

Doing Money Differently

- Unlike Gaul which, as we all know (don't we?) *Gallia est omnis divisa in partes tres*, this talk is in two parts, first some discussion of conventional money in general, then unconventional money with an emphasis on mutual credit.
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- I'll stick the presentation and some reading references onto my website *hughbarnard.org* in a short while too.

Doing Money Differently: Part 1

The monetary orthodoxy has four functions of money:

Unit of account

The value (! see digression) of something is measured in a specific currency

Medium of exchange

Widely accepted token which can be exchanged for goods and services

Means of payment

(It is the function of being a widely accepted way to value a debt)

Store of value

A store of value is the function of an asset that can be saved retrieved and exchanged at a later time and be predictably useful when retrieved.

Means of payment is sometimes not included now.

Types of Money

- Commodity backed: tokens can be exchanged with the issuer for gold, compost (yes! Bangkok project), electricity etc. I haven't done 'pure commodity' gold coins, large round things etc. (physical delivery vs. promise to pay, so they differ)
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- Pure fiat: This is money because 'we (!who we?) say it is', state or some agency (banks, in the current case) can issue.
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- Pure credit 'money': There isn't necessarily any material expression, just scratches on a ledger, 'somewhere', see especially:
[Debt the First 5000 Years](#)
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- Where does that put crypto, for example, some homework. Backed by 'computation'? See later

Digression1: What is it?

- Philosophically there's a lot of difficulty about the nature of money, for example see: [Social ontology of money](#) (Stanford Encyclopedia)
- See also [value theory, axiology](#)
- I'm with Amartya Sen, value doesn't look like this
- {42}, it might look more like this {1,16,eggs,53,nice-colour) incidentally that looks like a [feature-vector](#) too.
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- I'm also taking the view of a 'humane technologist' here. That we can design money-something(s) that give us better results for a wider population.
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- So my view is somewhat *artifactual*, 'we' (!) (or the state, for example) made it up and we can make it up 'again'

Digression:2 Is Money a 'thing'?

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- Is money a 'thing'? Nouns are always confusing, not always useful.
- Ought it to be a thing? (Things can be extracted and transformed, for example)
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- One quick example, if it's a thing, it can be used to fashion other things (derivatives)
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- My current view is 'it shouldn't be' or, at least 'sometimes/some money it shouldn't be'.

Nice Work: Some Problems 1

- Nearly all conventional 'money' is created as something that bears compound interest, see [Margrit Kennedy](#): interest actually 'touches everything'
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- A bank can, without productive effort, create 'something' that has huge effects on your quality of life
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- It's arguable (by me, certainly) that debt is also an excellent form of social control, it's related linguistically to 'guilt' ([Nietzsche's point](#) and now:schuld) student debt, mortgages, continuous incitement to take expensive consumer debt too. Direct debt keeps you in the 'system' see all the 'fear porn' TV programs too. Like vampires, you invite debt in.

Nice Work: Some Problems 2

- Where does the 'extra' money come from to pay the interest? (Desert Island 'myth'). See also Lietaer's fable on [interest and societal competition](#)
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- OTOH running the printing presses via QE vs. helicopter money (good but spoils the 'game') (and [Cantillon effect](#), perhaps)
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- Complex derivatives and FX (I'm not against harvest futures, for example). Weapons of mass destruction, [according to Buffett](#). Private equity as purely extractive.
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- The 'thingness' of conventional money is one of its problems (my opinion)
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Conventional Money Issuance

- Who creates it?
- The 'government' (set aside arguments about central bank independence)? Apart from QE, actually very little, 3%
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- For-profit banks, at about 97% via interest bearing loans
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- Issuance (democracy in issuance too: [Shira Jones](#)) stages: policy, preparation, actual issuance, redemption or 'destruction'
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Banks are not intermediaries who lend 'savings' (decades of argument about this too) see:

[Money Creation according to the BOE](#)

Part 2: Alternative or Complementary?

