Bankocracy

Greek money and the ‘new idea’ of Europe

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July Monarchy–November Democracy

On the contrary, the faction of the bourgeoisie that ruled and legislated through the Chambers had a direct interest in the indebtedness of the state. The state deficit was really the main object of its speculation and the chief source of its enrichment. At the end of each year a new deficit. After the lapse of four or five years a new loan. And every new loan offered new opportunities to the finance aristocracy for defrauding the state, which was kept artificially on the verge of bankruptcy – it had to negotiate with the bankers under the most unfavourable conditions.1

In his analysis of the July Monarchy, Marx evokes the indebtedness of the state as a means for the financial aristocracy to enrich itself. It goes to show that our ‘new capitalism’ is in fact rather old. Where Marx speaks of the financial aristocracy threatening the state and the interests of the industrial bourgeoisie, we now speak of the financialized economy threatening the so-called real or industrial economy. Today, the ‘rescue packages’ envisage sacrificing welfare state, dismantling public services and deregulating labour laws. Since a return to monarchy remains difficult to imagine in the neoliberal Europe of ‘the end of History’, the financial aristocracy has found a new form: the November democracy.2

There has been talk of parliamentary coups d’état, conceived and implemented by the Troika, placing bankers at the head of governments.3 We can recite with Marx the words of Jacques Lafitte, a banker and Louis-Philippe’s finance minister: ‘From now on the bankers will rule.’4

Although easy, the analogy is not quite accurate. If the – financial – aristocracy threatens the interests of the – industrial – bourgeoisie, it is the second that was, in Marx’s era, the emerging force demanding a redistribution of power, occasionally playing the dangerous game of making alliance, sometimes with workers, at other times with peasants. A century and a half later, in so-called post-Fordist capitalism, in place of the industrial bourgeoisie, the rising star that shines in the sky of Capital is le golden boy, the financier.

The July monarchy was nothing other than a joint-stock company for the exploitation of France’s national wealth, the dividends of which were divided among ministers, Chambers, 240,000 voters and their adherents. Louis-Philippe was the director of this company – Robert Macaire on the throne. Trade, industry, agriculture, shipping, the interests of the industrial bourgeoisie, were bound to be continually endangered and prejudiced under this system.5

In Marx’s analysis, the industrial bourgeoisie is exasperated, its interests are prejudiced in a system in which the financial aristocracy has all the organized public powers at its disposal, makes the laws and administers the state. At present, it is rather the financial oligarchy that is exasperated, tired of having to conform with the rules of the welfare state and with the whole series of compromises of the twentieth century – ‘social gains’ – between the industrial bourgeoisie and popular demands.

In his article ‘From Marx to Goldman Sachs’,6 Michael Hudson emphasizes Marx’s analysis of how, with the development of capitalism, banking would be subordinated to the requirements of industrial capital, and of how it was even an important step towards another mode of production. The current situation instead shows ‘the symbiosis of finance capital with real estate and monopolies rather than industry’. Hudson thus refers to a contemporary neo-feudalism and a new alliance between the interests...
of rentiers and the banks that recycle the profits generated by credit.

Between the lassitude of the industrial bourgeoisie of Marx's era and that of the financial oligarchy of today, it is neither a question of saying that the 'new capitalism' is absolutely old, persisting as identical to itself, nor that 'new capitalism' is absolutely new and preparing a 'new communism' that would be inscribed, almost objectively, in its own materiality.

What, then, is the meaning of this November democracy?

Marx points out how the fact of maintaining the state artificially on the verge of bankruptcy was in the direct interest of the financial aristocracy. The indebtedness of the state is not an accident, but rather a rationally produced and controlled artifice. Structural measures and adjustments do not aim at the 'consolidation' of the public finances, nor to break with the cycle of debt, but rather to maintain it, and even to reinforce it. Since the first 'rescue packages' were put in place, on several occasions we have heard the head of the IMF or the EU admit to a certain failure in the management of the Greek crisis. What they do not tell us is that failure is here the name of a certain success. In The Class Struggles in France, while analysing the period from February to June 1848, Marx announces: 'In this way the February Revolution directly strengthened and enlarged the bankocracy which it should have overthrown.'

This phrase returns to us like a spectre.

