

**Creating New Money** by Joseph Huber & James Robertson  
*New Economics Foundation*, London, 2001. £7.95. 92 pages.  
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**Money: Understanding and Creating Alternatives to Legal Tender** by Thomas H. Greco, Jnr.  
 Chelsea Green, Vermont, 2001. Distributed in the UK by *Green Books*. £19.95. 296 pages.  
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### Retrieved From the Past

Shortly before the events of September 11<sup>th</sup>, the UK-based Schumacher think-tank *The New Economics Foundation* published a slim volume co-authored by a German professor and a retired English civil servant that argued the case for seigniorage reform. The privilege of issuing money needed to be taken away from bankers and given back to politicians and their civil servants. Lincoln's greenbacks were back on the agenda. The book casts much-needed light upon the murky smoke and mirrors world of *The Money Power* but also provides valuable insights into the messengers as well as their message.

Professor Huber is a pioneer of green banking and ethical investment in Germany and a quarter of a century ago his co-author James Robertson wrote *The Sane Alternative* with its elegant arguments for choosing a sane, humane, ecological (SHE) future rather than the hyperexpansionist (HE) path we were on at the time. Over the following two decades Robertson would publish two further classics...*Future Work* and *Future Wealth*...both 25 years ahead of their time just like all good radical works should be.

### Privilege & Patronage

Many of our fundamental social contracts and conventions are based on notions that are erroneous and self-defeating. Among the more insidious is belief in the practice of granting to a few the privilege to create money based on debt and to charge interest for its use. In '*Creating New Money*' Huber and Robertson focus on the one crucial reform they believe will address this problem at the heart of our money-based societies. They argue that the change is technically feasible and economically desirable.

Seigniorage reform would be the sharp precision instrument that would cut away the cancer promoting the hyperexpansionist future. In the ensuing metaphysical reconstruction of money and work and the realignment of the levers of wealth and power, the institutions promoting 'the growth imperative' in the misplaced notion that it was in their own best interest and that 'what was good for *Enron* was good for America...despite evidence to the contrary...would be transformed by honourable men, power would be channelled into more socially productive purposes and the global economy kept on the rails for another few decades.

In making their case, Huber and Robertson have decided to dangle in front of our small but powerfully funded euroenthusiasts the carrot of monetary patronage. A cadre of radical eurocrats would mount a bloodless coup and, at a stroke, hundreds of prestigious private bankers with their corporate traditions stretching back into the dim distant European past with its monarchical and ecclesiastical intrigues would roll over and accept their new role as a department of the *European Institute for Chartered Accountants*. Economically desirable? Perhaps. But socially desirable? Probably not. Technically feasible? Yes. But politically feasible? Ay, there's the rub. We need to define our terms of discourse.

### A World of Organizations

The modern economic world is a world of organisations. In this world we have what the bureaucrats describe as the 'economically inactive'...the idle rich, the idle poor, the idle old and the idle young. Of the other half, most are wage slaves taking money from organisations while a tiny proportion club together to create companies who in turn go cap in hand to bankers for some money. These companies then set about destroying this money in one of two ways. Some do it by collapsing...*Enron* is a recent example...while others do it by 'repaying' the money they were given, not once but several times, courtesy of an ingenious intellectual device known as usury.

Usury is harmless enough for a year or two with interest at a few percentage but promotes a virulent epidemic in society when interest rates creep higher and loan redemption periods stretch over more than six or seven years. A society is on the road to serfdom once the practice becomes institutionalised in that society. In the UK only a few percent of the money a newly married couple pays for their house goes towards its construction.

The result of the subsequent game of legally-piggily is not only fairly arbitrary but also deeply perverse. People who end up with more than their fair share of this banker-distributed monetary patronage do not spend it back into

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<sup>1</sup> This essay was prepared as a background briefing for limited circulation prior to the preparation of two separate book reviews that were published subsequently in *Fourth World Review* #113 in March 2002

circulation but spirit it away in nominee companies and other private trusts...when will we have a trust record in the public domain replete with settlor, purpose, trustee and beneficiary data...using it to acquire proper wealth...land, leisure and enlightenment...and dynastic power.

The money under the control of these companies and private trusts crosses borders...thereby passing beyond the control of national governments...through a black box labelled 'currency exchange rates'. Most of the operators of this black box live in the eastern London suburbs and work in the square mile of *The City of London*. None of them...nor anybody else for that matter...has the faintest idea how this device works but the wealth of cities rise and fall and the fertility of their surrounding countrysides wax and wane upon the bets placed on the inputs and outputs from this device by grammar schools boys miseducated into believing that loot and lust are the meaning of life, the universe and everything.

