THE CREDIT-MONEY HIERARCHY: A REPUBLICAN, EGALITARIAN APPRAISAL

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ABSTRACT

The world is run by a global hierarchy of money and credit. Dollars—the world's best money—can be and are created with different degrees of quality "from above" by the US central bank, but also "from below," "endogenously" in the US domestic and international banking system. Here, the key practical question is not conceptual—that is, is this really money? (answer: it's all promissory credit-money)—but moral: How should the global hierarchy for credit-money creation and discipline be morally evaluated? In contrast with simple instrumentalism, this article examines ways the global hierarchy of credit-money is open to moral assessment on its own terms, raising intrinsic questions of justice or legitimacy in and of itself. It considers state legitimacy, the presumptive injustice of social hierarchy, relations of domination, and the idea of money as a res publica.

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INTRODUCTION

The world is run by a global hierarchy of money and credit. Dollars—the world's best money—can be and are created with different degrees of quality "from above" by the US central bank, but also "from below," "endogenously" in the US domestic and international banking system.[1] Here, the key practical question is not conceptual—is this really money? (answer: it's all promissory credit-money)—but moral: How should the global hierarchy for credit-money creation and discipline be morally evaluated?

To many the default answer is simple instrumentalism[2]: We judge the existing system's expected consequences by a general value such as efficiency or welfare, or by independent requirements of justice, justified for non-monetary institutions. These moral or other values may support intrinsic rather than instrument assessment—of liberty, fair opportunity, equality, etc. —quite aside from credit-money dynamics. Yet the monetary system itself is seen as a mere instrument for getting desired outcomes.[3]

This is not entirely wrong; some values are relevant in this fashion. But it would be a mistake, I submit, to assume that this is the only or the most important form of moral assessment relevant to finance. For, I argue, the credit-money hierarchy—the global system by which the world's moneys are created and allocated—is also open to moral

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[1] *See* PERRY MEHRLING, THE NEW LOMBARD STREET: HOW THE FED BECAME THE DEALER OF LAST RESORT 13 (Princeton Univ. Press 2011); Perry Mehrling, *The Inherent Hierarchy of Money*, *in* SOCIAL FAIRNESS AND ECONOMICS: ECONOMIC ESSAYS IN THE SPIRIT OF DUNCAN FOLEY 394, 394 (L. Taylor, A. Rezai, & T. Michl eds., Routledge 2013); *see generally* Perry Mehrling, *Payment vs. Funding: The Law of Reflux for Today*, *in* MONETARY ECONOMICS, BANKING AND POLICY 103 (Routledge 2022).

[2] For discussion of instrumentalism, *see generally* Aaron James, *Money in the Social Contract*, *in* THE PHILOSOPHY OF MONEY AND FINANCE 226 (Joakim Sandburg & Lisa Warenski, eds., Oxford Univ. Press 2024).

[3] *Id.* at 226.

assessment on its own terms.[4] That is to say, as I explain, it poses intrinsic questions of justice and legitimacy in and of itself, quite aside from standards of justice or general values that apply elsewhere. In this article I explain how from a republican, egalitarian perspective.

As for financial economics, I assume what Perry Mehrling calls "the money view."[5] This includes an analysis of credit-money's hierarchical nature, analyzed as interlocking balance sheets among agents acting under a "survival constraint," on pain of insolvency.[6] Accordingly, we can view the world as a network of bank or bank-like institutions, public and private, domestic and international, which at once create and allocate the world's sovereign moneys, primarily through lending of credit-money (alongside government spending).[7] At the hierarchy's apex sits the US central bank, the Federal Reserve, or "the Fed."[8] Its layers descend through select foreign central banks, chartered US banks, dealer banks, correspondence banks, and a variety of shadow banking institutions—including Eurodollar banks in Europe.[9] Farther down the hierarchy we find better- and worse-situated public and private banks operating in a plethora of different moneys (euros, renminbi, pesos, etc.), themselves differing in quality, across the developed and less developed world.[10] Credit-money hierarchies also exist within most countries or regions, where moneys are created and allocated.[11] All of them interact and exchange with dollar creation and allocation according to their place in the global hierarchy.[12]

I assume the existing hierarchy is not a natural economic occurrence, let alone an inevitable function of endowments. It is, at least in large part, socially constructed, being selectively coded in domestic and international law.[13] Accordingly, we can ask moral questions—of justice, legitimacy, and equity—about whether or in what ways the system's

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4 *Id.* at 226.

5 Perry Mehrling, BOSTON UNIV., https://www.bu.edu/pardeeschool/profile/perry-mehrling/ [https://perma.cc/24PD-ERM7].

6 *See generally* Mehrling, *supra* note 1, at 399.

7 *See generally* Mehrling, *supra* note 1.

8 *See generally id.*

9 *Id.*

10 *Id.*

11 *Id.* at 5.

12 *Id.*

13 Katharina Pistor, *A Legal Theory of Finance*, 41 J. COMPAR. ECON. 315, 317 (2013); Katharina Pistor, *Moneys' Legal Hierarchy*, JUST FINANCIAL MARKETS? FINANCE IN A JUST SOCIETY 185, 188 (Lisa Herzog ed., Oxford Univ. Press 2017).

hierarchical structure is justifiable to all affected, in view of feasible alternatives. The moral question may be posed, for example, as one of "what we owe to each other," as T. M. Scanlon develops the relevant form of moral reasoning.[14]

Institutionally, feasible alternatives are easy enough to envisage. The hierarchical structure of the existing system can be mitigated, if not leveled entirely, by one or another form of public banking. Along with the public central banks and financial supervision that are already established, we could—given political will (often available during a crisis)—have more robust domestic and international public banking with far more inclusive credit-money creation and allocation within and across societies. Key reforms include citizen accounts at central banks (perhaps with basic income credits and adjustable interest rates attached to manage inflation and deflation), expansive public investment and development banking, and a proper Special Drawing Rights-based international clearing union and global central bank.[15]

The global credit-money hierarchy touches upon nearly every issue of great importance. Yet it has largely escaped notice in Anglo-American analytic political philosophy. This arguably reflects a tendency in Rawls's and post-Rawlsian thought to genuflect to neoclassical economics, which itself marginalizes money and banking as a "neutral veil" for the "real" economy.[16] But, surely, monetary practices and institutions are themselves something that should be assessed, as just or unjust, legitimate or illegitimate, rather than taken for granted.[17]

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[14] *See generally* T.M. SCANLON, WHAT WE OWE TO EACH OTHER (Harvard Univ. Press 1998); *see generally* Aaron James, *Constructing Justice for Existing Practice: Rawls and the Status Quo*, 33 n.3 PHIL. & PUB. AFF. 281 (2005) (on practice-sensitive justification); *see also* AARON JAMES, FAIRNESS IN PRACTICE: A SOCIAL CONTRACT FOR A GLOBAL ECONOMY 101 (Samuel Freeman ed., Oxford Univ. Press 2012); Aaron James, *Why Practices?*, 51 RAISONS POLITIQUES 43, 56 (2013).

