Ken Freeman 0:00
Thomas H. Greco, Jr. is a pre-eminent scholar, author, educator, and community economist. He is widely regarded as a leading authority on moneyless exchange, community currencies and financial innovation. He is a sought after speaker internationally and has conducted workshops and lectured in 15 countries on five continents, and he has been advisor to currency projects in the United States, Canada, Mexico, South America, Europe, India, China, Africa, New Zealand and elsewhere. He has authored numerous articles and books, the most recent of which is titled The end of money and the future of civilization. Tom Greco holds an MBA from the University of Rochester and a bachelor's degree in chemical engineering from Villanova University. He's a former college professor and spent a year in residence doing doctoral study and management and instructional technology at Syracuse University. His work experience includes five years as an aerospace engineer and 14 years in academia. He held a tenured faculty position at Rochester Institute of Technology. His expertise includes monetary theory, complimentary currency and exchange systems, computer applications, statistics and survey research. Many of his presentations, interviews and writings are available on his websites beyond money.net and reinventing money.com. This hour long interview was conducted on January 15, 2019.

Tom Greco, welcome.

Thomas H. Greco 1:30
Thank you, Ken, thank you for your interest in pursuing these subjects.

Ken Freeman 1:34
Let's start with a basic but heavy handed question. What is money?

Thomas H. Greco 1:40
Well, there's so much confusion about that. When I talk to people about money, they have various notions about what money actually is, and what it does what it's supposed to do. But basically, money is a medium of exchange. Now, many people confuse money with wealth. When you say, "Oh so-and-so has a lot of money," chances are he doesn't have much money at all, but he has a lot of wealth. That's what people mean when they say that. So, not all wealth is money. Your wealth can be in the form of real estate, securities, like stocks and bonds, collectibles, many other things that have value to someone in the marketplace. But money per-se is a medium of exchange.

Now, most of us in Economics 101 have learned that money is three separate things: a medium of exchange, a measure of value, and a store of value. But that's not really correct. You can compare it to blood in the body. Blood is a transport mechanism. Now blood contains nutrients, but that's not its function to store nutrients. The nutrients get stored in the tissues like the liver and the flesh. Likewise with money, money is a temporary storage medium, if you will, but basically its function is to transport value from one place to another, from one person to another. So, if we accept that money is simply a medium of exchange, then we have to find other ways of storing value and other ways of measuring value.

Now, we used to have that. In the early days of the United States, the US dollar was defined as 371 and one quarter grains of fine silver. So, the dollar was defined in terms of a commodity, in this case silver, and later on it was defined in terms of gold, but most of the money in circulation was actually paper issued by banks. And the paper money was basically credit instruments that were convertible or redeemable for gold, for the actual specie or commodity money.

So credit is really what we're talking about. It's credit that "makes the world go round," as far as material aspects of being are concerned. There are various kinds of credit instruments, and some of these are short term, some of them are long term. We use long term credit instruments as a storage of value medium. For example, if you buy a US government bond or corporate bond, what you're buying is a claim against the assets and resources of the government or the corporation as the case may be. So that's the storage medium. But money, the paper notes issued by banks, for example, these are based on short term credit. And money is supposed to represent the value of goods and services that are in the market ready to be sold. So, you know, there are proper ways to issue money and improper ways to issue money. And I get into that, in my various books, especially in the book, *The End of Money and the Future of Civilization*, which is the most recent one.

Ken Freeman 5:21
Let me ask you another basic question. What's wrong with the money system today?

Thomas H. Greco 5:28
The main problem with the system that we have is that it is centrally controlled and manipulated for the benefit of certain interests, particularly the political interests and the banking interests, the corporate interests. And that is at odds with the common good and the public interest. So what got me interested in this whole subject to begin with was my discovery of the dysfunctions that are inherent in the existing money and banking system. So the fact that money is centrally controlled makes it dysfunctional. The other aspect of money that makes it dysfunctional is the fact that it is created on the basis of interest bearing loans.

Ken Freeman 6:16
Can you explain that briefly or expand a tiny bit on that? Because I think most people, if they've ever even thought about it, most people believe that the government creates money, and they probably don't really even think about or too much about what that even means.