### **The Huber-Robertson Plan**

Seigniorage reform is widely accepted by monetary experts as the *sine qua non* of monetary reform, though not the only one. The trouble is that the real dispute has always been over strategy. So it is the tactical implications of the Huber-Robertson proposals that must be the focus of any critique. Huber and Robertson admit quite frankly that on such matters their own opinions differ. But neither believes that reform is futile. They both agree that politics is the art of the possible and seigniorage reform is a means to open up the debate and appeal to enlightened self-interest among 'the haves', many of whom are increasingly nervous of their ability to hold what they have.

After September 11<sup>th</sup> there are no investments only speculations and real reform produces losers as well as winners so it is seldom a zero-sum game. It is to the authors' credit that they have included a chapter entitled 'Prospects' in which they address such questions as potential opponents, beneficiaries, triggers and constituencies for change. But the question remains. Is monetary reform politically feasible or socially desirable?

In making the case for removing the creating of money from the bankers and placing it in the hands of central governments...for this is the drift of their proposals...Huber and Robertson take their readers on a master class in money, banking and finance in the short space of 35 000 words. This is an excellent primer for business schools and economics students. But radical political thinkers will want to go further. They will have studied Marx and Proudhon and will be reading on the web of proposals for a monetary reform act, hearing allegations of a gold price cartel from the proceedings in a Boston court room and picking up rumours from the newsletters of some truly terrifying tales about the bankruptcy of the derivatives trading system.

### **Old Wine & New Bottles**

In 1939 in an essay on the politics of Charles Dickens, George Orwell commented that if you hate violence and don't believe in politics, the only remedy left is education. Others have noticed that the old professors have to die off before any structural revolutions occur in academia and that professors tend to live to a ripe old age. But they die eventually so that every fifty years or so it becomes possible for a few diligent students to think for themselves long, hard and deep enough to see beyond the smoke as they peer through the darkened mirrors.

A century ago it was the *Fabians*, the *Georgists*, and the *Bryanists* who managed to see through the monetary illusions. Fifty years later it was the *Social Creditors*, the *Gesellists* and the *Chester-Bellocs*. The recent revival can trace its roots to seeds scattered by E.F. Schumacher and cultivated by the ecology movement, land reformers, permaculturalists and organic farmers. It is here that we meet the cutting edge of radical political thought about monetary reform in the Anglo-Saxon world and its cultural hinterlands.

But in between times wars have been fought and young men have died. Under cover of these wars and their inevitable cessation of hostilities a few years later when resources are exhausted back go the mirrors and once again smoke hangs heavy over the battlefield.

These new groups and the disciples of many of the older groups are now being joined by a new breed of social entrepreneur who sees direct action as the politics of our time. The ranks of this radical heretical fringe are swelling as the membership of political (and quasi-political) organizations starts to plummet.

### **Two Great Divides**

There is a militant fringe...every radical movement has its militant minority intent on violence...but the core of this radical movement and the vast majority of its supporters, while not pacifists, reject any progress that cannot be achieved by non-violent means. The fault lines in the movement are not between bomb-throwing revolutionaries and reforming pacifists. Instead they cut across the movement in two quite different ways. On the one hand is the issue of *centralism* versus *decentralism* which encompasses the question of *subsidiarity* and the ideas of *federation* versus *confederation*. On the other hand there is the argument between the *structuralists* who believe that structure determines the behaviour of a system...and that values should determine the structure...and the *reformists* who believe that change can be effected by working within the existing political structures in our modern world.

The *Radical Consultation* that brought together leading radical thinkers from both sides of the North Atlantic in the days after September 11<sup>th</sup> showed clearly how the centre of gravity of radical thought has shifted in the two decades since the last successful attempt to carry out such an exercise in London in 1981 broke up in disagreement. The centralists and the reformists were no longer in the majority carrying all but a tiny fringe before them. In the past 20 years the mood has shifted significantly. Reform is no longer on the agenda. The balance of power has shifted in favour of the *decentralists* and the *structuralists*.

### Local & Global

Tom Greco, a native of Rochester, New York now resident in Tucson Arizona, has played a key role on both sides of the Atlantic in bringing about this shift in radical opinion. For two decades, Greco has been obsessed with the money problem. But like Dickens and Orwell, he has always believed in education. Over the past ten years Greco has produced two excellent books: *Money & Debt: A Solution to the Global Crisis* in 1990 and *New Money for Healthy Communities* in 1994.

It seems right that Greco's third book...a synthesis of the global and the local...should be published within days of the Huber-Robertson book and that its publisher, *Chelsea Green* should be based in Vermont with its long libertarian tradition. It was the young French nobleman Alexis de Tocqueville in *Democracy in America* who first suggested to sceptical Europeans that there might be a politics beyond Montesquieu and that it was being forged at town meetings in the green hills of Vermont.

