

Footnote: Money

Money is a representation of a debt that society owes the individual that possesses it. In effect, a unit of money is a form of IOU ("I owe you") note from society to its possessor, which the possessor may redeem, at any time, for the requisite amount of real goods or services. [PDF]

In this new secular civilization, most of the elite are no longer landed noblemen. They are corporate investors. Few of them own vast amounts of land. They own vast amounts of capital. Capital is a formal agreement between society and one of its individual members. It is an agreement about the amount of debt society is deemed to owe that individual. The debt is stated as an amount of money. This amount of money specifies the value of an unspecified combination of assets, goods or services. The capitalist can exchange, as and when he wishes, all or part of his capital for anything society can offer. He can exchange it for land and the things that are upon and within it. He can exchange it for human labour, always on terms that favour *him*.

Consequently, capital is simply a way of specifying the amount of land, goods and services an individual can command. The power of command is control. Control, in effect, is ownership. Capital is therefore simply a statement of how much of the Earth's land, resources and human labour an individual owns. Capital is a more flexible specification of ownership than physical land, materials, goods and services. Capital does not relate to specific pieces of land, manufactured objects or hours of service until the actual event of it being exchanged for them.

Human society is - for the most part - the dispossessed majority. Why has this dispossessed majority agreed to the gigantic debt it supposedly owes to a small elite? An exchange occurs when one person gives something of value to another person in exchange for something else of equal value. A debt occurs when one person has given something of value to another person, while the other person has not given to the first person something of equal value in return. What thing of such gargantuan value has the rich elite minority given to the poor dispossessed majority that has caused the poor dispossessed majority to be deemed to be in such enormous debt to them?

The answer is that they have given *nothing*. The gargantuan debt purportedly owed by the dispossessed majority of any society to its favoured few is a confidence trick. In ancient times, the elite minority, of every nation, committed the largest aggravated armed robbery in history. They took - *by brute physical force* - from the majority, the free use of the natural resources of this planet. They confiscated the only means whereby man can turn his labour into his needs of life.

Every human being is born with an innate mandate to preserve and continue his life for as long as possible. But he has no internal means of sustaining his life. He is not inherently self-sufficient. He can function as a biological mechanism only by drawing sustenance from his terrestrial environment. But he can only draw sustenance from his terrestrial environment *by the leave* of its elite owner. What can he give in trade to his elite master that his elite master should allow him use of the land? The answer is: his labour. That is all he has.

Each member of the dispossessed majority is thus born into debt. It is the debt of labour to a master. It is a debt he must pay to receive what he will need to sustain his life-process for his entire lifetime. In a hierarchical society, all but a favoured few are born into debt. A hierarchical economy is debt-driven.

A master does not need to have all his land in production in order to provide sufficient for himself. A master does not need to employ all available labour in order to provide sufficient for himself.

Consequently some of the land that he owns remains unused. Some of the available labour force remains unemployed. So how do the unemployed survive?

Some of them can rent some of the master's unused land to grow crops. They become tenant farmers. Some of them can rent some of the master's unused land for space to put workshops and become artisans who make things such as furniture and tools. But they have nothing to offer the master in return for his allowing them to use his land. They need to borrow from the master the use of his land. They need to borrow from him, through peaceful negotiation, what his ancestors stole, through aggravated armed robbery, from their ancestors.

In addition to renting land from the master, the tenant farmer must also somehow acquire, up-front, the tools with which to work, or the materials with which to make them. He must also acquire, up-front, the seed to plant. In addition to renting space to work from the master, the artisan must also acquire, up-front, his tools or the materials from which to make them. He must also acquire, up-front, the raw materials from which to make his finished products. These create further debts.

All these debts must be repaid to the master. The tenant farmer must give much of his harvest to the master to clear his debt. The artisan must give much of his production to the master to clear his debt.

Notwithstanding, the master does not need the harvest of the tenant-farmer. He has his own harvest, which is more than adequate. Neither does he need the artisan's products. He has his own artisans within his estate. Consequently, if the master accepts some of the tenant-farmer's harvest as payment of his debt, it is as a buyer in a buyer's market. The same goes for the artisan and his products. It is therefore the master - not the tenant-farmer or the artisan - who sets the price of the tenant-farmer's harvest and the artisan's products. And, being by nature a greedy man, the master will pay only a low price. This means that he will require an unfair proportion of the tenant-farmer's harvest and the artisan's production in order to clear their debts. One may consider the inequity, in what the master requires, to be a form of interest on the debts.

