The Mystery and Magic of Money

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’Do you know who *makes* money?’ challenges Bernard Lietaer, Belgian professor at Naropa University in Boulder, Colorado. The answer turns out to be simple, but takes us on a journey from the first Sumerian temples via 17th century Sweden to the World Bank, with side glances at Ken Wilber’s philosophy, the lack of Europe-based scientific journals and a revived ancient soil-improvement technique of the Amazon Indians.

This unassuming but authoritative economist is a world name in sustainable development and in economics – though not the kind of economics that of late has been receiving the Nobel Prize. ’There’s a systemic bias in money flow,’ he says unequivocally over breakfast at a kitchen table in Brussels. ’It’s against sustainable development. There’s a whole new scientific field waiting to be created – the field of intentional economics.’

‘Intentional economics’ turns out to be shorthand for a theory and practice of economics that puts money at the service of the long-term wellbeing of humanity. A dizzyingly fast run-through of the idea – this is after all only a breakfast conversation about something on which Professor Lietaer has written a number of books – reveals it to be about a monetary system that would enable us not to predict what money will do, but to use it to design the society we want. Now there’s a revolutionary thought.

How could it ever happen that a human invention – money – could take over both our thoughts and the development of our societies? How is it possible that a crisis or impending disaster (for humans) is left unmitigated, because we ‘can’t afford’ to do anything about it? Bernard Lietaer has some ideas on the subject, related to his first question: ‘Who *makes* money?’

The answer is unexpectedly simple, though it does have a chicken-and-egg quality: Whoever is in power in a society, creates its money. If you want to know who is in power, look for the money-maker.

So who do we find?

Wheat and sex
Beginning at least as far back as the Sumerians, it was the priests. They gave receipts for wheat delivered to the temples as tax. The receipts could be used as currency to pay for sex with the temple priestesses. Something like a modern-day tax-funded welfare system – the wheat was a buffer stock, the sex fertility ritual a charm (insurance) against harvest failure.

After the priests came the kings. They re-invented both tax and money to pay for wars. At this point the tax (money) was no longer backed by a commodity and was expended on perishables; instead, the coins themselves embodied their own face value in metal. Most kings at some time tried short-changing their citizens by degrading the quality (value) of the coins.

Somewhere in the seventeenth century in Europe (much earlier in China), the power passed to new 'national' banks. Kings gave them the monopoly to issue paper money in return for help to raise (more) money for wars. The banks were theoretically required to hold gold to guarantee the value of the money they issued, so the metal itself no longer needed to pass from hand to hand.

So then what? After the fall, first of the 'gold standard' (first half of 20th century), and then of the "dollar-gold equivalence standard" (1971)? Anyone who has a credit card today understands that no gold is involved in 'creating' money. And in fact, yes, the power passed from the national banks to – well, not really to you and me, but to the banking system, i.e. private companies. Each time you or I borrow money, says Bernard Lietaer, we enable the lending institution to 'create' about 90% of that amount of money; he refers to it as "debt money", because interest is charged by the lender to the borrower. This debt money underpins "fiat money", which now takes the form of electronic bits in the financial system's computers, or our familiar "national" notes and coins.

What! No wheat stores, no gold reserves, or even copper? So who or what guarantees *that* money? The answer could be 'no-one', but in fact this time it *is* you and me. It suited governments to drop the gold standard, but then how could they convince people it was safe to trade in their currencies? Answer: by creating a 'bank guarantee' funded by taxes that rescues any bank on the verge of bankruptcy.

Lessons of a free lunch

So maybe there *is* such a thing as a free lunch? This idea later sent me browsing the web, and indeed it's the title of at least one article on monetary matters. James Robertson, speaking in London in 2000, points out that the banks have been enjoying a free-lunch table for many years. In three decades there have been 97 bank crashes in the world. That's an average of more than three a year. There's surely a lesson here

Part One of the lesson is that money is made out of nothing but the trust between you and me and the system. That's easy.

Part Two of the lesson is also very simple; it's 'heads I win, tails you lose'. If the banks are successful, they keep the profits. If they fail, the public pays.

So I ask Bernard Lietaer to talk about what should be *Part Three* – what to do about it. That's more tricky, he says. There's no point in tackling the problem head-on, just because money and power are so inextricably entwined. Who's going to voluntarily walk away from the table offering the only free lunch in the universe? The free-lunch system may not continue to work for very much longer, but still it's still tempting.

No, what we need to do is to create complements to today's currencies. They need to be based on human needs and potential rather than on a spuriously scientific determinism – and they need if possible to contribute to the graceful transformation of current systems, not undermine them.

There *are* alternatives!
Such complementary currencies already exist, 'nested' within current mainstream economics. They are not widely known, and often treated with suspicion. Well, they would be, wouldn't they? But they may be our life-line: the mechanisms that will enable us (taxpayers as well as banks!) to survive the future convulsions of fiat money.

A lot of interesting questions remain. How is it that the Grameen Bank, for instance, is not really part of the solution – even though it mitigates some of the problems? How can an ancient soil-improvement technique provide a complementary currency? Why is it important that international scientific journals are increasingly based in the USA? And how did Ken Wilber get into our conversation?

It will take at least another breakfast to understand the rudiments of *intentional economics*. In the meantime, there's a trail of web sites to visit and reading to be done. And mysteries to penetrate – 'Money is both mysterious and magical,' says Bernard Lietaer as he leaves the breakfast table. Right.

The trail starts here
The Future of Money
Of Human Wealth
Money and Sustainability – the Missing Link (file)
Wikipedia
www.resilientfinance.com
Huber, J. & Robertson, J. Creating New Money: A monetary reform for the information age (London: New Economics Foundation, 2000).

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www.winwin.se

Bernard Lietaer
Few people have worked in and on the money system in as many different capacities as Bernard Lietaer. He spent five years at the Central Bank in Belgium, where his first project was the design and implementation of the ECU, the convergence mechanism for the single European currency system. He was president of Belgium's Electronic Payment System, and has developed technologies for multinational corporations to use in managing multiple currency environments.

He has helped developing countries improve their hard currency earnings and taught international finance at the University of Louvain, in his native Belgium. Bernard Lietaer was also the general manager and currency trader for one of the largest and most successful offshore currency funds.

– *Sarah van Gelder, YES magazine*
http://www.ratical.org/many_worlds/cc/Lietaer.html