Thomas H. Greco 6:35
Let me explain how money is created in today's world. And this is true of dollars, euros, British pounds and every other currency that you can name. Money is created by banks making loans.

The whole subject of money has been obfuscated and confused by the rhetoric that pundits and bankers and politicians use to talk about it. So, most people give up in despair of ever being able to understand it. But money is really not that complicated. It's quite simple. John Kenneth Galbraith wrote an excellent book back in the late twentieth century, and he was probably one of the premier economists of his time. He wrote a book called *Money, Whence It Came and Where It Went*. And there's a great deal to be learned from reading Galbraith's book. He said, the way in which money is created is so simple, that the mind is repelled. When I tell people that banks create money by making loans, that's so utterly simple that people refuse to believe it. But that, in fact, is the case. Now, a lot of people think that the government creates the money. The government does not create the money. Other people think that the central bank in this country it's the Federal Reserve The money they do not create the bulk of the money they do create some money, but most of the money is created by commercial banks when they make loans, say for you to buy a house or to buy a car or to finance a business, banks create money by making loans. So when you think about what that means, it simply means that banks have extended you credit and you have agreed to pay back money, which they have created. So you go to the bank and you say I want to buy a house that costs $100,000. I can put up 20,000; lend me 80,000. So the bank makes two entries on its books. One is 80,000 credit to your account; the other is 80,000 which is entered on its books as an asset. So it's an asset to them. And it's a liability to you. You owe the bank 80,000 dollars simply because they have created it in the process of making the loan.

Now the problem is, or one of the problems is, besides the centralization of this power in the hands of the banks to grant credit is that they charge you interest. Now, interest accrues with the passage of time. That's, that's the nature of compound interest. So if the bank says okay, we will charge you 5% per annum interest on this $80,000. At the end of the year, that means your debt will have grown if you didn't make any payments to 80,000 plus 5% of 80,000, which is another 4000 meaning that you owe 84,000. So now you have to compete in the economy to try to come up with whatever amount of money is due each month or at the end of the year. The bank only created 80,000 to begin with, but now you've got to pay 84,000. So where is that the other 4000 going to come from? The only way it can be done is if you are able to earn 4000 that was created on the basis of someone else's loan. So that means someone else is going to come up short. So what you have is sort of a game of musical chairs. And in this game of musical chairs, you have an increasing amount of debt with a constant supply of money, except they create more debt so that they try to keep ahead of it. In seafaring, there's something called "a following sea," where you're cruising along in your motorboat, and you have this big wave building up behind you. If you stop short, that wave will swamp your boat.

So this is a situation we face with this interest-based debt money system. And this is the same situation all over the world. It's not just in the United States. Now how do they keep ahead of the game? You know, there are times when the private sector gets all “loaned up,” as they say, which means the private sector cannot take on any more debt without having a domino effect of defaults and bankruptcies. And this is precisely what happened in 2008 with the collapse of the real estate bubble. That wasn't the first bubble-and-bust cycle. We've had periodic bubble-and-bust cycles going back 400 or more years. So what happens when the private sector is all loaned up, and the private sector cannot take on any more debt? Well, then the government steps in and becomes what I call the "borrower of last resort." That's why we have chronic budget deficits. The federal government budget and the federal government debt keeps building up to greater and greater levels. You know, in 2008, it was already around $9 trillion, which is an enormous sum. Today it's well over $21 trillion. So look at this. In about 10 years, US government debt has gone from 9 trillion to 21 trillion. That's an increase of 12 trillion. How long can this go on?

Now, the way that this is perpetuated in this particular cycle is the Federal Reserve started monetizing the government debt. They started buying up government debt (1) to keep the interest rates low, (2) because there wasn't enough private savings to absorb all of the government debt that was being issued. So now the Federal Reserve has decided that they're going to stop this, what they call "quantitative easing," buying government bonds and start doing quantitative tightening, which is throwing those bonds onto the market, which the market is going to have a very hard time absorbing. So, you know, the Fed was talking about raising interest rates at the same time and other starting to backpedal on that. Ultimately, you have two choices with this system, you can either inflate the currency, or you can cause a recession. Those are the two things and quite often we have both at the same time, we have an inflationary recession. Up to now, the stock market has been robust and thriving, because of this market interference by the Federal Reserve and the banking sector to buy up stocks, corporate stocks and bonds and government bonds. So, we've had inflation in asset prices. We've also had inflation in consumer prices, although that has been masked to a large extent and subdued to a large extent by these different practices of market intervention. And if you look back at the the tax cut that the Republicans and President Bush engineered through in his first year in office, those tax cuts basically benefited the rich, who were not inclined to spend that money but to invest it in stocks and bonds and other assets as a way of improving their wealth position.

