are forced to cater, toady, and kowtow to the ruler’s whims, however arbitrary and capricious, for whatever work or services he asks of them, they in effect live in slavery or servitude to him, while he is no more legitimate than their master.

To avoid such unpleasanties, the ruler might decide to delegate the job of issuing his money to a banker. Like any banker, the banker will issue IOUs as loans, and he may or may not approve of loan requests based on proposed

43. See James, “Money in the Social Contract,” on why a credible promise of redemption—in recognition of what Innes calls “the right of satisfaction”—is the foundation of *money as credit*, whether state issued or not.

plans of work and repayment, entirely at his discretion. He may well issue his IOUs sparingly—in the name of “prudence,” “probity,” and “discipline”—and then only to favored borrowers that fawn and flatter to his satisfaction. But since the royal tax collector will *only* accept this banker’s IOUs in payment, on pain of prison, the banker in effect decides who can “buy” freedom each year. He thus becomes, by law or by custom, a banker ruler, a deputized slave-master.

A delegated monetary system of this sort seems patently illegitimate. Yet the modern finance franchise is remarkably similar—enough so to warrant the question of whether its improvements suffice to secure its legitimacy. Today there’s little risk of arbitrary refusal at the tax office. Nearly every state more or less reliably accepts settlement of debts to it and the larger public—in fees, fines, and taxes—in a money of account (e.g., dollars), which it also formally issues and regulates as public IOUs (“for all debts, public and private”). And by the corrective measures noted earlier (such as public spending), the money needed to pay taxes is made widely available in relatively prosperous economies with a range of employment options. But here we can still ask: are the modest ways states mitigate banker decisions enough to secure the legitimacy of delegated powers of money creation?

This seems at the very least an open question. Delegated monetary power easily courts illegitimacy, and not just under the dictatorial system described earlier. Just suppose modern sovereign IOUs are created and distributed not just largely (as is in fact the case) but *exclusively* by favored private bankers. No other IOUs are accepted in payment of taxes. No other money issuance is permitted (counterfeiting being punished harshly). And the government elects not to issue its own IOUs directly in the form of government spending or lending via any treasury or public bank it may have (favoring “belt tightening,” “austerity” or a narrow vision of central bank “independence”). Under those conditions, much as with the dictator’s banker, the banker’s power to lend becomes a highly consequential power over citizens to issue and allocate good credit-money at will, to some of us and not to others, e.g., to me rather than you. The very money you and I will both need to pay for food and eat. The very money we’ll all have to procure—from a banker or an employer who borrowed from a banker—to pay tax debts to the government on pain of wage garnishment or incarceration. And of course we’ll have little choice but to cater, toady, plead, beg or kowtow to one banker or another if that’s what it takes to “buy” another year’s freedom.

Pettit’s agential view of domination does not plainly capture this worry. For Pettit, one agent dominates another “to the extent that they have the

capacity to interfere on an arbitrary basis in certain choices that the other is in a position to make.”⁴⁴ Is a decision to lend or not lend “interference”? Perhaps denying a requested loan can be said to “interfere” with whatever plan the borrower might have wished to put the money towards. Curiously, when Pettit gives the example of someone being denied a bank loan, he imagines the decision being “constrained ... on the basis of accepted standards of banking,” in which case it would “operate like a force of nature, not like an agent whose attitudes toward you can determine how you fare.”⁴⁵

This may reflect Pettit’s Smithian or Hayekian defense of free markets generally: a realm of offers rather than threats, competitive markets secure liberty by checking domination.⁴⁶ For Pettit, the charge of domination applies only provided one or more (individual or collective) *agents* who are themselves capable of “intentionally or quasi-intentionally obstructive” interference in the choices of a would-be borrower.⁴⁷ Yet short of dealing with a single monopolistic banker or cabal of bankers in collusion, bankers in a relatively competitive market usually lack a capacity to so “interfere.” Likewise in competitive financial markets, a banker’s loan is an offer at a certain rate of interest which a would-be borrower can, in a given case, refuse. The would-be borrower is offering her own IOU, against her credit, which a would-be banker can, in a given case, refuse. For Smith and Hayek, free competition among offers suffices to hold banker power in check. Then bank market behavior is, much as Pettit says of markets generally, echoing Hayek, “akin to the natural environment.”⁴⁸