But suppose the master does not want any of what the tenant-farmer or the artisan has to offer. How then can the tenant-farmer and the artisan pay their debts of rent and resources to the master of the land? They need to exchange what they have for what the master wants. This is difficult and complicated. What does the master want that he has not already got? What will satisfy the master as payment for the debts?

There are obviously many landed masters throughout the kingdom. It follows, therefore, that there must also be many tenant-farmers and artisans, who are all in exactly the same situation. The local master, from whom they rent their space and buy their seed and raw materials, has no need for what they have to offer him. He will not accept what they have in payment of their debts of rents and resources.

However, there is probably an artisan somewhere, in a different region of the kingdom, who has different skills, with which he makes different kinds or styles of products. He has perhaps produced something that the master of our local artisan would like. The two artisans can therefore exchange items they have produced so that they can pay their debts with things their respective masters will accept. But the master of the distant artisan may not like what our local artisan has produced. The distant artisan must therefore seek to exchange items with other artisans until he obtains something his master will accept.

The tenant-farmers in different regions of the kingdom can also specialize to some extent. They may exchange some of the food they produce for things made by various artisans until they obtain something their respective masters will accept. This, however, is a very tedious and time-consuming business. The tenant-farmers and the artisans need a standard means of exchanging value.

One way is the "I owe you" note, usually abbreviated to IOU. One tenant-farmer's master will accept a table and chairs made by an artisan from a distant part of the kingdom. But that artisan does not want any of the food produced by that tenant-farmer in exchange for the table and chairs. So the tenant-farmer takes the table and chairs, and in exchange, gives the distant artisan a note saying "I owe you the value of one set of table and chairs". The distant artisan can afterwards hopefully exchange this IOU note with another artisan or tenant-farmer, somewhere else in the kingdom, for something deemed to be of equal value to his real table and chairs. But this is also tedious and time-consuming.

The solution is to attach some agreed universal unit of value to the master's rent and resources, the tenant-farmer's food and the artisan's table and chairs. We could call this unit of value a *Val*. The two parties to the exchange must agree on what they both see as the value of the item exchanged between them. Perhaps the local tenant-farmer and the distant artisan agree that the table and chairs that the artisan has made is worth 10 Vals. The distant artisan therefore gives his table and chairs to the local tenant-farmer, in exchange for which, the local tenant-farmer gives the distant artisan an IOU note of denomination 10 Vals. Thus is born a basic system of money.

The IOU note has no intrinsic value. It is simply a piece of paper. It is not a manifestation of the value owed: it is merely a statement of the value owed. The issuing authority of an IOU note is anybody who has produced a *good* or *service* that can be exchanged and consumed by others. The issuing authority is not a king, a government or a private bank, who produce no tangible need of life. This ensures that the amount of currency that will end up in circulation will always be just the amount that is sufficient to facilitate the level of exchange in goods and services that society needs at the time.

But why would a distant artisan accept and trust an IOU issued by our local artisan? How could he know whether or not our local artisan would honour his IOU and ultimately supply goods or services to that value? In today's society, nobody would trust an IOU from somebody they did not know. However, in a community-based society, this trust would be natural. Everybody would be connected. Exclusivism would be forbidden.

Each member of society has the cerebral capacity to know - to the level of intimate trust - a small coterie of other people. Different individuals' coterie of trusted connections would overlap each other and form an all-encompassing network of trust. So somebody you know and trust will always know somebody who knows somebody who knows the person issuing the IOU to you. Hence, there is both motive and pressure for each to honour the IOUs he issues. In such a society, the IOU would therefore be a trustworthy currency.

An essential point, of which to be aware, is that what needs to be exchanged is always less than what is produced. The fraction of goods and services that need to be exchanged depends on how self-sufficient people are. For example, an artisan may grow a lot of his own food. He may also grow some or all of the wood he needs to make his products. Consequently, he will not need to buy them. Like air, sunshine and rain: they are resources that are outside the system of exchange.

The amount of currency in circulation need represent only the value of *as yet unsettled* exchanges. Once all exchanges have been completed in terms of real goods and services, all IOUs can be destroyed.

