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By "fancy or agreement": Locke's theory of money and the justice of the global monetary system

LUCA J. UBERTI
American University in Kosovo
Rochester Institute of Technology

Abstract: Locke argues that the consent of market participants to the introduction of money justifies the economic inequalities resulting from monetarization. This paper shows that Locke's argument fails to justify such inequalities. My critique proceeds in two parts. Regarding the consequences of the consent to money, neo-Lockeans wrongly take consent to justify inequalities in the original appropriation of land. In contrast, I defend the view that consent can only justify inequalities resulting directly from monetized commercial exchange. Secondly, regarding the nature of consent, neo-Lockeans uncritically accept Locke's account of money as a natural institution. In contrast, I argue that money is an irreducibly political institution and that monetary economies cannot develop in the state of nature. My political account of money has far-reaching implications for the normative analysis of the global monetary system and the justification of the economic inequalities consequent upon it.

Keywords: Locke, metallism, chartalism, consent, equality, global monetary system

JEL Classification: B11, E42, Z10

The extent to which Locke's principles of justice (or 'Law of Nature') justifies permissible material inequalities is a long-standing terrain of contention in the neo-Lockean tradition. While some critics (e.g., left-libertarians) have argued that the way Locke's law regulates original resource appropriation contains extensive egalitarian provisions (Vallentyne, et al. 2000), little thinking has been devoted to the problem of theorizing the inequalities resulting from resource transfer and commercial exchange. This is unfortunate, for there is reason to think that the *problématique* that Robert Nozick (1974, 150) calls "justice in transfer" was high up on Locke's politico-philosophical agenda. In particular, a significant portion of chapter 5 of the *Second treatise of government* is devoted to justifying the inequalities that emerge upon the introduction of money. Here, Locke makes what in contemporary political theory would qualify as a hard-headed libertarian argument:

> [s]ince gold […] has its value only from the *consent* of Men […], it is plain, that Men have agreed to a disproportionate and *unequal* Possessions of the Earth (Locke 1988 [1689], §50; emphasis added).[1]

Consenting to money, for Locke, implies consenting to the distribution of benefits and burdens caused by monetization.[2] It follows that the consenting parties cannot cherry-pick some of the externalities of monetarization out of the scope of their agreement. Nor can they renege on their voluntary commitment to the use of money if the forces of the monetary economy land them in poverty.

In this paper, I argue that the consent argument (and its traditional interpretations) is beset by two problems, which jeopardize its ability to deliver the sweeping justification of material inequalities that Locke and his followers thought could be derived from it. Regarding the consequences that the consent to money is taken to legitimate, contemporary neo-Lockeans[3]—and, to the extent that he held this view, Locke himself—are wrong in holding that the scope of justified inequality that is warranted by the device of consent also covers inequalities in the original appropriation of land. In contrast, I argue that the consent argument can only deliver a justification of the inequalities resulting directly from the monetization of commercial exchange. In this respect, defending inequalities in original acquisition by appeal to the idea of consent to money constitutes a conflation of the (independent) categories of justice in transfer and justice in appropriation.

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[1] Locke 1988 [1689]. Hereafter, numbers in brackets after '§' refer to the paragraph of the *Second treatise of government*.

[2] Whether consent to money is to be thought of as actual or merely hypothetical is an independent problem which I shall not discuss in this paper.

[3] It is difficult to give a synthetic definition of what makes a political theorist a neo-Lockean. For the purpose of this article, I wish to include under this label not only the critics and interpreters of Locke's writings, but also those whose political thinking is methodologically or substantively germane to Locke's own political philosophy, including (non-constructivist) contractarians, and (right- and left-) libertarians.

Regarding the *nature* of the consent to money, neo-Lockean critics perpetuate Locke's own failure to adequately appreciate the political underpinnings of the institution of money. While some have questioned the proposition that monetization leads to normatively justifiable outcomes (notably, Tully 1980), few Lockean critics have ever interrogated the assumption that monetization is indeed economically possible in pre-political societies. Only a minority (e.g., the chartalists) has suggested that the institution of money has an irreducibly political character that makes its establishment and justification impossible to decouple from the establishment and justification of political authority (e.g., Bell, et al. 2004). In the course of my discussion, I develop the proposal that money is a quintessentially political creature. My argument seems to lead to the refutation of Locke's own idea that money is a state-of-nature institution, and to the conclusion that monetization coincides with the constitution of a political society—or, more precisely, a "political economy".

I conclude the article by exploring the consequences of my defense of the political nature of money in light of Locke's argument that consent to money justifies the inequalities induced by monetization. The political interpretation of the consent to money has far-reaching implications as to how the neo-Lockean is to theorize trans-national inequalities and global monetary institutions. In particular, it will emerge that, when the political account of money is situated in global context, the range of inequalities that the consent argument is apt to justify is confined to economic disparities within political jurisdictions. Since consent is expressed through the political compact, trans-national inequalities cannot be said to be thereby justified.

Because of these misconceptions about the consequences and the nature of the consent to money, the programmatic justification of economic inequality that Locke deploys through his consent argument is vulnerable to two egalitarian challenges. The joint force of these challenges seems to compel neo-Lockeans to scale down the range of inequalities that can be thought to legitimately arise from the introduction of money. Inequalities in original appropriation and trans-national inequalities emerge as impossible to justify with reference to the consent to money. In the following section, I shall present my critique of Locke's justification of acquisitive inequalities. The discussion of trans-national inequalities, which builds on my political critique of Locke's account of the nature of money, is presented in the last section.

MONEY INEQUALITY: JUSTICE IN APPROPRIATION OR JUSTICE IN TRANSFER?

Money-induced inequalities and their justification

Locke's discussion of justice in transfer is almost entirely concerned with the economic inequalities that emerge in pre-political societies following the advent of money. It should be noted from the outset, however, that in Locke's view, money is not the only or the earliest driver of income polarization.[4] Pre-monetary exchange is itself an important cause of material inequality. It is not difficult to see why. Imagine a pre-political society of producers-traders each endowed with a different level of labor productivity. It is reasonable to think that the more productive or able-bodied will enter the marketplace with a larger tradable stock, and thus greater bargaining power, than the less productive or disabled. Clearly, initial inequalities of tradable endowments, as aggravated by the bargaining advantages that the better endowed can gain in the market, result in income inequalities as the market clears.

Still, these inequalities do not seem to worry Locke. He claims that, as long as wastage is eschewed, "any one can make use of [the income from one's labor] to any advantage of life" (§31). And this permission must be taken to include not only the possibility of directly increasing consumption, but also the possibility of improving one's trading position and bargaining leverage in exchange. It follows that, as he puts it, "if [someone] bartered away Plumbs [sic] [...] for Nuts [...], he did no injury" (§46); not even when it turns out that, given the circumstances, swapping out plums for nuts benefits the seller of plums more than the buyer of nuts in relative terms. Locke would conclude—although he never states it explicitly—that relative inequalities of outcome are morally irrelevant, as long as exchange is consensual.

Justifying uncoerced trade in kind, and the inequalities it generates, is merely a starting-point. Economic agents engaged in barter would soon transition to a monetary economy by entering into a "tacit Agreement of Men to put a value" (§36) on unitary quantities of a

[4] By "income" I mean any material advantage (whether in cash or kind) that can be derived by using or selling one's labor, or through commercial exchange.

designated durable substance (Locke 1991a [1691], SC.145),[5] such as a "sparkling Pebble or a Diamond" (§46). Locke does not discuss at length why agents would choose to introduce a tradable currency, focusing instead on the question of how monetization is possible.[6] Yet it is clear that, for Locke, the core function of money is to enable its holders to preserve from dissipation the value embedded in the "truly useful, but perishable, Supports of Life" (§47), namely consumable commodities of the likes of plums and nuts. Money gives producers and traders the capacity to accumulate economic value and avert the so-called "spoilage proviso", i.e., the natural-law requirement that nothing be spoiled or destroyed (§31).