[15] For discussion of basic income payments to central bank accounts, *see* AARON JAMES & ROBERT HOCKETT, MONEY FROM NOTHING: OR, WHY WE SHOULD STOP WORRYING ABOUT DEBT AND LEARN TO LOVE THE FEDERAL RESERVE 174–183 (Melville House, 2020).

[16] Aaron James, *Rawls, Lerner, and the Tax and Spend Booby-Trap: What Happened to Monetary Policy?*, *in* A THEORY OF JUST. AT 50 60, 77 (Paul Weithman ed., 2023).

[17] *See generally* Peter Dietsche*, Money Creation, Debt, and Justice*, 20(2) POL., PHIL., AND ECON. 151, 151–67 (2021) (discussing money creation and allocation); *see generally* Lisa Herzog, *Global Reserve Currencies from the Perspective of Structural Global Justice: Distribution and Domination*, 24 CRITICAL REV. INT'L AND POL. PHIL. 931, (2021) (describing the monetary system as a hierarchy).

I. ANALYSIS

As a first step toward a more sustained philosophical inquiry, I offer philosophical clarification of what in political theory and legal circles is often called the "democratization" of money.[18] What's meant, I take it, is not a democratic procedure that might well lead to unjust results, but, rather, broadly democratic values that inform what institutions or outcomes are just or unjust, legitimate or illegitimate. Debates in history, law, policy, and economics often provide rich contextual detail about the meaning of accountability, public purpose, inclusion, equity, and so on. These discussions do *suggest* the intrinsic relevance of such broad democratic values to money and banking as such. But, since they tend not to offer a systematic analysis of what value concepts or principles are assumed to be relevant, one can be forgiven for catching an air of sloganeering activism. Here political philosophers, for whom values and principles are their stock-in-trade, can be of service—by offering clarification and defense.

One thing often left unclear is whether or how assumed democratic values bear directly on the system of money and credit on its own terms. Is it a *mere instrument* for attaining independently required outcomes for social justice or legitimacy? Or is it *itself* open to direct moral assessment? In this discussion, I clarify how several moral issues are intrinsically relevant to money and banking. Here, I mainly hope to clarify, postponing the task of defense for another day.

Particularly apt, I suggest, are three ways of morally appraising hierarchical financial relations:

1. Relational equality—that is, a presumption of justice against any social hierarchy, barring special justification;[19]

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[18] *See e.g.*, Jan Kregel, *Democratizing Money* (Levy Econ. Inst. of Bard Coll., Working Paper No. 928, 2010), https://www.levyinstitute.org/publications/democratizing-money [https://perma.cc/KNM3-DG2P].

[19] *See* Elizabeth S. Anderson, *What is the Point of Equality?*, 109 UNIV. CHI. PRESS 287, 313 (1999); Samuel Scheffler, *What is Egalitarianism?*, 31 PHIL. & PUB. AFFS. 5, 5 (2003); NIKO KOLODNY, THE PECKING ORDER: SOCIAL HIERARCHY AS A PHILOSOPHICAL PROBLEM 87–89 (Harv. Univ. Press, 2023).

2. Domination—both agential, a la Philip Pettit's neo-Romanism,[20] and structural (for example, liberty as "independence" a la Rousseau or Kant);[21]

3. Money as a *res publica*, "a thing of the public."

Taking each in turn, I explain how these values have three key features. First, they provide *intrinsic*, rather than purely instrumental, terms of assessment of money and banking. They aren't merely instrumental in the way means-end efficiency is neutral without supplying further goals, nor are they simply an appraisal of how well finance promotes intrinsic demands of *other* institutions. Social legitimacy may generally require a stable banking system, but money creation and allocation also raise intrinsic moral questions on their own. Second, the intrinsic values in question directly assess the *hierarchical* character of credit-money systems. They fashion objections to existing hierarchies in favor of some alternative ways a monetary system might be run. Third, the relevant values call for greater reliance on public banking (central and otherwise) to mitigate, if not entirely level, the relevant hierarchy.

A. Relational Equality

According to the relational egalitarian, social justice is, at bottom, about relations as among equals.[22] Distributional outcomes are not, as such, unjust. Rather, they are unjust insofar as they reflect inequalities of power, privilege, or status—forms of social hierarchy—that are themselves unjustifiable.

On this view, any social hierarchy of power, privilege, or status bears a weighty burden of justification. A hierarchy can be justified, on balance, but it stands unjustified by presumption, unless it can be shown

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[20] Phillip Pettit, Republicanism: A Theory of Freedom and Government (Oxford Univ. Press 1997); Phillip Pettit, A Theory of Freedom: From the Psychology to the Politics of Agency (Oxford Univ. Press, 2001).

[21] Jean-Jacques Rousseau, The Social Contract 77 (Maurice Cranston trans., Penguin Books 1968); Immanuel Kant, The Metaphysics of Morals, 100–102 (Lara Denis & Mary Gregor eds., Mary Gregor trans., Cambridge Univ. Press, 2017).

[22] Anderson, *supra* note 19, at 313; *see generally* Elizabeth S. Anderson, *Ethical Assumptions in Economic Theory: Some Lessons from the History of Credit and Bankruptcy*, 7 Ethical Theory and Moral Prac. 347, 349–359 (2004) (noting the role of ethical views about credit and debt hierarchies in the emergence of capitalism); *see generally* Elizabeth Anderson, Private Government: How Employers Rule Our Lives (Princeton Univ. Press, 2017); Scheffler, *supra* note 19, at 5-22; Kolodny, *supra* note 19.

to be necessary and be appropriately constrained. A form of unequal power might be necessary, for example, to have military order instead of melee and defeat, or for government instead of anarchy. But it would have to be truly necessary and appropriately tempered by checks and balances, mechanisms of accountability, and so on.

Relational egalitarianism naturally applies to what Mehrling calls the "inherent hierarchy of money."[23] Some natural differences in promissory credibility may not necessarily amount to a social hierarchy in the relevant sense. There may be no issue of justice or injustice in the mere fact that one party's promissory IOUs are worth more, or are more credible, than another's—even if the more credible IOU is more apt to function as a redeemable means of payment with other parties (i.e., as money). However, the situation changes when IOUs are socially or legally instituted, coded, and backed, as is typical of monetary and banking systems.[24] When socially elevated in a hierarchy of credit, IOUs can come to serve credit-money functions with significant social consequences.[25] Then, differences among issuing parties, in part a product of privilege, are a social hierarchy assessable as socially just or unjust.

The hybrid, private-public banking systems found in most countries today are a case in point. Nominally privately chartered but profiteering banks are afforded extraordinary money creation and allocation privileges (via lending).[26] Because they are elevated in the hierarchy of credit (by bank charter and deposit insurance), the banker's IOUs circulate as recognized money, while the ordinary citizen's IOUs do not. Ordinary citizens are normally barred by law from even attempting to issue money and typically have little say or only a slight influence over bank conduct via their public representatives (who are themselves prone to capture by banking interests).[27]

On the present conception, this social hierarchy is presumptively unjust: It is unjustifiable unless necessary for larger public purposes and appropriately constrained. Some such hierarchy arguably *is* necessary—

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[23] Perry Mehrling, *The Inherent Hierarchy of Money*, *in* SOCIAL FAIRNESS AND ECONOMICS 394 (Lance Taylor, Armon Rezai & Thomas Michl eds., 2012) (describing social hierarchies in monetary systems).

