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Credit Money, Fiat Money and Currency Pyramids: Reflections on the Financial Crisis and Sovereign Debt

Chapter

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Financial Crises and the Nature of Capitalist Money

Bob Jessop

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Abstract

One issue in the debate over the origins and dynamics of the North Atlantic Financial Crisis (or NAFC) and its wider but uneven contagion effects is the significance of financialisation. While this is sometimes discussed in terms of a conflict between the ‘real economy’ and the financial economy (for example, Main Street versus Wall Street, Industry versus the City), this is misleading because the real economy in capitalism inevitably depends on monetary and financial intermediation. The opposition, if it exists, must arise elsewhere. One approach reinterprets this conflict directly in terms of the economic and political sociology of different fractions of capital, their social bases, material and ideal interests, and relation to political society and the state. This approach is explicit in Geoff Ingham’s 1984 study of the City of London and industrial capital in Britain. Another approach addresses the conflict indirectly in terms of the changing articulation of the forms, functions, and hierarchies of money and how they

operate both separately and together in (dis)connecting the circuits of capital in the world market. This articulation operates behind the backs of economic agents, potentially disrupting the best-laid plans of different fractions, with different outcomes in different periods. This is implicit in Geoff Ingham's work on money as a social relation, its changing role in financing state activities and entrepreneurial innovation, its role in power struggles and economic conflicts, and the role of credit-money in the recent crisis (Ingham 2004, 2011).

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Editor information

Editors and Affiliations

Macquarie University, Australia
Jocelyn Pixley (Honorary Professor in Sociology, Senior Visiting Fellow, IRRC, Faculty of the Australian School of Business, Professorial Research Fellow) (Honorary Professor in Sociology, Senior Visiting Fellow, IRRC, Faculty of the Australian School of Business, Professorial Research Fellow)

University of New South Wales, Australia
Jocelyn Pixley (Honorary Professor in Sociology, Senior Visiting Fellow, IRRC, Faculty of the Australian School of Business, Professorial Research Fellow) & G. C. Harcourt (Visiting Professorial Fellow in the School of Economics, Faculty of the Australian School of Business, Emeritus Reader in the History of Economic Theory, Professor Emeritus) (Honorary Professor in Sociology, Senior Visiting Fellow, IRRC, Faculty of the Australian School of Business, Professorial Research Fellow) & (Visiting Professorial Fellow in the School of Economics, Faculty of the Australian School of Business, Emeritus Reader in the History of Economic Theory, Professor Emeritus)

Global Policy Institute, London Metropolitan University, UK
Jocelyn Pixley (Honorary Professor in Sociology, Senior Visiting Fellow, IRRC, Faculty of the Australian School of Business, Professorial Research Fellow) (Honorary Professor in Sociology, Senior Visiting Fellow, IRRC, Faculty of the Australian School of Business, Professorial Research Fellow)

Cambridge University, UK
G. C. Harcourt (Visiting Professorial Fellow in the School of Economics, Faculty of the Australian School of Business, Emeritus Reader in the History of Economic Theory, Professor Emeritus) (Visiting Professorial Fellow in the School of Economics, Faculty of the Australian School of Business, Emeritus Reader in the History of Economic Theory, Professor Emeritus)

University of Adelaide, Australia
G. C. Harcourt (Visiting Professorial Fellow in the School of Economics, Faculty of the Australian School of Business, Emeritus Reader in the History of Economic Theory, Professor Emeritus) (Visiting Professorial Fellow in the School of Economics, Faculty of the Australian School of Business, Emeritus Reader in the History of Economic Theory, Professor Emeritus)

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