THE END OF ECONOMICS*

From Economics to Meta-economics

In August 1971 classical economics died, killed by President Nixon's decision to close the "gold window" which entitled anyone holding US dollars to exchange them for gold. Henceforth, though economic theorizing continued, the real debate was to be about what Fritz Schumacher had christened "meta-economics". That is to say, it was to examine assumptions it had previously taken for granted and address the question, "What is the purpose of economic activity?" This is the first of two questions that are implied in the ambiguity of the word "end" in the title. The other question is whether our world which is being forced into global, thus transnational consciousness, can survive without bringing to an end the economic mindset which originated with Adam Smith's paradigmatic work *The Wealth of Nations* and which has been a taken-for-granted backdrop to all socio-political theory and practice ever since.

Any community large enough to have an economic dimension, whether it be spiritually oriented or not, now has three choices: it can ignore the meta-economic challenge altogether and take no interest in the wider problem of economics, it can partake in the new debate which has arisen or, if it has an inspiring vision of the future of human society, it can seize the high ground and lead the debate. If it is a living, rather than just a talking or theorizing, community, it must also put into practice the principles which emerge from meta-economic thinking and make them integral with its spiritual vision.

As a discussion paper, this one suffers in two ways, firstly, because it deals with issues which are in a very active phase of debate and experimentation and, secondly, because it has to compress and select from a vast topic with poorly defined boundaries. It is therefore

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necessary to say at the start that the theme sticks very narrowly to the evolution of money (for reasons which will emerge) barely mentioning the immense economic significance of other factors such as the evolution of transnational corporations, global pollution and "black" economies, and it only makes the broadest suggestions about the economics of the future.[1] Its conclusions must be taken in conjunction with the general principle of human development that each one of as an individual is the product of a primary community, and various secondary communities, and its corollary, that if human evolution is to be approached proactively - rather than as something that just happens - we must reshape those communities. The application of new economic principles will be ultimately fruitless unless a new alignment of existing communities, including the political community, can be achieved. Whatever these principles may turn out to be, they will have to be integrated within the new - and at this point unknown - socio-political structures as naturally as industrial capitalism is now integrated with party political democracy.

The Life of the Spirit and the Religion of Mammon

The tacit religion of most of humanity, whatever religion is ostensibly professed, is in effect the pursuit of material goods with greater or lesser dedication. Those in business who seek to develop spiritually face a more difficult task in finding the balance between religion and active life than in the past, for simple survival in many business situations forces one into competition which is at odds with natural humanism, let alone the religious ideal. An advert some years ago recruiting officers for the Volunteer Reserve Forces offered as an inducement the benefits that businessmen would gain from its training - "Whether you are talking of unarmed combat or the cut and thrust of business life, we live in a competitive world." The message was illustrated with a photo of two grappling men, one attempting to gouge out the eyes of the other, who was attempting to stab him. Increasingly even small business concerns are forced into a hyper-competitive attitude which corrodes natural idealism, for it need hardly be said that one cannot treat one's fellows as either competitors or consumers during working hours and then switch into spiritual mode when one has locked up the shop for the night. The pursuit of Mammon at whatever cost to our human ideals, is sometimes justified on the grounds that by compromising our ideals we can more effectively make the money that is required to hand out in charitable work. This is, of course, the Thatcherite solution, claiming scriptural justification from the fact that no one asked the good Samaritan how he had made his money..

The limited truce between God and Mammon which Christianity has espoused in practice is becoming an untenable option. With the benefit now of a historical retrospect, we shall see that though the traditional Christian compromise was probably beneficial in its day, some quite new kind of economic structure is required to resolve the conflict between what has been called *Homo economicus* and what might be called *Homo spiritualis*. If *Homo sapiens* differs too widely in concept and reality from *Homo spiritualis*, it is surely safe to say that there is no future for our species.

Religion and the Economics of Serfdom

For nearly eighteen centuries Christianity was able to live fairly comfortably with economic systems that functioned only because one class of people were kept in serfdom, either as a whole social class at the bottom of the feudal hierarchy or as personal slaves before feudalism emerged and after it had collapsed. There were no voices raised against the institution of serfdom: it was considered part of a divinely approved social order, a pyramidal structure justified because God was at the apex giving authority to a king or Holy Roman Emperor, who thus ruled by divine right, or to a pope who was the "vicar of Christ". This hierarchical conception and its divinely ordered inequalities dies hard: it is not so long ago that the Anglicans felt the need to delete from their hymn books the verse from the famous hymn, "All Things Bright and Beautiful", which justified the gap between rich and poor on the grounds that "God made them high or lowly and ordered their estate".

Much as we might deplore the institution of feudalism, it did entail social obligations as well as privilege, and the chattel slavery which returned to society when the feudal system collapsed was a far greater inhumanity. I have sat many times in the great wooden cathedral in Georgetown, Guyana, taking respite from the tropical heat, and wondered how generations of plantation owners could have worshipped there alongside the human beings whom they sincerely believed were their personal possessions. Many voices were, in fact, raised in protest at various times against chattel slavery, but they had no lasting effect until the Abolition Movement succeeded in outlawing slavery in Britain and the Colonies. But the spirit of slavery lives on, despite its legal abolition, and quasi-slavery flourishes in third world countries where unregulated sweatshop factories and an endless supply of orphans encourage it, and where the latifundia system of farming (which fatally corrupted the Roman Empire) has never been reformed. Slavery itself too is returning, not only in West Africa, where ruthless cocoa plantation owners resort to kidnapping of youngsters, but in other parts of the world. Anti-slavery International has reported to the UN the cases of 5,000 slaves they have found in Brazil, and the Catholic CPT, a similar body, recently presented a dossier to the Brazilian government showing a three-fold increase in slave-worked farms since 1990 and a total of 53 slaves killed while trying to escape. This in a westernized country after two thousand years of Christian influence.