Consider a society that produces and consumes on an annual basis. All needs of life are exchanged at one time of the year shortly after the harvest. Artisans also follow this cycle. They spend the agrarian growing season making their products. Then, shortly after harvest-time, they, along with the tenant-farmers, exchange what they have for what they want. Lots of IOUs change hands. As winter approaches, trading stops. Then, everybody who is left with an IOU, issued by somebody else, takes

it to a central clearing house. There they exchange them for IOUs that they issued to other people. Once each person has as many of the IOUs he issued as are retrievable, he destroys them. The money supply is thus reduced to almost zero. Everybody can then issue new IOUs next year as and when they need to exchange something.

Nobody loses anything by destroying his own IOUs, that is, the ones that he himself issued. A few IOUs may remain in the hands other than those of their original issuers. Perhaps some people ended up with a larger than average surplus of produce, while what they wished to exchange it for was scarce that year. What people, left with other people's IOUs, should do with them is a decision of social policy.

On the one hand, they could decide that since they obviously had a higher than average harvest or productivity, they were more abundantly blessed by nature. In this case, a just policy would be to write-off the IOUs and destroy them. On the other hand, they could save the IOUs for exchange the following year. This option, however, could easily lead to a growing imbalance of wealth, not through individual virtue, but by the non-homogeneity of natural processes. This would not be such a just option.

The unit of value (the Val) needs to be made equal to the value of the least valuable item that must be exchanged. Ideally, each IOU should represent a value of one Val. This makes it easier to circulate the IOUs. If you exchange a large expensive product for a single high-value IOU, you cannot buy lots of little things from different places with it. If you exchange your expensive product for lots of low-value IOUs, then you can.

The process of judging the value of something is highly subjective. It depends heavily on who is making the judgement. The person who produces an item will naturally judge it to be more valuable than would a person seeking to buy it. Buyer and seller must therefore reach an agreement as to the value of an item. Unfortunately, different people have different levels of charisma and persuasiveness. This means that one of them will get the better of the deal for no good reason. A fairer option may be to enlist an independent arbitrator to set the value of an item to be exchanged for an IOU. Exchange value is thus a very inexact process. It is an elastic means of measurement, a rubber ruler.

Errors and variances in the judgement of value inevitably lead to a small but stable rate of inflation. But this does not really hurt anybody. It is too slow and predictable. To keep any adverse effects of inflation to a minimum, it is good to minimize exchange. Be diverse in what you do so that you can keep as much of the production/consumption cycle as you can in-house. Keep your economic footprint as small as possible. This saves losses due to errors in the judgement of exchange-value and minimizes the need for transport.

In other words, you maintain a high level of wealth and production within a small economy. Much is produced but relatively little is exchanged.

This seemingly idyllic economic system might appear benign. But it is not. The landed masters possess all the terrestrial resources whereby a man can convert his labour into his needs of life. And he can only do so by their leave. The masters do not have to rent space and resources to him. But he absolutely needs that space and those resources in order to survive. It is a seller's market. The tenant-farmer and the artisan are firmly trapped in a debt-based economy.

The landed masters can set rents at whatever level they wish. The tenant-farmer and the artisan have to pay whatever the landed master demands. They can, of course, go to a different landed master. However, landed masters are greedy people. If they were not, they would not be landed masters. They would give the excess of their unfair share of the Earth to others. Consequently, rents would rapidly settle to a median level.

But at what level? How much will the landed masters demand? And why? On the one hand, the landed masters, being naturally greedy people, want to line their pockets as much as they can from the rents of the artisans and tenant-farmers. This way, they can have easy opulent lives. They are well-able to buy the stimulating variety of goods and services produced and provided by the artisans and tenant-farmers. On the other hand, the landed masters do not want to charge rents so high that the artisans and tenant-farmers cannot survive. That would kill the goose that lays the golden eggs.

The landed masters thus opt to charge rents that will consume all that the artisans and tenant-farmers produce and provide, less just a little more than enough to allow them to subsist and survive. The landed masters maintain the artisan's or tenant-farmer's gain so that they can maintain a quality of life that is always just a little above the threshold of social insurrection.

In practice, the paper IOU can only hold together within a limited-sized community of up to about 150 people, such as the Anglo-Saxon *Hundreds* of ancient England. It cannot work for something the size of a kingdom or a nation. So, if exchange is to take place beyond the bounds of one's local Hundred, what can be used as the medium of exchange?

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