

# The Conference on Money

## A Response From an Onlooker

James Herod

(Comments on *The Nature, Origins, and Role of Money*, a conference held on March 31 and April 1, 2004 at the University of Missouri at Kansas City, which was organized by the Center for Full Employment and Price Stability, a nonpartisan, nonprofit policy institute at the University. This is a memorandum addressed to the staff, faculty, and guest speakers at the Center's conference.)

Thanks first of all to those who organized this conference, for the free lunches, and for the complimentary copy of Wray's book on *Understanding Modern Money*. It was all very well done. The conference proved very interesting to me, although not in ways that I had originally expected. Thanks also for the display of some excellent looking books on money. I will definitely study them.

I was interested in attending only to get some general background knowledge about money because in the near future I'm hoping to undertake a study of the topic in order to write an essay on *Abolishing Money*. I have collected a few books, such as Davies' *History of Money*, Galbraith's book on *Money*, Simmel's *Philosophy of Money*, Marx's chapter on "Money" in the *Grundrisse*, and several others. Abolishing money has been an item of anarchist belief for a long time. I got interested in this not long ago and started checking into it. I was surprised to discover that almost nothing of substance has been written about the idea, at least that I have found so far. Even though my study of the literature on money and gifts has hardly begun, and at the risk of appearing foolish, I'm going to respond to what I heard at the conference anyway, based on my general knowledge, as a way of getting myself started on the issues. There are also some general comments about the conference that I want to make.

Not knowing anything about money or the debates currently swirling around this topic I did not perceive in the list of papers to be given anything unusual. It looked to me like a standard mainstream academic conference. I was very pleasantly surprised therefore when I started hearing terms and phrases which I would not have expected to hear at such a conference, words like class structure, hierarchy, capitalism, and ruling class. During discussions in-between lectures it was quickly confirmed to me that the umkc economics department considers itself outside the mainstream, one of only a few such departments, like the one at the University of Massachusetts at Amherst, and a couple of others. Apparently, several years ago, there were ten or twelve more or less radical departments, but most of them have been shut down or seriously marginalized, in these reactionary times.

I regret that I did not find the courage to raise my concerns during the meetings themselves. In addition to my natural (late-life) timidity in such situations, it did seem to me that my interests fell completely outside the framework of the conference, and that I would have been intruding to ask the questions I was interested in. Too bad though that I could not have suffered myself to be a little bit rude and asked them anyway. They might have added a dimension to the discussion which was missing.

In any case, I did manage to ask about abolishing money to several of the featured speakers during the breaks between talks. I had cryptic exchanges with Michael Hudson, Franklin Wray, and Geoffrey Ingham, and brief, but more substantive discussions with Mathew Forstater, Stephanie Bell, and Mark Peacock. I wish I had a photo of the bemused little smiles I got from some of you when I asked about abolishing money. I'd attach it to this report.

Nevertheless, some headway was made. I'm appreciative of that. So let me get right to it.

Right off, in the first lecture, by John Henry on the Social Origins of Money in Ancient Egypt, it was established that money appeared only after the original egalitarian traditional society had broken down, with the emergence first of the hydraulic engineers as an elite and then of an elite priestly class and finally of a centralized government. Money, in the form of the debben, was at first merely an accounting device, with no coinage, and it remained that way for hundreds of years. So you theorize that money is state created, and reflects the social relations, the power relations, of a class society. The government in effect places the population in a state of indebtedness. It says, you owe me. So the population, at this time as whole villages not individuals, has to scramble to pay off the debt. The debben was invented as an accounting device to keep track of the payments. It would seem then that, according to the Credit and State Theories of Money, that most of us, as subjects of governments, have been forced into a state of indebtedness ever since the emergence of the first state. Who wants to be perpetually in debt?

