On Public Debt and Its Modes

A Philosophical Exploration

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Abstract

Public debt is one of the most important issues in our contemporary global debt economy. It determines whether something is politically feasible. Nevertheless, there are different ideological perspectives on public debt and its implications, which makes the status of public debt highly controversial. To avoid this deadlock, this philosophical thesis approaches and explores public debt in terms of its various modes. These modes are composed of public debt as well as its context. This context will be analyzed by discussing the nature of money, global monetary systems, the role of the state, and debt-credit relationships. Ultimately, this thesis will propose to consider public debt in terms of potentiality, which could enable a state to improve its effective monetary governance.

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1. Introduction

In 2009, Greek public debt skyrocketed from 107.3% of Gross Domestic Product (GDP) in 2007 to 129,7% (Frangakis 2015, 309). Greece was completely at the mercy of private banks, because the European Central Bank refused to intervene by buying up bonds (Van 't Klooster 2022, 3). As the nation was on the brink of default (Nelson, Belkin, and Mix 2010, 11), and potentially dragging other countries along, the Eurozone partners agreed to lend a total sum of €237 billion so that Greece could pay off its creditors—i.e., European private banks. More than 80% of this amount was channeled back to commercial banks (Frangakis 2015, 303). These loans were issued on the condition of "the implementation of a severe fiscal austerity programme, combined with deregulation and the privatization of public assets and services on a grand scale" (Frangakis 2015, 303-304). As a result of these austerity policies, the Greek welfare system crumbled, while public debt was not even dealt with as it kept increasing to a total of 170,3% of GDP in 2011.

In the wake of the financial crisis in 2008 and the Greek sovereign debt crisis, interest rates on government bonds across the entire European Monetary Union (EMU) surged severely due to market expectations (Lane 2012, 56). Soon, a sovereign debt crisis haunted the whole of Europe. Politicians started worrying about their state's solvency, which led to a sprawl of austerity measures, budget cuts, and increased taxes. Subsequently, these politics of austerity became widely advocated on a global scale (Clift 2018, 298-300).

The monetary world of 2020 was totally different. As result of the COVID-19 crisis states shifted their monetary policy radically by running unprecedented deficits and started to accumulate enormous amount of public debt (Eichengreen 2021, 3). Unlike during the European sovereign debt crisis, the ECB (2020) changed its policy temporarily and started to buy up private and public securities to mitigate the risks of the pandemic.

In these various crises, public debt is approached differently every time. One leads to austerity policies, another to increased expenditure. Some say that having a public debt is the consequence of bad governmental management, while others do not see any harm in it (cf. Giles and Harding 2020). But in any case, everything in the world seems to revolve around debt (see T. Smith 2017). Debt-credit relationships seem to be rampant everywhere, overthrowing all kinds of social relations, and even indebting whole societies through their public debt (Lazzarato 2012, 7-8). Until the pandemic, political decision-making was solely happening within the economic rationality. But as the record debts of 2020 show us, this was just a contingency.

This suggests that there are different ways to approach the public debt. In any case, it is not accurate to understand the public debt in terms of every other debtor-creditor relationship. Normally, a debtor owes its debt to its creditor and should return the money upon the creditor's demand. In regard to public debt, the entire logic short-circuits. In the case of the public debt of a state with monetary sovereignty (i.e., a state that has the power to control its own currency), the debtor and the creditor are one and the same entity (Bell 2001, 157). Nevertheless, the general public still believes otherwise: public debt is a real debt as any other, therefore it should not be increased and instead ought to be reimbursed.

The foregoing makes the ontological status of public debt highly unclear. We do not know if we can consider it as any other debt. Yet, the general reception of public debt considers it as a burden on society. The phenomenon of public debt cannot be seen as something solely economic, because its implications transverse the economic domain, and touch upon the daily lives of individuals and communities. It restricts politics and has disastrous ecological consequences as it blocks off the financial feasibility of sustainable development. Most importantly, it determines to some degree the ontology of our world. That is to say, the public debt shapes reality as it stipulates political possibilities and limitations. The issue of public debt is therefore related to philosophical fields such as metaphysics, epistemology, philosophical anthropology, political philosophy and biopolitics.

Our beliefs about public debt need to be scrutinized, because the effects of our beliefs have enormous consequences. The issue is of vital importance. Citizens' interest in monetary and financial politics has drained (Van 't Klooster 2020, 12). There is a good chance democratic institutions are hollowed out because of this process of depoliticization of monetary affairs (Fawcett et al. 2017, 3-25; Lokdam 2020, 993).

The phenomenon of debt has been a philosophical subject since Aristotle (1984). In the recent years, however, debt has gained more philosophical attention. Philosophers have approached the subject primarily from a biopolitical and moral point of view (Deleuze and Guattari 2000; Lazzarato 2012, 2013; Nietzsche 2006; Stimilli 2016, 2018). In 2015, Douglas (2015) developed a general philosophy of debt, wherein he connects philosophy and economics. The linkage between money and debt has also been an object of discussion by various authors such as Ingham

(2004), Peacock (2013), and Zelmanovitz (2015). Others, such as B. Smith, Mark, and Ehrlich (2008) presented a social and political ontology of debt. Supplementary, some philosophers, like Searle (1995), B. Smith and Searle (2003) and B. Smith, Mark, and Ehrlich (2008), have tried to explain of money by formulating it as a construction of social reality.

However, debt and credit have been given some philosophical attention within the literature, but the case of public debt only seems to be a matter of subject among economists; it is almost entirely left untouched by philosophers. A thorough philosophical analysis of public debt is what seems to be missing. This is odd, given public debt plays such a big role in our contemporary world. Therefore, I will try to make a conceptual analysis of the phenomenon of public debt by discussing its various modes. As we shall see in section 2, approaching the subject in terms of its modes could be useful, given the multiplicity of conceptions. This approach could enable us to grasp the phenomenon differently, and possibly substantiate other biopolitical, political, economic and ecological theories.

The outline of this thesis will be as follows. Section 2 will explain the usefulness of approaching public debt in terms of its modes. For this, I will use the modal ontologies of Spinoza, Deleuze and Agamben. Moreover, an understanding of public debt is impossible without an understanding of money. Therefore, section 3, 4 and 5 will explore the concept of money. Herein, I will discuss the various theories about money in section 3, and I am going to trace its historical origins in section 4. Section 5 will evaluate the moneyness of money. Section 6 will try to contextualize public debt in our contemporary world, by looking at its place and its various relations within monetary systems. In addition, I will explore the role of the state and the notion of monetary sovereignty. Section 7 will delve into the complexities of debt-credit relationships. Section 8 will discuss the various traditions of public debt theory and public debt's most important modes will be discussed. At the very end in section 9 and 10, I will propose to approach the issue of public debt through the language of public debt, which, in my view, will make it possible to transform ways of engaging public debt through governance.

2. A modal reconsideration of public debt

Newspapers, politicians, economists, and bankers are all in the supposition that they know what public debt is. Within the field of political economy, a heated fight concerning the conceptualization of public debt has reignited (Salsman 2017, 4, 255-256, 260; cf. Ehnts 2022; Zelmanovitz 2015, 207-208).

There are multiple reasons why the public debt is more a transversal issue than an economic phenomenon. First, given the rootedness of the concept of economics within theology, one can already wonder if the economic field itself is a philosophico-religious phenomenon (see Agamben 2011). Second, a particular conceptualization of public debt has a significant number of consequences and implications for the organization of society, the government and the economic field. This means that the subject should not be treated by economics alone, but should be of interest to everyone within a political entity. Furthermore, the whole issue of public debt is thoroughly connected with the fundamentals of money itself, which is a philosophical subject of its own (Salsman 2017, 218-220). The issue of public debt is therefore, above all, a social-political and social-ontological concern. The matter should not be left alone to economists and their mathematical models, as has been suggested by Piketty (2017, 20). It concerns the whole of society and should therefore be of interest by philosophers.

Despite its reignition, the debate still harbors the danger of ending up in a static trench-warfare.[1] Adversaries will attack each other on what public debt *is* and what it *is not*. They all believe that they present the truth in respect to a conceptualization of public debt, while regarding all other

[1] The debate took off in the 20th century but since then, the various factions within the debate have not made any gains nor losses. Henceforth, it is doubtful whether the present debate could redraw the lines (cf. Tobin 1965; Buchanan 1966, 544-546).

options as illusory and flawed (see Eusepi and Wagner 2017, 9-10). Even when other options are considered, they are dismissed as idealistic, utopian or unrealistic (see for example Buiter, Persson, and Minford 1985, 41-42). The whole debate could thereby run in a deadlock, because everybody holds tight to their conception. By fixating the mode of being of public debt, they render any transformation impossible.

Each position tries to present an objective conceptualization of public debt and thereby tries to lay bare its essence. Such a position is either countered by a contrasting objective statement, or its objectivity is instantly dismissed by a relativist standpoint.[2] I belief that a purely objectivistic approach is weak because it may possibly neglect other possibilities and thus loses any transformative power, whereas a relativistic stance is likewise weak, because it renders any form of comparison or change impossible. The former could hold tight to a specific articulation of public debt and thereby make any change of thought impossible, while the latter denies any possible comparison between different conceptualizations of public debt and thereby also renders any development impossible.

One can wonder if the essence or the *real* being of public debt can be settled once and for all. Every possible interpretation, no matter how theoretically or practically incorrect, has tangible effects on governmentality, economics and society.[3] That is to say, because we believe public debt has certain implications, society acts in accordance with this belief. Nevertheless, we cannot avoid a discussion on the being of public

[2] For objectivism and relativism, see Guba (1990, 17-27).
[3] That is also why any discussion on whether money is real or fiction is superfluous for my thesis. Regardless of money's realness, its effects are always real.

debt given the impact of debt in our contemporary age (see T. Smith 2017, 145-46).

Henceforth, our required method for a discussion on public debt needs to meet three prerequisites. First, it has to view every interpretation of public debt as true in itself, given its real effects on the constitution of society. No matter how erroneous a certain conception may seem, it should be recognized that beholding public debt in terms of a certain mode makes it as real as any other mode, because people act according to such a mode, making its effects tangible and therefore real. This will prevent a premature and possibly suboptimal conclusion, because it prejudices some conception over another. Second, it has to safeguard the comparability of the various modes of public debt without delineating its essence. Otherwise, it could run into the trap of relativism, which basically means that every mode is true but also incomparable. Such a discussion would be practically useless. And third, it has to keep open the possibility for a change of perspective and operationalization. That is to say, it should leave open the possibility of rendering any mode of public debt inoperative and replacing it with another.[4]

I am convinced that an approach to the subject of public debt in terms of its modalities is of uttermost importance. In this way, we will be able to avoid the problems political economy has been troubling itself with. My interpretation of the meaning of modality will depend on a synthesis of Spinoza, Deleuze and Agamben. I will explain my approach as followed. First, I will give a concise clarification of Spinoza's paradigm of modes.

[4] This condition disarms utterances such as: "The economy works in such and such way and therefore we cannot change it."

Subsequently, I will present Deleuze's reading of Spinoza and relate the former to the universalist-nominalist debate. Second, I will relate Spinoza's paradigm to the universalist-nominalist debate. And finally, this articulation will be expanded with some important additions from Agamben's ontology of modality.

Spinoza (2012, 11) defines mode (*modus*) as the modification of substance, meaning that a certain mode can only be understood by means of the substance itself. Substance is Spinoza's (2012, 11) notion of an infinite and eternal God or nature to which exists nothing exterior. A mode fully depends on substance for its existence and for its conception (Spinoza 2012, 35). A being has some kind of paradoxical state within Spinoza's paradigm. Beings differ from each other, but are also the same insofar they are all modes of substance. And it is that "only after this identity [with substance] has been firmly noted should that mode's particular quality be considered"(Stahlberg 2015, 39).

Although substance itself is infinite, eternal and absolute for Spinoza, the notions of temporality and finitude, change and contingency determine how modes are manifested (Stahlberg 2015, 39). Modes are therefore only transitional because of their limits. We only distinguish modes insofar they consist of the different ways matter is affected, but it remains the same matter and its differences are only apparent (Spinoza 2012, 27). I follow the reading of Deleuze (1994, 36), who put forward that those modes are best understood as expressions rather than as parts or states of substance. Subsequently, substance would be considered as the whole of expressions.

