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The Nature of Money:
A Response to Stefano Sgambati

Dense textual analysis might appear to lend plausibility to Sgambati's critique of *The Nature of Money* [Sgambati 2015]; however, it is replete with misunderstanding and misrepresentation. Given the critique's complexity, perhaps only the book's author is able to detect and unravel the extent of the obfuscation. Limitation on space restricts my response to the most fundamental of the myriad errors and confusion, and unfortunately precludes dealing with Sgambati's alternative analysis of money's "significance."

The dismissal is uncompromising: "[Ingham] fails to provide a theoretically consistent alternative to mainstream economics and eventually to grasp the actual significance—or 'specificity' [Ingham 2007]—of money" [Sgambati 2015: 309]. (As we shall see, the conflation of "significance" and "specificity" is an underlying source of Sgambati's confusion.) Given my aims, his further indictment could not be more damning: "[Ingham's] sociology reproduces an understanding […] as deficient and contorted as its orthodox counterparts, and equally blameable for a residual 'economic determinism'".[1] Despite my *methodological relationalism* (*sic*) (I assume that this refers to my sociological analysis of money as being constituted by credit-debt relations denominated in a money of account), I rely on "logical and 'meta-theoretical' arguments to justify (*sic*) the nature, origins, and development of money […] outside social relations […] [in] the

[1] Konings [2010] is cited in support; but this does not contain any reference to my work. There is no mention of "economic determinism" in "Money as Icon" [Konings 2011] which refers approvingly to the very same point that, as we shall see, Sgambati's critique fails to grasp: "Ingham, realizing that we cannot assume that a homogenous monetary standard will spontaneously emerge from the world of heterogeneous commodities, has stressed that an outside source of public authority is needed to institute an outside medium for the accounting of social promises and obligations" [Konings 2011: 2].

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European Journal of Sociology, 57, 1 (2016), pp. 199–206—0003-9756/16/0000-900$07.50per art + $0.10 per page
 doi: 10.1017/S0003975616000060

ad hoc agency of the state" which, moreover, I am charged with seeing as exclusively "steered by a subtle (*sic*) market logic" [Sgambati 309].

The challenge to my central proposition is speciously contrived. After agreeing with me that "[money] is uniquely specified as a measure of *abstract value* (money of account) [...] and as a means of *storing* and *transporting* this abstract value for means of final payment or settlement of debt" [Ingham 2004: 70], quoted in Sgambati, 311, Sgambati then charges me with self-contradiction: by concurring with Keynes that money of account is the "primary concept" in a theory of money, I am unable to understand money as value in itself [Sgambati 310]. "Despite recognising a fundamental duplicity (*sic*) in the money phenomenon, Ingham does not really try to make sense of the unity of money as the measure of value and as a value in itself" [309]. Sgambati sees, but does not properly understand, the "Janus-faced *nature* of money" [Sgambati: 314]. Correctly, he notes that we do not merely measure values with a nominal unit of account, "but we bring them into being" [Sgambati: 313]. However, Sgambati continues by unwittingly stumbling into orthodox economics' error in asserting that "the nominal value can only come into existence along with *real* value" [314]. Like most mainstream economists, he does not grasp that *monetary* value – as opposed to subjective estimations of utility or worth—exists as a result of being measured by a money of account [Ingham 2004; see also Orléan 2011]. Money of account is the *abstract representation* of a *prospective value* with which interacting buyers and sellers, creditors and debtors determine the *actual monetary* value of goods and debts [Ingham 2004: 71]. In other words, monetary value—as opposed to incommensurable subjective estimations—is actualized in social interaction. None the less, Sgambati contends that I cannot explain value from "within social relations" and, consequently, that I have recourse to the "ad hoc metaphysical" agency of the state. In this strong implication that money of account merely measures pre-existing *real* value [Sgambati 316; 320],[2] it is Sgambati—not me—who reproduces orthodox economics' arguments.

