

A Review of The End of Money and The Future of Civilisation

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The Gunpowder Plot

The key to understanding money lies in being able to distinguish between its mere *forms* on the one hand, and its true *essence* on the other. We often hear that money evolved from gold and silver coin, to paper money, to “checkbook money.” But that does not really tell the story. Such a progression confuses money’s forms with its essences.

With this book Tom Greco not only demonstrates a profound understanding of the nature of money, won through a lifetime of dedicated research, but he also manages to convey this understanding in a clear, well-written and fascinating narrative. For this he deserves acclaim. The precision of Greco’s thinking allows a myriad of confusions, for the most part undetected by less astute writers, to be set in a clear context. The evolution of the idea of money is traced from a process of barter of goods, through the development of money of account to its culmination in the process of credit clearing. It is this final stage that has the potential to revolutionise our present arrangements. Greco puts it as follows: ‘Direct credit clearing is the “gunpowder” that makes the “castle” defenses of conventional money and banking obsolete and useless.’

Imaginal Buds

The first order priority is for the would be student to inform himself/herself as to the actual processes of history that, for better or worse, have given rise to current arrangements and then to imagine what future arrangements need to evolve at the growing points. The world Greco portrays, encapsulated in the book’s title, is underpinned by rigorous argument and analysis. Greco’s account is technical,

historical, practical and to some degree visionary. In this respect he weaves together many different considerations that build a picture of where humanity has arrived in evolutionary terms and how we can transcend the dead-end we face. He analogises the paradigm shift now required in our societal arrangements to the pupa stage of the caterpillar's metamorphosis into a butterfly. Having consumed everything it can within its reach, the chaotic process of disintegration begins in the caterpillar's cocooned body from which emerge 'imaginal buds'.

The Task in Hand

Greco gives a clear outline of what he seeks to achieve with his writing:

[the book] seeks first to elucidate how the centralized control of money, credit, and banking has been *the key mechanism* for achieving ever greater concentrations of power and wealth, and to explain how the present global monetary system has inherent in it an economic growth imperative that has been destructive to the environment and also to democratic institutions and the fabric of society. Secondly, it provides specific design proposals, exchange system architectures, and prescriptions that are applicable to various sectors and levels ranging from the local to regional, national, and global, proposing actions to be taken by grassroots organizations, businesses, and governments. *The prescriptive elements address not only the details of exchange system design, but also strategies for their implementation*

Global NeoFeudalism?

Greco shows what kind of monetary arrangements could be enacted by voluntary initiative, would liberate humanity from 'the dominance of political and banking interests' and would foster the coming in to being of the steady state economy that is needed if future civilisation is to be possible. The reader is left in no doubt as to the enormity of the coming change; in the words of Dee Hock 'we are at that very point in time when a four hundred year old age is rattling in its deathbed and another is struggling to be born.' Greco follows in similar suite:

the transition to a steady state economy, and, indeed, the very survival of civilization hinge upon the fundamental restructuring of money, banking, and finance. If the money problem is not solved, we can expect that the future will bring ever greater misery—continued wars for dominance over resources, accelerating despoliation of the natural environment, continued erosion of democratic institutions, the imposition of a global neofeudal society, and the beginning of a new dark age.

Dispelling Illusions

Yet the message is anything but doom and gloom. The book is bursting with ideas and references that back up Greco's argument, leading one from the drama of history as a contest between elite and

democratic interests, to the logic of money-as-accounting. So much ground is covered and so many insights are given that as a reviewer one can hardly do justice to the substance of the analysis he gives.

By demonstrating in clear terms how money is to be understood today, Greco takes the reader on a journey through the thorny forest of issues that lie between understanding and experience. In doing this he is able to dispense with many anachronistic (or misdescribed) contemporary notions such as *deposits, reserves and redemption*. He shows that whereas today's trends, based as they are on a misapprehension of the true nature of money, will tend to lead toward ever greater centralisation and politicisation as inflation kicks in, an economic view of money will give rise to decentralised but globally networked monetary exchanges.

Central or Plural?

That this principle was already evident in the free-banking literature of the 19th century Greco discovers in the work of Scottish writer Robert Somers:

The question betwixt a central and a plural issue is in reality a question whether banking is to be confined to the great capitalists, or to a few of the greatest towns, and to the high commerce of nations, or opened up to all classes of people and made to embrace the industry, savings and interests of the many. *The tendency of a State or central form of issue is to aristocratize banking*. The effect of a plural issue is to popularize this powerful lever both of moral and material improvement. ...The fact that the establishment of monetary and banking privilege has become general throughout the world is not sufficient reason for its continuance. On the contrary, the evils that have been spawned by such collusion between political power and financial power are far worse even than those that arose historically from the collusion between political power and religious power.

