Paper Money and German Romanticism

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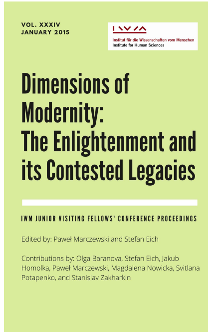

Abstract: In February 1797 Britain suspended the convertibility of its currency into gold and thereby introduced fiat paper money to finance its war against revolutionary France. This British embrace of fiat money left a lasting mark on the political and philosophical imagination of a whole generation of post-Kantian thinkers in the German lands. Whether radical Kantians, Young Romantics, or Anglophile Hanoverians, in the 1790s German philosophers began to be interested in the politics of money. By creatively updating the classical metaphorical link between coins and words for an age of paper money, Johann Gottlieb Fichte, Adam Müller, and others were able to grasp the poetic nature of modern fiat money as a circulating sign sustained by the modern state and the collective imagination of its citizens.

It was a Saturday afternoon in late February 1797 when an unprecedented request reached King George III. His Prime Minister, William Pitt the Younger, urgently requested him to come into London to attend an emergency Privy Council meeting the following day. This was a first. Even during the most tumultuous phase of the American War of Independence – King George had been ruling since 1760 – there had never arisen the need for an emergency meeting of the kind. This time, however, the specter of financial crisis hovered over the country and threatened to fatally compound the already tense political and military situation in the war against revolutionary France. Reports of attempted landings by French revolutionary troops, led by American republican generals and backed up by Irish insurgents, had been reaching the capital for days. Mutinies meanwhile seized large parts of the British fleet. The bleak military outlook mixed with doubts of whether the government would be able to pay for the next round of escalation in the war between Britain and France. On Sunday night, after long hours of deliberation, a dramatic and unprecedented proclamation was issued. The Bank of England had suspended the convertibility of its circulating promissory notes that no longer constituted a claim to gold. The pound sterling, still in name referring to the measure of silver, had over night become a piece of paper backed only by the word and credit of the state.

For those heading to the market on Monday morning the new reality was as astonishing as it was frightening. Coins quickly disappeared from circulation and new notes in low denomination were issued in their stead. Despite widespread anxiety about the situation, already on the first day of suspension the radical measure found widespread support amongst those whose opinion mattered. The banking community immediately vowed to conduct all its transactions, as far as possible, in it. To the great astonishment of contemporaries, the experiment seemed to work. Prices barely moved for the first three years and even when they did rise in 1800, inflation never reached anything like the chaotic depreciations familiar from the French Revolutionary *assignats*. In fact, during the entire suspension period prices rose at an annualized rate of less than four per cent. Enough to spook people at the time, but a modest rate by our standards, in particular in light of the ongoing military struggle. Suspension would last for twenty-four years. Only once Napoleon had been defeated in Waterloo could concrete plans be formed to return to gold. It took another six years to painfully return prices to their pre-1797 level. In 1821 then, on the back of Waterloo and "Peterloo", a new Gold Standard was introduced. The military and monetary drama of the suspension period was quickly forgotton.

But during the two decades of suspension, from 1797 till 1821, a debate had unfolded across Europe about paper money, politics, and philosophy. The decades around 1800 were a time of great social and intellectual upheaval that had to digest the political and intellectual legacy of the French Revolution, and that saw the rise of Napoleon, the Prussian reforms, and the Vienna Congress. These years have often been described as a kind of portal to modernity, revolving around some of the most productive decades in the history of philosophy, stretching from Kant's critical turn all the way to the development of Hegel's system. Political and philosophical revolution were closely entwined in the minds of many participants. In this brief sketch I want to suggest that the British window of monetary experimenation can be seen to have added to this narrative. Indeed, suspension happens to perfectly map onto the well-traveled proverbial path from Kant to Hegel when considering the publication dates of Kant's *Metaphysics of Morals* in January 1797, and Hegel's *Philosophy of Right* in 1821. If these twenty-four years were extraordinarily productive ones in philosophy, the novel monetary experiments that accompanied them weighed heavily on the minds of many philosophical observers. Not only did suspension pose intriguing questions about the nature of the state, paper money also raised questions of authenticity and forgery in a way that resonated deeply.