The real problem, however, is less dramatic and more widespread. The relentless logic of capitalism is re-creating in developed countries a society of possessors and dispossessed. In fact, it is not capitalism as such which is having this effect but a combination of free market and profit-driven capitalism, which we take for granted is the only version available. A refinement of the concept of capitalism will be a vital element in an economics of the future, but the immediate point is that we are seeing the emergence of an underclass created by capitalism, the members of which are technically free but so economically deprived as to be excluded from "normal" society. Even on its own terms, profit-driven capitalism is on the way to destroying itself, for once the number of the newly pauperized passes a critical threshold (which is approaching very rapidly in the UK and other countries) there is removed a vital proportion of consumers needed to sustain the manufacturing base.

These matters need no elaboration, for they are in the newspapers and on TV almost every day. Our passive acceptance of capitalism is assured, however, because the only obvious alternative has been experimentally tested on a grand scale and seen to fail. Communism has not only proved itself inefficient as a provider of material goods, but insofar as it worked at all it was at the expense of personal freedom, entailing a new kind of serfdom for those who were not rulers in the party. Thus, despite the mounting evidence of dehumanizing poverty in the West, we cling to capitalism because there now seems to be no hope of an alternative. The manifest breakdown of capitalism no longer brings protest but bewilderment and apathy.

Once we become aware that the principles of economics have evolved, and are therefore likely to continue evolving, we free ourselves to project economic evolution into the future. The critical factor is the will to change, and that is why there is an inescapable religious factor in the future of economics, for the system which appears will be driven by one of two desires, either the age-old wish to exploit our fellow human beings or the need, basic to Christianity but not to all religious movements by any means, to join with them in genuine community.

The Nature of the Present and Future Problem

Apart from the ever-present human tendencies to greed and human exploitation, there are three major theoretical factors which have combined to create the world's present economic predicament. The first two are strictly economic problems, the third is meta-economic.

The first factor is the way in which the definition of money has changed over the past three thousand years, and radically so within the past twenty, since money became totally decoupled from gold. When we look more closely at what money actually is and what it does today, rather than what classical textbooks tell us it used to do thirty years ago, we shall find a difference that will start to explain why our economic systems are not working, and thus give us a chance to create something appropriate to our needs. It will also put objectors to a new economics on the defensive, for they will need to declare first what their own definition of money is and justify its use.

Economic models today are, without notable exception, essentially theories of machines that balance growth, inflation and unemployment, sometimes as complex weighing scales, sometimes as hydraulic systems with "taps, valves and pumps" of taxation, bank base rate, spending on public works, etc. by which the pressures are controlled. The breakdown of the machine model in economic practice is the second factor in the world's economic malaise. It would be easy to plunge into a morass of economic theory at this point, but I think that all that needs to be said to indicate the inadequacy of current theory is to point to the practical contradictions to which it leads. When a country like Britain can lose £1,800,000,000 in one week of currency speculation, as it did before it was forced out of the European Monetary System, yet plead inability for lack of money to keep open some of the finest teaching hospitals in the country or to provide textbooks for schools, we are surely living in the realm of economic lunacy - the detachment between theory and reality has become complete.

The third, and meta-economic, factor is that the definition of human welfare has started to diverge dramatically from that which economic theory has traditionally assumed - and hence that which economic practice has pursued. Initially, the goal of economic theory and practice was quite simple, the increase of social and individual wealth, a wealth that was measured in terms of material goods. The ultimate measure of success in economic theory and governmental policy was, and continues to be, increase in Gross National Product, but GNP, as every first year economics student knows, is a very crude indicator: it includes the wealth made from selling tobacco, alcohol and advertising space along with bread and education, for it has no way of distinguishing their social value. The increased activity in addiction clinics that comes from increased trade in alcohol is a double plus in economic theory. This illogic is defended by economists on the grounds that it is not within their brief as scientists to distinguish beneficial from harmful economic activity. GNP is an economic constant which can be compared in its importance to Newton's assumption that the speed of light is infinite. Once the speed of light was shown to be finite, a new science of physics was born with Einstein's special theory. Once GNP is replaced as an absolute measure of economic achievement, we shall have a new science of economics. Where economics deals now with the creation of wealth, the new economics will deal with human fulfilment, and thus economics will have entered into the territory of religion as surely as physics entered into theology with the Big Bang Theory of cosmic creation and, it might be added, with as much disbelief and reluctance..

At present, the connection between religion and economics is quite different. Though socialism in this country was born out of the Nonconformist conscience, it has given way to something called "market socialism", which is almost a contradiction in terms, since socialism is cooperative and the market is competitive. Capitalism, by contrast, is clear-minded, seeing no conflict between religion and wealth creation, for, it is argued, only in this way will help be available to the poor. Lord Macfarlane, the Queen's representative at the 1992 General Assembly of the Church of Scotland, did not expect, nor did he receive, any correction when he told his listeners that it would be immoral to obstruct the pursuit of wealth creation, which was, he said, "the only way of delivering material well-being."

