Annals of the Fondazione Luigi Einaudi
Volume LVII, June 2023: 385-390

REVIEW OF GIUSEPPE CONTI, *LA FILIGRANA CREDITIZIA DELLA MONETA: LE ORIGINI DELLA MONETA E LA COSTRUZIONE DELLO STATO FISCALE MODERNO*, MILANO: MIMESIS, 2023.

Luca Timponelli*

Heavily debated since the birth of political economy, the question of the origin of money remains disputed. Scholars must face not only ever newer documental evidence, but are also forced to engage with the methodological, ontological, and even political implications which are at the stake concerning the relationship between society, the State, and the market. Conti's insightful and documented book offers a valuable contribution to the subject, both because of the multidisciplinary approach, which brings to the reader's attention some of the most relevant works that have recently appeared not only in the field of economics, but also in anthropology and sociology, and because of its careful investigation in the theoretical presuppositions at the core to the different explanations of the genesis and of the nature of money.

The first two chapters scrutinize Carl Menger's evolutionistic account of the origin of money from the necessity to facilitate exchanges, which, according to him, were previously conducted through barter. A particular commodity (usually precious metal) then gradually gains prominence as a general means of exchange, whose universal salableness solves the difficulties of conducting bilateral trades. First coinage (which attest the commodity's metal content, making unnecessary the weight of the metal piece) and then paper money (by making unnecessary the physical transfer of metal reserves) come out as further innovations which, by reducing transaction costs, further lubricate trade inside the community. In Menger's account, the history of money follows a teleological trail in which the market system develops out of simple barter into increasingly

* Université de Lausanne – Centre Walras-Pareto. Address for correspondence: luca.timponelli@gmail.com.

ISSN: 2532-4969
doi: 10.26331/1217

complex forms, which progressively reduce constraints upon the exchange of goods and services. These forms are seen not as the result of conscious innovation by legislation, but as the outcome of a trial-and-error process which selects over time the most suitable devices for effectively conducting trade. Faced with this process of spontaneous organization of society, the State is left with the alternative between acknowledging the market order and ensuring its proper functioning (i.e. maintaining the correspondence between the real and nominal value of the coinage and, in the case of fiat money, a proportionality between the mass of paper money and the volume of actual transactions) or interfering with its proper functioning through debasement or over-issuance.

Conti carefully elucidates the limits of this historical account. In the first place, barter was never employed within ancient communities for redistributing resources. The different time required for producing heterogeneous goods, and the different cycles in which this production takes place (e.g. harvests), make simultaneous redistribution through barter impossible. Even occasional barter presupposes a unity of account into which equivalences between commodities must be established. Moreover, an interpretation of money as primarily a commodity for mediating exchanges can be easily the result of a "survivorship bias": metal pieces are more likely preserved than documents and tokens recording credit and debit relations. Lastly, Menger's teleological approach assumes, without providing evidence, the market as an ahistorical structure which can be analysed independently from the different institutional, political, and cultural contexts in which exchanges can be performed. The methodological individualism at the root of such a vision necessarily obscures the various discontinuities that characterize human history. According to Conti, a holistic approach to social phenomena, in which economics is seen in its embeddedness with the political, institutional, and religious aspects of social life, represents a better suited candidate both for tracing the origin of money and to grasp an insight of its nature and functions.

In chapters III to VII this holistic approach is deployed for providing an alternative explanation for the emergence of money. Relying on the contributions of Mauss, Sahlins, Ingham, and Graeber, Conti argues that, well before the birth of organized markets, money originates from the exigence, already present in the earliest societies, of calculating and regulating mutual obligations through the introduction of a unit of account which allows to quantify reciprocal debts and credits. Both clan societies, in which obligations were defined in terms of reciprocal gift-giving and practices of ritual redistribution, and early State entities, such as the Mesopotamian cities, in which the temple held a crucial responsibility in organizing production and in storing wealth, required a form of social

accounting for keeping the record of what was ought to and expected from everyone.