Despite its advantages in the way of efficiency, the monetization of trade raises normative questions in its own right, for it causes an additional, and much deeper, wave of income polarization than that occasioned by non-monetary commerce. Money-induced inequalities pose justificatory challenges that cannot be settled simply by appealing to a history of consensual commercial transfers, as in the case of inequalities in the pre-monetary phase. If we are to justify the deeper unequalizing forces that monetization precipitates, economic agents must consent to the very use of money as an instrument of exchange, and not just to each and every transaction concluded in cash.[7]

I will be concerned with this two-fold question: what exactly are the distributive consequences of monetization; and which of these consequences can be genuinely thought to be legitimated by reference to an act of consent? In tackling this problem, most commentators, and more controversially, Locke himself, seem to make a conspicuous mistake, which leads them to conflate the realm of justice in transfer with that of justice in appropriation. Let me first reconstruct in some detail the arguments found in the literature. The view I contest hinges on Locke's assertion that where money is introduced, "Men will […] be apt to enlarge their *Possessions of Land*" (§48). The possibility of accumulating economic value through money leads economic agents

[5] Locke 1991a [1691]. All citations from this work are marked as 'SC', and refer to the paragraph number as labeled in this edition.
[6] See Caffentzis 1989, 73. I discuss this problem in the next section.
[7] Of course, one could reasonably question whether consenting to the institution of money is, though necessary, also sufficient for a compelling justification of money-induced inequalities. One could argue, for instance, that the ramifications of the introduction of money are so extensive and pervasive that consent to the institution of money cannot signify consent to the material consequences of monetarization. In what follows, I shall not take up this challenge and will instead assume that the core thrust of Locke's consent-based argument is sound.

to appropriate more land than they could "use the product of" (§50), in order to sell the "overplus" at a price (§50) and accumulate currency. Thus, money "made Land scarce" (§45); and as resource scarcity inevitably curtails the acquisitive opportunities of some, all critics seem to converge on the view that the introduction of money is (or, at least, appears to be) at loggerheads with Locke's "sufficiency proviso", that is, the natural-law requirement that original acquisition should leave "enough and as good" resources for others to appropriate (§27, §33).

Money and the law of nature

How do neo-Lockeans reconcile the egalitarianism of the "sufficiency proviso" with the inequalities allegedly permitted by positive consent? There are two ways of resolving this tension. Accordingly, neo-Lockean critics can be sorted into two camps. Those that I shall call "abrogationists" argue that, because monetary economies fall foul of the sufficiency proviso, common consent is necessary to repeal or abrogate the Law of Nature and make monetization possible (Ince 2011, 36-37; Waldron 1988, 220; Macpherson 1972, 211). Adopting a more critical stance, other abrogationists view the consent to money more as a blatant "violation" than a permissible "abrogation" of the Law of Nature (Ince 2011, 37). Because of its seditious character others argue money not only violates the norms of the pre-monetary order, but also causes the pre-political economy to become dysfunctional; and the social instability that ensues provide powerful motives for the abandonment of the state of nature and the establishment of civil rule (Tully 1980).[8]

Instead of attempting to transcend the Law of Nature through the mechanism of consent, the "*revisionists*" choose to strategically re-theorize, or revise, the Law itself. They maintain that although the "land grab" triggered by monetization leaves some without enough and as good in the way of natural resources, the benefits that accrue to the propertyless by way of new opportunities for employment, rental and purchase outweigh the opportunity costs of missed acquisition (Mack 2009, 70; Sreenivasan 1995, 35-37). The proviso must be simply satisfied *all things considered* and the consequences of monetization do

[8] Tully (1980, 154) makes this point very eloquently: "Money disrupts [the] natural order, and government is required to constitute a new order to social relations which will bring the actions of men once again in line with God's intentions". See also Caffentzis 1989, 68.

not seem to be in breach of this more relaxed standard.[9] A corollary of this is that, because the satisfaction of the proviso is sufficient to legitimate the consequences of the introduction of money, common consent plays at best an ancillary role in the justification of money-induced inequalities (Mack 2009, 67).

What is the common ground shared by these two interpretive strands? Both views are premised on Locke's thesis that monetization can justifiably lead to a "land grab" (whether in compliance with the Law or by overriding agreement) and, ultimately, to resource scarcity. However, I think there are reasons to question the adequacy of Locke's avowed view of the consequences of monetization, based on both textual and analytical considerations.

Money, appropriation and innovation

For one thing, there is countervailing textual evidence suggesting that, for Locke, what is actually incentivized by the introduction of money is not further land appropriation, but simply labor and industriousness. In principle, a single appropriator could acquire extensive land holdings, bring them into cultivation and, by selling the product she does not need for her subsistence, hoard up currency. However, Locke seems to concede that the "part of [the original commons that] the industry of one man could extend itself [to]" is in practice very small (§31, §36), even when opportunities for permissible accumulation are opened by the institution of money. To be sure, our ambitious appropriator could circumvent this constraint by renting out or selling the newly acquired surplus land.[10] However, the *Second treatise of government* contains no explicit mention of commercial transaction in land;[11] and the primary source of accumulation in the state of nature is supposed to be production-driven trade: the "larger Possessions" (§36) introduced by money are made possible by the sale of the likes of nuts, sheep and wool (§46)—that is, consumer goods—rather than by the sale or rent of land.

[9] This argument may have been implied by Locke when he says that one can legitimately accumulate money not only because consent to the resulting inequalities is implied in the common consent to money, but also because hoarding up gold and silver occurs "without injury to anyone" (§50).
[10] In fact, Locke's economic theory does, consistently with this hypothesis, include the notion that land is capital, i.e., as a good capable of "yielding a certain yearly Income" or rent (SC.25).
[11] In keeping with this, Tully (1980, 149) maintains that Locke did not think of land as capital, or as a capital good.

Given the organizational challenges that—as Locke acknowledges (§31)—are associated with bringing new land into productive use (and absent appropriation for rent-seeking purposes), it is reasonable to conclude that Locke occasionally thought that what the institution of money really generates is an incentive to innovate and boost efficiency in the productive use of already acquired land. Also other passages seem to contradict the mainstream view that monetization leads to a "land grab". For instance, Locke suggests that the reason why the (non-monetary) societies of America "have not one-hundredth part of the conveniences [England] enjoy[s]" is not so much that the former have yet to bring unimproved land into cultivation as the lack of incentives for "improving [the land] by labour" (§41). The most conspicuous difference between the incentive structure of monetary and non-monetary economies is that the former promotes labor, industriousness and innovation, whereas the latter merely ensures subsistence.

Moreover, the result that monetization incentivizes innovation rather than appropriation seems to follow from Locke's idea that (in situations of non-scarcity such as the state of nature) economic value is determined almost entirely by labor, rather than as a result of physical inputs such as land (§40, §42).[12] If land is all but valueless, the possibility of storing value by hoarding currency must be taken to offer incentives to deploy ever more complex forms of labor,[13] rather than to enclose unimproved land.

In sum, several passages in Locke's *Second treatise of government* suggest that the primary incentive provided by money is to promote innovation and industriousness, rather than further appropriation. The crucial implication of this claim is that the material inequalities that market participants consent to as they consent to the institution of money are those that result from the differential capacities of market participants to engage in innovation and industry. Money cannot possibly enable market participants to realize benefits from further appropriation. Consequently, consent to money cannot be taken to imply consent to the sanctioning of such (unrealizable) benefits.

[12] In situations of resource scarcity, Locke instead espouses a demand-supply theory of exchange value (see §45; and SC.170).