I return to free banking republicanism momentarily. Note for now that neither Smith nor Hayek need deny the underlying importance of banker domination in principle: they can say market discipline *addresses* that real concern. The question, then, is what form of discipline—market competition, regulation, or generally accepted standards—can be relied upon to check banker

44. Pettit, *Republicanism*, 52.

45. Pettit, *Republicanism*, 51.

46. Philip Pettit, “Freedom in the Market,” *Politics, Philosophy and Economics* 5, no. 2 (2006): 131–149, <https://doi.org/10.1177/1470594X06064218>. See also Robert Taylor, *Exit Left: Markets and Mobility in Republican Thought* (Oxford: Oxford University Press, 2017), <https://doi.org/10.1093/acprof:oso/9780198798736.001.0001>, and Frank Lovett, “Republican Political Economy,” in *The Oxford Handbook of Republicanism*, eds. Frank Lovett and Mortimer Sellers (Oxford Academic, 2024), <https://doi.org/10.1093/oxfordhb/9780197754115.001.0001>.

47. Pettit, “Freedom in the Market,” 135.

48. Pettit, “Freedom in the Market,” 139. In this respect Pettit follows Hayek, who not only drew upon republican themes (in markets “bad men can do least harm”), but similarly says, “so long as the intent of the act that harms me is not to make me serve another person’s ends, its effect on my freedom is not different from a natural calamity.” F. H. Hayek, *The Constitution of Liberty* (Abingdon: Routledge Press, [1960] 2006), 121.

power. Pettit, for his part, admits the need for regulation to curb agential domination.⁴⁹ Indeed, for him agential non-domination is to be minimized overall as “the ultimate end.”⁵⁰ Even such venerable republican institutions as the mixed constitution and contestatory citizenry are but a “means” to that end. In which case the same presumably goes for money and banking: they should be regulated and established as a “public thing” *only* to the extent that this is *instrumentally necessary* to minimize overall agent domination.

I’ve argued that this is not all we can say in republicanism’s good name. Money is a *res publica*, in a morally relevant sense. The Trust Principle and its justification reflect a range of relevant, context-specific moral considerations—which include but aren’t limited to complaints of domination. The common weal, rising standards of living, and other common interests are why it might seem reasonable to establish special banker powers in the first instance, in turn posing a risk of their arbitrary exercise.

To some, the lesson for today of nineteenth-century republican agitation is the importance of “structural domination” in any capitalist relations of production, much as Marx suggested.⁵¹ Alternatively, even if we accept the mixed economy, a tempered form of capitalism, monetary and financial institutions might be said to dominate citizens in a structural sense.⁵² The finance fran-

49. See his passing comment in *On the People’s Terms*, 111 and his “genealogy” of the state and money in *The State*, ch. 6. For the case of banking regulation, Pettit can rely on three caveats noted in “Freedom in the Market” about economic regulation. It can be needed to ban discrimination (p. 142); to curb collectivized domination (with, e.g., anti-monopoly rules) (p. 135); and to “condition” people not falling into domination by the hands of others (e.g., with regulatory and other measures, including economic redistribution) (p. 141). One question for Pettit is whether, given the realities of financial markets, he can plausibly sustain his agent-centered view of domination against a more “structural” conception. He does in passing note the importance of “structural domination” in Philip Pettit, *Just Freedom: A Moral Compass for a Complex World* (New York: W. W. Norton, 2014), 53–4.

50. *Just Freedom*, 8. See also Frank Lovett, *A General Theory of Domination and Justice* (Oxford: Oxford University Press, 2010), sec. 6.2, <https://doi.org/10.1093/acprof:oso/9780199579419.001.0001>.

51. See Alex Gourevitch, *From Slavery to the Cooperative Commonwealth: Labor and Republican Liberty in the Nineteenth Century* (Cambridge: Cambridge University Press, 2014), <https://doi.org/10.1017/CBO9781139519434>, William Clare Roberts, *Marx’s Inferno: The Political Theory of Capital* (Princeton: Princeton University Press, 2018), 77–8, 94–101, <https://doi.org/10.1515/9781400883707>, and Nicholas Vrousalis, “The Capitalist Cage: Structural Domination and Collective Agency in the Market” *Journal of Applied Philosophy* 38, no. 1 (2021): 40–54, <https://doi.org/10.1111/japp.12414>; Nicholas Vrousalis, *Exploitation as Domination: What Makes Capitalism Unjust* (Oxford: Oxford University Press, 2022), <https://doi.org/10.1093/oso/9780192867698.001.0001>.

