

THE SOVEREIGNTY OF CREDIT

*The Making and Unmaking of
the Financial Constitution*

COMPRESSED SCHOLARLY WHITE PAPER EDITION

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Source Note

This compressed scholarly edition presents the central argument and institutional framework of the full monograph. Extended historical analysis, claim-level documentation, legal and empirical qualifications, and the complete scholarly apparatus are available in *The Sovereignty of Credit: The Making and Unmaking of the Financial Constitution — Full Publication Edition*.

Methodological Note

This paper distinguishes among documented institutional mechanisms, interpretive synthesis and proposed constitutional principles. Historical, legal, empirical and current-status claims are supported by the References. Terms introduced by the author are identified as synthetic formulations rather than attributed to antecedent sources. Time-sensitive institutional information is stated as of 19 July 2026.

Abstract

The Sovereignty of Credit examines finance not merely as a system of intermediation but as constitutional power over future possibility. Beneath the visible political constitution lies a credit constitution: the laws, institutions, markets, valuation practices, payment systems and standards through which claims upon future income, production, taxation and ecological capacity are created, ranked, circulated, protected and enforced. Credit converts anticipated future capacity into present purchasing power, but it also assigns part of the future to repayment and control. The paper reconstructs how this power emerged through merchant credit, public debt, fiscal-military states, colonial finance, slavery, chartered companies, industrial corporations and insurance; how it was reorganized through total war, Bretton Woods, dollar hierarchy, capital liberalization and financialization; and how it now operates through banks, central banks, sovereign debt, ratings, institutional investors, private equity, private credit, payment infrastructures, sanctions, digital money and artificial intelligence.

The central diagnosis is the Great Financial Inversion: claims become more institutionally visible and better protected than the human, productive, public and ecological capacities upon which their value depends. The Caribbean and small-island condition reveals this inversion with unusual clarity. Monetary stability coexists with restricted policy space, foreign-exchange dependence, correspondent-banking vulnerability, climate exposure and

refinancing pressure. The paper therefore develops a constructive alternative: credit as delegated public power; a life-grounded hierarchy of claims; a democratic credit constitution; plural banking; mission-oriented investment; sovereign debt justice; central banking for life stability; and digital public money as civil commons. Rejecting both conspiracy mythology and institutional innocence, it argues that finance is legitimate only insofar as it protects, restores or enlarges the life-capacities from which all real value arises.

Keywords: credit sovereignty; financial constitution; monetary sovereignty; public debt; financialization; central banking; sovereign debt justice; Caribbean political economy; small island developing states; life-ground; life stability; life-coherent finance; digital public money; ecological political economy

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1. Who Governs the Future?

A hurricane can expose the financial constitution more clearly than an ordinary year. The visible constitution names the legislature, executive, courts and public agencies through which a society is formally governed. Yet recovery may depend upon institutions that appear nowhere in the constitutional text: insurers deciding which losses count, correspondent banks maintaining payment access, creditors rolling over public debt, rating agencies classifying the state, foreign suppliers accepting its currency and multilateral institutions determining which forms of assistance are available. The government remains sovereign in law, but its practical capacity is distributed across monetary, legal and infrastructural relationships extending far beyond its territory (Committee on Payment and Settlement Systems & Technical Committee of the International Organization of Securities Commissions, 2012; Mycoo et al., 2022).

This does not mean that bankers secretly replace elected governments. It means that political authority and operational capacity are not identical. A parliament may authorize housing, health investment or climate adaptation, yet the programme becomes real only if the institutions controlling credit, liquidity, foreign exchange, procurement and payment permit future capacity to command resources in the present. Conversely, a financial institution may possess no formal legislative authority while its classifications and contractual rights substantially narrow what governments, enterprises and households can do.

Beneath the political constitution lies a **credit constitution**: the body of law, institutions, conventions and infrastructures through which claims upon future income, production, taxation and assets are made credible, transferable and enforceable (Desan, 2014; Pistor, 2013). It includes banking licences, central-bank money, collateral rules, accounting standards, corporate forms, insolvency, payment systems, ratings, market conventions and public rescue. None alone governs the future. Together they determine which imagined futures become financeable and which remain only aspirations.

Credit is often described as intermediation between savers and borrowers. That description captures an important function but misses the constitutional transformation. A bank loan does not merely move a pre-existing quantity of money from one person to another. In modern banking systems, lending commonly creates a deposit and therefore expands immediately usable purchasing power. A bond turns an expectation of future revenue into a transferable claim. A mortgage turns property and expected income into

present command over housing. A sovereign loan turns future taxation or foreign exchange into current public capacity. Credit is thus a technology for bringing selected expectations of the future into the present.

The transformation follows a recurring sequence:

anticipated future capacity → institutional recognition → present purchasing power → future obligation

Human and ecological capacities generate possible futures. Law and finance select some expectations as credible. Credit converts those expectations into present power. The resulting claim then disciplines the future through repayment, collateral, covenants and priority. The future assists the present, but the present also places a lien upon the future.

Financial claims are real institutional relations. They should not be dismissed as mere symbols. A pension claim protects deferred wages. A deposit records entrusted purchasing power. A bond can finance infrastructure whose benefits extend across generations. Reliable claims allow strangers to cooperate across distance and time. Yet claims are also representations. They depend upon underlying conditions that do not appear fully on the balance sheet: health, labour, care, knowledge, public administration, energy, ecosystems, social trust and political legitimacy (International Accounting Standards Board, 2018; Pistor, 2013).

This distinction between the claim and its source is central. A mortgage contract does not itself produce household income. A sovereign bond does not create tax capacity or foreign exchange. A share price does not guarantee productive capability. A bank balance does not independently maintain the payment infrastructure through which it can be used. The financial record may be legally exact while remaining materially dependent upon a wider field of life.

Finance is therefore not simply descriptive. Valuation models, ratings, benchmarks and accounting categories participate in constructing the markets they purport to observe. Once institutions organize decisions around a classification, the classification helps shape access, cost and behaviour. A rating can affect borrowing conditions; a collateral rule can change land demand; a risk model can alter who receives credit; a benchmark can coordinate portfolios. Financial knowledge becomes performative when it enters the machinery of allocation (MacKenzie, 2006; MacKenzie & Millo, 2003).

The sovereignty of credit is distributed. Central banks influence final settlement and liquidity. Commercial banks create deposits and select borrowers. Markets and investors price claims. Accounting and rating institutions define legibility. Courts and insolvency systems enforce priorities. Payment networks determine usability. Governments establish law, taxation and public guarantees. International institutions influence access to reserve currencies, emergency finance and policy support. This is a form of **infrastructural sovereignty**: power exercised through networks and standards upon which participation depends (Farrell & Newman, 2019; Strange, 1994).

Distributed power can produce patterned outcomes without one directing centre. Each institution may pursue a bounded mandate: a bank preserves capital, a fund seeks return, a regulator controls risk, a central bank defends stability and a government meets a budget. Their interaction can nevertheless generate a common direction. Property with reliable collateral value receives abundant credit. Care, prevention and ecological repair remain underfunded because their returns are diffuse. Liquid claims receive immediate protection while communities wait for political relief. No actor need intend the whole result for the architecture to reproduce it (Granovetter, 1985; Schelling, 1978).

The absence of a single sovereign does not mean the absence of agency. Institutions act through persons. Fraud, capture, negligence and abuse remain real. Senior officials make choices; lenders design products; governments determine law; investors vote or remain passive; regulators decide what risks count. The correct guardrail is therefore double:

No mythical omnipotence. No institutional innocence.

Rejecting conspiracy does not require denying power. Recognizing structure does not absolve agency. A credible analysis must distinguish documented coordination from emergent alignment, deliberate misconduct from routine mandate performance, and lawful authority from legitimate consequence.

The credit constitution is also public-private rather than purely governmental or purely private. The state supplies currency, legal enforceability, corporate personality, property rules and ultimate coercive authority. Private institutions exercise judgement over individual allocation. Markets aggregate expectations and provide exit. Public authorities supervise, guarantee, lend and rescue. The resulting order cannot be understood through a simple opposition between state and market because each constitutes the other (Desan, 2014; Pistor, 2013, 2019).

This public-private constitution has three dimensions.

First is **authorization**. Law determines who may issue deposits, securities and other claims, what disclosures are required and which institutions may access public settlement or liquidity.

Second is **allocation**. Lenders and investors determine which persons, enterprises, technologies and territories receive present command over resources.

Third is **protection**. Collateral, seniority, deposit insurance, central-bank facilities, fiscal guarantees and crisis intervention determine which claims receive time and which bear loss.

These dimensions are linked. An institution able to create claims but denied settlement cannot issue usable money. A claim that cannot be enforced or refinanced has less present value. An activity that is systematically excluded from recognized collateral or investment categories may remain underdeveloped even where its contribution to life is substantial. Credit power therefore operates through the whole sequence from authorization to recognition, allocation, discipline and rescue.

The central constitutional problem is not that finance reaches into the future. Civilization requires temporal cooperation. Infrastructure must often be built before its entire cost is saved. Households need housing before a lifetime of income is earned. States must respond to emergencies before revenue arrives. Productive enterprises require working capital before sales occur. The problem is the terms upon which the future is brought forward and the hierarchy created when repayment becomes difficult.

When claims are treated as if they were self-grounding, the representation becomes sovereign over the reality it represents. A government may cut maintenance to preserve debt service. A household may sacrifice health to remain current. A company may sell productive assets to meet quarterly obligations. An ecosystem may be depleted because the financial return is recognized while the loss of regenerative capacity is external to the account. In each case the claim is honoured by weakening its own material foundation.

The paper names this recurrent reversal the **Great Financial Inversion**: the condition in which financial claims become more visible, mobile and protectable than the life-capacities from which their value and fulfilment arise. The inversion is not inevitable in every transaction, nor does it make profit, interest or private property inherently illegitimate. It identifies a systemic danger: representation can receive greater institutional protection than the source it represents.

A democratic response cannot consist of political micromanagement of every loan. Lending requires expertise, confidentiality and differentiated judgement. Nor can it consist of treating markets as natural orders outside public responsibility. The credit constitution already distributes authority and protection. The question is whether its purposes, limits and remedies are democratically intelligible.

Credit should therefore be understood as delegated constitutional power. Delegation permits professional autonomy and decentralized initiative, but it also implies mandate, accountability and revision. The power to create, allocate, price, protect and enforce claims upon the future is legitimate only within a public order that preserves the capacities upon which the monetary system depends (Pistor, 2019).

The inquiry that follows asks how this authority was constructed, how it operates now and how it might be reordered. It begins with the elementary temporal conversion at the centre of credit, follows the historical formation of institutions capable of governing promises at scale, examines the contemporary Financial Power Stack, and then returns to the life-ground beneath the balance sheet. The Caribbean and small-island condition serves not as a marginal case but as a diagnostic lens through which global hierarchies become unusually visible.

The governing question is therefore not merely who owns financial assets or who formally writes the rules. It is:

Who possesses the institutional authority to convert expectations of the future into enforceable claims in the present—and under what constitutional limits?

Constitutional sovereignty, operational capacity and democratic reach

The distinction between formal sovereignty and operational capacity can be clarified through three levels. **Formal sovereignty** concerns lawful authority: the recognized power to legislate, tax, regulate and enter agreements. **Operational sovereignty** concerns the institutions, information, infrastructure and resources required to make lawful decisions effective. **Relational sovereignty** concerns the terms upon which a society participates in networks it cannot govern alone.

A state may possess formal authority while lacking operational capacity. It can enact an energy transition but lack project preparation, foreign exchange or grid capability. It can recognize a social right but lack institutions through which the right becomes a usable service. It can regulate domestic banks while depending upon foreign correspondents and

technology providers. The limitation is not merely financial; finance becomes the medium through which wider institutional constraints are expressed.

Relational sovereignty is unavoidable. No contemporary society independently produces every medicine, technology, currency service or form of knowledge it requires. Interdependence is not itself domination. Domination arises where one party can withdraw an essential connection, impose adjustment without reciprocal accountability or transfer risk while remaining insulated from consequence.

Credit sovereignty intersects with all three levels. Law authorizes claims. Institutions make them operational. Networks determine whether they remain usable across borders and crises. Democratic control therefore cannot be measured only by whether an elected legislature enacted the relevant statute. It also depends upon whether the public order retains enough capability and bargaining power to alter the consequences of financial arrangements.

This perspective changes how institutional responsibility is understood. A government cannot attribute every constraint to markets when its own laws, guarantees and policy choices helped constitute the market. A lender cannot treat a formally voluntary contract as the entire moral relationship when public infrastructure and unequal alternatives shaped consent. An international institution cannot assess only whether its programme restores payment while ignoring whether the borrower retains the capacity for future self-government.

The method of this paper is therefore constitutional in a functional sense. It asks five questions of each institution:

1. What power over future possibility does the institution exercise?
2. Which public rules and infrastructures make that power effective?
3. Which persons and capacities become visible to its decision procedures?
4. Which harms, dependencies or forms of value remain outside its account?
5. What routes exist for explanation, appeal, restructuring and democratic revision?

These questions avoid two opposite errors. The first is institutional personification: speaking as though “finance” were one actor with a single intention. The second is institutional fragmentation: treating each organization as so bounded by its mandate that no one remains responsible for aggregate consequences. Constitutional analysis connects specialized functions without inventing a hidden centre.

The future is governed through many small acts of recognition. A loan committee accepts one cash-flow forecast. A regulator assigns one risk weight. A court enforces one priority. A central bank accepts one asset. A fund follows one benchmark. A platform closes one account. Each act can be defensible in isolation. Their cumulative pattern determines which communities, technologies and forms of life acquire institutional time.

The issue is therefore not merely power *over* the future. It is power *to define what the future can be*. Finance cannot determine this alone, but it can make some possibilities materially actionable and leave others politically announced yet economically unreal. A democratic financial constitution should widen the range of life-coherent possibilities without promising that scarcity, uncertainty or conflict can be abolished.

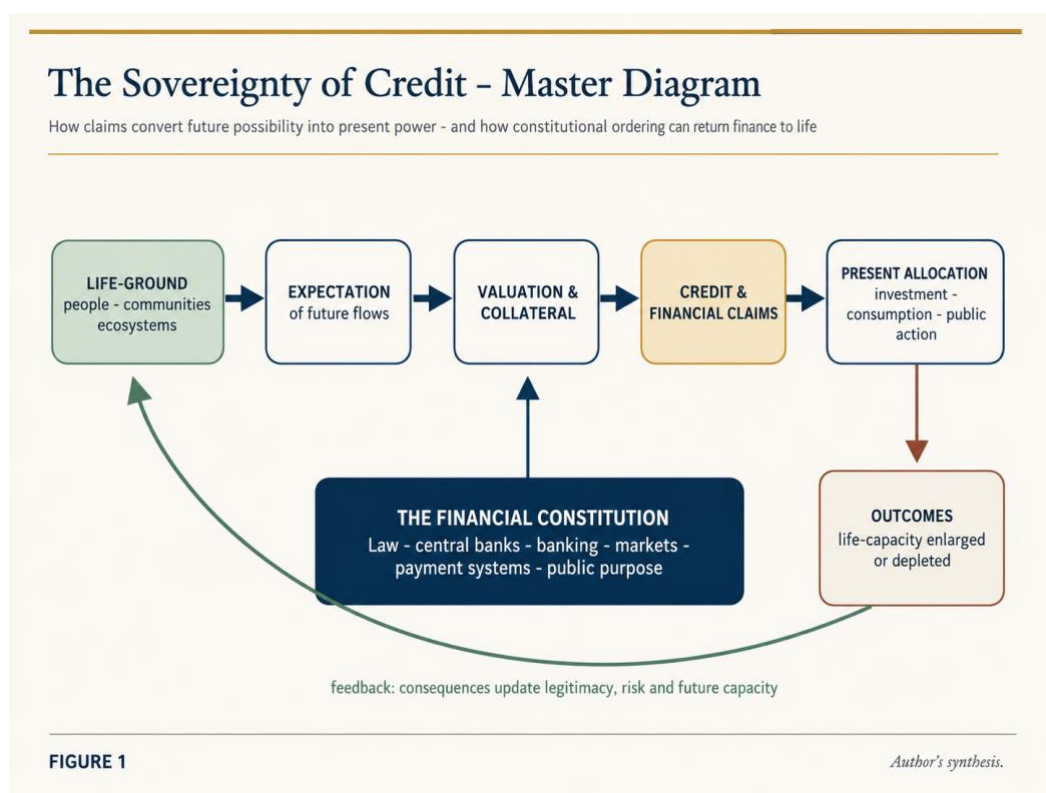


Figure 1. The Sovereignty of Credit — Master Diagram. *How anticipated future capacity becomes present financial power, and how constitutional ordering can return finance to the service of life.*

Note. Author's synthesis informed by Maturana and Varela (1980), McMurtry (1998), Pistor (2019), and Sen (1999).

2. Credit as Power over Future Possibility

Credit is a temporal institution. It allows an expected future flow of income, production, taxation or value to command resources before that future has arrived. The borrower receives present capacity; the creditor receives a claim upon later performance. This exchange is neither inherently emancipatory nor inherently oppressive. Its character depends upon what capacity is created, who bears uncertainty, how the obligation is enforced and what remains after repayment.

The elementary sequence can be stated more precisely. A possible future first appears as an expectation: a person may earn income, an enterprise may sell goods, a state may collect revenue or a technology may become productive. Institutions then translate that expectation into a valuation. Collateral, accounts, business plans, ratings, data and professional judgement determine whether it is credible. Credit converts the accepted expectation into present purchasing power. The agreement then assigns part of the future to principal, interest, return, control or remedy (Minsky, 1986; Pistor, 2013).

This sequence creates both capacity and obligation. A mortgage makes a home available before decades of income have been earned. A student loan can finance education before the resulting capability produces wages. Working-capital credit allows a firm to employ people and purchase inputs before customers pay. Public borrowing can spread the cost of infrastructure across generations that will use it. In these cases, the future assists the present because the present investment creates or protects the capacity through which repayment can occur.

The same structure can become extractive. A loan may finance consumption without a viable repayment path. Acquisition debt may transfer ownership without improving productive capability. A state may borrow to refinance prior debt while public systems deteriorate. A company may leverage an enterprise and distribute proceeds while leaving workers, suppliers and communities exposed. Credit can enlarge possibility, but it can also pre-empt it.

Money creation and allocative authority

The constitutional significance of bank lending is clearest where loans create deposits. A bank approves a loan by crediting the borrower's account and recording a corresponding asset. The new deposit functions as money even though it was not previously transferred from another customer's account. Banks are constrained by capital, liquidity, regulation,

funding cost, profitability and expected repayment, but within those constraints they participate directly in creating purchasing power (McLeay et al., 2014).

The power to create money through lending is also the power to select among futures. A bank does not create purchasing power for “the economy” in the abstract. It creates it for a specific borrower, asset and purpose. Repeated across a system, ordinary underwriting decisions influence housing prices, land use, enterprise formation, technological development and ownership. Credit allocation therefore performs a public consequence even where the decision is privately administered (McLeay et al., 2014; Stiglitz & Weiss, 1981).

Credit selection is necessary. Not every project is viable, and indiscriminate lending destroys savings, deposits and public confidence. The constitutional issue is not whether institutions should distinguish among borrowers. It is how the standards of distinction are formed, what kinds of capability they can recognize and whether the resulting pattern remains compatible with public purpose.

Legibility and the unequal recognition of capacity

Financial institutions cannot assess every possibility directly. They require simplified indicators: income history, collateral, accounts, credit scores, sector data, legal title and expected cash flow. These forms of legibility make large-scale lending possible. They also privilege capacities that can be translated into recognized evidence.

A household with property can offer collateral. A household with secure but informal income may not. A large corporation can issue audited securities. A small enterprise may depend upon a personal guarantee. A mature technology has performance data. A transformative innovation may lack an established market. Care, prevention and ecological restoration produce real value, but their benefits often accrue to persons other than the borrower and may not generate a direct revenue stream.

This does not mean that lenders should simply ignore evidence. It means that the institutional definition of evidence shapes access. Credit rationing can persist even where borrowers are willing to pay more because higher prices may attract riskier applicants or worsen incentives. Institutions therefore screen rather than clear the market solely through interest rates (Stiglitz & Weiss, 1981). The screening method becomes a constitutional gateway to opportunity.

Relationship banking, public guarantees, cooperative knowledge, development institutions and alternative data can widen legibility. Each also carries risks. Relationship knowledge can become favouritism. Guarantees can conceal subsidy. Alternative data can become surveillance. Public institutions can be captured. The appropriate response is plural institutional capacity with transparent limits, not the assumption that one model of underwriting can recognize every socially valuable possibility (Berger & Udell, 2006; Mazzucato & Penna, 2016).

Valuation as governing practice

Valuation appears to measure an already existing object. In practice it also helps constitute the object's financial reality. A property becomes bankable when title, appraisal, insurance and foreclosure make it usable as collateral. A security becomes investable when disclosure, custody, settlement, rating and benchmark inclusion make it legible to institutions. A projected cash flow becomes present value through assumptions about time, risk and discounting.