[24] Pistor, *supra* note 13, at 317; Katharina Pistor, *Moneys' Legal Hierarchy*, *in* JUST FINANCIAL MARKETS? 185, 191 (Lisa Herzog ed., 2017).

[25] Pistor, s*upra* note 24, at 190.

[26] Robert Hockett & Saule Omarova, *The Finance Franchise*, 102 CORNELL L. REV. 1143, 1146 (2017).

[27] *See* Daniel C. Hardy, *Regulatory Capture in Banking* 4–5 (Int'l Monetary Fund, Working Paper No. 034, 2006).

for efficient credit-checking, productive lending and investment, necessary liquidity, and so on. Banking is a delicate, specialized business and, occasional crises notwithstanding, it does steadily augment the wealth of nations, as Adam Smith famously claimed.[28]

Even so, this is not to say the credit-money system must be as hierarchical as it now is. As they stand, private bankers' privileges are arguably not necessarily required or properly constrained. A national investment authority, for example, is a modest step in the direction of limiting private bankers' discretion over lending and investment flows.[29] Instead of allowing private banks to steer investment for what may or may not be public purposes, a public investment bank would create, allocate, and discipline longer-term, patient capital for productive, socially beneficial uses; it would also be politically accountable and more responsive to citizen expectations. Private capital may be crowded in—on the promise of attractive returns. But it will then have less decisive discretion over projects and their execution, reducing the gap in influence between privateers and expert representatives of public interest.

Even a relatively robust public investment bank may still leave the flow of credit-money largely subject to banker discretion. This residual hierarchy of monetary power may still be open to relational egalitarian objection as well, given the option of further public banking measures. For instance, central banks might be assigned overtly allocative tasks along with the implicitly allocative tasks they currently have (e.g., managing the level of employment). Money creation could then be done in a more plainly equitable fashion. Citizens might, for example, hold accounts directly at their respective central banks, where attached interest rates can be raised or lowered to influence spending and savings decisions or to manage inflation or deflation.[30] Basic income or other payments could be credited directly to citizen accounts. Private banks, subject to greater discipline from public bank competition, could then be more readily consigned to more modest, more efficient, and less disruptive functions in

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[28] ADAM SMITH, AN INQUIRY INTO THE NATURE AND CAUSES OF THE WEALTH OF NATIONS, 280 (Edwin Cannan ed., 1904) https://oll.libertyfund.org/titles/smith-an-inquiry-into-the-nature-and-causes-of-the-wealth-of-nations-cannan-ed-vol-1 [https://perma.cc/9Z74-FNA5].

[29] Robert Hockett & Saule Omarva, WHITE PAPER: A NATIONAL INVESTMENT AUTHORITY, *in* LEGAL STUD. RSCH. PAPER SERIES NO.18-10, 8-9 (Cornell Univ. L. Sch., 2018) https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3312553 [https://perma.cc/CJ2X-43LR].

[30] Saule T. Omarova, *The People's Ledger: How to Democratize Money and Finance the Economy*, 74 VAND. L. REV. 1231, 1261–1262 (2021); ROBERT HOCKETT & AARON JAMES, MONEY FROM NOTHING: OR WHY WE SHOULD STOP WORRYING ABOUT DEBT AND LEARN TO LOVE THE FEDERAL RESERVE (Melville House ed., 2020).

their core, productive-lending capacity. Citizens are accordingly empowered as participants in monetary policy (and indeed more responsive and efficient participants)—their position in a public-private hybrid hierarchy being, in effect, elevated.

Since the relational egalitarian makes a sweeping presumption against *any* social hierarchy, it has broad critical purchase. At the same time, where one can't point to feasible public banking measures or some other alternative, a monetary hierarchy may be necessary. The international context is particularly difficult in this regard. While most states already have relatively developed central and other public banking institutions, the world now lacks a proper global central bank. One might defend the feasibility of expanding the Bank of International Settlements, which already serves as a bank for central banks.[31] Yet it seems fair to say that the establishment of a robust central bank poses sharp questions of feasibility and effective design.

The relational egalitarian might point instead to entirely feasible public banking alternatives of regional and international scope, which equally challenge the justifiability of existing hierarchies. For many countries, especially in the developing world, heavy reliance on foreign money flows, with considerable exchange rate risks and high costs of borrowing, reflects their low position in the global credit hierarchy.[32] But this *can* be mitigated by heavier reliance on public development and investment banking.[33] Lending at concessionary rates can be offered domestically, in regional banks, special purpose development banks, the World Bank, or the International Monetary Fund.[34] Instead of expecting cities or countries to court impatient private capital, more robust global public investment banking could lend productively in every country and region—perhaps to again "crowd in" private funds. This squares with public purpose, and, indeed, is arguably essential for continued

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[31] *The Global Bank for Central Banks*, BIS, https://www.bis.org/about/areport/areport2019/glob_bank_for_cbs.htm (2019) [https://perma.cc/A76Y-CFPY].

[32] Press Release, U.N., With clock ticking for the SDGs, UN Chief and Barbados Prime Minister call for urgent action to transform broken glob. fin. sys. (Apr. 26, 2023), https://www.un.org/sustainabledevelopment/blog/2023/04/press-release-with-clock-ticking-for-the-sdgs-un-chief-and-barbados-prime-minister-call-for-urgent-action-to-transform-broken-global-financial-system/ [https://perma.cc/Y2VQ-H2L4].

[33] *IMF-Supported Programs and the Poor: The Experiences of Low-Income Countries*, INT'L MONETARY FUND, https://www.imf.org/external/pubs/ft/pam/pam52/3.htm [https://perma.cc/PE8T-M3MK].

[34] *Id.*

development in poor and rich countries alike, including for climate change adaptation and mitigation (the Bridgetown initiative and various green funds being a hopeful start).[35]

This retreat to institutional modesty is not to say relational egalitarianism lacks deep critical purchase on existing arrangements, however. The state system—especially in the post-war era of decolonization—can itself be seen as mitigating, albeit hardly leveling, the nineteenth-century global credit-money hierarchy run by Imperial England via London.[36] The firmer establishment of political sovereignty across the "Third World" at least mitigated what were overt relations of economic and financial domination.[37] To be sure, the dollar-based global order—and especially certain elements, such as the 1990s "Washington Consensus"[38] and International Monetary Fund "structural-adjustment programs"[39]—may carry an air of similarly. But it still arguably marks a general (if still grossly insufficient) improvement in the mitigation of the previous global credit-money hierarchy. The more robust establishment of monetary autonomy across the developing world—states issuing and better managing their own moneys, relaxing exchange rate pegs, borrowing mainly in their own moneys, and so on—can be seen as a next necessary step in furthering a long mitigating trend.