Deleuze (1994, 36) adds that being itself is the same for all these differing modalities, but it is not their essence. Rather, all modes together compose the substance: “Just as white includes various intensities, while remaining essentially the same white” (Deleuze 1994, 36). It is impossible to say which intensity of white conveys the real essence of white.[5] White would not remain a mere name for all intensities of white insofar every manifestation of white is really white. Concomitantly, the essence of white can never be clearly delineated because a full description of whiteness would need to include every modality or expression of whiteness. Modality is thus a specific appearance of something that could also have other appearances. Like with the cartoon figure Barbapapa, a creature that could transform itself in every different shape, yet always remaining the same Barbapapa (see "Barbapapa" 2021).

The concept of modality is an alternative way to approach the problem of the universalist-nominalist debate (see Van Inwagen and Sullivan 2021). I think it is possible to apply this framework or ontology of modality to every possible category we can think of—and not just for the concept of being itself. In the same way, we can try to describe all kinds of categories and their modalities—Deleuze’s modalities of whiteness, humans as modalities of humanness, shirt as a modality of clothes, Shintoism as a modality of religion. A category cannot exist without its entities, but one cannot say which entity decisively determines the category. Again, consider the example of the category religion. What is the most real religion and therefore deserves the nominator religion the most? Is it Islam, Jainism or rather Shamanism? Modalities within a category express that category in their own unique way.

[5] See Nietzsche’s (2009, §1) problem of the original model of the leaf.

Modality could be a useful way to approach the subject of public debt because it does not deny any variation of public debt conceptions. Every possible interpretation or theory of public debt is a mode of public debt. All modes are expressions or manifestations of public-debtness—the nature of public debt. One cannot really say which one is more real than another, but one can compare different modes and their suitability for society. Public-debtness and its modes coincide. Therefore, we cannot get a sense of public-debtness without looking at actual modes of public-debtness.

With the Spinozan and Deleuzean concept of modality, we can express the different modes of public-debtness. However, this conception does not make clear how modalities can change. Although they are finite, the foregoing does not explain how they become, perish, or transform. In my view, Agamben develops the idea of modality in a useful way for our endeavor. With his ontology of modality, he radicalizes Spinoza's conception of modality because he surpasses the notion of substance (Šerpytytė 2020, 525).

The concept of mode is not just the coincidence or indifference of essence and existence, but also of potential and act (Agamben 2016, 161; see also Šerpytytė 2020, 523). To put it another way, Agamben (2016, 157) includes his own peculiar reading of Aristotle's ontology of potentiality in his modal ontology. Agamben's modality's dimension of potential and act can help us understand why different modes of something are different and the same. Consider Deleuze's example of the white again. A specific intensity of white, a mode of whiteness, is an actualization of the potentiality white. White is potential, insofar it has the potential to be every intensity of white (Agamben 1999b, 179). Potentiality is thus the articulation of that which has not come into existence yet. If, for example, white becomes existent as the whiteness of a chair, a specific intensity of white is actualized. The potentiality of white has entered into act in a specific way. It has attained a certain modality; a specific appearance of whiteness.

But, Agamben (1999a, 266-267) claims that something always retains the potential of deactualization. In other words, its actualization could be undone, thereby opening up its original potentiality. This reasoning is supposed to reveal the contingency of acts (Agamben 1999a, 266-267). An actualization is thus a certain operationalization, and that operationalization can be deactivated if an experience of alternatives is possible (Agamben 2014, 73). Agamben (2014, 73) calls this the destitution of the being-in-work of the work.

Again, we will apply this to our matter of issue. Insofar a certain interpretation of public debt is a mode of public debt, it is likewise an actualization of public debt. Public debt has the potential to be interpreted in certain ways. If a certain interpretation is chosen within a monetary institution, we can state that public debt's potentiality to come into existence by being actualized in a certain way. This applies to both its quality (a specific conceptualization) and its quantity (the height of the public debt). In both cases, a certain actualization can always be deactivated. A deactivation can be useful if the current modality is considered to be disruptive, inefficient or ineffective, or any other reason for why one desires a transformation.

One can conceptualize public debt differently to attain certain ends. Or, in respect to its quantity, one can increase or decrease the amount, thereby deactivating its specific quantity and actualizing another quantity.

In short, this amounts to saying that the public debt can be modified qualitatively and quantitively. How this can happen will be explained in section nine and ten.

Agamben's (2014) modal ontology radicalizes Spinoza's conceptualization of modality, in which only being and its modes exist, by stating that: "Being is not other than its modes, substance is only its modifications, its own 'how' (its own *quomodo*)" (73). The relationship of being and its modes is neither of identity nor of difference, it is at once identical and different: "It implies the coincidence—that is, the falling together [*cadere insieme*]— of the two terms" (Agamben 2014, 73). *Mutatis mutandis*, there cannot be some primordial form of public debt, the matter always coincides with its various modes.

In sum, a discussion of public debt should include the various modes of public debt because its nature coincides with every modality. There is no real account of public debt, insofar all possible conceptions are unique ways of describing public debt. This unlocks an honest consideration of every possible interpretation of public debt. But above all, an approach of public debt in its modalities conveys the contingency and the transformability of every interpretation. Thereby, opponents within the public debt debate can finally stop their arguing whether a public debt is real or not. Instead, they can start considering other modalities and thereby engage the issue of public debt in a more fruitful manner.

3. What is money?

Before we can begin discussing public debt, it is necessary to shed some light on the issue of money itself. Money is one of the most common concepts that is used everywhere and by everyone. It takes the center in almost every sector of society. Politicians debate furiously how to spend the state's budget; companies try to optimize their profits and families try to manage their budget carefully. Therefore, it is rather odd that money itself remains one of the least understood concepts (Paarlberg 2014).

Mainstream economics has shown little theoretical interest into the nature of money, and has rather concerned itself solely with the functionalities of money—i.e., money *is* simply what money *does* (Ingham 1999, 76; 2004, 7). Economics has thus tried to construct an immense building of knowledge without considering what money essentially is. This is like theorizing a whole pantheon of weather gods without looking at the actual drivers and processes of the weather itself. Economics might just as well assume that money is dropped by a helicopter and then proceed with the analysis of the effects the money supply on the price level, as Milton Friedman (2009, 11) once famously remarked.

According to Geoffrey Ingham (2004, 9), other social and historical sciences have likewise failed to present a satisfactory analysis of money. He asserts that the other social sciences mistakenly suppose money to be an economic phenomenon, thereby either simply ignoring the matter or uncritically accepting mainstream economic analysis (Ingham 1999, 77-81; 2004, 9). Sociology, for example, has almost entirely concerned itself with general descriptions of the consequences and social meanings of money, but not its nature, functions, origins, and development (Ingham 2004, 19-10; cf. Giddens 1990; Zelizer 1994).

If one wishes to understand the workings of contemporary capitalism, which is a particular type of money economy, one needs to address the concept of money itself (Ingham 1999, 91). A thorough examination of money is exactly what seems to be missing in mainstream economics and the public debate (see also Van 't Klooster 2020, 9-10).

A description of money unavoidably encounters many difficulties and complexities. Money can for example be seen as a medium of exchange, a store of value, a means of unilateral payment (settlement), and as a measure of value (unit of account) (Ingham 2004, 3). Moreover, money can be seen as a power: it can be used as a infrastructural power that expands society's capacity to get things done, but also as a despotic power insofar it can be appropriated by particular interests (Ingham 2004, 3). Yet, the foregoing does not make clear what money, or the moneyness of money, exactly is. Therefore, the question here pertains: what is moneyness?

To answer this question, I will present a summarizing overview of the existent orthodox and heterodox theories of money. Orthodox and heterodox theorists clash over the nature and role of money—a dispute that is grounded in the Metallist-Chartalists debates in the 16th and 17th century but could possibly be traced back to the antiquity (Bell 2001, 151). According to Ingham (2004, 6), most orthodox theories explain the concept of money as a medium of exchange, whereas heterodox theories argue that money needs to be understood as a money of account.

3.1. The orthodox argument: medium of exchange

Orthodox money theorists assert that moneyness entails being a medium of exchange. This argument can be traced back to Aristotle's explanation of the evolution and function of money, wherein he criticized the pursuit of value as an end in itself (Ingham 2004, 16). Money is an instrument and therefore cannot be seen as an end. According to theorists in the wake of Aristotle, it is merely introduced to lubricate the process of exchange within the "real" economy (Ingham 2004, 16-17). Hence, it is a neutral veil that covers the underlying real economic processes (Ingham 1999, 77-79). It does nothing more than optimize the efficiency of the economy. Therefore, 20th century money theorist Ludwig Von Mises (2009, 34-37), a follow up of Carl Menger (see Peacock 2013, 15-46), defines money as followed: "[Money is] a commodity whose economic function is to facilitate the interchange of goods and services." This can be called the commodity theory of money.

Proponents of the commodity theory trace the origin of money to the theory of barter, conceived by Adam Smith (1957, 19-25) and later developed by Carl Menger, which Douglas (2015, 69-72) calls the Smith-Menger story. According to the theory, people started using a medium of exchange to resolve the double coincidence of wants problem—i.e., the supply and demand of two persons have to match for their willingness to trade.

Smith (1957, 19-25) explains that someone must possess a commodity that others are likely to accept in exchange. Von Mises explains that if a commodity attains the status of being generally accepted in exchange for quantities of any other commodity, that commodity becomes useful for facilitating exchange (Douglas 2015, 65). As a medium, it overcomes inconveniences like direct barter by minimalizing transaction costs for individuals. In other words, a commodity becomes money because of its exceptional marketability (Douglas 2015, 65). Money is thus the commodity that can be traded for *all* other commodities (Clower 1984, 86).

Within the orthodox view, the eventual medium can have three possible forms: money can be an exchangeable commodity (e.g., gold coin), a direct symbol of such a commodity (e.g., convertible note), or a symbolic representation of a commodity standard (e.g., a barrel of oil, or the value of a basket of commodities) (Ingham 2004, 6). In any case, money always symbolizes the underlying exchange ratios of a "real" barter exchange (Ingham 2004, 33). Inasmuch money does only represent the underlying structures of the economy, it cannot be a driving economic force of its own (Ingham 2004, 33). It is merely a symbol that cannot be understood without some relation to a commodity (Schumpeter 1994, 63).

The intrinsic value of the commodity that acquires the status of money within society determines the value of money. Besides the price level of goods, any fluctuation in the quantity of money would therefore not affect output and growth in the economy (Ingham 2004, 8).

It is thus supposed that money merely indicates underlying economic tendencies in terms of its value. In the orthodox argument, money is purely described in logical terms. What counts is money's performance as lubricate for the economy of barter. Hence, money appropriates solely a technical or logical role within economic analysis (Schumpeter 1994, 277), which makes the concept of money itself unimportant (Ingham 2004, 33).

3.2. The heterodox argument: money of account

Overall, heterodox theories comprehend four different themes that are antithetical to orthodox economic analysis (Ingham 2004, 56-58). First, money is understood as an abstract measure of value. Second, money consists in a claim or a credit. Third, the state, or an authority, is the essential basis for money. And fourth, money is not neutral in the economic process.

Heterodox theories give primacy to money's function as a unit of account. This stands in contrast to the economic orthodoxy that puts money of account forward as directly provided by the commodity standard of value—that is, the medium of exchange (Ingham 2004, 34). It is the money of account that confers the quality of "moneyness" (Einaudi 1953, 153; Hoover 1996, 196). Or as Keynes (2013, 3) put it, money of account is the primary concept in the description of money which various things may answer. Fairly, it is money's unique specification as an abstract of value that distinguishes it from other commodities (Keynes 2013, 3). Money exists only in relation to money of account (Ingham 2004, 6; Keynes 2013, 3). In this view, an abstract money of account is thus logically anterior to any form of money that carries the abstract value (Ingham 2004, 70).