Financial models are therefore performative. They organize attention, influence behaviour and can make the market more like the model. When many institutions use similar volatility measures, collateral rules or rating thresholds, the classifications become part of the environment they assess (MacKenzie, 2006; Pistor, 2013).

Valuation always contains a boundary. What enters the account receives visibility; what remains outside can be treated as external. A project may appear profitable because public infrastructure is free to the investor, care work is unpaid, ecological damage is deferred or disaster risk is transferred to the state. The price can be accurate within the chosen boundary while the boundary remains institutionally incomplete.

The question is not whether every value can or should be monetized. Some values resist commensuration. The question is whether institutions remain capable of recognizing material dependencies and harms that do not appear as immediate financial costs.

Collateral and cumulative advantage

Collateral reduces uncertainty by giving the creditor a claim upon an asset if repayment fails. This can lower borrowing cost and widen the supply of credit. It also creates cumulative advantage. Those already possessing assets obtain cheaper credit, use it to acquire additional assets and benefit when credit expansion raises their prices. Those without

recognized collateral may pay more, borrow less or remain excluded (Berger & Udell, 2006; Jordà et al., 2016).

Housing illustrates the mechanism. Mortgage credit can expand home ownership and provide long-term security. When supplied faster than housing capacity, however, it can raise land and property prices. Existing owners gain collateral wealth; new entrants require larger debts; banks become increasingly exposed to the same asset class. What appears as abundant household finance may be a system for capitalizing scarcity.

Collateral rules also embody historical distributions. Land title may reflect colonization, slavery, dispossession or unequal inheritance. Treating current property as a neutral measure of creditworthiness can transmit historical power without contemporary discrimination being explicitly intended. The contract begins today, but the asset distribution governing its terms was made yesterday.

This is not an argument for abolishing collateral. It is an argument for complementary forms of security: guarantees, cash-flow lending, cooperative risk pools, shared-equity models, patient capital and public infrastructure that reduces the dependence of opportunity upon inherited property.

Interest, risk and the unequal price of time

Interest compensates for time, administration, funding cost and risk. It can discipline investment by requiring the borrower to create sufficient value to repay. But the price of credit also distributes time unequally. A well-collateralized borrower can wait, refinance and survive a temporary shock. A precarious borrower may face high rates, short maturities and penalties that turn uncertainty into permanent disadvantage (Minsky, 1986; Stiglitz & Weiss, 1981).

Risk pricing is necessary, yet observed risk is partly produced by social conditions. A small enterprise may be risky because infrastructure is unreliable. A household may appear unstable because employment is insecure and healthcare costs are unpredictable. A small state may pay a premium because markets are thin, disasters frequent and external liquidity scarce. Charging for risk can be rational at the transaction level while reproducing the conditions that make the borrower risky.

This is the unequal cost of time. Some actors receive long horizons and opportunities to recover. Others must satisfy claims quickly, even where delay would preserve greater value. The inequality is not only the interest rate. It is the capacity to wait.

Maturity, liquidity and the power to wait

Maturity translates an open future into a schedule. It tells the borrower when performance must become payment. A productive activity may be viable over ten years and insolvent under a two-year loan. A state may possess long-term revenue capacity yet face crisis because a large volume of debt matures during a temporary shock. A household may be solvent over a working life but unable to meet an immediate instalment after illness.

Refinancing can bridge the mismatch, but it makes the borrower dependent upon future creditor confidence. The old claim is paid by a new one. Market access becomes part of solvency. A borrower whose capacity has not fundamentally changed can be forced into distress because liquidity disappears (Minsky, 1986; Pistor, 2013).

Liquidity is therefore more than a technical property. It is the capacity to convert a claim into means of payment without accepting a destructive discount. Those with liquidity possess time. They can hold assets, absorb delay and negotiate. Those without it must sell, borrow or submit to terms set under pressure. Fire-sale values can turn a temporary shortage of cash into permanent loss (Shleifer & Vishny, 1992).

Central banks, credit lines, reserves, insurance and social protection all create time. The constitutional question is who receives it, on what conditions and at whose cost.

The Financial Power Stack

The institutions of credit can be organized as six interacting forms of power.

Monetary power determines which liabilities function as money, how settlement occurs and who can create purchasing power.

Allocative power selects which persons, projects, sectors and territories receive finance.

Valuation power defines credible income, acceptable collateral, recognized risk and measurable performance.

Disciplinary power operates through interest, maturity, covenants, foreclosure, insolvency and conditionality.

Infrastructural power controls payments, registries, custody, data, correspondence and platforms upon which financial participation depends.

Protective power determines which institutions and claims receive liquidity, guarantees, insurance, rescue or priority during crisis.

These forms interact. A payment provider can affect allocation by excluding users. A central bank can influence valuation through collateral eligibility. A rating can discipline a state by changing refinancing cost. A public guarantee can alter private risk. A court can convert contractual priority into actual control.

The Financial Power Stack is not a hierarchy in which one institution permanently commands the others. It is a layered system through which authority can move. Central banks may dominate during liquidity crises; markets during refinancing; courts during enforcement; platforms during daily payment; governments during war or emergency. Sovereignty is relational and situational (Committee on Payment and Settlement Systems & Technical Committee of the International Organization of Securities Commissions, 2012; Lukes, 2005; McLeay et al., 2014; Strange, 1994).

The stack clarifies why partial reform can fail. Expanding public lending may accomplish little if payment access remains externally controlled. Improving disclosure may not change allocation if collateral rules preserve the same hierarchy. Restructuring debt may provide only temporary relief if foreign-exchange dependence and short maturities persist. A life-coherent credit constitution must therefore address the interaction of powers rather than one institution in isolation.

Credit and constitutional legitimacy

The legitimacy of credit cannot be determined by a single criterion. Voluntary agreement matters, but parties may possess unequal bargaining power. Profitability matters, but a profitable activity may transfer costs. Repayment matters, but payment can occur through liquidation of the capacity the loan was meant to create. Public purpose matters, but public institutions can be wasteful or captured.

A more complete test asks:

- Was the claim lawfully and transparently created?
- Did it provide real present capacity?
- Were risk and responsibility allocated fairly?
- Did the financing form fit the activity?
- Did the borrower retain a viable path to performance?
- Did third parties bear significant unrecognized harm?
- What capacity remained after the claim was honoured?

Credit is most legitimate where the present capacity it creates justifies the future freedom it claims. It becomes less legitimate where obligation is separated from capability, where risk is transferred to those least able to bear it, or where enforcement destroys the source of value.

The next section places this temporal power in history. The institutions through which promises became portable, public debt became durable, corporations acquired legal personality and insurance transformed uncertainty did not arise naturally. They were constructed through commerce, state formation, empire, coercion and political struggle.

Uncertainty, loss and the constitutional meaning of risk

Credit cannot eliminate uncertainty. It distributes uncertainty among borrower, creditor, insurer, guarantor and public authority. Interest, collateral, equity and covenants are different institutional responses to the possibility that the expected future will not occur.

Debt assigns a relatively fixed payment to the borrower and protects the creditor from ordinary upside and downside. Equity shares more of the uncertainty but also more of the control and return. Guarantees transfer selected losses to another balance sheet. Insurance pools specified risks while excluding others. Public provision socializes both financing and responsibility where universal access or collective capability is the primary purpose.

The financing form should therefore fit the uncertainty structure. Debt is most coherent where the borrower controls a reasonably predictable revenue stream. Equity is more suitable where outcomes are uncertain and risk-sharing is appropriate. Grants or public provision are necessary where the benefit is public, the revenue stream should not exist or charging users would defeat the purpose. A recurring source of life-harm is the imposition of debt upon activities whose returns are diffuse, ecological or non-commercial.

Risk is also endogenous. The terms of finance can alter the probability of failure. A high interest rate intended to compensate for risk can weaken the borrower. A short maturity can force premature cash extraction. A covenant can prevent reckless distribution or block necessary investment. Collateral can encourage prudence or expose a family to homelessness. Institutional design therefore cannot assume that risk exists independently of the financial contract.

The allocation of uncertainty carries a moral and constitutional dimension. Actors with greater information, control and diversification can usually absorb risk more effectively than households, workers or small communities. This does not mean that every loss should be

shifted upward. It means that the party best positioned to assess, prevent and diversify a risk should not be permitted to transfer it entirely to those who lacked meaningful control.

This principle is already familiar in insurance, prudential regulation and consumer protection. The white paper extends it to the whole credit relation. Underwriting is not only prediction; it is a responsibility to avoid creating a repayment structure that converts foreseeable uncertainty into destructive certainty for the borrower.

Credit also creates options. A line of credit gives the borrower the option to act when needed. A callable loan gives the creditor the option to demand payment. A refinancing market gives both sides an expectation of continuity. Options are distributed unevenly. The wealthy can preserve liquidity and wait; the poor often sell at the moment of distress. States issuing reserve currencies possess options that foreign-currency borrowers do not.

Democratic optionality begins at this elementary level. It is the collective capacity to retain feasible alternatives rather than commit every future revenue stream, asset and institution to one path. Long-term commitment can be valuable; infrastructure and climate transition require it. The constitutional question is whether commitment is accompanied by capability, safeguards and revision procedures.

A life-coherent credit decision should therefore examine both the expected case and the failure case. What happens if revenue is delayed? Who receives time? Which function is protected? Which asset is transferred? Can the obligation be restructured before productive capacity is destroyed? Financial prudence begins not with confidence that the model will be correct, but with institutions capable of surviving its error.

From Future Life to Present Financial Power

The temporal conversion at the centre of credit

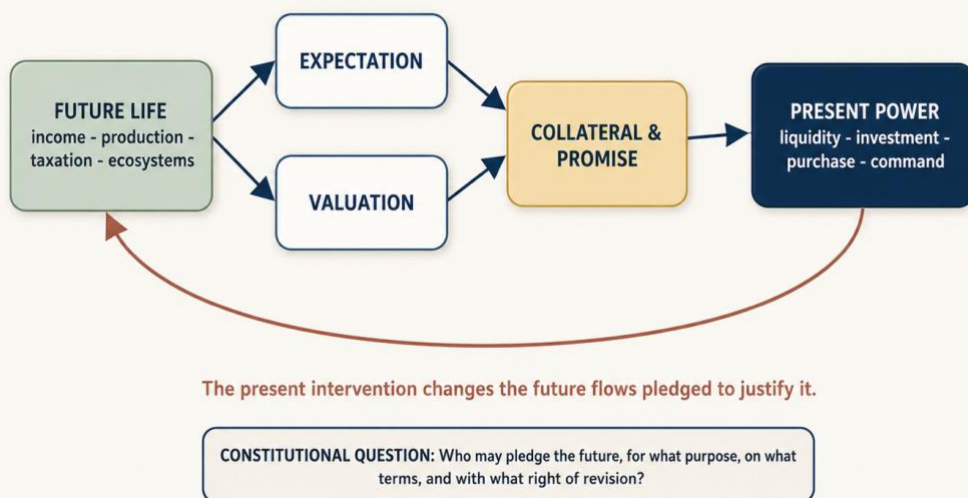


FIGURE 2

Author's synthesis.

Figure 2. From Future Life to Present Financial Power. *Credit brings anticipated capacity into the present while assigning part of the future to repayment, return and control.*

Note. *Author's synthesis informed by McLeay et al. (2014), Minsky (1986), and Pistor (2013).*

The Financial Power Stack

A layered architecture of control

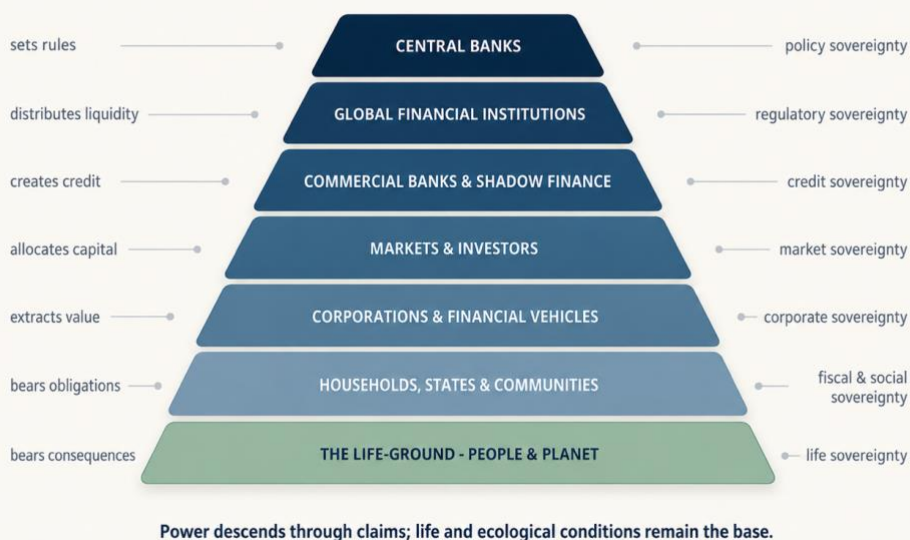


FIGURE 3

Author's synthesis.

Figure 3. The Financial Power Stack. *Six interacting forms of authority through which credit is created, allocated, valued, disciplined, made usable and protected.*

Note. *Author's synthesis informed by the Committee on Payment and Settlement Systems and Technical Committee of the International Organization of Securities Commissions (2012), Lukes (2005), McLeay et al. (2014), Pistor (2013), and Strange (1994).*

3. The Historical Construction of Credit Sovereignty

Financial sovereignty was not discovered as a fully formed institution. It was assembled through centuries of experimentation in how promises could travel, survive the death or default of particular persons, mobilize taxation, support war, organize empire and coordinate production at scales beyond face-to-face trust. Each innovation solved a problem of distance, time or uncertainty. Each also created new forms of authority.

The history matters because contemporary finance often presents its categories as natural. Negotiable instruments, public debt, central banks, corporations, insurance and securities markets can appear as neutral responses to economic complexity. They are better understood as historically specific settlements among merchants, states, creditors, property owners, workers and imperial institutions. They expanded cooperation, but they also encoded power.

Merchant credit and the portability of promises

Long-distance trade required economic relationships to extend beyond immediate payment and personal familiarity. Merchants needed to finance goods while they were in transit, settle obligations across currencies and avoid moving large quantities of coin through dangerous routes. Bills of exchange and related instruments allowed an obligation created in one place to be paid in another. The promise became portable (Accominotti & Ugolini, 2020).

Portability changed the social meaning of debt. A promise no longer belonged only to the original parties. It could be endorsed, discounted and transferred. The creditor could obtain liquidity before maturity by selling the claim. The debtor's obligation entered a network of strangers. Negotiability therefore created an early form of financial infrastructure: a legally and commercially recognized chain through which private promises circulated.

These arrangements depended upon reputation, merchant courts, correspondence, bookkeeping and sanctions within trading communities. Trust was neither purely personal nor fully governmental. It was institutional. Commercial networks developed rules that allowed members to cooperate under uncertainty and punish defection even where state enforcement was weak or fragmented (Greif, 1993).

Merchant credit expanded trade and reduced the need for metallic settlement. It also shifted authority toward those able to maintain information networks, assess reputation and

control access to liquidity. The power to decide whose promise could circulate became an early form of credit sovereignty.

Public debt and the durable state

States had long borrowed from merchants and financiers, often under unstable conditions. Rulers defaulted, altered coinage, confiscated property or repudiated obligations. The decisive transformation occurred when public debt became more credibly attached to durable institutions of taxation and representation rather than merely to the personal promise of a sovereign.

Funded debt converted expected tax revenues into present state capacity. Creditors supplied resources; the state promised interest and repayment from future public income. The ability to borrow at scale allowed governments to mobilize fleets, armies, administration and infrastructure before current taxation could cover their cost (Dickson, 1967; North & Weingast, 1989; Stasavage, 2003).

Credibility was political. Creditors needed confidence that future rulers would honour obligations and that revenue streams would remain available. Parliamentary authorization, dedicated taxes, administrative records and representative institutions could constrain opportunistic repudiation. Public debt therefore linked finance to constitutional order. The state gained capacity by accepting limits and making its future revenue legible.

This relationship did not automatically democratize the state. Representation could favour property holders and creditors, while taxes fell upon wider populations. Institutions that improved creditor confidence could strengthen public capacity without distributing political voice or fiscal burden equally (Dickson, 1967; Stasavage, 2003). Credit sovereignty and popular sovereignty were related but not identical.

Public debt also altered time. War, infrastructure and administration could be financed immediately while repayment was spread across future taxpayers. This enabled long-lived investments and emergency mobilization. It also permitted current governments to bind persons not yet represented in the decision. The constitutional legitimacy of public borrowing therefore depended from the beginning upon what future capacity accompanied the obligation.

The fiscal-military credit circuit

European state formation was shaped by a reinforcing circuit among taxation, public credit and organized coercion. Expanded tax capacity increased creditor confidence. Credit supplied resources for military and administrative expansion. Military power protected trade, territory and taxable revenue. The enlarged revenue base then supported further borrowing (Brewer, 1989; Dickson, 1967).

This circuit could build public institutions. It improved record keeping, customs administration, debt management and monetary coordination. It also enabled warfare on scales that current revenue alone could not sustain. The financial revolution and the fiscal-military state were therefore inseparable: techniques of public credibility increased both administrative capacity and coercive reach.

The result was not a simple story in which finance controlled the state or the state controlled finance. Creditors depended upon public enforcement and taxation. States depended upon creditor confidence and liquid markets. Each acquired leverage over the other. The partnership produced a new form of sovereignty in which public power could be capitalized.

Banking, public debt and monetary unity

Banks emerged in diverse forms, but their development was often connected to public finance, settlement and the management of sovereign debt. Institutions capable of holding deposits, transferring balances and discounting claims reduced the friction of payment. Central banks later occupied a distinctive position between public authority and private finance: issuing or managing currency, serving the state, settling interbank obligations and responding to liquidity crises (Desan, 2014; Goodhart, 1988).

Banking transformed the relationship between money and credit. A bank liability could circulate as a means of payment because users expected convertibility, settlement and public recognition. The distinction between public money and private credit became less clear. Monetary unity increasingly depended upon a layered system in which private liabilities were accepted at par because they could be settled through publicly constituted institutions.

The public-private character of money was therefore present early. The state did not simply regulate a natural banking market from outside. Law, taxation, currency and public debt helped create the conditions within which banks could issue widely accepted promises.

Slavery, colonial extraction and financial calculation

The expansion of Atlantic finance cannot be separated from slavery and empire. Enslaved persons were treated not only as labourers subject to coercion but as property, accounting units and collateral. Plantations, merchants, insurers and states organized complex financial relations around the extraction of value from people denied legal personhood (Hall et al., 2014; Rosenthal, 2018).

This was not an accidental moral failure occurring beside otherwise neutral financial development. Financial techniques helped make domination administratively scalable. Books recorded persons as assets. Mortgages and liens converted coerced labour into security for loans. Compensation at emancipation protected slave owners while the formerly enslaved received freedom without equivalent property, capital or restitution. The resulting distribution of land, wealth and creditworthiness persisted beyond the legal end of slavery (Draper, 2010; Hall et al., 2014).

The colonial financial order directed capital toward externally oriented production, trade and imperial revenue. Local communities bore ecological depletion, labour coercion and vulnerability to commodity cycles, while claims on extracted value circulated internationally. Finance widened distance between the site of harm and the holder of the claim.

This history matters for contemporary collateral and risk. Present property distributions are not merely the result of recent market exchange. They embody prior legal orders that assigned land, personhood and compensation unequally. A credit system that treats inherited assets as neutral evidence can reproduce historical domination without any current decision-maker intending to restore the old regime.

Insurance and the constitution of recognized risk

Long-distance commerce exposed merchants to shipwreck, piracy, war and uncertain arrival. Marine insurance separated particular risks from the underlying venture and distributed them among underwriters. Premiums converted uncertainty into a price. This facilitated trade by allowing merchants to undertake ventures that might otherwise exceed their capacity to absorb loss (Kingston, 2007).

Insurance did not merely reduce risk. It defined which events counted, what evidence was required, who possessed an insurable interest and how loss would be valued. The policy translated a complex world into covered and excluded perils. What fell inside the contract

became compensable. What remained outside was borne by the shipper, worker, colony, public authority or ecosystem.

The perspective of the insured owner shaped the account. A cargo could be insured; the violence through which it was acquired might remain invisible. A ship could be valued; the lives and communities affected by the trade could enter only indirectly. Insurance therefore illustrates a general feature of financial knowledge: disciplined calculation can be accurate within a morally and materially bounded frame.

Chartered companies and delegated sovereignty

Chartered companies fused commerce with public authority. States granted monopolies, territorial privileges, legal personality and the power to govern, tax, wage war or administer justice. Investors supplied capital and received claims upon commercial and territorial revenue. The company became more than a private association. It operated as a company-state (Stern, 2011).