[13] See the passage (§43) where Locke lists the many types of value-adding labor that go into making the final value of consumption goods.

The justifiability of appropriation

Textual considerations aside, there is a second (this time, normative) reason why Locke's consent argument should not be seen as justifying inequalities in original appropriation, whatever Locke's positive pronouncements on this issue (§49, §50) might have been. Even if state-of-nature landowners had, in a conjectural history, attempted to rely on the appropriation of marginal land to kick-start capitalist accumulation, the normative clout of Locke's Law of Nature would simply have barred this course of action. Both revisionist and abrogationist strategies to resolve the (real or apparent) clash between the sufficiency proviso and the consequences of monetization fail to get off the ground. Let me elaborate with reference to two of Locke's famous formulae. Firstly, Locke states that labor is "the measure of Property" (§36). Undoubtedly, this formula means, positively, that labor gives rise to property relations (i.e., the labor-mixing argument). But it also prescribes, negatively, that one may not appropriate more land than one could either labor on by oneself, or (more controversially) hire manpower to labor on (§28). In other words, property is (at least primarily) to be used for productive investment, rather than rent-seeking. Consider now the second formula: Locke says that each instance of appropriation must leave "enough, and as good [...] *in common* for others" (§27; emphasis added). This proviso (i.e., the "sufficiency proviso") means, negatively, that, even if somebody was such a "production monster" that he could labor (or invest) on vast tracts of land,[14] the appropriation thereof would be barred. The proviso also means, positively, that everybody is entitled to an opportunity to expend one's labor, and hence enter into property relations.

Recall now that the revisionist argues that non-appropriators are compensated for remaining propertyless by means of opportunities to labor on the property of others, or to purchase manufactured goods. But it is clear that the prescriptions that these formulae contain are much more demanding that those implied by the revisionist proviso.[15] What is to be left for others to acquire, according to the second formula,

[14] This would satisfy the requirement that labor be a "measure of Property". Let us also assume that, besides a "production monster", such appropriator is also a "consumption monster", so that nothing is wasted and the "spoilage proviso" (§31) is satisfied. This example is modeled on Nozick's example of the "utility monster" (1974, 41).

[15] I am not arguing here that it would be wrong to endorse, on independent grounds, a (revisionist) proviso that constrains, not the distribution of resource inputs strictly speaking, but the overall distribution of final utility levels. All I am saying is that Locke's own wording of the proviso is more akin to the former type than to the latter.

is not just a stock of *produced* resources, but a stock of *productive* resources as found in the original commons. Furthermore, in light of the first formula, acquisitions of marginal land solely for rent-seeking purposes unacceptably eviscerate the function of property as the vehicle of productive investment.

It is also unsatisfactory to reply to this argument, as the abrogationist does, that the proviso interpreted strictly is abrogated by the act of consent to money. For the same reasons that mutual or informed consent are not sufficient to legitimate slavery or suicide—they are impermissible under the Law of Nature—by the same token, Locke must think that positive consent cannot override the natural Law more generally (Kelly 2007, 106; Vaughn 1980, 92-93). In fact, Locke's contention that rightful ownership does not depend on the consent of the rest of mankind (§28) makes positive consent not only insufficient but also unnecessary for the justification of unequal appropriation.

Revisionism and abrogationism incur the same charge. In thinking that monetization of exchange leads to acquisitive inequalities, both interpretations of the consent to money conflate the category of justice in transfer with that of justice in appropriation: the normative procedure (i.e., consent) that is supposed to regulate inequalities arising directly from monetized trade is read back into the normative sphere of appropriation, and wrongly taken to warrant original acquisition of land beyond the limits set by the norms of just appropriation (as codified by the two formulae discussed above). Consent to the use of money only entails consent to the *consequences* of the use of currency as a mechanism of resource transfer. It surely cannot legitimate *all* consequences, including the putatively greater incentives facing currency traders to engross their land stocks. If so, neo-Lockeans would also run into further paradoxical conclusions, namely that consent to money would legitimize the crimes produced by the "state of contention [and] covetousness" afflicting monetary societies (Tully 1980, 150), not to mention the crimes of coin-clippers and counterfeiters (Caffentzis 1989). In sum, contra the revisionist, a correct understanding of Locke's Law of Nature would strike down the presumption that the inequalities occasioned by a money-driven "land grab" can be justified on Lockean grounds. Furthermore, Locke's Law of Nature cannot be repealed by positive consent.

What should neo-Lockeans make of the passages in the *Second treatise of government* that suggest the consent to money implies the consent to unequal possessions "of Land" (§48, §50)? In light of the textual evidence reviewed above and the analytical tensions raised by Locke's avowed extension of the consent argument into the realm of appropriation, it is reasonable to conclude that these passages reveal, at best, an internal contradiction within Locke's own account of money. Locke's low opinion of mercantile activities and his belief that "agriculture was the foundation of English society" (Wood 1984, 20) might go some way towards explaining his assertions that the consent to money legitimizes inequalities in land holdings, and his willingness to discount the tensions between these assertions and his other pronouncements on money and natural law. Absent a convincing account that brings paragraphs §48 and §50 to cohere with Locke's provisos, the need to preserve analytical consistency within Locke's normative architecture imposes that the weight of these passages—and the orthodox interpretations of Locke's consent argument drawn from them—should be considerably qualified.

Trade-related inequalities

Let me clarify. I am not arguing that the introduction of money would not generate inequalities, or that consent legitimates none of the inequalities found in monetary economies. Rather, I have tried to show that, for Locke, inequalities in the original appropriation of land cannot be set right by consent. Importantly, the class of inequalities that result directly from monetized exchange remains in need of justification and their legitimacy cannot but rest on the sanction given by common consent. In order to justify the much more pervasive inequalities found in monetary economies, Locke must posit that their institutional determinants—i.e., the adoption of a common means of exchange—should be consented to as such. Even when it is granted that it cannot vouch for acquisitive inequalities, the consent device is far from vacuous. The revisionist is thus mistaken in maintaining that consent performs a merely ancillary function in Locke's justification of economic inequalities.

The revisionist could retort that since accumulation is made possible by the greater labor productivity of the "Industrious and Rational" (§34), and "the *Labour* of [one's] Body […] [is] properly [one's own]" (§27), the inequalities from monetization can simply be justified as consequences of the self-ownership thesis. However, accumulation is socio-economically possible owing to the availability of money as a value-storage institution and as a commonly recognized means of exchange. The industrious and rational could not reap the material benefits of his natural endowments in the absence of a monetary system. Therefore, the premium captured by the able-bodied requires independent moral justification. Locke's idea of consent to the institution of money precisely delivers such justification, thus qualifying as a more than a decorative device.

Yet it would also be wrong to overestimate the range of inequalities that the consent device is apt to legitimize, as some have done by claiming that "there is no limit, apart from the amount of […] [productive] labor [one] commands, on the extent of [accumulation]" (Waldron 1988, 220; Macpherson 1972, 204). Locke's spoilage proviso entails that a producer is not allowed to produce more than the market could possibly absorb (Weymark 1980). Thus, aggregate consumptive capacity represents the limit that Locke's Law of Nature imposes on the extent of rightful accumulation. In sum, the growth of inequalities from the level induced by unequal talents to the level vouched for by the aggregate spoilage limit represents the window of maximum unequalization that common consent to money is designed to legitimate. Justifying either land grabs or wastage sprees falls beyond the scope of Locke's consent device.

CONSENT TO MONEY: POLITICAL OR PRE-POLITICAL?