However, the merely ideal nature of a unit of account does not cancel for Conti the necessity for money to materialize itself on a material support. Contrarily to the traditional interpretation, its function is not to provide money with an intrinsic value, but rather to certify the authenticity, the trustworthiness, and the power of the issuer: being the expression of a debt-credit relation, money requires that the promise it entails to repay the receiver is judged reliable. This applies as much to the ritual talismans which circulated in the gift economy as to minted coins and to modern paper money. Coinage itself, as Conti explains borrowing from Herrenschmidt's *Les trois écritures* (2007), originated not out of the need of certifying the weight of the metal pieces (coins did not bear inscribed any denomination until the XVIII century), but rather of making identifiable the giver of the ritual offerings which were addressed to the temple of Arthemis in Ephesus. Only at a later stage these items began to circulate for the purpose of buying commodities: minted coins started being given out by the temple to foreign merchants in return of luxury goods, ceremonial *wampum* offered to European settlers began to be employed among them as a mean of exchange, etc. Therefore, it is money which enables the emergence of markets, and not the other way around. Moreover, the latter, rather than arising spontaneously out of decentralized interactions, require the presence of centres of political or religious power as a prerequisite for its own existence.

According to Conti, the transition from metallic to paper and scriptural supports does not reflect successive waves of dematerialization of money, but rather a change in the technology and in the social institutions employed in order to assure the trustworthiness of the token: despite its lower cost of production, paper money could become a feasible option only with the development of a banking circuit together with advanced accounting techniques and the juridical and administrative apparatus of the modern State.

The evidence hereby gathered is then seen by the author as a confirmation of Mitchell Innes' credit theory of money. Innes, who during his stay in the Middle East had devoted himself to the study of the Babylonian and Egyptian monetary systems, was the first to trace the origin of money as an instrument for recording credits and debits. According to Innes, this form of social compensation emerged in turn as a substitute for a system rooted on retaliation and blood feud, a shift witnessed by the etymology of the verb *to pay* from the Latin word *pacare*, "to pacify". Coins circulated as representative of sovereign debt, covered by the State's capacity to impose and collect taxes. Innes is also praised for having offered an alternative

explanation for debasement, which was not mostly practiced for making gains out of seigniorage, but rather to secure an adequate quantity of circulating means, a mechanism also acknowledged by Einaudi in 1936.

After having shown how currency did not originate as a commodity for facilitating market exchanges, in the last chapters (VIII to XII) Conti sets the task to explain how this interpretation came about and became widespread. The illusion of a money endowed with intrinsic value is for him the outcome of a double movement. On the one hand, from the late Middle Ages onwards, we witness the progressive emergence of an internationally integrated financial system, a veritable 'republic of money', as described by Boyer-Xambeu, Deleplace, and Gillard's *Monnaie privée et pouvoir des princes* (1986). Merchants and bankers began to question the prerogative of sovereigns to determine the value of money in the name of the sanctity of obligations: being detrimental to the interests of creditors, debasement began to be condemned as an abuse of power, a turnaround witnessed in the 14th century by the writings of Bartolus de Saxoferrato and Nicole Oresme. On the other hand, on the other hand, the sovereigns, who were consolidating their authority within their territories, looked favourably on the benefits of a growing commercial integration of the European continent, and were well disposed to give up their prerogatives on setting the value of money to enjoy such advantages. Therefore, modern States accepted, from their outset, to be limited by private capital in their capability to borrow and, therefore, to mobilise resources and direct their employment.

