

Workshop: 'Clusters, Network Organization and the Informal Economy', Bologna, 29-30<sup>th</sup> June 2006 in the series, *Rethinking Economies*.

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IE + IT = ED?

*Is informal economy plus information technology a path towards economic democracy?*

### **Introduction**

This paper is frankly autobiographical. It is an attempt to excavate the intellectual and political connections between my early and later work in economic anthropology.

The idea of an 'informal economy' grew out of a desire to communicate with development economists in the early 1970s from the perspective of my ethnographic research in a West African city slum. Its core was the belief, taken from the dialectical philosophy of Kant and Hegel, that no idea can fully grasp empirical reality; and out of that the seeds of change may grow. It was universally held at the time that only the state could engineer economic development; and this left out what people really did in the cracks of the state-made economy. I proposed to address this gap, but I did not anticipate how readily the development bureaucracy would take up my idea nor how large the social space occupied by 'informal' activities would eventually become. I did not set out to coin a concept – that was the work of economists and academic bureaucrats. My aim was to show that self-organized economic activities, growing out of people's everyday lives, however irregular and inadequate they may seem to be, ought to modify the perceptions of economy current in development discourse.

Much later, I turned to the study of money in a global perspective and argued there that the digital revolution in communications, which took off in the 1990s, had the potential to sustain a truer economic democracy than any we have known so far. This was

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not a prediction than ordinary people would inevitably win in the struggle with corporations and governments to control them and reap the benefits of the new economy. But it was, in line with the precedent set by Marx and Engels, an attempt to identify the potential sources of people power inherent in the latest phase of capitalism and the machine revolution. This hinged on identifying changes in the relationship between personal and impersonal agency intrinsic to these developments, a theme taken further in *The Hit Man's Dilemma*. In seeking to detach the idea of 'the market' from that of capitalism, I focused on money as *The Memory Bank*, linking persons to their communities, and have since followed this up by studying the community currencies movement (featuring such forms as LETS). See [www.thememorybank.co.uk](http://www.thememorybank.co.uk).

Anthropologists have traditionally privileged self-organized economic activities, whether those of farmers, traders, household managers or the givers of gifts. The twentieth century saw a universal experiment in impersonal society. Humanity was everywhere organized by remote abstractions -- states, capitalist markets, science. And, as if that were not enough, the main common preoccupation was war. For most people it was impossible to make a meaningful connection with these anonymous institutions and this was reflected in intellectual disciplines whose structures of thought had no room for human beings in them. Whereas once we studied stateless peoples for lessons about how to construct better forms of society, such an exercise now seemed pointless, since we were all powerless to act. Of course, people everywhere did their best with a bad job, seeking self-expression where they could -- in domestic life and informal economic practices. But the gap between individuals and society widened, even as most regimes claimed that they governed in the name of the people. We may or may not be witnessing at present the decline of the dominant social form of the last 150 years, the attempt to monopolize money, markets and accumulation through central bureaucracy that I call 'national capitalism'.

This workshop, with its focus on regional clusters, networks and the efforts of ordinary people to organize themselves in the face of capitalist exploitation, nevertheless offers me an opportunity to get beyond a personal desire to discover some lurking consistency between my present and former selves (an identity, if you like). I hope, certainly in any form of the paper produced after the workshop, eventually to place this

introspective impulse back in the collective discourses where it properly belongs, in economic anthropology, development discourse, Marxism and the contemporary struggle for emancipation from the neo-liberal world economy.

The paper consists of three parts devoted respectively to the informal economy, money in the digital revolution and economic democracy (the example of community currencies). This first draft is mainly a collage of previous writing. The aim is for it to evolve towards a new and more integrated statement as a result of the conversation initiated by this workshop.

### **The informal economy**

The formal economy is a world of salaries and fees paid on time, regular mortgage payments, clean credit ratings, fear of the tax authorities, regular meals, moderate use of stimulants, good health cover, pension contributions, school fees, driving the car to the commuter station, summer holidays by the sea. Of course households suffer economic crises from time to time and some people feel permanently vulnerable. But what makes this lifestyle 'formal' is the regularity of its order, a predictable rhythm and sense of control that we often take for granted. I only discovered how much of this had become natural to me when I went to live in a West African city slum forty years ago.