This raises an obvious question. Why not get rid of states, abolish them, dismantle them? There is a corollary question. Why not get rid of classes, and establish once again an egalitarian, classless society? But you weren't asking these questions. Why not? You can hardly be unaware that there have been massive grassroots movements, world wide, for over two hundred years now, ever since the French Revolution (and even before, in the English Revolution of 1640, and earlier) to do precisely this, abolish the state and establish a classless society. Even the marxist-leninist communist movement, which got derailed for over a hundred years into the two stage strategy of capturing the state as a way of getting to communism, nevertheless held on to the ultimate goal of establishing a stateless, classless society. Abolishing the state has been a central goal of the anarchist movement since at least 1793 with the publication of Godwin's book on *Political Justice*.

This history doesn't seem to enter your thinking however, at least not in a prominent way. The automatic response from all of you, upon being asked about the possibility of abolishing money, was that this could only be done in a small scale, traditional, self-sufficient, egalitarian society. We would have to go back to that, you said. This accounts for your dismissal, because you do not believe that this is possible (or desirable). Only one person, Franklin Wray, said that well you could also go forward to communism. How come you discount, and do not relate to, at least in your theorizing, this centuries-old struggle for an egalitarian society?

Your Credit/State Theory of Money, which sees money as a social relation reflecting the hierarchical power structure of a class society, has only enhanced my interest in abolishing money. Fred Lee, when asked about abolishing money, recounted for me this theory of money and said

that if capitalism were gone, everything would be different. That is, the power relations would change. Money as we know it couldn't exist. This got me up to my starting point. Would there be any kind of money in a stateless society? How would goods and services be exchanged? Or would they? Mark Peacock did admit, in one of my short discussions with him, that abolishing money and abolishing the state would probably have to go hand in hand. (Mark also tried, on several occasions, and to his credit, to introduce the topic of exploitation into the discussions at the conference, but to no avail.)

One question I wanted to ask in the meetings, but didn't, but which I asked of Stephanie Bell, was: Can you describe for me a noncredit theory of money (leaving to one side the orthodox barter theory of money)? She said there was no such thing. All money is based on debt. I told her I had read once about a non-debt kind of money, by the Irish economist Richard Douthwaite, but that I couldn't remember what it was. She said that she wished I could. I have since dug up the reference. It was in a small book called *The Ecology of Money*. I have sent her a copy. Upon examining this text further though, I'm not sure Douthwaite thinks of money in quite the same way as you do. He sees bank money as debt based, and government money as tax based, but seems to think that we could have a people-issued money which was not debt based. He apparently does not believe that the various alternative currencies that are being tried out are debt based. I suspect you would disagree with this. By the way, how come you did not have at least one paper on alternative currencies? It's a fairly substantial movement.

One bit of analysis, made by one of the speakers, would tend to undermine Douthwaite's position. He said that the Credit Theory of Money applies even to everyday commodity exchanges. As soon as you accept an object or service from someone, you are placed in a state of indebtedness, and have to pay it off. So all exchange has a Credit-Debit character. Money is not a neutral medium of exchange between equals, but has this power dimension inherent in it.

Advocates of alternative currencies are not trying to get rid of money. They are just trying to get money that is not controlled by, and which works for the benefit of, governments and banks. They want money controlled by people in their local communities. But I guess the debit-credit theory of money holds for these alternative currencies too. That is, measured exchange itself involves us in the debt relationship. Indebtedness is inherent to exchange. Have I understood the theory correctly?

Which brings us to Gift Giving as a basis for society. Couldn't gift giving take the place of money as a basis for organizing our social lives? There was no hint of this in the conference. Is anyone in the department even interested in this idea? Of course, gift giving could rapidly degenerate into a kind of measured exchange if accounts were kept. I helped you build your barn, so now you have to help me build mine. I did a favor for you, now you owe me one. We've given you this and this and this, but you never give anything back. And so forth. Gift giving would have to be free of strings I think, with no expectation of reciprocity, for it not to become just another form of measured exchange, in which case why not just use money. (It is also true of course that gift giving can become a sort of power play of its own. Those who give and give but refuse to receive, set up a kind of power relation. Those on the receiving end can come to feel obligated.)