52. On “structural domination” in the context of contemporary international economic affairs, see Cecile Laborde, “Republicanism and Global Justice: A Sketch,” *European Journal of Political Theory* 9, no. 1 (2010): 48–69, <https://doi.org/10.1177/1474885109349404>, and Cecile Laborde and Miriam Ronzoni, “What is a Free State? Republican Internationalism and Globalization,” *Politi-*

chise nests for-profit private bankers at the very nexus of state and society. For allowing them to dictate to such a large extent who has what money and how much money there is, in a society run on money, their decisions together have sweeping “structural” dominance over how people can plan and run their lives. Asked to entrust their fates to the chance outcomes of banker profiteering, based on shaky confidence that it aligns other than incidentally with public interest, the good citizen can quite understandably, even reasonably, lose faith in the monetary social compact they are asked to live by. Greater reliance on public banking may be seen as a necessary check on structural financial domination and not itself a cause of domination, at least when suitably “independent.” Public banking might thus be defended on grounds of domination alone.⁵³

Suggestive as this is, I take domination, whether agential or structural, to be but one important republican consideration among others. The big lesson of history from republican monetary contestation in the nineteenth century is not that domination is possible and relevant in monetary arrangements.⁵⁴ It's rather that money, as common credit, is a *res publica*, in a sense that bears on what potential claims of domination are morally relevant. Bankers have such claims against dictatorial or abusive governments, but they sim-

cal Studies 64, no. 2 (2015): 279–296, <https://doi.org/10.1111/1467-9248.12190>. Others are expressly concerned with aspects of money, credit and debt, or finance in the name of republicanism, but with a structural focus. See Thomas, *Republic of Equals*, chs. 6–8, 12; Robert Hockett, “The Capital Commons: Digital Money and Citizens’ Finance in a Productive Commercial Republic,” *Review of Banking and Financial Law* 39, no. 345 (2018), <https://doi.org/10.2139/ssrn.3715862>, Robert Hockett, “The Wealth of Our Commonwealth: Money and Capital in the Productive Republic,” *Business, Entrepreneurship and Tax Law Review* 7, no. 2 (2024): 191–233, <https://doi.org/10.2139/ssrn.3808790>; Hockett and James, *Money from Nothing*; Rutger Claassen and Lisa Herzog, “Why Economic Agency Matters: An Account of Structural Domination in the Economic Realm,” *European Journal of Political Theory* 20, no. 3 (2019): 465–485, <https://doi.org/10.1177/1474885119832181>; Lisa Herzog, “Global Reserve Currencies from the Perspective of Structural Global Justice”; Preiss, “Did We Trade Freedom for Credit?” For discussion of money with a structural focus and republican themes—but without invoking the name “republican”—see especially G. A. Cohen, “Freedom and Money,” *On the Currency of Egalitarian Justice, and Other Essays in Political Philosophy* (Princeton: Princeton University Press, 2011), <https://doi.org/10.23943/princeton/9780691148700.003.0009>, but also Reddy, “Just International Monetary Arrangements,” Dietsch, “Money Creation, Debt, and Justice,” and James, “Money as a Currency of Justice.”

53. This might also be consistent with the Simple Presumption, if public banking performs well enough by common interest. It could also be consistent with the Neutrality Principle, if public banking does as well or better by common interests than private banking.

54. Those who focus on “structural” domination might follow Pettit’s instrumentalism, holding, for example, that public banking minimizes unchecked, unequal power, understood as a deprivation of certain capabilities (e.g. a la Amartya Sen, “Equality of What?,” in *Tanner Lectures on Human Values*, vol. 1 ed. Sterling McMurrin (Cambridge: Cambridge University Press, 1980). See, e.g., Laborde, “Republicanism and Global Justice,” and Claassen and Herzog, “Why Economic Agency Matters.”

ply lack standing to object to regulatory domination as against today's public interest regulation, given their public trust.

