

The End of Money and the Future of Civilization

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Chapter One

My Purpose and My Journey

It may seem a bold assertion to suggest that the end of money might occur any time soon. Money is such a basic feature of our everyday lives that a world without it is almost inconceivable. It is a thing as necessary as air, water, and food—because, in a developed economy, it is by the process of exchange that we acquire virtually everything we need to live, and money is the instrument that enables that exchange. Exchange will certainly continue, but in quite a different way, and money as we know it will become obsolete. How this is occurring, and what will take its place, are the subjects of this book.

Very few people realize that the nature of money has changed profoundly over the past three centuries, or that it has become a political instrument used to centralize power, concentrate wealth, and subvert popular government. While there has been some talk about the “cashless society,” what is being talked about does not constitute an end to money, but rather the end of paper money and the enhancement of “political deposit money” that will enable ever more effective social, economic, and political control. When I speak about the end of money, I am referring to the growing recognition that money has become nothing more than an information system, and to the emergent mechanisms for managing information about the exchange of value outside of the conventional banking system and without the use of political monies.

The implications of this are multidimensional and far-reaching. Dee Hock, CEO emeritus of VISA International, has said,

*We are at that very point in time when a four hundred year old age is rattling in its deathbed and another is struggling to be born. A shifting of culture, science, society, and institutions enormously greater and swifter than the world has ever experienced. Ahead, lies the **possibility** of*

*regeneration of individuality, liberty, community, and ethics such as the world has never known, and a harmony with nature, with one another and with the divine intelligence such as the world has never seen. It is the path to a livable future in the centuries ahead, as society evolves into ever-increasing diversity and complexity.*¹
[emphasis in the original]

In my view, that must be a shift from elite rule based on “command and control” hierarchies and military force to a more inclusive, participatory, just, harmonious, and sustainable order. I maintain, in all humility, that this book goes a long way in providing what is needed for that shift to come about. It describes the single most important thing that needs to happen, which is a fundamental change in the way we mediate the exchange of goods and services, and it provides specific advice that will enable a process I refer to as “reclaiming the credit commons” which can be achieved by the widespread implementation of direct credit clearing unions and private production-based voucher systems that I describe in later chapters.

My Personal Journey

I grew up in the 1940s and 1950s, which was a time of great confidence and optimism in America. Fascism had been defeated, or so we thought, and Europe was being rebuilt in what was mistakenly perceived to be a magnanimous American gesture toward our former enemies in the form of “the Marshall Plan.” And despite the “cold war” and the “communist menace,” it seemed as if progress was inevitable, and that life could only get better for everyone. I thought the United States was the greatest, richest, most productive, and most benevolent country in the world. Like the movies we saw, the world was mostly seen as black and white, there were “good guys” and “bad guys,” and on the world stage we Americans were (of course) the good guys.

As a young professor, I was dismayed by the student unrest that was widespread on college campuses in the late 1960s and early 1970s, and the seeming disrespect for established institutions.

Even at conservative Rochester Institute of Technology (RIT)² where I was teaching, there were frequent false alarms and bomb threats that disrupted the normal class routine as buildings had to be evacuated and searched for nonexistent bombs. I thought it was all part of a communist-inspired plot to destroy our educational system and our American way of life.

Seeds of Disillusionment

Some seeds of disillusionment had already been planted in my mind a few years earlier while I was working on my MBA at the University of Rochester. I happened to find a book in the Rush-Rhees library that piqued my curiosity. It must have been its provocative title that caught my interest. The book was *The Power Elite* by C. Wright Mills, published in 1956. At that time, the very idea of an elite class in our supposed “classless” American society was considered by most to be an absurdity. The predominant view was that America was a pluralistic society in which competing interests kept each other in check. That notion was supported by works like John Kenneth Galbraith’s *American Capitalism: The Concept of Countervailing Power*. Mills challenged that myth, sketching a different picture and presenting evidence that there was a “power elite ... composed of men whose positions enable them to transcend the ordinary environments of ordinary men and women; they are in positions to make decisions having major consequences.”³ He spoke of a “higher immorality” that was “a systemic feature of the American elite.” Mills argued that “Of course there may be corrupt men in sound institutions, but when institutions are corrupting, many of the men who live and work in them are necessarily corrupted. Within the corporate worlds of business, war-making and politics, the private conscience is attenuated—and the higher immorality is institutionalized.”⁴ This was an insightful observation of what Philip Zimbardo’s work in the Stanford Prison Experiment would later prove, that perfectly normal and otherwise good people often do evil things as a result of the situations and systems in which they happen to be embedded.⁵