There is another reason for keeping gift giving non-reciprocal and free of expectations. As soon as we start keeping track of gifts given and gifts received, then we are back to the equivalencies problem, that is prices. Are the gifts that we received worth approximately the same as those we gave. I have long believed that prices are completely arbitrary. This is because objects do not have

an inherent value. Something that is worth the world to one person may be considered worthless by everyone else. That is, an object has value only for those persons who want it; it has no value for those who don't. The value of an object is simply a measure of our subjective desire for it. Nor is labor time a useful measure of value. Someone may spend many hours making an object no one wants. Plus there are differences in skill levels, energy levels, health, and a host of other factors. Nor is the socially average labor time any better to my mind. Why get bent out of shape trying to find a way to measure the value of something when it has no inherent value? We are pressed to assign a value to it only because we want to exchange it. But what if we didn't want to exchange anything?

Henry in his paper on ancient Egypt and Hudson in his paper on Sumaria, both reported that the price problem was solved in these societies by the government or temple, which issued lists of equivalencies. One goat is equal to so many bushels of grain, and on through a long list of items. In this way they achieved price stability through centuries, or until a new government came to power and published a new list.

In a perfect, unregulated, capitalist market, with many producers and many buyers, the price is supposedly set by the cost of production. But this just means that the producer who succeeds in paying his workers less than everyone else will have the lowest price. How can the value of something be established by what is paid to the most exploited wage-slaves? But of course, these kinds of markets don't exist and never have, at least if we look at capitalism as a whole (there may be sectors which come close to such a market). Monopoly has always been a big factor in the capitalist system from its inception. Moreover, monopoly sectors always produced the greatest profits; capitalism as a system could not have survived without these monopoly profits based on made up prices. Prices are essentially arbitrary. Producers charge whatever they want, or whatever they can get away with.

Returning however to the matter of the non-reciprocal gift, Mary Douglas (in her Foreword to a 1990 new translation of Marcel Mauss' classic, *The Gift: The Form and Reason for Exchange in Archaic Societies* [1950] ), firmly condemns the idea. She writes: "It is not merely that there are no free gifts in a particular place, Melanesia or Chicago for instance; it is that the whole idea of a free gift is based on a misunderstanding. There should not be any free gifts. What is wrong with the so-called free gift is the donor's intention to be exempt from return gifts coming from the recipient. Refusing requital puts the act of giving outside any mutual ties. Once given, the free gift entails no further claims from the recipient... According to Marcel Mauss that is what is wrong with the free gift. A gift that does nothing to enhance solidarity is a contradiction... Even the idea of a pure gift is a contradiction. By ignoring the universal custom of compulsory gifts we make our own record incomprehensible to ourselves: right across the globe and as far back as we can go in the history of human civilization, the major transfer of goods has been by cycles of obligatory returns of gifts... There are no free gifts; gift cycles engage persons in permanent commitments that articulate the dominant institutions." Evidently, all the historical cases of gift giving systems have been deeply entwined with the status and power structures of the society. Obviously, for this to work, value had to be assigned to the objects being given and received. (Michael Hudson claimed that Mauss has been superseded, at least with regard to his theory of interest.)

Is being in debt bad? One of the speakers said that government deficits are not bad, according to the Credit Theory of Money. On the contrary, debt is normal and essential for the monetary system to work properly. But surely this doesn't apply to non-governmental debt, by individuals

or communities. A generally held norm is that it is bad to be in debt. Whether this norm also holds for obligations incurred in reciprocal gift giving I don't know.

So, in trying to imagine a social order based on mutual aid, without markets or measured exchange, all these concepts – money, prices, value, gifts, debt – have to be ironed out.