Tacit and expressed consent

If the economic forces set in motion by the monetization of trade produce inequalities, then consent continues to perform an important justificatory function. But how are we to think of the act of consent to money? In this section, I move from a discussion of the consequences of consent to the analysis of its nature. I shall return to the implications of my account of the nature of money for the justification of economic inequalities in the following section. The neo-Lockean literature has systematically failed to critically challenge Locke's understanding of consent to money, which—I submit—suffers from several flaws. In particular, I shall suggest that what is theorized by Locke as an act of *tacit* and *pre-political* consent is, upon closer inspection, an instance of expressed and political consent. This two-pronged claim leads to the conclusion that the monetized economies are irreducibly political and cannot develop in the state of nature.

Both revisionists and abrogationists hold that monetization develops in a pre-political economy, and "without Compact" (§50)—i.e., without political consent. In seeing money as the outcome of either a pre-political convention or of natural markets, they effectively theorize money as an institution of a supposedly pre-political economy. Both these interpretive approaches fail to capture the political character of the institution of money. As a result, they perpetuate Locke's mistaken view that the emergence of monetary economies in the state of nature is both economically and normatively possible. To be sure, Locke's pre-political view of money is certainly substantiated by the textual evidence: consent to money is a "tacit Agreement" that occurs "out of the bounds of [political] Societie" [sic] (§50; emphasis added). Thus, my argument cannot amount to an interpretive objection. Rather, it purports to be a critique of Locke's argument itself and a denunciation of the uncritical endorsement of this argument that pervades the neo-Lockean literature.

My contention naturally invites an analogy with Locke's argument that property-holders commit themselves to political obligations by tacitly submitting to the coercion and protection of government: "every Man, that hath any Possession, or Enjoyment, of any part of the Dominions of any Government, doth thereby give his *tacit Consent*, and is as far forth obliged to Obedience to the Laws of the Government" (§119). Tacit consent is delivered by silently adopting (and benefitting from) a given convention, in this case the power of governments to safeguard property interests. A similar argument can be run in the case of money: any economic agent that accepts any quantity of the designated value-bearing currency in a given marketplace, does thereby give her tacit consent to the social use of money in that marketplace, thus binding herself to not contesting the distributional consequences of such use.

Yet Locke's main strategy to ground political obligations is a different one. He says that civil societies are constituted by expressed consent, with men "agreeing with other Men to join and unite into a Community" and thus becoming "perfect Member[s] of that Society, [and] Subject[s] of that Government" (§95, §119; emphasis added). Again, a similar line of argument can be developed in the case of money: agents explicitly agree with other agents to form a monetary convention within a given marketplace, and thus become perfect members of the convention and subject to the obligations imposed by the use of money.

Now, while Locke seems to think that, from a state-of-nature perspective, tacit consent is the mechanism that legitimizes monetization, he holds that it is through expressed consent that commonwealths are originally constituted (§122).[16]

Money and political obligations

The first question I want to discuss is to what extent monetization is, generally speaking, analogous to the creation of political obligations. In order to do this, I need to first elaborate Locke's conception of money. While other commodities carry value because they are demanded for consumption (SC.52), Locke thinks that money carries value as a "Pledge to procure" consumable goods (SC.31; see also Appleby 1976, 55). This formula encapsulates two ideas. First, a unit of currency is a unit of value that can be, generally speaking, retired through exchange rather than consumption. Second, money also carries a *promise* (a "Pledge") to pay the value which is retired through exchange. And currency-holders can level this promise against all other parties to the marketplace. Note that the definition of money as a token embodying a promise to pay is distinct from the question of what substance can effectively carry this promise—such as the ounce of gold (SC.31), or—more generally—"any lasting thing that Men might keep without spoiling" (§47), or a paper banknote.[17] However, we shall see that defining money as a "Pledge to procure" carries important implications for how we should think of the origins of money, as well as for what physical medium of exchange can genuinely count as money.

As a promissory token, a unit of currency is essentially a contract. Moreover, unlike other securities such as debt-bonds, currency encapsulates a contract that imposes rather burdensome duties on market participants. For it obliges to pay the currency-holder the agreed-upon value, not at a fixed future point in time (i.e., at maturity), but on the currency-holder's demand; and the obligation falls not just on a specified "issuer", but on any market participant (SC.32). Therefore, quite like the political obligations imposed by the social contract, the

[16] However, property-owning foreigners (or members of later generations) consent to assuming political obligations only tacitly (§121).

[17] Admittedly, however, in the *Second treatise of government* (§47), Locke seems to *define* money as "any lasting thing" (I thank an anonymous referee for noting this point). However, as I suggest later on in this section, this definition (as against Locke's definition of money as a "Pledge to procure", which he gives in his economic writings) reflects a confusion between money (the "Pledge") and its physical *body* (the "thing" that embodies the "Pledge").

payment obligations imposed by the monetary contract are temporally continuous and equally affecting all parties to the monetary convention.

This seems to demonstrate that the monetary and social contracts bear important analogies. But we have not certainly succeeded in showing that monetization is a product of the social contract—that is, that monetary economies are inherently political and thus cannot precede the formation of political society. In order to arrive at this conclusion, I have to demonstrate (contra Locke) that monetization becomes economically possible (let alone normatively justified) only when market participants deliver common expressed consent to it (call this "express-consent thesis"). Further, I have to show that the procedure of expressly consenting to the institution of money (i.e., the monetary contract) is tantamount to concluding a social contract (call this "political-consent thesis"). Together, the "express-consent thesis" and the "political-consent thesis" entail the thesis that money is a political institution, and that monetary economies cannot develop in the state of nature.

Contracts in the state of nature

With a view to defending the "express-consent thesis", let me first review a number of contracts that, according to Locke, economic agents can enter into in the state of nature. Just like money and political obligations, these contracts can be classified along two dimensions: the temporal distribution of the obligations they impose, and the number of parties involved. In the state of nature, a contract involving many parties and imposing obligations to be discharged within an extended timeline is to be regarded—I submit—as a paradigmatically risky contract. Conversely, a contract involving few parties and imposing immediately dischargeable obligations is to be regarded as a paradigmatically risk-free contract. This is because the future benefits that a party is contractually entitled to will be heavily discounted in the absence of an enforcing authority providing assurances that future obligations will effectively be honored. Moreover, ensuring compliance from many duty-bearers is, generally speaking, more costly than ensuring compliance from few.[18]

[18] The social contract would itself be a very risky one if it did not include provisions to finance an enforcement authority, so that the costs associated with risk are mitigated, monetized and distributed amongst the parties to the contract.

The most elementary contract that Locke discusses is barter (§46). A contract regulating the exchange of, say, plums for nuts is, on our taxonomy, rather risk-free. It is temporally limited, as the discharge of transfer obligations by the parties occurs more or less simultaneously; and it is bilateral, so that compliance can be managed at relatively low costs. A second, more complex contract implied by Locke is wage-labor (§28).[19] This is another bilateral contract (between worker and capitalist) but, unlike trade, the obligations of each party (to provide their labor, and to pay a wage, respectively) are dispersed over time; and time-dispersion introduces a dimension of risk. Insofar as we can regard original appropriation as a contract—where non-appropriators tacitly consent to abiding by non-trespass duties[20]—appropriation would be an example of a time-dispersed *and* multilateral contract (that is, a risky contract). However, the risks associated with becoming a party to a "property contract"—that is, the risks associated with appropriating land and investing one's labor on the understanding that the contract will be complied with—are somewhat mitigated by the fact that non-appropriators bear merely negative duties (to not interfere with the appropriator's property). And, in general, we can assume that it is less costly to ensure that a (large) set of agents do not do certain things (e.g., knock down my fence), than to instruct them to actively do certain other things (e.g., pay me a sum on demand).