The foregoing examples are meant to be suggestive. They indicate how, aside from purely instrumental evaluation, the stated moral presumption against social hierarchy amounts to an intrinsic form of assessment in the monetary context, including that of instrumental service to independent demands of justice. A full assessment would still turn on empirical or instrumental considerations (e.g. of inflation or deflation, growth, distributional, or sustainability trends). On the present conception, however, such considerations are relevant only to *rebut* a default presumption against credit-money hierarchy. The relational egalitarian idea is that this presumption has its own sweeping moral force. Insofar as greater reliance on public banking in a relevant context would do as well

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35 U.N., *supra* note 33.

36 *See* Patrick K. O'Brien & Nuno Palma, *Not an ordinary bank but a great engine of state: The Bank of England and the British Economy, 1694-1844*, 76 ECON. HIST. REV. 305, 308 (2022).

37 *See id.* at 316.

38 Douglas A. Irwin & Oliver Ward, *What is the "Washington Consensus?"*, PETERSON INST. INT'L ECON.: REALTIME ECON. (Sept. 8, 2021, 8:30 AM), https://www.piie.com/blogs/realtime-economic-issues-watch/what-washington-consensus [https://perma.cc/RNJ7-Y35L].

39 *IMF-Supported Programs and the Poor: The Experiences of Low-Income Countries*, *supra* note 33.

or better for public purposes than reliance on private finance, the existing hierarchy is simply unjust. But even if we should, all things considered, continue to rely on private bankers for overwhelming instrumental reasons in some contexts, public banking reforms still count as intrinsically more justified for leveling or at least mitigating the existing credit-money hierarchy.

This point has under-appreciated force in policy debate. Often when some new form of public banking is proposed (e.g., a central bank digital currency or CBDC), it is asked, almost as if posing an objection, "but what problem are we trying to solve?"[40] This is fine for analytical purposes. Yet the question is often taken to imply that continued private bank provision of a relevant monetary function is presumptively legitimate and necessary until proven otherwise (perhaps by overwhelming considerations of private financial incompetence). But there should be no such presumption, even aside from the empirical benefits of familiarity—"the devil we know," etc. (which I grant). Morally, the burden of justification weighs in favor of shifting our current private-public hybrid monetary systems to rely further on public banking functions—unless private finance can be shown to have an overwhelming instrumental justification.

The problem a CBDC is designed to solve is, in short, the injustice in not having a CBDC. In relational egalitarian terms, citizens are needlessly denied the privilege of banking with the public central bank. Being left to bank with private banks, they are left with an inferior substitute. Short of holding cash, they are denied creditor status in holding the highest quality credit-money in the domestic economy. A CBDC, issued as a direct liability of the central bank, would level that unnecessary hierarchy.

B. Domination

At each level of the credit-money hierarchy, domestically and internationally, banks or other agents issue promissory IOUs, in effect allocating them to some and not to others. Credit-money is at once created and allocated, being created in the very act of allocation. This exercise of

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[40] Esra Nur Ugurlu & Gerald Epstein, *The Public Banking Movement in the United States: Networks, Agenda, Initiatives, and Challenges* (Pol. Econ. Rsch. Inst., Univ. Mass.-Amherst, Working Paper No. 538, 2021).

promissory discretion is straightforwardly open to republican objection to domination.

As Pettit understands it, the objection applies wherever agents are subject to the exercise of arbitrary power without accountability—of just the sort often enabled by a social hierarchy.[41] A tyrant might, as it happens, not feel inclined to intrude in the life of his subjects much; but the very fact that he could easily do so, at will, means his subjects stand in subjection to his arbitrary power. A boss who is legally empowered to fire employees at-will may choose not to exercise his power when they do his bidding; they nevertheless count as dominated unless his power to fire is constrained and open to accountability.

Likewise for bankers. They often exercise power over others—creating money for some and not others—at their pleasure, on what may well be an arbitrary basis, at least in any given decision. Unless banker power is disciplined, it is open to the charge of being exercised without reason, or for the wrong reasons, entirely at the banker's discretion. Would-be borrowers, who must curry the banker's favor, stand dominated.

Pettit clarifies that an "arbitrary" basis is one that is unresponsive to an agent's interests as he or she perceives them (what he calls "avowed or avowal-ready") and needn't be a moralized notion.[42] I assume this or other notions of the arbitrary can, however, serve as inputs into moral reasoning, as contextually relevant moral interests or claims.[43] Agents do have a morally relevant interest or claim in not being subject to arbitrary treatment, without an appropriate justification, given the lack of institutional accountability that would discipline a relevant decision affecting them. Accordingly, a banking hierarchy in which credit-money creation and allocation decisions are made, often with great consequence, is *morally* objectionable if banker discretion is unconstrained and a proper justification is not forthcoming.

Above I suggested that relational egalitarianism can mount a sweeping case for public banking measures. The idea of domination, by itself, may seem to have less critical purchase, or, indeed, suggest a sweeping rationale *against* any or most forms of public banking. To "free

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41 *See generally* PHILLIP PETTIT, REPUBLICANISM: A THEORY OF FREEDOM AND GOVERNMENT (Oxford Univ. Press eds., 1997); Phillip Pettit, *A Theory of Freedom* (Oxford Univ. Press, 2001).

42 Philip Pettit, *Freedom in the Market, in* POLITICS, PHILOSOPHY & ECONOMICS 131, 136 (SAGE Publications Ltd, 2006); Christian List & Laura Valentini, *Freedom as Independence*, 126 ETHICS 1043, 1059 (Univ. Chi. Press 2016).

43 *See also* Aaron James, *Contractualism's (Not So) Slippery Slope*, 18 LEGAL THEORY 263, 274-75 (CAMBRIDGE UNIV. PRESS, 2012).

banking" republicans such as Adam Smith and F. H. Hayek, the idea of domination might apply in principle but support the case for financial liberalization.[44] Market discipline, on this view, suffices for banker discipline, as competition (e.g., to attract depositors) and the constant threat of illiquidity or insolvency encourages prudence and blunts the power of any given banker.[45] Government discipline—in the form of bank regulation or even indirect central bank competition—is then unnecessary or *itself* a cause of banker domination.

This view might also endorse the Jacksonian claim that public bankers (e.g., in the First and Second Bank of the U.S.) dominate *the state* at the expense of other citizens—that is, rentier financial capitalism.[46] Free private banking subject to market discipline might be offered as the cure. As I understand free banking republicanism, however, private bankers are seen as *themselves* dominated by regulation at some level or by public bank competition. If costs to the public from state capture are also considered, the charge of the *private banker's* domination by the state still has its own force as a moral objection.

This argument might be resisted in several ways. First, the traditional republican argument for financial liberalization de-emphasizes financial market "imperfection" and pervasive rent-seeking behavior by private bankers.[47] This renders it a rather unrealistic model of real political economy, and irrelevant except in rarified ideal theory.[48] Second, morally speaking, it privileges the banker's claim against domination by the state over the citizen's claim not to be dominated by the banker. At the very least, we should take the latter horizontal claim of the citizen as seriously as the former vertical claim of the banker.