The idea here is not that private bankers have a pro tanto claim against domination that's outweighed. Any interest they may have in retaining privilege in the hierarchy of credit is only morally relevant in a context, and it is simply *excluded* from consideration, as morally irrelevant, when regulators themselves act in good faith. Their powers are delegated to them only as a grant of faith, on their promise of service to common interests. And so they have no complaint of domination against public action that ensures this condition is met. They thus lack *standing* to complain, given their assumption of public trust. In a comparison between citizen and banker complaints, then, there is little for the citizen's objection of domination to be balanced against; it holds sway by default.

Accordingly, public interest regulation poses no threat to banker liberty. Bankers are quite free not to assume the public trust. If they prefer lucrative work, they can easily seek greener pastures outside the finance franchise. Those who wish to gamble have access to physical casinos in Las Vegas and their financial equivalent like anyone else, which can be legitimate so long as the wider public is safely insulated from adverse consequences. What bankers cannot justifiably do is voluntarily assume a role entrusted to them by the public, for public benefit, *and then* merely gamble for private profit indifferent to their public trust.

Again, this is not to say bankers would lack standing to complain of domination as against unruly "populist pitchforks," or against a dictator or his minions who rule in bad faith, by whim, caprice, and indifference. In the sordid history of state abuse of money and banking (e.g., in funding needless wars), the requisite "social contract" between bankers, rulers and citizens has often been broken or barely pretended. Many developing country "bank bargains" have been captured by narrow government and banker interest.⁵⁵ The public may join the bankers in objecting to their domination, being denied the benefit of the banker's freer lending in a more prosperous commercial society. But whatever was true in earlier eras, or is still true of today's dictatorial regimes, chartered banks tend to be subject to a non-domineering process of monitoring, ongoing dialogue and cooperative accommodation, which almost always resolves disputes without recourse to courts.⁵⁶ It is un-

55. Charles Calomiris and Stephen Haber, *Fragile by Design: The Political Origins of Banking Crises and Scarce Credit* (Princeton: Princeton University Press, 2015), <https://doi.org/10.1515/9781400849925>.

56. Menand, *Fed Unbound*, 83. Admittedly, such "cooperation" proceeds as though under the Sword of Damocles, given the risk of charter revocation, however slight that risk may be.

der *these* institutional conditions—of relative good faith—that bankers lack standing to object to regulation aimed at public interest, and citizen claims against domination, structural or otherwise, prevail by default.

Here I assume modern state monies and financial authorities have largely or at least often outgrown their origins in illegitimacy. In part for democratic revolutions “from below,” and the emergence of professionalized public central banking, state moneys came increasingly to be issued and managed in publicly accountable fashion, proving the conveniency, stability, and public finance for development in service of the common weal. Unlike slavery or servitude, the world-historical project of sovereign state money is itself legitimate, if hardly fully just, in the sense that it can be improved upon rather than simply abandoned.⁵⁷

Among the more important improvements, noted in above, is public and central bank “independence.” Citizens can reasonably insist that central bank officials, for instance, enjoy a good measure of *insulation* both from elected political officials, who may have short-term incentives to juice an economy before an election, and from private banker influence.⁵⁸ Insulation “from above” and “from below” is needed to ensure good faith service to the public, for example in a professionalized culture of public accountability. Although in need of constant defense, central banks today do tend to be learning institutions, which make (sometimes major) mistakes but also evolve in view of past error—with, in one sense, broadly “democratic” accountability.⁵⁹ The regulatory “cure” may on occasion create “moral hazard” incentives that undermine would-be market discipline. That’s only to say good faith regula-

Chartered banks are regulated relatively strictly—by stress tests, ongoing examinations, and regulations for quality control, reserve holdings, portfolio composition, safety and soundness, and macro-prudence stability—and even so, arguably, inadequately (Ricks, *The Money Problem*; Menand, *Fed Unbound*; Menand and Ricks, “Rebuilding Banking Law”). At the same time, “shadow banks” that increasingly create money (or “money substitutes” in short term debt instruments or promises to pay) operate beyond conventional supervision and regulation—to the point of hampering central bank capacity to manage the very money of account it nominally issues (Ricks, *The Money Problem*, ch. 1; Menand, *Fed Unbound*, ch. 4; Menand and Ricks, “Rebuilding Banking Law”; see also Gabor and Vestergaard, “Towards a Theory of Shadow Money”). In a different sense, a central bank such as the Fed itself functions as a “shadow bank” engaged in money market lending for capital market funding (Mehrling, “The Inherent Hierarchy of Money”).