Consider now the monetary contract. As I noted earlier, the duties imposed by monetization are both time-dispersed and directed at a manifold of market participants. Furthermore, unlike in the "property contract", the participants that agree (tacitly, for Locke) to be parties to the monetary contract are contractually obliged to discharge a positive duty whenever a currency-bearer presents them with currency. This duty consists of paying the bearer the (agreed-upon) value associated with the amount of currency he turns up. And paying the value will demand transferring to the currency-bearer a bundle of consumable commodities carrying that value. Of course, the obligation to pay the currency-bearer does not entail that currency-bearers may legitimately force sellers to sell their goods against their will. The only implication of

[19] Whether Locke does believe that wage-labor relations are possible in the state of nature, and whether they are consistent with the Law of Nature, are highly controversial issues (see Tully 1980, 135-139; Waldron 1988, 225-232; Mack 2009, 60). I wish to remain neutral vis-à-vis this debate.

[20] This is arguably an overstatement, as Locke thinks that the original common can be particularized without the "express Compact of all the Commoners" (§25).

this "pledge to procure" is that a trader may not opt out of an otherwise consensual transaction merely on the grounds that it is denominated in a given currency. As it were, traders may refuse to sell goods, but may not refuse to buy currency. On all counts, the monetary contract is far from risk-free.

The "express-consent thesis"

Now, with the purpose of moving from the proposition that the monetary contract is not risk-free to the conclusion that its implementation requires expressed consent, let me consider an objection. My understanding of the monetary contract as a multilateral agreement could be contested. Waldron has argued that it is not necessary that consent to the value of money should be given by all market participants; all is necessary is that "those who are going to be parties to [individual] monetary transactions agree" (1988, 223-224). In explicitly consenting to the transaction, the parties would tacitly consent to the instrument's value. The problem with this view is that, if monetary instruments carry value only for the two parties engaged in a transaction, there is no reason to think that the two parties would enter into the transaction in the first place. After all, the point of accepting a commodity carrying solely exchange- (and no use-) value[21] was precisely that the value embedded in the commodity could be accumulated and later retired through exchange with other market participants. As Marx rightly observed (1977, 443), monetary transactions are not purely private (like consumption-oriented barter), but bear a distinctly social character. However, if nobody but me recognizes the existence of value in the currency I am trying to sell, then it is irrational for me to even accept the currency in the first place. The risk of incurring a loss (by being stuck with currency that can neither be consumed nor traded for consumables) would be too high.

Two observations can be made. First, since demand for exchange goods depends, as Nozick rightly observes, on their "initial independent value" (1974, 18), and the value of currency is established "by Agreement" (§46), it follows that a currency market can only develop after a (multilateral) monetary agreement. Second, since we have seen that the possibility of entering into a money-denominated transaction—

[21] Of course, gold carries use-value in the manufacturing industry, and as the supplier of the "body" of metallic money (Marx 1977, 444). But here the commodity I am referring to is not gold as such, but *money* itself, whose sole use is to enable exchange.

thereby delivering tacit consent to the value of the currency transacted—itself presupposes a prior monetary contract, it follows that such prior monetary contract can only be implemented by expressed consent. In other words, since the monetary contract could not itself be tacitly embedded in monetary transactions, it must, by exclusion, be concluded by prior expressed agreement.[22]

It is not true, then—as alleged by Nozick—that "no express agreement and no social contract fixing a medium of exchange is necessary" (1974, 18): nobody would enter a market where valueless goods are traded. The benefits of monetization are only captured through "co-ordination economies", which exist when certain market decisions are conditional on the decisions of other market participants. When all agents take coordinated decisions—say, to accept currency in market transactions—monetization increases overall efficiency by cutting transaction costs and facilitating the allocation of the "truly useful […] Supports of Life" (§47). Yet such advantageous decisions would not be taken if there was uncertainty over whether or not all other agents (or at least a critical mass thereof) would indeed take the complementary decisions necessary for the expected advantages to materialize. Traders would arguably demand more tangible assurances to mitigate the uncertainty and perceived risks of monetary transactions. So, monetization could only get under way after a procedure of express common consent has been concluded:[23] entering monetary transactions would otherwise be at best risky and at worst irrational.

The "political-consent thesis"

This seems to prove what I called the "expressed-consent thesis". However, we could infer that monetization cannot precede the social

[22] This argument is predicated upon the neoclassical view that economic value is created in exchange (rather than in production). However, it adds to this view by suggesting that, in the case of money, value can emerge through exchange only provided a background monetary contract is established. Effectively, this argument charts a statist view of money. If alternatively we begin with the (Marxist) view that economic value is created in production, we would arrive at the view that (commodity) money can acquire value even in the absence of a monetary contract. See, for instance, Lapavitsas 2000.

[23] The thesis that the introduction of money requires a prior generalized contract is obviously amenable to being tested against historical or anthropological evidence (I thank an anonymous referee for suggesting this point). In this paper, I only adduce *theoretical* arguments against the possibility of pre-political monetary systems. For some empirical evidence, see Bell, et al. 2004.

contract only if we could establish that the monetary and social contracts are concomitant or coincident; in other words, that the conclusion of the monetary contract marks the constitution of a political society ("political-consent thesis"). Otherwise, if expressed consent to the monetary contract was non-political, and could thus obtain in the state of nature, it could still be possible for monetization to antedate the constitution of political society. The point here is that consent to a common currency is a fundamental aspect of a political compact. Constituting the body politic means (amongst other things) constituting a *political* economy—that is, an economy that is organized through, and ruled by, political power. In this sense, a market that adopts a monetary instrument (by common expressed consent) has thereby constituted itself as a body politic. In entering the monetary contract, the parties to the marketplace organize themselves politically through the common pronouncement of consent to a generalized contract (i.e., the monetary contract)—which applies to and regulates all economic transactions amongst them.[24]

Let me add a further point. Risk is associated not only with each monetary transaction effected in the absence of a prior monetary convention, but also with the monetary convention itself, whenever the latter is concluded without a common enforcing authority. Parties to the marketplace may subscribe a common "Pledge to Procure" (SC.31). But who guarantees that traders will actually "procure"? Thus, not only does monetization depend, for its economic viability (and normative justification), on the constitution of a body politic. It also requires the establishment of a civil government (call this the "political-authority thesis"). Political institutions are needed to compel market participants to accept currency in payment for consumables, in lieu of other consumables,[25] and to adjudicate disputes under the monetary contract.

[24] I agree with Nozick, though, that a marketplace, *as such*, "needn't become a marketplace by everyone's expressly agreeing to deal there" (1974, 18). While money is a political institution, (pre-monetary) markets have a natural and pre-political character—although their full development might require the intervention of political institutions (see Chang 2002, 547). Although seemingly counterintuitive, the different status of non-monetary and monetary markets is not contradictory. In fact, it is justified by the peculiar social features of money.

[25] Another function of the enforcing authority would be to prevent counterfeiting—a topic that Locke particularly exercised (see SC.146; see also Caffentzis 1989, 71).

Some objections

Let me now recap my arguments so far, draw out some of its implications and address some objections. We have seen that money is not just, as some critics have held, "the generating cause of the social contract" (Caffentzis 1989, 71; Tully 1980), but a social contract itself; and monetization is a feature of political rather than "natural" economies, so that it cannot be taken to be economically viable in a pre-political state of nature. With this picture at hand, we can now state another reason why abrogationist and revisionist neo-Lockeans are wrong in following Locke and seeing money as (respectively) a "conventional-historical" practice or a feature of supposedly "natural" markets: not only do such views distort what count as the permissible material consequences of monetization, but they both mistakenly de-politicize the institution of money.

At this point, the advocate of the view that state-of-nature markets spontaneously produce money could object that the political view I have defended fails to explain a number of cases where monetization seems to occur without either express consent or any centralized enforcement mechanism. A typical example is the spontaneous emergence of cigarettes as mediums of exchange amongst prisoners or soldiers at war. Let me briefly reply to this objection.