This arrangement extended state power without requiring the state to finance every operation directly. It also allowed coercion and public functions to be administered through corporate form. The distinction between public sovereignty and private enterprise became deliberately blurred. Commercial return depended upon political privilege, military protection and control over territory.

Chartered companies foreshadowed contemporary arrangements in which private entities administer essential infrastructure, data or payments under public licence. The specific imperial powers differ, but the constitutional question persists: when public functions are delegated to an organization with private claims and incentives, what limits and reciprocal duties follow?

Industrialization and the corporate form

Industrialization required large, durable pools of capital. Railways, mines, factories and utilities could not easily be financed through short-lived partnerships among persons whose withdrawal or death dissolved the enterprise. The modern corporation provided continuity, transferable shares, centralized management and limited liability. It created an institutional person able to own assets and issue claims independently of its members (Chandler, 1977; Kostal, 1994).

Limited liability encouraged investment by bounding the loss of shareholders. Transferable shares made ownership liquid. Corporate continuity allowed projects to outlive founders and assemble capital at scale. These innovations supported extraordinary productive development.

They also separated control, benefit and responsibility. Shareholders could exit by selling. Managers controlled resources they did not fully own. Workers and communities were affected without equivalent governance rights. The corporation's financial obligations acquired legal durability even where its social and ecological consequences remained distributed.

Railways demonstrate the performative power of finance. Expected traffic, land values and state guarantees were translated into securities. Capital markets helped build networks that transformed the economic geography upon which the valuations depended. The forecast did not merely predict the railway economy; finance participated in making it (Kostal, 1994; MacKenzie, 2006).

From personal promise to programmable infrastructure

The historical movement can be summarized as an expansion in the distance, durability and transferability of claims.

Merchant instruments made promises portable. Public debt attached them to taxation and the continuity of the state. Banking allowed private liabilities to circulate as money. Insurance converted selected uncertainties into priced risks. Chartered companies combined capital with delegated coercive and administrative authority. Corporations created durable legal persons capable of accumulating assets and issuing claims at industrial scale.

At every stage, finance solved genuine problems of coordination. It allowed trade across distance, public investment before taxation, risk sharing, organizational continuity and technological transformation. But each solution also changed who could bind the future, whose interests became legible and what forms of harm remained outside the account.

The central lesson is not that finance developed through a single plan. Institutions emerged from conflict, adaptation and political settlement. Nor is the lesson that every modern financial claim inherits the moral character of empire or slavery. The lesson is constitutional: the capacity of claims to govern the future was historically constructed through public power, property law and unequal social orders. It can therefore be examined and revised rather than treated as natural necessity.

The twentieth century would greatly expand this architecture. Total war demonstrated the state's capacity to mobilize money and resources at unprecedented scale. Bretton Woods reorganized national autonomy within an international monetary order. Decolonization created formally sovereign states whose productive and financial structures remained externally constrained. The dollar became the apex of global liquidity, and financialization transformed an increasing range of assets, incomes and risks into tradable claims.

Historical inheritance and institutional ambivalence

The institutions created through this history are morally ambivalent. Public debt financed conquest and war, but it also financed sanitation, education and social insurance. Corporations organized colonial extraction, but corporate continuity also supports research, infrastructure and productive cooperation. Insurance underwrote imperial commerce, but it protects households and enables recovery. Banking served states and merchants, but it also widened monetary participation.

A life-coherent analysis should therefore resist both celebration and total condemnation. Institutional forms are not reducible to their origins, yet origins shape their inherited rules, ownership and categories. Reform requires distinguishing the function worth preserving from the domination embedded in its historical implementation.

This is especially important in postcolonial societies. The legal abolition of slavery and empire did not erase title systems, trade patterns, external ownership, administrative boundaries or currency hierarchies. Present institutions can reproduce inherited asymmetry through apparently neutral criteria. Collateral reflects land distribution. Credit history reflects prior access. Market size reflects colonial fragmentation. Export dependence reflects infrastructure built for external extraction.

Historical responsibility is not identical to contemporary guilt. A current banker did not design the plantation economy; a present depositor may be the descendant of those excluded from property. The purpose of historical reconstruction is not indiscriminate blame. It is to identify why formally equal rules can produce unequal capacity and why institutional repair may require more than non-discrimination in current transactions.

The history also shows that the boundary between public and private authority has always been porous. States relied upon private financiers; companies exercised public powers; banks issued money-like liabilities; private insurance organized risks with public consequences. Contemporary debates often ask whether the state should intervene in

finance as though the two were previously separate. The historical record shows that finance has always been constituted through public authority and that public authority has repeatedly depended upon finance.

The correct question is therefore which delegations serve legitimate purposes and which protections they require. Limited liability may encourage investment, but it should not become unlimited externalization. Corporate continuity may preserve enterprise, but it should not immunize an institution from failure. Public debt may coordinate intergenerational investment, but it should not give current governments unrestricted authority to occupy future budgets.

Institutional learning is cumulative. The present does not start from a blank page. Deposit protection reflects lessons from bank runs. Securities disclosure reflects fraud and information asymmetry. Insolvency reflects the destructive consequences of uncoordinated collection. Central banking reflects the instability of private money without final settlement and emergency liquidity.

The challenge is to inherit learning without inheriting every hierarchy of protection. Rules designed for one historical danger can become blind to another. A collateral regime that expands lending can intensify land concentration. A central-bank framework designed to prevent inflation can neglect unemployment or climate transmission. A development institution designed to finance infrastructure can become procedurally unable to support community-scale adaptation.

Historical consciousness therefore supports de-implementation as well as preservation. It helps identify which institutional defaults continue to reproduce an earlier social order after their original justification has weakened. The purpose is not to purify finance of history—an impossible project—but to make inherited authority answerable to present life and future possibility.

Property, personhood and the legal coding of value

The historical construction of credit sovereignty depended upon decisions about who or what could hold rights, own property, incur obligations and appear before law. These decisions were never merely technical. They determined whose future could become collateral and whose life could be treated as an input into another person's claim.

Legal personhood enabled corporations to own assets, contract and persist beyond the lives of their members. The innovation supported durable enterprise, but it also created an

entity whose rights and obligations were distinct from the human beings affected by its activity. Limited liability bounded investor exposure, while workers, communities and ecosystems often remained outside the formal risk allocation.

Property law performed a related function. A right became financially powerful when it was exclusive, transferable, recordable and enforceable. Land, shares, debts and intellectual property could support credit because law made them durable and legible. Resources held through customary, communal or relational arrangements were often less bankable because their value could not be isolated into one transferable title.

The resulting hierarchy of property was historically entangled with conquest, enclosure and colonial administration. Registries created clarity, but clarity often followed prior dispossession. Formalization can protect users and widen finance; it can also freeze contested distributions and make communal resources available for extraction. The life-coherent question is not whether property should exist, but which forms of property protect use, stewardship, belonging and future capability.

Personhood and property also shaped compensation. When slavery ended in the British Empire, the law recognized the slave owner's property loss more clearly than the formerly enslaved person's claim to repair. The financial constitution translated one side of the moral catastrophe into a payable claim. This illustrates the power of legal coding: institutions do not simply calculate value; they decide which relationship is recognizable as value.

Modern finance continues to depend upon coding. A securitized cash flow, a carbon credit, a data asset or an intellectual-property right acquires financial power when law and standards define its boundaries. New coding can mobilize investment, but it can also create claims that outrun the social and ecological relationships they represent.

A constitutional approach therefore requires a **coding audit**. Before a new asset class or property right is promoted, institutions should ask:

- What underlying relationship is being separated and made transferable?
- Who gains a right to exclude, sell or pledge?
- Which users, communities or ecological functions lack equivalent standing?
- What public infrastructure makes the coded asset valuable?
- Can the right be revised if its exercise destroys the source it represents?

The purpose is not to prevent innovation. It is to ensure that legal abstraction remains answerable to material consequence. Financial sovereignty expands whenever law creates a new durable claim. Democratic responsibility must expand with it.

Historical causation without historical determinism

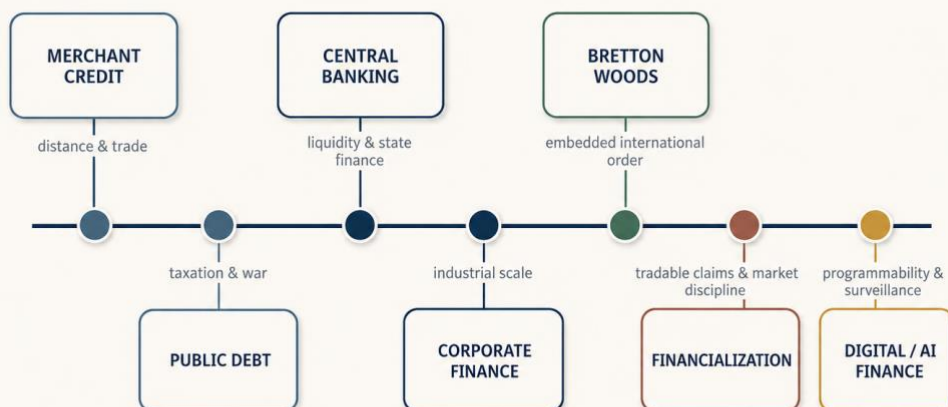
The sequence reconstructed here does not imply that Europe followed one necessary path or that all financial systems evolved through identical stages. Islamic finance, Asian merchant networks, indigenous systems of obligation and non-European state traditions developed different institutional forms. The selected history follows the lineages most directly connected to the contemporary Atlantic and global financial order.

Nor does historical construction imply that current institutions can be redesigned without constraint. Established claims, expectations, infrastructure and international relationships create path dependence. Reform must preserve legitimate reliance and essential function. But path dependence is not destiny. The institutions themselves were repeatedly remade through crisis, political struggle and legal imagination.

The historical record therefore supports a disciplined hope. Credit sovereignty is powerful because it is deeply institutionalized. It is revisable because it was institutionally made.

The Evolution of Financial Sovereignty

A historical shift from commercial promise to programmable infrastructure



The locus of sovereignty migrates: from merchant networks to fiscal states, central banks, corporations, markets and code.

FIGURE 6

Author's synthesis.

Figure 4. The Evolution of Financial Sovereignty. *The historical movement from personal and commercial promises to public debt, corporate authority, insured industrial expansion and globally transferable financial claims.*

Note. Author's synthesis informed by Accominotti and Ugolini (2020), Brewer (1989), Goodhart (1988), Rosenthal (2018), and Stern (2011). The stages are cumulative and overlapping rather than a universal linear sequence; timing and institutional form varied across regions and jurisdictions.

4. Credit and the Twentieth-Century World Order

The twentieth century transformed the scale at which states, firms and financial institutions could mobilize future resources. Total war brought money creation, public borrowing, taxation, production, rationing and labour under coordinated national command. The postwar settlement then embedded domestic policy within an international monetary architecture designed to prevent the destructive interaction of depression, competitive devaluation and political extremism. Decolonization universalized formal sovereignty while revealing how unequal productive structures and currency hierarchies could constrain it. By the century's end, financial liberalization and securitization had made claims increasingly mobile, tradable and capable of disciplining states from outside their territorial institutions.

Total war and monetary mobilization

War demonstrated that the immediate financial question—whether the state possessed enough money—was different from the underlying material question—whether society could mobilize labour, energy, food, industry and technology. Governments financed military expenditure through taxation, borrowing and money creation, but the real limit remained productive capacity and social willingness to transfer resources from civilian to military use (Harrison, 1998).

Public credit allowed states to spend before collecting all required taxes. Central banks supported government finance and stabilized markets. Administrative systems allocated foreign exchange, materials and labour. Price controls and rationing attempted to contain inflation and distribute scarcity. The state's financial capacity expanded because institutions coordinated claims upon the whole economy.

Mobilization was not socially neutral. Workers entered new industries; women expanded their formal employment; households accepted rationing; colonized territories supplied labour and materials; inflation and taxation redistributed purchasing power. The financial techniques of mobilization organized sacrifice, but they did not ensure that sacrifice was justly shared (Goldin, 1991; Harrison, 1998).

The lesson was double. Money could be created and public debt expanded far beyond peacetime conventions when political authority recognized an emergency. Yet nominal finance could not substitute for material capability. The state could command currency, but

it could not legislate steel, food or skilled labour into existence without organizing production.

Postwar debt management and embedded finance

The war left governments with high public debt and societies demanding reconstruction, employment, housing, health and social security. Rather than requiring immediate liquidation of public liabilities, many states managed debt through growth, regulated finance, moderate inflation, capital controls and central-bank support. Financial claims were embedded within a wider political settlement (Eichengreen, 2019; Reinhart & Sbrancia, 2015).

The Bretton Woods system formalized an international version of this settlement. Exchange rates were fixed but adjustable. The International Monetary Fund provided temporary support for balance-of-payments problems. Capital controls allowed states greater room to pursue domestic employment and social policy. The International Bank for Reconstruction and Development supplied long-term finance for reconstruction and development (International Monetary Fund, 1944; International Bank for Reconstruction and Development, 1944).

This order did not eliminate markets or private finance. It constrained international capital mobility so that domestic democratic settlements could operate with less fear of immediate exit. Ruggie described the arrangement as embedded liberalism: an open international economy reconciled, imperfectly, with national policy autonomy and social protection (Ruggie, 1982).

The Marshall Plan showed how grants, public finance and regional clearing could rebuild productive and monetary capacity rather than treating postwar Europe only as a field of creditor claims. Reconstruction required institutions, imports, infrastructure and demand, not merely the enforcement of old obligations (Economic Cooperation Act of 1948; Eichengreen, 2019).

The postwar settlement remained unequal. Colonial powers retained influence; access to dollar liquidity and development finance was uneven; and domestic welfare settlements often excluded racialized, colonial and informal workers. Yet it demonstrated that financial stability could be subordinated to a broader programme of productive reconstruction and social citizenship.

International liquidity and conditional support

The IMF was created to support countries facing temporary external imbalances without forcing destructive contraction or competitive devaluation. Its resources were pooled from members, and access was conditioned upon agreed adjustment. Conditionality therefore entered the international credit constitution as a mechanism intended to restore external viability while protecting collective resources (Boughton, 2001; International Monetary Fund, 1944).

The tension was present from the beginning. Support could enlarge policy space by supplying foreign exchange during stress. It could also narrow policy space by attaching conditions to budgets, exchange rates, public enterprises and financial regulation. The degree of constraint depended upon the scale of need, bargaining power, programme design and the availability of alternatives.

International institutions also exercised epistemic authority. Their models defined the problem: fiscal deficit, exchange-rate misalignment, structural bottleneck, inflation, external debt or governance failure. Diagnosis influenced remedy. Technical expertise was indispensable, but the classification of a crisis was never without distributive consequence.

Development finance and decolonization

Decolonization extended the legal form of sovereign statehood across Asia, Africa and the Caribbean. The Declaration on the Granting of Independence to Colonial Countries and Peoples affirmed political self-determination (United Nations General Assembly, 1960). Yet many new states inherited economies organized around primary exports, imported manufactures, foreign ownership and external currencies.

Formal sovereignty did not automatically create productive or monetary capacity. Development required infrastructure, education, industrial capability, technology and foreign exchange. Theories of structural transformation therefore emphasized the constraints imposed by commodity dependence, unequal trade and shortages of domestic savings or external currency (Chenery & Strout, 1966; Prebisch, 1950).

Development lending could finance essential capacity. It also carried assumptions concerning the desired structure of the economy, the role of the state and the sequence of reform. The creditor did not merely evaluate a project; it helped define what development meant. Helleiner's reconstruction of Bretton Woods shows that development concerns were

present in the founding debates, even though later practice often narrowed them (Helleiner, 2014).

The foreign-exchange constraint was especially important. A government might mobilize domestic labour and currency yet remain unable to import machinery, fuel, medicine or intermediate goods. Domestic monetary sovereignty could not by itself create external purchasing power. Development strategy therefore depended upon export capacity, reserves, aid, borrowing and the currency denomination of obligations.

Dollar sovereignty and the monetary hierarchy

Bretton Woods placed the dollar at the centre of international settlement. Other currencies were linked to the dollar, while the United States maintained convertibility into gold for official holders. Even after gold convertibility ended, dollar centrality persisted through trade invoicing, financial markets, reserves, bank funding and network effects (Cohen, 1998; Gopinath & Stein, 2021).

A dominant currency supplies global benefits. It reduces transaction costs, provides a common unit and supports deep markets in safe assets. It also creates asymmetric power. The issuer can borrow in its own currency, influence global liquidity and transmit domestic policy through international balance sheets. Other states often need the dominant currency to pay for imports, service debt and defend exchange rates (Eichengreen, 2011; Triffin, 1960).

Triffin identified a structural tension: the reserve-currency country must supply international liquidity, often through external deficits, but the accumulation of liabilities can eventually weaken confidence in the anchor. The specific form of the dilemma changed after the gold link ended, yet the wider problem remains. The global system depends upon assets and liquidity issued under one national legal and political order.

Dollar markets also expanded outside the United States. Offshore banking and Eurodollar markets allowed dollar claims to grow beyond direct domestic control. Private balance sheets became part of the global monetary infrastructure. During crisis, access to central-bank swap lines and emergency dollar liquidity revealed a hierarchy among currencies and jurisdictions (Farrell & Newman, 2019; Helleiner, 1994; Rey, 2013).

The hierarchy is not a simple ranking fixed for all time. Currencies can perform different functions in trade, reserves, finance and regional settlement. But states located lower in the

hierarchy face greater foreign-exchange risk, higher borrowing costs and stronger pressure to adjust through domestic contraction when external liquidity disappears.

The end of Bretton Woods and capital liberalization

The breakdown of fixed dollar-gold convertibility, inflation, oil shocks and changing political coalitions weakened the postwar settlement. Exchange rates among major currencies became more flexible. Financial innovation and deregulation expanded cross-border capital flows. Governments increasingly removed controls and opened markets to international investors (Helleiner, 1994).

Liberalization offered real benefits. Capital could finance investment beyond domestic savings. Portfolio diversification spread risk. Market prices supplied information and imposed discipline upon governments and firms. Developing states could access larger pools of finance.

The same mobility increased exit power. Investors could react quickly to policy, uncertainty and changing global interest rates. Governments seeking employment, industrial transformation or social spending had to consider how markets would interpret the programme. The possibility of capital flight and currency pressure narrowed the range of credible action even before funds moved.

Rey's global financial cycle thesis shows how monetary conditions in major centres can influence leverage, asset prices and capital flows across countries even under flexible exchange rates (Rey, 2013). The traditional policy trilemma—fixed exchange rate, open capital account and independent monetary policy—became less complete where global finance synchronized conditions across formally flexible regimes.

Debt crisis and conditional restructuring

The developing-country debt crisis of the 1980s revealed the vulnerability created when external borrowing, rising interest rates, commodity shocks and weak export earnings converged. Loans that had appeared manageable under one global environment became unsustainable under another. Refinancing dependence turned a change in creditor confidence into fiscal and social crisis (Boughton, 2001; Helleiner, 1994).

Adjustment programmes sought to restore external balance through fiscal restraint, devaluation, liberalization and structural reform. Some changes corrected genuine distortions and restored stability. Others reduced public investment, employment and social

protection, or shifted assets without creating durable productive capacity. The controversy cannot be resolved by treating every programme as either technical necessity or imperial imposition. It requires attention to the initial conditions, available alternatives, distribution of burden and post-adjustment capacity.

The debt crisis strengthened the role of international financial institutions and creditor committees in domestic policy. A state remained formally sovereign, but access to foreign exchange and refinancing was conditioned upon policy change. This was a form of supported sovereignty: assistance expanded immediate capacity while simultaneously reorganizing the terms of future autonomy.

Financialization and the tradable claim

Financialization describes the growing role of financial motives, markets and institutions in the operation of households, firms and the economy. It includes the expansion of financial profits, shareholder-value governance, institutional investment, household debt and the conversion of income streams into securities (Krippner, 2005).

The corporate shift toward maximizing shareholder value encouraged restructuring, outsourcing, share repurchases and performance measures tied to capital markets. These practices could improve discipline and release resources from inefficient management. They could also shorten time horizons, weaken investment and treat workers or public obligations as costs to be minimized (Lazonick & O'Sullivan, 2000).

Institutional investors aggregated savings from pensions, insurance and mutual funds into large pools. Their growth professionalized investment and widened diversification. It also concentrated voting and allocation authority in a small number of asset managers whose fiduciary mandates were commonly interpreted through financial return (Fichtner et al., 2017).

Households became more deeply integrated into financial markets through mortgages, pensions, consumer credit and asset ownership. This widened access to housing and investment but also made household security dependent upon leverage and asset prices. Research across countries links household debt booms to subsequent weakness in consumption and economic activity (Jordà et al., 2016; Mian et al., 2017).

Securitization and the transformation of liquidity

Securitization pooled loans and transformed their cash flows into tradable securities. It could diversify funding, distribute risk and lower borrowing cost. Structured finance used tranching and modelling to create securities with different priorities and expected losses (Coval et al., 2009).

