The Review of Politics 87 (2025), 101–103.

doi:10.1017/S0034670524000494

Is Money a Public Good?

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Why has contemporary political theory been silent on money? The answer Stefan Eich provides in his brilliant book *The Currency of Politics* begins with John Rawls. Rawls's silence on money and monetary policy is, for Eich, mostly a result of indifference—an indifference that reflected the fact that Rawls took for granted a "confident postwar context" characterized by affluence and a relatively stable international monetary system (181). The real "silent revolution," as Eich calls it (20, 177), comes after Rawls. By the 1980s, the international monetary regime undergoes drastic changes, including the lifting of capital controls and the rise of central bank independence. As Eich insightfully argues, this depoliticization of money was itself a political strategy. By letting consequential economic decisions remain outside the realm of political contestation, states tried to avoid excessive pressures. According to Eich, major political theorists, including Jürgen Habermas and Michael Walzer, fell prey to this neoliberal logic. In part because of the inflationary demands that a democratization of the economy would imply, such thinkers grew skeptical of the possibility of any such democratization. The disappearance of money from political theory was one of the consequences of this more general turning away from economic democracy (197–99).

I found Eich's discussion of the silent revolution deeply fascinating, but his story left me with some questions. There is nothing distinctive, it seems to me, about Rawls's silence on monetary policy. Rawls is silent on most issues of policy because such issues cannot be decided under a veil of ignorance, and not even at a constitutional stage, since historical context affects which policies best fulfill the demands of justice and there is often reasonable disagreement about which policies justice requires. It is precisely because Rawls does not want to take for granted any particular economic context and because monetary policy is necessarily political that he thinks the task of deciding on monetary policy should be left, within some constraints, to the legislative stage.[1] So, contrary to Eich, I argue that Rawls's silence is not a

[1]See Jens van 't Klooster, "Central Banking in Rawls's Property-Owning Democracy," *Political Theory* 47, no. 5 (2019): 674–98, https://doi.org/10.1177/0090591718810377.

consequence of indifference but rather of the democratic spirit of his theory. The philosopher must remain silent because the verdict on monetary questions should come from the political process.

Turning to the 1980s, I am not convinced that political theory's silence on money resulted from a broader turn away from a democratized economy. Eich argues that during the early 1980s Walzer "came to reconceive of the relation of the economy as separate from democratic politics" (200). But even in *Spheres of Justice*, published in 1983, Walzer still describes his vision of a just society in terms of a "decentralized democratic socialism," characterized, among other things, by "workers' control of companies and factories."[2] The democratization of highly contested aspects of the economy thus remained central to his thought even after the 1970s. Walzer's claim that politics had to be protected from the power of money does not conversely imply, as Eich argues, that money had to be protected from state power and thus depoliticized. Walzer's claim only implies that money ought not to be distributed according to political power. This sounds right and not at all a call for the depoliticization of money.

Maybe, then, we should search for the cause of political theory's silence on monetary questions less in an abandonment of the idea of a democratized economy and more in the fact that by the 1980s most political theory was concerned with ideal theory and with the normative justification of general principles of justice. Such theory regarded monetary questions as having merely derivative significance. Further, the fact that monetary policy was largely controlled by technocrats led to the formation of a highly obscure language, which made it very difficult for the uninitiated to approach questions of monetary policy.

But perhaps a deeper reason for political theory's silence can be found in the conceptualization of money itself. Contemporary political philosophy, under the influence of economic theories of money neutrality, often treats money as a purely functional, and thus normatively uninteresting, neutral device. Eich invites us to change this dominant understanding. He claims that money is a public good and that, because of this, the state has an original monopoly over its creation and regulation, although it may decide to delegate certain aspects of it to other actors. This is why the current system of private money creation amounts, in his view, to a central feature of what I call "the privatized state" (214).[3] But why should we think of money as a good that only the state should create?

At times Eich builds on Aristotle and Keynes to argue that money is a public good because it enables relationships of reciprocity and the formation of stable expectations over time, by providing a commensurable standard

[2]Michael Walzer, *Spheres of Justice: A Defense of Pluralism and Equality* (New York: Basic Books, 1983), 318.

[3]Chiara Cordelli, *The Privatized State* (Princeton, NJ: Princeton University Press, 2020).

https://doi.org/10.1017/S0034670524000494

and store of value, necessary for both exchange and for credit. In this respect, money is analogous to speech which is also a tool of coordination (27–33). But, although this understanding of money may suffice to justify granting the state the authority to determine and stabilize the value of currency, so as to preserve equity, ensure reciprocity, and maintain trust, it seems insufficient to justify a state monopoly over money creation, in the same way in which the fact that speech is also necessary to perform the above functions is insufficient to justify a state monopoly over the production of speech. The creation of money, as well as the production of speech, can remain private, as long as their value and meaning, respectively, are publicly established and regulated.

At other times Eich argues that money is a public good because it is like the law—a social convention with significant power over us (41). But we, arguably, have reasons to support a state monopoly over the creation of law because the law has the authority to establish our fundamental rights and duties. In the absence of such monopoly, the very boundaries of our freedom would be determined unilaterally. Money creation, however, although it affects our freedom in important ways, need not change our normative situation in the same fundamental way. At least in principle, money can be created privately, compatibly with our freedom, as long as the state regulates its creation and adjusts for its inegalitarian effects. The state could, for example, incentivize private banks to issue credit, at low rates, for productive economic activity only, while discouraging privately created credit for speculative activities.

An argument for public money creation would then need to take a different form: since no state's economy can afford the rapid shrinking of money supply, the more the creation of money is in private hands, the more, over time, states become hostage to private actors. We end up with the familiar dynamic whereby a very large private financial sector dominates the state, and the state becomes unable to regulate that sector. It is not, then, that money should be publicly created because it is an inherently public good—as Eich seems to imply—but rather that money should be a public good because, given the threat of private power, there are very good reasons to create it publicly.

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