



Reinventing Money

**The emergent path toward
peace, harmony, and equity.**



Why Does Money Need to Be Reinvented?

- Throughout the world, money has become an instrument of political power.
- Money and banking are manipulated by and for limited private interests.
- Political money is exploitative, dysfunctional, and undemocratic.



How is Political Money Dysfunctional and Exploitative?

- Political money is inefficient and inequitable – many needs go unmet because the supply of money is deficient.
- Periodic cycles of depression and inflation derive from the actions of central banks.
- Money concentrates power and wealth – the rich get richer; everyone else gets poorer.
- Who decides whose interests will be favored?
- Conventional political money causes social and international conflict and ecological destruction.



Roots of the Money Problem

- General misconceptions about the nature of money, banking, credit, and exchange.
- General but erroneous belief that money should be centrally issued and controlled by governments or central banks.



What *Is* Money, Anyway?

There are various ways to define money.

Practical Definition – its distinguishing feature

- *Money is anything that is generally accepted in payment.*



What *Is* Money?

Functional Definition – what money *does*

Money is a:

- ***Medium of exchange***
- ***Measure of value***
- ***Store of value***



What *Is* Money?

Essential Definition – what money *is*

- ***Money is an accounting or information system***



The Primary Role of Money Is to Mediate Exchange

- Exchange is a fundamental necessity in advanced civilizations.
- Most of what we need, we get by trade.
 - “When the division of labor has been once thoroughly established, it is but a very small part of a man’s wants which the produce of his own labor can supply. – Adam Smith, *Wealth of Nations*.”



How is Political Money Dysfunctional?

- Money is kept artificially scarce.
- Money is expensive because interest is charged.
- Money is misallocated at its source.
- Political money forces artificial growth.



Why is Money Scarce?

- Money, today, is mainly bank credit.
- It is created when banks make “loans.”
- “Borrowers” must pay interest on every dollar. Debt grows faster than the money supply.



Why Is Money Expensive?

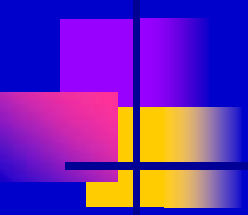
- “Borrowers” must pay interest on every dollar of bank-credit money.

This interest burden makes money expensive to use, and adds unnecessary costs to every stage of production and distribution.



Why and How Is Money Misallocated?

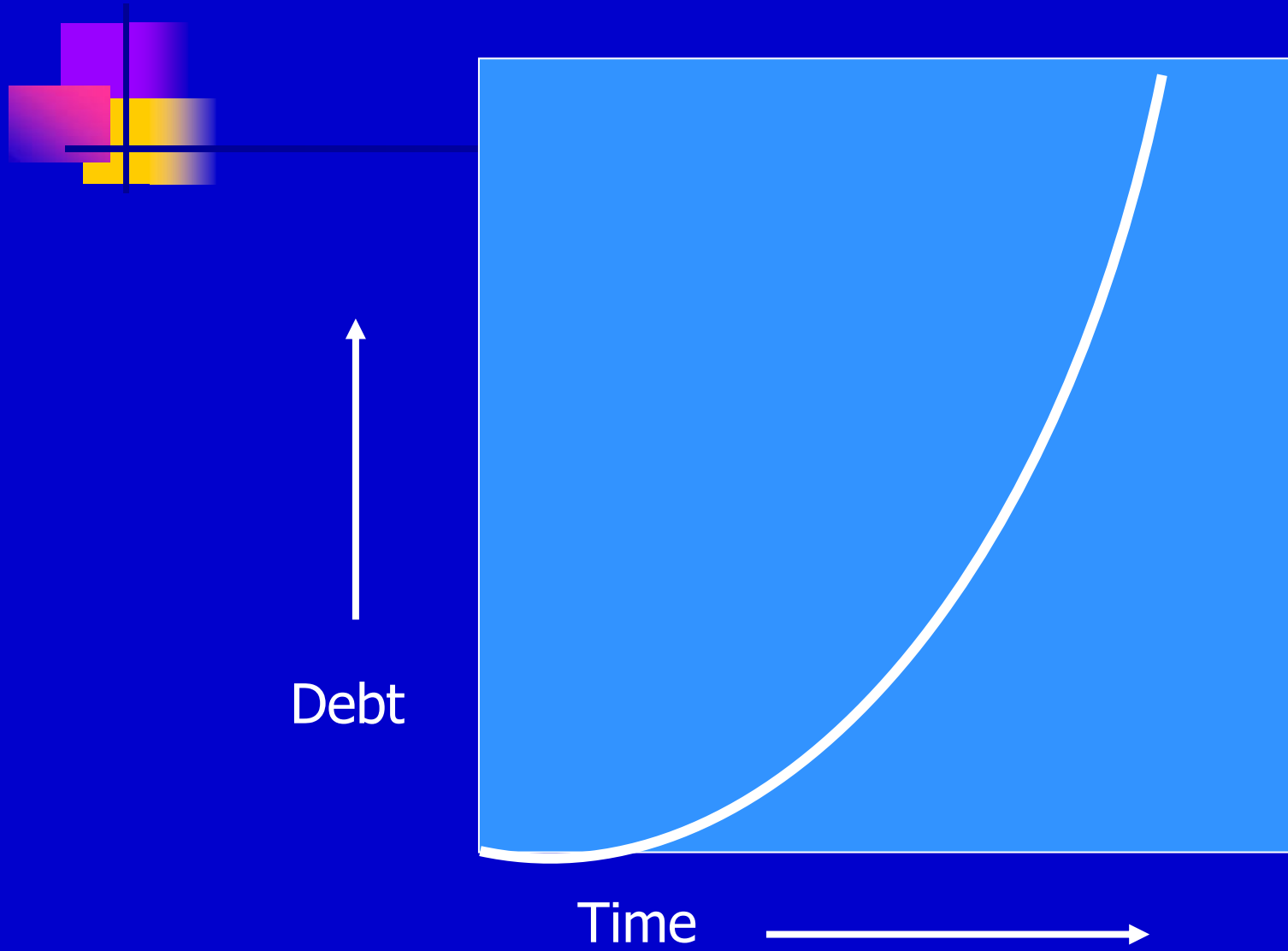
- The allocation of money is done by banks making “loans.”
- Some people are given access to credit while others are denied.
- Some receive favorable terms (low interest; minimal collateral), while others are not.