To start with, it is not clear that cigarettes are actually money as opposed to simply being the commodity most in demand (Ingham 2004, 24). After all, cigarettes are consumables and their role in exchange is explained by the fact that they are ultimately demanded for consumption. It is hard to imagine that a prison ward or battalion populated solely by non-smokers would adopt cigarettes as a medium of exchange. Thus, since the value of cigarettes in commerce is ultimately derived from their intrinsic properties, there is simply no need to even call on an argument from tacit consent to explain the exchange value of cigarettes. Of course, the opponent of the political conception of money could insist that tacit consent is necessary, and mere demand for personal consumption is not sufficient, to explain why cigarettes come to be used in prison trade. But even when backed by tacit consent, it is hard to think of cigarettes as money, for the holder of such "currency" would have no assurance (other than the one derived from the knowledge of the consumption preferences of other inmates) that it will be accepted in future exchange. But genuine money, as a "Pledge to procure" (SC.31), does offer this assurance.[26] Furthermore, even if we conceded that prison cigarettes were genuine "money", we would be hard pressed to explain how a monetary system allegedly based on tacit consent could be extended beyond artificially constrained markets such as prisons. Where the behavior and preferences of market participants are not always fully known (as is the case in real economies), monetization requires the expressed consent of all, as well as the support of a politically sanctioned enforcement system.

Lockean arguments for the political view of money

While my argument in favor of the political nature of money should be taken as an objection to, rather than an interpretation of, Locke's monetary theory, it is important to stress that thinking of the monetary contract in political terms chimes well with some of Locke's own propositions. For one thing, his main worry with state-issued paper bills was the risk of counterfeiting (SC.31). On the face of it, this concern seems motivated by the lack of anti-counterfeiting technology in Locke's times. This made it (circumstantially) impossible to print bills that would be as difficult to replicate as the precious metal was to mine. But if Locke endorses metallism purely on circumstantial grounds, he would have to concede that, were paper bills made difficult to counterfeit, there is no reason why the law could not genuinely annex value to paper money. In an apparent recognition of the weakness of Locke's rejection of paper bills, Geoffrey Ingham calls Locke a "practical metallist" (2004, 40). Locke's objection to paper bills does not, by itself, entail a conclusive rejection of political consent.

More importantly, Locke's treatment of coinage as a post-state-of-nature institution points in the direction of my argument. "The government of Politick Societies, introduced Coinage, as a […] *Warranty* of the public" (SC.146); and "the Coining of Silver, or *making Money of it*, is the ascertaining of its *quantity* by a publick mark"—the mark being "a publick voucher that a piece of such a denomination […] has so much Silver in it" (Locke 1991c, paragraph 5; emphasis added). While we cannot conclude that Locke thought that gold became *valuable* upon

[26] Even in cases of hyperinflation, while a unit of currency loses its purchasing power, it still does not lose its status as legal tender. Conversely, the mere economic *fact* that cigarettes are accepted in trade is not sufficient to turn cigarettes into *legal* tender, in the same way that Locke's observation that the state of nature is a state of peace (§19) is not sufficient to turn the state of nature into the civil state. In both cases, there is a lingering risk that, respectively, the alleged currency (cigarettes) might not be accepted in trade and that peace may be destabilized.

coinage—as coinage is the mere "ascertaining" of already existing value—these passages suggest that political institutions play a central role in upholding the value of money. My argument is an extension of this point: since the consent to money is conveyed through the body politic, political institutions not only uphold but also create the monetary value of gold. Lastly, Locke's attitude to monetary crime is also in line with the contention that some passages in Locke are not inconsistent with the idea of money as a political institution. Conspicuously, Locke says that coin-clipping and counterfeiting are "the highest Crime[s], and [have] the weight of Treason" (SC.146; emphasis added).

On balance, however, while there are grounds to relate my argument to Locke's thinking, the political understanding of money I have derived in this section (starting from—it should be remarked—Locke's own definition of money as a contractual "Pledge to procure") is undoubtedly at loggerheads with the substantive content of Locke's philosophy of money.

"Fancy" and metallism

In yet another punchy formula, Locke claims that value is assigned to currency by "Fancy or Agreement" (§46). Regarding the latter, we have seen in the course of this section that it is a mistake to think that agreement can be tacit, as Locke maintains. Regarding the former, I do not think, as Locke does, that traders in pre-political economies would accept gold by mere "Fancy", as if "pleased with its colour" (§46). If my arguments in this section are sound, (expressed) "Agreement" is both necessary and sufficient to establish a monetary system. This makes "Fancy" redundant. Moreover, to think that parties to pre-monetary markets would accept gold in exchange for valuable commodities (the "Supports of Life") is to attribute a fetishistic nature to the metal (Caffentzis 1989, 48 and 91). But, on the assumption that parties to pre-monetary markets are rational—rather than spell-bound by an irrational fetish—we must conclude that Gold would not be *per se* "fancied". There is no market demand for gold in pre-monetary economies, for demand for a substance that has no "real Use" in supporting life (§46) can only arise after value has been assigned to it by fiat. As Richard Temple—a contemporary of Locke and critic of his monetary theory and policy—wrote, it is "the mony [sic] of every Country, and not the Ounce of Silver, or the [putative] intrinsick value [of metal], [that] is the Instrument and Measure of Commerce there" (quoted in Appleby 1976, 50).

The objection to the creation of money (and its value) by mere "Fancy" seems corroborated by some commentators, who argue that, for Locke, gold money is not valuable in nature *as a commodity*, for gold is simply not a consumable. After all, Locke's is a theory of fiat money rather than a "commodity theory". What really does the work of explaining value, in the economy of Locke's treatment of money, is the idea of tacit agreement (Kelly 1991, 89; Ingham 2004, 40). While Locke's conception of consent is fundamentally different from the one advanced in this paper, both conceptions share the view that the value of money is created essentially by consent. Despite the appearances of his argument from "Fancy", Locke could not genuinely have meant to commodify the physical body of money, for this would have entailed that there can be market demand for the natural attributes of such body. But the natural attributes of gold (its color, sparkle, hardness, and so forth) have no real socio-economic use.[27] The only valuable attributes of gold are its socially constructed powers—namely the powers, assigned to it by common consent, to command useful commodities on the market. To put it with another 17th century critic of Locke, James Hodges: "Silver, considered as Money, hath, speaking properly, no real intrinsick value at all", for "the whole value that is put upon Money by Mankind, speaking generally, is extrinsick to the Money" (quoted in Appleby 1976, 51).

Before I round off this section, let me note that a salient implication of my rejection of both "Fancy" and tacit "Agreement" is that Locke's detraction of paper money loses its theoretical rationale. In his economic writings, Locke holds that only gold can act as a "Pledge to Procure": "a law [however expressly consented to] cannot give to [paper] bills that intrinsic value which […] consent has annexed to […] Gold" (Locke 1991b [1668], 173). But only if market demand for gold is "naturalized", or tacit consent acknowledged, can Locke justify his definitive rejection of non-metallic money. This is because if money is valuable by "Fancy" or tacit "Agreement", then paper bills could never

[27] Of course, there is (natural, pre-political) demand for gold insofar as gold (or other precious metals) can be used in jewelry and for the making of handicrafts. However, a putative state-of-nature market for handicrafts could hardly sustain the demand levels necessary to explain the circulation of gold *as money.* Furthermore, even if demand levels were high enough to justify the use of gold as medium of exchange, we would still be hard pressed to clarify why gold is, rather than "money", simply the commodity most in demand.

acquire value: while there can be fetishism for the metallic body of money, there can be no fetishism for purely abstract, "disembodied" money; and while state-of-nature traders would liquidate their assets against gold—tacitly consenting to its value—they would never liquidate their assets against "a paper portrait of William III" (Caffentzis 1989, 118)—so that there could be no tacit consent to otherwise valueless paper bills. However, since "Fancy" and tacit "Agreement" are shown to be unsatisfactory explanations of money, then the possibility of fiat money remerges forcefully.