Yet any of the elders, whether economically literate or not, could have told him that the pursuit of wealth creation is delivering an enormously worrying lack of material well-being, in the form of ozone layer destruction, acid rain, deep water table pollution, forest depletion, etc. These by-products of the economics of profit are not only eroding the quality of life, they are threatening the very existence of human life on the planet. What inhibits full awareness of this fact, is the lack not only of a new definition of economics, but of the social structures which will enable it to be realized. We have built for ourselves a web of social structures geared to produce the material goods which were our first needs in an age of mass poverty. How can they be dismantled, and what kind of structures should replace them?

How the Definition and Function of Money have Evolved

Economic theories which begin with different definitions of money will end up with quite different results. Introductory textbooks give a threefold definition: money is a medium of exchange, a store of value and a measure of value. What they rarely if ever draw attention to is that money is a means of social coordination. The universal use of money to buy social coordination is so taken for granted today that it will be useful to look back at a time when matters were otherwise.

In 1970 the Aswan Dam was completed in Egypt. It was a complex operation which was initiated by money from the World Bank and coordinated by money paid to every one of its workers, from the chief architect to the humblest labourer. This assertion may not seem worth mention until we compare the Aswan Dam project with the construction of the Pyramids, some three thousand years before, a project which rivalled it in scale and surpassed it in some aspects of technical achievement. The building of the Pyramids, however, was neither initiated nor coordinated with money. It originated in the Pharaoh's desire for eternal life in the next world and eternal remembrance, and it was achieved through the rulers' ability to kill or punish anyone who obstructed the project. No doubt other motives, such as national pride and religious hopes, were involved, but coordination of the whole project was achieved partly by willing submission and partly by the implicit threat of punishment.

Viewed from this perspective, the social function of money, other than as a means of trade, can be readily appreciated. For many centuries society could not organize itself efficiently because money as we know it did not exist. Money, in gold, silver and bronze form was in use in Sumer as long ago as 3,000 BC, their unit being the shekel, a word which meant literally a basket of wheat. With the decay of the highly sophisticated Sumerian empire, however, there appears to have come an economic dark age, when what passed for money was the most easily tradeable commodity of the time. Usually this was livestock, and the Latin word *pecus* (allied to our word *pig*) gives us the word *pecuniary* as a linguistic clue to the nature of economic activity until the time of the Greeks. After this period came an enormous improvement in trade when gold became accepted as a uniquely valuable medium of exchange, for gold is not only desirable for its ornamental use, it is virtually indestructible, compact and thus portable - and hideable. It is also in limited supply, a geological coincidence that was to have critical effects on economics and society. Were gold as plentiful as iron, its usefulness as money would be about the same. We entered the early modern age of economics with the invention of coinage by the ancient Greeks (and possibly earlier by the Chinese). Coins gave an immediately measurable value to a piece of gold, and with this fact the slow and clumsy process of bartering was transformed. Silver, which was neither so desirable nor so scarce as gold, extended the range of coin-mediated trade. Today silver is so plentiful that it is hardly classed as a precious metal, but this is unimportant, since governments no longer have any interest in making the face value of their coinage match its actual metallic content.

Economics as Three-Dimensional Barter

With the use of coinage, trade took on an extra dimension of time and economics proper was made possible. With coinage one could exchange not only present goods but anticipate future transactions, and in anticipating them make them possible and prepare for them. Simple barter is a crude and very restricted process of trade, and enormously wasteful of time. I can only swap my ten geese for the coat you have woven if you just happen to want ten geese or know someone who might want them and has something of equivalent value that you need - at the present moment. Coinage not only enables the exchange to take place more efficiently, it enables me to save and wait until I have another ten geese for sale, which widens my trading horizons, eventually enabling me to accumulate enough to buy a house. It also enables all the people with goods to exchange to act in harmony, to build a temple or aqueduct, and it vastly increases the power of central government because it makes raising taxes much easier. Coinage created a skeleton and musculature for the body politic.

The limited availability of gold, however, meant that even with a coin-based economy efficient trading was constrained. If the supply of gold was smaller than the supply of goods, the shortfall resulted in a reversion to old style, inefficient bartering. For perhaps two thousand years after the invention of coinage, supply and demand of gold were in rough balance, with new sources of gold broadly matching increases in production, both being very slow. That was, however, merely a historical accident, and the consequences of having a bad imbalance showed up dramatically with the discovery of the New World and vast new sources of precious metals. Within a couple of decades the Spanish had shipped to Europe gold and silver in quantities that were probably several times greater than what was already in circulation. Production of tradeable goods could not increase to match this new supply of money, and so ensued a virulent price inflation that lasted for over a century until money and goods came into a rough balance again.

Soon afterwards the opposite problem started to appear. As the industrial revolution got under way, new inventions, manufacture and commerce increased by leaps and bounds, and there was a shortage of coinage to enable trade to expand. For the next two centuries, lack of liquidity acted as a constraint upon economic expansion, but a constraint which was considerably reduced by the invention of banking as we know it. Banking is, quite simply, a system for providing liquidity on demand or, if one prefers, creating coinage for trade at the stroke of a pen, thus dispensing with the need for new gold mines to be discovered.