How Does Political money Destabilize the Economy?

- Compound interest causes debts to grow with the passage of time, but the money supply can be expanded only by banks making additional loans, so the amount of money available to repay bank loans is always deficient.
- Manipulation of interest rates upsets the natural adjustment mechanisms.
- Monetization of government debt by central banks dilutes the value of the money stock.

Debt Grows Exponentially

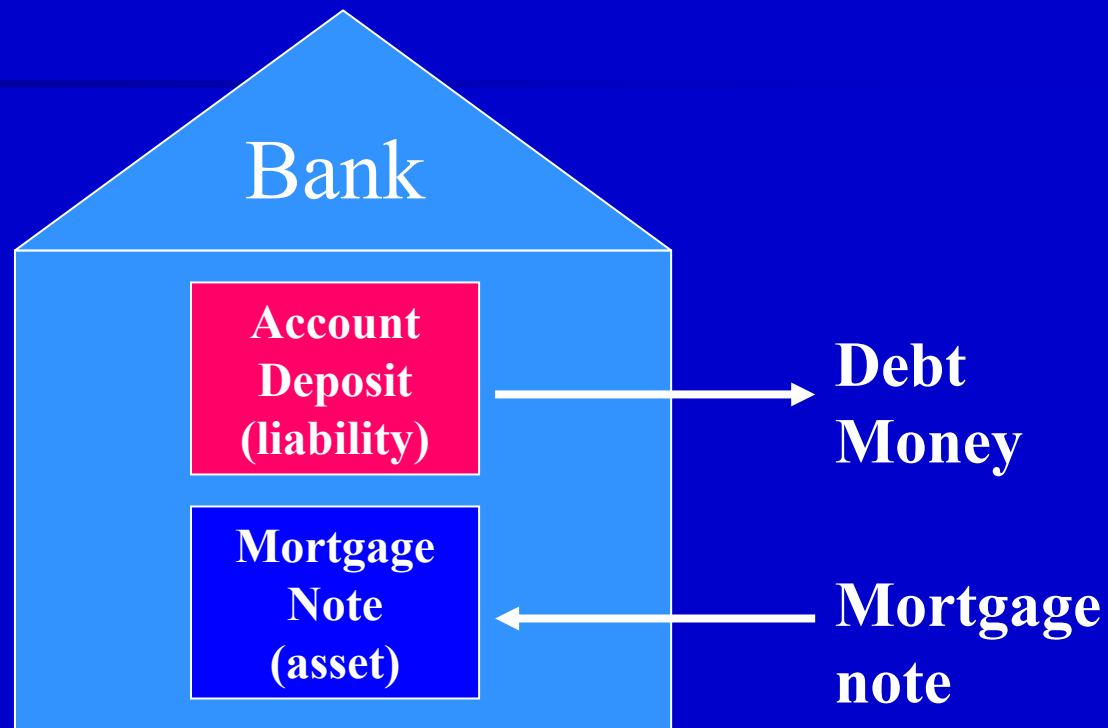




The Debt Money System

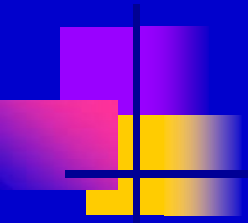
- Banks, in effect, monetize the value of the collateral assets. They call this practice, “making a loan,” even though nothing is loaned.
- Banks charge interest on these “loans.”
- That turns “credit money” into interest-bearing “debt money,”
- Which results in a growth imperative and destabilizes the entire economy.