Awakening

I did not pursue the matter further at the time but went on with my life, married, started a family, began my academic career, and proceeded to live the “American dream.” But life has a way of surprising us and upsetting our plans. Upon receiving tenure at RIT in 1972, I requested a sabbatical leave to work full-time on my Ph.D. at Syracuse University. It was during the 1973–74 academic year at Syracuse that I had what might be called an epiphany. I was awakened from my middle-class stupor and was able to see more clearly the way things actually are. From that point onward, I embarked upon a self-directed program of personal reeducation that covered a wide range of subjects. Despite having already acquired two university degrees and being well on my way toward my doctorate, I came to realize that I was ignorant of the most fundamental requirements for living a fulfilled life, including the basic motivations that determined my own behavior. Along with my new insights and a desire to broaden the scope of my knowledge, I developed a newfound concern for social justice, economic equity, personal freedom, self-expression, ecology, and peace. I found kindred spirits in various movements and organizations, including the Rochester Peace and Justice Education Center, which we referred to it as *pee jeck*.

In the Wake of Inflation

One day, as I sat at a desk in the PJEC office where I was a sometime volunteer, a colleague handed me a book that had just arrived in the mail which bore the intriguing title, *In the Wake of Inflation Can the Church Remain Silent?* Skimming through it, I saw that the book was neither well-written nor adequately referenced, but despite the amateurish style of the work, it still managed to pique my interest. There were some shocking assertions about our money and banking system of which I was dubious but not sufficiently knowledgeable to dismiss out of hand. I decided to take a closer look. There were a few cited quotes that seemed as if they might be from credible sources, one of which was a pamphlet called *Money Facts—169 Questions and Answers on Money*⁶ that had been commissioned by the U.S. House of Representatives

Subcommittee on Domestic Finance, Committee on Banking and Currency, and produced by the Government Printing Office.⁶ That was enough to convince me that the matter deserved further investigation.

I got in touch with the author, Edward Veith, who lived in one of the Rochester suburbs, and we eventually became good friends. Ed was quite elderly by that time and not well educated. He had been long retired, having worked many years as an elevator installer and repairman. Ed was a very religious Christian, who paid perhaps a bit too much attention to television evangelists, but he had a good heart and the “money problem” had long troubled him. He could not reconcile the practice of usury which is inherent in our system of money and banking, nor the persistent official debasement of our national currency, with Bible scriptures and his religious beliefs. And while I didn’t share in all the particulars of his religious convictions, it was through my conversations with Ed that I, too, became concerned about the same issues and about the credit monopoly in private hands that is our system of money and banking. As a result, I embarked upon this work that has been my main focus for more than forty years now. It has become my personal mission to unravel the mysteries of money, to share as widely as possible what I have learned, and to collaborate with others in creating new structures that can enable us to transcend what has become today a “mega-crisis.”

Starting with *Money Facts*, I discovered that it was a supplement to a larger report of the same congressional committee called *A Primer on Money*,⁷ which I duly acquired, read, and digested. Those sources provided quite a different picture from what is commonly believed about money and banking, but that was only the beginning. As in any investigation, one source leads to another, and a great body of evidence is gradually built up. I discovered that, in this field (as in any other) an orthodox view had emerged that pushed aside dissenting views and limited the academic debate. Fortunately, there is a great wealth of pertinent material that remains to be discovered if one is willing to dig deeply enough. It is the results of that searching and sifting that I present in this volume. Like Edward Veith, I hope that the insights and ideas presented in my book will stimulate others to action and guide them in the right direction.

E. C. Riegel

In the course of my research, I have benefited from the work of a great many monetary scholars from various countries of the world, many of whom are quoted in this work. But one source deserves special mention for the acuteness of his insights and eloquence of expression. I have often acknowledged that my quest to understand money has been aided more by the work of E. C. Riegel⁸ than by any other source. Riegel left a great legacy of writings and correspondence,⁹ a legacy that would have been lost to us except for the fact that Spencer MacCallum, during his student days at Princeton, happened to meet Riegel a year before his death and recognized the greatness of his work. Years after Riegel's death, MacCallum acquired Riegel's literary estate. He went meticulously through all of it—cataloging and transcribing, publishing and republishing—and made it available to others who might appreciate Riegel's special insights and be able to build upon the conceptual foundation that he had so elegantly laid. MacCallum was acutely aware of the importance of Riegel's work to civilization's future, peace, personal freedom, and general prosperity. Riegel wrote about all of those things because, as he showed so clearly, they are dependent upon the liberation of the exchange process from the dominance of political and banking interests, and he showed how private initiative and voluntary action could achieve it.

Much of what Riegel envisioned, and tried to implement in the 1930s and 1940s, has been reinvented in more recent times in the form of the mutual credit clearing circles, like local exchange trading systems (LETS), that since the 1980s have sprung up from the grassroots and been proliferating around the world, along with extra-bank credit clearing services offered to businesses by commercial “barter” exchanges. These pioneering efforts have provided the foundation for the more perfected and complete systems that are now on the horizon. We now have not only the understanding but also the information and telecommunications technologies needed for the creation of the kinds of decentralized credit and finance networks that Riegel suggested many decades ago.