The way in which this magical method arose is interesting, for like many other aspects of social evolution, it was stumbled upon by accident. When goldsmiths, who lent money for clients against the valuables left for safekeeping in their vaults, realized that they could issue phoney credit notes against the same valuables (thus earning interest for themselves, not the depositor of the valuables), they proceeded to do so, and thus banking in the modern sense was born. Thereafter the definition of money slowly changed from gold to credit. Credit is credibility, and credibility is trustworthiness, and in this respect it is highly significant that British banking's strongest roots lie in about seventy small Quaker banks of the early nineteenth century (whose names remain fossilized in the Barclay and Lloyd of today's high streets) because it was felt that Quakers could be trusted. In the end, though, the promise to pay depends on the asset backing of the paper promise.

Today a bank typically is required by law to back only 10% of its loans with assets, so if all the depositors in a bank together withdrew only a small amount, say a quarter of their savings, on the same day, the bank would collapse. This is the high wire act that modern banking, operating on the fractional reserve system, performs. Collapses in this country are infrequent, but in America over the past two centuries they have occurred literally in hundreds.

Credit - The Genie in the Economic Bottle

It can be appreciated from the above that modern economics concerns not strictly the theory of money but the theory of credit, and modern economic systems are a result of credit creation that has continually attempted to escape the restraints of gold supply and asset backing. Money has now become backed by credibility of a very tenuous kind, for ultimately the value of a national currency is measured by the future productive capacity of that country's industry. The continually changing difference between currencies without gold backing has created a vast international market in money as a commodity, but a commodity so tenuous as to be hardly more than a concept. Most money today is a surreal creation of electronic screens on which bartering, in the form of gambling against the future, goes on in a world almost totally detached from the world of mines and forests and factories where real people create real wealth. World trade in money now far outweighs trading in goods. Each day about a two trillion dollars of currency is exchanged, and it is estimated that less than 3% is related to actual goods or services: the rest is spent on buying money with money and on complex derivatives which buy the opportunity to buy money at some future date on the gamble of profiting from a different exchange rate. One can see the powerful appeal of a European currency, or even a secondary world currency like the bancor that Keynes first proposed half a century ago.

It is customary to view currency speculators as social parasites, but the reality is that each one of us is a dealer in this market by proxy, for the money we have placed in banks and insurance and pension companies is traded there daily for our benefit. We would feel aggrieved if our pension fund manager were to pass up a chance of making several million pounds merely by pressing a few keys on his computer to buy yen and sell pounds when the pound was falling. The alternative he has is to lose money on our behalf by not anticipating market movements and keeping his - i.e. our - funds in depreciating currencies. Our present and future welfare depends, then, on this global wheeler-dealing in a commodity which is called money but which has little real value, and what little value it has is virtually untraceable to its asset backing. How long can this money market, detached from the real world of goods and services, continue to operate?

The Genie Escapes from the Bottle

When President Nixon severed the connection between the American dollar and gold, he gave the American government and most other governments the opportunity to print money in unlimited quantities if they so wished. In theory a currency thus inflated would find its true value by “floating” in a free market, but in retrospect it became clear that if no currency had the absolute value which gold had previously given it through the dollar, then international currency relationships were inherently unstable. What, in fact, happened was that the US dollar, the deutschmark and yen took on the role of benchmark currencies, partly because these countries’ economies were the most powerful and partly because they had inflation under control. In effect, the value of these national currencies was being defined in terms of their countries’ industrial output for some years to come. If anything were to go seriously wrong with these expectations, then global financial instability would ensue, and so it seems to be happening.

The Alice in Wonderland consequences of valuing money by the methods just sketched out are illustrated in the change of wording on British bank notes. Where once, a generation ago, a five pound note had inscribed upon it a legal promise by the Bank of England to redeem it for five pounds value in sterling silver, the present note promises "to pay the bearer on demand five pounds". In other words, the Bank's legal obligation is only to exchange it for another fiver, or five one pound coins, or "brass sovereigns" as they have been humorously but accurately dubbed.

In the Belly of the Dream Machine

The subheading is taken from the title of an article in *The Guardian* of 16/10/91. The dream machine is the motor car, and the belly is a reference to the way in which the car culture has swallowed up western economies like some apocalyptic beast. I add the specific economic factor of the car to the generalities of monetary evolution because it has a unique and exemplary social significance, so great, in fact, that any economic reform aimed at redirecting financial resources to desperately needed public work will need to reduce society's dependence on the automobile by policies more radical than ever previously considered.

This section will look at the economic consequences of the car culture because it provides a paradigm case of the hidden socio-economic problems that face the western world today. One can see the symptoms of social breakdown easily enough today, but the causes are very often out of sight and, worse still, entwined with social advantages which we shall not want to lose and which will in the end call for some sort of trade-off. The *Guardian* article deals comprehensively with a whole set of environmental issues which, though very important, must be ignored here, other than to note that the million or so cars which are junked in Britain every year would cover an area stretching up the M1 from London to Birmingham and completely covering its six lanes - a rough measure which gives some idea of the problem. The economic issues will be reduced to two.

