Aaron SAHR, *Die Monetäre Maschine. Eine Kritik der finanziellen Vernunft* (Munich, C.H. Beck, 2022, 447 p.)

The sociologist of money in me is fully committed to a credit-theory stance. Modern monies, like US dollars, euros, or pound sterling, are generated through credit issuance, as banks fill entries on the liability sides of their balance sheets. Most of my colleagues in sociology know that. But have we as thoroughly spelled out the implications of this stance as we ostentatiously differentiate it from other traditions, e.g. those of money as a quasi-commodity or as a general medium of exchange? Here are a few exam questions to challenge your credit-theoretical stamina: Why is it wrong to say that I "have" money (as a property), "move" it from one account to the next, and store it as an abstract claim on goods? Why can't bank account money be properly understood as a claim on outside money, like gold or cash? Finally, how is credit money rendered scarce?

In his new book, *Monetäre Maschine* (alas, only available in German), Aaron Sahr answers these questions with rigor and offers a comprehensive theory of credit money as societal infrastructure. He juxtaposes this theory with an ideology of "politically neutral money" that he charges with causing monetary policy to be misled and artificially delimiting our sense of political possibilities. Sahr explicitly and affirmatively draws on Modern Monetary Theory (MMT)—a subaltern yet prominent strand of US American economics—for that purpose. But his is a sociologist's book, and Sahr is careful to develop the arguments from the ground up and with a reliance on genuine sociological ideas. Indeed, what makes his book special is that it successfully combines the missionary drive of public sociology with his excellent knowledge of the scholarly literature and outstanding talent for sharp, yet phenomenologically rich, conceptualization. This is particularly reflected in the book's second and third parts ("Setting the Course" and "The Architecture of Modern Money"). The first part, which critiques commodity-money ideology, provides a rich history of ideas. Sahr encounters his limits in the final section, where he criticizes current monetary policies and sets out his own political vision. This part relies too heavily on MMT dogmas and too little on Sahr's own infrastructural perspective. I will come back to that at the end of this review.

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Sahr has written about commodity-money ideology and its imprint on the sociological classics (particularly Karl Marx and Georg Simmel) before. His contribution in this new book is to show how deeply engrained the commodity notion is through its intertwinement with dominant conceptions of the modern economy and monetary policy. To be sure, from David Graeber to Geoffrey Ingham, many scholars have argued against the idea that modern money has emerged to solve the problem of an absent coincidence of wants. But Sahr argues that most people—including sociologists—still think about money primarily in terms of goods exchange: as a medium to facilitate such exchange and as a fictitious (socially conventionalized) representation of commodity values. This is associated with a hegemonic conception of capitalism, in which actors seek utility and profit on markets, where goods are sold and bought "on the spot", usually at arms' length. In this framework, monetary policy has the primary task of facilitating exchange at stable (or at least predictable) general prices, and thereby creating the fiction of a "fixed and stable referent".[1] This intertwined understanding of money, capitalism, and monetary policy has led sociologists to emphasize the problem of trust—how is it, they ask, that we come to accept the value of worthless paper notes or entries on banks' computer terminals? Monetary policy plays its role here in establishing that trust and managing expectations. Political economists, on the other hand, have challenged the idea of neutrality promoted by commodity theorists and "Whiggish" economists and demonstrated that choices about monetary values have significant distributional implications. Yet, what political economists have equally failed to do, in Sahr's reading, is to question the very idea of monetary policy as *Tauschwertpolitik*—as a lever to influence exchange values.

In the book's outstanding second and third parts, Sahr then demonstrates why, in a credit-theory framework, such thinking is flawed. What modern money really consists of is a generalized debt to cancel other debts—our debts toward vendors, landlords, employees, fiscal authorities, etc. The reason why we foreground debt relations is that our economy is socially and temporally structured through them. A firm needs to commit human and physical capital before it can produce and sell any goods; a household commits to paying rents or mortgages and builds its social existence on trusted access to various goods (from energy to groceries) while committing labor to generate the needed income,

[1] Philip Mirowski, 1991. "Postmodernism and the Social Theory of Value," *Journal of Post Keynesian Economics,* 13, (4): 565 [http://www.jstor.org/stable/4538264].

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rather than adjusting supply and demand "on the spot". Fiscal and welfare policies also produce long-term entitlements (transfers) and obligations (taxes). Money presents a way of managing these interlocked commitments and outlays by quantifying assets and liabilities, while shifting capacities to cancel obligations from one entity to the next. This process is facilitated by commercial banks, which produce new debt for themselves and others in a decentralized fashion, with their own profit motives in mind. But the claims and liabilities created through bank credit do not stay on a single institution's balance sheet. Rather, every time that a firm or household uses a bank account to escape from specific obligations generated through economic transactions, the credit-issuing bank needs to reduce its liabilities toward this customer while incurring a new debt position with another bank; the latter in turn increases its own liabilities toward the entity that has sold the respective service or good. This shiftability of credit money makes it a *generalized* position that is used in order to escape from specific obligations. To stabilize the interbank debt relationships that result from this shiftability, central banks hold accounts for commercial banks. With these accounts, banks can cancel their mutual debts while generating claims from, and becoming indebted to, the central bank. As the system's anchor of stability, and as its mechanism of scarcity, the bank that issues debt should at some point receive the full amount (plus interest) back. This final step cancels the customer's debt while destroying the money (liabilities) that the bank had originally generated.

