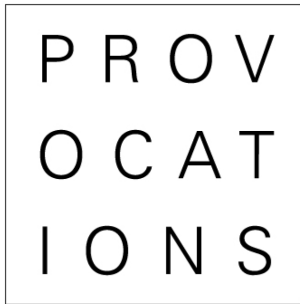

Realities and Relationships in Public Finance

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Calling financial services "products" was one of the greatest marketing triumphs of the banking industry. The convenient reification made complex sets of rights, duties, and promises (like annuities, long-term care insurance, and mortgages) sound as solid and familiar as a car or washing machine. The product frame domesticated the complexities of finance, encapsulating open-ended and contingent relationships in reassuring mental models of reality.

Progressives eventually adapted the "product" terminology for their own purposes, but its flaws haunted them. Elizabeth Warren modeled the Consumer Financial Protection Bureau (CFPB) on the Consumer Product Safety Commission (CPSC). She argued that if regulators could assure that toasters were safe, why couldn't they do the same for loans? Warren's rhetorical jujitsu, turning industry rhetoric against industry itself, helped craft one of the most important achievements of the Obama era—a strong agency capable of acting decisively to curb scams. However, this very achievement may have contained the seeds of its own unraveling.

The CFPB is fundamentally reactive. It does not seek to shape the fundamentals of credit relations, but instead to assess and respond to what financiers develop. One meager step toward actually shaping their practices—a proposal to offer favorable regulatory treatment to banks that offer loans with simple, "plain vanilla" terms—was crushed in Congress while the Dodd-Frank Act was being drafted. It is hard to convince voters of the value of government's *avoidance* of the worst, particularly in an area as abstract as finance. And government credit itself, from student loans to small business assistance, has often struck its "beneficiaries" as convoluted and parasitic. So it is no surprise that swing voters in 2016 had no great allegiance to the party that gave them the CFPB, handing the federal government to those who made no secret of their abiding contempt for the state.

None of this is meant to criticize the CFPB's work under President Obama. But it is only a small step toward just credit. A more ambitious, positive vision of what money relations can be depends on our asking deeper questions. Is credit a reality (a thing or product), or a relationship (a network of promises and dependence)? Or is that question misframed, and are relationships our ultimate reality? The deep insight of Scott

Ferguson's *Declarations of Dependence* is to pose and answer both those questions, while deploying a range of tropes from aesthetics and philosophy almost unheard of in contemporary monetary theory (even Modern Monetary Theory [MMT], the school Ferguson is most closely associated with).[1]

The stakes of Ferguson's intervention are high for the humanities and for MMT. It is hard to imagine a more quantitative, scientistic, and algorithmic discourse than that now prevailing at contemporary universities' finance departments. This hermetic and insular field has little room for the political economy at the core of MMT. Nor does it tend to model the humanities as particularly valuable. In business schools, experts in "disruption" openly welcome the diminution or even dismantling of humanities departments, reasoning that a discipline like the study of antiquity is as purely a personal aesthetic preference (and thus as undeserving of public support) as the collecting of antique cars.

Meanwhile, MMT is in a critical stage of development. Amidst the wreckage of contemporary neoliberal economic thought, alternative economic models are on an upswing. Two of the hottest ideas in American left politics—the Green New Deal and a Job Guarantee—arose from grassroots activism, and find expert validation in MMT's theory of public finance. MMT stalwart Stephanie Kelton has served as Chief Counsel of the Senate Budget Committee. But establishment opposition to MMT is mounting, as oligarchs begin to reckon with the threat it could pose to their own cozy relationships with the state, and some orthodox economists see it as a threat to assumptions they built their careers on.

In this provocation, I will first explain MMT as a theory of public finance. This explanation frames an exploration of Ferguson's theoretical project, which is primarily designed to unmoor our sense of money as a "thing," a "this" right here. The gold coin is not money's prototype—rather, its *social significance* is. We should think of money first as a scorecard, and then as a commentary, on social relationships, their value, and the aspirations they enable and deny. The humanities can help us achieve this Copernican shift in perspective, and indeed must do so to ensure their own survival, lest neoliberal narratives of scarcity and austerity banish from the university forms of thought and analysis not immediately relevant to workforce preparation.