If we take claims of both kinds seriously, however, we have a forceful intrinsic argument for the illegitimacy of financial liberalization, which runs as follows. State discipline is necessary to protect citizens from

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[44] *See generally* ADAM SMITH, THE WEALTH OF NATIONS, (Edwin Cannan ed., 1904); *see also* F.A. HAYEK, DENATIONALISATION OF MONEY: THE ARGUMENT REFINED: AN ANALYSIS OF THE THEORY AND PRACTICE OF CONCURRENT CURRENCIES 9, (The Inst. of Econ. Affs., 3rd ed. 1990); *see* ROBERT S. TAYLOR, EXIT LEFT: MARKETS AND MOBILITY IN REPUBLICAN THOUGHT 7 (Oxford Univ. Press, 1st ed. 2017); Joshua Preiss, *Did we trade freedom for credit? Finance, domination, and the political economy of freedom,* 20(3) EUR. J. OF POL. THEORY 486, 490 (2018).

[45] GEORGE A. SELGIN, THE THEORY OF FREE BANKING: MONEY SUPPLY UNDER COMPETITIVE NOTE ISSUE, 174 (1988).

[46] Matthew Wells, *The Bank War*, 28 no. 2 FED. RSRV. BANK RICHMOND: ECON FOCUS 18, 18 (2023).

[47] Joshua Preiss, *Did We Trade Freedom for Credit? Finance, Domination and the Political Economy of Freedom*, 20 EUR. J. POL. THEORY 486, 492 (2021).

[48] *Contra id.* at 394.

domination by bankers. This outweighs weaker banker claims against state domination. Furthermore, instrumental considerations do not weigh overwhelmingly against anything but market discipline. States discipline well, or at least well enough, in service to public interest. Therefore, the power bankers in fact exercise over citizens under liberalization is unjust, or indeed an illegitimate deprivation of the citizen's freedom or independence.

This argument turns partly on instrumental considerations. So, an argument for public banking measures must show that they are, in a significant way, part and parcel of a well-disciplined financial system that serves public interest more reliably than financial liberalization.

One route to that conclusion defends the full socialization of money creation. Given the unruly nature of private credit, along with the questionable efficacy of command-and-control regulation—which leaves bankers at risk of arbitrary treatment—the state can simply limit banker prerogatives. For example, it was in this spirit that the 1933 "Chicago Plan," endorsed by Milton Friedman and others prominent at the time, proposed to end private banker money creation powers entirely.[49] According to the plan, banks would take deposits and offer safe-keeping and payment services, but would only lend against what they already had in reserve.[50] In effect, all money issued is centralized, indeed socialized, in central bank money creation, albeit on what is functionally a soft gold standard.

This is not, I take it, the most plausible defense of public banking. A stronger argument charts a middle course between full liberalization and full socialization. The claim, as I explain presently, can simply be that our existing public-private hybrid system should shift in the direction of greater reliance on public banking.

For starters, banker discipline needn't come only by conventional state regulation, posing traditional objections to banker domination. One way to curb the banker's discretionary power is, again, for citizens to bank directly with a central bank. Citizens are then less subject to private bank profiteering or exclusion from services. Deposit-taking private banks must then compete with public banks for deposits to stay in business, being indirectly regulated by market forces. The public option level and quality of benefits would set industry standards indirectly. It would encourage

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49 Jaromir Benes & Michael Kumhof, *The Chicago Plan Revisited* 4 (Int'l Monetary Fund, Working Paper, 2012).

50 *Id.* at 34.

competition with and among private banks, creating a strong incentive to innovate useful services and build stronger ties of loyalty with communities and industries.

But, if the idea is to preserve private banking, would an option to conveniently bank with the central bank crowd out deposits to private banks, putting them out of business? Banks rely on deposits—in effect, low-interest loans from depositors—for cheap finance. But, if everyone has a citizen account, and it's easy to access and spend what may be free money, why bank anywhere else? I take it that private banks will survive, though I concede that the benefits of the public option would have to be set with care so as not to undermine any interest at all in private banking services. Public benefits can be phased in, smoothing orderly passage to a new equilibrium.

Larger banks should have little trouble finding profit. Smaller industry, community, or regional banks that maintain trusting relationships can also be expected to secure a good measure of faithful depositors. Depositors tend to be very reluctant to switch banks once they have established a relationship.[51] Even with citizen accounts at hand, citizens can simply use both accounts, public and private (perhaps on one digital "wallet" interface). It is already easier than ever to move funds "at the speed of Twitter" (which caused the March 2023 run on the Silicon Valley bank).[52] What's more curious is why people tend to stay put. The answer is partly inertia, but, I suggest, also trust. In the long run, if banks up to some size are having difficulty funding lending operations for lack of depositors, cheap lending can be substituted by special credit lines at low interest from the central bank. A discount window specifically for smaller banks could be established, whose interest rate can itself be raised or lowered to keep smaller banks in business or nudge credit discipline.

Here, the case for central banking is strengthened by admitting the constructive role of private credit. If central or other public banks merely offer a public option, this would arguably keep private banking in business, limit its speculative excesses, and help render its core business socially productive. Private banks could survive and prosper in their traditional, salutary roles—in careful credit-checking and well-

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[51] Wei Ke, *Inertia and Other Psychological Barriers in Bank-Switching Behaviors*, FORBES, (Sept. 23, 2019), https://www.forbes.com/councils/forbesfinancecouncil/2019/09/23/inertia-and-other-psychological-barriers-in-bank-switching-behaviors/ [https://perma.cc/2JK9-9A2A].

[52] Emily Flitter & Rob Copeland, *Silicon Valley Bank Fails After Run on Deposits*, N.Y. TIMES (Mar. 14, 2023), https://www.nytimes.com/2023/03/10/business/silicon-valley-bank-stock.html [https://perma.cc/TSD4-VXVB].

disciplined, productive lending. Local or regional private bankers—especially in community banks and credit unions—are arguably best placed to know the needs of their local communities because they are "closer to the ground" and most able to assess borrower credibility. Private money creation can then increase the stock of desired goods and services. The enabling monetary debt is eventually self-liquidated as loans are repaid (bank liabilities repaid are simply "extinguished"), posing little extra risk of price inflation. A prudent banker can then profit from interest payments while serving common interest.

The concern that public banking or regulation will dominate either banks or citizens is weakened if private finance is, in this way, envisaged to have a productive, disciplining role. And this is not a slippery slope to blanket liberalization or light touch regulation. If small private banks or credit unions offer epistemic advantages in being dispersed and "closer to the ground," the largest "too big to fail" banks, which may not be very "close" to local or regional communities and industries in any case, could accordingly be made less important. If broken up by the state to enhance competition, regional, community, and industry banks could (again) become more important in allocating credit-money where necessary and productive in service to the real economy. Compared to a world where a small number of very large banks dominate the economy, the risk of banker domination is much reduced.