3.2.1. Money as credit

Money is more than a social convention underpinned by trust. To Ingham (2004, 12, 73), money itself is a social relation: "Money is a 'claim' or 'credit' that is constituted by social relations that *exist independently of the production and exchange of commodities*." This position, called the credit theory of money, was propounded by Mitchell Innes (2004a, 51-52) in 1914 wherein he states that

> a sale and purchase is the exchange of a commodity for a credit. From this main theory springs the sub-theory that the value of credit or money does not depend on the value of any metal or metals, but on the right which the creditor acquires to 'payment,' that is to say, to the satisfaction of credit and on the obligation of the debtor to 'pay' his debt, and conversely on the right of the debtor to release himself from his debt by the tender of an equivalent debt owed by the creditor, and the obligation of the creditor to accept this tender in satisfaction of credit (2004a, 51-52).

The theory puts forward that money is not primarily a medium of exchange. Rather, it is a deferred payment (see also Keynes 2013, 3). Someone who is not able to pay, can issue credit as payment and thereby become indebted. It is as simply as Innes put it:

> What A owes to B is A's debt to B and B's credit on A. A is B's debtor and B is A's creditor. The words 'credit' and 'debt' express a legal relationship between two parties, and they express the same legal relationship seen from two opposite sides. (2004a, 30)

Therefore, the creation of money entails the creation of a credit and a debt. In this way, "everyone can create money; the problem is to get it accepted," as Minsky (1986, 228) put it. Bell (2001, 15) believes this is somewhat misleading, because the creation of money is the creation of a two-sided balance sheet operation—consisting of assets (credit) and liabilities (debt)—

which can only be created until both parties agree. This balance sheet approach was originally presented by Keynes (2013, 3; see also Ingham 2004, 12, 75), who argued that a buyer and a seller enter into forward contract whenever the seller accepts the debt, its value expressed by a money of account, of the buyer and enounces this debt into a money of account.

Credit theory supposes all money to be credit—i.e., an I-Owe-You (IOU). In other words, money is a "promise" to pay that is described by an abstract money of account (Ingham 2004, 12). Ingham importantly remarks that "something can only be issued *as* money if it is capable of cancelling *any* debt incurred by the issuer" (Ingham 2004, 12). In Douglas' (2015, 75) eyes, the credit theory of money makes more sense than the commodity theory; it allows for greater flexibility, given that anything can be used as money.

Money differs from a particular debt insofar it can cancel any debt within a monetary space (Ingham 2004, 12, 71). This space can be understood as the space created by the issuer, in which anybody, who is willing to accept the issuer's IOU, operates (Ingham 2004, 12, 71). Money can thus be regarded as a universalized IOU, redeemable by any person who accepts it. Money can be represented by the most exchangeable commodity, but first, it must "be constituted as *transferable debt* based on an abstract money of account" (Ingham 2004, 12). As Ingham (2004, 71) clearly explains: "For money to *be* money presupposes the existence of a debt measured in money of account elsewhere in the social system and…in the debt created by the issuer's promise to accept back its money in settlement."

As long as there is money, there is debt. Money—i.e., credit—and debt arise and annihilate mutually.

As noted before, the value of money resides in the issuer's self-declared debt. If this original promise remains intact, the abstract value of the IOU will persist no matter how many times it will circulate. A golden coin, for example, is effectively an IOU. This is not because its intrinsic value determines its value, but rather because it bears the value (Graeber 2021, 46; Ingham 2004, 70-71). Ingham (2004, 70) substantiates this by arguing that it is the multiplicity and dissociation of money and its forms (e.g., paper money, gold coins, salt) that proves moneyness does not depend on a specific form.

In the end, all money is constituted by credit-debt relations (Ingham 2004, 72). More exactly, "money consists in vast dense networks of overlapping and interconnected multilateral credit-debit relationships which are mediated by the issuers" (Ingham 2004, 73). Or as Douglas (2015, 78) put it: "If money is just an IOU, then there should be as many types of money as there are debtors. Anybody should be able to create money by issuing an IOU." But how is one type of IOU able to dominate all others? Let's turn to chartalism.

3.2.2. The state theory of money

The dominance of certain IOUs can be understood if we take sovereignty into account. It was the German economist Georg Friedrich Knapp (1973, VII-VIII), the founder of chartalism within monetary theory and author of *the State Theory of Money* who considered an understanding of money without the idea of the state to be absurd.

Knapp (1973, 95) put forward the idea that the state creates money by declaring what it will accept for the discharge of tax debt. The state is able to do this because of its sovereign power to levy taxes. It simply imposes a debt and demands its reimbursement on pain of punishment (Douglas 2015, 81). It is able to create a debt among its subjects out of nothing. The state declares that the subject owes a certain amount in a certain form to the state, thus creating a need for the subject to attain the means for cancelling such a debt. Knapp's (1973, 7-8) theory moves beyond the idea that money is a medium of account: "It is rather a means for accounting for and settling debts, the most of which are tax debts." Tax debts essentially set the standard for all other debts. If one needs to pay his taxes in a certain currency, he will almost certainly want to account his due debts in the same currency.

Therefore, a state can directly and indirectly set the nominal unit of account in any form it likes: it can choose a commodity (e.g., gold, silver, salt, etc.) and fixate a conversion rate (X euros per ounce of gold) or a symbol of such a commodity (convertible note) or just fiat money (non-convertible money based on trust). Money could in fact be anything—provided the willingness of the state to accept it. The state's power to set a standard renders the form of money of secondary importance, precisely because it is changeable (Knapp 1973, 8-25). In this way, the state holds the power to establish the validity of money (Knapp 1973, 95).

Most importantly, the state can levy taxes on its own issued IOUs (Innes 2004b, 41-42). The state's IOU will always be accepted if there is a demand for it. This demand is created by the tax debt. This explains why the state could issue an intrinsic worthless piece of paper as money. Its value is extrinsically determined by the demand for the money. People have a greater need for government IOUs that can discharge tax debt. Therefore, that specific IOU is able to dominate all other kinds of IOU.

In my opinion, there are good reasons for why the state would pick a certain money form for the discharge of tax debt. The form should be chosen in such a way that it cannot easily be multiplied by someone else, because if it would, the need for it could easily be satisfied and subsequently, its value will drop if the supply exceeds the need. The state could easily avert this by, for example, designating gold coins as a proper form of payment. The reason why this secures the value of the money supply is twofold. First, gold is a scarce good and cannot easily be multiplied or gathered by anyone. Second, as the state controls and defends all possibilities of stamping the sovereign head on the coin, nobody else can mint his gold into money. Therefore, the state can control and stabilize the money supply. Henceforth, the state's designation of the matter and/or form of money is a guarantee for the value of money—not what gives it its value. Money's value is determined by the demand for it. A decreased demand could therefore devaluate money.

It is important to understand that Knapp (1973, 95) does not see the state as the only issuer of money. Anybody is capable of setting a unit of account, but the state's acceptance is decisive (Knapp 1973, 95). All types of credit issued by variant actors such as banks come to be denotated in the state's currency and thereby becomes money when they are accepted as payments to the state's creditors (Knapp 1973, 143, 196). By stating the money of account for taxes, the state basically creates the aforementioned monetary space—the space wherein all (potential) transaction may be conducted under specific monetary conditions.

Money's pivotal aspect according to Knapp's theory is therefore that it is a token that carries the unit of abstract value. Hence, Knapp (1973, 38) uses the Latin word *charta* (token), to define money as "a chartal means of payment." Thus, the tradition Knapp gives birth to is also named chartalism. Basically, Knapp's state theory of money explains why some forms of credit come to dominate all other types of credit. All of the money within society represents existing relationships between creditors and debtors, though it needs to be noted that some debts are more acceptable than others with the debt to the sovereign state as its apex (Bell 2001, 159; see also Aglietta and Orléan 1998).

3.3. The moneyness of money

The conflict between the orthodox and the heterodox tradition of money can be seen as a dispute over which function of money constitutes the nature of money. The orthodoxy explains the moneyness of money in terms of being a medium of exchange, whereas the heterodoxy explains it as being a money of account. But which one is it?

Orthodox money theorists, such as (Menger 1892, 16) and Von Mises (2009, 413-18), objected vehemently against the state theory of money. They kept on insisting that value could only be established in exchange and that the state could thus never substantively influence the value of money.

Conversely, other authors criticize the barter theory (Douglas 2015, 73). As Rosenberg (2014, 26) remarked, it is difficult to see how a unit of account could emerge from within a barter society, because it would be impossible to come up with equilibrium prices.

In the eyes of authors like Douglas and Ingham, the orthodox argument contains a lot of weaknesses. First, Douglas (2015, 65) criticizes Von Mises' proposition on a commodity's marketability, and asserts that something is money because people believe it is money. People value money—i.e., credit—because they believe that the debtor will pay the debt represented on the credit with real goods: "This will be a matter of trust, codes of honour and systems of legal enforcement" (Douglas 2015, 78).

Second, the orthodox tradition has not explained what money is by presenting a purely logical or functional description (Ingham 2004, 22). It fails to identify its moneyness (Ingham 2004, 34).

Third, orthodox theory presents money falsely as a neutral veil that cannot influence the economy, whereas, in fact, factors like prices and rates of interest can be considered as independent economic forces (Ingham 1999, 79-80; see Chick 2000, 124-139).

Fourth, the orthodoxy states that money always depends on a commodity (Ingham 2004, 6), but

> to identify *forms* of money and their *circulation* with the quality of 'moneyness' is to misunderstand the phenomenon. It is a basic category error, which as we shall see, has persisted since the classical Greek commodity theory of metallic coinage. This misidentification of money has produced enormous analytical difficulties and quite bizarre intellectual contortion in orthodox economics' treatment of

> the so-called dematerialization of money since the late nineteenth century (2004, 9).

The focus of orthodox economics on a particular form of money has led to an enormous output of economic research that only describes one specific form while believing it grasps the full spectrum of money. Besides money's aspect of being a medium of exchange, it has other aspects, as proposed by heterodox theories, that may even present a better account of moneyness. Nevertheless, as Douglas (2015, 78) noted, there is nothing wrong with the statement that money is a medium of exchange, or with the claim that money has value because people believe it to be valuable, it is just not its essential aspect. Together with the commodity theory of money, these are important attributions that cast a lot of elucidation on the complexity of money. Every aspect should be widely explored so that we come to the most complete understanding of money and its powers.

However, as Ingham (2004, 70) asserts, "money of account is logically anterior to any form of money that bears the abstract value." This could mean money cannot be money without it being a money of account, making this its primary feature. The case seems fruitful, but we can only truly understand the nucleus of the matter if we can clarify the origins of money.

4. On the origins of money

In our examination of the workings of money, it is crucial to understand its origins. The foregoing has hinted towards two directions: money originates from being a medium of exchange, and money originates from being a unit of account. The dispute seems to be whether money originates from barter or credit—money of account. This section will explore the anthropological and historical research on the origins of money.

Apparently, there is no historical evidence that a barter society, in which goods are predominantly distributed by instantaneous spot-exchanges, has ever existed (Dalton 1982, 185; Humphrey 1985, 48-52; see also Humphrey and Hugh-Jones 1992). Although barter was not unknown, Dalton (1982, 185) pointed out that, based on existent data, there is no past or present economic system that had barter as an important or dominant model of transaction. Therefore, the Smith-Menger story actually "presents us a false genealogy of both monetary functions and the causal history of their institutionalization" (Peacock 2013, 24). Rather, the myth of barter seems to be the result of theorists mistakenly imagining what they would do without money and subsequently "supposing that this must be what communities without money do" (Douglas 2015, 73; see also Peacock 2013, 22).

Already in 1914, Innes (2004b, 27) wrote that a careful examination of history reveals that it is credit rather than barter that is the historical origin of money. Credit is thus not a property that preexistent money acquired one day—an error some authors and textbooks still run into today.[6] But how did this development take place? Douglas (2015, 76) already points us in the direction with asserting that it is much easier to see how a system based on credit could evolve from a gift economy: "My IOU is in effect a tangible and transferrable concretization of my obligation to repay your gift." This seems logical, given that somebody usually owes someone something because the other did something for him (cf. Douglas 2015, 18-20). But how does anthropological and historical research substantiate this?