So these are some of the shenanigans that have been going on in this dysfunctional monetary system. And it benefits first of all the banking corporate elites because the banks get to create money out of virtually nothing and collect interest on it year after year. The corporations that are part of this military industrial banking corporate elite benefit from it by getting easy access to bank credit, while the small and medium sized businesses are not able to access credit from banks, the banks would rather have a guaranteed return by investing in government bonds and corporate securities than to invest in small local producers or local businesses, which by the way form about 70% of every economy and are the backbone of every economy, and they need to be financed adequately, if they are to survive at all. So these are some of the problems that got me working on alternatives to this system.

Ken Freeman 15:40
You mentioned the Federal Reserve coming in and buying debt from the government. How does that actually work?

Thomas H. Greco 15:47
This is where the process begins. The Federal Reserve can write a check to buy bonds or other securities in the open market. And this check is drawn against itself.

Ken Freeman 16:03
What does that mean?

Thomas H. Greco 16:04
It means, it's simply that the Federal Reserve writes a check against no funds. It simply makes an entry in its account books. This creates what is called "high powered money". High powered money is something that puts new reserves into the banking system. So now the Federal Reserve has created high powered money by going into the open market and buying securities from someone. Now, that "someone" takes that new money and deposits it in a bank account somewhere. So now that bank has new reserves against which to expand its lending to the

private sector, or which it can use to buy securities in the market itself. With the fractional reserve system, the bank only needs to keep a small portion of that on reserve. So you have a multiplier effect. And in fact, some countries have no reserves requirements. And banks can just continually expand their lending to whatever extent they want, as long as they have some cash in the vault, to satisfy depositors' demands for withdrawing cash. But very little cash is being withdrawn, you know. Most of the transactions take place electronically or a few still by check.

Ken Freeman 17:34
So you've talked about what money is and how the current system works and the United States and most of the world. And you've talked about what's wrong with that system. So the question is, what's getting in the way of simplifying this money system?

Thomas H. Greco 17:56
What's getting in the way is politics. I mean, what we're talking about is a system that involves politics, economics, finance, law. It's one huge ball of wax. And it's the power of government that basically maintains it. What you have is a collusive arrangement between politicians and bankers and the corporate elite to keep the system in place. Well, to actually construct the system and keep it in place, and it was constructed over a long period of time. So what does everybody who's maintaining it get out of it? Well, the bankers as I said, they get pretty much guaranteed profits by being able to create money out of nothing and collecting interest on it month after month, year after year. The government gets to spend money way beyond its ability to raise tax revenues. And this goes back to the founding of the Bank of England and 1694. I think it was King William came to power a few years before that, and he was fighting war against France and he needed money to fight that war, finance the war. You know, there's a limit to how much monarchs or governments can tax their subjects without causing a rebellion. So he was in difficulty with regard to financing his war. Well, William Paterson and his cohorts came to the king and said, King we will give you all the money you need to fight your war, if you will give us, the Bank of England, the privilege of lending Bank of England banknotes into circulation. Private Bank. This private bank that was sanctioned by the government, and given a monopoly privilege to lend its bank notes into circulation. So the king got the money he needed to fight the war. And the bankers got the privilege of creating money and charging interest on it. So that was sort of the prototype central bank that was emulated far and wide in subsequent centuries. And the United States followed suit. The First Bank of the United States was established in 1791. And it had a 20 year charter. And when that charter expired, Congress failed to renew it. And then we had the war of 1812 followed pretty closely on that. Whether or not the two events were connected, that's a matter for debate. But the second Bank of the United States was started in 1816. You know, this was all the work of Alexander Hamilton, who was an elitist and in my book I draw the the history about the debate between Jefferson and Hamilton, and the two different views that they had about what the United States ought to be. But Hamilton got his way with the foundation as a Bank of the United States, which was a central bank, modeled after the Bank of England and that enabled the banking interests to get a foothold not only financially and economically, but also politically. The interesting thing about the second Bank of the United States was that it became so powerful by having the power to allocate credit on a preferential basis and to enrich itself by making loans at interest that Andrew Jackson, who was elected president in 1828, made it a major part of his platform