Large banks are sometimes said to be needed for large problems. But this isn't to say private banks should be large. Instead, adapting finance to the scale of our problems arguably requires far greater reliance on public balance sheets. For example, given the challenges of climate change, a new green-transition monetary architecture arguably requires relying more heavily than we now do on public banks at all levels in the global credit money hierarchy, for both "firefighting" and "workhorse" roles in the division of financial labor.[53] Existing public banks can be greatly expanded with enhanced support. New public banks can be established at every level—from towns, cities, states, and country regions to continental regions or the international system itself. But, along with far greater use of public banks, this may also require far better global coordination between public and private balance sheets. The system can

[53] Steffen Murau, et al., *Monetary architecture and the Green Transition*, 56(2) EPA: ECON. & SPACE 382, 384 (2024) (defining "firefighting" roles as banks with higher balance sheets like the Federal Reserve and "workhorse" roles as those with lower balance sheets such as shadow banks).

include reliance not only on public off-balance sheet entities at various levels but also private shadow banks for credit creation.

Are citizens then at risk of subjection to unaccountable state decisions by regulators or politicians? Don't they have claims against the domination of monetary policy by ill-motivated or ill-advised political actors? They do, but this vertical claim against state domination is often seen as grounds for liberalization, in part by simply ignoring or de-emphasizing the citizens' horizontal risk of domination by private bankers. Citizens also have good reason to object to domination of monetary policy by private financial interests. The question is how to address both citizen claims.

A natural remedy here is neither full liberalization nor full socialization, but rather central or other public bank independence—meaning "independence as insulation." Public bankers then operate with a measure of insulation from two directions: from above, that is, from politicians who face incentives to meddle in monetary or investment policy for electoral advantage, and from below, from private bankers, who may not care greatly about public interest, or may have a biased conception of it. The latter might include the influence of putative economic experts, for example, from within the academy. Banking practice is perhaps as much at risk of intellectual or cultural capture as it is at risk of capture by industry lobbying.[54]

But, can central or other public bankers, if insulated, be trusted? They can when banking officials are part of a well-organized administrative body or bodies run with clear mandates and norms, professionalized staffs, and an inclusive culture of broad democratic accountability.[55] Such a culture would include learning by doing and a standing demand to give and ask for relevant public reasons for decisions, policies, and arguments, in an intellectually diverse milieu.[56] The expectation of having to justify decisions externally in public venues, before the legislature or in regular public discussion, can also exert accountability pressure on decisions ex ante. The Fed, for example, has an

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[54] *See* James Kwak, *Cultural Capture and the Financial Crisis*, *in* PREVENTING REGULATORY CAPTURE: SPECIAL INTEREST INFLUENCE AND HOW TO LIMIT IT 71, 75 (Daniel Carpenter & David A. Moss eds., Cambridge Univ. Press 2014).

[55] Joshua Cohen & Charles Sabel, *Directly Deliberative Polyarchy*, *in* PHILOSOPHY, POLITICS, DEMOCRACY 181, 183 (2009).

[56] *Id.* at 181.

extremely open-ended legal mandate but is highly sensitive to perceptions of its political legitimacy.[57]

Yet, again, nothing in republican thought per se requires limiting attention to claims against domination by state actors. So long as everyone's relevant claims must be accounted for, such vertical claims between citizens and the powers that be must at least be balanced against horizontal claims against arbitrary exercise of power *within* a credit-money economy. Bankers themselves can be said to have vertical claims against domination by regulators or central bank decisions, as suggested. But the view that *only* banker claims against domination count, because citizen claims against banker domination are irrelevant, is both grotesquely inegalitarian and, anyway, not very plausible from a moral point of view.

At the very least, citizen and banker claims must be compared and weighed. And, in that case, public management of the existing hierarchy arguably won't be subject to a conclusive vertical banker objection, all things considered. When states can mitigate the scope of arbitrary banker discretion—by direct regulation or indirect pressure via public banking alternatives—the citizen's claim against the banker to better serve public interest may often, or, indeed normally, prevail.

The international setting is, again, more complicated. Sitting at the apex of the global credit-money hierarchy, the Fed enjoys quasi-central bank dominance over other central banks and economies.[58] There is little, if any, effective accountability in the international system to serve global public interest.[59] And it may seem unclear what form of accountability, if any, might be feasible. The charge of domination, then, can seem not to apply.

Here, an ambitious line of reply defends a global central bank as a check on the Fed's inordinate power. Assuming political will could somehow be summoned for its establishment, the question would be whether the global central bank can itself be governed in an accountable, non-dominating fashion, or at least do better than the Fed-centric system

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57 Ben S. Bernanke, Chairmen, Bd. Gvnrs. Fed. Rsrv. Sys., *Speech at Institute for Monetary and Economic Studies International Conference, Bank of Japan, Tokyo, Japan: Central Bank Independence, Transparency, and Accountability* (May 25, 2010) https://www.federalreserve.gov/newsevents/speech/bernanke20100525a.htm [https://perma.cc/T2RT-ZTPA].

58 *See The Inherent Hierarchy of Money*, *supra* note 1, at 402.

59 The Fed avows responsibility to the public and U.S. Congress, but not the international public. *Is the Federal Reserve accountable to anyone?*, BD. OF GVNRS. FED. RSRV. SYS. (Sept. 4, 2019), https://www.federalreserve.gov/faqs/about_12798.htm [https://perma.cc/79X9-RARM].

we have. Any answer would be highly speculative and open to the charge of being either no less dominating or else ineffectual.

A narrower line of reply is also available here. A proper global central bank, it may be said, is not needed to meet the charge of Fed domination. One might argue that it's enough to "dethrone the dollar" if Special Drawing Rights are used more extensively, within existing central banking institutions and functionalities such as the IMF and Bank of International Settlements.[60] Arguably, this would insulate countries from Fed decisions about dollar interest rates, leaving them less subject to monetary externalities (e.g., on cost of borrowing) that flow from the Fed's largely parochial, United States-first decision making. They'd thus enjoy greater effective liberty in a more orderly, less imbalanced global financial system.

Insofar as the U.S. would have a less decisive influence than it now has, some in the U.S. would assuredly complain of being dominated under an expansive Special Drawing Rights system. But the change may only amount to a slight loss of power and stature, and itself come with longer-term benefits to the U.S. including being freed from the burden of "exorbitant privilege."[61] As in the domestic context, countries and their citizens lower in the global credit-money hierarchy may thus be said to have the weightier objection.

At the very least, for holding a special position in the credit-money hierarchy, a given state—depending on its position—will, I submit, incur special responsibilities. The higher the state on the ladder, the more profound the responsibility. In which case, I would argue, the Fed, as a de facto global central bank, bears the weight of the world on its shoulders, unless or until some more satisfactory global central banking arrangement is set up.