The November democracy names the European bankocracy that management of 'the crisis' serves to reinforce. The very concept of 'crisis' remains extremely ambiguous. In any case, we should insist that there is no single crisis, that it's not a matter of 'the' crisis. What will concern us here is the transformation of a banking crisis into a public deficit crisis, with a single currency shared between different states playing the starring role.

The story of the euro could be told as the development of a means to facilitate commercial exchanges between states. In line with neoliberal ideology, in which primacy is accorded to the mechanisms of the market rather than to public regulation, the euro was devised as an economic instrument in the service of a double movement of globalization and regionalization: the global free market redoubles privileged spaces and the development of an internal market, doubly 'free' as it were!

The question we might ask ourselves concerns the place of state power within this space of free exchange multiplied to the power of two. A first hypothesis might consider a new form of imperialism that sees some states 'occupied' with rescue packages while other states pursue their own interests. Over the course of European history since its first world war, Germany has often found itself cast as the bad guy. Alternatively, a second hypothesis might approach the advent of Empire as something completely different to classical imperialism and the declining sovereignty of the nation-state.

Before engaging with these questions, we can try to think this history of the euro through the perspective of a history of currencies [monnaies] developed by Foucault. In his seminar at the Collège de France (1970–71), referring to the history of Ancient Greece, he opposes the theory of currency or coined money as essentially linked to mercantilist practices. In place of an essentially economic money we discover a political money, an instrument of power called upon in order to regulate a class conflict.

The (dis)possession of power

Alongside Lydian money linked to the state apparatus and Phoenician money linked to commercial practices, Greek money is linked to class conflict and class alliances characterized by peasant debt, the appearance of craft industry, the formation of a semi-popular army, and a split in the interests in the wealthy class (agricultural commerce versus craft commerce).10

It is only incidentally that money serves as an intermediary of exchange; Greek monetary practice is rather the coming together of two operations: religious rituals and social regulations. Foucault considers two examples: the reforms of the tyrant Cypselus in Corinth and those of the democratic legislator Solon in Athens. The common problem that both reformers faced was the simultaneous existence of two popular demands, the cancellation of debts and the redistribution of land. This is, then, a context of struggle.

If at any moment the two demands were not satisfied, Cypselus and Solon engineered two types of compromise. The first falls within the traditional schema of the 'tyrant—demagogue' who obtains the support of the impoverished and indebted peasant masses. He does not cancel the debts, but he loosens the noose of indebtedness by distributing to the peasants some of the resources they need to finance the activities with which they will then repay their creditors. Thus Cypselus's money operates less to enable the circulation of goods and services than to
enable the reproduction of the cycle of debt. ‘It is the instrument of a power which is being shifted (while preserving itself), and which, through an interplay of new regulations, ensures the preservation of class domination.’

There are indeed two major traditions in the theory of money or currency: on the one hand, the money-sign linked to commercial practices, and on the other the money-symbol linked to the state apparatus. Sign of value or symbol of sovereignty, Foucault’s operation and his history of monies consist precisely in diagonally crossing these two figures of money and inserting the mediation of what he calls money-simulacrum. We might note that this is one of the rare occasions when Foucault maintains a Marxist vocabulary and above all the interpretation of class struggle as horizon. Greek money has a political role that consists in limiting social demands, maintaining the system of property and the possession of power by the possessing class. Foucault summarizes the three functions of Greek money: metathesis of power, simulacrum, social regulation.

Contrasting with Cypselus’s reforms, Solon proceeds to the cancellation of debts, but refuses to redistribute land. In speaking of Solonian eunomia (good legislation), Foucault highlights that:

In this eunomia, this good and regular distribution, which replaced the unregulated and disruptive struggle [l’atut déréglé] between rich and poor, it is not wealth which is ultimately distributed, it is juridico-political power. ... Every citizen has a share, even the poorest; even the poorest are part of the system. Power is not the property of a few. It belongs to all.

Solon shares power, up to a point, in order to not redistribute wealth (land).

So here we have the two compromises: on the one hand, ‘where the rich have been forced to make an economic sacrifice, money comes to the fore, enabling the preservation of power through the intermediary of the tyrant’, and on the other, ‘where the rich have been forced to make a political sacrifice, eunomia enables them to preserve economic privileges.’ And it is through this second compromise that the ‘accident’ of democracy occurs; power no longer belongs to a few.