MMT in a Nutshell

Among many leading pundits and politicians, there is a common understanding that government spending is like that of a household. Ideally, the government would save more than it spends, just like a household gets richer when its expenditures are less than its earnings. There is a realm of economic activity that pre-exists government. To fund its activities, government must tax the private income and capital generated by pre-existing economic activity. Government can borrow money, but if it does so, it must pay market interest rates on its sovereign debt. Governments that ignore that constraint end

up printing money, and fall into inflation or hyperinflation. From Weimar Germany to Zimbabwe, the lesson is the same: governments unmoored from the constraint of private demand for their debts are flirting with disaster: a world where their sovereign currency is worth little more than disposable paper and plastic. What precious metals once did, the golden handcuffs of the bond market now achieve: ensuring that states only issue a stable amount of currency.

MMT aims to upend this common sense of money at every turn, by emphasizing the power of governments relative to other institutions. A household cannot tax thousands of other households in order to support itself; government can. MMT views private commerce as secondary to money, in the sense that the state's fiscal demand for money comes before the private economy's demand for it.[2] Governance is what enables tokens to take on common importance as a universally recognized unit of account, store of value, and means of final settlement of debt relations (three functions of money which essentially define it). As Ferguson has explained:

> Both historically and ontologically money arises from the polity that issues it. Government establishes a money economy, MMT avers, by demanding taxes be paid in a currency that it alone supplies [...] [D]emanding to know whence a political union will procure the funds it requires to support its population is tantamount to the absurdity of querying a sports referee regarding the source of the points she intends to award during a match [...] [Whereas economic orthodoxy situates] money in a quasi-autonomous marketplace and envisions the nation-state as a sideline enforcer of private exchange, MMT positions the state as the grounding center of economic relations and frames the market as an internal supplement to monetary governance.[3]

This is a powerful inversion of the common political rhetoric that casts the state as, at best, a supplement to markets, and, at worse, a clumsy form of interference with them. In Ferguson's framing, the power to fund makes the state responsible for far more than it is traditionally credited with or blamed:

> Unlike money's private users, moreover, only government wields the capacity to furnish all persons with meaningful employment and sufficient access to the common store of wealth. To choke off this power, MMT insists, is not a de facto consequence of a money economy—there is no such thing as a natural rate of unemployment, for instance—but, rather, a political decision to maintain populations in conditions of poverty, violence, and despair.[4]

Ferguson anchors his account of MMT in a long line of finance scholarship on the foundations of contemporary equity and debt markets. As Ferguson observes, "even the so-called 'shadow banking' sector operates wholly within state-insured monetary systems. This sector not only regularly anchors its complex private bets on the security of U. S. Treasury Bills [...] but also immediately circles back to the sovereign monetary base during financial crises."[5] Tycoons may pour money into ever more exotic derivatives and alternative investments, but they anchor their sense of their own well-

being and power in some sovereign (and thus foundational) measure of value (be it dollars, yen, renminbi, or other currency). When crises hit, it is sovereign debt that leaps in value, not the suddenly precarious projects of the private sector.

Nor should the specter of inflation unduly constrain public credit creation. Yes, sometimes government spending can spark demand-pull inflation: too much money chasing too few resources and goods. However, wise investment is just as prone to reduce prices as to raise them. Think of the extraordinary decline in the price of software, computing capacity, and data storage over the past two decades. Investment paid dividends there—and can do so on a much larger scale. Moreover, as Cornell law professor Robert Hockett has shown, there are many ways to identify inflation very early, and nip it in the bud, if money creation causes certain scarcities.[6]

Though MMT has radical implications, some aspects of it are decades old. For example, its emphasis on government's central role in the economy recalls Keynes's *General Theory of Employment, Interest, and Money*. Keynesianism took root amidst a global depression, when unemployment sparked enormous personal suffering and political upheaval. Its revival now is unsurprising, given the problem of youth unemployment in much of the industrial world, and the decades-long worsening of work conditions for those suffering the indignities of "fissured workplaces" in the developed world. A job guarantee is meant not merely to put underutilized labor to work, but also to set a floor of compensation for workers that the private sector must best in order to attract workers.