There was one point during the conference when I really perked up, in the discussion following Stephanie Bell's talk. John Henry said, "Why don't we get rid of nation-states?" I nearly fell off my chair. I quickly realized though that he was probably not talking about all nation-states. This was during the discussion of the Euro, and of how its creation had undermined the sovereignty of individual states. He was probably thinking of just getting rid of all those small European nation-states, in favor of one big nation-state. (It's for sure that one big European state is not a solution to anything and would represent a huge step backward.) But then Henry added, "That's not going to happen." Really? We're never going to be able to move beyond the capitalist/state ruling class society to a more egalitarian one? I surely hope we are. I would like to have heard a discussion about bringing into being a whole world without nation-states, in favor of a decentered world of democratic autonomous communities. I guess that's a topic for a different conference.

Here's another question for you (one I didn't think of until after the conference however). What are the strategic implications of your Credit Theory of Money for the destruction of capitalism? There must be some. The goal is not just to understand capitalism but to get rid of it. How does your theory help in the anti-capitalist struggle? Have any of you spelled this out in any of your other writings (ones not presented at the conference; I read the titles of the papers you have posted on the Center's and the umkc econ dept's web sites and didn't see anything relevant, except perhaps for Hudson's *A Philosophy for a Fair Society*; *it's possible of course that I'm not seeing the significance of a piece just from the title*)? I recall a passage in Michael Hudson's Preface to the revised, second edition of his *Super Imperialism*. He said that the original edition in 1972 had sold well in Washington to US agencies, who were "using it as a training manual on how to turn the payments deficit into an economically aggressive lever to exploit other countries via their central banks." So some capitalists can benefit from a better understanding of how their system works, even in competition with other capitalists. I wonder if anti-capitalist activists have derived similar benefits, or if you have provided any assistance along these lines.

I turn now to two rather more awkward topics: the direction of your gaze, and the persistence in your thought of obsolete mainstream social science categories.

As to the former, to your intended audience, I noticed several comments over the two day conference about policy, policy makers, and policy formation. I gathered that you see yourselves as trying to influence the policies made by the governing class. Is this a legitimate goal? Shouldn't the gaze of radical intellectuals be directed, not upward to the elite, but outward to the population? Have you written any pamphlets explaining the Credit Theory of Money for the average reader for possible use in the anti-capitalist struggle? It is not becoming for radical intellectuals to serve as advisors and consultants to the ruling class. Why aren't you using your considerable intellectual powers to help change the world in fundamental ways, not just to get marginally better policies from a very destructive regime? If you're not going to be engaged in developing and disseminating emancipatory social thought, what's the point of even being in the university? Why have you selected a publisher who charges \$100 a copy for one of your key texts, with no paperback in sight? This little fact alone says that you aren't overly worried about reaching the average Joe or Jane.

You have established a center which aims to achieve ‘full employment’ and ‘price stability’. Full employment is not a revolutionary goal. The goal is to get rid of wage-slavery, commodities, the ruling class, capitalists, markets, and classes. Full employment is a piss poor goal. What we want is a society based on cooperative labor, labor that is not bought and sold. We want a society based on direct democracy, local control, and mutual aid. Isn’t this what you want? Or do you think that the wage-slave system, profit-taking, war, impoverishment, and nation-states are inevitable and eternal, and that the best we can hope for is to fine tune this death machine a little here and there. What makes you think the capitalist ruling class wants, or would even allow, full employment? Didn’t Greenspan just explain not long ago that unemployment is a good thing? They *like* unemployment, for it suits their purposes well, and would never agree to seeing it ended.

As for price stability, why not get rid of prices altogether? How come you aren’t trying to figure out how to build a society based on gift giving and mutual aid? In spite of your considerable technical expertise it seems to me you are focusing on the wrong problems and not asking the right questions.

Toward the end of his talk, Franklin Wray said that it is because economists misunderstand money that the monetary system is not able to be used for the public good. I nearly choked on my suppressed laughter at this howler. Last time I checked, the neocons had zero attachment to the public good. And neoliberalism is nothing if not a sustained, vicious, decades-old attack on the public good the world over. Nothing is exempt – water, health, education, space, electricity, seeds, genes, weather, cyberspace, parks, libraries. Everything is being commodified. All public ownership is being destroyed. Everything is being sold off to giant transnationals at fire sale prices. It is the most recent, and one of the most massive drives by capitalists to turn every last thing on earth into a source of profit. Even the welfare states in Europe are being dismantled.