We have seen that Greek money operates within the territoriality of the City to save the system of property and maintain the cycle of indebtedness. Cypselus regulates a class conflict through his use of money. The dream of the euro was altogether different: not to ‘regulate’ the conflicts within a political entity, but to produce a political entity by starting with the creation of its money. Following this first detour through Greek money, let us now take a second, still with Foucault: the new idea of Europe.

**An inverted social contract**

In the eighteenth century, promotion of the freedom of the market was coupled with a new idea of Europe. It was the Europe of collective enrichment and progress, ‘Europe as a collective economic subject that, whatever the competition between states, or rather through the competition between states, has to advance in the form of unlimited economic progress.’

Foucault proposes linking the intelligibility of this Europe as a collective economic subject with the irruption of the market as a site of truth and as a mechanism of the formation of truth. It is to this that Foucault ascribes the name of liberalism as governmentality [gouvernementalité] and not as mere economic logic.

As a new art of government, liberalism constitutes not the obliteration or the suppression of the raison d’État, but is rather a kind of redirection and internal refinement of it. According to the slightly crude Foucauldian formula, it is the reason of the least possible state that here serves as organizing principle of the raison d’État. And within these analyses Foucault places what he calls the inverted social contract, a notion that is very useful when it comes to describing the current model of Europe.

Eighteenth-century classical liberalism poses the question of knowing how to allow for the freedom of laissez-faire within a constituted state. Postwar Germany illustrates for Foucault the inverse situation: how to establish a state on the basis of economic
freedom. In a way, the euro and the construction of the European Union are the extension of this same logic, except that it is no longer a question of establishing a state, but of setting up a supra-statist authority in which states become actors like any other – that is, businesses in competition. The euro was the dream of a mercantilist money pushed to the absolute, the finally realized ideal of the neoliberutopia, a flower clipped from the pot of the end of History and from this alliance between so-called ‘liberal democracy’ and the free market.

If European integration redirects towards an inverted social contract, it has also been the vehicle to dismantle the national social contract. For Frédéric Lordon, states have actively produced financialization and their own submission to the diktats of finance, discovering therein a way of attacking the Fordist capital–labour compromise through the lever of external constraints. Thus, it was necessary to go to an international level in order to dismantle the national social contract, which was too stable while the economic borders were closed, and above all generating too much of an electoral sanction if by chance politics dared to attack it head on. This superb circumvention at first absolves politics of responsibility in order to then leave to private external forces the task of attacking wage relations and launching the great readjustment...17

Let us translate this differently: in so far as they are precisely bourgeois states, actively producing financialization and a certain transfer of state power, the bourgeoisie discovered therein a way of continuing class struggle by other means and of attacking workers’ gains made, in the past, from the regulation of struggles within the framework of the national social contract.

Bankocracy in what state?
Let us return to the coordinates of our bankocracy. Marx shows that it is in the interest of the financial aristocracy to artificially maintain the state on the verge of bankruptcy. In a way, the crisis of financing public debt was a good opportunity to accelerate the dismantlement of the national social contract. The ‘rescue packages’ have served to reorganize internal social relations (in the countries subject to ‘rescue’) in order to facilitate better penetration of external capital.

In other words, ‘save Greece’ is nothing other than the name of a process of rendering it even more porous, more open to penetration!

David Harvey highlights a distinction worth reflecting on: the difference between the freedom of commerce of goods and services, on the one hand, and the freedom of movement of finance capital, on the other. ‘This immediately poses the problem of what kind of market freedom is being talked about.’18 One could pose this question with regard to Europe, of what kind of internal market freedom is being talked about. The Aristotelian distinction is familiar: ‘the community first becomes political in order to meet the bare needs of life, but it is or continues as political to ensure that its people can live a good life.’19 We could suggest that the European Union became liberal with the construction of an internal market facilitating the freedom of commerce between different states, but it is or continues as liberal to ensure the penetrability of states by finance capital.