But MMT in its most recent incarnation makes some important deviations from Keynesian orthodoxy. One reason Keynes became a foundation for modern macroeconomics is the studied neutrality of his doctrine. Keynes could joke that it mattered not whether a state spent money on burying and exhuming bottles, or building a new pyramid of Cheops, in order to put its citizens back to work. In our time, the disastrously pollutive effects of much consumption are well known. So the political face of MMT now is not simply an argument for a "people's quantitative easing," or a universal basic income (both of which would undoubtedly reduce unemployment to some degree). Rather, it is a Green New Deal (GND), an investment in the types of productive capacity that can decarbonize the atmosphere while enhancing our ability to efficiently satisfy human needs and wants.[7] This substantive emphasis is a major advance past classic Keynesian doctrine. It recognizes that the earth has limits, that we are on the brink of surpassing them, and that we must now work to undo the damage.

Imaginaries of Dependence and Interdependence

The logic of MMT is strong, and the need for the GND it could fund is undeniable. Still, there is wide resistance to its approach to money. Before we can achieve a just economy founded on MMT principles, we must reframe political debates about the economy. But before that political struggle is engaged, Ferguson's work suggests, there are even

deeper concerns about our common culture. How have our artists, novelists, and filmmakers depicted our social relationships? What is the hidden curriculum of the sea of culture we swim in daily? What aspects of culture reinforce outdated and ideological views of money (or are influenced by such views)? Are more emancipatory alternatives possible?

One could profitably mine the world of memes and social media to find answers to these questions. Meme warfare continually weaponizes memorable images and gifs into 2-second lessons in hating one ideological perspective and thrilling to another. Ferguson, rather improbably, goes back to medieval theology and art (before briefly considering some contemporary film toward the end of the book). He does so in order to explain how constricting the medieval concept of "haecceity," or "this-ness," is, regarding the imaginary of money it both drives and enframes.

The "this-ness" of money—our ability to point at the cash in a wallet or the numbers in a bank account—on one level reflects a subordination of the temporal to the spiritual. Reified as a scarce thing, money is limited; God (alone) is boundless. Religion and public life are higher realms of abstraction and imagination; money is a mere thing, like that which it denominates and buys. But as secularism has spread, the haecceity of finance portended a rise of money and the economic to the ultimate ordering principle of contemporary life.

While Quinn Slobodian's *Globalists* tells a story about the "scientization" of neoliberal economics, Ferguson's *Declarations* interrogates the rise of austerity narratives in a staccato, non-narrative form. Ferguson asks us to join him in contemplating works of art, theory, and criticism in order to comprehend a set of "ur-images," or phenomenological models, of how we mentally grasp the idea of a public fisc. Ferguson argues that this close attention to the aesthetic is important, because in all too many cases, under a regime of haecceity, "the aesthetic fills up, expands, and secures a sensorium that money depletes, contracts, and dissolves" (160).

But Ferguson's message, I believe, is not just that works of art and popular culture usurp the type of imaginative enterprise that public finance could be. He also shows how the conceptions of money and finance made plausible by cultural forces feed back into these same cultural domains. For example, as he reflects on the depiction of space and motion in Masaccio's *The Holy Trinity, with the Virgin and St. John and Donors* (1425), Ferguson freely mingles aesthetic and monetary terms. Ferguson claims that "The painting's gravitropic phenomenology [...] presumes that grace must push through contiguous space from an invisible elsewhere before arriving at the perceptible here and now" (153). This is a problematic facet of perspectivalism, according to Ferguson:

> [B]ecause perspective restricts relationality to local interactions, it bars the assurances proffered by Thomist co-presence as well as the infinitude suggested by Byzantine and Gothic abstraction. Emerging from a play of mutually exclusive positions, perspectivalism supplants spatial coincidence with temporal succession and a boundless infinity with perpetual flux. The result opens a

> vacuum in visuality. Felt as indefinite postponement or inevitable loss, this vacuum appears in the guise of haecceity's self-containment while belying a fundamentally evacuative phenomenology that forecloses being at multiple locations. Thus, like a coin-starved purse, perspective precipitates two reciprocally undermining activities: contracting perception to a hemorrhaging haecceity, it widens perception to as much as haecceity allows. The risk lies in the compact between contraction and expansion, which, as with the look and the gaze, must stabilize an increasingly unstable sensorium. (155)