The first is that when all the expenses of owning and running a car are totalled up - depreciation, insurance, petrol, repairs, licensing, garaging, etc. - and added to the wasted hours spent in traffic jams, the average driver can be seen to expend no less than ten hours work a week for the luxury, convenience or necessity of owning a car. That is an economically very significant figure. Some of the expended time would otherwise need to be spent on public transport, walking or cycling, but the remnant is still very substantial. It matches the five hours per day spent by the average citizen in watching television. To put this in the context of social need, one need only ask the question, what improvement would there be if half the expenditure of the automobile were spent on schools, hospitals and public transport, etc. If the average family spends £80 per week on its car - increasingly its *cars*, in the plural - and gave it to the government as tax revenue, the national community would have a staggering £2 billion per month at its disposal to do something about the quality of life.

The second point is worth quoting directly from the article in question: "When Mrs Thatcher said in 1990 that the economy of the country would collapse without the car, she was correct. Some 20 per cent of all steel, 10 per cent of aluminium, 60 per cent of natural rubber, and up to 60 per cent of oil production goes towards the automobile - and car fuel accounts for only 10-20 per cent of the total energy needed to put a car on the road. The rest is turned into noise, heat and pollution." The ramifying economic consequences of the car industry exemplify a principle which will run right through any economic planning that takes the welfare of human beings locally and globally as its aim. The central issue is that a modern economy cannot be radically reformed with great speed, because the parts are so interconnected. Were one able to abolish cars at the wave of a wand, the effect would, indeed, be to collapse the country's economy, and in some instances the global economy, thus creating poverty and chaos on a scale to far outrival the existing evil. Because of this, the realization of green, pacifist and humanitarianism principles is likely to be dependent on restraint in applying them, to an extent that might appear to be a betrayal of the principles themselves. We must live, therefore, with many evils that we wish to eradicate for as long as it takes to wind them down at a safe rate. To take another imaginary example, if the sale of tobacco were outlawed overnight, the impact not only on the growers, and the workers in the industry, but those companies which manufacture cigarette-making machines, on the distribution companies and on the corner newsagent would be incalculable. Any national economy is a complex network of relationships in which a single major decision is likely to have incalculable knock-on effects. For this reason it is effectively outside the possibility of reform within the present economic paradigm,, and this is one reason why a fundamentally new economic vision is now required as a preliminary to constructing and testing out small scale models.

Redefining Money

While it is not the intention of proposing here any such integrated model, it can be anticipated that one component will be the replacement of conventional, credit-based money with some form of exchange token, at least in part. We have several historical examples and a good many current examples to show the limitations and pitfalls of a simple and limited exchange economy, and this section will look briefly at some of them.

Firstly it must be said that any proposal to make money a true exchange medium, rather than a commodity to be pursued for its own sake, will encounter resistance at an emotional, theoretical, practical and political level. Acquiring money is a deeply satisfying pursuit and, like hunting, is a quasi-religion. Just as people will pay today to hunt just for the thrill of it, they make money for enjoyment when they have no need of the material goods it can buy. Very many of the great tycoons (Ford, Carnegie, Getty and Rockefeller, for example), faced with the problem of using the money they had made, often at the cost of great human misery, redistributed it through charitable and educational foundations, thus also buying themselves the sort of immortality that the Pharaohs achieved. The point is also worth making here that unless these magnates had collected the money in the first place, the immense social good of the Carnegie libraries, Ford and Rockefeller Foundations, etc. would not have happened. Unwittingly, in concentrating money as they did, they saved it from being frittered away in individual consumption. The immediate issue, however, is that while most individuals would solemnly vow that they do not seek riches but just enough to live a comfortable life, the reality is quite different. Once the enjoyment of making money is experienced, there comes with it the realization that nothing much else in life provides the same kind of fulfilment. It is no coincidence that the best selling board game of all time is *Monopoly,* which hones the acquisitive instincts of the young with just a hint of the intellectual challenge and excitement that business gives.

The economic transition now facing the world will be as incomprehensible and unthinkable to most people as the challenge which faced the starving hunters of the late Stone Age, when a whole new way of living, based on the unknown techniques and attitudes of agriculture, was forced into being. Existing economic skills, the prestige of our leaders, the shape of our social institutions, the very sense of our worth as individuals, are all bound up with the familiar world of profit-driven capitalism. It is not going too far to say that the identities of the individual, the state and the global community are all bound up with an implicit definition of money that is now calling for change. The nature of what is to replace it is obscure and unproven on a large scale, and those to whom the task of replacement falls are on the whole economically naive.

Though a non-monetary economy is unproven on a large scale, it has been tried successfully on a limited scale, not only by Green or New Age activists but by the civil authorities in various places and at various times. The earliest of these experiments appears to have been that which took place in Guernsey between 1815 and 1836 after the Napoleonic Wars, when shortage of money prompted the island to issue its own interest-free notes in order to provide a medium for economic activity. The significant points to noted from this twenty year episode are that (1) in twenty years the economy went from standstill to prosperity, (2) Guernsey was an anomaly within the British Isles by having historical powers to issue its own currency, which had lapsed but never been revoked by the central government, (3) the limits of the experiment were quite clear because Guernsey was an island, (4) control over the new "money" was carefully maintained to avoid excess of money or credit over goods, (5) the scheme was bitterly opposed by the banks, (6) a compromise with normal economics eventually ensued, and its consequences of a low tax economy are still enjoyed by the residents, as well as UK tax exiles, (7) what was created as money was not money in the usual sense, because it paid no interest - by current definition it was anti-money.