Money as a Thing and Improper Money Issue

The main hurdle to be surmounted is the conception of *money-as-a-thing*, purveyed by banks and politicians. Additionally there is the wrongly described notion of *money issue* by which false or counterfeit monetary values are introduced into the economic process, leading inevitably to inflation.

Most bankers and politicians talk about inflation as if it were some mysterious natural phenomenon. The truth is that the only real mystery about inflation is why we allow it to continue. ... Inflation is simply *the improper issuance of money into the economy*, but how is that accomplished and who might be responsible?

Improper issue arises out of a monetary concept based on *legal restrictions*, produced by the collusion of political and banking interests.

Through legal tender laws and banking regulations, governments endow their respective central bank currencies with the full support of the government, and give the banking establishment the privilege to effectively monopolize everyone's credit and lend it out at interest.

Community Tender

What if one were to imagine the unthinkable – a world which, instead of money as *legal tender*, operated with a notion of *community tender*¹. In such a world, in contrast to the situation today, it would need to be clear to anyone who accepted such tender, for what it stood good. Greco's title tells us that we must be ready for the end of money as we know it, and he reiterates this throughout the book 'money as we know it will become obsolete.'

The Essential Distinction

In its place he identifies a core distinction to be made between the exchange function of money (linked to payments for goods and services) and the finance function of money (linked to capitalisation). In a nutshell Greco puts the case as follows:

The exchange function has need of short-term credit that bridges the gap between the delivery of goods to market and the sale of those goods. It is this credit, and only this credit, that should be embodied in modern money. Money, then, becomes a virtual representation of real value in the form of goods and services that is ready to be bought and consumed. ... a new paradigm approach to the exchange function, which will be described in detail in later chapters, is to provide *interest-free credit* to producers within the process of *mutual credit clearing*. That is the process of offsetting purchases against sales within an association of merchants, manufacturers, and workers. It will eventually include everyone who buys and sells, or makes and receives disbursements of any kind.

...The solution for the finance function would seem to lie mainly in making a shift from debt financing to *temporary* equity financing. Whereas debt makes borrowers and lenders antagonistic toward one another, equity (being shared ownership) tends to harmonize the interests of the user of capital with those of the provider of capital in that both the rewards and the risks are shared.

Real Capital Formation

Greco shows how the dual role of money in facilitating exchange and providing for capital formation can be 'democratised' by the creation of a 'credit commons'. This requires transparent monetary

¹ The term 'community tender' has been invented by the reviewer.

arrangements directly linked to productive economic activity rather than as now, a form of proxy money subject to manipulation and value counterfeiting by a closed-shop collusion of political and banking interests.

government and banking, have colluded to create a political money system that embodies a “debt imperative” that results in a “growth imperative,” which forces environmental destruction and rends the social fabric while increasing the concentration of power and wealth. It creates economic and political instabilities that manifest in recurrent cycles of depression and inflation, domestic and international conflict, and social dislocation.

It is clear for Greco not only that the other side of ‘saving’ must be investment in real productive capacity

These two functions, *saving* and *capital formation*, are complementary processes. It is our collective savings which provide the financing for the creation of new productive capacity. Those of us who have a surplus which we are able to save provide the resources needed by others to become more productive.

but also that such arrangements could be nuanced in different ways, primarily by preferring equity to debt:

one of the problems with a debt contract is that it forces the entrepreneur to assume all of the business risk. Another problem is that interest must usually be paid according to a specified time schedule, along with a portion of the principal.

and seeing equity shares as a flexible instrument that could be subject to a wide range of different contractual forms (such as defined periods of validity) as well as newer models such as Chris Cook’s Open Capital concept.

Information on Past Experience

Helpful illustration of terms such as ‘the reflux rate’, distinction between investment and turnover credit and rule of thumb limits for money issue (producer balances) based on linkage to monthly sales will ensure that the book is received not just as intellectually provocative but also factually informative. As well as spending a good deal of attention elaborating a clearly worked out description of the monetary process, Greco gives plenty of space to describing experiences within the complementary currency movement, taking well-known cases such as WIR and Berkshares and revealing new aspects of their working. Importantly he elucidates what key ingredients would be crucial for the success of a complementary currency as well as detailing its likely Achilles’s heel. Based on his vast theoretical and practical experience of 30 years of research, he elaborates a possible blue print for the further practical

development of experiments in this area, describing how and why certain structural features are needed.