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[60] For discussion of a Global Clearing Union, akin to the one Keynes proposed see generally Robert Hockett, *Bretton Woods 1.0: A Constructive Retrieval for Sustainable Finance,* 16 N.Y.U. J. LEGIS. & PUB. POL'Y 401 (2013), https://nyujlpp.org/wp-content/uploads/2013/07/Hockett-Bretton-Woods-1.0-16nyujlpp401.pdf [https://perma.cc/L6GU-6TEA].

[61] *See also* Paola Subacchi & Paul van den Noord, *Exorbitant Privilege and Fiscal Autonomy*, 39 OXFORD REV. ECON. POL'Y 283, 283 (2023) (citing ROBERT TRIFFIN, GOLD AND THE DOLLAR CRISES: THE FUTURE OF CONVERTIBILITY (1960)) ("Robert Triffin explained ['exorbitant privilege' that came to the United States from issuing the key reserve currency] as the ability to finance a current account deficit at very low rates of interest. This ability stemmed from the dollar being the anchor of the global financial system which ensured that central banks held dollars as official reserves and that firms engaged in international trade held dollars to settle their trade transactions."); BARRY EICHENGREEN, EXORBITANT PRIVILEGE: THE RISE AND FALL OF THE DOLLAR AND THE FUTURE OF THE INTERNATIONAL MONETARY SYSTEM (2011).

To be sure, the Fed may be said to have stepped up already. Its extension of swap lines to systemically important foreign central banks has mitigated Fed domination, at least to a large extent.[62] Foreign central banks, in effect deputized in dollar creation, are then elevated considerably in the global hierarchy of credit.[63]

Yet existing arrangements are arguably not a full solution. Fed swap lines are extended in a highly partial, perhaps discriminatory fashion—according mainly to damage potential and trust.[64] Could swap lines simply be extended to all or most countries, substantially flattening the global hierarchy of credit among central banks worldwide? Would that suffice? It would certainly help, though it's an important question whether such an expanded swap line system could address claims against domination in an inclusive, equitable fashion.

One can argue, moreover, that this would be an unstable halfway house. Even an expanded Fed-centric arrangement may then seem open to intrinsic moral objection. Arguably, only a proper global central bank can meet each country's republican demands against their current subjugation to Fed interest rate decisions, as responsible as the Fed might try to be. Given the many long-standing dysfunctions of a dollar-based system, perhaps instrumental considerations agree.[65]

This suggests that the current dollar-based global hierarchy is a cause of "structural domination."[66] The global monetary and financial environment in which countries are asked to operate is only in part a product of specific Fed or other central bank decisions. It is also a matter of general trends enabled by rules and expectations, practices and institutions, which themselves transmit the Fed's influence over countries lower in the global credit-money hierarchy. Accordingly, one might argue, many countries, their central and private bankers, and their publics stand dominated by their position in the hierarchy itself, not just by Fed decisions taken within it.

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[62] *See Central Bank Liquidity Swaps*, BD. OF GOVERNORS FED. RSRV. SYS., https://www.federalreserve.gov/monetarypolicy/bst_liquidityswaps.htm [https://perma.cc/H4P7-JB64].

[63] *See* Perry Mehrling, *Where's My Swap Line? A Money View of International Lender of Last Resort*, 63 ECON. HIST. Y.B. 559, 560 (2022).

[64] *See id.*

[65] *See* Hockett, *supra* note 60.

[66] For a definition of structural domination, see Nicholas Vrousalis, *The Capitalist Cage: Structural Domination and Collective Agency in the Market*, 38 J. APPLIED PHIL. 40, 44, 52 (2021).

Pettit's republicanism limits claims of domination to protection against decisions by particular agents, or specifiable groups of agents, to the exclusion of mere systemic or structural examples (except insofar as factors "condition" non-domination).[67] To other republicans, however, structural domination requires only an imbalance of power among agents, dependency on the relationship by the less powerful, and lack of an effective, appropriate check on the party with greater power.[68] By extension to finance, whether or not any particular banker decision is dominating as such, a monetary system can insufficiently check public or private banking decisions. Then, financial markets may hold an unacceptable degree of power over the life, attention, and planning of those subjected to it, leaving people or countries generally less secure and less independent or free.

C. MONEY AS A RES PUBLICA

I've argued that republican and egalitarian moral considerations allow us to intrinsically assess monetary and banking systems. As I now explain, republican and egalitarian issues—of legitimacy and equity—can be said to arise at an even more basic level in the state's exercise of power over its subjects.

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[67] Philip Pettit, *Freedom in the Market*, 5 POL. PHIL. & ECON. 131, 139 (2006).

[68] Cécile Laborde & Miriam Ronzoni, *What is a Free State? Republican Internationalism and Globalisation*, 64 POL. STUD. 279, 279–80 (2016); *see also* Cécile Laborde, *Republicanism and Global Justice: A Sketch*, 9 EUR. J. POL. THEORY 48, 52, 59 (2010) (noting the relevance of structural domination in international affairs); ALEX GOUREVITCH, FROM SLAVERY TO THE COOPERATIVE COMMONWEALTH: LABOR AND REPUBLICAN LIBERTY IN THE NINETEENTH CENTURY 168, 175 (2015); WILLIAM CLARE ROBERTS, MARX'S INFERNO: THE POLITICAL THEORY OF CAPITAL (2017); Vrousalis, *supra* note 66; NICHOLAS VROUSALIS, EXPLOITATION AS DOMINATION: WHAT MAKES CAPITALISM UNJUST 98-99 (2023). In connection with aspects of money, credit, or finance in the name of republicanism, see, for example, ALAN THOMAS, REPUBLIC OF EQUALS: PREDISTRIBUTION AND PROPERTY-OWNING DEMOCRACY 166, 214 (2017); HOCKETT & JAMES, *supra* note 30; Herzog, *supra* note 17; Preiss, *supra* note 47, at 493, 496; Aaron James, Money as Res Publica 8–11 (on file with author); Laborde, *supra*; Vrousalis, *supra*; VROUSALIS, *supra* note 66, at 102–03; ROBERT HOCKETT & AARON JAMES, MONEY FROM NOTHING: OR, WHY WE SHOULD STOP WORRYING ABOUT DEBT AND LEARN TO LOVE THE FEDERAL RESERVE (2020); Herzog, *supra* note 18; Preiss, *supra* note 45, at 488–90; For discussion of money with republican themes but without invoking the name "republican," see G.A. Cohen, *Freedom and Money*, *in* ON THE CURRENCY OF EGALITARIAN JUSTICE 166 (Michael Otsuka ed., 2011); *see also* Sanjay G. Reddy, *Developing Just Monetary Arrangements*, 17 ETHICS & INT'L AFFS. 81 (2003) (discussing money and credit); Dietsche, *supra* note 17; Aaron James, *Money as a Currency of Justice*, 23 J. CONTEMP. LEGAL ISSUES 207 (2022) [hereinafter *Money as a Currency of Justice*]; James, *supra* note 2.