"*Unique specificity*" of money [Ingham 2004: 24-25; 69-71] was used precisely to identify, following Keynes, the nature of "money proper which in the full sense of the term can only exist in relation to money of account", as opposed to a mere a "convenient medium of

[2] Schumpeter refers to this as "real" analysis (quoted in Ingham 2004: 17).

https://doi.org/10.1017/S0003975616000060 Published online by Cambridge University Press

exchange" [Keynes: 1930: 3].[3] Tradable commodities might perform as media in quasi-barter, as economics' creation myth maintains, but their unstable exchange ratios, varying by traders' preferences, would preclude the development of a stable universal (unit) money of account (see note 1 on Konings's grasp of this quintessential point).[4] These specific definitive *unified* properties of money—unit of account and means of transmissible abstract value—enable the nomination of price bids/offers, debt contracts and provide the means for their settlement [Ingham 2004: 69-74; *et passim*; Keynes 1930: 3].

The allegation of self-contradiction—failure to understand the unity of money as measure and value and recourse to the "metaphysical" state that imposes the value of money—also results from misreading and conflating distinct parts of my book and drawing contorted conclusions. In the Introduction to *The Nature of Money*, I observed that money had dual properties as societal *infrastructural power* and as *despotic power* when controlled by particular interests [Ingham 2004: 4]. Sgambati mistakenly reads this as the *same duality* as money as both *measure* and *transmitter* of abstract value, as outlined above [Ingham 2004: 70, quoted in Sgambati: 311]. Confusing the different arguments and taking the contrast of infrastructural and despotic power as a "contradiction" somehow enables Sgambati to accuse me of both contradiction and of "not trying to make sense of the unity" of the measure and the means which transmit value. I am charged with *not* doing precisely that which I explicitly establish in the very same passage that Sgambati quotes with approval [Ingham 2004: 70, quoted in Sgambati: 311]. In short, the alleged self-contradiction is entirely an artefact of his confusion.

Further loose reading compounds the error. My agreement with Keynes that "money of account is *the primary concept* of a *theory* of money" [Keynes 1930: 3; emphasis added] is construed as evidence that, despite my own words, I *really* think that money is *nothing more* than money of account—"a measure with no value" [Sgambati: 310]. However, this inference cannot be drawn. Money of account is a *primary* in two senses: first, price lists and debt contracts written

[3] For example, the fixed gold price of the dollar was the money of account in the Bretton Woods system—the fixed formal value against which all other currencies were valued. When the system collapsed, currency exchange became barter exchange in which the international currencies became mere commodities which "bought" each other at unstable and volatile ratios.

[4] Consequently, Sgambati is mistaken in thinking that the question of which comes first—measure of value or "real" value—is an unanswerable "classic chicken and egg dilemma which tells us very little about the institutional genesis of money" [314].

https://doi.org/10.1017/S0003975616000060 Published online by Cambridge University Press

and settled at different time periods cannot exist without it; second, as I have outlined, it cannot arise from the volatility of fluctuating exchange ratios of merely exchangeable commodities. (Presumably, this is what Sgambati considers to be an illegitimate "logical" argument.) I argued that the *unity* of money of account (measure of abstract value) and that which bears/transmits the value is (socio) logically *indivisible* in so far as the value of the latter, *as money*, cannot be established without the former. To repeat: myriad commodity exchanges cannot in themselves produce a money of account; this requires an authority—an association of merchants, a local community, or a state.[5] An authority declares and attempts to enforce what is to be literally *counted* as valuable, leaving the actual realisation of value to the struggle between the users of the media that bear the measure of prospective value.[6] Of course, states also participate in the economic struggle.[7] In order to sustain his misrepresentation, Sgambati is ludicrously driven to deny the obvious fact that states are powerful economic agents in their own right and that they have a considerable effect on the actual value of money. But this does not mean that they are exclusively "steered by a subtle (*sic*) market logic" [Sgambati: 309].[8] As my conception of the state is not "metaphysical" and "outside social relations," Sgambati's contrived revelation of a further self-contradiction that I cannot coherently advance my central argument—that money is constituted by the social relation of credit-debt—is without foundation. States comprise social relations!

[5] For further clarification see the discussion of the consequences of the inability of the pre-modern Chinese state successfully to impose a money of account [Ingham: 2015]; and the Russian state's loss of control of money of account after 1989 when, in Woodruff's evocative title, money was "unmade" [Woodruff: 1999].