I would ask questions that just didn't make sense to my informants, for example concerning household budgets. How much do you spend on food a week? Households were in any case often unbounded and transient. Assuming that someone had a regular wage (which many didn't), it was pitifully small; the wage-earner might live it up for a day or two and then was broke, relying on credit and help from family and friends or not eating at all. A married man might use his wage to buy a sack of rice and pay the rent, knowing that he would have to hustle outside work until the next paycheck. In the street economy people were moving everything from marijuana to refrigerators in deals marked more by flux than stable income. After completing a doctorate, I went to work in a development studies institute. There I saw my main task as trying to get this ethnographic experience across to development economists. My use of the conceptual pair formal/informal came out of those conversations.

The idea of an 'informal economy' is entailed by the institutional effort to organize society along formal lines. 'Form' is *the rule*, an idea of what ought to be universal in social life; and for most of the twentieth century the dominant forms have been those of bureaucracy, particularly of national bureaucracy, since society has become identified to a large extent with nation-states. This identity may now be weakening in the face of the neo-liberal world economy and a digital revolution in communications. Any initiatives addressing informal practices from the perspective of public bureaucracy need to be put in this historical context.

Formal and informal organizations appear to be separate entities because of the use of the term '*sector*'. This gives the impression that the two are located in different places, like agriculture and manufacturing, whereas both the bureaucracy and its antithesis contain the formal/informal dialectic within themselves as well as between them. There is a widespread perception that the formal/informal split is the product of a class war between the bureaucracy and the people. It was not supposed to be like this. Modern bureaucracy was invented as part of a democratic political project to give citizens equal access to what was theirs as a right. It still has the ability to co-ordinate public services on a scale that is beyond the reach of individuals and most groups. So it is disheartening that bureaucracy ('the power of public office') should normally be seen now as the negation of democracy ('the power of the people') rather than as its natural ally.

Forms are necessarily abstract and a lot of social life is left out as a result. This can lead to an attempt to reduce the gap by creating new abstractions that incorporate the informal practices of people into the formal model. Naming these practices as an 'informal sector' is one such device. They appear to be informal because their social forms are largely invisible to the bureaucratic gaze. Mobilizing the informal economy will require a pluralistic approach based on at least acknowledgement of those forms. Equally, the formal sphere of society is not just abstract, but consists also of the people who staff bureaucracies and their informal practices.

In *Peddlers and Princes*, Clifford Geertz addressed the contrasting face of Indonesian entrepreneurship. He identified two economic ideal-types in a Javanese town. The majority were occupied in a street economy that he labeled 'bazaar-type'. Opposed

to this was the 'firm-type' economy consisting largely of western corporations who benefited from the protection of state law. These had *form* in Weber's sense of 'rational enterprise' based on calculation and the avoidance of risk. National bureaucracy lent these firms a measure of protection from competition, thereby allowing the systematic accumulation of capital. The 'bazaar' on the other hand was individualistic and competitive, so that accumulation was well-nigh impossible. Geertz considered what it would take for a group of Reform Moslem entrepreneurs to join the modern 'firm' economy. They were rational and calculating enough; but they were denied the institutional protection of state bureaucracy which was largely the preserve of the existing corporations.

Here and in his later work on the Moroccan *suq*, Geertz pointed out the irony of an economics that takes the bazaar as its model for studying the decisions of individuals in competitive markets, while treating as anomalous the monopolies preferred by capitalist firms and state bureaucracy. Even more curious, the modern discipline made this discovery in the late 19<sup>th</sup> century, just when a bureaucratic revolution was transforming mass production and consumption along corporate lines. This was when the more powerful states awarded new privileges to capitalist corporations and society took its centralized form as national bureaucracy. Perhaps because he was poking fun at the economists, Geertz' analytical vocabulary was not taken up by them.