The Creation of Bank Debt Money as Deposits



Banks now issue only debt money, not as notes, but in the form of bank “deposits” when a “loan” is granted.

What Is the Answer to the Money Problem?



The exchange process can and must be liberated.

- Sound and credible exchange media can emerge from a variety of sources.
- There is no need for the exchange process to be limited by centralized power, *i.e.*, governments or banks.



Guiding Principles

- Justice requires free exchange.
- Free exchange is more efficient in distributing goods and services.
- Free exchange requires markets and money that are free from monopoly control.
- Government involvement in money usually establishes privilege **not** freedom.



Alternatives to Debt Money

- Mutual credit clearing associations and private currencies can reduce the need for conventional, bank-created, debt-money.
- Private exchange systems and complementary currencies are simply expressions of the *right of contract*, and are perfectly legal.

Money is Being Reinvented at All Levels



- The grassroots level
 - LETSystems and local currencies
- The business level
 - Trade or “barter” exchanges and *countertrade*
- The governmental level
 - Circulating provincial bonds and tax credit certificates



Private Community Currencies Have Many Direct Benefits

- Private, interest-free currencies can be spent into circulation as a substitute for bank financing, saving on financing costs.
- Because they recirculate locally, they promote the health of the entire local economy.
- Competition among currencies and exchange options results in a stronger, less costly business environment, and healthier communities.



Advantages of Complementary Currencies

- Abundant supply
 - Created as needed, they supplement the supply of scarce official currency.
- Low cost
- Democratically allocated
- Gives local suppliers preference over imports
- Reduced risk of default –
 - A promise to deliver goods or services is less speculative than a promise to pay money.



What People Can Do

- Barter amongst themselves.
- Form trading clubs and hold trading “fairs.”
- Organize mutual credit circles and networks.
- Collectively issue trading coupons or local currencies to supplement official money.



The Business Community

- Form mutual credit associations for clearing payments due to one another.
- Issue “purchasing certificates” or community currency to the general public, backed by their ability to provide goods and services.



Local and Regional Governments

- Issue “tax credit certificates” or “tax anticipation warrants” to finance operations.
- Issue “community improvement bonds” to finance infrastructure developments.



National Governments

- Renounce legal tender laws.
- Repeal laws that give privileged status to particular banks and currencies.
- Do not interfere with private exchange systems or privately issued currencies.



National Governments

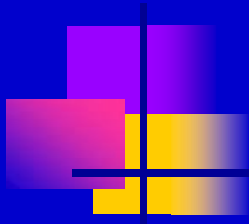
- A national government can still issue its own currency on the basis of its anticipated revenues.
- It should issue its currency directly from the treasury (by spending it into circulation).
- It should be required to accept its currency back, **at par**, in payment of fees and taxes.
- But no one else should be required to accept it at par. The market should be free to refuse it or discount it.



Basic Requirements of Any Currency System

- Transparent operation and open records.
- Properly issued on the basis of value being exchanged, in amounts proportionate to the goods and services available.
- Clear agreement about the rights and responsibilities of the issuers and users.
- Anyone who emits a currency must be willing to accept it back in payment, **at par.**

Benefits of Free Money and Banking



- Multiple competing exchange alternatives lead to more efficient, lower cost exchange.
- When exchange media are abundant, no real needs are left unsatisfied because of lack of money.
- More equitable access to credit.
- More equitable distribution of production.
- Reduced unemployment.
- The end of “the business cycle.”



What can *You* do?

- Learn about money and the exchange process.
- Join or start a mutual credit or community currency group.
- Promote exchange alternatives among the local business community and municipal or provincial governments.
- Lobby higher levels of government to eliminate special privileges in money and banking, and to remove legal impediments, if any, to private exchange alternatives.



To Learn More and Keep Up-to-date on Developments

- Explore the websites:
ReinventingMoney.com
circ2.home.mindspring.com
- Read, *Money: Understanding and Creating Alternatives to Legal Tender*, by Thomas H. Greco, Jr.
- Subscribe to one of the many related listserves.