[6] Sgambati attempts to use Keynes to undermine my argument by falsely claiming [314] that Keynes [1930: 4] said that a "nominal measure can only come into existence along with real value, and in particular along with the value of debts". This quotation is entirely without textual foundation in the first five pages of *A Treatise on Money* and, moreover, utterly contradicts everything that they contain. It is also important to note that Keynes does not even imply that the state exclusively creates value. Rather, states "*claim* the right to determine and declare what thing corresponds to [the money of account]" [Keynes 19030: 4]. The form of the argument is identical to Weber's on the state's claim to the monopoly of legitimate force—that is to say, the claim might fail or be effectively rejected.

[7] It is completely unreasonable to suggest that my reference to the performativity of economic theory in this struggle implies that, in yet another contradiction, I replaced my preferred Weberian "battle of man with man" with a "battle of ideas" [Sgambati: 330].

[8] I analyse the state "as if it were" [Sgambati: 322] the single largest economic agent because it is! It is utterly unwarranted to say that I think that the state "resembles… the utility-maximising agent of orthodox methodological individualism" [Sgambati: 322]. Space limitations preclude a thorough correction of the gross misrepresentation of my analysis of the state.

My errors demand that "ontology should overcome *logical analysis* and embrace *phenomenological understanding,* moving to a semiotics of money" in which "the Janus-faced nature of money ought to be recast in terms of its emblematic *significance* as a 'whole'" [Sgambati: 314]. This "significance" is as a *value in itself* [Sgambati: 307]; in its *purchasing power* [Sgambati: 315]; and its consequent *liquidity,* which the preoccupation with money of account renders "subterranean" in my work [Sgambati: 324].[9]

How is my conception of money as *abstract value* to be understood if not as a value in itself, as purchasing power and as liquidity? Sgambati actually quotes my frequent use of Simmel to emphasise this very point – "the value of things without the things themselves [Simmel 1978: 121]… "the value of things in pure abstraction" [Simmel 1978: 165]. As far as I can make sense of this part of the critique, Sgambati appears to say that, as I think that money is *only* nominal money of account, I really do not understand my own arguments.[10]

Introducing the assertion that I present the state as an extra-social metaphysical agency, Sgambati regrets that "unfortunately, this is not the place properly to engage with the content of Ingham's history of money" [Sgambati: 319-320]. But he cannot resist and, with reference to a *single source* of "recent scholarship" [Kim 2011], proceeds to cast doubt on my widely-accepted analysis of the development of capitalist credit money. He displays flimsy scholarship in accepting that London goldsmith's receipts for gold deposits were the major prototype for modern bank notes. This "recent scholarship" implicitly reiterates the older tradition which, informed by the moribund metallist theory of money, assumed that bank notes must ultimately be based on an "intrinsic" commodity value. The role of the private mercantile monetary circuits and credit instruments in the early development of modern capitalist money is now well-established in a vast literature with which Sgambati is manifestly unfamiliar.[11]

[9] Sgambati points out that the term liquidity does not appear frequently in *The Nature of Money*; but I would contend that it is implicit in its central arguments concerned with the social construction and maintenance of acceptability; assignability; negotiability – that is, the liquidity – of money. I discuss this explicitly in Ingham [2012: 125]. For "liquidity as a social institution," see Orléan [2011: 273-279].

[10] In this discussion, Sgambati significantly omits the latter part of the first sentence of Keynes's *A Treatise on Money* which was one of the foundations of my analysis: "Money of Account, namely that in which Debts and Prices and *General Purchasing Power are expressed,* is the primary concept of a Theory of Money" [Keynes 1930: 3].

[11] For a magisterial survey, see Munro [2003].

The false assertion that I really believe that *all* value emanates from a "metaphysical state" enables Sgambati to contend that I am unaware of further "enormous contradictions" in my argument that modern capitalist money originated in the hybridisation of state currency and mercantile credit instruments [Sgambati: 325]. Again, it is a matter of properly understanding the role of money of account in the history of the relations of production of money. Embedded in and dependent upon uninterrupted flows of trade, mercantile credit circuits, often based on their own moneys of account, were chronically unstable [Boyer-Xambeu: 1994]. As is well-established, England's more secure currency and money of account was eventually hybridised with and gave stability to private credit-money production in the Bank of England (1694), based on the monarch's promise to repay his debt to the merchants. According to Braudel, after the fixing of the pound's money of account by Elizabeth I in 1560-1561, it was "little short of a miracle" that the standard of value endured for over 300 years and without which there "was no easy credit, no security for those lending to the sovereign, no confidence in any contract" [Braudel 1984: 356].[12]

