Redesigning Money to Curb Globalization

Can We Domesticate the
Root of All Evil?

”The love of money is the root of all evil”
St. Paul (1 Timothy 6:10)

- Money as the root of avarice (*Aquinas*)
- Money as the root of accumulation (*Marx*)
- Money as the root of alienation (*Polanyi*)
- Money as the root of slavery (*Graeber*)
- Money as the root of ecological disaster (*Foster*)
- Money as the root of global warming (*Klein*)
- Money as an accelerator of entropy (*Georgescu-Roegen*)

- *Yet money is to most of us (particularly economists) as water is to fish…* But what *is* it?

Money as artefact and sign

- The specificity of human sociality hinges on the fact that human relations can be anchored to external points of reference beyond the body, such as language, symbols, and material artefacts (*Strum & Latour 1987*).
- The world-system, like all human societies, is anchored to flows of signs beyond the body.
- Human societies reflect how such flows of signs are designed.

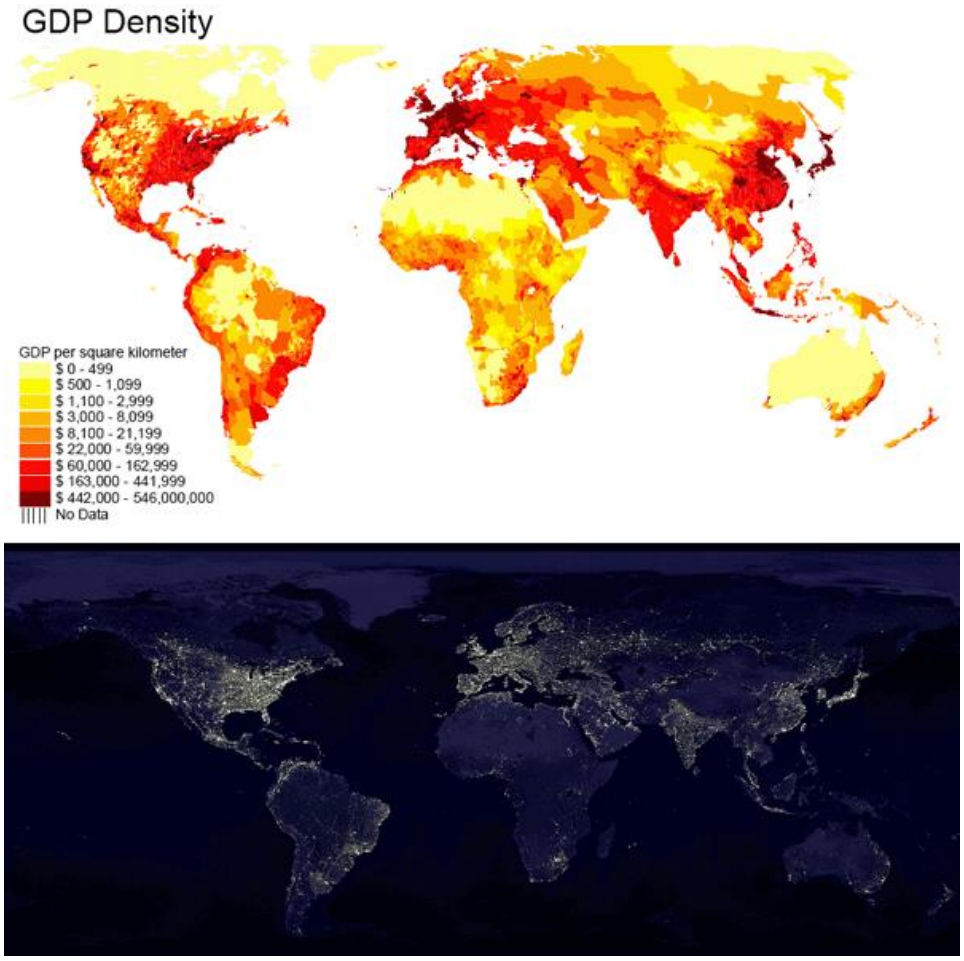
The peculiar semiotics of money

- *C.S. Peirce*: Three categories of signs in human communication (*index*, *icon*, and *symbol*).
- Money fits into none of these categories – it can assume any meaning that its owner gives it (i.e., it is a sign without meaning).
- The money ”code” only has one character.
- Money transactions are inherently asymmetrical, dependent on people’s assets.
- Money can grow without material constraints.