during his reelection campaign in 1832 to killed the bank. The bank charter had another four years to run to 1836. But the central bank – what was his name – Biddle, he thought he had the votes lined up in Congress to get the retarder passed early. So he pursued that in 1832. And Congress didn't need passed the bill to retarder the bank, but Jackson vetoed it and that, in effect, killed the second Bank of the United States. But there was a lot of turmoil and angst that resulted. At first, the merchants were blaming Jackson for killing the bank. But then Jackson managed to persuade them that it was in fact Biddle who was at fault, because the bank restricted credit as a way of retaliating against Jackson's move. But there are better historians than me who tell the story. I got a lot of what I know about it from Arthur Schlessinger's book, *The Age of Jackson*. You had what was called the period of free banking, which occurred after the first, after the second Bank of the United States charter expired in 1836. And the deposits were withdrawn, the government deposits were withdrawn from the central bank and distributed amongst state banks, pejoratively referred to as “pet banks,” because it was Jackson's critics who are saying that, you know, he's got this is favoring these banks by putting government deposits there. So Biddle caused a credit crunch he was refusing to lend in order to cause distress, but putting additional government deposits into these state banks, increase their capacity to make loans so that sort of ameliorated the situation, The free banking era continued on pretty much until the Civil War? Again, I think you need to consult a historian who has better handle on these things. But no less of personality than Alan Greenspan has given a speech about the free banking era, basically saying that it wasn't as bad as later bankers have made it out to be. So you know, if you take this as a defense of that particular era, and the way banking was conducted at that time, that suggests that we need to take a closer look at it.

Ken Freeman 24:43
Might one argue that free banking as it is, is sufficient for reforming the current way of banking and that we don't really need alternative currencies as prescribed by yourself?

Thomas H. Greco 24:59
Well, my fundamental prescription is that we need to have decentralized control of credit. Right now credit is much too much overly centralized in the hands of these huge banks, not just the Federal Reserve, but the huge commercial banks. When you look at Chase, Citibank, Bank of America, you know, these have grown to huge, huge proportions. You have basically a banking oligopoly, which is power in the hands of very few banking corporations. There are very few community banks or local banks. Fortunately, we still have credit unions that give us better service than the commercial banks do, at least on a personal level, and, to some extent, a small business level. But I think most credit unions are restricted in the amount of commercial business that they can do. Unless they're Community Development credit union, but we need to greatly decentralized control of credit. And we need to take interest out of the equation. There's no reason for interest to be charged on short term credit. Basically what I do is, I prescribe equity over debt as a way of financing. But for the creation of money, as I said, money should be created on the basis of value that is in the market and ready to be sold. So that means working capital loans, loans to small businesses that help them to finance their inventories, their accounts receivable, and their cash on hand.

Ken Freeman 26:47
Someone's still gonna say well, big banks work for me –

Thomas H. Greco 26:50
Sure. Well, you as far as access to your money is concerned if you have money. Yes, it works. Great. But, you know, I can do the same thing with my credit union account. I can go to London or Athens or Tokyo or wherever I want and stick a piece of plastic in a hole in the wall and it will spit out whatever coin of the realm is required in that place. So I go to I go to Greece and I, I can use an ATM there to draw out euros or I can go to London and I can use an ATM there to draw out British pounds.Yeah, sure that that infrastructure is excellent. We can maintain that same infrastructure to give us worldwide access, but the control of credit needs to be localized. We need to have that administered and allocated on a non preferential basis, not just to the already rich and to the power structures like the big corporations and the central government, but we need to be able to access it and allocate it to the small and medium sized enterprises and the cooperative enterprises as well, that form the backbone of every economy. You know, there, you have to make a distinction between the distribution and access mechanisms that we have, and the creation mechanisms. Money needs to be created by allocating credit on a decentralized basis to those entities that provide the greatest service to the economy.