Bankocracy consists in circulating debt to make money solely from money and time. The primary relationship between a creditor and a borrower is not important. Everything is arranged in order to multiply the number of people involved in the chain; debt must circulate to the point that the debtors no longer know to whom they owe money. A state that wants to offer reassurance regarding its solvency need only increase its penetrability. In reality, it is of little importance if it will be able to repay what it owes. The objective is not for debt to be settled but for it to circulate in order to produce profit. Strictly speaking, ‘what one owes’ is not to return the money but to continue playing the game. The imperative is less to keep a promise than to make the structural adjustments so that promises can multiply. What is important is not the initial promise but further surplus-promises, the game of simulacrum and its bluffs.20

If money is an instrument of power, the tyrant Cypselus buys social peace within the framework of the city-state. The height of European bankocracy is not only this inverted social contract which allows a political entity to be established on the basis of economic freedom; it is also what economists call the monetary repression of states. The corollary of the euro is the ban on member states of issuing money, while private banks continue to issue it through the mechanism of credit.

If money is an instrument of power, what is it in the balance of power between states and markets? In the hands of Cypselus, money enables the regulation of a class conflict within the framework of the city-state. In the European bankocracy and the present management of the ‘crisis’, is it not rather about continuing the old unregulated, unrestrained struggle
between rich and poor by other means? Today, the peoples of Europe are asked to make sacrifices to pay debts of which they do not know the origin, the creditors who own them, or the time when they were incurred. And yet they continue to pay while the debts continue to grow.

We have seen that capitalist debt is not based on a primary master–slave relationship. Debt is never just a relationship between two parties. In archaic debt, there is the mediation of transcendental debt towards the gods. The indebted peasant does not only owe money to their creditor; their future wealth, which will allow them to repay what they owe, depends on a good harvest, and that they owe to the gods (hence sacrifices). As Foucault highlights, before being an intermediary of exchange, Greek money was the intersection between religious rituals and social regulations.

In this respect, perhaps European money is nothing other than the intersection between the new financial transcendence and social deregulation. Everywhere and nowhere, financial power is faceless and impossible to locate. Hence this impression of being dominated by a ‘system’, a power that one cannot make head or tail of, against which one can neither make demands nor... set up guillotines.

As an aside, we might remember that for Lacan love is a three-way relationship. But, more generally still, every symbolically interpretable relationship is always inscribed in a three-way relationship. If every two-way relationship is more or less marked as imaginary, ‘in order for a relationship to take on its symbolic value, it is necessary to have the mediation of a third character who, in relation to the subject, realises the transcendent element thanks to which his relation to the object can be sustained. And yet this element, which solicits anxiety, is always preferable to anxiety, the second being linked to a loss that the subject cannot approach without a certain vertigo.

What of class struggle in this world of globalization and all-out financialization? What is this loss that hits emancipatory movements today, and that solicits anxiety? What is this loss that we have inherited and that conditions the construction of a new ‘we’, a new subject capable of sustaining a new politics? How far will we go in preferring guilt for debts that we did not incur to anxiety?

**Our debts to the defeated**

Across the field of interpretations of the ‘Greek crisis’, two contradictory accounts intertwine and combine. The first hypothesis: the manner in which this crisis is managed is a direct result of German supremacy and of the constituent struggle for hegemony. In other words, the evolution of the capitalist crisis within the European zone is the simple expression of a state power profiting from circumstance in order to establish its hegemony. Sovereign debt is here the Trojan horse used to enter other countries, no longer using weapons, tanks and the occupation of territory, but no less for the purpose of exploiting them. All the fantasies of the Greek resistance and the German occupation during the Second World War can then reappear, and an entire symbolic network be revived.

The second hypothesis: the manner in which this crisis began as a credit banking crisis localized in the United States, and was then exported and transformed into a sovereign debt crisis, is nothing other than the symptom of the declining sovereignty of nation-states. It heralds the advent of this new global form of sovereignty called Empire, composed of a series of supranational and international organisms and commissions under the sole logic of a power of finance that recognizes no borders.

In the first hypothesis, bankocracy is a means to continue a long history of imperial domination (effectively with other means). In the second hypothesis, bankocracy is the end in itself: a new form of governance that dismantles step by step the bourgeois state that had taken shape in eighteenth-century Europe, and that had then evolved to confront the insurrectional movements of the oppressed classes.