Why Yet Another Book?

This is my fourth book, each of which has had the word “money” in its title. It is not money as *wealth* that has been my subject, rather it is the structures of money and the role of money as a *medium of exchange* that have been my concern and preoccupation for more than half my life. This is not a mere *academic* interest but a means to an end. My work has been driven by a passion for social justice, economic equity, personal liberty, world peace, and ecological restoration.

My intention in writing this book is to provide the historical background and conceptual foundation necessary for understanding our current predicament, and to suggest in some detail courses of action that can lead us out of it. Gandhi has been quoted as saying, “There is enough for everyone’s need but not for everyone’s greed.” I sincerely believe that it is entirely possible to achieve a dignified quality of life for each and every person now on the planet or likely to be born in the coming two or three decades, if only we humans will organize our relationships and resources toward that end. As enhanced communications bridge the distance between peoples and cultures and enable us to apply our collective intelligence across traditional boundaries, the “global village” becomes a reality. The next step is to cooperate in removing the structural impediments to realization of a higher ideal and to build new structures that better serve our purpose. The structures being considered here are those that relate to power and wealth—in particular, the mechanisms for exchanging goods and services in the market. The means that I propose do not rely upon coercion or the forced redistribution of wealth, but upon voluntary, entrepreneurial, and cooperative initiatives organized at the local level but networked globally to achieve the liberation of money and the exchange process and the democratization of finance and economics.

What I have to say in this volume repeats little of what I have said before, and that which is repeated is merely for the convenience of the reader who may not have accessed my prior works. In 1989–90, I wrote and published my first book, *Money and Debt: A Solution to the Global Crisis*, which described in concise terms the basic dysfunctions and problems inherent in our present

political money and banking regime, and presented a framework of principles and ideas upon which solutions to the money problem might be built.

In 1994, I wrote and published my second book to build upon that framework, to flesh out the ideas, and to suggest some new possibilities. *New Money for Healthy Communities* provided an overview of both historical and contemporary exchange alternatives, including the “scrip” and other monetary substitutes that proliferated during the Great Depression of the 1930s, and the local currencies and credit clearing systems that have emerged in more recent times. It also presented several original exchange designs that could be implemented at the local grassroots level to improve the health of local economies in the face of economic globalization and the damaging policies of the central banking system. My third book, *Money: Understanding and Creating Alternatives to Legal Tender*, published in 2001 by Chelsea Green Publishing, was an expanded, updated, and much improved version of that previous book.

This present volume is an updated and expanded revision of *The End of Money and the Future of Civilization* that was published by Chelsea Green in 2009. That book, based upon much additional research and experience, went broader and deeper than my previous works and this revised edition goes still further. From the start, I had intended to write a complementary currency handbook to provide more and better guidance to those who are undertaking to organize exchange alternatives. I had also planned that the book would deal with the “money problem” in a broader context so that the reader who is new to the subject might grasp both the urgency and proper approach to its solution. I quickly realized that in order to adequately achieve my purpose, it would be necessary to expand upon the historical and conceptual aspects of my topic. That material is contained largely in the first half of the book. I believe that this volume achieves its intended goals, but in a way that might seem less direct than one would expect.

During my academic career I learned a very important lesson about teaching and learning. As a new faculty member in the College of Business at RIT, I was asked to teach a required course in statistics, a course that was to become my specialty. It was, in the beginning, a frustrating experience because my students did not

seem to be learning what I expected them to learn. It took me a few years to realize that my students lacked the conceptual foundation they needed to understand the methods and meaning of statistical inference. This was not their fault; it was merely a gap in their experience. It was also my use of the “wrong” methods of instruction. I had assumed that the traditional lecture-recitation method would be adequate and that I could begin at the higher level of abstraction common to college-level courses. But I came to realize that my students needed to have direct experience with the physical processes involved in taking samples and summarizing their data, and that they needed to see how their results compared with other samples from the same population that were taken by other students. I abandoned the lecture method and shifted my approach to using simulations, case studies, and group projects—all of which produced far better results. I actually had to invent and manufacture my own “Numerian population simulator,” which consisted of a bucket filled with five hundred plastic chips of various colors, each imprinted with two numbers to represent an “X” variable and a “Y” variable. I then asked each student to draw a sample at random, record the data and compute the mean values for their X sample and their Y sample and the percentage of each color in their sample. We then compared their results with those of all the other students in the class. Some of my colleagues asked how I would know if a student got the right answer. I replied that I was not interested in checking their arithmetic; the object of the exercise was to demonstrate the predictability of incomplete sample data. That lesson was conceptual, not methodological.