A more recent experiment was the Social Credit system, based on the theory created by Major Douglas in the 1920's and 1930's, in which credit was to be first created, then controlled by systematic liquidation of any inflationary excess of money which it would tend to generate. Douglas's ideas were adopted by a newly formed party in Alberta, Canada, calling itself the Social Credit Party, which came to power in the desperate economic conditions of the 1930's. In the event, once in power, their Social Credit principles were diluted by circumstance, and what had started as a semi-religious ideal (the first Social Credit premier was, in fact, a fundamentalist minister) became just another right of centre political party and later, in British Columbia, a byword for self-interested, if not downright corrupt, party politics. Social Credit theory, which is a refined form of Keynesian demand economics, has now passed largely into folk lore as "funny money". Like Henry George's theory of land tenure reform which inspired many socialistic theories, it is a macro-economic half way house between old style capitalism and the economics of the future.

For present purposes, the most significant experiment in the economics of the future is without doubt that which took place between 1929 and 1933 in Wörgl, a small town in Austria, and which is well known, if only as a footnote, to orthodox economists. The basis of this experiment was the issuing of a token currency in "labour certificates" based on credit in hours of work but valued in Austrian schillings. The mayor deposited 5,000 schillings in the bank to cover the first certificates, so they were backed by the state currency (probably not gold, since Austria had, I think, come off the gold standard by then). Local workers were paid in the local currency and spent it in local shops, thus creating a marvellously effective medium of barter, which boosted the local economy to the extent of enabling a new reservoir, street lighting and drainage system to be installed. This was a living, and rapid, proof that a properly designed token exchange system could transform the potential of individual labour into goods and services for the whole community. The "labour certificate" was doing for Wörgl what money ought to do. Of the many interesting aspects of the Wörgl experiment, the immediately relevant ones are (1) this quasi-money not only bore no interest but actually depreciated in value by one per cent per month, this being a device partly to motivate people to use it as rapidly as possible in order to create economic activity and partly to buffer the insidious side-effects of credit creation, (2) the success of the experiment was so manifest that it attracted attention in other countries whose economies were paralyzed in the Great Depression, and over 200 Austrian local authorities met and decided to set up the same kind of mini-economy as Wörgl, (3) the Austrian banks challenged the legality of the scheme, and the Supreme Court banned it on their appeal in 1933.

The success of the Wörgl experiment theory played a large part in determining the Social Credit Party's policy in Alberta. Their "Prosperity Certificates" depreciated in value like Wörgl's "labour certificates" and, as in Austria, the federal government in Ottawa eventually declared this new kind of currency illegal, because it threatened to undermine the whole economic system which was based on bank credit. This is a fact worth mentioning, because any revival of a token-based rather than money-based, economy is likely to meet with the same response from central government as soon as success threatens the existing economic system. We must not underestimate the vested interests that will oppose any innovation, however socially useful. When William Harvey made the crucial medical discovery that blood circulated in the body, one might have expected unstinted gratitude from doctors but, in fact, he received more vilification than praise from the medical establishment, for he had outmoded at a stroke all the nostrums and quackery that constituted conventional "wisdom". In a similar way, the economist Silvio Gesell, who first proposed a dual monetary system, with national and "local" currencies to overcome unemployment in the 1930's was ignored by mainstream economics and often ridiculed.

Some Pros and Cons of a Token-based Economy

There are at the present time a good many local token economy schemes in existence which operate similarly to the ones just outlined. They generally go under the name of LETS - Local Exchange Trading Systems - which was given to a scheme started in 1983 in Courtenay, British Columbia. This particular one has been operating with limited success and ambition, the limitations being self-imposed by the fact that it is local. The difficulties are partly legal, partly social, and are very real. It is one thing to organize a town economically so that I can exchange my labour as a car mechanic for your labour as a house painter without money changing hands, but something far different when a new town library or bus service is required.

There is also the chronic problem not only of resistance from the banking establishment but of the fiscal authorities. There are great tax advantages to the individual in bartering, and disadvantages to central government. Taxation, whether directly on income or indirectly on goods, happens only when a transaction involving money takes place. By contrast, if I exchange my house for your house plus car, neither of us pays tax. Hence, whatever social benefits may accrue from a barter system of any kind, there is an inbuilt disadvantage to central government and, insofar as we all suffer when government revenue is decreased, there will be a marginal disadvantage to the individuals who are doing the bartering. The latter is easily overlooked, but if one considers in imagination the effect of half the trade in Britain being done through LETS, one can appreciate that we would lose half the financing for schools, roads, hospitals, etc., which comes out of taxation revenue, unless the LETS systems deliberately took on this responsibility. Experience on the small scale suggests that no large scale initiative could succeed without provision being made to provide for the community at large the sort of amenities which are now financed from national and local tax revenue. This suggests, further, that any serious attempt to address the economic problems caused by a faulty monetary system must incorporate not only economic but socio-religious principles, for if social conscience does not guide decisions, alienation between a self-sustaining alternative economy and the community at large will arise very easily. Indeed, to justify its existence, a large scale LETS-type economy should put more into society than simple justice would call for.