57. Republican anarchism may beg to differ. See, e.g., Ruth Kinna and Alex Prichard, “Anarchism and non-domination,” *Journal of Political Ideologies* 24, no. 3 (2019): 221–240, <https://doi.org/10.1080/13569317.2019.1633100>. See also “radical” republicanism below.

58. Hockett and James, *Money from Nothing*, ch. 14.

59. See Joshua Cohen and Charles Sabel, “Global Democracy?” *N.Y.U. Journal of International Law and Politics* 37, no. 4 (2005): 763–798, https://scholarship.law.columbia.edu/faculty_scholarship/513, for other non-standard administrative bodies.

tion calls for ongoing vigilance, skilled diagnosis and sound judgement, by trial, error and correction, all in abiding service to the public interest.

With that, even private bankers, who are after all also citizens, could rest assured of their useful role and enjoy the social license of a more legitimate monetary system, founded on money as a *res publica*.

VII. Free Banking Republicanism

I close my discussion by contrasting the foregoing account with the “free banking” tradition.⁶⁰ According to this set of views, society should rely upon private, for-profit banking, left free or relatively free from regulation. I consider free banker arguments from domination, history, and theory and explain why I regard each of them as at best inconclusive. I do so with the aim of presenting a clear contrast with various republican free banking positions, with no pretense of refuting them. This further situates my account of money as a *res publica* in republican thought.

A radical republican might object to the notion that citizens have a claim upon states to regulate bankers on the grounds that state money issuance is itself illegitimate. Rome issued coin, but perhaps it needn’t have done so or did so illegitimately. Perhaps a true republic can only legitimately strike a laissez-faire posture towards whatever monetary or banking cooperatives are running anyway, which may be multiple across different citizen communities. Then citizens lack any “vertical” claim to regulatory protection against domination by whatever bankers emerge “from below.”

I concede that, for all the Trust Principle says, a state (if there are states) might do well to defer to trust relations established within markets. The Neutrality Principle or the Simple Presumption likewise permit a defense of private banking subject to market discipline in the name of common interest. At the same time, real public banking alternatives still must be given their due. Even an anarchist can defend robust public banking “from below” (perhaps as per Proudhon), so long as the IOUs are not backed as *state* IOUs. With or without a state, citizen claims against domination by private bankers would thus provide moral reason to establish public banking cooperatives, as at least a significant “public option.”

60. Smith, *Wealth of Nations*; F. H. Hayek, *Denationalization of Money: The Argument Refined: An Analysis of the Theory and Practice of Concurrent Currencies* (London: Institute of Economic Affairs, [1976] 1990); George Selgin and Lawrence White, “The Evolution of A Free Banking System,” *Economic Inquiry* 25, no. 3 (1987): 439–457, <https://doi.org/10.1111/j.1465-7295.1987.tb00752.x>; George Selgin, *The Theory of Free Banking: Money Supply under Competitive Note Issue* (Lanham: Rowman & Littlefield, 1988).

But then, it may be asked, on what grounds do I challenge the modern finance franchise, which is after all a state project? My answer is that state issuance of money and management of banking are legitimate. I concede that, even as money is a creature of common credit in the sense specified, the manner of its legitimate issuance and management depends on context. In some settings—say, a political union dispersed over larger territories, with minimal economic interdependence, limited communication and weak trust—it may well be that the best a polity can do for a time is allow multiple emergent moneys to serve as “public things,” no one of which serves as a truly common currency. Under contemporary conditions, in most places, however, I take it the public credit must be both issued and to at least some degree managed by the public’s formal instrumentalities, officially in the public’s name. This, in my view, is a highly plausible requirement of not only the Simple Presumption, but also the Neutrality Principle.

What’s crucial is degree of interdependence. Once a society reaches an appropriate threshold of economic and financial integration, varying private monies are no longer an exercise of private liberty consistent with respecting the “independence” of others. Multiple monies in currency can easily create systemic dependence, including heightened risks of monetary and financial instability. The crisis-prone nineteenth-century “wildcat” or “free banking” era in the US are a case in point.⁶¹ Accordingly, as long as an increasingly interdependent society develops relatively effective means of public administration, not to mention our contemporary modes of quick, reliable transaction, computation, and communication, a state *must*, on pain of illegitimacy, do what most states have eventually done and secure a standard unit of account, uniform clearing at par, financial stability, and the increasing money supply needed for steady, somewhat equitable and inclusive economic growth. Nothing less is of reliable, trustworthy service of common weal, consistent with a legitimate monetary social compact.