In brief, the businesses that you wish to have accept community credits in payment are the ones that should be issuing them in the first place ... it is essential that the network and each node in it be properly designed and operated from the very start. The third stage of the program will be the joint issuance of credits into the general community by the members of the clearing association. This is accomplished by the association members buying goods and services from nonmembers who are outside the credit clearing circle.

Along with complementary currencies he gives space also to the potential of trade exchanges:

While there has been recurrent debate about reforming the system of money and banking by new legislation and political initiatives, improvement is much more likely to come through private, voluntary, free-market approaches that apply technological and business innovation. The implementation of such systems provides both a transformational advance for civilization and a huge market opportunity for entrepreneurs. Imagine a democratically structured global payment system operated in the interests of the general welfare with membership open to all, in which the exchange medium is abundant and readily available to mediate as much trading as people need to do, and which provides each member with an interest-free line of credit.

A New Landscape

In Greco's view the potential results are no less than groundbreaking:

Cashless payment based upon direct credit clearing among buyers and sellers is a revolutionary innovation in reciprocal exchange that might be compared in importance to the invention of the printing press, which empowered masses of people by making literature widely and cheaply available and freeing them from dependence upon scribes and scholars. Cashless trading has, over the past thirty years, gone through a stage of experimentation, trial and error, and small scale application analogous to early letterpress technology. ... The vision of a global network of independent trade exchanges that could result from such agreements is an attractive one that the industry should work toward establishing... But networking exchanges together will require that they adopt and adhere to standard procedures and protocols

A Question of Accounting

It is at this point that the most interesting and complex debate opens up, both in terms of current developments on the ground and high monetary theory. For when Greco describes the need to adopt and adhere to 'standard procedures and protocols' this may look like efforts underway by the IASB to

harmonise accounting worldwide. But from what understanding of accounting would such a harmonisation unfold? It is clear that such a question is more than academic if the version of accounting around which practice is harmonised turns out to be skewed in a particular direction. Greco does not enter this territory but he does muse over the nature of the 'standard of value' or 'unit of account' whether it must ultimately rest on some known tangible quantity. Either way, the main point is that the unit of measure, if it is to be a trustworthy instrument, must become free of the political manipulation by which it is now fettered (and which must surely lead to further inflation).

A Fine Tradition

Having spent much of the past ten years reading various descriptions of money (institutional, technical, historical, psychological etc) by a diverse array of authors (reformers, academics, money cranks, bankers, accountants, anthropologists) I can bear witness to the multitudinous pitfalls and dead-ends that await the intrepid but unwary student. If one neglects the underlying phenomenon upon which the existence of 'money' is grounded, the exercise becomes an abstract one. To his credit, Greco makes clear that it is the archetypal nature of exchange to which attention must first be paid. From this basis, rather than a purely 'institutional' or 'statist' perspective (which will tend to be juridical) a real insight into the phenomenon is to be won. Greco has managed to gain his perspective by drawing from a select but highly insightful collection of little read authors, that include Riegel, Rittershausen, Bekerath, Meulen, Withers, as well as the better known thinkers in the area such as Keynes, Hayek, Rothbard.

Conclusion

I can heartily recommend this book to anyone who wants to advance their knowledge of a subject that is much discussed but little understood: the nature of money. Greco clears away the misconceptions that have served to undermine today's currencies. He shows that money's true nature consists in an accounting system that bridges the exchange and finance functions of money and that if this were understood, humanity could quickly become free of its reliance upon a banking system that it little comprehends, coupled with political-money that it tacitly but blindly allows. It is not just a devastating critique of the money-state nexus that has given rise to a dysfunctional banking system, but additionally a how-to-manual for building sustainable exchange and finance networks based on a real analysis. Detailed consideration of the issues, historical and practical, is backed up with a convincing overview of work done in this area and reference to many little known but significant writers and thinkers. Greco precisely identifies the conflation of interests and confusion of thinking that have given rise to today's monetary muddles and proceeds to elucidate a viable strategy by which we all, as individuals and in association with one another, can unravel the tangle and build the basis for a mutually profitable exchange. The structure of the narrative skilfully switches between the historical backstory of finance and the technical theoretical considerations that underlie present arrangements. It is written in comprehensible lay terms without losing any of the power of its insightful analysis.