The antithesis of the state-made modern economy had not yet found its academic name. This came about through a paper I presented at a Sussex conference on 'Urban unemployment in Africa' in 1971. My main message was that Accra's poor were not 'unemployed'. They worked, often casually, for erratic and generally low returns; but they were definitely working. What distinguished these self-employed earnings from wage employment was the degree of *rationalization* of working conditions. Following Weber, I argued that the ability to stabilize economic activity within a bureaucratic form made returns more calculable and regular for the workers as well as their bosses. That stability was in turn guaranteed by the state's laws, which only extended so far into the depths of Ghana's economy. The 'formal sector' consisted of regulated economic activities and the 'informal sector' of all those, both legal and illegal, lying beyond the scope of regulation. I did not identify the informal economy with a place, a class, a type

of business or even whole persons. Everyone in Accra, but especially the inhabitants of slums like Nima where I lived, tried to combine the two sources of income. Informal opportunities ranged from market gardening and brewing through every kind of trade to gambling, theft and political corruption. My analysis had its roots in what people generate out of the circumstances of their everyday lives. The laws and offices of state bureaucracy only made their search for self-preservation and improvement more difficult.

I hoped to interest economists by presenting my ethnography in a language they were familiar with (I call it 'economese', how to sound like an economist without any formal training). The idea of an 'informal sector' was quickly taken up as a concept by some of them, so quickly indeed that a report by the International Labor Office applying the concept to Kenya came out before my own article had been published. The ILO report suggested that self-employed or 'informal' incomes might reduce the gap between those with and without jobs and so could contribute to a more equitable income distribution. Following the 'growth or bust' policies of the 1960s, they advocated 'growth with redistribution', that is, helping the poor out of the proceeds of economic expansion. This reflected a shift in World Bank policy announced by its president, Robert McNamara, in Nairobi a year later. By now the Bretton Woods institutions were worried about potential social explosions; and they felt that more attention should be paid to peasants and the urban poor. A vogue for promoting the 'informal sector' as a device for employment creation fitted in with this shift.

Most economists saw it in quantitative terms as a sector of small-scale, low-productivity, low-income activities without benefit of advanced machines; whereas I stressed the reliability of income streams, the presence or absence of bureaucratic *form*. When the bureaucracy tried to promote the informal sector – by providing credit, government buildings or new technologies, for example – it killed off the informality of the enterprises concerned and not coincidentally exposed participants to taxation. The association of the idea with the sprawling slums of Third World cities was strong; but the 'commanding heights' of the informal economy lay at the centers of political power itself, in the corrupt fortunes of public office-holders who often owned the taxis or the rented accommodation operated by the small fry. The Marxists argued that the argument put a positive gloss on exploitation, whereas they believed that the poor subsidized

capital accumulation with their cheap goods and services.

That was the 1970s. The following decade saw another major shift in world economy following the lead of Reagan and Thatcher. Now the state was no longer seen as the great provider; rather 'the market', freed of as many encumbrances as possible, was the only engine of growth. This coincided with the imposition of 'structural adjustment' policies whose main effect, if not explicit aim, was to open up developing economies to the free flow of western capital. This involved dismantling the protectionism that had hitherto allowed states to operate semi-independently in a Keynesian fashion. The result was the collapse of state expenditure, privatization of public services and a shift in provision towards foreign NGOs thought to be more efficient than corrupt government officials. The informal economy took on a new lease of life as a zone of free commerce, competitive because unregulated. In the absence of public resources, responsibility was thrown onto the invisible self-help schemes of the people themselves. The World Bank played its part in all this, but the chief instigator was the IMF. By now, the rhetoric and reality of development had been effectively abandoned. The Third World suffered the largest income drain in its history, in the form of repayment of debts incurred during the wild banking boom of the 1970s.

Two decades and a whole lot of globalization later, the problem is different. There is now substantial inward investment and foreign businesses are feeling the lack of an effective regulatory environment. To some extent this means boosting national bureaucracy, which is rather contrary when the legitimacy of states was deliberately undermined in the first place so that money could get in and out freely. Now the call is out for regulation and standardization. This is partly to secure a measure of economic order within particular countries, but transnational corporations and the international agencies also have a need for standardization between countries, so that they don't have to adapt procedures to local circumstances every time. The ubiquity of this problem is reflected in my having been approached to take part in three separate standardization exercises recently. One was organized by the ILO and had to do with modifying labour law in the light of informal practices; another concerned norms for international trade in organic foods (the International Federation of Organic Agriculture Movements); and a third, which hasn't yet got off the ground, was the initiative of a Brazilian NGO to grade

rural municipalities worldwide as potential recipients of aid from the multilateral donors. Clearly we have reached a stage where national and local institutions are themselves becoming globalized.