A more moderate cast of free banker admits that governments can usefully and legitimately establish a unit of account, ensure property rights, bank competition, uniform clearing at par, and so forth. They merely reject any very robust public money management, on the assumption that market

61. Robert Hockett, “Money’s Past is Fintech’s Future: Wildcat Crypto, the Digital Dollar, and Citizen Central Banking,” *Stanford Journal of Blockchain Law and Policy* (2019), <https://scholarship.law.cornell.edu/facpub/1685> and Hockett, *The Citizens’ Ledger*; Hockett and James, *Money from Nothing*, ch. 8.

discipline can largely suffice for monetary discipline in the public interest.⁶² Further government regulation or management—including much of public banking—may then be unnecessary, counter-productive, and illegitimately dominating of private bankers.

Smithian or Hayekian free banking republicanism tends not to focus on citizen claims against banker domination. I take this to reflect its assumption that free or relatively free banking under competition is what best serves common interests. Market or minimal regulatory discipline (e.g., competition within non-discrimination law) is assumed to hold private bankers accountable, satisfying citizen claims against domination. We needn't then *balance* citizen and banker domination claims; citizens simply lack a further morally relevant claim against banker domination. Even quite weak banker claims against regulatory domination thus carry the day, having nothing, as it were, to compete against.

Pettit's concept of agent domination might be said to exclude citizen claims in this fashion. As Pettit emphasizes for markets generally, the ordinary business of private banking runs on offers rather than threats, and does so, arguably, even under imperfect competition.⁶³ And since citizens in the financial marketplace are not dominated by mere offers, they can be said to have *no relevant moral claim* against being asked to live with banker market behavior, as if coping with a sublime *force majeure*.

Citizens can be said to lack any moral claim against "domination" in part because, for Pettit, the concept is defined in non-moral terms.⁶⁴ At the same time, it is plausible enough to assume, substantively, that citizens and bankers have some morally relevant interest in having and gaining money and in not being treated arbitrarily. Taking these interests as inputs into moral reasoning, a bank regulator may thus be said to "interfere" arbitrarily with banker lending decisions, dominating the banker in a way that's at least in need of moral justification. Likewise, a banker may be said to "interfere" with would-be borrower citizens, affording money to some and not to others "at his pleasure," on what may well be an "arbitrary" basis, at least in any given lending decision, also in a morally relevant sense. And insofar as both inter-

62. Smith, *Wealth of Nations*; Hayek, *Denationalization of Money*; Selgin and White, "Evolution of A Free Banking System"; Selgin, *Theory of Free Banking*; and Taylor, *Exit Left*, as extended for critique in Preiss, "Did We Trade Freedom for Credit?"

63. Pettit, "Freedom in the Market."

64. An "arbitrary" basis for a decision concerning an agent is unresponsive to their interests as they perceive them ("avowed or avowed-ready"), whether or not they are correct, or the interests in question morally relevant. See Christian List and Laura Valentini, "Freedom as Independence," *Ethics* 126, no. 4 (2016): 1043–1074, <https://doi.org/10.1086/686006>. Pettit, *On The People's Terms*, ch. 3, says instead that power is not under "control."

ests are morally relevant, it seems we can ask which of the competing domination claims—by citizens or by bankers—should prevail.⁶⁵

But, again, the present free banker position insists that citizens lack claims against domination under market or minimal regulatory discipline. Only the banker's interest is morally relevant, which, for being unopposed, renders any non-minimal regulation morally unjustified by default. But insofar as this turns on the assumption that banker power is already held accountable, as suggested, everything depends on whether a realistic vision of free or relatively free banking can be independently defended.

The free banker might emphasize that nothing I've said shows that such a vision can't be defended. As noted, the Neutrality Principle and the Simple Presumption both allow any banking system—free banking included—provided certain empirical assumptions. I grant this possibility, in theory: if we really knew with any certainty that purely private banking best served our most important common interests, decisively and overwhelmingly, in some setting for a time, it would be permissible to place a public thing in private hands, albeit only in that setting, and for that time. I also assume we don't know this to be the case—certainly not with any high degree of confidence.