It is with that in mind that I have approached the writing of this book. I have tried to provide the necessary conceptual foundation for understanding money and the exchange process, at least in so far as that can be expected using this particular medium. I have also tried to further demystify the subjects of money, banking, and finance by tracing historical landmarks and important evolutionary shifts that have changed the essential nature of money and have politicized money, making it an instrument for concentrating power and wealth. This book casts the inquiry within the broader context of civilizational evolution, showing both the forces that have shaped the present global regime of money and power and the urgency of

transcending it. It seeks first to elucidate how the centralized control of money, credit, and banking has been *the key mechanism* for achieving ever greater concentrations of power and wealth, and to explain how the present global monetary system has inherent in it an economic growth imperative that has been destructive to the environment and also to democratic institutions and the fabric of society. Secondly, it provides specific design proposals, exchange system architectures, and prescriptions that are applicable to various sectors and levels ranging from the local to regional, national, and global, proposing actions to be taken by grassroots organizations, businesses, and governments. *The prescriptive elements address not only the details of exchange system design, but also strategies for their implementation.*

To borrow and adapt a phrase from Dee Hock, there is a need “to reconceive, in the most fundamental sense, the very ideas of bank, money, and credit.”¹⁰ I hope this book will stimulate that process among a wide audience, and that it will provide the necessary understanding for entrepreneurs, activists, and civic leaders to implement approaches toward monetary liberation that can empower communities, promote democratic institutions, and begin to build economies that are both sustainable and democratic. I agree with famed economist Irving Fisher, who said, “It is no exaggeration to say that stable money will, directly and indirectly, accomplish much social justice and go far toward the solution of our industrial, commercial and financial problems . . . among strictly economic reforms, it stands, in my opinion, supreme.”¹¹ But I would go even further, adding that the solution of the money problem is essential to solving our environmental, political and social problems as well.

This book is written for a general audience, but it is concerned especially with informing four particular groups:

1. those who are already sensitive to the money problem and are curious to know more about how money and economies work;
2. social entrepreneurs who are motivated to organize alternative exchange and financing arrangements;
3. businesspeople, who are looking for ways to survive and thrive in an increasingly hostile economic climate and to protect themselves from the

machinations of the monetary and financial establishment;

4. government officials at all levels who are searching for answers to the vexing problems of fiscal management and seeking to improve the health and sustainability of their local, regional, and national economies.

This book will meet their needs by providing information and insights that are not readily available from academic or journalistic sources, and it offers specific advice to each group.

I recommend that the chapters be read in the order presented, as they build upon one another in telling the story, and a complete understanding requires a solid conceptual foundation of the history of money and the basic concepts of reciprocal exchange, which the first part of the book is intended to provide. These early chapters describe money not as a historical artifact, but as an evolving process. Just as modern aircraft bear no resemblance to earlier modes of transportation, so does modern money bear no resemblance to the precious metal coins that preceded it as exchange media. More importantly, it is essential to understand the emergent systems of credit clearing that are making money as we know it obsolete.

Friedrich Nietzsche described money as “the crowbar of power”; Henry George, more than one hundred years ago, observed that, “What has destroyed every previous civilization has been the tendency to the unequal distribution of wealth and power.” The challenges before us today demand that we acquire a deep understanding of the relationships between money, power, and wealth. It is my belief that this book, in providing essential information, ideas, and specific advice, will help the reader to achieve that understanding, and motivate action that is in the right direction. I agree with former Congressman Dennis Kucinich’s statement that, “We are at a teachable moment on matters of money and finance,”¹² and I hope that people the world over will be motivated to cooperate and organize themselves to help themselves.

¹ Dee Hock, *One From Many: VISA and the Rise of the Chaordic Organization*, p. 291.

² I held positions of Instructor and Assistant Professor at Rochester Institute of Technology (RIT) in Rochester, New York, from 1965 to 1979.

³ C. Wright Mills, *The Power Elite* pp. 3–4.

⁴ Ibid., p. 343.

⁵ Philip Zimbardo, *The Lucifer Effect: Understanding How Good People Turn Evil*.

⁶ *Money Facts—169 Questions and Answers on Money*.

⁷ *A Primer on Money*.

⁸ Edwin Clarence Riegel, born 1879 and died 1954.

⁹ Several of Riegel's books, essays, and monographs can be accessed in their entirety at the Websites <http://beyondmoney.net>, and <http://www.newapproachtofreedom.info/>, including his three major books—*Flight from Inflation*, *Private Enterprise Money*, and *The New Approach to Freedom*—in both html and pdf formats.

¹⁰ Dec Hock, *Birth of the Chaordic Age*, p. 117.

¹¹ Irving Fisher, *The Money Illusion*, p. 182.

¹² From his newsletter titled *The Bailout and What's Next*, dated October 1, 2008.