One major problem that faces theorists of alternative economies is that it is hard to see how a fully token economy can function nationally, let alone internationally. Though it is not impossible to overcome this problem in principle, the length of time needed to work out and implement appropriate measures is likely to be measured in generations, rather than years. Until then, existing LETSystems must provide the experience and the data to guide wider planning for the future, and these offer insight through their failures as much as their successes. There are about four hundred LETSystems in the UK, precise figures being difficult to obtain because new ones come into existence as old ones are wound up. Some of these, as in Manchester, have the support of the local authority, some are hardly more than work-swapping clubs. In general, this is a rapidly changing scene. The best known is probably the well-established scheme in Stroud, Gloucestershire, which operates with a unit of local currency called, appropriately, the Stroud, with an effective value of £1. Something over three hundred people have joined the scheme and have been given a LETS cheque book on which they can draw, running up an overdraft without limit in principle. However, since every member's account is open to scrutiny, the temptation to either sponge or issue credit indefinitely is not strong. Some business owners in the locality pay their staff's wages partly in Strouds, which can be exchanged for goods and services offered by another member. This particular point highlights two of the major problems, for it clearly defines the Stroud as quasi-money, and thus a taxable benefit, and it generates a bureaucratic structure to keep control of these developments, as well as the administrative work involved in running it.

Most of the schemes have a computerized system at their heart, keeping track of credits, debits, defaults and membership numbers. The Autumn 1992 issue of Permaculture carried a daunting account of how the Totnes LETSystem struggled to computerize itself, on the assumption that "if LETSystems were to spread, then the software had to work." I think a case might be made for the contrary assumption, namely that universal usefulness could be defined as "workable without computerized administration." Steve Jobs, the founder of Apple computers, and the last person to be accused of conservatism in these matters, is on record as saying that half the work that has been handed over to business computers could be done more efficiently by pen and ink. In the case of a token exchange system, I would think the real challenge will be how to simplify, rather than how to shape it in order to harness computer power. Without going into this particular issue further, it can at least be said that one should seek to find the optimum balance between simplicity and complexity, if only because of the ongoing expense of having computerized records, with all the accompanying hardware and wages for the operators.

In the case of the Stroud scheme, income tax is a relatively simple procedure, because of the parity between one Stroud and one pound sterling: one just declares "Stroud income" on one's annual form and pays tax on it. Indirect taxation - which is now so sophisticated and pervasive that it is commonly termed "stealth taxation" - is, however, a different matter. VAT, in particular, is becoming a real headache, for LETS transactions strike at the heart of the principle of taxing added value. The interfacing of the Stroud economy with Social Security is even more complex. Walter Schwartz, reporting on the scheme (in *The Guardian* of 8/11/92) says, "The real bugbear is social security. The unemployed, potentially the main beneficiaries, are wary of LETS lest they lose their benefits .... A DSS spokesman blew hot and cold, beginning warmly by saying that benefits in kind are normally disregarded unless they are regular. He went on more coldly to say that those claiming unemployment benefits have to be available for work, which they can't be when they're decorating a house, telling fortunes or selling organic cabbages in exchange for Strouds."

That response sums up the ambiguity and vulnerability of non-monetary systems which are too closely modelled on the familiar features of monetary systems. Were two people to make an agreement over the garden fence to exchange the labour of mowing the lawn for cleaning the car there would be no possible liability to tax or involvement with the intricate mechanisms of the welfare state. This situation represents an ideal to which a token economy should tend and is a very real challenge to social reformers, for if the traditional economic system is in terminal decline, as this paper argues, a large scale labour exchange system of some sort will be needed to replace it. The great temptation will be to say that since traditional economics is the only thing we are familiar with and expert at, it can never be replaced, however catastrophic the decline becomes. How close we are to that point may be judged by the fact that one fifth of all households in the UK now have no member in paid work.

The most critical problem, as already indicated, will be the interface between any new kind of token economy and the existing monetary economy and, for that reason, logic seems to demand that whatever is used as a medium of exchange should not be denominated in orthodox currency. Though that seems the obvious way to value alternative currencies, experience has shown that it would be to invite conflict with the banking system and central government. A solution to this difficulty may be found by looking at commercial token systems which operate within the law and without tangling with tax and benefit systems by declaring that their medium has either a negligible face value or no monetary value at all. Thus vouchers are often given free with some purchase, and may entitle the holder to, say, £10 off an air ticket or hotel stay. To this extent the voucher will have £10 of value to anyone who uses it in this way, but since it otherwise has no redeemable value, its "real" value is zero. In fact, it is common to avoid tax problems in such inducement schemes by giving a £10 voucher a face value of maybe 1/10p, this being its redeemable cash value, and therefore its taxable value, which no one, least of all the Inland Revenue, will bother to claim on.

It is worth considering that the best way to avoid the paperwork and bureaucracy that existing systems rapidly generate may be to wind back the economic clock and return to the principle of barter by coinage or notes. The invention of plastic banknotes, which are virtually indestructible and impossible to counterfeit adds some weight to this possibility. Our normal economy is moving in quite the other direction, towards a so-called cashless society, but, as a harassed check-out girl in the supermarket once remarked to me as she wrote out the details on my credit card slip and the queue of shoppers built up behind me, someone ought to invent instant money!