The global financial crisis revealed the limits of this transformation. Risk had been distributed, but it had also become difficult to locate. Short-term wholesale funding supported long-term and complex assets. When confidence fell, runnable liabilities and uncertain collateral values generated a system-wide demand for liquidity (Gorton & Metrick, 2012).

The crisis did not prove that securitization or markets were inherently fraudulent. It showed that private liquidity can depend upon shared confidence and public backstops. Claims treated as safe can become illiquid when models, ratings and market conventions fail together. The state and central bank then re-enter as the ultimate protectors of monetary continuity.

The century's constitutional legacy

The twentieth century left a layered and internally tense order.

States retained taxation, law and public money, but financial markets became more mobile. Central banks gained independence and crisis authority, but their actions had distributional consequences. International institutions provided liquidity and development finance, but their support carried conditions. The dollar supplied global monetary infrastructure, but access to it remained unequal. Financial innovation expanded investment and risk sharing, but it also made claims more transferable and institutions more dependent upon market confidence.

The postwar settlement demonstrated that finance can be governed in support of employment, reconstruction and social provision. The liberalized order demonstrated the benefits and dangers of global liquidity and market discipline. Neither provides a complete model for the present. Capital controls, public banking or fixed exchange rates cannot simply be restored without regard to contemporary trade, technology and financial integration. Nor can the existing order be treated as the natural endpoint of monetary evolution.

The central constitutional question survives every transformation: who receives the power to convert future capacity into present claims, who is protected when those claims fail, and what room remains for democratic revision?

Safe assets, emergency liquidity and the unequal capacity to respond

The global hierarchy is reinforced by the demand for safe and liquid assets. Governments, banks and institutional investors require instruments that can store value, satisfy regulation and be sold during stress. The deepest markets and most widely accepted public liabilities therefore attract further demand, strengthening the currencies and states already located near the apex.

Safety is institutional rather than natural. A sovereign security is treated as safe because the issuing state possesses taxation, monetary authority, legal continuity and credible institutions. Global investors also value market depth: the ability to transact at scale without moving the price substantially. Small states cannot reproduce this liquidity simply by adopting prudent policy.

The asymmetry affects crisis response. A reserve-currency state can often finance emergency expenditure in its own currency and support domestic markets through its central bank. A peripheral state may face capital outflow, exchange pressure and rising external debt service at the same moment. The shock creates demand for the very foreign currency it cannot issue.

International reserves provide self-insurance, but accumulating them has an opportunity cost. Resources held in low-yield safe assets are unavailable for domestic investment, and the global system requires surplus countries to hold liabilities issued elsewhere. Swap lines and multilateral facilities can distribute liquidity more efficiently, but access remains selective and conditional.

This does not make reserve-currency privilege an unlimited licence. Monetary expansion in the centre can generate global spillovers, but reserve issuers also supply assets and liquidity the system demands. Responsibility should be proportional to capacity and network advantage, not transformed into an impossible obligation to guarantee every foreign balance sheet.

The hierarchy also shapes knowledge. Policies in major economies are treated as global facts to which others must adapt; policies in small economies are treated as local risks to be

priced. Research, ratings and market commentary concentrate upon the institutions that already possess power. The informational order can therefore reinforce the monetary order.

A more balanced system would diversify reserve assets, strengthen regional liquidity, improve multilateral access, use state-contingent debt and reduce unnecessary dependence upon foreign-currency borrowing. It would also recognize that external adjustment should not fall automatically upon the states with the least liquid claims and weakest negotiating voice.

The twentieth-century architecture shows that global money is a common infrastructure governed through national and private institutions. Its reform must therefore combine national responsibility, regional pooling and international reciprocity. No state can simply legislate itself to the monetary apex, but institutions can reduce the severity with which hierarchy becomes domination.

International monetary democracy and differentiated responsibility

An international credit constitution cannot be identical to a national constitution. There is no single global electorate, treasury or court with comprehensive authority. States retain unequal capacities and legitimate claims to self-government. Yet monetary interdependence creates common infrastructures and spillovers that no state can treat as purely domestic.

International monetary democracy should therefore be understood through principles rather than a centralized world government. The first is **voice proportional to consequence**: states and populations bearing material effects from international monetary decisions require meaningful representation, even where they do not supply the largest share of capital. The second is **responsibility proportional to capacity and network advantage**: institutions controlling reserve currencies, payment nodes and global standards carry obligations arising from the benefits and power of those positions.

The third principle is **subsidiarity**. Decisions should remain at the lowest level capable of governing the problem. Domestic credit allocation should not be centralized internationally. Cross-border liquidity, sovereign restructuring, climate finance and payment standards require coordination because unilateral action cannot resolve them.

The fourth is **non-destructive adjustment**. External balance must ultimately be restored, but the method should not automatically sacrifice health, education, maintenance and ecological resilience. Surplus and deficit countries, creditors and debtors, reserve issuers

and reserve users all participate in the production of imbalance. Responsibility cannot be assigned solely to the party facing the immediate financing gap.

The fifth is **plural monetary capacity**. Regional reserve pools, development banks, local-currency finance, payment interoperability and diversified reserve assets can reduce dependence upon one centre without fragmenting the international economy. Redundancy strengthens resilience where it creates alternatives rather than incompatible silos.

These principles do not eliminate power. Large economies will continue to possess deeper markets and greater bargaining capacity. The purpose is to prevent inequality of capacity from becoming unconditional authority over the adjustment of others.

Policy space should also be evaluated substantively. A government may retain the formal right to pursue a policy that would immediately trigger currency crisis, capital flight or loss of essential imports. The right exists, but the practical option does not. International reform should enlarge the set of responsible choices available to states rather than promise immunity from the consequences of every decision.

This requires changes in both debtor and creditor practice. Borrowers should improve fiscal transparency, project selection, tax capacity and management of contingent liabilities. Creditors should assess debt sustainability realistically, avoid lending into manifestly impossible structures and support timely restructuring. Multilateral institutions should identify which conditions are essential to recovery and which reflect one contested model of development.

The global order also needs a clearer distinction between liquidity and development. Emergency lending cannot substitute for productive transformation. A state repeatedly borrowing to cover external gaps may require infrastructure, export diversification, technology or grant finance rather than another short-term stabilization programme. Conversely, long-term development lending cannot substitute for immediate liquidity during panic.

The twentieth-century settlement demonstrates that monetary orders are political achievements. The next settlement must accommodate climate disruption, digital payment, large private balance sheets and the legitimate demand of small and developing states for practical—not merely formal—sovereignty.

The Global Hierarchy of Money and Credit

Unequal access to liquidity, safe assets, invoicing power and external adjustment



FIGURE 7

Author's synthesis.

Figure 5. The Global Hierarchy of Money and Credit. *Unequal access to reserve currencies, safe assets, international settlement and emergency liquidity produces unequal monetary sovereignty.*

Note. Author's synthesis informed by Cohen (1998), Eichengreen (2011, 2019), Farrell and Newman (2019), Gopinath and Stein (2021), Rey (2013), and Triffin (1960). The hierarchy is relational and dynamic rather than a fixed ranking of states or currencies.

5. How Finance Governs the Present

Contemporary financial power does not operate through one institution or one visible chain of command. It is distributed among commercial banks, central banks, sovereign-debt markets, rating agencies, international financial institutions, institutional investors, private-equity firms, private-credit funds, payment networks and digital platforms. Each performs a legitimate function. Together they shape which futures receive purchasing power, which risks become public concerns and which claims receive protection.

The purpose of this section is diagnostic rather than accusatory. Banks are not merely engines of extraction; they provide money, payments and credit assessment. Central banks do not simply serve asset owners; they preserve monetary unity and crisis liquidity. Ratings communicate information. Investment funds diversify savings. Private equity can reorganize firms. Payment systems enable daily life. The constitutional issue arises because bounded institutional functions aggregate into a structure of governance whose consequences exceed each mandate.

Commercial banks and the allocation of social possibility

Commercial banks create much of the money used by households and firms when they extend loans and credit deposits. They are constrained by expected repayment, capital, liquidity, funding, supervision and profitability. Yet within those constraints, their decisions allocate present command over resources (McLeay et al., 2014).

Credit commonly follows collateral and reliable cash flow. This is prudent from the lender's standpoint. It also means that housing and existing property can receive more finance than new productive capacity, especially where property offers standardized collateral and liquid resale markets. The interaction of mortgage lending, land scarcity and price appreciation can create a self-reinforcing cycle: rising property values support more lending, which supports higher values (Berger & Udell, 2006; Jordà et al., 2016).

The pattern is not inevitable. Banks also finance working capital, trade, equipment and enterprise. Relationship lending can recognize information not visible in standardized models. Guarantees and development institutions can share risk. The key point is that the banking system selects among possible uses of newly created purchasing power. Its aggregate portfolio is a social map of what the credit constitution recognizes as financeable.

Because risk is partly produced by infrastructure and policy, the market may underfinance activities essential to reducing future risk. A community without resilient energy, health or transport appears less bankable. Yet the investments required to improve those conditions may not generate an immediate private repayment stream. The result is circular: weak capacity raises financial risk, and financial risk restricts investment in capacity.

A plural credit ecology is therefore necessary, but it should not romanticize alternative institutions. Public and cooperative lenders must remain solvent, transparent and professionally governed. Commercial discipline and public purpose are complementary where they are constitutionally aligned (Mazzucato & Penna, 2016).

Central banks and the hierarchy of monetary protection

Central-bank money sits at the apex of the domestic monetary hierarchy. Commercial banks settle among themselves through central-bank balances, and cash or central-bank liabilities provide final settlement under public authority. This common foundation allows deposits at different banks to circulate at par (Goodhart, 1988; McLeay et al., 2014).

Central banks also influence the price and availability of liquidity. Policy rates affect bank funding, debt service, asset valuation and exchange rates. Collateral frameworks determine which assets can be exchanged for central-bank money. Emergency facilities determine which institutions receive time during stress. These are technical decisions, but they also distribute protection.

The lender-of-last-resort function prevents a temporary shortage of liquidity from destroying solvent institutions and the payment system. During crisis, however, solvency and liquidity are difficult to separate. Market prices may reflect real loss, panic or both. The central bank must decide what collateral is sound, what value to assign and whether an institution is viable. Crisis converts valuation into constitutional judgement (Financial Stability Board, 2024; Goodhart, 1988).

Monetary policy is also distributional, though its net effects must be assessed against the counterfactual. Asset purchases can raise the value of securities held disproportionately by wealthier households, but they may also reduce unemployment, stabilize pensions and prevent deeper collapse. Interest-rate increases can protect purchasing power while raising unemployment and debt-service burdens. The fact of distribution does not settle the policy choice; it requires transparent analysis of channels, alternatives and uncertainty (Bunn et al., 2012; Mian et al., 2017).

Central-bank independence protects professional judgement from short-term political pressure. It should not become sovereignty beyond review. Mandates, instruments and crisis facilities are created by law and remain answerable to public purpose.

Sovereign debt and the post-payment condition

Sovereign borrowing allows states to finance investment, smooth shocks and respond to emergency. Because a state cannot be liquidated like a corporation, its debt is sustained by taxation, public assets, foreign exchange, political legitimacy and the expectation of refinancing. Market access therefore becomes part of practical sovereignty (International Monetary Fund, 2021; Panizza et al., 2009).

Debt sustainability analysis usually examines whether obligations can be serviced under plausible assumptions about growth, interest rates, primary balances and exchange rates. These variables are essential. Yet a state can remain financially current while becoming institutionally weaker. Maintenance is postponed, health and education deteriorate, adaptation is underfunded and skilled workers leave. The debt is paid, but the future repayment base and public legitimacy are consumed.

The **post-payment condition** asks what remains after service. Did borrowing create infrastructure, capability and resilience proportionate to the liability? Can the state maintain essential functions and democratic choice? Solvency understood only as current payment can conceal life insolvency.

Refinancing dependence intensifies the discipline. A maturity date can force adjustment even where the underlying economy retains long-term capacity. Market access depends upon anticipated creditor judgement; governments act today partly in response to what future lenders may believe. Sovereignty becomes temporally conditional.

Ratings and the government of credibility

Credit ratings summarize an agency's opinion concerning the relative likelihood of payment. They help investors compare issuers and can reduce information cost. Ratings are not guarantees and should not substitute for independent assessment (Cantor & Packer, 1996; International Organization of Securities Commissions, 2015).

Their power increases when regulations, mandates, collateral frameworks and investment policies use rating thresholds. A classification intended as information becomes an eligibility rule. Downgrade can raise funding cost, force sales or reduce collateral access. The rating

then participates in producing the conditions it evaluates (International Organization of Securities Commissions, 2015; Pistor, 2019).

Procyclicality is a risk. Deteriorating conditions justify reassessment, but a downgrade can intensify the stress through higher spreads and reduced market access. Ratings do not cause every crisis, and withholding negative information would create other harms. The constitutional issue is excessive reliance upon one standardized classification and the limited routes available for affected states or firms to correct factual error and explain context.

International financial institutions and conditional sovereignty

International financial institutions pool resources, supply foreign exchange, coordinate creditors and provide technical knowledge. Their support can prevent disorderly default, stabilize payments and protect essential imports. Small and crisis-affected states may possess no equivalent source of rapid external finance.

Support is rarely unconditional. Programmes specify fiscal, monetary, financial and structural measures intended to restore viability and protect the institution's resources. Conditions can correct genuine imbalances and create a credible commitment that unlocks additional finance. They can also narrow democratic choice and distribute adjustment toward those with the least bargaining power (Boughton, 2001; International Monetary Fund, 2024).

Conditionality is neither inherently illegitimate nor automatically neutral. Its legitimacy depends upon the diagnosis, the evidence, the proportionality of measures, protection of essential functions, domestic authorization and availability of realistic alternatives. A programme that restores payment by weakening the productive and institutional base can become self-defeating.

The relationship is best understood as **supported sovereignty**. External assistance enlarges immediate capacity while creating obligations and policy constraints. The task is to ensure that support restores the borrower's capacity for self-government rather than making permanent supervision the condition of solvency.

Asset managers and concentrated stewardship

Pension funds, insurers, mutual funds and asset managers pool savings and diversify risk. Large managers can lower cost, improve access and exercise governance across thousands of companies. The rise of passive index investing has further concentrated voting power

because a small number of firms hold shares across much of the corporate economy (Appel et al., 2016; Fichtner et al., 2017).

Concentrated ownership is not the same as centralized control. Asset managers act under mandates and compete for clients. Their holdings are often dispersed across funds, and they do not freely deploy beneficiaries' money. Yet their voting, engagement and capital-allocation practices can influence corporate governance at a scale unavailable to ordinary savers.

The universal-owner perspective can encourage attention to economy-wide risks such as climate instability because large portfolios cannot escape systemic harm. It can also dilute accountability: the manager may hold nearly every firm, face conflicts among clients and rely upon standardized policies. Stewardship becomes a private governance function exercised over corporations whose effects are public.

The constitutional response is not to presume that large managers are either benevolent guardians or hidden sovereigns. It is to clarify fiduciary purpose, voting transparency, conflicts, beneficiary voice and responsibility for systemic consequences.

Private equity and the financialization of necessity

Private equity can supply patient capital, concentrated governance and expertise to firms needing transformation. Leveraged buyouts align managers and owners, replace dispersed control and can improve operations. Research documents substantial variation across funds, industries and transactions (Kaplan & Strömberg, 2009).

The same model can transfer acquisition debt onto the purchased enterprise, encourage asset sales and prioritize cash extraction. Where the target provides healthcare, housing, care, infrastructure or other necessities, financial restructuring can affect people who are not parties to the acquisition. The contractual allocation of risk may leave workers, tenants, suppliers or public authorities absorbing consequences.

The distinction between value creation and value extraction therefore matters. Operational improvement, innovation and productive investment differ from raising returns through leverage, reduced maintenance, fee extraction or sale of assets whose social function is difficult to replace. Financial return alone cannot settle which process occurred.

Private ownership does not remove public responsibility where the enterprise performs an essential function or relies upon public payment. Regulation should protect service

continuity and transparency without treating private capital as inherently incompatible with public benefit.

Shadow banking and private credit

Non-bank financial intermediation includes money-market funds, securitization vehicles, broker-dealers, finance companies and private-credit funds. These institutions can diversify funding and provide credit where banks are constrained. They also create chains of leverage, collateral and short-term funding outside traditional deposit regulation.

The crisis of securitized banking showed how runnable wholesale liabilities can transmit panic even without ordinary retail deposits (Gorton & Metrick, 2012). The constitutional concern is function rather than label. Institutions performing bank-like maturity or liquidity transformation can generate public consequences even if they are not legally banks.

Private-credit funds supply customized loans, often to firms too small, leveraged or complex for public bond markets. Covenants can give creditors substantial control before default, including influence over investment, payouts and restructuring (Nini et al., 2012; Pistor, 2019). This can preserve value through early intervention. It can also transfer strategic authority to lenders whose mandate is financial recovery rather than the wider future of workers or communities.

The expansion of private credit therefore raises questions of transparency, concentration, valuation and interconnectedness. Regulation should be proportionate to actual systemic function and avoid assuming that risk disappears when it moves beyond banks.

Payment systems, sanctions and financial geopolitics

Payment infrastructures are civil necessities. Households require them for wages and purchases; firms for suppliers and customers; governments for taxes and benefits. The Principles for Financial Market Infrastructures recognize the systemic importance of payment, clearing and settlement systems (Committee on Payment and Settlement Systems & Technical Committee of the International Organization of Securities Commissions, 2012).

Correspondent banking connects domestic institutions to foreign currencies and cross-border settlement. A bank can be domestically solvent yet unable to support trade, remittances or tourism if correspondent access is withdrawn. Fixed compliance cost, low transaction volume and risk aversion can make small jurisdictions commercially unattractive

even where their actual risk is manageable (Financial Action Task Force, 2016; World Bank, 2015).

Payment access is therefore a form of relational sovereignty. A state may issue domestic money while remaining dependent upon foreign networks for external usability. De-risking can encourage stronger compliance, but indiscriminate withdrawal can push activity into less transparent channels and punish whole populations for institutional weakness.

Sanctions reveal network power more explicitly. States or coalitions controlling central nodes can restrict access to finance without direct territorial coercion. Such measures can serve legitimate security and legal objectives, but their reach arises from the architecture of interdependence (Farrell & Newman, 2019).

Digital money, artificial intelligence and programmable power

Digital finance can reduce cost, widen access and improve the speed of payment. It can also concentrate data and authority. A platform deciding identity, eligibility, fraud and transaction rules may become an essential financial governor even where it does not create money.

Programmable payment can automate escrow, taxes, benefits and contractual performance. The same capacity can condition general monetary access, freeze funds automatically or make lawful activity visible to commercial and public actors. The design question is constitutional, not merely technical (Bank for International Settlements et al., 2020, 2024).

Artificial intelligence can improve fraud detection, underwriting and service. Models can identify patterns beyond human capacity and widen credit where traditional information is scarce. They can also inherit historical inequalities, use proxies for protected characteristics and make errors difficult to contest. A system optimized for default prediction may ignore dignity, explanation and the social production of risk.

Data minimization, accuracy, documentation, human oversight and appeal are therefore central. Institutions remain responsible for outsourced models and vendors. The person should not be reduced to a score without a practical route to correction (Regulation [EU] 2016/679; Tabassi, 2023; UNESCO, 2021).

Governance through defaults, classifications and institutional time

Much contemporary financial governance occurs through defaults rather than explicit commands. A standard contract assigns priority unless negotiated otherwise. A risk weight influences portfolios. A benchmark determines which securities funds hold. A payment platform's terms define acceptable users. A procurement rule decides which technologies can enter public infrastructure. Default rules matter because most participants lack the time or bargaining power to redesign them.

Classification is similarly powerful. The labels *systemic*, *investment grade*, *eligible collateral*, *high risk* and *non-performing* activate different rights and responses. Classification is unavoidable, but it should remain contestable. A threshold designed for comparability can become a cliff edge; a category created for prudence can exclude borrowers with unconventional but viable capacities.

Institutional time is another governing resource. A central bank can create time for a market. A court can stay enforcement. A creditor can grant forbearance. A rating committee can delay or accelerate review. A government can provide temporary income and prevent a household shock from becoming default. The unequal capacity to suspend immediate consequence is a major source of financial power.

Rights and remedies should therefore be built into the architecture before crisis. Explanation, correction, hardship procedures, mediation, insolvency and resolution are not concessions outside the financial system. They are part of the system's legitimacy. A regime that protects origination and enforcement but lacks rehabilitation is structurally incomplete.

Systemic feedback also requires attention. Banks, sovereigns, households and asset markets are connected. Rising property values strengthen collateral and lending; falling values weaken both. Sovereign stress affects domestic banks; bank rescue affects public debt. Higher interest rates reduce inflationary demand while increasing debt service and potentially weakening financial stability. The same intervention can protect one layer and destabilize another.

This complexity does not make action impossible. It requires that institutions publish their causal assumptions, monitor distributional channels and revise policy when observed harm contradicts the model. Coordination should not erase legal responsibility. Each institution remains answerable for the powers it actually exercises.

