

A Mutualist Theory of Credit

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There are a few competing theories about credit and debt, all of which relate to the topics of money, exchange, value and markets. There's the "credit theory of money", the notion that credit is an accounting system that functions to facilitate exchange. This theory can describe virtual credit systems and explain the emergence and function of money in the physical form, at least partially. The "state theory of money" is the notion that the government issues credit, collects debts and standardizes currency within a state on the basis that such a process is in its authority. Historically most governments were privileged by religious institutions to issue credit and collect debts for "the gods", ie the "primordial debt theory". However, the authority of the government in the US, for example, is becoming increasingly secular with pseudo-scientific institutions, ie university systems, media and general cultural reproduction apparatus, justifying the technocracy that stabilizes the larger ruling class. In fact, ever since the Enlightenment it appears God has become a less prominent idea, and the Church a less important institution, in stabilizing the privilege of the State. Today it's debatable if those modern scientific institutions aren't dogmatic or religious in some aspect but I digress. If this at all sounds like a regurgitation of David Graeber's "Debt: The First 5000 Years", I have brought up the three theories and some of the economic history outlined in his book, but I ultimately formulate a constructive theory while he tends towards a critical theory.

Finally, there is the "money theory of credit" which is the idea that money is a store of value, not an accounting system or facilitator of exchange, and is essentially rooted in the classical liberal/libertarian capitalist notion of credit because this store of value is often thought to have historically emerged out of barter systems. In reality barter systems did not evolve into physical monetary systems of exchange, rather virtual credit lead to money that was at the same time being standardized by governments. The money theory of credit is ultimately compatible with, in contradiction to its own logic, both the state theory of money and the credit theory of money since the facilitator of exchange was modified by the state to store value for the ruling class. This reveals the classical political economists and Austrians "money theory of credit" maintains deep historical ties with the state, not just the market, and that the theory maintains practices capable of developing capitalist formations that by sanction of property manage to constitute and structurally reinforce the governmental state which over the last two centuries of capitalism has intensified class antagonisms. In combination these four theories are a great scientific explana-

tion of how social matters have gone wrong, how most of our debt problems have emerged, but lacks a clear solution of how to move forward without recreating those same mistakes.

Neo-Proudhonians theorize credit as functioning as a facilitator of *mutual* exchange, therefore I'm proposing a particular "mutualist theory of credit" or "mutual credit theory of money" that has practical implications for both virtual credit systems and monetary systems in order that such systems may approximate liberty, equality, and freedom. Therefore the mutualist theory of credit is a type of credit theory of money, if money is to be specifically addressed. In a political, social and economic sense a mutualist theory of credit proposes that credit is generally acquired in society by 1) engaging in mutual conventions of exchange, 2) exerting productive labor in workers associations, 3) maintaining ecologically conscious productive methods, and 4) approximating justice in appropriation and respecting others proprietorship under norms of occupancy and use. Debt is acquired in society by violating any of the listed social dimensions, or borrowing credit from a creditor in the case of money, and while credit may be acquired by ethically engaging these listed institutions, debt is not imposed by failing to acquire credit, even if acquiring debts will often cause one to lose credit.

There is an antinomic relation between creditor and debtor, so neither can be positioned as absolute without threatening that very system. Debt carries obligation, but that obligation is not absolute, otherwise the creditor would cease to practically emerge, liquidity would diminish, and the most essential property of any credit system, ie facilitation of exchange as a reinforcing convention of production, would cease to exist. There is a risk of supplying credit due to the reality that debts may not be paid, and since that risk is not taken to enrich the creditor alone, because that would indicate a practice in storing value, credit must function to enrich the association, both creditor and debtor, hence *mutual* credit. A debtor is often provided with the opportunity to make good on an arrangement, whether that involves empowering the association both creditor/debtor is a part of, or the associations the debtor maintains in order to acquire the proceeds to remunerate the creditor by extension, but either way this theoretically serves to empower all. The credit eventually acquired by the debtor doesn't come at the cost of the creditor if we figure the debtor is making good on his arrangement and remunerating the creditor. However, debt defaults while coming at the cost to the creditor doesn't threaten the very institution in particular, in fact the risk of loss is what makes credit systems function and if loss doesn't exist then neither does the risk of loss.