Without pretending to adjudicate properly empirical matters, others have challenged free banking on that score.⁶⁶ In any case I don't consider empirical limitations decisive; they merely suggest that free banking argument is of apiece with political philosophy—my own enterprise as well. Read charitably, many of the free banking tradition's empirical claims are, like Smith's, not meant to stand on their own as strict social science; they merely lend support to a framework of empirical presumptions and regulative moral principles, fitted together and assessed in holistic and comparative fashion (in "reflective equilibrium"). Empirical considerations, of theory or history, are then important but of limited import on their own; what matters ultimately is how fully developed political philosophies compare on their overall merits. I've thus offered a rival empirically informed republicanism.

Empirical validity is still important, and I grant that free bankers build upon economic truths. A trustworthy banking system must strike a *balance between promissory elasticity and discipline*, such that enough money of good purchasing power (given neither deflation nor unhealthy inflation) is

65. Here we can assume Scanlon's contractualism, rights theory, or an indirect consequentialism that replicates the contours of "deontological" reasoning, as, e.g., in Phillip Pettit, "The Inescapability of Consequentialism," in *Luck, Value and Commitment: Themes from the Ethics of Bernard Williams*, eds. Ulrike Heuer and Gerald Lang (Oxford: Oxford University Press, 2012): 41–70, <https://doi.org/10.1093/acprof:oso/9780199599325.003.0003>.

66. Charles Goodhart, *The Evolution of Central Banks* (Cambridge: MIT Press, 1988).

widely enough available over time.⁶⁷ And market discipline is indeed one useful source of monetary discipline. When banks must compete for depositors—in effect borrowing from them as cheap funding—the imprudent banker can easily be forced into illiquidity or insolvency when depositors flee to a competitor.⁶⁸

What I regard as highly questionable is the further claim that market discipline, even under robust competition, can be trusted to hold a balance between elasticity and discipline that serves common interests as times change. At the very least, the long history of wild swings in money and credit markets—from boom to bust, under-discipline to over-discipline, inflation to deflation, and back again—should challenge any firm faith in financial market self-discipline. Whatever was true in Smith's day, the historically salient question since the late nineteenth century is whether to tolerate private banking's tendency toward *excessive* discipline, or insufficient money expansion.⁶⁹ Greater elasticity—via public bank expansion of credit (e.g., with the US Fed's creation in 1913)—is not then a “cure worse than the disease,” but the essential remedy, subject to constant improvement to ensure against over-expansion. And to the extent free or relatively free banking arrangements are not the best we can do for common interest, citizens *do* have standing to object to domination against private bankers; they can, on that basis, demand elasticity-supporting regulation or public banking (e.g., central bank interest rate management, open-market operations, public investment banking, and so on).

Free bankers will tell a different history—of central bank mismanagement causing instability and obstructing longer run market discipline. They can also question the causes of apparent central banking success in moderating instability (e.g., during the post-war, Bretton Woods decades), highlight the

67. Mehrling, *The New Lombard Street*.

68. The delicate business of banking—of borrowing “short” and lending “long” over time—runs on accepting short-term risk of being unable to meet claims to redemption in hopes of lending over longer periods to profit from the spread in interest paid and interest received. A banker can issue their or their institution's IOUs at will *in a given instance*, but not generally as they please. Simply to turn a profit, they will in most cases have to assess a borrower's credit and prospect of repayment with interest rather carefully, in view of the banker's own immediate liabilities (“liquidity”) and total set of promissory obligations over time (“solvency”). Quite aside from profit motives, the banker will also have to uphold their own reputation for credibility in redemption, in comparison to other bankers. Otherwise, should skeptical word get around triggering a run on the bank, they may quickly lose their extraordinary privilege to create money from nothing.

69. Menand, *Fed Unbound*, 88–91.

informational virtues of markets, and note seemingly stable, if brief, periods of free banking, such as Canada's nineteenth-century experiment.⁷⁰

These again are important considerations. Here I simply register my doubt that they suffice to justify free banking *absent a presumption in its favor and against public banking*. Once we question the Smithian presumption and carefully consider alternatives, as I have tried to, key empirical considerations have less force, balanced against other considerations. Historical failures or successes are open to very different interpretations. Tales of past public mismanagement or political capture are cause for circumspection, but, as suggested earlier, equally counsel in *better* public banking. The informational virtues of private markets may weigh sharply against the complete socialization of banking, but not against public banking systems that blend private banker market signals with broad public guidance (e.g., in central bank interest rate policy or public, blended investment banking).