Note that the material substratum of metallic currency performs two functions: it "carries" the value; and/or it "represents" the value through a physical body whose mass is proportional to the magnitude of the denomination. Locke thinks that both functions (but especially the second) are necessary for money to be valuable. However, if it is true that what is sufficient (and necessary) for monetary value is authoritative expressed agreement, then both the "carrier" and the "physical representation" of value become irrelevant. A unit of currency is, in its essence, an abstract power rather than a substance: it reflects a "willingness to accept an equality between it and [a certain physical commodity] that is not *in* it" (Caffentzis 1989, 75; see also Locke 1991c [1696], paragraph 2).

It seems that the political interpretation of the consent to money I have defended is compatible with the view that money is essentially an abstract entity, which can be signified through a paper bill guaranteed by the state. In other words, my political account of money is consistent with chartalism (Bell, et al. 2004).

UNIVERSAL MONEY AND TRANS-NATIONAL INEQUALITY: A LOCKEAN PRIMER ON GLOBAL MONETARY JUSTICE

Domestic or global money?

Neo-Lockeans of all stripes seem to commit a two-pronged fallacy by at once overstretching the justificatory scope of the monetary contract and by perpetuating Locke's failure to appreciate the political character of this contract. As mentioned in the introduction, the purpose of jointly discussing the consequences and the nature of money is that my political interpretation of the monetary contract has far-reaching implications as to how neo-Lockeans should theorize material inequalities and monetary institutions at the trans-national level. In particular, endorsing a political account of money further curtails the range of inequalities that the consent argument is apt to justify once we situate our discussion of money in global context.

The political interpretation casts an ambiguity embedded in Locke's thinking (and largely overlooked in the secondary literature) under a different, more troubling light. Throughout his discussion of consent to money, Locke remains ambiguous as to whom he regards as the consenting subjects. On some occasions, he sees the monetary contract as receiving the "*universal Consent of Mankind*" (SC.32; emphasis added; see also §45; SC.31; Locke 1991b [1668], 173). On other occasions, Locke seems to think, in line with my argument, that the consenting subjects are the members of domestic political jurisdictions. For instance, he implies this when he argues that the "Riches and Treasures taken away" during an unjust war "have but a Phantastical imaginary value" for the aggressor country (§184). Locke thinks that since the aggressor does not recognize the value of the currency used by the victim country, she is under no obligation to return the assets seized in the course of the unjust war.[28] The best explanation of this claim is surely that, for Locke, aggressor and victim are parties to distinct monetary conventions, and that consent to the value of monetary assets is given within the political boundaries of each convention.

For Locke, is the institution of money domestic or global? I think that the political conception of consent that I have suggested in this paper brings out a deeper dilemma built into this unresolved ambiguity. Let me first remark that the problem of identifying the subjects of consent is really an important problem only for those who, like me, emphasize the political character of monetary systems. If we assumed, as Locke at times does, that money was valuable by "Fancy"—that is, as a commodity—then it would be natural to recognize the universality of the institution of money. For if currency is in demand in light of the natural properties of its physical body, it would be implausible to argue that demand changes across political boundaries. Insofar as Locke espouses a commodity theory, and hence a form of metallism, we must then maintain that he should be committed to the universality of money, and we must regard his dithering over this problem of scope as simply ill-conceived. The fact that for the metallist the problem of scope has an obvious solution also explains why discussions of this problem

[28] This interpretation of the passage is also given by Waldron 1988, 223. The argument is obviously contestable, as the stolen assets do have, for the victim, real value grounded, arguably, in labor.

are so few are far between in the secondary literature. On the other hand, a neo-Lockean that maintains, like I do, that money is valuable as a result of a political procedure of expressed consent would have to determine whether such procedure is to be thought of as domestic or global in scope.

Trans-national inequalities

In this section, I do not intend to give a conclusive solution to this problem. Rather, I want to consider the implications for the justification of inequality of the domestic and global approaches to political consent. Let us start with the scenario where political communities establish distinct monetary contracts. Note, to begin with, that this interpretation seems to approximate a description of the existing global monetary order, where currencies are issued by national governments and are not linked to an underlying gold standard. In a world of separate monetary conventions, traders in, say, Australia would not recognize the value assigned to an Indian Rupee by the citizens of India. To be sure, Australian traders still accept rupiahs in international commercial transactions.[29] While it could be argued that, in accepting Rupee-denominated payments, Australian traders tacitly consent to the rupiah note as a store of value, it is clear that they only do so because there is an already constituted 1.2b-member-strong monetary union, namely India. Had India been a small, isolated country, traders would not rationally have entered into transactions denominated in Indian currency, and thus could not even be said to tacitly consent to its value.[30] So, consistently with the conclusions arrived at in the last section, tacit consent to a certain currency is not a sufficient condition for the emergence of trade in that currency. At least a segment of a market engaged in trade must have previously expressly consented to the currency's value, with other market participants "free-riding" on the consent of the first segment. And this is how international Rupee-denominated trade should be thought of.[31]

[29] Yet, as a matter of fact, most global trade is still conducted in the world's reserve currency, namely the US dollar. It is a question that my political approach to consent will have to address whether consent to a global reserve currency is indeed expressed and 'political' in my sense, or whether it is merely tacit.

[30] It is unsurprising that Bhutanese Ngultrums and North Korean Wons are in very low demand, and are thus close to valueless outside of Bhutan and North Korea, respectively.

[31] In a similar fashion, the fact that trans-national trade in Locke's times was effected (also) through (unminted) precious metals should not be seen as a counterexample to

We are now in a position to identify another caveat on Locke's consent-based justification of material inequality. If a procedure of expressed consent is necessary (and sufficient) to justify the inequalities resulting from monetized trade, then the absence of a cross-country consent mechanism (other than tacit acceptance of payments) immediately delegitimizes all inequalities between countries engaged in commerce. For instance, any divergence between Australia's and India's (average) income levels that might be occasioned by monetized trade between the two countries would not fall within the range of permissible unequalization under Locke's consent argument.

To make this point clearer, imagine that the allocation of natural resources between India and Australia were just as measured against Locke's "sufficiency proviso". In other words, imagine that Australia's unilateral appropriation of its iron-ore did leave enough and as good for resource-poor India to *appropriate* (and not just to *purchase* from Australia). The claim here is that, even against this background of justice in appropriation, all inequalities that would follow from bilateral monetized exchange would be unjust. This is because it is not the case that both parties (if either) consented (politically) to the monetary instruments used in bilateral trade—whether that be Rupees, Australian Dollars (or US Dollars). Therefore, a neo-Lockean would have to conclude that the ensuing inequalities are likewise unconsented-to (from the perspective of at least one of the two trading partners), and hence unjust. If consent is political, and the scope of consent is taken to be domestic, then international inequalities from trade cannot be legitimized by appeal to Locke's consent device.