A Not-for-Profit World

Of all the economic structures which have come into being since the dawn of civilization, none has had such a profound effect upon our species as the emergence of the joint stock company in the nineteenth century. In Britain it is called the limited liability company, in the US it is the incorporated business, and in France the *Société Anonyme*, each term representing an important aspect of its revolutionary nature. Its birth in Britain was relatively easy because such joint enterprises had existed for two centuries in the Merchant Venturers of Bristol, the Hudson Bay and the East India Companies and similar associations. Few, however, are aware of the constitutional struggle which ensued in the United States before the joint stock company was given legal status as a fictive person, with an identity separate from any of its members. Unlike an individual, the limited company did not need to accept liability to its creditors beyond any financial amount it chose, it was impersonal (anonymous, as the French put it), and it was a recognized social body, with all the properties, tacit or explicit, that went with this status. As a cricket club is founded for playing cricket and a church for promoting religion, the joint stock company was founded for the single purpose of making profit. Free from normal moral restraint by its impersonality, its sole moral principle became in theory and in practice "Business is business". Like any other social organism, it shapes its members and its social environment, and always towards defining the individual as either a consumer or a unit of corporate profit-making. In a small family business, this trend to dehumanization is not usually visible, but in the extreme, especially in transnational corporations, it is very visible indeed. Further, because the joint stock company has a responsibility to its shareholders to maximize the returns on their investment, it cannot give anything but lip service to environmental concerns. Its human and ecological depredations are well documented elsewhere, and need not be amplifed in detail here.

The present theme focuses on the effect of the joint stock company in setting an unrecognized and destructive goal for human evolution. As its aims and amorality become a norm for business activity, profit-making for its own sake becomes a disease which infects us all, a mind set which determines the way in which we view the world and our fellow humans. When profit-making itself becomes the aim of life, it is not long before common morality is corroded. Profit as an unquestioned principle soon corrupts into the anti-morality of "Greed is good", as American businessman Ivan Boesky notoriously expressed it (shortly before he was indicted and jailed for fraud) and "Love your neighbour" becomes a questionable moral maxim, at best an option, rather than an imperative. Standards of individual, national and international integrity are lowered as deceit become an ever more important tactic, then a strategy, in making money. It is naive to think that overwhelming reliance on marketing, spin, presentation and image in business leaves our habitual code of conduct unaffected. Deception becomes ultimately a part of normal life because the business corporation is not a person and has no conscience, and deception on a cultural level ultimately becomes self-deception. Not only do we cease to resent being manipulated for other people's gain - commercially and politically - in some strange and quite frightening way we start to feel uneasy without this manipulation and positively welcome it, at least at a subconscious level. This is a hidden cancer that eats away at the national community.

As competition becomes an absolute value, replacing cooperation, and integrity in social and political dealings is eroded, a new norm of dishonesty in business emerges. The extent to which dishonesty and greed are corroding society is yet to be fully recognized, but one marker can be found in newspaper and television reporting of malpractice in mutual building societies. The thrust of these reports is that societies which are non-profit making and run, ostensibly, for the benefit of their members are now being operated in many cases as though the members and the public exist to be preyed upon, a strategy more easily accomplished because they trade on their non-profit-making status. Are building societies, asks a recent article, "wolves in sheep's clothing?"[2]

The destructive consequences of the business corporation and, more specifically, of the transnational corporation, are now so great that they are achieving recognition through a confusing mixture of peaceful protest and violent demonstrations at various governmental summit meetings. It is noteworthy that the protesters, peaceful or otherwise, never suggest any alternative economic structure, and give the impression that making existing structures more humane and eco-friendly would solve the problem. It seems as if we all see salvation in reforming the past, clinging to the memory of a more humane socio-economic world, when small businesses, particularly retail shops, operated as part of a community, and when maximizing profits was less important than making a decent living and serving the community. Since there is no hope of returning to the past, whether idealized or not, we must now either accept the increasing dehumanization of society in the systematized pursuit of profit or remake the world on the basis of new socio-economic principles.

The most fundamental of these new principles is at first too obvious to notice and then when attention is drawn to it, seems too impractical to be worth considering. It is the principle of a not-for-profit community. Since we live in a society which is not only driven by the profit motive but structured in response to it, such a proposal will seem unrealistic in extreme, but the key word here is "community". This gives us both a plausible rationale and an entry into the problem, for the community can be of any size, shape or structure that we choose to make it. If a reasonably self-sustaining micro-community can be created, then the possibility of meso- or macro-communities can be addressed as a matter of scaling up the logistics. The single issue here is the brute fact that a dehumanizing society will create dehumanized individuals and thus we must do something to reverse the regressive spiral now developing with frightening speed, as what was considered a social and ethical aberration in one generation becomes an acceptable new norm of behaviour at a lower level in the next. A start must be made on this task without at this point having answers to a dozen fundamental questions, the first step being to recognize that it is not only an economic problem but a human problem on the widest scale.

Notes and References

1. A wider frame and richer material for discussion can be found in *The Living Economy: A New Economics in the Making*, ed. Paul Ekins (Routledge, 1986), which is based on about 25 papers prepared for TOES, The Other Economic Summit. Although this is now fifteen years old, the main issues with which it deals have not changed significantly. The importance of having an alternative currency, which I write of here as a social-philosopher, has been confirmed, in a recent work by Bernard Lietaer, Professor of International Finance at Louvain University and a senior executive of the Belgian Central Bank. (*The Future of Money: Creating New Wealth, Work and a Wiser World.* Random House, 2001.) His assertion that "the vision for this movement [toward complementary currencies] lies in human values that reach ... across national boundaries" is substantially the theme of the present paper, but argued with impressive detail. Thomas H. Greco's *Money: Understanding and Creating Alternatives to Legal Tender* (White River VT, 2001) covers much of the same ground but also gives practical and tested advice.
2. "Survey Unmasks Mutuals' True Colours", *Sunday Times*, 1.7.2001