The accumulation of debt from its absolution is detrimental even to creditors, considering that the credit of another can only help the creditor in the long-run, so if a system becomes vulnerable to a spiraling state of debt, as we're experiencing with many of our global financial institutions, then complete debt cancellation and/or disbanding of the larger structure of credit associations is generally the best thing to do. This may alternatively imply or require the construction of mutual credit institutions as a form of gradualism, dual sovereignty, or counter-economics. Making absolute debt obligations for the debtor would create a tendency towards poverty for everyone in the relationship. If the creditor was absolute in their institutional role then credit would become worthless since it would provide no incentive to be credible, therefore resulting in arbitrary externalization of debt obligations on others for their own failures, after all there's no such thing as a free lunch someone has to pay for it. Absolute credit and debt eventually crystallizes master-slave relationships, ie authority from credit acquisition and slavery from debt obligation. Credit and

debt must fluctuate according to the development of ones being, and since no person or groups law of organization is fixed, there must be equilibrium according to the principles of reciprocity and progress.

Virtual credit systems don't always have the role of lender and borrower per se, credit and debt are often shared by association of accountancy, like credit clearing systems, rather than involving exchanges of physical money. A tab system often involves a form of virtual credit where there is a lender and a borrow but conventionally this accountancy system requires payment by means of physical money, so it's both virtual and physical. Time banks are a type of mutual bank and usually involves a currency securitized by labor-time, as physical notes made legitimate by trust in the convention of the association, or simple accountancy system that records IOU's which are legitimized by that same sort of trust. LETS (local exchange trading system) are virtual credit clearing systems that don't generally require physical money at all but are nonetheless potentially mutual credit systems and generally have a record of balances. The kinds of mechanisms involved in these associations vary, anyone engaging in unethical practices may be disassociated by means of blacklisting, and currency may be either entirely virtual according to measurable dimensions of labor-time, quality of labor, etc or physical in the form of fiat notes or commodities that's value is reflective of labor costs.

Lending physical money at cost-price accounting for time-preference, absent of interest or usury, doesn't necessarily put the lender in debt because they are taking the risk of the borrower defaulting on payment, and even though it's possible they may lose their sum of money by default, whether or not they receive remuneration for their opportunity cost rooted in productive labor, by taking that risk to empower someone else they may be developing their own credit. Physical money has dual-value as a commodity in itself, and as a medium of exchange, so it's hard to determine its true cost in order to avoid the conflation of time-preference with interest, or conflation of interest with both time-preference and administration costs as labor costs in the case of a credit union, but since no one can determine the costs of others provided that labor is valued subjectively, there has to be a level of trust over valuation since credit unions require trust. The credit unions that operate in conventional society are usually subject to government regulation and monetary standardization, so they're not the most trustworthy or best examples of mutual credit since they tend to emulate capitalist management schemes, but they are approximate improvements compared to blatantly capitalist institutions and always have the potential for progress with more ethical involvement with its democratic processes that function as a counter-weight to managerial interests sanctioned by the law of the governmental state.

It seems equilibrium between credit and debt would be the tendency in any society, indicating a sort of reciprocity or tendency of equality in credit and debt of each and between all, if false theories of state wouldn't transform relations of credit and debt to promote the social disequilibrium that subsequently results in a permanent class of debt slaves, generally the working classes, which ironically enough have done more than any other class to acquire credit by performing the four listed social functions I described earlier. This disequilibrium is our current problem since the global debt of the world amounts to something like fourty trillion dollars, but there's no explanation as to where this debt has emerged if in fact we are all a part of "the state", "the market",

”the gods”, and not *separate* from and somehow in debt to said collectivities that we compose.

This mutualist theory of credit is a type of credit theory of money and is potentially a ”state theory of money” if the state is a practical and conscious manifestation of *self-government* as a social being which doesn’t constitute a centralist, hierarchical or monopolistic state. False theories of state throughout history can serve to explain the serious accumulations of debt that have subsidized capitalism, just as a absolute theory of property can serve to create institutions of hierarchy in a state that requires corrupted monetary systems to maintain the privilege that a government may grant with its legal authority. Either way this theory is not a ”money theory of credit”. I advocate mutual credit systems as the practical basis for any monetary system because coinage and physical currency can only be mutual if it’s appropriate in a particular context, and furthermore whether it is monetary or virtual it *cannot* be made legible to a governmental authority otherwise it can be either standardized, regulated, and manipulated to systemically privilege with stored value those who emulate capitalist conventions of exchange and forms of production that best fits the morality of a governmental authority. This credit system must be in the morality of self-government as an anarchic social being, in opposition to the governmental principle of the state as a monopoly on violent force, this false principle of an external constitution of social power that is the State.

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