Money, materiality, and morality

Political Economy	Neoclassical economics
Material substance of – and asymmetries in – commodity flows as the basis of accumulation (e.g., Mercantilism, Smith, Ricardo, Marx, Ecological economics)	The mathematics of market equilibrium dissociated from material flows as well as wider moral concerns (e.g., Alfred Marshall, León Walras)
”Unequal exchange” as a material phenomenon (e.g., net transfers of embodied labor, energy, or land)	”Unequal exchange” as market power (e.g., monopoly)
Focus on ”use value” (Aristotle’s *economics* – the art of managing resources)	Focus on exchange value (Aristotle’s *chrematistics* – the art of managing money)

GDP density and the accumulation of technomass in the world-system



Unequal exchange defined as net imports of embodied resources to world-system cores in 2007

(data compiled by Christian Dorninger, Vienna)

Resource	USA	EU	JAPAN
Raw material equivalents	3,7 gigatons*	6,1 gigatons	2,9 gigatons
Embodied energy	10,6 exajoules**	17 exajoules	4 exajoules
Embodied land	1,1 mill. sq. km	3,1 mill. sq. km	1,3 mill. sq. km
Embodied labor	96 mill. person-yrs	120 mill. person-yrs	35 mill. person-yrs
ARE THESE METRICS AT ALL RELEVANT TO MAINSTREAM ECONOMICS?	* = 10 with nine zeros (= 10,000 million tons) ** = 10 with 18 zeros		

Money and entropy

- Money *cannot* correspond to a material standard (e.g. energy, land, gold), because as money increases, energy and matter *dissipate* (Georgescu-Roegen 1971)
- In other words, *economic growth is tantamount to material dissipation*

A succession of money forms, increasingly dissociated from materiality

MONEY FORM	TIME OF ORIGIN	PLACE OF ORIGIN	IMPLICATIONS
Metal coinage (commodity money)	c. 600 BC	Aegean (Lydia, Greece), India, China	Commercial civilizations replaced tributary empires
Paper notes (fiat money)	? c. AD 1350	China Italy (Renaissance)	Banking and capitalism in Europe replaced feudalism and power of land-owners
Electronic money (information)	1971	USA	Introduction of electronic stock market (NASDAQ) and electronic bank tellers

Some critical points of divergence between paper money and metal value (*J. Weatherford 1997*)

AUTHORITY	YEAR OF COLLAPSE OF METAL STANDARD
Banque Royale/Mississippi Company	1720
U.S. Congress/*Continental Currency*	1780
British government/Bank of England	1917
President Roosevelt	1933
President Nixon	1971 (August 15)

The problem does not define the solution

- If the fundamental problem is the non-correspondence between money and material resources…
- this does not necessarily mean that the solution would be to tie monetary value to a material standard, but…
- could be to *insulate people's material means of survival from financial speculation*.

Financialisation and financial crisis as divergence of material and monetary flows

- The assumption of universalized and globalized commensurability is a *cultural* conception, but with severe material consequences.
- *How can we insulate people's basic material needs from the vicissitudes of financial fantasies and capital accumulation?*
- By acknowledging that values pertaining to basic human survival ought *not* to be interchangeable with the values in which financial institutions speculate.

A vision of a sustainable future?

National authorities can issue a *complementary currency* (let us call it ”Notes”), which can only be used to purchase locally produced goods and services, and to distribute it as a *basic income* to all households in proportion to their size.

Some anticipated questions

- *What does 'locally produced' mean?*

Goods and services originating within a given radius (say, 30 km) from the place of purchase.

- *How is the new currency distributed?*

By each month charging plastic cards with electronic points.

- *Isn't this just another 'local currency' scheme?*

No. This proposal builds on their failures for over thirty years – contrary to them, it would be fair, attractive, easily administrated, and efficient.

Distinguishing the functions of money

LETS = Local Exchange Trading Systems; Scrip = commercial offers;
'Notes' = New proposal

FUNCTIONS	$ € £	LETS	Scrip	'Notes'
Medium of two-directional transactions	**Yes**	**Yes**	No	**Yes**
Store of interest-yielding value	Yes	**No**	**No**	**No**
Specifies goods and services to be exchanged	No	No	**Yes**	**Yes**
Specifies users	**No**	Yes	**No**	**No**
Issued and guaranteed by state authorities	**Yes**	No	No	**Yes**