Repetition of the unjustified assertion that I adopt an extreme state theory in which money is entirely and exclusively produced by the state enables the spuriously contrived revelation of yet another self-contradiction: "we learn from Ingham that this is not really the case" [Sgambati: 326].[13] However, Sgambati then proceeds to employ *my* description of the hierarchy of assignable debt [Ingham 2004: 135] to support *his* argument that money as liquidity emanates not from the state but "*from within* debt relations (endogenously) via discounting, precisely as in a *market* for the *commodity* money" [Sgambati: 326-327, original emphasis].[14] The introduction of the term "endogenous" is significant. Sgambati's almost impenetrable formulation is again unwittingly framed by orthodox economics—in this instance, in terms of the false antinomy of the old "exogenous-endogenous" debate. Despite all contrary evidence [see Ingham 2004: Chapters 1 and 2], he

[12] Fixing the pound sterling at 4 ounces of silver was a constructed abstraction and not a market value of silver, nor a promise of convertibility [Ingham 2004]. Local currencies continued to exist in England until the early nineteenth century, but "by the 1830s, then, Britons could at different times and places have understood gold sovereigns, banknotes, or bills of exchange as the privileged representatives of the pound [...] the pound as an abstraction was constituted precisely by its capacity to assume the heterogeneous forms, since its existence was determined by the mediation between them" [Rowlinson 1999: 64-65 quoted in Ingham 2004: 130].

[13] I enlist my erstwhile adversary Nigel Dodd to support my objection to the caricature that I espouse ultra-state theory [Dodd 2015: 106-107].

[14] The role of state *debt* in the production of money is not properly considered.

baselessly asserts that I *really* belong to the "exogenous" school (state "high-powered" money is paramount), but contradict myself by realising that money is produced "endogenously" in the banking system. However, my enterprise was to show that this is not a contradiction: following the hybridisation in the sixteenth and seventeenth centuries, the production of modern capitalist money has been *shared* by the state and private agencies.[15] Regardless of Sgambati's contorted attempt to question its existence, there *is* a hierarchy of liquidity of monetary and financial assets that is structured in relation to state guarantee and support. As events since 2008 have shown yet again, the liquidity markets are ultimately dependent for their very survival on state liquidity.

Having exposed my "methodological fallacies and contradictions", Sgambati sets out to establish "a novel sense of what money is about"—its "significance" in explicit contrast to its "nature" [Sgambati: 331]. This involves a further rebuttal: "while Ingham holds that "[m]oney cannot be said to exist without the simultaneous existence of a debt that it can discharge" [Ingham 2004: 12], I argue on the contrary that *money cannot exist without the simultaneous existence of a debt that it will never discharge* [Sgambati: 331]... *that it will never redeem*" [Sgambati: 334]. Space prevents contesting the details of the charge that I have consequently "failed to grasp the specificity of modern money"; but I cannot see how the basic elements of Sgambati's analysis are so incompatible with my own. As my work is so frequently quoted with approval, this is perhaps not surprising. However, there is fundamental sociological error lurking in the sophistry employed to establish the distinctiveness of his analysis. It is not a matter of the existence of *any* actual debt that money will *never* discharge. Rather, as debts are cancelled by payment, a monetary *system* would cease to exist if *new* debts, denominated in money of account, were not *continuously* contracted [Ingham 2004; 2013; 2015].

Of course, it is perfectly legitimate for Sgambati to prefer to see money "conceptualised as a value (a metaphor, a gestalt) that institutes a certain way of experiencing and finalising the *quid pro quo* of exchange" [Sgambati: 314]. However, the attempted dismissal of my entire project and its understanding of ontology as the analysis of social phenomena's historically located conditions of existence should

[15] See Calomiris and Haber's [2014] historical comparative analysis of the integration of public money and private credit through state chartered banks. Since banks ceased to issue their own notes, it could be said that the issue of state and central bank money is now franchised to the private banking system in capitalism.

not be considered to be a necessary precondition of this exercise. A phenomenological grasp of money as value, purchasing power and liquidity cannot supersede and replace an explanation of how these attributes are historically and sociologically constructed and maintained.

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