Since history is open to interpretation, it is tempting to justify claims to generality by appeal to theory—specifically, by an idealized conception of how money and finance *would* work, if only freed from intrusion. While fine as abstract theory, the implied model of market competition in such hypothetical arguments is often not clearly relevant to real world capitalist economies. Real capitalist economies run on money and banking. Key general equilibrium models (such as Arrow-Debreu) lack money and banks altogether.⁷¹ They thus risk being too unrealistic as a model of what they are supposed to help us understand, let alone predict. Much as with the appeal to history, high theory is thus of limited practical import.⁷²

High theory is in any case of questionable relevance insofar as the question of monetary legitimacy is not ideal, first best design—as though by a “philosopher king.” As Joshua Preiss emphasizes, the question is rather one of *political* economy in the first instance.⁷³ In that case, the familiar realities are not pretty.⁷⁴ And insofar as society's main recourse is bank regulation or

70. Selgin, *Theory of Free Banking*.

71. On Paul Samuelson's failure to account for money within general equilibrium thinking—especially in view of “the Hahn problem” (named after Frank Hahn)—see Perry Mehrling, “MIT and Money,” *History of Political Economy* 46, no. 1 (2014): 177–197, <https://doi.org/10.1215/00182702-2716163>.

72. Drawing from Hayek and the Austrian tradition, some economists have proposed to model stable banker competition realistically (Selgin and White, “Evolution of a Free Banking System”). The question then becomes whether or how far, if at all, that model realistically applies to our own modern, very large scale, highly financialized economies. Selgin, *Theory of Free Banking*, argues that it can.

73. Preiss, “Did We Trade Freedom for Credit?”

74. For instance: Financial markets are marred by “imperfect” competition throughout history. Banker rent seeking and political influence are supercharged under capital liberalization.

public banking alternatives, private bankers have no objection of domination to its stabilizing purpose or its supervisory means.

At the very least, this weakens any banker claim against regulatory authorities. It also undercuts the suggested rationale for excluding *citizen* claims against domination by bankers. Where bankers are *not* subject to market discipline sufficient to render their treatment of people non-arbitrary or acceptable in reliable service to public interest, the citizen's *relevant* claim to stabilizing regulatory accountability would then have force, perhaps decisively.

This argument can grant, *arguendo*, that market discipline *under perfect competition* would largely mitigate risks of domination by bankers over citizens, rendering regulation unnecessary. Bankers would *then* have relevant, perhaps forceful claims against dominating government meddling, in that purely hypothetical world. But if we can't ever expect that situation, or even its stable approximation, in practice, the risk of citizens being dominated by bankers holds sway.

And even if, contrary to my argument in section VI, bankers under real world imperfect competition are said to have some (pro tanto) claim not to be dominated by government regulators, how weighty is this claim? Arguably it is overridden by the weightier claim of a borrower not to be dominated by the banker in a lending decision, or of the public not to be subject to the often extraordinary or even catastrophic risks of banker gambling, not to mention implicitly accept liability for covering their losses. At the very least, regulation would rightly balance competing domination claims. Bankers would rightly be less free, subject to perhaps close (if non-domineering) regulatory scrutiny and accountability.

* * *

I should note that none of this reckons with the current trend of "democratic backsliding." Public banks are at increasing risk of political capture. Those concerned to hold the line might defend the present mix of market and regulatory discipline. A flawed finance franchise may seem better, for now, than a corrupted alternative. I've resisted the existing finance franchise, but only by framing the terms of its continual re-assessment. Money is a *res publica*, founded upon common credit. Bankers are entrusted with the public's thing,

Big banks may not fear market discipline. They may well discriminate as they please in credit assessments. They may well forgo long-term "prudence" over handsome short-run profits in speculative rather than productive markets. They may well continue to bet speculatively on collectively unsustainable asset price movements on the (quite correct) assumption that their systemic significance all but guarantees a government bailout when things go south.

and the franchise bargain is always open to fundamental re-evaluation. Political capture may prolong a day of reckoning and renewal, perhaps for a very long time. But vigilant citizens can stand ready and act when political stars next align.

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