Monetary Sovereignty and Doublespeak

By:

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February 8, 2022

In reading Pigeaud and Sylla's *Africa's Last Colonial Currency: The CFA Franc Story* I could not help but think of the word *doublespeak* which refers to a kind of "language used to deceive usually through concealment or misrepresentation of truth." Deployed by the American linguistic scholar William Lutz and others doublethink is the kind of manipulation of language and thought, so eloquently deployed by George Orwell in his dystopian novel1984, as a way of maintaining political control. As Orwell argued in his essay "Politics and the English Language" political language and the exercise of power consist "largely of euphemism, question-begging and sheer cloudy vagueness," while providing "largely the defence of the indefensible." Orwell's insight is very applicable to the ways in which political control undergirds economic arrangements as Pigeaud and Sylla's book discusses.

The story of the CFA franc is an Orwellian scenario *par excellence* in which French dominance of sovereign African countries is maintained under the rhetoric of *laissez faire*. And yet starting from the eighteenth century Parisian grain markets and the relationship between the French state and the Bank of France in the nineteenth century leading up to the Second World War to the state's foundational role in the post-war trentes glorieuses period, *laissez faire* has been as much of an illusion in French domestic policy as in its colonial and post-colonial ones. This illusion is performative in that the very visible hand of the French state and the economists associated with it has created a monetary system claiming to promote laissez faire, stability, and prosperity in African countries while imposing a draconian economic model. This economic framework has left large segments of the populations destitute and tragically exposed to this pandemic crisis with only a tiny fraction vaccinated against the coronavirus.

Pigeaud and Sylla's book is a *tour de force* in terms of its description of the politics of the CFA monetary system. It is also an excellent case study of the theoretical insights from the relatively new *constitutional theory of money* literature and the broader Law and Political Economy (LPE) tradition. LPE is a growing intellectual movement in the US and Europe which has arisen in response to the dominant Law and Economics (L&E) tradition with the latter's roots in neoclassical economics, New Institutional Economics, and classical legal thought. Drawing on American Legal Realism (especially Robert Lee Hale) and Old Institutional Economics (John R. Commons, John Maurice Clark etc.), the LPE tradition argues that politics and the law play constitutive roles in the creation of the economy and the distribution of power within in it. Thus it rejects the view that the economy is pre-political as in L&E in which the "rule of law" (at the heart of the World Bank's global development framework) needs to play a protective role in regards the economy to make it more "efficient", where the latter is defined in terms of neoclassical general equilibrium theory and Pareto optimality. Building off of the view that the economy is both a monetary system and is embedded in a deeper governance framework, the constitutional theory of money literature takes the position that politics acting through the law constitutes the basis of the monetary system. Money is fundamentally a legal institution and its creation and flows reflect politics, power relations, and rival ideological frameworks. Money is neither a "veil" as in neoclassical economics nor an institution that arises spontaneously within markets as in Locke, Austrian economics, and ironically Marx. As a legal institution money is the product of a politically-created legal framework, or a bundle of legal relations, forming the basis of governance. Variants of capitalism arise from the different ways in which economies are monetarily hardwired, both historically during colonial times and in the contemporary world as Pigeaud and Sylla show.

It is very obvious from the above discussion that the CFA franc system reflects the LPE framework. Political decisions by the French state have hardwired the French and African economies in radically different ways, continuing to maintain the latter in a subordinate and dependent position. One of the key features of sovereignty is the ability of a country to have some measure of control over its monetary system. This is clearly not true for the postcolonial African countries. The legal foundation to the fixed exchange rate system that has ruled for many decades between the French franc (and later the euro) and the CFA franc has made it virtually impossible for the African central banks to promote flows of credit in order to finance industrialization and social development. And yet central banks, including the Bank of France as well as others have always played this role in European industrialization given that they are at the heart of credit and capital market development. The Orwellian construction of this design of African central banking proclaims the importance of central bank independence (a key pillar of neoliberalism which is deeply problematic in theoretical terms as many scholars have argued) while keeping CFA zone central banks dependent on the French state. This delegated monetary sovereignty to the Bank of France and more deeply the European Central Bank, has been the consequence of both the political power of the French state as Pigeaud and Sylla discuss and the ideological belief systems of élite policymakers within the CFA zone. Needless to say and not surprisingly, civil society groups which have borne the brunt of impoverishment and economic underdevelopment have seen through the Orwellian charade which constitutes this system.

The construction of this CFA franc system also provides France with what Barry Eichengreen has called an exorbitant privilege that the US benefits from with respect to the US dollar. Consider the pre-Euro period when the CFA franc was pegged not only to the French franc but as now could not be converted into any other currency. Given the institutional nature of the monetary arrangement France has had the benefit paying for its imports of important raw materials and other goods from the CFA zone by paying in its own currency, thereby saving its foreign reserves. These reserves were crucial to financing re-industrialization after the Second World War. This benefit of course continues in the euro period given France's need for US dollars to pay for imports from outside the euro and CFA zones, especially China. In short the very title of Robert Hale's classic article ("Coercion and Distribution in a Supposedly Non-Coercive State") is very apposite to the relationship between the French state and the CFA franc countries. The formal political sovereignty of the latter is undergirded by a monetary system that reinforces economic inequality and structural dependence on France.

Pigeaud and Sylla correctly argue, contra neoclassical theory, that investment is not financed via "savings" but by credit, a point made by Keynes and well-known to bankers. Imposing austerity programs on countries like those in the CFA in a vain attempt to pump out "savings" while imposing credit strangulation also compromises their ability to promote export-led industrialization à la South Korea, Taiwan, or China. As Robert Wade points out business debt/equity ratios in Taiwan and South Korea were very high during their industrialization periods suggesting the crucial role of credit to finance capital accumulation, given low rates of domestic savings. Challenging the conventional model of central bank independence and the role of savings an UNCTAD paper also questions the loanable funds (savings-drive-investment) framework, emphasizing the key role of central banking and credit expansion, in the case of German and Chinese industrialization. Finally, as John Zysman and Eric Monnet discuss, in postwar France the political mobilization of credit (including a key role of the Bank of France) was central to reconstruction and prosperity.

Africa's Last Colonial Currency is in the tradition Ha-Joon Chang's classic *Kicking Away the Ladder*. The latter book focused on the hypocrisy of free trade policies imposed on countries in the Global South while industrialized countries in the Global North deployed a wide range of state policies to promote export performance. However, the former book lays bare more clearly the politics of money and the power relations undergirding it. In this way, it provides a clear link to the LPE framework illustrating the constitutive role of politics in regards the construction of the economy. As Zysman put it:

> Very simply, in market economies…money is not only a medium of exchange but also a means of political and social control: it is one way of deciding who gets what. Therefore, by following the money flows in the market economy and in the institutions that structure that flow we can learn a great deal about the uses to which the society's resources are put, the people who make the allocative decisions, and the process through which control is obtained and exerted.

This clear statement regarding the politics of money is helpful in understanding how inequality, whether within countries or between them, is created and perpetuated. It is a very important way to counter the view that the "free market" rewards those who put in the most effort. However, Pigeaud and Sylla's book illustrate Zysman's point and the **LPE** framework more generally. By demystifying markets and their outcomes as their book does, a political and legal analysis of capitalism provides a crucial way to not only debunk the mythology of laissez faire but to also attack fictionalized and racialized "explanations" of destitution and the dehumanization of politically powerless people in conventional political discourse.

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