'*Money: understanding and creating alternatives to legal tender*' weighs in at four times the length of the Huber-Robertson book but with good reason because there is a lot more explaining to do. The book is being published in Japanese as well as English and will doubtless be appearing on the Internet in French and German before the year is out...with Spanish and Chinese bootlegged versions not far behind.

Greco agrees with the Huber-Robertson diagnosis of our monetary malaise but does not believe that it is enough to tweak the existing system. Greco doubts whether entrusting Brussels and Washington with the public purse and moving the power of monetary patronage from Threadneedle Street to Downing Street and from Wall Street to Capitol Hill will do much to address our deep-rooted problems. Indeed he would question its political feasibility this side of *Crash*.

### The Greco Plan

Greco wants to see the world of money turned upside down and believes it may be possible to do this peacefully by empowering people to create their own currencies. Healthy communities need their own local mutual credit systems and cohesive cultural regions like Skåne, Wales or Catalonia should issue local currencies for their own local use. While Huber and Robertson are content to use seigniorage reform as the Trojan horse that might just get monetary reform on the political agenda, Greco prefers to put his trust in 'we the people'. In doing so he is championing a cause which has many philosophical parallels with the open source movement in the world of computer programming...the open money movement.

In '*Money: understanding and creating alternatives to legal tender*', Thomas Greco sets about his task of persuasion in much the same way as Huber and Robertson by discussing monetary realities and official illusions. He then provides the reader with a history of complementary currencies, past and present, to establish the point that there is nothing being proposed that has not been successfully done before. Greco provides an overview of the experiments with scrip issues in the depression years and writes with authority on Caslow Recovery Certificates, Larkin Merchandise Bonds, Ralph Borsodi's Constants and of the work of Silvio Gesell with 'demurrage' and 'stamp scrip' in the German-speaking villages of Schwanenkirchen and Wörgl in 1932.

### Them & Us

Greco's evidence ranges widely and includes fascinating first-hand insights into the current situation in Argentina where a third currency operates alongside the US dollar and the Argentinean peso. Greco then moves on to a study of the mutual credit systems developed by new age pioneers like Michael Linton (*LETS*) and Paul Glover (*HOURS*) as a prelude to the final part of the book where he provides a do-it-yourself manual for sound monetary management in healthy communities.

In his novel '*Retrieved from the Future*'...on the bestsellers list in Germany a few years back...John Seymour took upon himself the task of inventing the politics of recovery which he is convinced will be needed after *Crash*. Smallholdings and a local militia were on the list...it is no accident that economists talk of guns and butter...but in third place came a local currency. Monetary transformation and community empowerment with a dose of good currency design, improvement and innovation was what Seymour figured out would be required to get things moving again once people realised that 'they' were no longer there to do the job for them and we the people had recourse to only their own resources.

The message is clear. The first communities to get back on their feet after *Crash* will be those with their village crisis committee in place ahead of time and with their money sub-committee well-versed in the Greco rather than the Huber-Robertson proposals.

Clear blue water is emerging in the battle being waged on the radical scene between the *centralists* and the *decentralists*. These two books sit on opposite banks of that widening divide. Huber and Robertson have given national and supranational governments the manual they need to wrest control of the creation of money from inanimate banking corporations and their global cartels. In passing they have also provided detailed instructions for the *Purton Parish Council* and the *Chancellor to the King of Wessex* to takeover the money creation system themselves...had they the power to do so.

#### **Lord Keynes & Citizen Paine**

Huber and Robertson are first class colonial administrators and much can be learnt from them. But in *Creating New Money* they have contented themselves with the role of financial advisers to the *East India Company* of our day while Greco has pointed the way to monetary independence. The contrast is between the reforming radical economist John Maynard Keynes who failed to impose any sanity on the world's monetary system at *Bretton Woods* after the *Hitler War* and the radical's radical, Tom Paine, who successfully showed the America people in the thirteen colonies on America's eastern seaboard the way to win their political independence.

While working in Argentina a hundred years ago Silvio Gesell was to remark on the impossibility of finding even half a dozen people in Germany able to talk knowledgeably about monetary matters. Part of our job as radical economists is to alter this situation by placing money back at the heart of political economy. As education these are both good books but as politics Greco's is the more dangerous because its challenge to the existing order is more fundamental and its proposals are more far-reaching. But both deserve pride of place on your radical bookshelf...alongside Gesell's *Natural Economic Order*, the writings of the American monetary theorists E.C. Riegel, Frederick Soddy, Irving Fisher, Milton Friedman and Kenneth Galbraith and the works of the Austrian political economist Ludwig von Mises. Socialism, as Bernard Shaw was wont to say, is equal money. Our knowledge about it should start at the point of issue.