Ken Freeman 28:34
So allocating credit or creating money basically is something that can be done at a local level. And it's something that can have a really stimulating effect on a local economy. Maybe now we can move toward talking about local alternative currencies, and maybe some examples of local currencies that have worked well.

Thomas H. Greco 28:53
Let's talk about alternative currencies, whether they're local or not going back in history again, we can look at the Great Depression of the 1930s. The essential cause of the Great Depression was an inadequate supply of money in the economy. It wasn't any fundamental fault of the economy that caused the Great Depression. The factories were still there, the machines were still there, the workers were still there, ready to work. What was lacking was enough money to finance the process to pay the workers their wages so that they could buy products in the market, so that the companies could pay their bills, so that we could continue to produce. So at its peak, the depression had an unemployment rate of about 25%. That's one in four of all the workers in the United States without a job. Factories closed, people out of work, people on the brink of starvation. There was no good reason for it, except that the financial system malfunctioned after the roaring 20s, which had a bubble of credit expansion. The bankers pulled in the reins, and then you had a bubble collapse. And that was the Great Depression. Now there were a number of creative solutions that came from the grassroots and from local areas at the time. And I wrote about this in my second book, *New Money for Healthy Communities*. Dozens, hundreds, perhaps, of script issues, as they were called, that were issued by retail merchants, by clearing houses, by school districts and other entities as a way of paying for what they needed. So these were credit instruments that went into circulation, mostly in local communities, that sort of served the purpose of dollars when dollars were not available. I give one example in the book that I mentioned, Larsen merchandise bonds, they were called. There was a chain of local stores called the Larsen Company in the western New York area. And they basically issued their script called merchandise bonds, as a way of paying their employees and their suppliers.

And then they would redeem these merchandise bonds when you took them in to buy something at the store. So they made the full circuit, the reciprocity circuit. They created the merchandise bonds by spending them into circulation, and their redeemed the merchandise bonds by accepting them back as payment for their goods. So basically, this is the way money is supposed to work. So this was private credit issued privately by a producer that was spent into circulation and then accepted back as payment. That's the primary function of money when it serves the medium of exchange function to provide reciprocity in the exchange of value in the marketplace.

Ken Freeman 32:19
So that's private credit, issued by a private company. And that credit slip circulates and eventually comes back to the issuer who can redeem it for whatever it produces. That's a way of issuing your own currency. Can you talk about what you've seen in alternative exchange previously and what's going on right now?

Thomas H. Greco 32:46
So in recent years, we've seen the alternative exchange movement in two forms from the grassroots. Later on, I'll talk about another form from the commercial side. From the grassroots, we had local currencies or community currencies, springing up in many places around the world, United States, the UK, Australia and elsewhere. These currencies were supposed to assist local businesses. And most of the people that initiated these currencies had little understanding of money or the functions of money, or how a currency should be created, and how it can work effectively. So a lot of these currencies were basically sold for conventional money, which really doesn't do anything more than a gift certificate does. If you buy a gift card at Target, you're just trading one kind of money for another kind of money which is only usable in limited circumstance. So we talked about liquidity, creating liquidity that means spending power, creating alternative medium of exchange a local currency. The purpose is not to keep it local, but to be able to locally create liquidity or spending power, just as the Larson Company did. So dollars weren't involved except as a measure. So when the Larsen Company issued its merchandise bonds in a $5 denomination, dollars really had nothing to do with it except as a measure. So you can talk in terms of "dollars worth" not actual dollars currency. So that's, that's the way a local currency or community currency should be issued. Now, you don't have to keep it local, but it has to come back to the local area, to be redeemed. In the case of the Larson Company, you know, the merchandize bond could drift away to Rochester or to Erie or even to St. Louis or some other place far away. But it might not be accepted there because it would be unknown to the local people. The fact is that even if it did drift away that far, and even if it was used as an exchange medium, in those distant places, it would have to come back to be redeemed at the Larson company, for value.

Ken Freeman 35:32
For a thing – for something from Larson company and they would give you the product –

Thomas H. Greco 35:36
– for the basis upon which it was issued. Because the Larson bonds were issued, on the basis of a promise for the Larson Company to take it back in payment for the merchandise that you

select. So that's true of a local currency. A local currency should be spent into circulation, not sold into circulation--if you really want it to be effective.

