International Journal of Community Currency Research

Volume 16 (2012) Section C

BOOK REVIEWS

GWENDOLYN HALLSMITH AND BERNARD LIETAER (2011), *CREATING WEALTH - GROWING LOCAL ECONOMIES WITH LOCAL CURRENCIES*, (NEW SOCIETY PUBLISHERS, GABRIOLA ISLAND, CANADA) ISBN: 978-0865716674, 270pp. [1]

If you are a monetary activist, you might be done with heavy-to-digest theoretical texts and you may dislike the monetary-activist handbooks that treat you like a person with no theoretical inquiries even more. If you are an academic, you might question money theories asking "well, how will this work in the real world?". If you are a student, you might wonder why it is so difficult to the core ideas and arguments, as well as useful examples of tried projects, into just one book that can explain what economic alternatives are about.

I am a student, but I also wander among activists and academics, and the first impression I got from Hallsmith and Lietaer's book is that, at last, we could all have a common starting point for study and discussion.

I liked the redefinition of wealth in the first chapter of "Creating Wealth" because this redefinition is orientated towards the needs of humans and their communities. Using the notion of "capital" for all expressions of social life is something that I might consider a further topic for discussion in combination with the description of community capitalism (chapter 3). At first, I was very surprised with this approach to wealth of people and communities, as I think that using the notion of capital for everything that people have and do to live a decent and happy life might be a trap to get into.

However, after reading the next chapters (4th chapter onwards) I found that, trap or not, it would not be easy for anyone to stand on the economistic side of the notion of capital. The critique of the actual conventional economic and financial system in the 2nd chapter was a rather good indication that the notion of capital can be used within a completely different context than the one I have been accustomed to so far.

Another important point is the discussion about the various types of currencies and how this has worked both in history and in recent times. This discussion is linked to the notion of scarcity (and abundance) and how those two notions might create different currency types but also different types of economic activity, namely competitive or collaborative (chapter 4). The combination of both notions – scarcity and underutilisation of resources - creates the question: is scarcity and abundance a technical issue or a political issue? Is any use of resources a matter of social structure and social justice or just a matter of economic mechanisms?

These questions are raised not only in the interlude dedicated to the core economy (p. 67), i.e. the sector of the economy where people provide for each other without the use of any monetary instruments, but also in the entire second part of the book (chapters 5-12). If one considers that humans have fair needs, like being taken care of when very young, ill or elder, being well-fed, having healthcare, housing and education, having chances for artistic creation, having a natural environment in good condition, being entrepreneurial without predating on communities, then this book turns the discussion of scarcity and use of resources into a new direction.

The authors take for granted that those needs mentioned above are not to be discussed or balanced according to whether we have enough money to pay for houses or for healthcare services or for artistic work. We learn from "Creating Wealth" that there needs to be enough money to cover all those needs, no matter what! Therefore, the book takes discussion of scarcity to a new level, analysing how the monetary system itself creates scarcity where it does not exist. The most shocking examples are those concerning healthcare and food production (chapter 12).

In that sense, even the notion of justice needs to be reexamined within the scope of the book. In other words, what the book teaches us is that we need to be careful and practical when discussing our monetary system and the role of complementary currencies for satisfying human needs.

[1] Sotiropoulou, I. (2012) 'Creating Wealth: Growing Local Economies With Local Currencies' book review *International Journal of Community Currency Research* 16 (C) 1-2, <www.ijccr.net> ISSN 1325-9547

If anyone would think that this book avoids political discourse, this would be a misunderstanding. Rather, the two last chapters of the book (13 and 14) are dedicated to how urban communities can start using the ideas presented in the book in a more practical way. Several projects in Burlington, Calgary and Montpelier are described in detail and the authors are generous to write about the experience gained so far from those efforts.

The concluding chapter, instead of typically repeating the book content, reflects the answers to the questions complementary currency activists and theorists usually face: whether variety of currencies is efficient for the economy and whether we should turn to a stronger state to run our monetary instruments. Both questions are more or less answered in this book with the same approach: monopoly of money is not resilient a system, no matter whether it is under the control of the banks or of the government.

What makes this book distinctive is that it has been structured as the world of complementary currencies needs it to be: we need to discuss directly the basic economic notions and stop avoiding theoretical discussion; we need to take a clear position toward the narrow-minded cost-benefit analysis of mainstream economics; we need to be able to know how to tackle local political conditions and how politics affect complementary currencies and local economies; and we need to be face issues about the role and form of money and the values it supports or destroys. Well, if you are looking for such a textbook, if you were eager for such work to disagree with, now here is one…

Irene Sotiropoulou,
PhD Student,
University Of Crete
Isotiropoulou@econ.soc.uoc.gr

DESTINIE JONES (2010), *SHARED MONETARY GOVERNANCE: REGULATORY FRAMEWORKS, PARTICIPATORY INTERNAL DECISION-MAKING AND SCALE IN INSTITUTIONAL ACCESS TO GENERAL AND SPECIAL PURPOSE CURRENCIES*, (VDM VERLAG, SAARBRÜCKEN) ISBN: 363926780X AND 978-3639267808, 164pp. [2]

As regular readers of this journal will be well aware, money stands out among the main institutions of modern societies for the remarkable lack of democratic influence over its nature and management. Although monetary democracy is certainly a concern of many complementary currency practitioners and researchers, there are few books, perhaps none, that focus as explicitly on the democratic potential of alternatives to ordinary money as this one. The book, published by the controversial VDM Verlag (see http://en.wikipedia.org/wiki/VDM_Publishing), is based on a master thesis, which in fact is the version that has been facilitated for this review. [two papers from this book have since been published in IJCCR, volume 15 (2011)].