The existing hierarchy of credit-money is, in part, a construct of the state and state system. But, I would argue, the state and system are also products of the political economy of credit-money. Instead of a state theory of money (e.g., a la chartalism), I believe we need a credit-money theory of the state and its legitimacy. That is, to be a state is to claim to rule legitimately, with a right to sovereignty afforded by the state system. But then credit-money creation and management—as shaped by formal powers of sovereignty over monetary matters—is part and parcel of whether any government's claim to sovereignty can be morally justified.

To see why, consider a ruler that demands taxes in a money of account, on pain of arrest and incarceration. He then creates that money only by extending exclusive issuance and allocation privileges to certain favored bankers. Those bankers in turn dictate who receives the sovereign's money, which everyone needs to settle their yearly tax obligation. The ruler's bankers in effect enjoy the right to decide who will be at liberty from arrest—who will, in that sense, live freely.

Intuitively speaking, I submit that this would not be a legitimate state, and perhaps not even a state at all in the ordinary, contemporary sense. To the extent a contemporary state qualifies as a legitimate state, I would argue, it must run a very different sort of tax and banking system. The intuitive illegitimacy in this case would seem to consist partly in relations of domination; hapless souls must live in subjection to the arbitrary will of a tyrant and, by extension, to the arbitrary will of his banker. But, especially as we move to less nakedly abusive cases, the illegitimacy is also structural, in the arbitrary or unjustifiable terms of cooperation people are asked to live under. If, indeed, a government issues IOUs into currency in part by demanding them back in settlement of tax obligations, it had better, on pain of illegitimacy, make that money widely available and easy enough for everyone to procure, in a dignified fashion that people could be expected to sustain year after year.

As for what people are asked to do, specifically, this will require a legitimating set of expectations about how to get ahold of money—by borrowing or employment, etc.—that people could be expected to go along with over the course of their lives. A ruler's legitimacy thus rides on the competent maintenance of an inclusive, equitable "social contract" around money, banking, work, and production that everyone subject to threat of incarceration can abide by without suffering alienation or simply revolting.[69]

From this perspective, I would add, public banking embodies republican legitimacy. A central bank choosing to issue money to every citizen directly—perhaps via citizen accounts, as suggested earlier—is a straightforward way of implementing basic demands of state legitimacy. It also publicly recognizes the banks' bearing on inclusion and equity in a transparent, meaningful fashion. The state's money just *is* the society's own full faith and credit, measured out in increments. A cleanly-administered universal basic income grant can thus be seen as part and parcel of a legitimating social contract—as simply guaranteeing every citizen a share of what is, taken with others, rightfully theirs, their thing of the public, their money.

A public's money wouldn't just be "its money" because it is issued by its otherwise legitimate state. As part of a larger social contract, money use "from below" should be seen, I submit, as part and parcel of legitimate state rule in enabling and facilitating a well-functioning society. To see this, consider a case of monetary revolt. Compare a dictator who mainly keeps himself in power, funding his pleasure palaces. Imagine his disapproving subjects use notes featuring his head reluctantly or sparingly, just to pay tax debts, substituting the notes for something else as soon as possible. Maybe they favor a parallel currency where possible, or normally refuse to lay a finger on his unclean notes. Even if the dictator manages to last for a time, he's plainly lacking the buy-in or implicit support present in legitimate republics. In a legitimate sovereign republic, credit-money is a public thing—the full faith and credit of the public measured out in increments—defined at once "from above" and "from below," by the issuing state, but in the name of the polity that is supposed to use and rely on it. It's backed both by the faithful competence of its government in managing its money and economy and by the active use of money in free, cooperative, productive activity by its citizenry.

In that case, we might look differently upon the free banking republican's contention that bankers stand at risk of state domination. Earlier we granted that the banker's claim against domination by the state must be weighed against the citizen's claim against domination by the banker—assuming there was a relevant complaint to be weighed. But we can now see why, in a republic, bankers would have no such standing to complain of direct or indirect regulation. The citizen's complaint, then,

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[69] *Money as a Currency of Justice*, *supra* note 68, at 221; James, *supra* note 2.

always holds sway. For when an otherwise legitimate state issues a money on behalf of its public, it equally enjoys a right, to be exercised on behalf of its public, to exclude or limit banking in its IOUs for common public purposes. Bankers then have no standing to complain.[70]

The relevant sense in which money is a res publica can be seen in an informal credit cooperative.[71] A cooperative might find it useful to employ and rely on a banker for issuance of its IOUs—for all the conveniency banking offers.[72] It could rightly exclude a banker from cooperation, revoking his or her privilege, if he or she fails to make good in financial service to those whose credit is being relied upon.[73] A banker's IOUs will only rise to the status of money in a community because they are widely enough accepted in the community—because enough people can expect that enough others will accept them in settlement of debts.[74] Any money—as common credit—is, in that sense, a thing of the public: the money is only money because of the group's common credit, its combined trust and confidence, in the banker and in each other.[75] But then, a group equally has a right to withdraw trust when its confidence is being misused. It can de-monetize the banker's IOUs and either abandon banking or establish a public bank.

Just so, a state can withdraw public trust from its bankers on behalf of its public. A state can choose to extend the "finance franchise" to private banks, when this is of demonstrable benefit to the community, but the invitation is extended only as a public trust, for public utility.[76] The privilege to issue money, if granted, can equally be revoked when any banker is not giving good service to the public. The private banker being inherently liable to public interest regulation, he or she has *no standing at all* to object to domination against regulation in the public's interest. If the terms of the franchise are not to the banker's liking, he or she is free to pursue a different line of work.

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[70] Aaron James, *Money as Res Publica* 8–11 (on file with author) [https://perma.cc/RNF3-685D].

[71] *Id.*

[72] *Id.*

[73] *Id.*

[74] *Id.*

[75] *Id.*

[76] For an explanation of the "finance franchise," see Robert C. Hockett & Saule T. Omarova, *The Finance Franchise*, 102 CORNELL L. REV. 1143, 1147 (2017) ("At its core, the modern financial system is effectively a public-private partnership that is most accurately, if unavoidably metaphorically, interpreted as a *franchise* arrangement. Pursuant to this arrangement, the sovereign public, as franchisor, effectively licenses private financial institutions, as franchisees, to dispense a vital and indefinitely extensible public resource: the sovereign's full faith and credit.").

With claims of banker domination off the table, we are back, then, to the question of what overall financial system serves public interest. For the reasons suggested earlier, the best system may still put private bankers to work. But it may equally expand the role of public banking. How far it can be expanded—a global central bank?—is partly an instrumental question. I have already suggested that greater reliance on public balance sheets within domestic and international banking is relatively plausible for instrumental and moral reasons.

II. Conclusion

I have not attempted to address empirical considerations that bear on an overall assessment of the existing global credit-money hierarchy. What I've argued is that we should not assume that its overall justifiability depends solely on empirical-instrumental considerations, or even on values—including broadly democratic values—that apply independently of the credit-money hierarchy. I've focused on issues of relational equality, domination, and the public nature of money. For these, and perhaps other reasons, the global hierarchy is an unduly neglected subject of justice—and source of injustice—in its own right.