4.1. Gift societies

The French anthropologist Marcel Mauss has written extensively on ancient societies. Mauss (1966, 78) describes how ancient societies were not occupied with barter, but with gift as their dominant form of exchange. The phenomenon of the gift is what Mauss (1966, 79) calls a "total social" fact, which Stimilli (2018, 29) helps us explain as a unitary phenomenon that involves economic, legal, religious, psychological and social elements. Therefore, the gift cannot be explored as a mere economic affair because it is a phenomenon that reflects the whole of society (Mauss 1966, 77-78). In a similar fashion, Karl Polanyi (2001, 48) states that humans—up to a certain point in time—had never acted based on their individual interests, but rather their social standings, claims and assets. According to Stimilli (2018, 30),market economy seems only to be a more recent historic phenomenon.

Originally, the phenomenon of the gift was part of a system of reciprocal relations: "The freedom of the gift, indeed, obliges the receiver to

[6] For instance, Goodchild (2009, 7-9, 92-95) raises good points about the consequences of money as credit. Yet, he seems to uphold money as something that can also not be credit.

return the gift, and this creates social cohesion" (Stimilli 2018, 31). Although Mauss understands the gift as a pure gratuitous act, Agamben (2005, 123-124) helps us to explain this reciprocal relation is rather a "paradoxical bond between gratuitousness and obligation." That is to say, something is expected but at the same time, it is not necessarily expected.

Superficially, a debtor-creditor relationship shows more similarity to an exchange than a gift, yet the relationship is much more complex (Stimilli 2018, 33). A debtor-creditor relationship binds over time, thus making it closer to a gift (Stimilli 2018, 33). The crux seems to lie in the notion of reciprocity (Graeber 2021, 76-80). Though the receiver is obliged to return a gift, the giver does never directly expect and count upon a counter gift. There is some risk that the receiver does not return, meaning that the obligation is built on trust (see also Polanyi 2001, 49). If the gift is returned, this trust is intensified and results into more social cohesion. Giving or not giving a gift is a choice that could either strengthen social bonds or weaken them. By comparison, with barter exchange, every occasion of trade involves new negotiations that always requires direct or deferred payment. There is less trust involved, and consequently less potential for social cohesion.

It is even possible to state that phenomena such as debt and barter evolved out of the phenomenon of gift. As Mauss remarks (1966, 34-35), "a gift necessarily implies the notion of credit," and "barter arose from the system of gifts given and received on credit, simplified by drawing together the moments of time which had previously been distinct." The evolution is thus not from barter to credit, but more accurately, from gift—i.e., credit—to barter (see also Graeber 2021, 76-80). Rather simplified, barter is an exchange of gifts with the contraction of the intervening time. The same can be said of purchase, sale and the loan. All three of them derive from the very same source of the gifts.

4.2. The social dimension of money

It would be quite odd to assume that the concept of money only kept its economic feature and lost all of its other aspects, since its evolution from the total social fact of the gift. Money affairs do not consist solely of self-interested individuals but includes many social elements (Stimilli 2018, 34-35). To Stimilli (2018, 35), money is the concrete possibility of establishing a social relationship and consequently a social order. In her eyes, the fundamental role of money relies not on some intrinsic quality, but rather on "the unanimous agreement of those who take part in the economic relationship by recognizing in it the bond of the participants" (Stimilli 2018, 35). Additionally, the process of something becoming money is already the result of a political power struggle (Wullweber 2019, 318-320).

Money is a multidimensional determinant that is closely related to the configuration of social relations. This comes clear if we examine the early uses of money—credit. Ancient forms of money can be traced throughout cases of the standardization of units of accounts, accounts of debts and taxes, and the redistribution of goods (Tcherneva 2017, 6).

"Primitive currencies"—or more exact: "Social currencies" (Graeber 2012, 426)—were actually hardly used to buy and sell stuff: "Rather than being employed to acquire things, they are mainly used to rearrange relations between people. Above all, to arrange marriages and to settle disputes, particularly those arising from murder or person injury" (Graeber

2021, 60). Furthermore, throughout the various legal codes of ancient societies, Graeber (2021, 60-62) points out that the earliest records of relative prices are actually established by legislators to reflect some standard of fairness.

If we take a look at more recent developments of money, one discovers that modern money arises from the interplay between private credit and state intervention and credit (Rochon et al. 2003, 62-65; Van 't Klooster and Murau 2022, 13; Tcherneva 2017, 23). Or as Wullweber (2019, 327; see also Weber 1978) states: “Today’s monetary system developed out of a historical compromise between merchants, financiers, and the state in which commercial credit-debt-system became integrated into the state monetary system.”

Now we can understand the meaning of money as an institution of valuation (Stimilli 2018, 35). It is not only a valuation of some offer; it is also a valuation that determines which social relationships and orders should exist. The movement of credit determines the creation of existence to a certain extent (cf. Goodchild 2009, 105, 115-119). To give a concrete example, the decision whether credit is allocated to build a hospital or a school determines which building comes into existence. The importance of credit is not its being; it is the potential it evokes. If no credit is allocated, nothing happens to that of which credit is a primary constituent.

All in all, the foregoing fully debunks the barter myth.[7] Money cannot be separated from credit, despite the persistent distinction between them in literature and everyday usage (Ingham 1996, 525). The concept of

[7] Though it has to be acknowledged that there is always the possibility that an ancient barter society is yet to be discovered.

money is not a sheer economic affair, but more accurately, a social relation that is “the emergent property of a configuration (or ‘structure’) of social relations” (Ingham 1996, 527). More exact, money is a “power credit-debt relationship,” insofar it reflects the indebtedness of others (Tcherneva 2017, 3). Money acts as the vehicle for social organization (Tcherneva 2017, 6). Just like the gift, the choice of allocating your money strengthens or weakens bonds, gives or does not give instance to certain activities. Existent money forms are already the outcome of a preexistent power struggle and not some spontaneous market phenomenon. Money is a multidimensional social phenomenon that has an enormous creative potential and its ontology already reflects a specific configuration of society.

5. Money: a multidimensional concept

To conclude this part, money is a multidimensional concept with various aspects, functions and forms. The heterodox argument of money as an abstract measure of value has proven to be a better account of moneyness from an anthropological, historical, and, in my eyes, philosophical perspective. Nobody can deny money acts as a medium of exchange, although this aspect is not as important as mainstream economics view it. Money is always an abstract measure of value, just like an hour or a cubic centimeter (Graeber 2021, 46). Yet the functionalities of money do not seem to grasp the full matter. Money can only be understood within social organization itself. Money measures nothing more than a debt (Graeber 2021, 46). If one stops believing in the reimbursement of that debt, faith in the credit drops likewise.[8] The expression of value of a unit of currency is thus not the measure of the value of an object, but the measure of trust in others. The higher the value, the bigger the confidence. In the words of Graeber (2021, 56): "Debt is the essence of society itself. It exists long before money and markets, and money and markets themselves are simply ways of chopping pieces up." Credit—money—as an abstract measure of value is a promise that is capable of establishing social relations and orders. As a creative force, it determines the existence of beings to a certain extent. Therefore, one who possesses the power of money creation can direct or shape society itself. These are important conceptions in respect to the issue of the public debt.

[8] It would be interesting to discuss the (economic) debtor-creditor relationship in relation to the Mosaic law and to the Pauline faith (cf. Agamben 2005, 93-95, 123-124).

6. The contemporary context of public debt

Now that we have some answers to the question of money, we can almost discuss the public debt itself. First, it is necessary to contextualize the domain of public debt within the contemporary monetary framework. This section will discuss contemporary money creation and the notion of monetary sovereignty.

6.1. Money creation

We have come across Minsky's assertion that anyone can create money. Yet, some types of money were able to dominate others due to the state's power of taxation. Lerner (1947, 312) therefore famously stated that money is "a creature of the state." However, to what extent do these theories of money creation apply to our contemporary age?

In contemporary monetary systems, money is chartal and is effectively created by central and commercial banks (Committee on Payment and Settlement Systems 2003, 42; Rochon et al. 2003, 66; Van 't Klooster and Murau 2022, 7). However, this description does not fully describe the various moneys that exist nowadays. Van 't Klooster and Murau (2022, 10-12) distinguish three different segments within the money supply: public, public-private, and private money. First, public money is a currency issued by a state's institution, such as the central bank. Second, private-public money is issued by private institutions within a state's legal framework, and guaranteed or backed by public institutions. And third, private money, or "shadow money," is created by private institutions but not guaranteed by the state—for example: MMF shares, repurchase agreements or crypto currencies (Van 't Klooster and Murau 2022, 11). All three segments of money can be created on- and offshore.

Thus, the international monetary system can be seen as the totality of the hierarchical structure of the money supply, with as its apex the state's unit of account, as figure 1 illustrates.

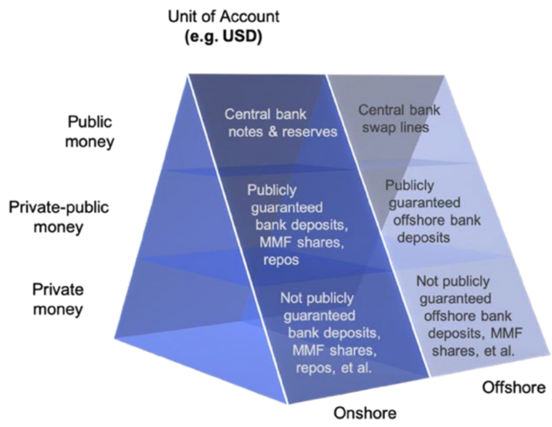

Figure 1: Three-layered hierarchy of the money supply (Van 't Klooster and Murau 2022, 16)

There are four crucial differences between the two most important segments, public and private-public money. First, public money usually serves the operationality of payment and settlement systems, whereas private-public money is the main supply to the general public (Committee on Payment and Settlement Systems 2003, 43-44). Second, public and private-public money further differ insofar the state can ensure the demand for its IOU, whereas private institutions can only encourage others to take accept their credit (Bell 2001, 160; Douglas 2015, 89). Third, whereas the creation of public money is determined by political decision-making, the creation of private-public money depends on the market operations of private institutions (Douglas 2015, 86, 132; McLeay, Radia, and Thomas 2014, 17; see also Mankiw 2019, 87).

The different moneys bear different functions. More private moneys are generally used to run profits whereas public moneys function as the backstop of other moneys (Pistor 2017, 507-508). However, I believe that the functions of these moneys should continuously be discussed, insofar the moneys should be made adaptive to certain needs in society. The current functions, like public money as a backstop, should not permanently delimit the role of a certain money. It may be that certain moneys could functionally be used in a different but more effective manner.

The hierarchy within the money supply is determined by the gradual degree of money's acceptability. As Bell (2001, 159) notes, "all of the money in the hierarchy represents an existing relationship between a creditor and a debtor, but the more generally acceptable debts will be situated higher within the hierarchy." As a general rule we can state that the degree of a money's acceptability determines the possibility and scope of its issuer's money creation capabilities. The state's unit of account is the gravitational center of all dependent moneys. This explains why the state and hence the public debt should be focal point whenever one desires to discuss the monetary system.

6.2. Monetary sovereignty

The hierarchy of moneys and the role of the state can firstly be explained by the distinction between sovereign currency issuers and non-sovereign currency users (Downey 2022, 5-6; Kelton 2011, 60). An issuer of currency can change the money supply, whereas a simple user cannot do this. However, it is perfectly possible that an issuer is also a user of currency. Hence, the state can issue currency, after which it can acquire existent issued currency through for example borrowing or taxation (Kelton 2020, 116).

The state's role in the monetary system is usually phrased in terms of monetary sovereignty. Monetary sovereignty is generally used as the power of the state to issue currency within its territory and to regulate their currency within its jurisdiction (Zimmermann 2014, 3; Van 't Klooster and Murau 2022, 2).

Van ‘t Klooster and Murau (2022, 2-3) argue that the Westphalian notion is insufficient, insofar it is a Westphalian conception of monetary sovereignty and therefore does not fully grasp the contemporary position of states within the global monetary system. The Westphalian conception "envisages a world where three features of states coincide: authority over the issuance of money, jurisdiction over a territory and the use of money within that territory" (Van 't Klooster and Murau 2022, 21).