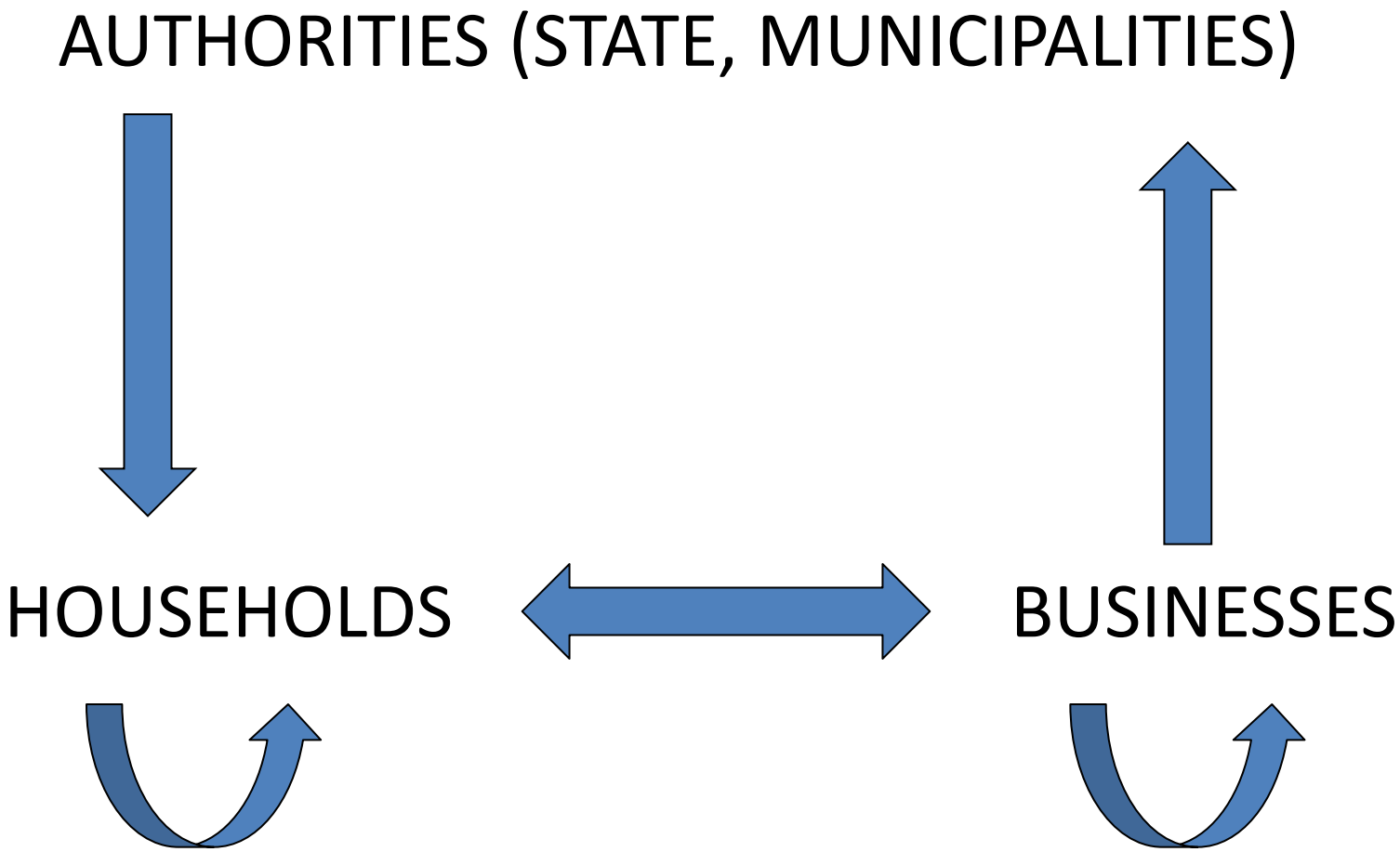
An economy with two ”spheres of exchange”

SECTOR	TYPE OF EXCHANGES
GLOBAL, FORMAL SECTOR Currency: Conventional money	Wage labour exchanged for money used to buy commodities that compete on a global market (as before)
LOCAL, INFORMAL SECTOR Currency: ”Notes” (untaxed, yields no interest)	State-issued ”Notes” exchanged for locally produced goods and services

Why would we want to deal with ”Notes” rather than money?

CATEGORY OF ACTORS	INCENTIVES TO DEAL WITH ”NOTES”
HOUSEHOLDS	**Relieves ordinary income** from certain kinds of expenditures **Reduces dependence** of wage labour and the threat of ’unemployment’ **Increases social cooperation** and community
BUSINESSES	Specialisation on local products may provide **competitive advantages** ”Notes” can be used to **buy (untaxed) services** informally, as demand for labour peaks ”Notes” can be **converted into money** through the authorities (applying flexible conversion rates)
AUTHORITIES	**Reduces public costs** for transport infrastructure, environmental protection, unemployment, social benefits, and health care

Flows of ”Notes”



What would be the point of a bi-centric economy?

It would

- **increase sustainability:** reduce transports; emissions; resource use; waste (leakage, losses, garbage)
- **reduce vulnerability:** enhance food security; diversity; community; resilience
- **diminish inequalities:** mitigate accumulation; polarization; marginalization

Some of the advantages

COLLECTIVE ADVANTAGES:
1. REDUCED demand for long-distance TRANSPORTS (= less carbon dioxide emissions; less consumption of energy and materials; lower costs for transport infrastructure; fewer traffic accidents)
2. INCREASED local RECYCLING of nutrients and packaging materials (= less leakage of nutrients and eutrophication; less garbage; less consumption of finite resources)
3. LESS INTENSIVE AGRICULTURE (= less consumption of finite resources; less environmental degradation; more physical exercise for the majority of people)
4. LESS demand for EXPORT PRODUCTION of foodstuffs (= globally decreased marginalisation of rural populations; increased self-sufficiency; less vulnerability; increased food security)
5. More LOCALIZED FOOD PRODUCTION (= decreased losses of foodstuffs through overproduction, storage, and transports; fresher and healthier food with less preservatives; improved contact between producer and consumer; improved information and control)
6. More DIVERSE LANDSCAPE (= increased biodiversity; decreased ecological vulnerability)
7. More LOCAL COOPERATION (= less social marginalisation; improved psycho-social health)