Passages like this remind the reader of the aesthetic privation we would suffer if we had no Gothic or Byzantine art before perspectivalism—or abstraction after it. The juxtaposition of aesthetic and financial schools of thought also fruitfully relativizes our often ossified economics. Just as it would be foolish to write a history of art that presents Mark Rothko's color field paintings as higher quality work than that of leading mannerists or expressionists, it would be folly to think that a unitary, contemporary, mainstream "economic science" has resulted from cumulative advances over time. There are alternative economic systems appropriate for different stages of development, trading regimes, martial imperatives, and national aspirations.[8]

Thus Ferguson has started a fascinating conversation on the relationship between finance and aesthetics. I can envision a few promising directions from here. The moral and aesthetic imagination of MMT seems, at various points, to clash with that of *decroissance* (or "degrowth") theorists. There is not just an inflation constraint on government spending, but also a real resource constraint. To their great credit, most contemporary MMT theorists put a commitment to invest in climate-change-avoidance and other environmental protection at the center of their sovereign spending plans. However, hard choices between different environmental priorities are inevitable: for example, between ecomodernists' embrace of nuclear power and other approaches more suspicious of technology-driven environmentalism.[9] The humanities can help us understand the implications of each approach for politics, culture, and social relations.

Another compelling intersection of finance and the humanities would be a focus on how films, novels, memes, and other texts grapple with the distinctions between necessity, commodity, and luxury.[10] Contemporary theories of inflation have presented themselves as value-free. However, there are clear social priorities in evidence in the weighting of commodities and services in the consumer price index. If inflation (rather than debt level or "bond vigilantes") becomes the key constraint on government spending, there will be controversial decisions to make about the measurement of prices, and which prices matter. For example, is it simply the *general* level of house prices and rents that matters, or should there be some sensitivity to area-level variation (such as very high prices in urban areas)? Government health care finance agencies have struggled with such issues as they have decided whether to grant general or region-specific cost-of-living adjustments for wages. It cannot be that economists, or quantitative analysts generally, are the only (or even main) persons qualified to weigh in on such matters.[11]

In 1947, Gardiner Means observed that "the whole conception of a general change in price level has been gradually falling into disfavor in recent years." But, Nathan Tankus has disappointedly noted, "you can still find plenty of heterodox economists uncritically speaking of 'inflation,'" despite the imprecision of its present measurement. Tankus argues that "A fruitful avenue of future research would be reorganizing data to be coherent from a heterodox economics point of view. From here we can ask what different policy implications would heterodox economists derive from multiple price indices, including multiple indices of asset prices?"[12] The inclusion of asset prices is a particularly smart inversion here, because it throws into high relief some of the paradoxes of contemporary measures of financial well-being. When house prices generally go up, some large proportion of the 64% of the US that owns homes is richer; but what of the 36% without? Those questions only become more urgent with respect to financial assets, which are far more disproportionately held by the top 10, 1, and 0.1% than by the remaining 90% of Americans.

Questions for humanists here are fascinating and worth sustained contemplation. What are our imaginaries of surfeit, satisfaction, and excess? Are science fictional futures of abundance lodestars of popular aspiration, or false flames kept ablaze by cynical or naïve cornucopianists? What does popular and high culture present as the economic destiny of humanity? How has art and literature been affected by understandings of money—and how does the cutting edge of digital culture evidence mindsets both shaped by, and open to, MMT?

These questions are capacious and challenging. Sparked by an engagement with Ferguson's work, they inspire me (and I hope others) to reflect on the ways that our sense of financial possibilities informs our aesthetics (and vice versa). There is an enduring role for the humanities in decentering, un-sedimenting, and remaking our common sense of even the most starkly "real" of relationships. The social studies of science has made a mark in even the "hardest" of sciences, and is an enormously fruitful vein of inquiry in the realm of social concerns commonly deemed the domain of economics. As Ferguson's work shows, the humanistic study of value and social relations could play a similar role for public finance.