Likewise, Pistor (2017, 492) argues that there is indeed a difference between territorial and monetary sovereignty due to the transformation of sovereignty in the global age. She explains that the usual conception of monetary sovereignty entails the non-interference of other states, which is impossible because it treats money as perfectly analogous to territory, whereas public and private moneys are part of an integrated global monetary system, and hence not limited to territory (Pistor 2017, 495-496). Instead, monetary sovereignty is relative to the location of an entity in the global monetary hierarchy (Pistor 2017, 512).

Although Kelton uses the notion of sovereignty in the Westphalian sense, I believe it is better understood in the Foucauldian sense of sovereignty as an entity that has "the right to appropriate a portion of the wealth, a tax of products, goods and services, labor and blood, levied on the subject" (Foucault 1998, 135-136). A state is indirectly able to monopolize its currency by demanding taxes in that currency. It demands taxes "simply by wielding its superior power and threatening sanctions in cases of nonpayment" (Douglas 2015, 84). For this, the state needs to sustain "a vast apparatus of coercion" (Douglas 2015, 82). Kelton is therefore right to address that monetary sovereignty needs to include taxation in addition to issuance. This is further affirmed by Salsman (2017, 198-199), who states that a

> government, by its nature, holds a legal monopoly on the use of legitimate force, while persons and companies don't. Only a state can legally compel tax paying, which is crucial to its capacity for debt servicing, whereas private actors who do so commit larceny…only a state can legally issue unlimited sums of irredeemable paper money…whereas private actors who do so commit counterfeiting. Only a government can run its court system, including bankruptcy courts, and by the principle of sovereign immunity exclude itself from prosecution, whereas private actors who do so commit an obstruction of justice.

Therefore, monetary sovereignty comprises, above all, the sovereign powers of coercion, taxation and issuance.

Murau and Van 't Klooster propose to view monetary sovereignty in terms of effective monetary governance (Van 't Klooster and Murau 2022, 38). This expands the view on the outdated Westphalian monetary sovereignty, insofar it redefines the agency of the state. Monetary governance can be outlined in a threefold way: the control of pure public money, the regulation of private-public money, and the management of private money within the state's monetary jurisdiction (Van 't Klooster and

Murau 2022, 38). This would be a more proper account of the role of the state in monetary affairs, which is more apt and responsive to the opportunities, demands and challenges of the contemporary global monetary system. However, we can still use the term monetary sovereignty if we use it in the Foucauldian sense. It would distinguish such entities from others who cannot compel others to pay taxes.

The conception of monetary sovereignty in terms of monetary governance makes it possible to situate public debt. It resides within the public money segment of monetary governance. A discussion of public debt can therefore help to improve a state's monetary governance. Moreover, the arrangement of the pure public money segment can have big implications for the other segments, which makes this segment all the more important (Van 't Klooster and Murau 2022, 33).

Matters of currency issuance cannot be viewed without including the central bank: "The design of the central bank determines who decides what regarding public money creation, and hence determines the size and accessibility of the pure public money segment within a monetary jurisdiction" (Van 't Klooster and Murau 2022, 33). Although the general operationalities of central bank ought to concern itself with a technical handling of monetary policy, the design of the central bank and its policy are—above all—a political concern (see Van 't Klooster 2020, 1-20). The degree of technical complexity of central bank operations should thus not obscure the political dimension of monetary policy (see Van 't Klooster 2020, 2-3; cf. Van 't Klooster and Murau 2022, 1-21). This is further substantiated by the fact that central bankers do make political decisions (Van 't Klooster 2020, 11). Therefore, the question entails how much political decision-making we should delegate to such a public institution (See Van 't Klooster 2020, 11).

6.3. Monetary governance and public debt

To conclude this section, the pure public money segment has far more weight in monetary systems than the other segments, despite the fact that the other segments have a bigger impact on the quantity of the total money supply. This segment is not a sole domestic affair, rather it is involved in a much bigger global monetary system, which makes it all the more complicated. In any case, the heterodox theories of money seem to be far more applicable to current day monetary systems than the orthodox theory (see also Van 't Klooster and Murau 2022, 7).

The elaboration of the state's role within monetary affairs has immense implications on the entire monetary system. The state has an important part to play within the configuration of the system itself. This evokes the question whether public debt is just a budgetary concern or a more widely applicable tool for governance. In any case, the foregoing has helped explain the exact position of the domain of public debt within the monetary system. Inasmuch a state has both the possibility to borrow from private actors and to monetize its debt. To which extent a segment of money is related to public debt, depends on how a state conceptualizes and engages public debt. Above all, it needs to be remarked that public debt is always situated at the heart of a state's monetary governance policy.

7. Debt-credit relationships

A debt-credit relationship consists of two distinguishable entities: the one who incurs the debt and the one who acquires the credit. To incur a debt is the same as to issue credit; they arise mutually. The indebted acquires the debt, while the other acquires the credit. The debt-credit relation can be resolved by settling the debt. This process of settling the debt is the flowing together of the once parted debt and credit. Or in other words, the destruction of the once created debt and credit. If these two were to coincide once again, the bond is eliminated. By an analogy from physics: debt and credit come into existence and get separated just like the "pair production" of matter and antimatter, and when this pair of matter and antimatter coincide, they disappear in a process called "annihilation" (Bahr, Lemmer, and Piccolo 2016, 217; Kolata 2020, 9-2), just like debt and credit which are annihilated in the debt settlement.

Creation and destruction of debt-credit relations always need an external reason. Someone can acquire goods from someone in return for an IOU, or someone may have harmed someone else and thereby becomes morally indebted. The destruction of a debt-credit relation can only happen if something has been done to settle the debt. A debt-credit relationship therefore always bears the potential for production. Something can be produced in the exchange for the issuance and the redemption of an IOU. This is the fundamental reason for debt-credit relationships. They exist to put things in motion. It conveys a state of disequilibrium which needs to be restored. More generally, a debt-credit relationship is interlocked within a chain of motion. It has an antecedent and it has consequences.

I have been avoiding the problematic syntagma debtor-creditor relationship insofar it obscures the credit issued within the debt-credit relation. The term "creditor implies that the creditor issues credit to the debtor. This is true, but this credit is not identical to the credit created in the debt-credit relation. The creditor's credit is preexistent issued credit, because it originates from an earlier debt-credit relation. The misidentification is caused by the overshadowing of the newly created credit by the preexistent credit. An identification of the creditor's credit to the credit created in the debt-credit relation can lead to the erroneous view that credit is not debt, as it presumes that credit existed before the creation of credit. A more proper view would be that the creditor's credit is a mean for persuading someone to enter a debt-credit relationship. Therefore, I would like to redefine a debtor-creditor relationship by regarding the debtor as the one who acquires the debt, and the creditor as the one who acquires the credit. Or put in another way, the debtor has a debt against the creditor and the creditor has a credit against the debtor.

At this moment, it is possible to distinguish two different debt-credit relations, which I shall name simple debt-credit relationships and complex debt-credit relationships. A simple debt-credit relationship entails the creation of a debt-credit bond where the debtor is the issuer of credit—IOU—and the creditor is the receiver of the credit. The debtor is indebted to the extent that the other can use that IOU to acquire what is owed, thereby cancelling the debt-credit relationship.

A complex debt-credit relationship is a simple debt-credit relationship that overlaps with single or multiple debt-credit relationships. In a complex debt-credit relationship, a debtor issues an IOU for the exchange of an already existent credit. There is another form of credit that participates in the debt-credit relation, but also transcends it because it cannot be created or destroyed with the bond itself. The creditor's preexistent credit (credit′) is part of an entirely different debt-credit relationship that is exterior to the resolved complex debt-credit relationship and is thus not destroyed during the process. To give it an example: person X enters a debt-credit relationship with person Y. X borrows credit′ (C′) from Y with interest (I). The debt and credit created in this bond is thus equal to C′ + I. The debt is the value owned (C′ + I), while the credit is equal to the debt, as it can eliminate the debt (C′ + I – (C′ + I) = 0). X can settle its debt with C′ + I or something equivalent that is accepted. A complex debt-credit relationship thus consists of (internal) credit and (external) credit′.

Furthermore, it is possible that an actor can borrow credit′ that is issued by himself in another debt-credit relation. I call this a circular debt-credit relationship. There is something peculiar about this relationship, insofar credit′ is returned to its original issuer, but all of the intermediary debt-credit relationships which credit′ has passed seem to remain.

In sum, I have categorized three types of debt-credit relationships: simple debt-credit relationships, complex debt-credit relationships, and circular complex debt-credit relationships. Everyone is capable of creating such relations. Nevertheless, when we observe a state's debt-credit relationships, we find two more unusual types of debt-credit relationships.

7.1. Debt-credit relations of the state

Money creation by the state resembles any other simple debt-credit relationship. Although the state introduces two interesting types of debt-credit relationships, which I call: enforced debt-credit relationships and nondual debt-credit relationships.

First, an enforced debt-credit relationship entails the imposing of a debt on someone. By demanding taxes, the state enforces someone to enter a debt-credit relationship. A mutual agreement is not necessary. The debtor simply faces repercussions if he does not comply with his tax debt reimbursement—i.e., paying taxes. Practically speaking, the state can unilaterally create debt-credit relations with its subjects. In other words, the state can create debt *ex nihilo*. Moreover, the state can use an enforced debt-credit relationship to create a demand of its own credit. That is to say, a state can ensure the willingness of others to accept the state's credit and thus the engagement of a debt-credit relation with the state, because others have a demand for the state's credit, which is caused by the state imposition of a debt valued in the state's currency.

Second, nondual debt-credit relationships, which look like any other debt-credit relationship, although the difference between debtor and creditor is illusive. Nondual here means that there is a being that splits itself in two but remains the same thing, and thus falsely appears to be two distinct beings. The debtor and the creditor within a nondual debt-creditor relationship are the same actor. A state can have a nondual debt-credit relationship with the central bank. The central bank appears to be something different than the state—also given its usual independent mandate—but nevertheless, remains part of the state. In this way, the state is able to issue credit to itself, which it can technically do indefinitely. This makes it possible for the state to distinguish between public debt holdings by its own institution and by private actors.

Enforced debt-credit relationships and nondual debt-credit relationships are not some special entitlements of the state. Anyone can enforce a debt upon someone else, but because this is usually an illegal act, this will generally be avoided. Moreover, anyone can issue credit to itself. Yet in reality, this phenomenon is mostly found among states. Other examples are nonsensical in this discussion.

All in all, I believe that a state can engage five types of debt-credit relationships: simple debt-credit relationships; complex debt-credit relationships; circular debt credit relationships; and nondual debt-credit relationships. This typology is certainly not exhaustive. However, I do believe that these are the five most important forms. Enforced debt-credit relationships are the most important for the state. Namely because the state is the only entity within its territory that can enforce a debt on someone without legal repercussions. The state's capacity to enforce debts on others is what makes the state distinctive from a household or a firm, and a monetary sovereign.

7.2. Monetary finance and the composition of public debt

Now that we have clarified which types of debt-credit relationships a state can enter, we are in a position to connect it to its monetary affairs. A state's central financial operation is its deposit account at the central bank (Filardo, Mohanty, and Moreno 2012, 69)—its nondual debt-credit relationship. When a state spends, it writes a check on its account at the central bank (Bell 2000, 604). There are various ways for a government to balance its spending: tax revenue, the sale of governments bonds (debt security issuance) to private banks or to central banks, or a state can be allowed to have a negative balance (See Bindseil 2014, 16). Debt issuance can be considered as the main source of financing (Bindseil 2014, 34). As we have seen above, this could be done in several ways.

Ryan-Collis and Van Lerven (2018, 13-14) present a typology of monetary financing, which can roughly be divided in indirect and direct monetary financing. Indirect monetary financing happens through the purchase of long-term government debt by the central bank on the secondary market, or raising the liquid asset requirement of private banks, which forces them to buy government bonds.

Direct monetary financing can happen in two ways. First, a central bank can either purchase government bonds directly from the state (debt monetization) or allow the state to run a deficit on its central bank account (overdraft facility). Moreover, a central bank could essentially convert a public debt into a perpetual outstanding debt, which basically means the ex-post cancellation of debt. Second, private banks can directly lend money to states at a prescribed interest rates and specific maturity.

