

## Two Sides of the Money Coin

Imagine a coin. The choice of metal does not matter as it is only backed by your belief in its value. The coin has two sides, each representing proposed solutions to 'the money problem'. One coin – let's call it 'money solutions' - the common aim, a money system based on principles of justice, equity and participation.

### Two sides, two approaches.

On the one side, standing on the monarch's head of 'seigniorage', we have the Money Reformers who would reshape the present system of creating the national money supply; on the other, opening the portcullis gate to new, localised possibilities of money creation, stand the Complementary or Community Currency activists. Participants in both movements can be ignorant, suspicious or dismissive of the efforts of those in the other.



What do both sides of the same coin, these two movements, have in common? How do they differ? Are their aims contradictory or mutually exclusive? If one movement fully achieved its aims would the other become redundant or will the future need both of them to succeed?

Before suggesting answers to these questions let us step back a moment to note that the simple suggestion of two sides, two poles, two 'extremes' habitually conjures up either/or thinking and the taking of opposite positions in the Western mind. As we explore these movements let us remember that the coin metaphor suggests that the two sides are part of the substance of *the same coin* and so assumes that both are necessary at some level.

### First, monetary reform.

What are the generic aims of monetary reform? Those campaigning for reform of existing money systems generally agree that there are two main problems with money:

(1) issuance of money by banks as a debt rather than being created by governments debt-free leads to much personal and social distress and tends to concentrate power in the hands of private rather than public interests; (2) dealing with money as a tradeable commodity in its own right (such as through charging interest) leads to many abuses and a dilution of its potential power as a medium of exchange. Stephen Zarlenga in 'The Lost Science of Money' (featured in Prosperity in June/July 2004) reminds us: "Both Aristotle and Plato noted the paramount monetary principle – that the nature of money is a fiat of the law, an invention or creation of mankind and society rather than a commodity."

A number of different groups exist to pursue and campaign on these questions and many of their participants have agreed to the Bromsgrove Group's Statement of Belief which proposes "that the government – via a democratically accountable authority – undertakes the creation of a supply of money, debt-free, into the economy", and that, "this authority should spend, not lend, a supply of money into circulation on the basis of proven need. This will reduce the overall burden of debt in society, break reliance upon the banking system for the supply of money, and open potential for limitless change." The Bromsgrove Group also acknowledge that within these overall aims there will be many differences of opinion about how practically this should be realised. People such as James Huber and James Robertson in 'Creating New Money' have made respectable attempts to outline such a practical implementation programme. What these approaches have in common is that they are centralised solutions to

## **On the other side of the coin, the movement for Complementary or Community Currencies.**

Again, this is a diverse movement with a variety of approaches. What its participants have in common is the idea that the design and issuance of currency is not the exclusive right of national, centralised institutions, whether banks or governments. They believe that non-national, regional, sectoral or local currencies can be designed with particular purposes or aims, such as economic or social regeneration of communities affected by the 'externalities' of the conventional economy or to encourage business survival. Their solutions range from the 'mutual credit' systems such as Local Exchange Trading Systems (LETS) and Time Dollars (Time Banks in the UK), where the participants issue the currency each time they trade, to fiat systems such as Ithaca Hours or the 'demurrage' currencies inspired by Silvio Gesell and the 'free money' movement in which credits lose their value over time if not spent. There are now thousands of such systems being developed by communities on every continent, including high profile examples such as Argentina, where the national currency collapsed, and Japan, which is experimenting with local currencies on an unprecedented scale. Business barter systems such as the international Barter Card (trading in the Trade Dollar) or the Swiss WIR system involve thousands of businesses worldwide. Many transnational corporations operate points systems or loyalty cards. What all of these mechanisms have in common is the creation of a system to acknowledge value for exchange of goods and services without reference to a national currency and free of interest charges. One coin, two sides.

On the one side we might ask - if the aims of monetary reform succeeded would Complementary Currencies (CCs) be made redundant? If the government created an abundant supply of currency "on the basis of proven need", as the BG Statement of Belief states, would that mean that CCs would not be needed? Do Monetary Reformers see CCs as an embarrassing and distracting irrelevance to the serious business of reforming the national governance of the money creation process?

To approach an answer to this we need to borrow the understandings and language of 'systems theory' which seeks to model the complexity of both natural and human-created systems, such as money. Complex eco-systems are complex because they contain a wide variety of species and micro-habitats. Variety is the key to their continued existence. National money systems, like government policies such as interest rates and even any newly created arms length agency, are blunt instruments which cannot possibly take account of all local variety, either actual or desired. CCs are able to value local variety at the local level, just as national currencies value national variety at the national level. CCs establish accountable, interest-free mechanisms for exchange, based on proven need in a particular region, sector or community *at the local level*.

On the other side of the coin we might ask - if CCs were to be established in every region, sector or community which desired one, would monetary reform become unnecessary? Do CC activists regard anything to do with 'the system' or government as dangerous and interfering, whether reformed or not? To attempt to answer these questions dives right into the middle of ancient debates about the right of the state to organise anything which affects all citizens. Simply allowing 'the market' of CCs to determine the local currency supply may help us to design sectoral currencies designed around, say, local health needs, but would not help us to coordinate or run more effective public services nationally and so the national reform questions would still need to be posed.

I have no doubt whatsoever that the contributions of both movements are sorely needed. Both sides of our imaginary coin are in need of a good clean. Both need to polish their arguments to bring up a better image of their value. Then imagine the edge of our coin flying through the air to cut through the self-serving arguments of bankers, economists and politicians. There is no either/or only a cosmic both/and which together will "open potential for limitless change."

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