Jones theorizes social control over monetary institutions in terms of governance processes that "balance" the power of three distinct stakeholder groups: external regulators, internal decision-makers, and currency users. On the basis of the widely advocated governance principles of regulatory consistency, transparency, accountability, and participation, Jones elaborates a framework – named as the main title of the book - aimed at the theoretical and empirical exploration of various currencies' potential for democratic control.

After an introductory discussion of the need for monetary democracy and the relevance of complementary currencies in this regard, chapter 2 briefly reviews the literatures on governance and the functions of money. The literature review then adopts the structure of the aforementioned stakeholder categories with their corresponding channels of influence over monetary governance. Accordingly, the influence of external regulators over a particular currency is mirrored by the degree of regulatory tolerance towards it. Second, internal decision-makers are assumed to be concerned with the distribution of seigniorage revenues, currency issuance, and choice of backing. Finally, currency users are assumed to exert influence through what is termed "currency scale", a somewhat awkward mixture of the monetary functions performed by a particular currency (e.g. unit of account, means of exchange, store of value), and its geographical extension. In a rather tiring manoeuvre, this structure is largely repeated in chapter 3, which adds theoretical discussion.

The core of the book is chapters 4-6, an empirical exercise aimed at operationalizing the theoretical framework so as to produce "an indicator showing how effectively any currency institution facilitates the sharing of monetary governance". Chapter 4 presents a method that builds upon fuzzy-set Qualitative Comparative Analysis to allow the quantification of qualitative data collected for four different currencies, all from the United States: the US Dollar, Humboldt Exchange Dollars, Time Dollars, and Deli Dollars. The choice of fuzzy set theory is fortunate, since it allows the appreciation of ambiguity: an element is not necessarily either a member of or external to a set, but can have degrees of membership, since the set boundaries are fuzzy. For instance, Jones uses this approach to capture ambiguities in the regulatory stance towards non-official currencies, expressing degrees of tolerance in terms of percentages, where anything above 50% indicates a predominantly positive stance. However, the choice of percentages is very arbitrary, and sometimes clearly mistaken, as when a requirement to report earnings in a currency to the fiscal

[2] Dittmer, K. (2012) 'Shared Monetary Governance: Regulatory Frameworks, Participatory Internal Decision-making and Scale in Institutional Access to General and Special Purpose Currencies' book review *International Journal of Community Currency Research* 16 (C) 2-3, <www.ijccr.net> ISSN 1325-9547

authorities is taken to suggest regulatory acceptance at 60%, despite the fact that the corresponding taxes are payable only in official money, a well-known scourge to non-official currencies.

Similarly, the issues assumed to be of concern to internal decision-makers (seigniorage distribution, currency issuance, and backing) are each given equal weight, when there is no obvious reason why this should be the case. Perhaps the weakest part of the method is the opaque manner by which the percentage scores allocated to the various aspects of regulatory tolerance or internal decision-making are eventually condensed into a single percentage that is then used to make comparisons across currencies.

In sum, in its current form, the method suffers from an excessive dependence on the arbitrary value judgements of the analyst. A more transparent scoring system, combined with a more participatory approach to criteria definition and weighting (as in participatory multi-criteria evaluation) would be more in line with the principles that the method asks of its objects of analysis.

Despite its shortcomings, the book is a valiant attempt at breaking new ground in an important but largely neglected area, and should be appreciated as such. Although it is too technical for a wide audience, it will be of interest to numerically inclined readers concerned with monetary democracy.

Kristofer Dittmer

Institut De Ciència I Tecnologia Ambientals (ICTA), Universitat Autònoma De Barcelona, Spain
Kristofer.dittmer@uab.cat

DAVID GRAEBER (2011) DEBT – THE FIRST 5,000 YEARS (MELVILLE HOUSE PUBLISHING, BROOKLYN, NEW YORK) ISBN: 978-1-933633-86-2, PP. 391

About a year after its publication 'Debt – The First 5,000 Years' has already attained status as a landmark piece of scholarship on the nature of debt and money. It has received widespread attention across the blogosphere as well as in academic debates about money in economic theory. David Graeber's achievement is a highly readable and thought provoking re-writing of monetary history, which has the potential to change the reader's understanding of debt as a moral concept, economics, and the role of debt-based money in the development of states, markets and capitalism.