What this typology tells us is that the public debt is an aggregate of various kinds of debt. A state can create an incentive for private actors to buy its bonds, and it can use its own public institutions to retract its IOUs from the market or to buy government bonds directly. Generally, public debt holdings by the central bank are nondual debt-credit relationships, while public debt holdings by private actors are usually circular debt-credit relationships. Apparently, not every public debt can be treated in the same way, because it usually depends on what kind of debt it consists of.[10]

[10] This makes a mere debt-to-GDP-ratio comparison rather senseless, because different debts have different implications.

Moreover, it also needs to be examined how debt is used. For instance, Hicks (1970, 284-285) suggested to categorize public debt in active debt, which contributes to economic growth; inactive debt, which entails non-economic investments such as government buildings or hospitals; and deadweight debt, that is, debt to which there is no tangible asset—mainly caused by armament costs.

This raises interesting questions. What is the difference between a state's indebtedness to itself and its indebtedness to private actors? And if the state borrows its own credit from private actors, is this the same as issuing money to itself via a detour? Does the state owe it to itself if it holds its own credit? Or is this obstructed by the intermediary debt-credit relations that remain intact? And if the credit would be dissolved, what happens to the intermediary debt-credit relations? For now, it is enough to say that a government has more control over public debt owed to its own public institutions than to private actors. We will now turn to the modes of public debt in respect to the different discourses within political economy.

8. Public debt theory

In Richard Salsman's book *The Political Economy of Public Debt*, one can find an extensive description of all the various theorems of public debt. Most of them are small variations within certain larger traditions and conceptions of public debt. The three traditions are: the classical, the Keynesian, and the public choice tradition. Salsman (2017, 7) explains that classical public debt theory reigned during the 18th and 19th century, wherein discussions mostly revolved around the relation between public debt and war; Keynesian conceptions gained influence during the rise of the welfare state in the 20th century, whereas public choice theory reignited classical ideas of public debt.

8.1. Classical, Keynesian, and public choice theories of public debt

Classical debt theorists—such as Hume, Ricardo, Say and Mill—generally put forward that governments should be small and that they should be limited to and not overstep their available means. A government should only concern itself with the essential services of protecting the citizen, and the development of public projects such as schooling or infrastructure (Salsman 2017, 30-32). Classical debt theorists regard public debt as something that should be managed like a household, asserting that states should "balance budgets and refrain from burdensome debt accumulations" (Salsman 2017, 30). Only in circumstances of war should they opt for borrowing funds. Public debt is therefore seen as an incidental occurrence. Yet, there were some, such as Melon, de Pinto, Steuart and Hamilton, who theorized less negative views on public debt, insofar it could be a relatively less harmful option than oppressive taxation or monetary debasement (Salsman 2017, 32). Although there are varying ethical views within the classical debt theories, all argue that public debt should be managed prudently. Moreover, "most classical theorists devote more attention to the *incidence* of public debt than to its *causes* and most believe public debt is detrimental to a nation's long-term survival" (Salsman 2017, 32).

Keynesian theories of debt argue that deficit spending and public debt accumulation can be beneficial for the economy (Salsman 2017, 94). These theories derive not so much from Keynes, but more from the Keynesian legacy that lives through and is developed by his successors—figures such as Alvin Hansen, Abba Lerner, Seymour Harris, Samuelson, Richard Musgrave, and Paul Krugman (Salsman 2017, 94). Keynes himself stated that deficit spending should only be used to fight depressions (Salsman 2017, 96). Or in other words, it may only be used within anti-cyclical policies. Contrary to classical theorists, Keynesians see "public debt finance and high public leverage as beneficial" (Salsman 2017, 143). Salsman makes the caveat that this tradition proliferated within progressive and populist ideology within the second half of the 20th century. After its decline in the 1980s, Keynesian public debt theory regained interest in the twenty-first century, although it leans more towards Lerner's "unrestrained, rules-free approach" than Keynes "relatively reserved approach" (Salsman 2017, 151). Its most recent and popular example is Modern Monetary Theory (MMT). MMT is a convergence of chartalism and Lerner's functional finance (Wray 2015, 266-267). MMT is thus used for describing macroeconomics and for prescribing monetary policy.

The third tradition is the public choice school of public debt theory. This school stands out from the other two, as it focuses on the causation of public debt, rather than its consequences (Salsman 2017, 153). Prominent public choice figures are James Buchanan, Richard Wagner, and Geoffrey Brennan (Salsman 2017, 153). According to Salsman, the public choice approach denies the demarcation between the political and the economical domain, and subsequently claims that the view on public debt determines how it is used by the government. Macroeconomic policy is therefore heavily influenced by personal or party interests. Public choice presumes that everyone and so every domain is ruled by self-interest (Salsman 2017, 153-154). This is an inherent risk, which could lead to the downfall of the government insofar it consists of self-interested individuals. Therefore, public choice theorists argue for the curtailment of the state (Salsman 2017, 154).

8.2. Proponents and opponents of public debt

No school is homogenous on public debt theory, therefore Salsman (2017, 3-5) classifies public debt theories according to their valuation of public debt: public debt pessimists, optimists and realists.[11]

Pessimists regard the state generally as a repressive and unproductive entity that will burden society if public leverage ratios become unsustainable, because it will undoubtedly lead to national insolvency and perpetual economic stagnation (Salsman 2017, 4). Usually, they argue for austerity policies. A public debt needs to be avoided, and when the public debt becomes unmanageable they will advocate explicit

[11] For his complete classification, see the appendix in his book on page 263.

default or repudiation. Moreover, Salsman notes that pessimists typically endorse free markets and small-sized governments. Pessimists mostly reside in the classical or public choice traditions, among who are the most illustrative: David Hume, Adam Smith, and James Buchanan.

In contrast to the pessimists, optimists believe states do provide productive services, and, more importantly, they play a crucial role within macroeconomic management, such as fixing depressions or inflation (Salsman 2017, 4). In their view, deficit spending and public debt accumulation can play a valuable role in stimulating or sustaining economic activity, and could even possibly ensure full employment (Mosler 1997, 181). The public debt can be increased indefinitely if it seems necessary to do so. In their view, the public debt does not burden present or future generations, and when it does become excessive, it can be countered by default or inflation. Moreover, they tend to attribute a greater importance to the agency of the government than the pessimists. Almost all optimists are of Keynesian origin.

The third group, public debt realists advocate for a night-watchman state, only providing essential services, such as law enforcement or national defense. Social and redistributive interventions weaken national infrastructure. Public debt is neither harmful nor infinite. Rather, a public debt can be useful, but only to fund "services and projects that help a free economy maximize its potential…related to a nation's credit capacity, productivity, and taxable capacity" (Salsman 2017, 4). The state should constitutionally be limited but also needs to foster robust markets. Famous realists are theorists such as James Steuart or Alexander Hamilton.

Salsman believes that the pessimists' and optimists' view on public debt is too idealistic and neglect crucial context. Pessimists overestimate the down-side of public debt and neglect its up-side and come to see inevitable disaster from public debt, whereas optimists overestimate its up-side while neglecting its down-side and thus always confuse debt accumulation with economic stimuli (Salsman 2017, 4-5). Realists, on the other hand, do consider the relevant context and thus provide the most useful public debt theories in Salsman's eyes.

Now that we have an overview of the different traditions and valuations within public debt theory, are we able to co consider which conceptual modes of public debt exist.

8.3. Three modes of public debt

According to Van 't Klooster (2021, 172), there are roughly three conceptualizations of public debt: the household mode, the company mode, and the money press mode.[12] All three modes have something to say about its implications for the state, the meaning and composition of debt, the method of debt settlement, and a certain consideration of the state's budget. In such way, their ontology and the specific configuration of all its relations differ fundamentally. They are modes of public debt and should be viewed accordingly. I will give an outline of the modes and their theoretical context.

First, the household mode regards the balance of the state as exactly the same as a household (Van 't Klooster 2021, 171). Just like a household,

[12] Van 't Klooster calls them models. But insofar the usage of a model activates the model and subsequently its effects, it can also be seen as a mode. Or put differently, all models are conceptual manifestations of public-debtness, and are thereby real accounts of public-debtness—i.e., modes. Every mode encompasses a certain reality of public-debtness.

the state should balance its expenditure to its income. Likewise, it can borrow to increase its consumption—i.e., spending. The incurred debt has to be paid back by cuts in spending or increased income in the future. The settlement is always done with taxes, as taxation makes up for almost all of the state's income. Under normal circumstances, the state should carefully manage its budget. Preferably it should have low spending, and in any case not exceeding its income. Going into debt should always be avoided.

The household mode is a longstanding view of public debt, already existent in 1794, the year wherein David Hume claimed that there is no fundamental difference between the state and the household (Hume 1994, 167). The state could be bankrupted by too much public debt, that's why it has to avoid going into debt at all cost (Hume 1994, 174). Proponents of this mode generally claim that public borrowing will always burden future generations, and will therefore always support austerity policies.

Second, the company mode (Van 't Klooster 2021, 171-172). As the name suggests, public debt should be perceived through the glasses of a company that aims for profit or growth. Like a firm, the state can borrow money to increase its budget, which it can in turn use for investments that stimulate economic growth. This growth can increase tax revenue, which will be used to pay back the public debt. This mode supplements the household mode with the capitalist idea of investment. An increase in spending, and thus a short-term loss can generate future income and restore or even expand the balance.

Insofar investment comprehends the management over time, we can say that this mode synergizes the spatial budgetary management of the household mode by the temporal management of capitalist investment.

Still, this mode suggests that the state should borrow carefully; borrow little rather than a lot, as its investments should not be too risky. Well-known proponents of this mode are Samuelson and Tobin (see Samuelson 1948, 150-167; Tobin 1965). Recently, proponents of this mode advocate for the "Golden Rule of public investment" (see Feigl and Truger 2015). The suggested rule roughly implies that a state can make an exception to its usual household budgetary management by financing beneficial investments with debt.

The third mode of public debt is the money press mode (Van 't Klooster 2021, 172). Contrary to the other modes, this mode treats the state as a currency-issuer rather than a user. The state can act as a money press if it needs money. Incurred debt can be extended indefinitely or paid off with newly printed money. Settlement is not even necessary in the first place. The state's budget is used to spend in a meaningful or functional way. This means that a state can manage its affairs as it sees fit, given that it has full control over its finance and thus does not necessarily need to match its spending to its expenditure.

This position of public debt derives mainly from chartalism and is nowadays mostly propagated by adherents of MMT, who assert that government spending happens before taxing and borrowing. Proponents of this mode roughly claim that the state can always borrow more money, because spending happens before taxing and borrowing (Kelton 2020, 23).

9. Public debt: a deficit?

Public debt theory is a vast landscape of hugely diverse theories and beliefs. There are classical theories, Keynesian theories, public debt theories, public debt optimists, pessimists and realists, and varying conceptions of public debt. All of these cannot be subsumed under the existent traditions, insofar all differing debt theorists seem to be scattered around the various traditions. Likewise, the conceptions cannot be demarcated by the schools. Furthermore, there can be variations within the conceptions depending on how much weight is given to such a conception. Some debt theorists even try to combine different modes. Barreyre and Delalande (2020, 495) make a good point in stating that every possible view focuses on a specific issue or question within political economy of public debt. Every mode therefore highlights a different part of reality. The question of which mode should be adopted within monetary policy is thus to some extent connected to which problem, question, or part of reality is regarded more important than another.

Despite the differences within the existent political economy of public debt, I believe there are some important similarities. Every public debt theorist and every conception or mode of public debt regards the public debt as the negative or debit side of a state's financial balance. In every instance, public debt is regarded as the aggregate financial deficit of a state's housekeeping. Usually, private actors perceive a deficit as some kind of shortcoming that need to be undone or even avoided insofar it resembles financial mismanagement.

The three modes vary in degree of how problematic the public debt or deficit really is. The household model is the most strict and prudent in respect to public debt handling. It does not treat the government any different from other actors, hence it ought to act in the same manner. The company mode states that running a deficit is not an issue if it stimulates growth or profit. Because of its sole focus on economic growth, it is likely not to consider any other benefits that do not really impact the economy. This mode of public debt resembles the way debt of firms in capitalist market society are perceived. They are useful to the extent that they stimulate circulation and thereby generate profit.