All this talk we hear nowadays therefore among progressives about how neoliberalism has failed and is not working is utter nonsense. Neoliberalism is working marvelously for those who invented it. They’re getting fabulously rich. Neoliberal policies are not working for the general populations of the nations upon which they are imposed, but they weren’t supposed to, weren’t designed for that purpose. These policies are doing exactly what their inventors intended them to do – further enrich the capitalist ruling class.

Are you trying to tell me that bankers don’t understand money, that the people who set up the international financial system don’t understand money? Please! Maybe economists don’t understand money, but I’d bet my bottom dollar that bankers do. They understand how capitalism/money/profit works and fight tirelessly to defend and expand it.

So in your attempts to influence policy, are you hoping to reverse all this? How? By finding a few people (probably lower level functionaries) who still have a smidgen of interest in the public good, and who are inspired by humanitarian motives? Will these people (if they exist) be able to influence the big boys who control the international financial system and the governments of almost all nations?

Turning now to the question of categories of analysis, let me begin with Mathew Forstater’s introductory remarks, the first item on the conference agenda. I nearly groaned out loud when he made a pitch for “interdisciplinary research”. Hello! Are you Rip Van Winkles? Have you been asleep for forty years? (Even Rip only slept twenty.) New Left radicals overthrew the mainstream social science categories of economics, political science, and sociology already in the 1960s. But here you are four decades later still calling for an ‘interdisciplinary’ approach. The disciplines

themselves are invalid. So why not get rid of them, rather than call for interdisciplinary research? Even if you have to work in one, because they have become fossilized in university departments, this doesn't mean that you have to theorize using these false divisions. Do you have straight jackets on your brains which prevent you from breaking out of the dominant orthodox paradigm?

In my small book, *Getting Free*, I included a paragraph on this (Ch. 7, section 18). I'll quote it for you.

**18. *Reject mainstream divisions of social knowledge.*** About a hundred years ago, largely in response to a very powerful labor movement and a vigorous anti-capitalist culture, conservatives in Europe began parceling up social knowledge into fields or disciplines, which rapidly became institutionalized as departments in universities, and then as occupations in the labor market. The main ones were economics, political science, and sociology. But also, history was partitioned off more completely as a specialized and more limited discipline, as was philosophy. Psychology had already been separated out earlier. Anthropology was added in. There is not the slightest justification for any of this. There is no such thing as an economy, for example. But such a claim sounds idiotic to contemporary minds. What conservatives have succeeded in doing is thoroughly trouncing another way of looking at human life which uses a different set of categories entirely, namely the radical critique of capitalist civilization. These false divisions are now one of the greatest barriers to understanding the world we live in.

This is perhaps a little bit oversimplified, but not by much. A quarter of a century after the fact, Immanuel Wallerstein wrote up this revolution in social thought (together with a team of scholars), and in the process fleshed it out, especially historically. This analysis can be found in *Open the Social Sciences: Report of the Gulbenkian Commission on the Restructuring of the Social Sciences* (Stanford University Press, 1996, 105 pages). During the 1990s, Wallerstein wrote extensively on this and related themes, essays which have now been collected in his book, *The End of the World As We Know It: Social Science for the Twenty-First Century* (University of Minnesota Press, 1999, 277 pages). I suggest that you might find it enlightening to examine these works.

The absurdity of the divisions became glaringly apparent even before the sixties. First we had psychology, but then we had to have social psychology in order to analyze the data usefully. First we had sociology, but then we had to create political sociology and economic sociology in order to understand anything. Anthropologists spun off economic anthropology. More recently, some economists have been trying to get back to political economy. And so forth. It all becomes simply ludicrous.