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[1] Scott Ferguson, *Declarations of Dependence* (Lincoln: University of Nebraska Press, 2018). All further page references will be given parenthetically in the text. I wish to offer thanks to Nathan Gorelick and Rohan Grey for very insightful comments on a draft of this essay.

[2] Christine Desan, *Making Money: Coin, Currency, and the Coming of Capitalism* (Oxford: Oxford University Press, 2015).

[3] Scott Ferguson, "The Unheard-of Center: Critique after Modern Monetary Theory," *Arcade: Literature, the Humanities, & the World* (2017): https://arcade.stanford.edu/content/unheard-center-critique-after-modern-monetary-theory, accessed January 2019.

[4] Ferguson, "The Unheard-of Center."

[5] Ferguson, "The Unheard-of Center."

[6] Robert Hockett, "The Green New Deal: How We Will Pay For It Isn't 'A Thing'—And Inflation Isn't Either," *Forbes*, Jan. 16, 2019.

[7] Greg Carlock et al., *A Green New Deal: A Progressive Vision for Environmental Sustainability and Economic Stability*. Data for Progress, 2018; https://www.dataforprogress.org/green-new-deal/; accessed January 2019.

[8] Dani Rodrik, *One Economics, Many Recipes: Globalization, Institutions, and Economic Growth* (Princeton, NJ: Princeton University Press, 2007). To take Rodrik further: there are many economic approaches to ordering society, and the choice of one (or a mix of some) is a political one.

[9] See, Vincent Ialenti, "Alter-Ecologies: Envisioning Papal & Ecomodernist Nuclear Energy Policy Futures," November, 2016; https://papers.ssrn.com/sol3/papers.cfm?abstract_id=2869323; accessed January 2019. Ialenti points out not just contrasts, but also points of convergence. See also, Isaac Chotiner, "How Governments React to Climate Change: An Interview with the Political Theorists Joel Wainwright and Geoff Mann" [authors of *Climate Leviathan*], *The New Yorker*, January 14, 2019; https://www.newyorker.com/news/the-new-yorker-interview/how-governments-react-to-climate-change-an-interview-with-the-political-theorists-joel-wainwright-and-geoff-mann; accessed January 2019. (Wainright: "On this point about transnational, trans-class solidarity and climate justice, it might be worth taking a look at Pope Francis's encyclical *Laudato Si*, which has probably been, to my mind, the most important book on these questions in my lifetime. In a series of statements that Pope Francis makes in that text, he reconfigures Catholic theology as a process of forging a planetary solidarity for humanity, in a world still to come. O.K., we're not Catholics. Geoff and I aren't directly quoting Francis and saying, 'You see, the Pope has it all figured out,' but we're basically stretching and pointing in the same direction."). Perhaps the greatest potential project of unbounded care imaginable at present is for the 15% or so of the world that enjoys 70% or so of its income to provide opportunities for the other 85% to live in a manner enjoyed by the middle class of the developed world. For one visualization of this disparity, see TD Architects, "Walled World," January 5, 2011; http://livinggeography.blogspot.com/2011/01/walled-world.html; accessed January 2019.

[10] Compare, for instance, Christopher J. Berry, *The Idea of Luxury: A Conceptual and Historical Investigation* (Cambridge: Cambridge University Press, 1994) and James Livingston, *Against Thrift: Why Consumer Culture Is Good for the Economy, the Environment, and Your Soul* (New York: Basic Books, 2011).

[11] An early recognition of this need for pluralism in method is in evidence in Ganesh Sitaranam, "Taking Antitrust Away from the Courts," Great Democracy Initiative (2018); https://greatdemocracyinitiative.org/wp-content/uploads/2018/09/Taking-Antitrust-Away-from-the-Courts-Report-092018-3.pdf; accessed January 2019. In his proposal for a new anti-monopoly agency, a Bureau of Investigations and Research would include "lawyers, investigators, accountants, data scientists, sociologists, anthropologists, historians, economists, engineers, technologists, & others whose training might be relevant." Antitrust has, hitherto, been an area as imbricated with economistic thought as price level management.

[12] Nathan Tankus, "Are General Price Level Indices Theoretically Coherent?," July 7, 2017; http://www.nathantankus.com/notes/are-general-price-level-indices-theoretically-coherent; accessed January 2019.