It is interesting to note that there is a certain interplay between the household and the company mode. In a way, they reflect the interaction between actors in capitalist society. Actors that use loans for private consumption are generally treated according to the framework of the household mode. They should honor their debt obligations by all means. As long as they do not have a company, loans can impossibly be used to effectuate profit. Therefore, such actors will not be treated according to the company mode. Actors who do use debt as a means for profit are not pushed to prudently align their expenditure with their income, as their income could potentially be increased as a result of the debt incurrence. Private banks can be treated according to a convergence between the company mode and the money press mode. They can issue IOUs and generally do this while aiming for profit.

Debt takes on the central stage within capitalist society. It is the essence of the capitalist mode of production, given that capital promises the realization of production to those who do not possess the financial means (Schinkel 2020, 148-149). Capital tends to increase itself, as Piketty (2017, 65-66) demonstrated with his first law of capitalism. In order for the system to function, there are some who need to honor their debts within the agreed time, and other need to put their capital at risk in the hands of others.

Profit can only be made if the promise capital presents is lived up to. If one invests capital in someone else, he can only expect a return on investment if the debtor lives up to his promise when his debt is due. This is the way capital functions. A capitalist takes a risk by temporarily giving away his assets in exchange for future gains.

Moreover, capital creates the subjectivity of indebtedness, a condition that steers actors in a specific direction; the direction of the promise of capital (Lazzarato 2012, 49-50). This capital tries to avoid all possible risks that are inherent in time: debt "must anticipate and ward off every potential 'deviation' in the behavior of the debtor the future might hold" (Lazzarato 2012, 46). Therefore, capitalism feeds on the biopolitical condition of indebtedness.

If we assume that the private sector manages their debt-credit relations in their hunt for profit, and if we assume that the mode of public debt of a state is perceived according to the household mode, it becomes clear that this opens the possibility for capitalism to direct the state via debt. The greater the debt, the greater its subjugation to private capital, the more the state depends on the private sector. The state enters the inclined plane of indebtedness when it accumulates debt.[13] As a result, the state's agency—it's capacity to act—declines, because it is proportional to the space debt allows it to have. Or in other words, the state's degree of power is

[13] Some authors argue that the state cannot be indebted and that public debt is an illusion, because a democracy consists of a multitude that governs itself, and therefore, they cannot engage in debt contracts with private actors (see for example Eusepi and Wagner 2017, 161-163). Yet, insofar Latour (2017, 4, 53) made clear that everything that has the power to act can be considered an actor. Therefore, the state can be considered an actor in my eyes.

determined by the size of its public debt. Debt pessimists are right to assert debt accumulation is bad, insofar in their frame of mind, as pre-structured by the household mode, debt subjugates. People act according to it, and thus the conception bears real effects.

Although a conception of public debt according to the company mode offers the state a greater sense of agency, it continues to regard the state as subjected to the same economic rules as any other private actor that cannot issue currency. Their debts are treated in the same manner, which is only possible if they are perceived as equal. The state can use its public debt in the same manner as companies use their debt. A state can incur debts in their quest for economic growth and profit. Yet, they are still dependent upon the rationality of investors. If public debt comes to be seen as unsustainable, a state is likely to lose its credibility. Such a state is still able to present itself as a worthwhile investment opportunity to others, but it is stands at the mercy of capital and their possessors. The state, perceived through the company mode, has more agency than a state within the household mode, because within the household framework, a state is not in the position to influence economy significantly.

In the money press mode, the state is perceived more as a designer of the economic field, than as an actor within that field who is unable to change the rules of the game. It can increase the money supply by issuing more debt at the central bank. By taxation or the sale of securities, it can decrease the money supply by pulling government IOUs out of the economy (Douglas 2015, 110). Thus, within this mode, the state is bestowed more with the role of wealth distributor than as an economic actor. By analogy, the state is not one of the players of the game of Monopoly, but rather the bank that has an infinite amount of money. The state can use the public debt as an instrument to exert its monetary policies and achieve its macroeconomic goals.

There are two spectra, controllability of the economy and instrumentality of debt, wherein the state can be positioned according to their mode. The first spectrum illustrates to what extent the state is regarded to have control over the economy. The spectrum of controllability ranges from no control of the economy to full control of the economy

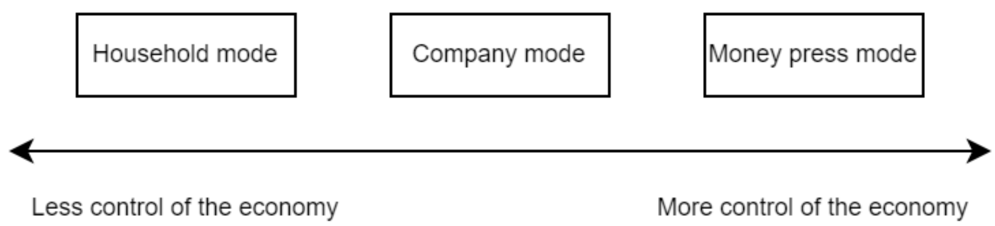

Figure 2 Spectrum of controllability of the economy

The second spectrum comprehends the extent to which debt subjugates or is instrumentalized by the state. In the same way we can position a state according to its public debt mode. States which act according to the household mode tend to see debt as a directive force upon the state itself, whereas states acting in accordance with the money press mode tend to use debt more as an instrument to achieve economic ends.

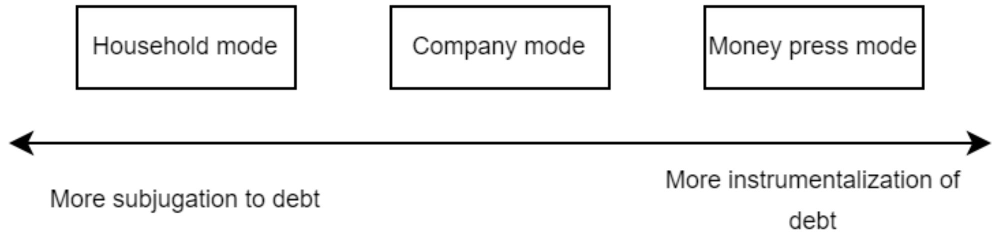

Figure 3 Spectrum of instrumentality of public debt

These spectra make clear that the specific interpretation and articulation of public debt have a big impact on how the state positions itself within society, how the state acts, and how the economy is configured. The way in which we govern ourselves, and how we view public debt act as axioms from which the whole workings of society is deduced (Lazzarato 2013, 178). The logical sequence is different for every mode of public debt. Therefore, we can say that every mode of public debt has its own unique logical implications for the state, the economy and society. This also clarifies why every mode of public debt seems to be a logical interpretation from its own standpoint. The mode of public debt seems to fit in the adherent's vision of society, because society is a logical realization of their mode of public debt.

This tells us that a mode of public debt does not just concern the public debt. More fully, it comprises an entire network of ideas (a specific view of the state, a certain interpretation of moneyness, particular structures of the monetary systems, etc.). But insofar the weight is continuously placed on public debt, public debt itself perpetuates the whole system because it acts as a benchmark for its effectivity. We seem to forget that society itself has put these axioms into place, and thus we end up running in circles.

Whereas the left side of the spectra sees public debt as something that needs to be acted upon, the right regards public debt as a tool with which it can act. The left side sees public debt as a deficit that needs to be resolved, the right side sees public debt as a logical counterpart of a surplus existing somewhere else. Therefore it does not necessarily need to be resolved. The larger the public debt of a state, the larger the surplus of money within society. At first hand, it seems as if public debt that is owed to foreign states does not contribute to a state's money supply. Nonetheless, transnational debt-credit relations imply that the surplus arises in another state (see also Douglas 2015, 141-144). Inasmuch states generally cannot legally tax other sovereign states, they cannot secure the same demand for their currency by other states, as they could do among their citizens.

Debt theorists primarily focus on the actual size of the public debt. This means that they discuss a certain snapshot of the magnitude of the deficit on a state's balance. They primarily focus on its size and not its composition, which makes a huge difference in respect to its treatment.

Public debt pessimists, optimists and realists fight over the specific magnitude of public debt. Yet, all are locked within their own conceptualized modality of public debt. Their opinions, therefore, arise from varying different frame of minds. In fact, public debt theory seems to be heavily influenced by moral and political ideology and its epoch (Salsman 2017, 7-9). This may tell us that public debt theory has more to do with political opinion than with science. As a result, they can hardly consider the ideas of their contesters.

All different stances present fruitful ideas about how public debt should be engaged. The mistake that they make is that they presume that our possibilities of engaging public debt are limited. Of course, this is rather oversimplified. Nevertheless, they tend to focus only on the actual size of public debt, and subsequently they jump to quick conclusions about its sustainability. Salsman could very well be right in his assessment. He rightfully says that pessimists are too idealistic because they neglect to incorporate the context to a larger extent alike the realists. Although it might be possible that they neglect possible operationalizable governmental power that could sustain the current leverage, as has happened in the cases of the Irish and Greek sovereign debt crisis.[14] To avoid the fallacies of political economy, I would like to propose a rather different linguistic approach to the issue of public debt.

[14] Despite the fact that the ECB had the mandate to intervene in certain ways, it refused to aid Ireland and Greece. See for a full elaboration (see for a full elaboration Pistor 2017, 504-506).

10. Public debt: a consideration in terms of potentiality

In the preceding section, I have mentioned that current debates on public debt revolve around the size of public debt. This debate usually strands because the debaters are locked within their own preconstructed (by their preferred mode) frame of mind. Any attempt to break this deadlock and change a public debt mode requires a recognition of the contingency of a mode and a discovery of its transformability from a practical point of view, in order to deactivate the current mode and activate another. It is one thing to recognize this as a theoretical possibility, but another to see how it can practically be realized. We need to understand how states, societies and monetary systems operate to see what is really possible.

This is only accomplishable if we adopt forms of language that enable us to express the contingency and transformability of public debt modes (i.e., its size, composition, role of the state, etc.). Calling it a mode is not enough to see how it is actually possible. By its usage, this language should constantly imply the possibility of other operationalizable modes. In this way, we do not forget that the activated mode is just one among many. It helps us overcome a fixation on the *status quo* of our world as necessary or immutable. This is important, because as Douglas (2015, 63) reminds us: "We wish to know what possibilities current institutions allow. We wish to know what money and debt *can* do and not merely what they *have* done."

10.1. What is potentiality?

Agamben's writings on potentiality and actuality might provide us with the adequate language to discuss matters of public debt. First, I will discuss

Agamben's interpretation of potentiality and actuality before I will proceed with an elaboration on its applicability to the subject of public debt.

Agamben's interpretation of potentiality is heavily inspired by Aristotle's theory of potentiality [*dynamis*] and actuality [*energeia*] (Agamben 1999b, 177; see also Aristotle 1996, book 9). Actuality is that which is in act as a being and potentiality is that which is not in act as a being but which can become in act. More concretely, for Agamben (1999b, 179), potentiality is "*the existence of non-Being*, the presence of an absence" or just simply a "power."

Agamben (1999b, 179) mentions the example of the architect who has the potential of building a house. The architect possesses the knowledge of building a house, and has thereby the power to either build or not build a house. This latter option is what constitutes the architect's potentiality. The crux within the notion of potentiality "is not simply the potential to do this or that thing but potential to not-do, potential not to pass into actuality" (Agamben 1999b, 179-180). If this weren't true, the existence or non-existence of something would be a necessity. Potentiality and actuality would then be indiscernible (Agamben 1999a, 245). Consider the example of 2 + 2 = 4. 2 + 2 has the potential to converge into 4, but as long as we do not add them up, 4 is not actualized. This is not per se to say that 2 + 2 can have another outcome than 4, rather it is to say that 2 + 2 can remain 2 + 2 and not become 4. In that case, 4 is a potential and thus only exists as a non-being.