In Conti's account, the autonomy of the financial system was reaffirmed and strengthened in late 17th century England in response to the severe currency crisis that had hit the country. Circulating silver coins were mostly clipped, and their face value was almost double the value of the metal they contained. In response, the Royal Mint began in 1662 to issue coins with engraved and milled edges. However, since the value of silver bullion abroad was higher than the value of silver coins in London, these new coins were often melted and shipped to the continent, leaving the country in a shortage of circulating medium. Two re-coinage proposals were set up against the silver shortage: either at the old face value (Lowndes) or respecting the old mint-parity (Locke). According to Locke, whose argument won the public's favour, the adoption of the nominal value of silver would have meant recognising the rights of clippers and counterfeiters to adulterate the value of money, thus undermining the trust in authority which was at the core of any social obligation. If the Great Recoinage of 1696 failed to remedy the shortage of circulating silver, it did have the effect of greatly promoting the development of credit as promissory notes began to replace silver and, as gold became relatively cheaper than silver, of fostering the adoption of a gold standard. The modern credit system, under the control

of private finance, was able to establish itself thanks to the illusion of an invariable metal standard. The conflict of interest between creditors and the State, as well as the asymmetry of power that was established by depriving the public authority of control over the value of money, was therefore hidden under the veil of an alleged intrinsic value of the metal. The theory of commodity money, which reached its most accomplished form with Menger, emerged therefore as a mythical construction which answered the need to oust money from the public debate, naturalizing a state of affairs which was the outcome of a political clash. According to Conti, John Law's system was proof that a different financial system could have emerged within the modern State. A de-commodified money, directly managed by the State, would have opened up unprecedented margins of action for State intervention. In Conti's account, such an experimentation failed not because of its unfeasibleness, but due to the sabotage both of the international finance, linked to the interests of British capital and, therefore, hostile to the rise of France, and of the French bankers, who did not want to give up the high interest rates they benefited as creditors of the Crown. The suspension of gold convertibility in 1971, revealing the viability of a gold-free monetary system, has proved Law's intuition right. This unravelling of the credit nature of money should become an opportunity to question the balance of power between the State and the market, encouraging the re-appropriation of the monetary and fiscal policy instruments needed to promote social justice.

Conti's holistic approach is undoubtedly successful in exposing the fallacies of a theory which naturalizes market relationships and conceals the antagonisms which shape social institutions. His analyses of the unbreakable interrelation between token and sign, as well as of the relationship between the modern State and the globalized financial system as a *concordia discors* represents two precious and original pieces of scholarship, in which Conti eschews the limits of easy, and too often reproposed, dichotomies. However, it remains doubtful whether the author has succeeded in emancipating himself from the functionalism that he rightly reproaches Menger with. By identifying money with a technology of social accounting, the author seems to exclude that social obligations can be defined without recourse to money. Thus, credit and debit relations (together with the antagonism between debtors and creditors) acquire the same trans-historical generality as trade does in Menger's reconstruction. On the one hand, this approach forgets that peoples like the Incas were able to keep complex accounts of social obligations in the total absence of money, relying on labor time. On the other hand, it obliterates the different ways in which these obligations can be defined across the heterogeneous logics of gift giving, redistribution and market exchange. Even if tokens

used by merchants were originally employed either as offerings to the gods or as covenant pledges, they circulated outside the place where their original sacral or political meaning was acknowledged. As Conti correctly points out, trade was minimal within archaic communities: it must be added that it was practiced between communities, often over long distances, among strangers which were not bound by the obligations and norms shared by members of the same community. A different form of social regulation dictated neither by convention nor by authority, but rather by impersonal forces, had to impose itself among traders. It was in these 'interstitial spaces' that money emerged as we know it, in its triple function as unit of account, means of payment, and store of value. The redefinition of internal social obligations in monetary terms cannot be disjoined from the accumulation of precious metal which allowed the political and religious centers to purchase slaves, luxury goods, and mercenaries. Even in a regime of fiat money, today as in John Law's time the constraints of the regulation by the market (of commodities and of pledges of payments alike) do not cease to exert themselves upon States which rely on foreign commerce and debt, and which do not question the private control of investment. If the idea of a fully managed currency seems therefore a mirage, we should not give up looking for a different, and better, form of regulation of social obligations.