As I have already mentioned, it was in January 1797, less than three weeks prior to the British suspension of gold, that Kant published the first part of his *Metaphysics of Morals*. These *Metaphysical Foundations of the Doctrine of Right*, also known as the *Rechtslehre*, contained a brief discussion of the question "What is money?". There, Kant made two claims that initially seem to stand in tension with each other. One the one hand, invoking Adam Smith, he argued that "bank notes and promissory notes [*Assignaten*] cannot be regarded as money, though they can substitute for it temporarily". On the other hand, he emphasized an aspect of money as form, as an intellectual concept abstracted from mere empirical materiality. It is this insistence on form that explains the location of the money discussion, right after the metaphysical table of contracts in §31 of the *Rechtslehre*. In his discussion, Kant elaborated on the formal qualities by drawing a parallel between money and books. "[T]he concept of money," he wrote, "is the greatest and most useful means for the commerce of men with things, ... similar to that of a book, the greatest means for exchanging thoughts." But in a far as it embodied the nation's industriousness and labor, money was for Kant, as a careful student of Adam Smith, also a representation of the wealth of a nation. "Money is the universal *means by which men exchange their industriousness* [Fleiß] *with one another*." It was only the labor invested in finding and mining gold that gave money its value. At this point, Kant explicitly invoked the authority of Smith. " 'Money is therefore' (according to Adam Smith) 'that material thing the alienation of which is the means and at the same time the measure of the industry by which men and nations carry on trade with one another.'" Kant's position is both complex and ambivalent but his ultimate endorsement of gold as a cosmopolitan currency of international trade located him squarely in monetary orthodoxy.

The Bank of England's suspension of gold a mere three weeks after the publication of Kant's text came to call into question the seeming self-evidence of such conclusions. A lively debate ensued, and not just in England. During the late 1790s, monetary politics became a broadly shared contemporary reference point across Europe, in particular among the uniquely flourishing newspaper culture of the German lands. Next to Kant's famous late essays in the *Neue Berlinische Monatsschrift* and other Prussian journals, readers could find reflections on the latest monetary developments across the Channel. These impressions excited the philosophical and political imagination of a whole generation of post-Kantian philosophers and the most sustained discussions of fiat money and monetary politics can be found among the German Romantics. Johann Gottlieb Fichte's *Closed Commercial State*, published in 1800, contained for example a detailed discussion of the nature of fiat money, a bold account of how the transition from species money to fiat money would have to be effected, and a visionary description of how the rational state would subsequently be able to control the money supply in order to achieve its domestic economic goals.

In the German press, Fichte was nonetheless faulted for a lack of sophistication in monetary theory. In the late 1790s, Novalis, the Schlegel brothers, and several others began to be interested in the latest developments in monetary matters. While Hegel is often praised for his attempt to fuse German philosophy with Scottish political economy, it had already been the Young Romantics who had formed the vanguard of this creative enterprise, specifically concerning questions of money. Fredrick Beiser, on of the most meticulous interpreters of Hegel and German idealist philosophy today, makes this point most emphatically. "Hegel," he summarizes, "did not provide a detailed account of the laws of modern political economy, and in this regard was even behind some of his contemporaries. The treatment of money, labor and exchange in Adam Müller's *Elemente der Staatskunst* (Elements of the Art of State) from 1809, for example, surpasses anything in Hegel's published works or surviving manuscripts."

Adam Müller was a complex character, to say the least. Born as a Prussian Protestant and slightly too young to have been part of the Young Romantics's enthusiasm for the French Revolution, Müller became a close friend of the Kant student, Burke translator, and conservative luminary Friedrich Gentz, before eventually moving to Vienna and converting to Catholism. Even more than Fichte, in his lectures on the *Elements of the Art of State* (1809) as well as his *New Theory of Money* (1816) Müller build his entire political philosophy upon the new possibilities offered by the British embrace of fiat money.

As Müller explained in his lectures in impeccably handling the language of post-Kantian philosophy, the events of February 1797 had shown beyond doubt that money was not a concept but an idea. Money was not simply a representation of gold or industriousness. Rather, as the British embrace of paper money had illustrated, money contained a promise with a paradoxical structure, a hybrid. Paper money was both cash now as well as a promise of cash in the future. The essence of money was not exchange but credit which formed a temporal bridge connecting today with tomorrow. This bridge of temporalized sovereignty consisted of the trust of anticipation. As Müller explained, it was precisely the constitutive lack of convertibility into gold or land that had set British paper money apart from earlier monetary experiments. Fiat money was established as something more radical and intriguing.

Previous accounts of the modern state had relied on an overly static concept of money, Müller explained. Instead, it was crucial to grasp money as a ficticious idea constitutive of the modern state that enabled the members of civil society to relate to each other. Money could now be seen as a kind of "social cement" made up of circulating trust in the collective enterprise. As social glue in this sense, paper money was the soul of the state. But if money was the core of the state, this core was curiously empty. It could no longer be straightforwardly represented by a social contract, as Fichte had still argued. "There is no longer any representation," Müller insisted instead. The old representative devices of the social contract, coupled to the directly disciplining force of the police, had been replaced by an endless chain of mediations. The state had become at once essential and invisible, centralized and circulating.

Interestingly, what allowed Fichte, Müller, and other Romantics to arrive at these insights was a creative updating of a longstanding metaphorical link between coins and words for an age of paper money. References and analogies between language and coinage had long been a classical trope. But the Romantics gave a radical twist to this theme by posing the question anew in a way that celebrated the poetic potential of paper money and the forces of collective imagination sustaining it. The weekend that opened the suspension period is in this sense both constitutive and symptomatic of the modern frame we still inhabit.

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