Dispatch from a Dollar Correspondent: Brendan Greeley's "The Almighty Dollar"

By Joakim Book

Most people think the dollar originated with the United States. The dollar, its symbol and its banking arrangements, are so thoroughly associated with the United States that its earlier history seems quaint. Before it became the general money of a republic, the central bank reserve asset the world over, and the currency unit in which much of the world trades and invoices, the "dollar" was a European silver coin that circulated throughout the Spanish Empire and occasionally landed on colonial shores.

"The dollar didn't start with the United States," writes Brendan Greeley, a *Financial Times* columnist with a PhD in history from Princeton University, in a new book, *The Almighty Dollar: 500 Years of the World's Most Powerful Money*. "The dollar had to *become* American. Becoming America's money, and the primary global monetary asset to boot, was sort of an accident — the outcome of "a desperate colonial work-around." America *adopted* the dollar, and in America's rise to global dominance, this already-global money was projected further.

Across 350-odd pages, with plenty of footnotes and references, Greeley traces how a stamped silver dividend coin for mining investors in sixteenth-century Bohemia was copied by Habsburg Spain, reproduced in Spanish America and, by proximity and availability, became the imaginary money that unified the monetary mosaic that was colonial America.

Invoking the framework of Carlo Cipolla's big money and little money, Greeley observes that all types of money work well for some people and less well for others. The political economy of monetary arrangements runs through the book as a stabilizing backbone, empires rising and falling at the behest of their monies. Money is always and everywhere political, he tells us.

But he starts by trying to sidestep this fairly politicized debate among economists over emergent, bottom-up commodity money and top-down command money (chartalism). Real people, facing real commercial situations, will *make* money when they see fit and when it suits their purposes — scrip in the Great Depression, emergency ledger entries during Hurricane Katrina, colonials in Maryland making commerce, the original Joachimstaler dollar itself. The dollar wasn't America's money, wielded from America's center, but *good global silver money* accepted everywhere. The money-starved colonies adopted it eagerly — even those Maryland farmers and merchants in the late 1700s denominated their paper money as dollar substitutes.

The dollar in the form of Spanish silver pieces of eight became a more convenient and widely available monetary reference point than the paper bill of exchange drawn on London and denominated in pounds sterling. “No country, no kingdom, has ever held complete sovereignty over the dollar, not even the United States, not even today,” Greeley writes. Put differently, “America succumbed to the dollar.”

Across three centuries, and reporting from contemporary Maryland, New Orleans, and Iowa, Greeley illustrates the many forms the dollar has taken and the various manufacturers and customers of it.

The journalistic tone is approachable, and the characters he delves into make this otherwise dry and technical story lively. Mixing in-the-weeds academic explorations of sixteenth-century history with primary-source reporting strikes a readable balance. It’s on purpose, we learn in the acknowledgements: Greeley’s editor had a “ruthless determination” to tell a complicated story through “human characters, for humans to read.”

Where he shines is precisely in chasing this journalistic-investigative scoop. When Greeley is interviewing scrip issuers in Hawaden, Iowa, or tracing down Irving Fisher tales (both adaptations to the Great Depression), he is at his best. Following him roaming around the present-day Czech Republic in search of medieval silver and silver mine operations is a delight.

The structure he weaves, with self-enclosed chapters diving into the monetary landscape of Bohemia; Toledo; the silver mountain in Potosí; Maryland, New Orleans, Iowa; and finally, the long arc of eurodollars and the modern banking system, comes together neatly into a biography of the dollar itself. It's a hundred pages before we even *get to America*.

Greeley reports he anticipated starting with Nixon’s formal decoupling of dollar from the remnants of the gold standard in 1971. He soon realized the unimportance of that moment from *the dollar’s* point of view: “I started writing this book because I was curious about where the global dollar had come from, but I ended up finding a history of the dollar I’d never gotten, even as a close observer of economists and the Fed,” he writes toward the end of the book.

He thinks of America not “as a country that happens to use dollars” but “a country where commercial banks and the federal government have together become really good at manufacturing a lot of different kinds of dollars.” He reveals how the simple just-so story of gold — deposited with goldsmith banks who overissue paper money and then, by custom and state and central bank lender-of-last-resort capture — dissolving into unbacked modern fiat money, is incorrect.

His willingness to dismantle just-so stories of money’s origin becomes less persuasive when he reaches the institutions of modern American banking. The deposit insurance story, an archaic institutional regime invented during the Great Depression that has long outlived its usefulness, is invoked uncritically.

Similarly, his hand-waving treatment of nominal price rigidities, also in the chapters on the Great Depression (with debt-deflation and bank holidays leading to a rapidly shrinking effective money stock), does not impress: "As things become less expensive, people should, in theory, just lower their prices and accept cuts in pay. But people don't like it when numbers go down, and sometimes they'll just refuse to adjust, which makes deflations a painful grind."

Economists have spent decades debating whether wages and prices are genuinely sticky, why, and how much that stickiness worsens shocks, real and monetary. To reduce the problem to people's "dislike of falling numbers" treats a serious economic phenomenon as a mere psychological curiosity.

Greeley tosses out statements like:"there has always been tension between the goals of sound money and those of functional money," often enough to put most sound-money advocates' teeth on edge, and sending the metaconversation right back to the political, *distributional* nature of monetary regimes. The book never fully resolves that debacle: If money was always political and functioned better for some than others, for whom does the current global arrangement — inflation-targeting central banks and money-creating fiat banks — work well?

A monetary system that is highly functional for governments, banks, and politically connected debtors may be considerably less functional for creditors, savers, and those receiving fixed incomes.

The Almighty Dollar doesn't speculate much on the future of the world's money. But Greeley's observation from Toledo, the center of seventeenth-century Castile and the creator of *real de ocho* coins, still resonates: what happens when a society's comparative advantage increasingly lies not in producing goods and services, but in manufacturing the monetary and financial claims through which other people conduct trade? When a nation stops making things, relying instead on its financialized power to issue monetary promises, you're likely suffering from an infectious strain of a monetary Dutch disease, where your economy and ultimately your empire may be in great peril.

The story of the dollar doesn't just "start with a coin and then end in a country. It starts with a coin *and then ends in a bank.*" The United States didn't invent the dollar. It inherited it, adapted it, molded it, and became extremely good at producing it.

If America can keep doing so, without undermining the economic strength that propelled it from global to indispensable, is a question *The Almighty Dollar* leaves unexplored.