‘Form’ is an idea whose origin lies in the mind. Form is the rule, the invariant in the variable. It is predictable and easily recognized. Idealist philosophers from Plato onwards thought the general idea of something was more real than the thing itself. The ‘formal sector’ is an idea, a collection of people, things and activities that share an idea; but we should not mistake the idea for the reality that it partially identifies. What makes something ‘formal’ is its conformity with such an idea or rule. Formality endows a class of people with universal qualities, with being the same and equal. What makes dress ‘informal’ is therefore the absence of such a shared code. But informality is relative to the eye of the beholder. Any observer of an informally dressed crowd will notice that the clothing styles are not random. We might ask what these informal forms are and how to account for them. The world’s ruling elite can be identified as ‘the men in suits’, because they choose to wear a style invented in the 1920s as an informal alternative to formal evening dress.

There is a hierarchy of forms and this hierarchy is not fixed for ever. The twentieth century saw a general experiment in impersonal society whose forms were anchored in national bureaucracy, in centralized states and laws carrying the threat of punishment. The dominant economic forms were also bureaucratic and closely linked to the state as the source of universal law. Conventionally these were divided according to principles of ownership into ‘public’ and ‘private’ sectors. This uneasy alliance of governments and corporations is now sometimes classified as ‘the formal sector’. What they share, at least on the surface, is conformity to the rule of law at the national and increasingly international levels. How then might non-conformist economic activities, ‘the informal economy’, relate to this formal order? They may be related in any of four ways: as *division*, as *content*, as *negation* and as *residue*. The first two imply a positive relationship of interdependence, the third is antagonistic and the last relatively autonomous.

The moral economy of capitalist societies is based on an attempt to keep separate impersonal and personal spheres of social life. The establishment of a formal public

sphere entailed another based on domestic privacy. Even if one side came first historically, the other was subsequently built up to constitute with the first complementary halves of a single whole. Most people, traditionally men more than women, divide themselves every day between production and consumption, paid and unpaid work, submission to impersonal rules in the office and the free play of personality at home. Money is the means whereby the two sides are brought together, so that their interaction is an endless process of separation and integration that I call 'division'. The division of the sexes into male and female (*vive la différence!*) is the master metaphor for this dialectic of complementary unity. In Hegel's terms, any blurring or confusion of the paired categories is a phase of 'negative dialectic', preliminary to the formation of a new idea. Identifying informal practices, even criminal behavior, within the bureaucracy constitutes such a blurring: but to deny this would be to cling to a utopian ideal.

For any rule to be translated into human action, something else must be brought into play, such as personal judgment. So informality is built into bureaucratic forms as unspecified 'content'. This is no trivial matter. Workable solutions to problems of administration invariably contain processes that are invisible to the formal order. For example, when workers cannot or will not go on strike, they sometimes 'work-to-rule'. This consists of following their job descriptions to the letter (the formal abstraction of what they actually do) without any of the informal practices that actually make these abstractions function. Everything grinds to a halt as a result. Or take a chain of commodities from their production by a transnational corporation to their final consumption in a Third World city. At several points invisible actors appear filling the gaps that the bureaucracy cannot handle directly, from the factories to the docks to the supermarkets and street traders who supply the cigarettes to smokers. Informal processes are indispensable to the trade, as variable content to the universal form.

Of course, some of these activities may break the law, through a breach of health and safety regulations, tax evasion, smuggling, the use of child labor, selling without a license etc. The third way that informal activities relate to formal organization is thus as its 'negation'. Rule-breaking takes place both within bureaucracy and outside it; and so the informal is often illegal. It is hard to draw a line between smiling women with babies who sell oranges on the street and the gangsters who exact tribute from them. When the

rule of law is weak or absent, the forms that emerge in its place, at all levels of society, are often criminal in character. The informalization of the world economy is to a large extent criminal and this includes white collar crime. A good part of the problem lies in the inadequacy of national regulation at this level. And it has to be said that the western governments have not exactly been upholding the rule of law themselves of late. One has only to think of John Perkins' book *Confessions of an Economic Hit Man*, to realize that large organizations also break the rules. Modern society rests on protecting the public image of bureaucratic processes from a reality that mixes formal order with corruption and criminality in unacceptable ways.