The contemporary diagnostic can be summarized through three questions. **Who receives money? Who receives time? Who receives protection?** Money concerns allocation; time concerns maturity and liquidity; protection concerns rescue and priority. Together they reveal how the financial constitution governs the present.

Accountability across the Financial Power Stack

Distributed power creates an accountability problem. An institution can point upward to law, sideways to the market and downward to the client. The bank follows regulation; the regulator follows statute; the fund follows mandate; the government follows market conditions; the platform follows its terms. Responsibility dissolves into the network.

A constitutional framework should assign accountability according to the power actually exercised. Institutions controlling access owe reasons for exclusion. Institutions designing models owe responsibility for objectives, data and foreseeable errors. Institutions receiving public support owe transparency and reciprocity. Institutions setting standards owe procedures for review when uniform rules produce disproportionate harm.

Accountability should also distinguish **decision**, **influence** and **dependency**. A rating agency decides a rating, but investors and regulations determine its effect. A central bank decides collateral eligibility, but fiscal and market structures shape which assets exist. A platform decides account access, but public agencies may have made the platform indispensable. Responsibility is shared but not therefore absent.

The Stack can be audited layer by layer.

For monetary power, ask who may issue widely accepted liabilities and who bears loss when confidence fails. For allocative power, examine portfolio patterns and excluded capacities. For valuation power, identify assumptions, data gaps and cliff effects. For disciplinary power, assess proportionality, hardship and rehabilitation. For infrastructural power, examine interoperability, privacy, fallback and withdrawal. For protective power, disclose beneficiaries, conditions and public exposure.

Cross-layer feedback should be reported explicitly. A collateral policy can increase property concentration. A rating rule can affect central-bank eligibility. A platform's fraud model can alter access to wages and benefits. A sovereign downgrade can weaken banks holding public debt. The audit should reveal such chains before crisis rather than reconstruct them afterward.

Public participation is necessary but should be fitted to the decision. Citizens should not vote on individual credit files. They should help establish mandates, rights, acceptable risks and social priorities. Workers, borrowers, depositors and communities should possess standing where institutional decisions affect them systematically. Expert judgement remains essential, but expertise should state uncertainty and alternatives rather than present one model as inevitability.

Competition policy is also constitutional. A firm controlling deposits, payments, data and lending can combine multiple layers of power. Market share alone may understate dependency where users cannot exit without losing identity, history or access to essential services. Interoperability and portability can reduce domination without requiring public ownership of every provider.

The right to exit must be complemented by the right to continuity. A household cannot exercise meaningful market choice if changing provider interrupts wages or payments. A state cannot diversify correspondence instantly. Public standards and fallback arrangements create the conditions under which competition is real.

Transparency has limits. Commercial confidentiality and personal privacy are legitimate. The relevant requirement is not universal disclosure but sufficient public knowledge of mandates, aggregate exposure, model governance, rescue conditions and systemic effects. The institution should be transparent about the rules of the game even where individual transactions remain confidential.

Function before ownership

The contemporary financial system should not be judged by whether institutions are public or private in the abstract. Ownership affects incentives and accountability, but function is the prior question. Which institution creates money? Which allocates credit? Which controls payment? Which bears risk? Which receives rescue? Which populations depend upon continuity?

The diagnostic principle is **function before ownership**. Public authorities may need to preserve a bank's payment function while imposing losses upon owners. A private platform may require public-service obligations because exclusion from it disrupts ordinary life. A public bank may require closure if its mandate has become patronage and its function can be transferred.

The present order is governed through the interaction of monetary, allocative, valuation, disciplinary, infrastructural and protective powers. The next section turns beneath those mechanisms to the life-ground they depend upon and the institutional processes through which harm can remain excluded from the financial account.

6. The Life-Ground Beneath the Balance Sheet

Financial systems are designed to identify claims, measure risk, preserve payment and allocate capital. These capacities are indispensable. The problem begins when the categories required for financial coordination are treated as a complete account of the world. A balance sheet can be internally coherent while the lives, institutions and ecosystems supporting it deteriorate.

The paper calls this reversal the **Great Financial Inversion**: financial representations and claims become more visible, mobile and protectable than the capacities from which their value arises. The claim is not unreal. It is derivative. Its legitimacy depends upon the human, productive, public and ecological systems that make fulfilment possible (McMurtry, 2013; Polanyi, 2001).

Claims and the sources of value

A financial asset is a right to receive money or another economic benefit. Accounting frameworks appropriately distinguish assets, liabilities, income and expense according to defined recognition criteria (International Accounting Standards Board, 2018). The discipline makes organizations comparable and accountable. It does not imply that everything upon which the entity depends appears as its asset.

A hospital depends upon trained workers, public health and social trust. A bank depends upon courts, payment systems and monetary stability. A business depends upon households capable of purchasing its output. Every enterprise depends upon energy, materials and ecological processes. Many of these conditions cannot be owned by the reporting entity and should not be converted into private property merely to make them visible.

The financial account is therefore a map rather than the territory. Maps are necessary because action without abstraction is impossible. The constitutional danger arises when what the map excludes is treated as if it did not matter (International Accounting Standards Board, 2018; Stiglitz et al., 2009).

National accounts face the same boundary. Gross domestic product records market production and selected non-market activities, but unpaid care, distribution, depletion and many aspects of well-being require complementary measures. Environmental-economic accounting and broader well-being frameworks attempt to widen institutional vision

without pretending that every value can be collapsed into one number (European Commission et al., 2009; Stiglitz et al., 2009; United Nations et al., 2021).

The hierarchy of financial visibility

Claims become institutionally powerful when they are standardized, recorded and enforceable. Debt service appears in a contract and budget. A bond price updates continuously. A collateral shortfall triggers action. Ecological degradation, unpaid care and institutional exhaustion often appear indirectly, later or in another organization's account.

This creates a hierarchy of visibility. The most liquid and legally codified claims receive rapid response. Conditions without clear owners or prices are easier to postpone. The hierarchy is not simply the result of bad intention. It follows from the architecture of decision: what can trigger a covenant, audit qualification, margin call or statutory duty commands immediate attention.

A government can therefore cut maintenance to meet a legally fixed payment. The debt service is visible and time-bound; the future infrastructure failure is probabilistic and politically delayed. A company can reduce staffing to meet a return target; the financial result appears immediately, while the loss of knowledge, safety or care emerges later. The account rewards what it can see.

The answer is not to eliminate financial triggers. It is to create institutional triggers for the life-ground: ecological thresholds, maintenance standards, social floors, workforce safety, resilience and public capability.

Compound claims and temporal enclosure

Debt compounds when unpaid interest and refinancing cause the claim to grow over time. Compound finance can support long-horizon saving and investment. It can also create a mismatch between mathematically expanding claims and bounded material capacity.

A financial claim can grow according to contract even where the underlying productive or ecological system cannot expand at the same rate. The borrower may preserve payment through new debt, asset sales, cost reduction or extraction. The apparent continuity of the claim can conceal deterioration of the repayment base (Fisher, 1933; Minsky, 1986).

Temporal enclosure occurs when inherited obligations occupy so much future income, revenue or policy space that the capacity for meaningful revision narrows. A household may

organize decades around mortgage service. A company may subordinate investment to debt covenants. A state may treat future budgets primarily as the administration of prior claims.

Enclosure is not created by duration alone. Long-term obligations can produce durable capacity and intergenerational fairness. It arises where the future burden is not accompanied by assets, institutions or resilience proportionate to the claim, or where no workable procedure exists for adjustment after material change.

Refinancing can defer the conflict. It can also intensify it by making the borrower continuously answerable to current market confidence. Insolvency and restructuring law exist because contractual time must sometimes be revised to reconnect claims with possible performance (Panizza et al., 2009; United Nations Commission on International Trade Law, 2004; World Bank, 2021).

Debt also reaches into bodies. Research links unsecured debt with adverse mental and physical health, though effects vary and causation is complex (Richardson et al., 2013). The important constitutional point is that repayment is never merely a movement between accounts. It is enacted through work, consumption, stress, care and foregone alternatives.

Crisis and the hierarchy of the protectable

A crisis reveals what institutions consider protectable. Payment systems, bank liquidity and government-bond markets may receive intervention within hours. Households, workers, small firms and ecosystems often wait for slower political processes. The difference partly reflects operational necessity: payment collapse can transmit harm rapidly. It also reflects institutional readiness. Facilities exist for some claims before the crisis begins.

Modern resolution frameworks increasingly distinguish critical functions from incumbent ownership. Authorities may transfer deposits, continue payments and restructure liabilities while shareholders and managers bear loss (Financial Stability Board, 2024; International Association of Deposit Insurers, 2025). This is an important constitutional principle: the public interest lies in continuity of necessary function, not automatic preservation of every legal person or valuation.

The principle should extend beyond banks. A hospital's care function may require protection even if the owner fails. A utility may need continuity while its capital structure is restructured. A household requires shelter and subsistence while a legitimate claim is adjusted. An ecosystem may require immediate protection because loss is irreversible.

Distress sales illustrate why sequence matters. Forced liquidation into a dysfunctional market can destroy going-concern value and transfer assets to buyers with liquidity (Shleifer & Vishny, 1992). The creditor may recover less, workers lose employment and productive capacity disappears. Time can be a public resource when it permits assessment and reorganization rather than denial of genuine loss.

The observed hierarchy of crisis protection frequently places payment and the monetary core first, systemic institutions second, secured and marketable claims next, and public services, employment, communities and ecology below them. A life-grounded hierarchy would protect immediate necessities and ecological viability first, work, care and essential public function next, productive and community continuity thereafter, then payment stability and ordinary monetary security, with speculative and residual claims absorbing loss earlier.

This is not a fixed algorithm. It is a constitutional orientation toward the source of value.

Financial autopoietization

The concept of autopoiesis describes living systems that continually reproduce the components and relations through which they exist. Financial institutions are not biological organisms, and the analogy should not be literalized (Maturana & Varela, 1980). Yet systems theory helps illuminate how institutional communication can become operationally self-referential.

Finance observes the world through distinctions such as liquid/illiquid, solvent/insolvent, collateralized/unsecured, investment-grade/speculative and performing/non-performing. These distinctions are necessary for specialized coordination. Problems arise when only events translated into the system's own code can trigger correction.

Esposito shows how finance organizes expectations of expectations: market participants act not only upon future events but upon what they expect others to expect (Esposito, 2011). Prices, ratings and liquidity therefore become recursively related. A model changes behaviour; the changed behaviour validates or destabilizes the model.

Financial autopoietization names the institutional tendency for financial communication to reproduce its own categories, incentives and protective responses even as conditions outside the account weaken. It does not imply consciousness, intention or complete closure. Financial institutions remain legally and materially coupled to governments, households, firms and ecosystems. The problem is selective sensitivity.

A bank's risk system may respond immediately to collateral volatility but not to the community deterioration produced by credit withdrawal. A fiscal framework may record debt service precisely while treating maintenance deficits as discretionary. A fund may measure tracking error more rigorously than the systemic effects of the index it follows. The institution remains coherent according to its code.

Organized not-knowing

Institutions often possess information about harm. Climate reports, workforce data, public-health indicators, complaints, maintenance records and local knowledge may all be available. Yet information does not necessarily become institutionally actionable.

Organized not-knowing occurs when an institution possesses information about harm, yet its categories, incentives and procedures prevent that information from altering valuation, responsibility or action.

This condition differs from secrecy. No one needs to conceal the information. The harm may be acknowledged in a sustainability report, risk appendix or stakeholder meeting while remaining outside the decision rule governing capital, compensation or legal duty.

Audit systems can intensify the problem when what is easiest to verify displaces what is most important. Power's analysis of the audit society shows how rituals of verification can create confidence while narrowing attention to auditable objects (Power, 1997). Artificial-intelligence governance faces a related challenge: a model can be documented and statistically monitored while the objective it optimizes remains normatively incomplete (Tabassi, 2023).

The response is not to reject measurement. It is to expose boundaries, preserve dissenting evidence and create routes through which external harm can update the model. Institutions need plural indicators, independent review and responsibilities that extend beyond procedural compliance.

Accounting, disclosure and responsibility

Sustainability disclosure can make climate and other risks more visible to investors. IFRS S1 requires entities to disclose sustainability-related risks and opportunities that could reasonably be expected to affect prospects (International Sustainability Standards Board, 2023). Such standards improve comparability and governance.

Financial materiality remains narrower than life materiality. A degraded watershed may be material to a community before it produces measurable effects on an issuer's cash flow. A

labour practice may violate dignity without threatening enterprise value. The distinction should be explicit rather than blurred.

Disclosure is also not remedy. A firm can report a risk accurately while continuing to transfer it. Responsibility requires substantive duties, liability, public regulation and collective decision where harm exceeds the capacity of market disclosure to correct it (United Nations, 2011).

Environmental-economic accounts, well-being measures and social indicators should therefore complement financial statements rather than be forced into them. Plural accounts preserve distinctions among market value, ecological condition, human capability and public obligation.

From financial stability to life stability

Financial stability usually refers to the capacity of the system to provide services and absorb shocks without severe disruption. It is essential. Payment, credit and insurance support ordinary life; their collapse can cause widespread harm.

But financial stability is not sufficient. A system can preserve banks and markets while households, public institutions and ecosystems become more fragile. Stability of the financial architecture can be purchased through instability transferred elsewhere.

Life-coherent financial stability is the condition in which monetary and financial continuity protects the human, social, institutional, productive and ecological capacities upon which the system depends. It places financial stability inside life stability rather than beside or above it.

Resilience scholarship distinguishes the capacity to absorb disturbance from the preservation of one existing configuration. A system can be highly resilient in reproducing an undesirable state. Life coherence therefore asks what is resilient, for whom and at whose cost (Folke, 2006; Holling, 1973).

Infrastructure resilience requires maintenance, redundancy, repair capability and institutional learning, not only emergency finance (Hallegatte et al., 2019; United Nations Office for Disaster Risk Reduction, 2015). Social protection provides buffers that prevent shock from destroying health, education and productive participation. Ecological boundaries identify conditions that cannot be substituted indefinitely by financial wealth (International Labour Organization, 2012; Richardson et al., 2023).

A life-stability framework would stress-test more than bank capital. It would ask:

- What financial shock would interrupt food, water, health, housing or payments?
- What social shock would weaken the repayment base?
- What ecological threshold would reprice collateral, insurance or public debt?
- Which communities possess the least capacity to absorb adjustment?
- Which maintenance and care systems are being consumed to preserve current claims?
- What institutions can repair rather than merely stabilize?

No single index can answer these questions. Monetary, fiscal, social, productive and ecological indicators should remain plural. The task is coordination without false commensuration (Network for Greening the Financial System, 2020; Stiglitz et al., 2009; United Nations et al., 2021; United Nations Office for Disaster Risk Reduction, 2015).

The life-ground is not an external moral supplement added after financial analysis. It is the material and institutional condition of finance itself (Dasgupta, 2021; McMurtry, 2013; Polanyi, 2001). The next section examines this relationship from the Caribbean and small-island vantage point, where foreign-exchange dependence, climate exposure, narrow markets and payment vulnerability make the hidden constitution unusually visible.

The social floor, ecological ceiling and reality condition

A life-grounded financial order requires a minimum social floor because monetary participation is inseparable from agency. People need food, shelter, healthcare, education, legal identity and usable payments to participate meaningfully in markets and democracy. The floor does not promise equal outcomes or unrestricted consumption. It prevents enforcement and adjustment from destroying the conditions of responsible action.

The ecological ceiling performs a different function. It recognizes that some physical processes cannot be repaired through later income. Emissions, biodiversity loss, water depletion and land degradation involve thresholds, delay and irreversibility. Financial return generated beyond these limits is not made legitimate by accurate pricing alone.

The floor and ceiling should not be reduced to one metric. Social needs are context-dependent and democratically interpreted; ecological limits require scientific evidence and precaution. Conflict is unavoidable. Housing, energy, food and infrastructure affect both human need and ecological pressure. Constitutional governance must make the trade-offs visible rather than allowing them to be decided silently through purchasing power.

The **reality condition** requires wounds to update the model. If a policy intended to stabilize debt repeatedly weakens the repayment base, the framework must change. If a green instrument finances activity without additional benefit, the label must lose authority. If public banking reproduces patronage, ownership cannot excuse failure. Life coherence is not a moral declaration that immunizes institutions from evidence.

A useful audit distinguishes four layers:

- **financial integrity:** are accounts accurate and obligations credible?
- **functional continuity:** can essential services and productive processes continue?
- **distributive viability:** are burdens placed where people and institutions can bear them without permanent exclusion?
- **ecological durability:** do the underlying systems remain capable of regeneration?

An arrangement can pass one layer and fail another. A technically solvent utility can undermaintain water infrastructure. A profitable enterprise can depend upon labour practices that destroy health. A socially generous programme can become fiscally unsustainable. The purpose of plural accounting is to make these conflicts governable.

Life stability also requires buffers. Financial capital absorbs monetary loss; social protection absorbs household shock; public reserves absorb emergency expenditure; ecological redundancy absorbs disturbance. Efficiency that eliminates every buffer can make the system brittle. The cheapest ordinary arrangement may be the most expensive under stress.

Maintenance is therefore constitutionally important. New investment is visible and politically attractive; maintenance prevents failure that never becomes a celebrated event. Underfunded maintenance borrows invisibly from future users. Life-coherent finance must recognize prevention and repair as investment in capacity.

The life-ground does not stand outside economics. It is the basis upon which economic calculation remains possible. Health sustains labour, ecosystems sustain materials and energy, institutions sustain trust, and public infrastructure sustains exchange. Finance becomes truthful when its accounts and remedies remain answerable to these dependencies.

Measurement architecture for life-coherent stability

A life-stability framework needs information capable of crossing institutional boundaries. Traditional financial indicators remain essential: capital, liquidity, debt service, inflation,

reserves, non-performing loans and market functioning. They should be connected to indicators of the capacities that generate and absorb financial performance.

At the household level, relevant measures include housing security, debt-service burden, access to healthcare, income volatility, savings buffers and the capacity to recover from shock. At the enterprise level, they include productive investment, maintenance, workforce capability, supplier resilience and dependence upon imported inputs. At the public level, they include infrastructure condition, service capacity, contingent liabilities, tax administration and disaster readiness. Ecological measures include water, soil, emissions, biodiversity, hazard exposure and regenerative capacity.

The architecture should avoid a single total score. Composite indices can communicate complexity but may permit strength in one domain to hide failure in another. A state should not be declared life-solvent because financial reserves offset severe water insecurity. A project should not pass because employment gains mathematically cancel irreversible ecological loss.

A dashboard can instead use thresholds, trends and confidence. Each indicator should show whether a minimum condition is met, whether the direction is improving and how reliable the evidence is. Uncertainty should be visible rather than converted automatically into a point estimate.

Stress testing can then ask reverse questions. Instead of forecasting only the expected loss under one scenario, institutions can identify the shocks that would interrupt essential functions. What combination of food-price, climate, cyber, bank and sovereign stress would cause payment failure? Which communities would lose access first? Which public institution lacks redundancy? What recovery time is acceptable?

These tests should include feedback. A climate event damages collateral and public infrastructure; insurance withdraws; government debt rises; banks reduce lending; unemployment weakens revenue. The purpose is not to predict the exact sequence but to identify where buffers and coordination are missing.

Distributional analysis is equally important. Aggregate stability can conceal concentrated collapse. A modest average debt burden may coexist with severe distress among young families, small enterprises or one region. Policies should report who gains time, who loses income and who bears residual risk.

The measurement system itself requires governance. Indicators can be gamed, and targets can displace purpose. Independent statistical capacity, open methodology, local knowledge

and periodic review are therefore part of financial stability. Data collection should not become an excuse for delaying action where harm is evident.

The life-ground test is ultimately qualitative as well as quantitative. Numbers identify patterns and thresholds; democratic and legal judgement determines acceptable trade-offs. The purpose of measurement is to make consequence visible, not to replace public reason.