Ken Freeman 36:04
You mentioned two grassroots approaches to alternative exchange, one being community or local currencies. And what's the other?

Thomas H. Greco 36:14
The other approach is LETS. LETS was started by Michael Linton back in the early 1980s. It's Well, I think LETS originally stood for local exchange trading system. Later, he called it Local Employment and Trading System. Basically, it's a ledger account, in which we simply keep track of purchases and sales. So you have an account, I have an account. We have a bunch of other people that join the system. Each one has an account. Every account starts at zero. We simply keep a record. When I sell something, I get a credit to my account when I buy something, I get a debit to my account. This is simply called credit clearing. Your purchases are paid for with your sales. So this credit clearing process is quite simple. All we need to do is to manage it properly and basically we've done away with money. We simply use the existing money as a measure of value, as we saw with the Larson merchandise bonds, so we'll keep our accounts in dollar units, but dollars have nothing to do with the system. We're using our own credit. So LETS was started in the early 1980s, I think it was 1982. I first met Michael Linton in 1984. At the first North American Bioregional Congress, he presented this idea which he had already started one in his hometown and in British Columbia. And I thought, well, yeah, this sounds like a pretty good idea. And so from that point on credit clearing became the main focus of my work on alternatives to the exchange process. So LETS spread around the world quite rapidly through the 1980s and 90s and beyond. At one time, there were, I don't know, probably more than 100 of them in the UK, dozens in Australia, many other places around the world. It never really took hold in the United States to any great extent, although we did have one here in Tucson. When I arrived in Tucson in 1989 there was a LETS system that had just begun. It was started by a CPA who had read an article that Michael Linton and I coauthored, that was published in the *Whole Earth Review*, a popular journal at the time. So I got involved with that and helped to keep the books with our local LETSonora, as it was called, but I don't want to dwell too much on that. The grassroots approach has not really thrived to any great extent. You know, LETS systems have come and gone, mainly because they are populated by people who do it as a sideline. There hasn't been any great involvement on the part of actual businesses that provide the day to day wants and needs that people have. You know, you might call up somebody who's offering guitar lessons once in a blue moon. They might say, "Well, okay, but I can't do it this week, maybe next week." It's a different thing when you can see a listing, and this was all computerized even in the early days. You could look at the list of offerings and wants, you can look at that and see whatever it is you want and try to make a purchase. And it may or may not be available when you want it. But you know, if you had, say a cafe or a computer shop, offering to sell things that they sell every day, you can imagine that that would be in everyday demand and people would flock to those places. So this gets us back to the allocation of credit lines, you know, you have to have limits. As I said, when your account is debited for purchase, you cannot continue to make purchases without making sales. So there have to be boundaries on the account balances. And in the early days, in many cases, those balances, those limits were lacking. So you had many people running up, huge debit balances,

then you had as a counter to that a lot of the popular places the few businesses that did become members accumulating lots of credits not being able to spend them.

So reciprocity broke down. And that's invariably what sinks a LETS system or a local currency is when reciprocity breaks down.

Ken Freeman 41:21
And what does that look like? Does that –

Thomas H. Greco 41:24
What it looks like is pooling of credits in the hands of the most productive and most popular members.

Ken Freeman 41:29
And then they just, like you said, don't have any way – they can't spend it.

Thomas H. Greco 41:33
They can't spend it and they drop out, say, “I'm done with this, I'm not accepting anymore.” So you have to allocate credit on the basis of the ability to redeem credit. So, what I recommend when people start systems like this, I tell them, don't give everybody a line of credit to begin with. Wait until they've demonstrated an ability to earn it back. Now at the beginning, you don't have that history, except in the dollar market. So the ones that you want to allocate credit lines to, that is, the ability to have a debit balance, are the ones that have already demonstrated earning capability, that is the businesses that are members of your system. So that's where you have to start. You have to recruit businesses to be part of the system. And they're the ones that should have a line of credit and the privilege of buying before they sell. Everyone else should be required to sell before they buy.

Ken Freeman 42:34
So beside the two grassroots approaches you mentioned, the community currencies and LETS, what else is being done in the realm of alternative exchange today around the world?