Let me pull a couple of examples from the conference. During the discussion following Bell's paper, John Henry announced with some fervor that "Money is Political!" Duh. Well I think I can pretty much guess what he meant. First of all, your whole theory of money says that it is a social relation reflecting class power. So he might have been claiming that that makes money 'political' (thus trying to force the topic into standard categories). But more importantly, he was probably trying to say that money is not just economic. But doesn't this just show the uselessness of the categories, of even saying that it is either. If money has to be described as both political and economic, why bother with either description? Money is a legitimate object for analysis and historical research, but as an item of a social order, not as an economic, political, or anthropological occurrence. Actually, this is what you have in fact been doing in creating your new theory of money, confused only by statements like "Money is political."

Here's another example. Someone said (it might have been Henry again) that in early Egypt "the economy was embedded in the traditional society." This was sort of a backhanded recognition

that the category, economic, doesn't fit that society. What needs to be realized is that it doesn't fit modern society either. The category of 'economic' is of relatively recent origin. It evolved out of 'political economy', which is itself a relatively recent invention by scholars in the eighteenth century. Such theorizing was an artifact of emerging capitalism. I often say myself that only under capitalism was the 'economy' separated out from the rest of life. But that is not quite true either. Rather, it is *only in theory* that the economy is separated out. Capitalism is not an economic system, but an entire social order. The so-called 'economy' is just as embedded in capitalism as it is in archaic societies. It is only bourgeois economists who have abstracted out certain aspects of this system and labeled them 'economic', to the great confusion of everyone. Marx was not an economist, but a critic of political economy. (Neither was Marx a sociologist; he dismissed as laughable the theories of two nineteenth-century founders of the discipline of sociology – Auguste Comte and Herbert Spencer.) Is the workplace an economic site, or a political, or social one (or all or none of the above)? Or is it the place where wage-slavery is found, and the site where the extraction of wealth from the direct producers takes place? Which description is more useful?

To conclude, I'm sorry to have to say, that although the Center is somewhat to the left of mainstream economics, it is considerably to the right of genuinely revolutionary social thought.

Thanks for your attention.

If any of you care to discuss these issues further with me, via e-mail, I am available at [anarresodo@comcast.net](mailto:anarresodo@comcast.net) (as Jared James). I will of course welcome any comments.

### **Recommended Reading**

Bookchin, Murray, *Remaking Society: Pathways to a Green Future*. (South End Press, Boston, 1990, 222 pages.)

Castoriadis, Cornelius, *Philosophy, Politics, Autonomy: Essays in Political Philosophy*. (Oxford University Press, 1991, 304 pages.)

Fotopoulos, Takis, *Towards an Inclusive Democracy: The Crisis of the Growth Economy and the Need for a New Liberatory Project*. (Cassell, London, 1997, 401 pages.)

Herod, James, *Getting Free: A Sketch of an Association of Democratic, Autonomous Neighborhoods and How to Create It*. (Photocopy provided to Pavline Tcherneva; available on the web at: [http://site.www.umb.edu/faculty/salzman\\_g/Strate/GetFre/index.htm](http://site.www.umb.edu/faculty/salzman_g/Strate/GetFre/index.htm)).

Holloway, John, *Change the World Without Taking Power: The Meaning of Revolution Today*. (Pluto Press, London, 2002, 237 pages.)

McNally, David, *Against the Market: Political Economy, Market Socialism, and the Marxist Critique*. (Verso, 1993, 262 pages.)

Pateman, Carole, *The Problem of Political Obligation: A Critique of Liberal Theory*. (California University Press, 1985, 222 pages.)

Rubel, Maximilien, and John Crump, editors, *Non-Market Socialism in the Nineteenth and Twentieth Centuries*. (St. Martin's Press, New York, 1987, 187 pages.)

Sakolsky, Ron, editor, *Surrealist Subversions: Rants, Writings, and Images by the Surrealist Movement in the United States*. (Autonomedia, Brooklyn, 2002, 742 pages.)

Ward, Colin, *Anarchy in Action*. (Freedom Press, London, 1983, 152 pages.)

Wood, Ellen Meiksins, *Democracy Against Capitalism: Renewing Historical Materialism*. (Cambridge University Press, 1995, 300 pages.)

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