Note that the argument that domestic consent within two countries does not justify trans-national inequalities between the two countries is independent of whether bilateral trade actually obtains or not. One can easily picture the relative inequalities that might develop between two (largely) non-cooperating countries (say, China and Taiwan) as a result of differential levels of efficiency in their internal (monetary) economies. The argument here is that such relative inequalities could not be legitimated by reference to China and Taiwan consenting to their own

the political account of money. After all, the demand for (unminted) gold is kept high because specie in the trading countries is coined out of gold. Traders engaged in long-distance commerce would accept bullion on the understanding that it could later be minted into coin. Once again, the behavior of traders in the monetary economy—i.e., their willingness to accept a monetary means of exchange—depends on the presence of a political authority (i.e., the mint) upholding the value of the means of exchange.

independent monetary conventions. To be sure, domestic inequalities occasioned by internal trade remain justified, as they are vindicated by the consent that Chinese and Taiwanese citizens confer on their own internal monetary systems. But this justification does not extend beyond political and monetary jurisdictions. The consent procedure in China sanctions the monetary value of the Renminbi. Consequently, it only justifies the opportunities for accumulation and the pressures toward unequalization occasioned by the social use of Renminbis. Even against a background of just resource appropriation, the relative benefits accruing to the Taiwanese by their consenting to the social use of Taiwan Dollars, instead of Renminbis, remain unaccounted for from the perspective of the Chinese.

The fact that Locke's consent argument is not applicable across the jurisdictions where consent is pronounced is no trivial matter. Note the relevance of the global economy that the current system where national currencies can be traded under floating exchange-rates is a major source of price instability, budget imbalances and unequalization (Wade 2009, 551). Thus, the range of inequalities that my argument shows to be morally illegitimate might actually be quite broad.

Universal money and global monetary institutions

At this point, the neo-Lockean might hope to circumvent my "egalitarian" conclusions by denying that Locke actually thought that monetary institutions are confined to domestic jurisdictions. As noted by Caffentzis, "Locke saw in the universality of money […] the driving logical and social force of his age" (Caffentzis 1989, 119). While this stance is corroborated by the bulk of textual evidence (and, as mentioned earlier, it is the most reasonable interpretive option in light of Locke's metallism), the global approach to political consent still opens up the second horn of the dilemma. This is because the political interpretation of the "universal Consent of Mankind" (SC.32) demands that, in the state of nature, all parties to a putative global marketplace should constitute a global monetary convention supported by the requisite institutions for monitoring, enforcement or else. But since the gap between existing international monetary institutions and the ideal institutions demanded by a global monetary convention is quite significant (and indeed it is unlikely to be narrowed in the near future), the upshot of espousing the global approach must be a condemnation of the prevailing global monetary regime as unjust.

Let us look at the extent and nature of the shortfall between the ideal convention and the real-world order in some greater detail. While the existing order is best modeled by the domestic interpretation of consent, a real-world counterpart to the monetary institutions demanded by the global approach to consent could be the US Federal Reserve, as the issuer of the key global reserve-currency (the US dollar). The problem with arguing that the demands of the global approach are met by the near-universal use of the US dollar is that, from a state-of-nature perspective, many economic agents could not be said to have rationally consented to a global monetary convention where the dominance of a single national reserve currency systematically disadvantages deficit-ridden countries, and increases the likelihood of financial crises.[32]

Alternatively, could the institutional role of enforcer of the global monetary convention be played by the erstwhile Bretton-Woods-era International Monetary Fund (IMF)? The Bretton Woods system was defined by the pegging of national currencies to a common monetary unit (i.e., gold). Therefore, in its capacity of global lender of last resort and arbiter of exchange rates, the IMF of the Bretton Woods era could be thought of as fulfilling the role of sovereign in the global monetary convention. However, for one thing, the undemocratic governance system of the IMF, which does not accord each country (let alone each global citizen) equal weight in decision-making, makes it an unlikely channel for a putative global consent to a gold standard system.

For another thing, a gold standard system may not be enough to realize the institutional demands of the global approach to political consent. On my interpretation of Locke's conjectural history of monetization, the parties to the pre-monetary marketplace would think it rational to establish not just a pegging regime, but a fully-fledged (supra-national) monetary union. This would require the implementation of a global currency to be used for private international transactions—rather than just for settlements amongst national central banks. The currency would be issued by a global mint and would have to be regulated by a global central bank, perhaps under the supervision of the IMF.[33] But the implementation of a global currency is a far-off goal

[32] Interestingly, a similar point, yet from a more philosophical perspective, is made by Waldron 1988, 224. For the economic benefits on monetary stability from the use of a single supra-national reserve currency, see Wade 2006; Wade 2009, 550.

[33] Admittedly, a single supra-national currency may also generate imbalances and disfavor deficit countries, as the recent euro crisis has poignantly shown. If so, then

in a global monetary system where national currencies are not even pegged to a common monetary unit, but are subject to a floating exchange-rate regime.

A dilemma

The neo-Lockean that accepts my political interpretation of the process of monetization is thus faced with an impervious dilemma. If the neo-Lockean asserts—in an attempt to bring trans-national inequalities into the fold of justified inequality—that consent ought to be expressed globally, then she must condemn the existing international order as unjust on the grounds that it does not incorporate the one institution that parties to pre-monetary economies would rationally choose to establish, namely a global monetary convention. If on the other hand the neo-Lockean asserts that consent is delivered within discrete domestic jurisdictions, then it follows that the avowed capacity of Locke's consent device to legitimate money-induced inequalities comes out toothless beyond the domestic jurisdictions where consent takes place. The neo-Lockean that recognizes the political character of the consent to money is thus compelled to either denounce existing international monetary institutions or condemn the cross-country inequalities resulting from trans-national trade. On the political account of the nature of money, either the distributional outcomes or the institutional structure of the existing international system must be sanctioned as unjust.

CONCLUSION

The *problématique* of justice in transfer, and in particular the problem of monetization, has been marginalized in the secondary literature on Locke's economic philosophy, which has been dominated by the traditional issues of justice in original appropriation. Perhaps as a result of the paucity of discussion in this area, neo-Lockeans have failed to interrogate whether Locke's consent argument can really deliver the full vindication of money-induced inequalities that it promises. In this paper, I have argued that on closer inspection the range of inequalities occasioned by the use of money can only legitimately extend to

the parties to the monetary convention might find it rational to stop short of establishing a (rigid) global monetary union and, in its stead, return to a Bretton Woods-like gold standard regime with (flexible) exchange rates set by policy. In this case, gold would be the substance constituted as global legal tender.

economic disparities arising out of commercial transfers within definite political jurisdictions.

In the final analysis, an adequate understanding of the limitations of Locke's consent argument entails an ideological shift to the left for all those theorists that endorse Locke's Law of Nature and believe in the core thrust of his consent-to-money argument. While money may legitimately benefit the more industrious and deepen inequalities of outcome, it cannot dent the egalitarianism of Locke's theory of original appropriation—which holds out through the monetization of state-of-nature economies.[34] Furthermore, since consent must of necessity be expressed and supported by coercive institutions, money-induced inequalities can only be justified within the political jurisdictions where consent is taken to have been conveyed.

Let me conclude by suggesting a reason why the political, anti-naturalist account of consent I have advanced offers a fecund theoretical standpoint. It is apt to capture and criticize the astonishingly unequalizing forces that—fuelled by trade and currency movements—make the global economy an often stormy playing-field. It is no surprise that Locke tried—though, to a large extent, failed—to give a self-standing justification for the material inequalities triggered by the monetization of trade: he was well aware of the socially destabilizing dynamics that afflict the global economy, once money makes its historical appearance:

> People, Riches, Trade, Power, change their Stations; flourishing mighty Cities come to ruin, and prove in time neglected desolate Corners, whilst other unfrequented places grow into populous Countries, fill'd with Wealth and Inhabitants (§157).

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[34] Effectively, this observation brings my critique of Locke's pronouncements on the institution of money close to certain left-libertarian theories of distributive justice (e.g., Steiner 1994).

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Luca Jacopo Uberti is a research fellow at the American University in Kosovo, where he teaches a course in political theory that focuses on contemporary theories of economic justice. His research interests straddle political economy and political philosophy, and he is currently benefitting from a research grant to study the political economy of trade and industrial policy in Kosovo.
Contact e-mail: <uberti@aukonline.org>