Thomas H. Greco 42:46
I'm glad you asked that because the more significant developments have been in the commercial realm. There are scores of commercial trade exchanges, often called barter exchanges, operating around the world. These are basically associations of small and medium sized businesses that are part of an exchange using the credit clearing process. So it's LETS on steroids if you, if you like, the members are all businesses. They're either retail establishments or professional service providers. Not too many at lower levels of the supply chain like wholesalers. But that's the ultimate objective is to tap all levels of the supply chain. Basically, they do what LETS systems do on a more rigorous and robust level. Because when you join a trade exchange, let's suppose that you are a restaurateur. You have empty tables at certain times a day and night and you're able to sell more meals than you do. So I come to you, I operate a trade exchange and I say, “Okay Ken, join our trade exchange and you will have access to 500 other businesses around the area that will provide things that you need, and you can access them without paying cash, you can simply use trade credit, which you can earn by serving more

meals. So it's a reciprocal trade exchange. What we do is we recruit businesses that have different kinds of goods and services to offer. And we provide a record keeping service. When you sell something your account is credited; when you buy something, your account is debited. So over the long run, we expect you will have an account fluctuating around zero. Sometimes it'll be positive, sometimes it'll be negative. So what we're going to do is we're going to look at your level of cash sales right now. And based on that and a few other factors We will allocate to you a line of credit, which means that you can buy before you sell, you can avail yourself of accounting services or electrical services, or you can buy ads in the local newspaper, or any number of other things that are listed on our website. So, what we will do, we will ask you to pay an initiation fee a modest initiation fee. And we will charge a transaction fee on each transaction. But in return, you're getting access to this market that you wouldn't have access to otherwise. And you will be able to conserve your cash by being able to pay with trade credits which you earn by serving meals. So we're enabling you to get around the shortage of dollars and the lack of sufficient customers to operate at capacity. Though there are scores of these trade exchanges that are operating around the world, one of the biggest is called Bartercard International. I believe they originated in Australia, but they have branches and many other places. They're also big in the UK. In the United States, there must be 40 or 50 different trade exchanges. And this industry has a trade association called the International Reciprocal Trade Association. And they have been an advocate for the industry. They involve themselves in government relations, they have good relationships with the IRS, they make sure that their members have all the information they need in order to properly service their members, and in order to comply with all the necessary tax and other requirements. Now as third party record keepers, these trade exchanges are not subject to banking regulations, because they're simply acting on behalf of their members to keep a record of debits and credits, they maintain the ledger.

So the commercial trade exchange industry has been much more successful than any of the grassroots efforts at alternative exchange, because they are actually servicing businesses that are operating day to day and have goods and services that are in general demand. They have reached a plateau, however, because even though they're doing tens of billions of dollars of trades annually, they have not reached the scale that's sufficient to go viral. Now, I've outlined a number of recommendations that would enable them to tap the vast potential that exists. (And these are in my latest book, *The End of Money and the Future of Civilization* – I believe it's chapter 15.) So one of the things they need to do is to find effective ways of networking together so that they can give their members the option of trading across exchange lines. So if I don't find what I need here in my local exchange, maybe I can find it in an exchange in Phoenix or in Los Angeles, or some other place. So what they have to do is to make it easy for me to do that. Now, they do have some limited capability now of doing that, but it's a rather cumbersome they use a currency called “UC” or “Universal Currency.” But I have to involve a broker in my local exchange, and he has to involve a broker in another exchange, and they have to arrange this in advance for it to take place. I can't just log on and then look for the service, find it in Los Angeles and buy it on the spot.

Ken Freeman 49:03
Although, in theory that sounds simple enough–

Thomas H. Greco 49:07
Yeah, it would it would be simple enough. There are a number of reasons why they're not doing that. First of all, they've become complacent. They're satisfied. That is, local exchange operators are satisfied with the level of business that they're doing, the profit that they're making with their 400 or 500 members. Secondly, they don't want to make it too easy for their members to trade outside the boundaries, because they want they want to keep things as local as possible. And there is there is an argument in favor of that. But if they're going to reach their full potential, I think they're going to have to give some on that particular issue.