Sahr walks us confidently through this "money-grid" (Perry Mehrling), drawing on a rich body of credit-theory literature. When reading this, I realized how much work there is still to do for economic sociologists in terms of challenging a conception of the economy as organized around instantaneous, flexibly adjusted spot exchange. For Sahr himself, an open task remains that of embedding actors' own balance-sheet practices, specific orientations, and interests into his macro-account.[2] But rather than fully engaging with these questions, Sahr shifts attention to another question: What are the demands of governing the money-grid as a societal infrastructure? How can societies generate adequate volumes of debt to facilitate capitalist dynamics while taming their inherent crisis tendencies? How can capacities to incur debts be distributed fairly and

[2] An unfortunate consequence of neglecting actors' specific stakes and perspectives within the money-grid is that Sahr sometimes confuses the latent macro-functions of specific processes with their explicit, subjective meanings. For instance, just like MMT proponents, Sahr argues that taxes cannot be considered "income" for public authorities. This is plain wrong from the treasurer's point of view.

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for the public's benefit? How can we make sure that debt is paid back so that money remains sufficiently scarce? Sahr argues that, underpinned by a depoliticized concept of money as quasi-commodity and of monetary policy as *Tauschwertpolitik*, these questions have been sidelined in public debate. Worse still, the predominant discourse has led states to restrict their monetary sovereignty and give primacy to private actors, in the first instance banks.

While I share the broad thrust of this political critique, it entails a few analytical problems. For instance, it is simply incorrect to argue that monetary policymakers attempt to align volumes of money with given stocks of economic goods. Rather, these days central bankers manipulate the price of credit and assets and are thus acutely aware of the balance-sheet mechanisms that Sahr spells out in his book. Technocratic monetary policy is not based on commodity-money delusions. It is equally incorrect to claim that the specter of hyperinflation has dominated monetary-policy thinking during the past two to three decades. Here, it seems that Sahr reproduces the anachronistic discourses that problematized "hard money" during the 1980s to early 1990s. If at all, Sahr *underestimates* how problematic high and volatile inflation can be for a grid of interlocked, intertemporal commitments and obligations. Sahr's line of argumentation equally confronts problems of diachronic and cross-sectional variation. If ideas of commodity money have motivated depoliticization and the abdication of monetary sovereignty—why is it, then, that this ideology had most effect in the very period in which commodity notions lost plausibility (i.e. after the Nixon shock)? And how can we draw on 19th-/early-20th-century discourses, written by authors like Karl Menger and Knut Wicksell, to explain how sovereignty was curtailed in the eurozone during the 1990s? Monetary sovereignty is much less constrained, as Sahr admits, in other advanced capitalist economies, like the United States and the United Kingdom. The deeper problem, here, is that Sahr simply presupposes that monetary architectures and policies are reflections of "irrational" monetary beliefs, rather than engaging with their societal, economic, and political-institutional causes.

This is not to deny that the money machine needs fixing. For instance, Sahr rightly argues that something has gone wrong with credit creation as banks have shifted from financing productive investments to financing asset bubbles, creating growing inequalities, secular stagnation, and ever greater financial fragility as a result. Central banks have helped in this, first by imposing hard money and later by turning into market makers of first and last resort. As fixes, Sahr recommends credit-guidance policies

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plus capital controls, central bank monetary financing for massive public investments, and debt jubilees for the poor. I am open to all these suggestions. “Market-friendly” approaches, such as capital adequacy requirements, inflation targeting, and debt ceilings/deficit rules, have evidently failed. However, we need the analytic rigor that is showcased in the book’s second and third sections to evaluate and contextualize such reform proposals. For instance, with a balance-sheet view, it is possible to see that monetary financing is not a free lunch. The term refers to a practice whereby central banks take on government debt directly and basically charge zero interest for this. The resultant increase in central banks’ asset positions requires an equally large expansion of commercial bank reserves as the other side of central bank balance sheets. Such expansion is not necessarily inflationary. But to avoid an unraveling of prices, central banks need to be able to raise interest rates if inflation picks up (addressing this with tax hikes is a nonstarter). This will produce losses at the central banks because authorities will need to raise their own lending *and* borrowing rates at a moment when banks have massive reserves, caused by monetary financing. The state will need to pick up the bill to compensate these losses—not even a central bank can ignore a situation in which more is paid out than earned through claims. Sahr’s brilliant infrastructural theory thus shows that we can liberate ourselves from many false dogmas with a better understanding of credit money. But rightly understood, his analysis also reveals that even a monetarily sovereign state cannot neglect disciplining mechanisms in a balance-sheet world, a fact that dogmatic MMT proponents tend to ignore.

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