A new imperialism, or Empire? In the work he devotes to imperialism, Lenin cites Cecil Rhodes as saying that colonialism and imperialism abroad were the only possible way to avoid civil war at home. And European civil war? For as long as the IMF’s ‘rescue packages’ were practised elsewhere (in Argentina, etc.), they could figure simply as the necessary complement of the ‘humanitarian wars’ (in Iraq, etc.) of the international police. But what happens when the attack is aimed at territories within the European zone?

In response to the dilemma, whether to blame it on Germany or on the Empire, perhaps one should answer quite simply with class struggle. Cypselus and Solon each regulate a class conflict in the context of an agrarian crisis and a period of social agitation and civil war. In both cases, it is a compromise in the service of a certain rescue for the rich,
property-owning classes. The current bankocracy felt sufficiently at ease to dismantle an old compromise, and to return again to unregulated, unrestrained class struggle in order to earn more.

The response still remains to be determined. And it is here that we encounter a certain loss.

Since the mid-twentieth century, the communist hypothesis seems to have definitively broken with the idea of a state politics controlled by a single party (and one expected to organize the withering away of the state) but also with a certain conception of history. Let us call political romanticism the junction between a project of emancipation, the recognition that there is an ‘objective’ agent of history inscribed in social reality, the necessity for this subject to be represented by a party as an organized site, and, finally, a victorious subjectivity sustained by the promise of a final victory.

The promise was not kept. Here, then, is the loss, which also marks the loss of an entire imagination, of an entire common language of emancipation. What could it mean to change the world today? After a century of totalitarianisms, the very desire for a radical change of society is accused of being criminal. So we prefer guilt, dwelling on our injuries, betrayals and defeats. We prefer to rewrite our history rather than rewrite our history.

Enzo Traverso used this fine formulation to think the present moment: the memory of the defeated has been eclipsed in favour of that of the victims. Victims, he says, are the object of compassion, but they are not generally perceived as the subjects of history. They suffer. The twentieth century produced suffering on an enormous – that is, an industrial – scale, to the point of condemning as guilty even the idea of a radical exit from capitalism. If the victims should not be forgotten, ‘we’ have to recognize a debt to the defeated. Perhaps this is the only debt that ‘we, people’ have to recognize today. There are many ways to keep going with an absence [un manque]. Fully complete and conclusive intellectualizations are always reassuring. But our role is not to arrive at a conclusion; at best it is to make a beginning, which is always a way of continuing. The struggle, precisely because it is not regulated, remains open.

Translated by Philippe Le Goff

Notes
1. Karl Marx, The Class Struggles in France 1848 to 1850, Progress Publishers, Moscow, 1972, p. 29; emphasis in original.
2. This is in reference to the events of November 2011 in Greece: the announcement of a referendum by the Greek prime minister, the calls for order from European leaders, and the forming of a government of bankers in order for parliament to vote in new austerity measures.
3. Mario Monti, the appointed president of the Council of Ministers of Italy, was an international adviser to Goldman Sachs. Lucas Papademos, the appointed Greek prime minister, was governor of the Bank of Greece 1994–2002, and as such took part in the rigging of accounts committed by Goldman Sachs.
5. Ibid., p. 30.
11. Ibid., pp. 140–41.
12. The theme of money-simulacrum resonates with Marx’s theme of fetishism. Foucault detaches money from any relation to market value in order to conceive it as an institution that only imposes itself as a mediation in the relation to things because it is primarily the code of a regulated state of conflict. See Cuillerai, http://halshs.archives-ouvertes.fr/halshs-00924845.
13. Foucault, Lectures on the Will to Know, p. 158; our emphasis, translation modified.
20. The system even reserves a rational place for this madness: X buys a promise of financial gain from Y whilst betting with Z that Y is not solvent. It only needs the bet, if it wins, to be more profitable than if Y keeps its promise.
22. Within this framework, we have heard, for example, economists explain that the resolution of the euro crisis could come from a rise in salaries in Germany. In general, if everyone agrees that Germany did not cause it, Germany appears simultaneously in a dominant position, profiting from the situation, and as the party that can do what is necessary to dispel it. See Cuillerai, Foucault, Lectures of the Will to Know.