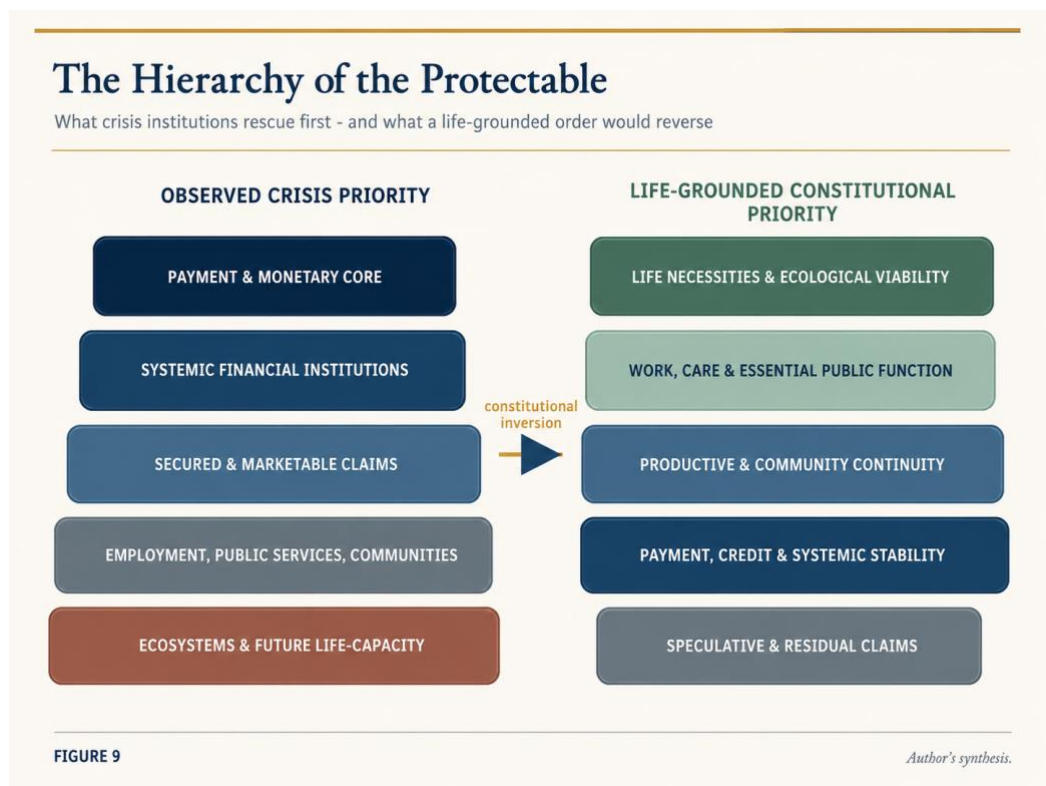


Figure 6. The Hierarchy of the Protectable. *What crisis institutions rescue first—and what a life-grounded order would reverse.*

Note. *Author's synthesis informed by the Financial Stability Board (2024), the International Association of Deposit Insurers (2025), Minsky (1986), and Shleifer and Vishny (1992). The observed hierarchy is an interpretive reconstruction and varies by crisis, jurisdiction and institutional design. The life-grounded hierarchy is normative: it protects life necessities, ecological viability and essential function before speculative and residual claims.*

7. The Caribbean and Small-Island Condition

The Caribbean and small-island condition is not a peripheral exception to the global financial order. It is a diagnostic lens. Small states make visible distinctions that larger economies can obscure: the difference between legal sovereignty and usable monetary capacity; between domestic currency and foreign-exchange access; between financial solvency and payment connectivity; between formal market access and the ability to refinance without surrendering policy space.

Smallness does not mean weakness in every domain. Caribbean states possess democratic institutions, skilled populations, cultural cohesion, extensive marine territories and traditions of regional cooperation. Some have maintained monetary stability for decades. Their vulnerability arises from concentrated exposure: narrow production, import dependence, small financial markets, high infrastructure cost, climate hazards and dependence upon external networks whose rules they do not control (Briguglio, 1995; Mycoo et al., 2022; World Bank, 2016).

Plantation inheritance and the architecture of dependence

The modern Caribbean economy was shaped through plantation production, colonial trade and external finance. Land, labour and infrastructure were organized around export commodities and metropolitan markets. Local economic life was subordinated to the requirements of sugar, slavery and imperial revenue (Beckford, 1972; Best & Levitt, 2009; Rosenthal, 2018).

Plantation finance created an externally oriented circulation. Capital, insurance, shipping and merchant credit connected production to foreign markets. Profits and ownership claims could move outward while social and ecological costs remained in the territory. Local food systems, diversified enterprise and infrastructure serving broad domestic capability received less priority than export extraction.

Emancipation changed legal status without reversing the inherited distribution of land and capital. British compensation protected slave owners, not the formerly enslaved, leaving freedom without equivalent assets or credit (Draper, 2010; Hall et al., 2014). This legacy matters because collateral-based finance rewards property accumulated under prior legal orders.

The plantation economy should not be treated as an unchanging destiny. Caribbean societies have transformed profoundly. Yet recurring features remain: dependence upon a small number of foreign-exchange sectors, imported necessities, external ownership and financial institutions oriented toward recognized property and stable salaried income. Historical structure continues to shape what appears bankable.

The savings paradox and plural finance

Caribbean economies may possess substantial household savings and liquid banking systems while productive enterprises struggle to obtain suitable finance. This is not necessarily a contradiction. Banks must protect deposits and manage concentration in small markets. Many projects are small, innovative, weakly collateralized or exposed to the same climate and sector risks already present in the portfolio.

The **savings paradox** arises when local savings exist but cannot be translated into local productive capacity on viable terms. Funds may remain in liquid assets, government securities, mortgages or foreign placements because these fit prudential and commercial requirements better than enterprise, adaptation or ecological investment (Caribbean Development Bank, 2021; Eastern Caribbean Central Bank, 2024).

A plural institutional ecology is therefore especially important. Commercial banks provide scale and payment connectivity. Credit unions mobilize member savings and relational knowledge. Development banks and regional institutions can provide guarantees, project preparation and longer horizons. Public finance can support infrastructure and missions whose benefits cannot be captured through one borrower's revenue (Caribbean Development Bank, 2021; International Labour Organization, 2002; Mazzucato & Penna, 2016).

Plurality must remain disciplined. Small societies can be vulnerable to political patronage, insider lending and concentration. Regional risk sharing, professional underwriting and transparent subsidy are therefore more important, not less.

Pooled monetary sovereignty

The Eastern Caribbean Currency Union demonstrates that sovereignty can be pooled rather than simply surrendered. Member states share a central bank and a currency fixed to the United States dollar. The arrangement has provided monetary credibility, low exchange-

rate uncertainty within the union and a common framework for banking and payments (Eastern Caribbean Central Bank, 1983; Organisation of Eastern Caribbean States, 2010).

A fixed exchange rate can support trade, tourism, saving and price stability. It also constrains monetary adjustment. Domestic currency cannot be expanded without regard to reserves and confidence. Individual members cannot devalue independently. Fiscal policy and structural transformation therefore carry more of the burden of responding to shocks (De Grauwe, 2020; Eastern Caribbean Central Bank, 1983; Organisation of Eastern Caribbean States, 2010).

The anchor is real and valuable. It protects the vessel from monetary drift. But an anchor cannot repair the hull, produce food, reduce imported fuel or build climate resilience. Monetary stability is a necessary platform; it is not productive transformation (Caribbean Development Bank, 2021; Eastern Caribbean Central Bank, 2024; Mycoo et al., 2022).

Productive monetary sovereignty means the capacity to use monetary stability to support diversified production, public capability and resilience. It does not require national currency independence. It requires institutions capable of converting pooled credibility into investable projects, local enterprise and regional public goods.

The distinction is important. A currency can be stable while the economy remains dependent upon tourism, imports and external finance. Conversely, aggressive monetary expansion without productive capacity can weaken the very stability small states need. The constitutional task is to connect the anchor to a life-capable vessel.

Domestic money and foreign-exchange constraint

A state can possess domestic money yet remain unable to purchase externally. Fuel, food, medicine, machinery, digital services and debt service often require foreign currency. Tourism, exports, remittances, investment, grants, reserves and borrowing supply the external means of payment.

This creates a dual constraint. Domestic credit can mobilize local resources, but an activity dependent upon imported equipment or inputs requires foreign exchange. A project may be socially valuable and financially viable in domestic terms while remaining impossible because external currency is unavailable (Best & Levitt, 2009; Caribbean Development Bank, 2021; Prebisch, 1950).

Foreign-currency borrowing can bridge the gap. It also exposes the borrower to external interest rates, exchange movements and refinancing conditions. Even in a currency union

with a stable peg, the economy must earn or attract sufficient foreign exchange to sustain imports and reserves.

Policy space is therefore shaped by the external account. Governments cannot evaluate public investment only through domestic fiscal arithmetic. They must consider import content, maintenance, foreign debt service, profit repatriation and the capability remaining after external partners leave (Caribbean Development Bank, 2021; De Grauwe, 2020; Organisation of Eastern Caribbean States, 2010).

Solvency without usability

Money is useful only where it can circulate through functioning infrastructure. A bank can be legally solvent and well capitalized while losing the correspondent relationship required to clear international payments. A jurisdiction can hold domestic deposits while businesses cannot pay suppliers abroad. The balance sheet remains intact; practical monetary participation contracts.

This condition is **solvency without usability**. It reveals that money is relational. The capacity to pay depends upon networks, standards, identity, compliance and institutions willing to connect one financial system to another (Caribbean Development Bank, 2020; Committee on Payments and Market Infrastructures, 2016; Committee on Payment and Settlement Systems & Technical Committee of the International Organization of Securities Commissions, 2012).

Correspondent banking is particularly significant for small states. Global banks face fixed compliance costs and severe penalties. Low-volume relationships can become commercially unattractive even where actual misconduct is limited. Withdrawal may reflect a rational institution-level decision while producing disproportionate national harm (Committee on Payments and Market Infrastructures, 2016; World Bank, 2015).

The result is relational sovereignty. A state may regulate its own banks but lack the power to require a foreign correspondent to maintain access. Domestic reforms are necessary but may not be sufficient where the business model itself disfavors small-volume jurisdictions.

The compliance paradox

Anti-money-laundering and counter-terrorist-financing standards protect the integrity of finance. Small states have strong reasons to implement them because reputational damage and criminal capture can be devastating. Yet compliance can generate a paradox.

Weak systems increase the risk of exclusion. Stronger systems require skilled personnel, technology, data and recurring expenditure that small institutions may struggle to sustain. Global banks may still withdraw because the expected revenue does not justify residual risk. The state bears the cost of compliance without obtaining assured access (Financial Action Task Force, 2016; World Bank, 2015).

The answer is not lower standards. It is proportionality, shared infrastructure, regional utilities, transparent risk assessment and responsibility among institutions controlling global networks. De-risking should distinguish actual risk from country or category avoidance.

Payment interdependence must therefore be governed. Regional settlement, common compliance services and public digital infrastructure can reduce dependence, but they must connect effectively to international currency and legal networks. Technological substitution alone cannot solve a relational problem.

Climate shock and fiscal transmission

Climate change transforms ecological exposure into financial vulnerability. A hurricane destroys housing, roads, electricity, water and productive assets. Imports rise precisely when tourism, agriculture and tax revenue fall. Public expenditure increases while the revenue base contracts. Insurance may cover part of the loss, but premiums, exclusions and withdrawal can intensify after repeated disasters (Hallegatte et al., 2019; Mycoo et al., 2022; World Bank, 2014).

The shock therefore moves through several accounts:

6. physical damage reduces productive and public capacity;
7. import needs and revenue loss weaken foreign exchange and the budget;
8. government borrowing or reserve use finances emergency response;
9. debt and refinancing needs rise;
10. fiscal adjustment constrains maintenance and adaptation;
11. weaker resilience increases the cost of the next shock.

This is the **debt-disaster-dependency cycle**. It is not inevitable. Reserves, grants, insurance, risk pooling, disaster clauses, resilient reconstruction and timely restructuring can interrupt it. But where finance arrives mainly as debt after loss, climate exposure becomes future fiscal constraint (Briguglio, 1995; Hallegatte et al., 2019; World Bank, 2014).

Climate finance must therefore fit the loss. Mitigation projects with reliable revenues may support debt or equity. Adaptation, relocation and ecosystem restoration often generate

diffuse public benefits and should rely more heavily upon grants, concessional finance or public provision. Loading non-revenue-generating adaptation with commercial debt converts ecological vulnerability into financial fragility (Mycoo et al., 2022; Paris Agreement, 2015; United Nations Framework Convention on Climate Change, 1992).

International recognition of loss and damage reflects the fact that some climate costs cannot be treated merely as investment opportunities or ordinary development needs (Paris Agreement, 2015; United Nations Framework Convention on Climate Change, Conference of the Parties, 2022).

CCRIF and other parametric insurance arrangements demonstrate the value of rapid, rules-based liquidity. They are designed to provide immediate finance after defined events rather than compensate every loss. Insurance belongs within a layered architecture including reserves, contingency credit, grants and reconstruction finance (CCRIF SPC, 2024; World Bank, 2014).

The small-state refinancing trap

Small sovereign borrowers often face thin markets, limited investor diversification and high fixed issuance costs. A few maturities can create substantial refinancing pressure. Markets may demand higher yields because the borrower is small and exposed, but the higher cost itself weakens debt dynamics.

The **small-state refinancing trap** occurs where structural vulnerability raises borrowing cost, high cost narrows fiscal and investment capacity, weak investment preserves vulnerability, and the state becomes more dependent upon refinancing. The problem is not simply excessive spending or creditor prejudice. It is the interaction of size, shock, currency hierarchy, market structure and inherited debt (Briguglio, 1995; Panizza et al., 2009; World Bank, 2016).

Maturity matters as much as the debt ratio. A state with manageable long-term obligations may experience crisis if a large payment falls due during external shock. Conversely, debt relief that reduces the headline ratio without lengthening maturity or financing transformation may provide only temporary space (Buchheit et al., 2019; International Monetary Fund, 2021; Panizza et al., 2009).

The sovereign-financial loop can intensify the problem. Domestic banks hold government securities; governments depend upon banks for payments and credit. Sovereign stress weakens bank balance sheets, while banking stress creates potential public liabilities. A

currency union must therefore coordinate fiscal responsibility, bank supervision, resolution and regional liquidity (Eastern Caribbean Central Bank, 2024; International Monetary Fund, 2021).

From climate debtor to ecological creditor

The global ledger recognizes sovereign bonds and loan contracts with legal precision. It recognizes ecological contribution less completely. Caribbean and other small-island states preserve ocean ecosystems, biodiversity and cultural knowledge while contributing little to cumulative global emissions and bearing severe climate loss.

The concept of the **ecological creditor** does not assert that every ecological contribution can be converted into a legally enforceable monetary claim. It identifies an asymmetry in institutional recognition. States may be treated as financial debtors while the ecological services they protect and the disproportionate harm they absorb remain weakly represented (Intergovernmental Science-Policy Platform on Biodiversity and Ecosystem Services, 2022; Paris Agreement, 2015; United Nations et al., 2021).

Financial and ecological ledgers should remain distinct. A debt cancellation cannot restore a reef, and a biodiversity payment cannot automatically resolve public debt. Yet policy should account for both when allocating grants, concessional finance, technology, insurance and restructuring.

Reciprocal ecological accountability requires safeguards against enclosure. Conservation finance should not dispossess communities or convert living systems into assets controlled by distant investors. The rights, participation and knowledge of affected people are part of ecological integrity (Convention on Biological Diversity, 2022; Economic Commission for Latin America and the Caribbean, 2018; United Nations, 2011).

Regional life-coherent architecture

The Caribbean response cannot be only national. Scale limits specialized expertise, risk diversification, project preparation and bargaining power. Regional institutions can pool monetary credibility, payments, insurance, procurement, compliance, debt expertise, data and development finance (Caribbean Development Bank, 2021; Eastern Caribbean Central Bank, 1983; Organisation of Eastern Caribbean States, 2010).

Pooling strengthens sovereignty where it creates capacity members cannot secure separately. It becomes a new dependency where decision-making lacks voice, transparency or

fair burden sharing. Regionalism therefore requires subsidiarity: collective action where scale is necessary, national and community authority where local knowledge and accountability are essential.

A life-coherent regional financial architecture would connect:

- monetary stability to productive transformation;
- local savings to diversified enterprise;
- public and cooperative finance to commercial institutions;
- disaster liquidity to resilient reconstruction;
- debt management to foreign-exchange strategy;
- payment modernization to privacy and fallback capacity;
- climate finance to grants, justice and ecological stewardship.

The Caribbean condition reveals a wider truth. Sovereignty in an interdependent financial world is never absolute independence. It is the practical capacity to participate in networks without surrendering the conditions of viable collective life. The alternative to dependency is not autarky. It is governed interdependence.

From vulnerability management to productive transformation

Small-state policy often becomes the management of vulnerability: preserving reserves, meeting debt service, maintaining correspondent access and rebuilding after shocks. These functions are necessary, but a strategy confined to them can stabilize dependence rather than transform it.

Productive transformation begins with sectors that reduce recurrent external constraint. Food systems can lower import exposure while supporting health and rural capability. Distributed renewable energy can reduce fuel imports and increase resilience. Water security protects households, tourism and agriculture. Digital and professional services can diversify foreign exchange. Care, education and health strengthen the capabilities through which every sector operates.

Not every local activity should replace imports. Scale, quality and cost matter. The objective is strategic capability rather than autarky. A country should identify which dependencies create unacceptable vulnerability, which can be pooled regionally and which are efficiently maintained through trade.

Project preparation is often the missing financial institution. Capital may be available while proposals lack feasibility studies, permits, procurement design, revenue models or

maintenance plans. Regional technical facilities can convert public needs into credible programmes without forcing every small administration to reproduce the same expertise.

Debt instruments should also reflect shock. Disaster clauses can suspend payments after defined events. State-contingent features can link service to revenue, growth or climate conditions. Longer maturities reduce refinancing cliffs. These tools do not remove the need for prudent borrowing, but they prevent foreseeable external shocks from becoming automatic fiscal crisis.

Regional payments and compliance infrastructure could reduce fixed cost and improve bargaining power. Shared systems should preserve national voice, privacy, cash and local service. A technological platform supplied by one foreign vendor can reproduce dependency even where transactions become cheaper.

Climate finance requires a hierarchy of instruments. Grants should fund loss, global public goods and adaptation without revenue. Concessional loans can support projects with partial or long-term cash flow. Equity and guarantees can finance enterprise and innovation. Insurance supplies rapid liquidity. Ordinary sovereign debt should not become the residual instrument for every climate need.

The ecological-creditor perspective also supports reparative finance. Responsibility for climate and historical extraction should influence access to grants, technology and restructuring. Repair should build capability rather than create new administrative dependence. Communities must participate in deciding what is restored and who controls the resulting assets.

A regional life-coherent architecture would therefore measure success through retained capacity: lower import vulnerability, stronger institutions, healthier ecosystems, diversified skills, reliable payments and greater room for democratic choice. Growth, investment and credit remain necessary indicators, but they become means rather than the final account.

A Caribbean constitutional design agenda

The regional diagnosis can be translated into a practical design agenda without assuming that every territory should adopt the same institutions.

First, protect payment sovereignty. Domestic and regional payment systems should provide interoperability, cash continuity, cyber resilience and credible connection to international settlement. Shared compliance utilities can reduce fixed cost, while legal safeguards prevent regional platforms from becoming new points of unaccountable control.

Second, connect savings to capability. Credit unions, banks, pension funds and development institutions should be linked through guarantees, wholesale funding, co-investment and project pipelines. Prudential standards remain necessary, but they should distinguish productive risk from speculative concentration.

Third, build a regional project-preparation commons. Small administrations need shared engineering, legal, procurement, financial and environmental expertise. A project that cannot become technically and contractually legible will not attract suitable capital, regardless of its public value.

Fourth, integrate foreign-exchange analysis into investment. Every major project should disclose imported capital cost, recurring external inputs, debt-service currency, expected foreign-exchange earnings or savings, profit repatriation and local capability transfer. Domestic-rate-of-return analysis alone is insufficient.

Fifth, use a climate-finance ladder. Grants and reparative transfers should finance irreversible loss and non-revenue adaptation. Concessional finance should support long-horizon public capability. Guarantees and equity should finance enterprise and innovation. Insurance and contingent facilities should supply rapid liquidity. Commercial sovereign debt should be used where future revenue can genuinely sustain it.

Sixth, redesign debt for shock. Longer maturities, disaster clauses, state-contingent payments and collective-action provisions can reduce refinancing cliffs. Debt records should be transparent and linked to the capability expected from borrowing.

Seventh, protect regional voice. Pooled institutions require rules for representation, burden sharing and amendment. Scale should enlarge the practical sovereignty of smaller members rather than allow the largest or most liquid participants to determine the whole agenda.

Eighth, measure retained value. Tourism receipts, foreign investment and GDP should be complemented by local procurement, knowledge transfer, ownership, import reduction, resilience and ecological condition. The question is not only how much finance entered, but what remained.

Ninth, create routes to failure and repair. Public banks, credit unions, insurers and payment providers need resolution plans appropriate to small systems. Essential functions should be transferable; mission should not become immunity from accountability.

Tenth, govern through the life-ground. Food, water, energy, health, housing and ecological systems should appear in financial planning as foundational capacities, not as residual social sectors addressed after debt and market confidence.

The agenda is demanding but not utopian. Many of its components already exist in fragmented form. The constitutional task is to connect them so that monetary stability, regional integration and external finance support a common direction rather than operate as separate policy domains.

The Caribbean can thereby move from being treated mainly as a vulnerable borrower toward acting as a regional laboratory of governed interdependence. Its scale makes experimentation possible; its exposure makes delay costly; its institutional traditions make pooling credible. The lesson would extend far beyond islands.