The basic question asked in 'Debt' is how a promise or social obligation turns into debt resulting in behaviour that would otherwise be considered immoral. The short answer is violence and moral perversion; Graeber argues that whereas a favour cannot be calculated, debt is precisely calculation of equivalence between disparate objects and, historically, of people. Only by severing humans from their unique social contexts can they be given a monetary value and treated as identical to something else. Anchoring his argument in rich historical evidence going back to the first societies where use of money is found, Graeber shows how this has played out in civilisations from Mesopotamia and Imperial China to Greece and the capitalist empires.

Taking us on a journey through a broad array of cultural and historical conceptions of money, Graeber succeeds in turning conventional wisdom in monetary theory on its head. And what he achieves on this journey is not only substantiating that, historically speaking, goods almost always changed hands using credit (disproving the 'myth of barter' which is central to classical economic theory), he also shows how some of our core philosophical and political assumptions about civilisation are based on myths about debt and money which simply do not hold in the light of evidence. Opening up for a re-examination of human motivation, the conception of freedom and the relation between states and markets, it is not inconceivable that this book has the potential to transform the discipline of economics itself.

The book makes several points which I think are of particular interest to readers of this journal. First of all, the implications of dispelling the standard narrative of "from barter to money to credit" are far ranging. Doing away with this progressive narrative allows us to get a much better understanding of the social and political role of money. Primitive money was not just a crude version of what we have today but entailed entirely different conceptions of what money is. The myth of barter allows economic theory to ignore the historical development of markets which is a very different story that involves the development of standing armies, slavery, conquest and moral corruption.

Second, and related to the first point, in chapter five Graeber makes a very helpful distinction between three kinds of moral grounds for economic relations. 'Communism', he asserts, is the basis of any human relationship which is based on the principle of "from each according to their abilities, to each according to their needs". This principle underpins 'human economies' where money is mainly used to (re)arrange humans and their social relationships. 'Exchange', on the other hand, is economic interaction based on equivalence. Here the end point of an interaction is typically the cancelling out of the relationship and either part can opt out at any time, but it is also in this kind of relation debts can be created (if you can't pay upfront). Finally, 'hierarchy' occurs when inferiority and superiority are accepted as the basis of economic relationship. This thinking ties in with research on 'social' or 'informal' economies and opens up ground for exploring the social and ethical aspects of economies.

Third, the book examines the implications of a change from a human economy to a commercial economies in depth. The result appears to have been a profound shift in ethics and philosophies. For example, many archaic forms of money were primarily used to measure honour and, when someone's honour was offended, degradation (chapter seven is dedicated to showing how this was the case in places from medieval Ireland to ancient Rome). When money used for measuring and compensating someone for loss of honour started being used for buying everyday goods the result was moral crisis. In chapter nine, Graeber explores how, during the Axial Age, the emergence of markets go hand in hand with materialist philosophies and a re-conceptualisation of morals and justice as tools to satisfy a populace.

Fourth, Graeber's history of debt brings the role of war and military power back into monetary history. The change from a human economy to a commercial economy came about by force. Markets seem to have emerged as a side-effect of government administrative systems and the need to maintain standing armies. Exploring the intimate connections between war, coinage and slavery (Graeber calls it the 'military-coinage-slavery complex') the role of military conquest appears central to acquire the gold and silver, or the slaves used to mine these metals, that went into mints.

Fifth, this connection between the military-coinage-slavery complex and the emergence of markets questions another central tenet in classical economic thought: the separation between the market and the state. The relation between state and market appears much more entangled, so much that the distinction loses analytical validity. The need for states to borrow money to finance wars was key for the development of the financial system (and ultimately capitalism itself), and in the last chapter Graeber argues that the creation of central banks is the permanent institutionalisation of a marriage between the interests of warriors and financiers.

Graeber's research belies the conventionally held beliefs of our neoliberal exchange economy to the extent that a synthesis of his ideas may seem counter intuitive. I can only recommend the reader go through the book by herself. His aim is "to throw open new perspectives, enlarge our sense of possibilities; to begin to ask what it would mean to start thinking on a breadth and with a grandeur appropriate to the times". One of the main points in 'Debt' is that the language of the market has come to influence our everyday thought and our morality to an extreme degree, but that we are often blind to this. And his accomplishment is to show how this occurred historically, pointing not only to a gaping hole in economic theory but also opening up much deeper questions about what is possible if we begin seeing ourselves as historical beings.

'Debt' has received criticism both from Marxists (for misrepresenting the role of the state and class) and neoliberals (for being frivolous and providing only footnotes to the conventional account of money), but I think both these criticisms miss the point. If we take seriously Graeber's assertion that "[i]t's only now, at the very moment when it's becoming increasingly clear that current arrangements are not viable, that we suddenly have hit the walls in terms of our collective imagination", 'Debt' stands out as a feat of scholarship which opens up many new avenues for re-imagining even if it doesn't specify which one the reader should take.

Jeppe Graugaard

3S (Science, Society & Sustainability) Research Group,
School Of Environmental Sciences,
University Of East Anglia, UK
J.graugaard@uea.ac.uk