Ken Freeman 49:55
Yeah, it seems that that would be a big potential selling point it would be much more attractive to smaller business owners, let's say if they could have that ability to seamlessly buy and sell with businesses in different local exchanges. But I imagine there's an argument to be made that says that if you make it too easy to interexchange with other local alternative exchanges, then you've once again given up something from your own local economy by moving that circulating money out of your own local business community and into someone else's.

Thomas H. Greco 50:33
Well, I don't think we're giving away too much there because the main thing is to be able to allocate credit locally, but we can still allow the credit to be spent globally. You know, the way I put it is we're trying to create a system in which credit is locally controlled, but globally useful. So that's the ideal.

Ken Freeman 50:57
In your book, you mentioned transcendence – in comparison to reform. Can you talk a little bit about that?

Thomas H. Greco 51:04
Yeah, well, transcendence means to go beyond, we need to go beyond the existing dysfunctional system of money, banking and credit. Reform means to change what exists to make it better. Well, I don't think there's any hope of reforming the existing system, because it's been set up to do exactly what it does, which is antagonistic to the interests of small and medium sized businesses, to local communities, and to the common good. And it's set up to maintain the power structure as it is. So along with decentralizing control of credit, we decentralized power, political power, as well as economic power.

Ken Freeman 51:52
And then that sounds like a greater conversation.

Thomas H. Greco 51:56
Yeah, well, this is ... the route to true democracy. What we have now is not true democracy were ruled by a global oligarchy. And we have the trappings of democracy, that is some of them--were allowed to vote every so often, usually for candidates that have been pre-selected by the power elite. So that isn't true democracy. True democracy is direct democracy, where the people have a say in the major issues that concern them.

Ken Freeman 52:29
Why isn't this topic of alternative currencies and alternative exchanges discussed more among, say, libertarians or voluntarists or maybe even among the Austrian economists, or just among people who are anti big government? Why aren't more people talking about it?

Thomas H. Greco 52:49
Well, there there has been a lot of talk amongst those people that you mentioned. In fact, in 1989, I went to conference in Washington, sponsored by the Cato Institute, and the topic of the conference was choice and currency. And there are a number of mainstream economists that that are into alternative currencies and exchange mechanisms. But none of them seem to have the vision necessary to go beyond the past reliance upon hard money – gold, for example. And that's the main criticism that I have of the Austrian School is that they are simply reverting back to gold, or the gold standard as their solution. But I don't see that that's necessary at all. And E.C. Riegel, who was one of the main influences on my thinking about these matters, said that gold was simply "window dressing." And I agree with that, you know, what really backs a currency is the promise of the issuer. And if the issuer is a producer of real value, goods and services, that can be a very credible promise, much better than a promise of the government or the central bank, or the issuers that issue that conventional currencies that we use in the world today.

Ken Freeman 54:30
Riegel is fascinating. I heard of him only through reading your most recent book, *The End Of Money and The Future of Civilization*. Riegel writes in such a way that's really simple to understand, and he's really inspiring, especially when he's exhorting the reader to acknowledge your own power.

Thomas H. Greco 54:53
Riegel talked a lot about our need to exercise our money power. That is, our power to issue money collectively, based on our ability to produce. Now, Riegel had a pretty good handle on what needed to be done way back in the 1940s. And his book, *Private Enterprise Money*, is a masterful piece of work that everybody ought to read – in addition to my own, of course.

Ken Freeman 55:22
Tom, we've been here for about an hour. And thank you very much for sharing that with us today. Hopefully, we'll be able to talk again in the future. But for right now, where can people find out more about you? Are you on the internet, your latest book, etc.

Thomas H. Greco 55:34
Sure. Well, Ken, it's been a pleasure for me as well, and I'm quite happy to come back next time and we can talk some more. In the meantime, people can go to my website, beyondmoney.net. They can read my book, *The End of Money and the Future of Civilization*. They can go to my secondary archival site, reinventingmoney.com, and they can find my other books; I've written four books on the subject. The first one was called *Money and Debt: A Solution to the Global Crisis*. The second was called *New Money for Healthy Communities*. The third is called *Money: Understanding and Creating Alternatives to Legal Tender*. And again, my most recent book is

The End of Money and the Future of Civilization. Those can all be found on amazon.com, as well as on my sites.

Ken Freeman 56:25
Thomas Greco. Thank you very much.

Thomas H. Greco 56:27
You're welcome.

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