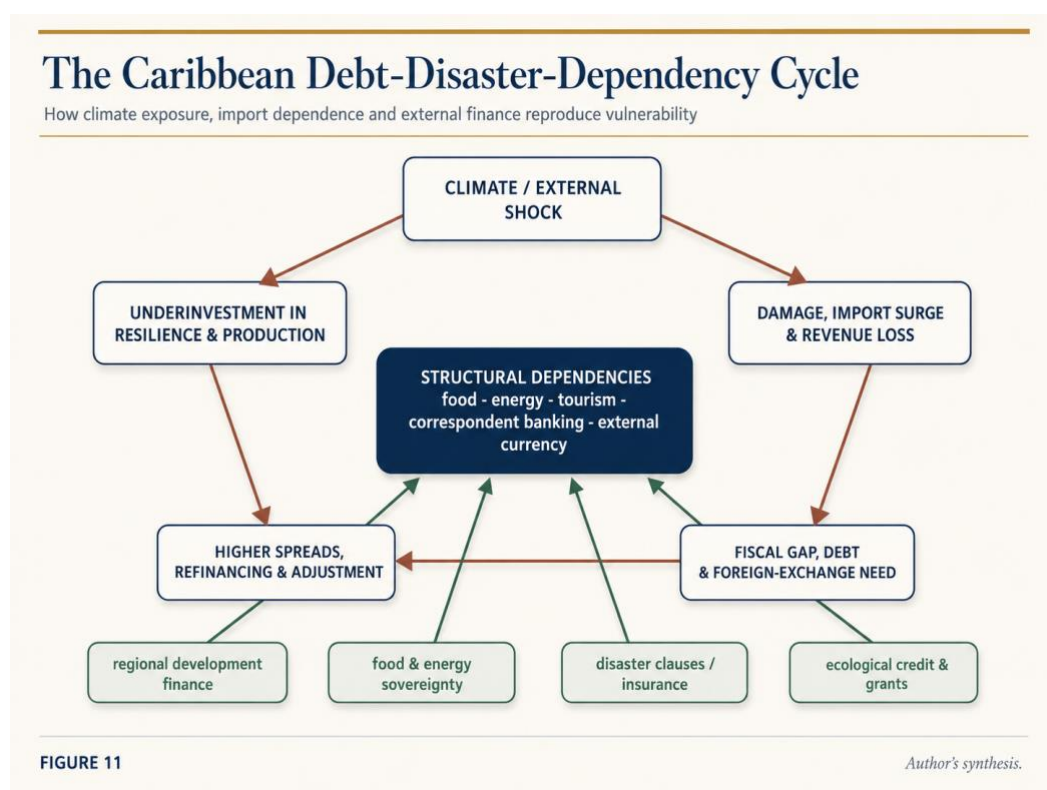


Figure 7. The Caribbean Debt-Disaster-Dependency Cycle. *How ecological shock, import dependence, foreign-currency need, debt accumulation and constrained adaptation can reinforce one another.*

Note. Author's synthesis informed by Briguglio (1995), Hallegatte et al. (2019), Mycoo et al. (2022), and the World Bank (2014). The cycle is contingent rather than inevitable; grants, reserves, insurance, risk pooling, resilient reconstruction, disaster clauses, productive transformation and timely restructuring can interrupt it.

8. Reconstituting the Sovereignty of Credit

Credit as delegated public power

Credit commonly appears to begin with a private decision. A bank approves a loan. An investor purchases a bond. A supplier permits deferred payment. The parties agree upon an amount, interest rate, maturity, collateral and remedies. The resulting obligation seems to belong to them alone.

But modern credit does not exist within a private vacuum. The currency in which the obligation is denominated is maintained through public institutions. Contract law defines consent and enforceability. Property and collateral rules determine what may be pledged. Corporate law establishes limited liability. Insolvency law distributes loss. Courts, registries, regulators and payment systems make financial claims transferable and enforceable. Commercial banks create deposit money under public licence and settle through central-bank infrastructure. Deposits benefit from supervision, resolution arrangements and explicit or implicit public protection (McLeay et al., 2014; Pistor, 2019).

Credit is therefore neither an exclusively private right nor a function that should be administered through direct political command.

Credit is delegated public power because the authority to create, allocate, price, protect and enforce claims upon the future depends upon a collectively constituted monetary, legal and institutional order whose consequences extend beyond the parties to the contract.

Delegation does not mean that every loan should be made by government, that every lender is a public official or that commercial judgment and investment return are illegitimate. It means that the effective power of credit is socially constituted and publicly consequential. Private institutions may administer that power. They do not own the constitutional foundations that make it effective.

Credit exercises several forms of authority simultaneously. It creates or mobilizes purchasing power. It selects which activities receive resources. It decides which assets, persons and projected revenues appear credible. It disciplines borrowers through payment schedules, covenants and remedies. It depends upon data, registries, platforms and payment networks. It also operates within an architecture that decides which claims and institutions will be protected during crisis.

A life-coherent credit constitution must govern all six forms of financial power: monetary, allocative, valuation, disciplinary, infrastructural and protective. Reform fails when it changes one layer while leaving the others free to reproduce the prior hierarchy of claims.

The six powers need not reside in one institution. Their separation can protect liberty, competence and innovation. But their aggregate effects must remain open to constitutional scrutiny. A society may regulate individual institutions carefully while allowing their combined actions to inflate property, underfinance care, concentrate ownership or exclude people whose capacities are not legible as collateral.

Delegated authority therefore entails reciprocal duties. Credit institutions must underwrite competently, disclose terms intelligibly, avoid predation, protect data and correct material errors. Borrowers must disclose relevant facts honestly, use entrusted resources responsibly and participate in restructuring in good faith. Public authorities must maintain monetary integrity, fair competition, lawful enforcement and workable procedures for insolvency and rehabilitation. Public, cooperative and mission-oriented institutions carry additional duties arising from their mandates, while commercial institutions carry obligations arising from monetary privilege, public infrastructure and systemic protection (Organisation for Economic Co-operation and Development, 2022; United Nations, 2011; United Nations Conference on Trade and Development, 2012).

A democratic credit order must reject both creditor sovereignty and debtor impunity. Reliable promises make cooperation across time possible. Yet formal consent and contractual validity cannot answer every question where bargaining power is radically unequal, third parties bear consequences or enforcement destroys the capacity from which payment must arise.

A life-grounded hierarchy of claims

Every financial order ranks claims. Bankruptcy law ranks creditors. Collateral rules protect secured interests. Deposit insurance distinguishes protected balances. Central-bank facilities determine which institutions obtain emergency liquidity. Public budgets rank debt service, salaries, maintenance, transfers and investment. Crisis merely makes visible a hierarchy that already exists.

Conventional priority usually reflects legal seniority, collateral, maturity, liquidity and systemic interconnectedness. These principles perform legitimate functions. They improve predictability, permit risk to be priced and support long-term lending. A life-grounded

hierarchy does not discard them arbitrarily. It places them within a deeper order of dependence.

A sovereign bond depends upon public revenue. Public revenue depends upon economic activity, institutional legitimacy and social cooperation. A mortgage depends upon household income, which depends upon health, employment, care and social stability. A corporate loan depends upon production, labour, demand, infrastructure and ecological inputs. The legal claim may be senior in law while remaining dependent in reality upon capacities ranked below it.

A life-grounded hierarchy of claims orders financial obligations according to their relationship to the preservation, restoration and enlargement of the human, social, institutional and ecological capacities from which valid claims ultimately derive.

The hierarchy does not treat every public expenditure as superior to every private claim. Nor does it permit governments or borrowers to invoke life rhetorically to escape lawful responsibility. It establishes a constitutional presumption: enforcement loses legitimacy where it avoidably destroys the capacities that make repayment, public order and future cooperation possible.

The hierarchy contains six broad levels.

First are the immediate conditions of life: food, water, shelter, urgent healthcare, bodily safety and the minimum means of dignified participation. Credit enforcement and fiscal adjustment should not reduce people below this floor where a less destructive alternative exists (International Covenant on Economic, Social and Cultural Rights, 1966; International Labour Organization, 2012).

Second are the infrastructures of collective life: payments, water, sanitation, energy, healthcare, education, communications, emergency services and core public administration. Protection attaches to continuity of function, not automatically to the existing owner, manager or contractual structure.

Third is viable productive and regenerative capacity: working capital, essential suppliers, maintenance, skills, public assets and ecological systems whose destruction would diminish future production, care and repayment.

Fourth is ordinary monetary security: earned wages, modest savings, pensions, insured deposits, small suppliers and claims representing deferred household livelihood.

Their social function and the claimant's limited capacity to absorb loss distinguish them from diversified speculative exposure.

Fifth is necessary financial intermediation and new rescue finance: liquidity, settlement and fresh financing required to preserve viable functions and complete restructuring. Priority is justified by additional risk and essential function, not by financial status alone.

Sixth contains residual and risk-bearing claims: equity, subordinated debt and speculative positions whose expected returns reflect the acceptance of loss. Secured claims and derivatives should be evaluated according to their actual function, public support and consequences rather than treated as categorically superior.

This ordering is presumptive, not mechanical. Priority should also reflect dependence, replaceability, proportionality, timing, responsibility and capacity to absorb loss. A function may be essential while the institution providing it is replaceable. A claimant who designed, priced or benefited from a risk can reasonably bear more loss than a claimant who lacked information, bargaining power and diversification.

Remedies matter as much as payment order. Cure periods, mediation, temporary suspension, maturity extension, interest reduction, conversion, restructuring and discharge interfere with claims to different degrees. The least destructive effective remedy should ordinarily be used first. Irreversible liquidation requires the strongest justification.

The concise rule is:

Protect function before ownership, ordinary security before speculative return, and the source of value before the claim derived from it.

Modern resolution principles already distinguish continuity of essential financial functions from unconditional preservation of incumbent owners and managers (Financial Stability Board, 2024; International Association of Deposit Insurers, 2025). The life-grounded hierarchy extends that reasoning across households, enterprises, sovereign debt, public budgets and ecological obligations.

The democratic credit constitution

Every society already possesses a credit constitution. It may not be contained in one document or recognized as constitutional law. Its provisions are distributed across central-bank statutes, banking licences, collateral rules, insolvency, securities regulation, consumer

protection, tax policy, public budgets, environmental law, data governance and international agreements.

Together these rules determine who may create monetary claims, what counts as acceptable collateral, which borrowers appear credible, which activities receive finance, whose claims obtain public protection and who absorbs loss. A society that claims to leave credit entirely to the market has not escaped constitutional choice. It has chosen an order in which inherited property, private valuation and financial institutions exercise greater authority over the future.

A democratic credit constitution is the body of laws, institutions, rights, duties and public purposes through which society authorizes the creation and allocation of credit, limits its power, distributes its risks and preserves its accountability to present and future life.

Democracy does not require citizens, legislatures or ministers to approve individual loans. Financial institutions require expertise, confidentiality, timely judgment and protection from partisan coercion.

Democracy governs purpose, authority and limits. Professional institutions exercise judgment within them.

Democratic authority should establish the purposes of publicly constituted financial power, the rights of participants, the hierarchy of claims, acceptable public risks, conditions attached to public protection and mechanisms for correcting failure. Professional institutions should assess individual transactions within that constitutional field.

The constitution must protect both a **social floor** and an **ecological ceiling**. The social floor secures meaningful monetary participation: usable payments, safe deposits, fair consideration, intelligible terms, correction of error, privacy, due process, debt rehabilitation and protection of essential subsistence during enforcement. These are process and capability rights, not guarantees of loan approval or immunity from loss.

The ecological ceiling recognizes that positive financial return cannot make every activity legitimate. Credit and investment must operate within democratically established limits concerning emissions, pollution, water, land use and biodiversity. Markets may help identify efficient means of operating within those limits. They should not determine whether the limits themselves are optional.

Public protection must carry public reciprocity. Deposit guarantees, emergency liquidity, public guarantees and crisis capital may be necessary to protect payments, savings and

productive continuity. Their purpose is to preserve function rather than immunize incumbent ownership. Where collective resources bear material risk, support may properly include restrictions on distributions, management change, restructuring, public equity or other rights allowing society to share recovery (Financial Stability Board, 2024).

Financial citizenship also requires data dignity. Credit records and automated systems should be accurate, proportionate, contestable and limited to legitimate purposes. A person should be able to correct factual error, understand the material reason for a consequential decision and obtain meaningful human review. Financial data should not convert the need for credit or payment into authority over the whole person (Regulation [EU] 2016/679; Tabassi, 2023; UNESCO, 2021).

The constitution is therefore neither a programme of unrestricted public direction nor a defence of self-regulating markets. It is an arrangement in which legitimate purposes are democratically established, institutional judgment remains professionally bounded and outcomes remain reviewable in light of evidence.

A plural banking ecology

Commercial banks remain indispensable. They safeguard deposits, process payments, assess borrowers, create deposit money and connect households and firms to wider financial networks. Their prudential and commercial disciplines protect savers and direct capital toward activities expected to sustain repayment.

But many socially necessary investments generate returns that are long-term, diffuse, preventive or difficult to capture through one borrower's cash flow. Public health, ecological restoration, local food systems, affordable housing, adaptation and institutional learning may create substantial social value while producing an incomplete commercial repayment stream.

The appropriate response is not to abolish commercial banking but to complement it with a plural ecology of institutions.

Public and development banks can assume longer horizons, coordination risk and strategic missions that commercial portfolios underprovide. Cooperative institutions can align ownership with users, retain surplus among members and draw upon relational knowledge. Community finance can combine lending with technical assistance, place-based understanding and forms of ownership that preserve local capability (International Labour Organization, 2002; Mazzucato & Penna, 2016; Ostrom, 1990).

No ownership form guarantees coherence. Public banks can become channels of patronage. Cooperatives can be captured by insiders. Community lenders can become undercapitalized or exclusionary. Commercial banks can combine efficiency with excessive concentration or short-termism. Institutional value depends upon mandate, competence, governance, prudence and accountability—not labels.

Public banks should demonstrate **additionality**: the capacity they create should not have been available through sound private finance on comparable terms. Their missions should specify intended beneficiaries, permissible risks, financing instruments and expected public returns. Boards and credit committees require professional independence. Ministerial directions should be transparent. Subsidies may be legitimate, but they must be authorized, measured and reported rather than concealed through deteriorating accounts.

Cooperatives require member democracy, prudential discipline, shared liquidity and protection against insider lending. Intergenerational reserves should not be consumed solely for the benefit of current members. Community institutions need regional risk sharing and transparent eligibility so that local knowledge does not become favouritism or geographic enclosure.

Plural institutions should form a ladder rather than isolated silos. Referral protocols, guarantees, wholesale funding, co-financing and shared infrastructure can allow a community institution to originate relationships that larger institutions fund without erasing local knowledge. Borrowers should be able to graduate between forms of finance as their capabilities develop.

The question is not state versus market. It is whether the financial ecology contains enough diversity of ownership, information, time horizon and accountability that no single model of bankability becomes the sole gateway to social possibility.

Mission-oriented and life-coherent investment

Investment never finances the future in general. It finances a particular future: one technology, ownership structure, energy system, settlement pattern or form of care rather than another.

Risk-adjusted financial return is indispensable where repayment is promised or entrusted savings are at stake. But return alone does not disclose the complete character of what is being financed. A project may generate reliable cash flow while degrading ecosystems, concentrating ownership or creating public liabilities. Another may earn moderate direct

returns while reducing energy imports, strengthening health, expanding knowledge or improving resilience.

Mission-oriented investment directs capital toward a publicly intelligible objective requiring coordinated innovation and capability beyond the spontaneous incentives of existing markets (Mazzucato, 2018; Organisation for Economic Co-operation and Development, 2021).

Life-coherent investment adds a prior boundary:

The mission, the means used to pursue it, and the distribution of its risks and rewards must protect, restore or enlarge human, social and ecological life-capacity.

A mission may mobilize finance and technology effectively while remaining destructive. Coordination is not legitimacy. The question is not only whether a mission can be accomplished, but whose capacities it enlarges, which harms it treats as acceptable and what becomes difficult to reverse once investment occurs.

Three tests are required.

The **additionality test** asks what would not occur, or would occur too slowly or unjustly, without the intervention. Financing an existing asset transfer is not equivalent to creating new capacity.

The **financing-form test** asks whether grant, procurement, debt, equity, guarantee, insurance or regulation fits the project's cash flow and public purpose. Debt is unsuitable where no reliable repayment stream should exist. Grants may waste recyclable public capital where a recoverable return is available. Equity may be inappropriate where universal access or public control is indispensable.

The **life-coherence test** asks whether the project enlarges durable capability without transferring avoidable harm to workers, communities, ecosystems or future persons. Financial viability remains necessary where repayment is promised, but viability does not redeem a project whose return depends upon destruction.

Where the public absorbs exceptional risk, creates a market or supplies foundational research and infrastructure, it should receive proportionate durable value. That return may take the form of equity, royalties, revenue sharing, affordability, open technology, domestic capability or repayments recycled into the mission. Socializing risk while privatizing all upside weakens legitimacy and the public capacity to undertake future investment.

Missions should be managed as portfolios. Experimentation implies that some projects will fail. Milestones, staged finance and independent evaluation should permit redesign or termination before institutional survival becomes confused with mission success. Patient capital requires patient accountability.

Transition must also be just. Workers and communities should not bear concentrated losses from transformations undertaken for general benefit. Early participation, income protection, retraining, pension security, regional investment and new ownership opportunities are part of the financing architecture, not external social compensation added after decisions are complete (International Labour Organization, 2015).

For small and externally constrained economies, the investment account must include foreign exchange, maintenance inputs, profit repatriation, knowledge transfer and local ownership. Investment volume is not retained development. The decisive question is what capability remains after external partners, interest and profits leave.

Sovereign debt justice

Sovereign borrowing permits governments to build infrastructure, respond to emergencies, stabilize economies and distribute the cost of long-lived investment across generations that benefit from it. A state refusing all debt would often postpone necessary capacity or impose its entire cost upon current taxation.

But sovereign debt cannot be governed exactly like corporate insolvency. A company may be liquidated and its legal existence ended. A state must continue to provide health, education, justice, infrastructure, public administration and ecological protection. It cannot be repossessed without dissolving the political and legal community whose institutions give the creditor's claim meaning.

Sovereign debt justice is the ordering of public borrowing, repayment, restructuring and loss according to lawful authorization, public purpose, creditor and borrower responsibility, realistic capacity, protection of essential life functions and preservation of future democratic agency (International Monetary Fund, 2021; United Nations Conference on Trade and Development, 2012; United Nations General Assembly, 2015).

The framework rejects both debt denial and creditor absolutism. Sovereign obligations carry a presumption of validity where they were lawfully authorized, transparently recorded and directed toward public purpose. The presumption weakens where borrowing was secret, corrupt, materially deceptive or used for manifest private enrichment. Retrospective political

disagreement is not enough to invalidate debt, but formal legality cannot make every origin or use legitimate.

Debt sustainability must also examine the post-payment condition. A state may remain current by reducing maintenance, depleting reserves, postponing adaptation or cutting public services below viable levels. The creditor is paid while the repayment base deteriorates. A debt path is not genuinely sustainable where it preserves nominal service by consuming the productive, social and institutional capacity required for future performance.

Where distress becomes severe, restructuring should restore viability early rather than repeatedly refinance an impossible schedule. The process should distinguish temporary illiquidity from insolvency, protect essential payments, convene material creditors, provide interim finance where necessary and determine sufficient relief under conservative assumptions. Adjustment should be proportionate and subject to lawful democratic authorization. New finance, creditor coordination and restoration of market access remain necessary; restructuring is repair, not withdrawal from financial cooperation (Buchheit et al., 2019; International Monetary Fund, 2021).

A sovereign life floor does not immunize every expenditure. Governments remain responsible for transparent accounts, lawful budgets, anti-corruption safeguards and the preservation of assets. Creditors remain entitled to good-faith engagement and proportionate recovery. But debt service cannot retain full legitimacy where less destructive adjustment is available and literal enforcement would dismantle the minimum conditions of public life and productive recovery.

Central banking for life stability

Price stability, monetary credibility and financial stability are foundational public goods. Without a usable unit of account, reliable payments and confidence in deposits, complex social cooperation becomes difficult. Yet a central bank can stabilize financial indicators while society becomes less stable. Banks may remain liquid while households lose housing. Bond markets may function while public investment contracts. Inflation may fall while unemployment and debt distress rise.

Central banking for life stability places monetary and financial continuity within a higher-order requirement: stabilization should protect rather than progressively deplete the human, productive, institutional and ecological capacities upon which money depends.

This does not transform the central bank into a universal ministry of welfare, climate, housing and industrial policy. Its instruments remain powerful but bounded. It governs money, settlement, liquidity, credit conditions and prudential stability. It cannot replace fiscal authority, public investment or democratic legislation.