- Do you feel radical today? Do you?
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- No particular way of swapping out the complete system, nationwide and worldwide, for example (my opinion)
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- But, for example, a complementary could begin to 'overtake' conventional, reverse Gresham's, especially in times of trouble (Argentina)
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- So complementary exists as part of an ecology of money ([Douthwaite](#), Lietaer)

Existing Unconventional Money

- Some types:
- Local and regional currencies ([Brixton Pound](#) etc.), backed/unbacked convertible to national/or not
- Specialised, (Loyalty points), [Wellness](#), [Torekes](#), a whole new talk in itself
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- (Timebanks)
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- Regional and business exchanges (SARDEX Sardinia, WIR Switzerland, Red Global de Trueque (RGT) Argentina)
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- [Local Exchange Trading](#) (LETs and related)
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- I'll concentrate on the last two, as a matter of personal preference, but skip through the others

Local and regional fiats: some detail

- **Bristol pound**: Sterling backed, can use to pay some local taxes (this is a breakthrough, gold(!) standard of 'acceptibility')
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- **Brixton pound**: Sterling backed by deposit in local credit union
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- Both these aim at the local economy and are 'general purpose'
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- Electronic payment for Bristol, I think (?) that's been withdrawn for Brixton. Others Liverpool, Totnes, Lewes for example

Local Backed Fiat: Pro and Con

- + It has the 'merit of existing'
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- + Easy to understand conceptually, like 'money'
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- + It's prefigurative
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- + Not scary because backed
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- - Conventional currency immobilised
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- - Quite a lot of conventional money spent to support/maintain, so tightly coupled
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- - Convertibility (10% premium) means not terribly radical + leakage
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- Probably many more...

Mutual Credit 1

An introduction:

https://youtu.be/g7C-bLE1w_0

Mutual Credit: 2

Brief digression: Douglas and [Social Credit](#), related to solving some of the same 'problems' but not the same thing.

Some sub types of mutual credit:

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- Commercial ([Sardex](#), [WIR](#))
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- Institutional ([Timebanks](#), mainly)
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- Local and 'Personal' (LETS and [RGT Argentine](#))



Recap (in case the video didn't work!)

- Credits and debits created at the point of 'doing' ([endogenous](#))
- Commitment ('debt' but it's *not*) adjusted depending on trust, activity
- Conviviality (see also [Illich](#) etc. important for 'personal' systems, meals, meetings)
- Solidarity, trust 'raising' rather than crypto (algorithmic trust)

Some + Arguments

- It actually records how much value (ugh!) has been given and how much received,
- It is more readily available when needed (it doesn't have to be mined and refined first),
- Moving 'credit' is simply a matter of adding a ledger entry,
- It provides an incentive for members to help each other exchange
- Note that since mutual credit transactions do not involve the movement of a commodity, are by nature both traceable and reversible, in contrast to say, cash or Bitcoin.

Some - Arguments

- So why aren't there more of these systems?
- Volunteer burnout (timebanks vs. LETs like)
- Misuse by members (running up 'debt', leaving with non-zero balances etc. commercial exchanges use collateral, often)
- Bad governance, hijacked governance (my opinion, governance more important than 'tech', RGT allegiance pledge)
- Fraud and 'poisoning' if physical tokens involved (RGT suggestion)
- Bad Maslow mix (or actually [Blackfoot mix](#)), lots of crystal healers, no plumbers or food suppliers
- Relation of Scale and Trust, but see next bit

What's coming

- Declaration of interest, I'm currently (and somewhat marginally) involved with [this proposal for UK wide mutual social credit](#):
- That's a proposal for a UK wide small business mutual credit network + new version of open source software to support this
- It's very early days and we'll see what emerges

Problems of 'Success'

- This bit is my speculation, but, based on some problems that have already been 'visited':
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- Scale, trust and governance, [Nicholas Albery](#), crypto-trust (not for me), governance (perpetual problem and linked to scale)
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- [Intertrading and federated systems](#) (my preference) but
- who owns the connectors, topology, system failure, arbitrage between 'currencies' (when they move out of a boundary)
- Reserve [bancor](#) like for balancing between systems

Further Reading

- I've linked to author entries to investigate rather than picking out specific books:
- *Monetary Reform Authors*: [Thomas Greco](#), [Bernard Lietaer](#), [Richard Douthwaite](#), [Deidre Kent](#)
- *Economics Reform*: [Kate Raworth](#), [Anne Pettifor](#), [Steve Keen](#)
- *Rethinking Economics* in general, opposing the 'economics as maths' and getting back to 'political economics'.
- *Practical Book on Currency/Project Design* ' [People Powered Money](#) '
- [International Journal of Community Currency Research](#)
- [Murray Bookchin](#), of course, not that much about money but I'm a big fan.

Thanks!

- That's it, thanks!
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- Hughbarnard.org for cleaned up pdf with working hyperlinks, in a short while
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- @hughbarnard on Twitter, no FB ugh, ugh.
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