Potentiality is the existence of something as a non-being, whereas actuality is the existence of something as a being. Potentiality is thus the naming of that which is not there, but which can become existent. The term conveys a sense of becoming: "What is potential can pass over into actuality only at the point at which it sets aside its own potential not to be" (Agamben 1999a, 264). Potentiality can be seen as a capacity for something to arise, to come into existence. It is like a theatre stage, which has the capacity for numerous plays that can be acted on that very stage. If the stage would not be there, there would be no play. The stage is the potential for a play.

However, the process of becoming, the passing from potentiality to actuality is not definitive.[15] That is to say, potentiality is not "annulled in actuality" (Agamben 1999b, 184), rather it "*preserves itself* as such in actuality" (Agamben 1999b, 183). The actuality of something contains its impotentiality, which is the "potentiality to not-be" (Agamben 1999b, 183). This means that even though something has been actualized, it maintains the potential that it can also not-be. In other words, the non-being of something is the actualization of its impotentiality and the being of something is the actualization of its potentiality.

The core of the notion of potentiality lies in the ambiguity of both being and non-being. We can only experience something as potential if it can both be and not be. As Agamben (1999a, 250) explains, "if potentiality were always only the potential to do or to be something, we would never experience it as such; it would exist only in the actuality in which it is realized." Potentiality is extremely difficult to comprehend, insofar it demands from us to think or experience exactly that which does not exist.

However, the experience of impotentiality is important, because it opens up the way to infinite other possibilities. This experience is actually the experience of nothingness, and insofar nothing contains nothing, it

[15] Except when considering generic potentiality (see Agamben 1999b, 179).

carries the potential to become anything (Agamben 1999b, 250-251). If nothingness would contain anything, it would obstruct itself from becoming anything. An experience of impotentiality enables the creation of something from that nothingness—a *creatio ex nihilo* (Agamben 1999a, 253). This is because it opens up the capacity for something absent to become present. The total potentiality could be actualized in another way. This tells us that we can only render something inoperative, or transform it, if we are able to think its non-being.

Agamben's project is an ontological and ethical endeavor to up the possibility for living a life in accordance with inoperative potentiality—a form-of-life (Agamben 2014, 74; Prozorov 2010, 1067). However, I think that the term potentiality—i.e., the power or capacity to act—and Agamben's argument that potentiality exceeds actuality and therefore always remains, could be of practical use to various other domains. There are two aspects of potentiality that are important for this.

First, as we have seen, the language of potentiality makes it possible to conceive the potential non-being of something, the possibility of deactivating it, and subsequently clearing the way for other potentials to be actualized (Agamben 2014, 73). This language of potentiality constantly reminds us of the contingency and transformability of current operationalizations.

Second, a thing's potential can be limited by something else. For example, my potential for movement is demarcated by the capabilities of my body. Nevertheless, these capabilities may be increased by the use of technology, or decreased by the loss of a limb. The potential of a thing thus may seem limited, but that is only because of the operationalized forces in which this potential is imbedded. The actualization or transformation of these surrounding forces cause an alteration of the potential of the imbedded thing. A change in circumstances may therefore increase or decrease the actualizable potential of something to be.

10.2. The practical use of potentiality

The practical use of the language of potentiality is thus two-layered. We can look at the potential-act dimension of a thing and its surrounding network. A consideration of public debt in terms of potentiality can be conducted in the following manner.

First, we can say that the size and composition of a public debt is a specific actualization of the potentiality of a state to incur public debt. In other words, the state has a certain capacity for public debt, and it can determine the degree in which this capacity is being used by increasing or decreasing public debt. Moreover, it can determine what kind of public debt is actualized (e.g., debt to public actors, private actors). So far, this seems rather obvious. Nevertheless, potentiality brings a nuance into play, insofar it does not solely describe what is there already, but also comprehends that which is absent. In this way, a specific actualization of a public debt is always weighted against the total actualizable potential of a state's public debt.

Second, although the potential for public debt is in theory infinite, it is almost always constrained by a state's operationalized governmental powers. That is to say, the organization of the state determines how much potential for public debt can be actualized. This organization is likewise an actualization of a state's potentiality, and it comprehends which governmental powers are operationalized. There are numerous factors within this organization that determine a state's public debt potentiality. I will name a few examples to make my argument more concrete: the organization of a state's monetary system, the design of a central bank, the possibility of debt monetization, treaties with transnational organizations, the exchange rate of its currency, foreign policy, et cetera. Some factors are more controllable than others.

The degree to which public debt potential is realizable depends to a certain extent on the demand for government IOUs. With demand, I mean the aggregate need for government IOUs by private actors or other states. Again, we should realize that this demand is also a specific actualization and by no means a static force. As noted before, by creating enforced debt-credit relations, the state is able to create a demand among others for its own currency. In this way, the state operationalizes certain powers of itself that increases its capacity for incurring public debt.

My point is that a state's potential for public debt is based on an actualized configuration of the state and its international relations. The combination of these two constitutes a public debt mode. As we have seen, modes of public debt do not include just the public debt, but are rather composed of whole networks of interlacing entities (money forms, states, private actors, monetary systems and institutions, etc.). Each mode of public debt permits a different degree of actualizable potentiality for public debt.

10.3. Modes of public debt and effective monetary governance

So how can we combine the language of potentiality with effective monetary governance? Every state wishes to achieve its economic policy objectives and thereby articulates effective monetary governance in respect to its agenda. The potential-act dimension of public debt should be the center of attention within monetary governance. It should constantly be evaluated whether the actualized public debt is too much or not enough, or if its composition is as desired, in respect to the actualizable potential of public debt.

The two most important factors for controlling the actualization of a public debt are a state's fiscal policy and its monetary policy. On the one hand, taxation can retract issued currency as well as increase the demand for government IOUs. On the other hand, with its monetary policy, the state can issue currency as well as lower the demand for government IOUs. The unrealized potential is exactly the difference between the supply of money and the demand for money.

Monetary governance is effective when enough public debt is actualized so that it effectuates an equilibrium between supply and demand. It should be noted that reaching this equilibrium is mostly a technical matter, but defining the equilibrium itself is a political question (Van 't Klooster 2020, 7). This becomes clear when we see that the supply of money and the demand for money are both influenceable to a certain degree. Effective monetary governance can thus only be reached when a state aligns its fiscal policy with its monetary policy.[16]

If the capacity to incur debt—the actualizable potential—is insufficient for the state to reach its objectives, the state needs to find ways to modify this capacity or change its objectives overall. The alteration could

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[16] The Economy and Monetary Union (EMU) of the EU has pulled these aspects apart, thereby depriving politics of any real power because it renders adequate monetary governance almost impossible (see Parguez 1999, 64-66).

be so radical that it implies the adoption of another mode of public debt. This may be necessary because a state could be faced with new issues, problems or questions, which ask for different solutions. Since every public debt mode addresses different issues and questions (Barreyre and Delalande 2020, 495), politics should decide which issues should be prioritized and subsequently discuss which mode of public debt is best equipped to tackle these issues.

The language of potentiality is perfect for evaluating the difference between the current economic situation and the policy objectives. Moreover, it opens up new possibilities for reaching those objectives, insofar it makes it possible to question the capacity for public debt itself. The language of potentiality thus makes it possible to use public debt as a governmental tool, instead of regarding it as some inert force that could subjugate the state, as would be in the case of viewing the public debt as a mere deficit that needs to be fixed.

11. Conclusion

I have attempted to make a philosophical exploration of the modes of public debt. An approach to public debt in terms of mode has proven to be valuable, since the various differing views on public debt, which are based on ideology and political opinion, make it impossible to discern one true or accurate account of what public debt is. A deeper enquiry in modes of public debt reveals that every mode encompasses a whole network of interlacing entities, such as money forms, monetary systems, monetary institutions, different roles of the state, ideology, specific dynamics between different actors and so forth.

Before we could come to an understanding of these modes, it was necessary to scrutinize what money is. We have seen that the orthodox theory of money does not explain the essence of money. Rather, money has always been identical to credit and debt, as has been substantiated by anthropological research. Money is by no means a neutral concept. It is a multidimensional determinant that is thoroughly connected to the configuration of social relations. Someone who can control debt-credit relationships has power over social structures.

Current-day monetary systems recognize money as chartal and are thus aligned with the heterodox theories of money. Public money acts as the substratum for other private-public money forms. Yet, the fact that private-public money forms take up the general supply of money can make us wonder why our monetary system is designed like this. If our supply of money is mostly determined by profit-based organizations that benefit from the indebtedness of others, and given the meaning of money, what does that tell about the society that we have created?

As money is equal to debt, and all money forms are based on public money, public debt is the core object of discussion within politics. However, the public debt can hardly be treated as any other debt, because of the variety of debt-credit relationships a state can engage, most of which are practically unavailable to other actors.

A state can create enforced debt-credit relationships and thereby create a demand for its own currency. This is the true meaning of a state's monetary sovereignty. The state can threaten to use its force to demand something from its subjects. This indicates that the state's monetary affairs are fundamentally linked to violence. It would be interesting to enquire whether the state and monetary affairs could be disentangled from violence. At this moment and in my perspective, this seems to be a utopia.

Besides enforced debt-credit relationships, a state can create nondual debt-credit relationships and thereby borrow money from itself. This entails that a state can become indebted to itself. However, we can wonder if public debt is actually a debt in this instance.

It may be necessary that we need a completely different terminology to describe public debt. To call it a debt is to place it on the same plane as any other debt and thus make it comparable.

This leads to the fallacious view that every public debt is the same as other public debts, except for its size. A public debt can be composed of different types of debts (debts to private actors, nondual debts etc.). A discussion on a particular public debt requires an examination of its composition and size.

The various camps within public debt theory seem to have public debt as their object of discussion, but, on closer examination, they present extensive politico-economic philosophies that comprehend entirely different roles for the state and for public debt. Every tradition—classical, Keynesian and public choice—addresses entirely different issues and questions. The debate is further complicated because of the fact that the various ethical stances in respect to public debt can be found in every school of thought. Yet, the fundamental question of every position remains constantly the same: what kind of society do we desire? And subsequently, what kind of state is required for that society? Is it a state that may not act any different from a household (the household mode), may a state pursue the same objectives as a company (the company mode), or can it use its public debt to give shape to the economy (the money press mode)?

As we have seen, in every mode, the debtness of public debt has different implications. Whereas in the household mode debt subjugates, in the money press mode, it is just a tool. The whole debate on public debt seems to suffer from a linguistic deficit, insofar we use the same terminology of debt, but with completely different meanings or implications. This makes it impossible to get a clear understanding of public debt. I believe that philosophers could make an important contribution to disentangling and clarifying these linguistic complexities of public debt. Hopefully, this would make the debate easier, insofar our vocabulary of discussing public debt would be much richer than it is now.

I have made a first attempt to enrich this vocabulary in two ways. First, I have tried to categorize the various debt-credit relationships of a state, which makes it easier to discuss the composition of a public debt and its implications.

Second, I have proposed to consider public debt in terms of potentiality. Agamben's assertion that potentiality always remains makes it easier to grasp the contingency and transformability of a specific actualized public debt. Moreover, it helps to understand what degree of actualizable public debt potential a state has left. On a deeper level, it reveals that a state's capacity to incur debt is also the result of actualized governmental powers, which immediately instigates a state to wonder if it should adjust this capacity by modifying its structure, its laws, et cetera. The language of potentiality should make it easier for a state to maximize its effective monetary governance in its pursuit of its economic objectives.

My discussion on the modes of public debt has tried to make clear that public debt is not some technical economic matter, but above all a political and philosophical issue. As Barreyre and Delalande (2020, 495) remind us: "Public debt is fundamentally linked to political power." To disregard public debt as an important topic for the general public as well as for political philosophers, is to lose an opportunity to critically assess political power in general.

This thesis tried to combine a philosophical discussion with an accurate description of contemporary monetary systems, making it more practically applicable. Yet, I have only been able to scratch the surface. I failed to include many dimensions of public debt, thereby leaving many treasures covered. It would be interesting to make a biopolitical approach to the issue of public debt. Besides, its ontology and its power to form social ontologies could also be deepened out further. Also, I was unable to touch upon the moral dimension of public debt.

All in all, public debt gets a lot of attention nowadays. Unfortunately, it is not the attention it deserves and needs.

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