A life-stability framework requires five disciplines:

12. **Plural diagnosis.** Inflation and instability may arise through demand, supply disruption, imported prices, housing, market power, wages, expectations or financial leverage. Policy should identify the operative channels rather than apply one explanation automatically.
13. **Prevention before rescue.** Capital, liquidity, borrower-based measures, collateral rules and oversight of non-bank leverage should reduce fragility before crisis requires extraordinary intervention.
14. **The least destructive effective instrument.** No monetary intervention is costless, but its expected effect and distribution should be disclosed, and tools more closely matched to the source of instability should be preferred.
15. **Function before incumbent institution.** Emergency liquidity and market support should preserve payments and viable intermediation rather than guarantee every balance sheet or asset price.
16. **Public reciprocity.** Where collective risk becomes material, support should carry loss allocation, conditions, transparency and public participation in recovery.

Central-bank independence is best understood as protected professional judgment within democratically authorized goals—not sovereignty beyond public explanation or legislative review (Bank for International Settlements, 2009). Coordinated autonomy permits monetary, fiscal, regulatory and developmental institutions to share diagnosis while retaining distinct legal responsibilities.

Climate risk belongs within central-bank attention where it enters collateral, bank solvency, insurance, inflation, sovereign risk or payment continuity. Scenario analysis and supervision should address these channels without converting prudential authority into unmandated industrial planning (Basel Committee on Banking Supervision, 2024; Network for Greening the Financial System, 2020).

The central bank is therefore neither an omnipotent guardian nor a neutral technician. It is trustee of monetary continuity within the democratic credit constitution.

Digital public money as civil commons

Digital public money can widen access, reduce payment costs, improve resilience and provide a public alternative to concentrated private platforms. It can also centralize surveillance, make monetary access conditional and convert payment infrastructure into an instrument of comprehensive administrative control.

The constitutional starting point is the civil commons.

Here, civil commons means publicly guaranteed institutions and resources that enable universal access to the shared conditions of agency and life.

Digital public money becomes a civil commons where its legal status, technical architecture and governance secure broad monetary participation while protecting privacy, plural access, resilience, democratic accountability and freedom from arbitrary exclusion (Bank for International Settlements et al., 2020, 2024; Ostrom, 1990).

The appropriate architecture is a **public core with plural interfaces**. Public authority guarantees the monetary liability and final settlement. Regulated providers may offer competing wallets and services. A public fallback prevents access from depending entirely upon commercial willingness or one proprietary platform.

Cash should continue alongside digital money. It supplies privacy, universal intelligibility and continuity during cyber failure, power loss or exclusion from devices and identity systems. Offline capability, assisted service, accessible interfaces and practical recovery procedures are elements of monetary citizenship.

Privacy is not immunity from lawful investigation. It is protection against routine visibility of lawful life. Data should be minimized, separated where feasible and accessed only under defined legal authority. Using a public payment layer should not require the surrender of behavioural data for advertising, political profiling or unrelated credit scoring.

Programmability requires a firm boundary. Payment instructions, escrow and authorized benefit programmes may contain conditions. General-purpose money should not ordinarily expire, operate only at approved merchants or encode political conformity into the citizen's entire monetary capacity.

The payment instruction may be programmable. The person should not become programmable.

Freezing, seizure and restriction require law, proportionality, due process and appeal. The rule of law must remain capable of interrupting automation. Code may implement authority. It cannot be its constitutional source.

Interoperability, portability, vendor substitutability, open standards and transparent liability rules are therefore not merely technical preferences. They prevent an essential civil function from becoming enclosed by a platform, contractor or political faction.

De-implementation and transition

Reconstitution cannot proceed only by adding new institutions and programmes. Existing rules may continue to channel credit toward harmful activity, privilege inherited collateral, conceal public subsidy or protect incumbents whose business models depend upon avoidable damage.

Reconstitution also requires de-implementation: the deliberate withdrawal of rules, subsidies, mandates, metrics and infrastructures that continue to reproduce life-harm after their failure is known. Reform remains incomplete when new institutions are added while destructive defaults remain operative. De-implementation must therefore identify what should cease, which essential functions must be preserved, who bears the transition costs and how affected communities participate in redesign.

De-implementation is not abrupt institutional destruction. A harmful subsidy may support workers and communities who did not design it. A failing bank may still operate essential payment functions. A proprietary platform may have become embedded in public administration. The rule, ownership structure or business model may need to end while its legitimate function is transferred.

Transition therefore joins subtraction with repair. It may require protecting workers, compensating legitimate reliance, migrating data, maintaining public services, restructuring claims and building replacement capacity before the old arrangement is closed.

Institutions should possess both a right to orderly failure and a duty to end. A programme, bank, platform, model or regulatory rule whose purpose no longer justifies its costs should be revised or terminated without abandoning people who depended upon its function. Institutional continuity is not an end in itself.

The Life-Coherent Credit Constitution

The constructive architecture can now be stated as a constitutional whole.

Credit is delegated public power, administered through plural institutions under publicly established purposes and limits. Claims remain protected because reliable promises make cooperation possible, but they are ordered within the life-ground. Essential functions, ordinary livelihood, viable productive capacity and ecological continuity receive priority over residual and speculative return. Public protection produces reciprocal public rights. Failure permits restructuring and rehabilitation. Digital money remains accessible, private, plural and contestable. Future persons inherit capacity and options alongside any obligations imposed upon them.

The constitution does not prescribe one universal banking system. It establishes a common test across diverse institutional forms:

- What capacity does the financing create or preserve?
- Who receives the upside and bears the downside?
- Which public powers and infrastructures make the claim possible?
- Which harms remain outside the account?
- What happens when repayment conflicts with essential function?
- What evidence would require revision?
- What must be de-implemented?
- What remains after the claim is honoured?

The Life-Coherent Credit Constitution

A layered institutional order for placing claims in right relationship with life

Credit remains powerful - but its legitimacy is delegated, conditional and revisable.



FIGURE 12

Author's synthesis.

Figure 8. The Life-Coherent Credit Constitution. *A constitutional architecture aligning monetary, allocative, valuation, disciplinary, infrastructural and protective powers with democratic purpose and the life-ground.*

Note. Author's synthesis informed by the Financial Stability Board (2024), the International Labour Organization (2012), Ostrom (1990), Pistor (2019), Sen (1999), and the United Nations Conference on Trade and Development (2012).

The architecture is constitutional rather than organizational. The six financial powers may remain distributed among commercial banks, public institutions, markets, central banks, regulators, courts and payment providers. What binds them is a common hierarchy of legitimacy and a shared capacity for democratic correction.

From claim-sovereignty to life sovereignty

A financial claim is a promise made durable. It permits resources to move through time and strangers to cooperate across distance. Housing, enterprise, public infrastructure and technological development all depend upon such commitments.

The problem begins when the claim ceases to remain one participant within this relationship and becomes its sovereign. The obligation appears fixed while everything beneath it must adjust. Wages fall. Services contract. Assets are sold. Ecosystems are depleted. Future options narrow. The claim survives by consuming the conditions of its own validity.

Claim-sovereignty is the condition in which legally and financially constituted entitlements acquire practical priority over the human, social, democratic and ecological capacities from which their value and legitimacy arise.

It does not require one ruler or hidden centre. It is reproduced through contracts, collateral, ratings, balance sheets, payment systems, refinancing calendars and expectations of public rescue.

Life sovereignty reverses the order without abolishing finance.

Life sovereignty is the distributed capacity of persons and peoples to govern the conditions of viable collective life within interdependence.

It is not state absolutism or autarky. Persons, communities and states depend upon trade, technology, ecology, institutions and one another. Life sovereignty means participating in those relationships without surrendering the foundations of survival, dignity, agency and regeneration.

Financial claims can themselves protect life. Wages, pensions, deposits and insurance claims preserve security. Mortgages can provide housing. Sovereign debt can finance health, education and adaptation. The task is not to place finance and life on opposing sides. It is to distinguish claims according to what they protect and what their enforcement does.

Life solvency asks whether an institution, community or state can meet its obligations while preserving the capacities required to continue living, producing and choosing. The life dividend asks what durable capability remains after costs, risks and financial returns have been accounted for. Neither replaces ordinary financial analysis. They reveal what financial analysis leaves incomplete.

Democratic optionality is the capacity to revise inherited direction as evidence and conditions change. It does not mean freedom from promises, scarcity or lawful responsibility. It means that no generation should pledge so much revenue, ecology, infrastructure and institutional freedom that those who follow inherit obligations without realistic means of repair.

The future should inherit commitments. It should not be owned in advance.

Finance is legitimate insofar as it coordinates possibility across time without permitting past claims to extinguish the capacities of the living present and the open future.

Finance is legitimate insofar as it protects, restores or enlarges the human, social, institutional and ecological capacities through which life can continue, repair itself and remain open to future possibility.

Reconstituted in this way, the sovereignty of credit becomes neither the rule of creditors nor the discretionary supremacy of the state. It becomes delegated, bounded and reciprocal authority: a means through which society finances capability, shares risk, repairs loss and keeps the future open.

Conclusion — Who Shall Inherit the Future?

The future cannot negotiate

A state may possess territory, elections, law and the formal authority to govern. Yet when it attempts to act, it encounters another constitution. Borrowing costs rise. Foreign exchange tightens. A bond maturity approaches. A correspondent relationship disappears. A payment network denies access. An international institution requires adjustment. The state remains sovereign in law while its practical choices narrow through finance.

Constitutional sovereignty determines who may govern formally. Credit sovereignty influences which futures can be financed, which commitments receive priority and how much time remains before options close. The two reinforce one another when financial institutions supply the means through which democratically authorized purposes become real. They diverge when a people can choose a government but cannot finance the programme for which it was elected (McLeay et al., 2014; Pistor, 2019; United Nations, 1945).

This is not necessarily rule by a hidden financial sovereign. It is a distributed architecture composed of banks, investors, governments, central banks, courts, rating agencies, international institutions, payment networks and digital platforms. No institution governs alone, and no actor must intend the aggregate result. The architecture governs through authorized expectations: through the claims the past is permitted to place upon the present and the institutions empowered to decide which imagined futures receive resources now.

Every credit transaction reaches forward. A mortgage claims future household income. A corporate bond claims enterprise revenue. A sovereign loan claims taxation or foreign exchange. A pension promises future income. These claims enable families, firms and states to act before every required resource has been accumulated. Credit allows the future to participate in the present.

The future cannot negotiate directly with the present.

Future persons cannot approve the terms under which their income, public institutions, ecosystems and political options are pledged. Present institutions speak on their behalf. A promise may create a home, hospital, school, productive technology or resilient infrastructure from which they benefit. It may also occupy their future with obligations

incurred for purposes they did not choose (Jonas, 1984; McLeay et al., 2014; United Nations General Assembly, 2024).

Every generation therefore inherits two ledgers. The first records claims: debts, pensions, contracts, guarantees, property rights and other obligations. The second records capacities: health, knowledge, institutions, infrastructure, ecosystems, productive capability, monetary credibility, social trust and democratic room to choose.

Borrowing is justified when the liability arrives with the capacity that made it reasonable. Future citizens may inherit debt together with protected water, a functioning health system, productive infrastructure or greater resilience. Financial injustice deepens when the claim survives but its justifying counterpart does not—when future persons inherit deteriorated services, exhausted institutions, damaged ecology and debt used mainly to refinance prior claims.

The moral quality of finance cannot therefore be assessed only when a contract is signed or even when repayment occurs. It must be assessed through the world left afterward.

The decisive inheritance test is not simply how many assets remain. It is whether those who come after us possess the capacity to live, repair and choose.

Inheritance includes institutions, public goods, ecology and practical freedom, not merely private property transferred between generations (Sen, 1999; Stiglitz et al., 2009; World Commission on Environment and Development, 1987).

Fidelity is not captivity

No generation designs its financial constitution from nothing. It inherits central-bank arrangements, property rules, banking institutions, public-debt structures, payment systems, reserve currencies and international obligations. These arrangements contain historical learning. Deposit protection arose because bank failures destroyed ordinary savings. Central banks acquired emergency powers because liquidity collapse threatened the wider society. Insolvency and restructuring law developed because literal enforcement could destroy more value than it recovered.

Inheritance should therefore be respected without being worshipped.

Civilization depends upon fidelity to promises. But fidelity is not captivity.

A promise has moral authority because another person has organized life around it. A lender supplied resources. A worker deferred wages into a pension. A depositor entrusted

savings. An investor accepted uncertainty. To disregard such reliance casually would weaken the trust through which cooperation across time becomes possible.

But the authority of a promise is not unlimited. A commitment obtained through deception does not possess the same standing as one freely made. An obligation made impossible by changed conditions may require renegotiation. A claim whose fulfilment requires grave and avoidable harm may be limited by higher obligations.

This is why bankruptcy, restructuring, constitutional amendment and democratic law exist. They are not simply failures of order. They are mechanisms through which order remains connected to reality (Financial Stability Board, 2024; United Nations Commission on International Trade Law, 2004; World Bank, 2021).

Claim-sovereignty begins when the formal existence of the claim is treated as though it settles every question. The contract is valid; therefore payment must occur exactly as written. The bond has matured; therefore every other public obligation must wait. The collateral was pledged; therefore its social function is irrelevant. The algorithm predicts default; therefore enforcement should proceed automatically.

In each case, representation becomes sovereign over the conditions it represents. Lawfulness is confused with final legitimacy. Enforceability is confused with justice. Payment is confused with successful value creation.

Life sovereignty begins from another order. Financial claims matter because they enable relationships across time. When a claim remains compatible with the human, productive, institutional and ecological field from which repayment arises, it should be honoured. When its enforcement would avoidably destroy that field, the claim must become revisable (McMurtry, 1998; Pistor, 2019; Rawls, 1971).

This is not a sentimental exception to discipline. It is structural realism. A creditor cannot be repaid indefinitely from a society that no longer possesses the capacity to produce, tax, cooperate or remain habitable. The sovereignty of life does not abolish the promise. It restores the promise to the world that gives it meaning.

Democracy and finance must therefore remain in constructive tension. Democracy without financial capacity can become symbolic. Finance without democratic authority can become oligarchic or technocratic. Democratic institutions should establish public purposes, rights, ecological limits, acceptable risks and conditions of rescue. Accountable professionals should retain judgment over particular loans, investments and liquidity decisions.

Neither voting, markets nor expertise is sufficient alone. Majorities cannot vote away scarcity or ecological thresholds. Markets can coordinate dispersed information but cannot determine fundamental rights or which institutions deserve public rescue. Expertise can clarify risk, feasibility and uncertainty but should not decide the final purposes of collective life without legitimate authorization (Organisation for Economic Co-operation and Development, 2019; Sen, 1999).

Democratic optionality must survive. When future revenues are pledged for decades, essential assets are collateralized and every change of direction threatens exclusion from finance, elections take place within a narrowing corridor. Optionality does not mean arbitrary repudiation. It means preserving sufficient fiscal, institutional and ecological room for responsible revision.

The inheritance test

The future will inherit more than debts and assets. It will inherit the consequences of what finance chose to recognize and protect.

Creditors should inherit reliable information, fair process, enforceable rights and proportionate recovery. They should not inherit automatic supremacy over essential life or democratic law. Borrowers should inherit intelligible terms, fair consideration, routes to restructuring and rehabilitation. They should not inherit immunity from deception, waste or avoidable transfer of risk.

The public should inherit value from the monetary and legal privileges it creates. Where society supplies banking licences, guarantees, deposit protection, emergency liquidity and payment infrastructure, public support should generate reciprocal obligations. Necessary functions may be preserved without preserving every incumbent owner, manager or valuation.

Future persons also inherit ecological conditions directly. Financial compensation cannot substitute for every loss. A destabilized climate, destroyed species or submerged territory cannot be restored by entering an offsetting number in another account. Some systems require protection before financial optimization begins because they are foundational, irreplaceable or effectively irreversible (Mycoo et al., 2022; United Nations General Assembly, 2022; World Commission on Environment and Development, 1987).

Private wealth remains embedded within this common inheritance. A portfolio may appreciate while housing becomes unaffordable, public infrastructure deteriorates and

ecological risk rises. Private exit can reduce individual exposure but cannot substitute indefinitely for common repair. No financial asset is independent of law, public health, monetary integrity, social trust and the living systems within which its value can be used.

The Caribbean makes this inheritance problem unusually visible. Its states have inherited colonial patterns of trade and finance, small domestic markets, import dependence, climate exposure and monetary arrangements organized around stability. They have also created democratic institutions, regional cooperation and forms of pooled capacity that individual microstates could not easily reproduce alone.

Yet their possibilities remain exposed to decisions made elsewhere concerning interest rates, correspondent banking, insurance, tourism, capital flows and climate disruption. Their future cannot be secured merely through more debt on improved terms. It requires regional capacity to finance and protect food, energy, water, health, housing, ecological stewardship, payment continuity and productive transformation.

The destination is neither dependency nor false self-sufficiency. It is governed interdependence: relationships in which cooperation does not require surrendering the foundations of practical self-government (Economic Commission for Latin America and the Caribbean, 2018; Paris Agreement, 2015; United Nations, 1945).

The same inheritance question now enters digital money. Future generations will receive monetary systems increasingly encoded in software. Code may determine who can transact, which claim executes first, what information becomes visible and whether an error can be appealed. They should inherit interoperability, privacy, offline continuity, intelligible rules and meaningful human accountability—not monetary participation conditioned upon pervasive surveillance (Tabassi, 2023; UNESCO, 2021; United Nations General Assembly, 2024).

Institutions must also remain capable of learning. Rules should preserve memory without turning every response to a past crisis into permanent doctrine. Models should reveal their assumptions and limits. Financial institutions, technologies and programmes must be able to fail without discarding the people who depend upon their functions. Ownership can change. Claims can be restructured. Functions can be transferred. Institutions have no right to immortality; persons and communities should retain paths to recovery (Financial Stability Board, 2024; Organisation for Economic Co-operation and Development, 2019; Tabassi, 2023).

The same discipline applies to the life-coherent framework itself:

Never fall in love with coherence more than reality.

A policy should survive because evidence shows that it protects or enlarges capability more effectively and justly than the available alternatives—not because its language is morally attractive.

The central evaluative question remains:

Does the financial arrangement protect, restore or enlarge life?

Protection preserves savings, payments, essential services and productive capability against destruction. Restoration supports reconstruction, debt relief, rehabilitation, institutional repair and ecological renewal. Enlargement creates durable capabilities: health, knowledge, housing, infrastructure, resilience and democratic agency.

Not every transaction must perform all three functions. The aggregate financial constitution should. Every major arrangement should leave a life dividend: durable capability remaining after interest, fees, premiums, repayment and investor return have been accounted for (McMurtry, 1998; Sen, 1999; Stiglitz et al., 2009).

Who shall inherit?

The future is governed by every institution capable of converting expectation into enforceable claim. Creditors govern part of it because their resources enable present action. Borrowers govern part because they decide how future income will be pledged. Governments define law and public purpose. Central banks determine access to monetary protection. Courts, ratings, payment systems and digital platforms convert classifications into practical consequences. Communities and future generations possess standing because they supply and inherit the life-ground.

But legitimate governance of the future belongs to none of them alone. It belongs to a constitutional relationship among democracy, expertise, finance, law, ecology and public reason.

Claims should remain enforceable. Risk should remain priced. Investment should remain disciplined. Money should remain stable.

At the same time, basic life must be protected. Failure must permit restructuring and rehabilitation. Public rescue must be reciprocal. Ecological limits must be real. Democratic optionality must survive.

The manuscript's constitutional boundary can therefore be stated plainly:

No financial claim retains full legitimacy where its creation, protection or enforcement requires the avoidable destruction of the human, social, institutional or ecological capacities from which its value and possibility of fulfilment arise.

This proposition does not decide every case automatically. It requires evidence concerning avoidability, consequence, responsibility and available alternatives. Its purpose is not to weaken finance. It is to make finance truthful about the source and limits of its power.

Finance is at its best when it enables the future to assist the present without allowing the past to own the future.

Finance's civilizational vocation is temporal cooperation. Its corruption is temporal domination.

An open future is not free of obligations. It is a future in which obligations remain proportionate to the capacities transmitted alongside them. It possesses institutions able to learn, ecological room within which life can continue, and democratic space through which inherited direction can be revised.

The open future is the true collateral of civilization.

The present generation holds that future in trust. It may borrow, invest, innovate and make mistakes. It should not transfer a world in which the means of repair have been consumed.

Every financial claim says that something is owed. Society also owes children a liveable future, workers dignity, communities participation, creditors fair recognition of value supplied, borrowers a path beyond permanent subordination, future generations sufficient unpledged possibility, and the living world restraint, stewardship and repair.

These obligations are not all financial. They are the conditions through which finance becomes legitimate.

Who shall inherit the future?

Not the claim alone.

Not the creditor alone.

Not the market alone.

Not the sovereign state alone.

The future belongs in trust to those who must live within it.

The anchor must hold—but it must hold a vessel capable of movement, repair and common purpose.

The ledger must balance—but not by transferring its deficit into bodies, communities and ecosystems.

The promise must be honoured—but honour cannot require the destruction of the world in which promises have meaning.

Credit is legitimate only insofar as it protects, restores or enlarges the life-capacities from which all real value arises.

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