The fourth category is not so obviously related to the formal order as the rest. Some 'informal' activities exist parallel to it, as 'residue'. They are just separate from the bureaucracy. It would be stretching the logic of the formal/informal pair to include peasant economy, traditional institutions and much else besides within the rubric of the 'informal'. Yet the social forms endemic to these often shape informal economic practices. What is at stake here is whether society is presumptively just one thing – one state with its rule of law – or is able to tolerate a measure of legal pluralism, leaving some institutions to their own devices. The ubiquitous term 'community' addresses this problem.

Communities exist to the extent that their members understand each other for practical purposes; and so they operate through culture (meanings held in common). They do so by means of implicit rules (customs) rather than state-made laws. They usually regulate their members informally, relying on the sanction of exclusion rather than punishment. Social anthropology in its prime focused on the study of small-scale societies ruled by custom, people who exchanged meanings specific to themselves. European empires, faced with a shortage of resources, turned to 'indirect rule' as a way of incorporating subject peoples into their systems of government on a semi-autonomous basis. This legal pluralism delegated supervision of indigenous customary forms to appointed chiefs and headmen, reserving the key levers of power to the colonial regime. Any serious attempt to link the formal and the informal today requires a similar openness to plurality of form.

So where does the call today to formalize the informal economy come from? Whose interests does it serve? To recapitulate Geertz, it is the bazaar whose competitive individualism most embodies the spirit of the market, not bureaucracy. And economics in its official guise serves mainly to confuse us on this point. I have just written a short book about the main conflict of our time – ‘intellectual property rights’ versus ‘piracy’ -- which identifies similar forces lined up against each other. If the Bretton Woods institutions see their role as shoring up a new international bureaucratic order suitable for private sector development, can this be presented as an extension of legitimate rule on a global scale? I should make it clear that I am generally in favour of bureaucracy and the rule of law as, in principle, means towards greater democracy and emancipation from poverty. I don’t want to live in a world run by gangsters, whatever labels they trade under. So there is some point to asking how the formal and informal aspects of economic organization might be more effectively coordinated.

The ‘informal economy’ has had a brilliant success over more than three decades. It lends the appearance of conceptual unity to whatever goes on outside the bureaucracy. Now, perhaps fearing its own isolation in a ‘planet of slums’, the bureaucracy is offering partnership to the ‘informals’. The formal-informal dialectic is intrinsic to both the bureaucracy and the informal economy, as well as between them. We need to know how formal bureaucracy works in practice and, even more important, what social forms have emerged to organize the informal economy. If I once sought to translate my own ethnographic experience into ‘economese’, it is now time to reverse the process and examine the institutional particulars sustaining whatever takes place beyond the law.

The historians of comparative jurisprudence emphasized the concrete particularity of the customary legal institutions they studied in medieval England or Victorian India. For all their imperialist vision, they refused to sacrifice detail for the sake of generalization. Modern ethnographers have likewise documented in immense detail the kinship institutions and religious practices of local groups in Africa and the Pacific. This is no longer fashionable: anthropologists today are funded to study ethnicity, gender, AIDS and, of course, the informal economy. In my own research I focused on specific individuals and was obliged to study the contractual forms of their enterprises, their kinship ties and family organization, their friendship networks and voluntary

associations, their religious affiliations, their relationship to criminal gangs and corrupt officials, their patronage systems and political ties. Only later did I join the rush to generalize about the population explosion of Third World cities. The issue of criminal organization inside and outside the formal bureaucracy cannot be wished away. Formalizing the informal economy requires us to confront the cultural specificity of economic activities that cross the great divide.

To sum up, using the fourfold categorization I developed above. *Division*: Any attempt to divide an economy into complementary halves requires a massive cultural effort of both separation and integration. This idea of interdependent, but separate halves of a social whole is a powerful undercurrent in development discourse and should be subjected to revision. *Content*: The idea of informality as the unspecified content of abstract forms favours leaving more to people's imagination and accepting the legitimacy of most informal practices. *Negation*: When the informal is illegal, the obvious response is to crack down on rule-breakers; but such moves are often merely cosmetic -- the biggest offenders escape and the law is made to appear an ass. The number of legal offences could often profitably be reduced. *Residue*: Finally, governments might adopt a genuinely hands-off approach towards semi-autonomous communities within their jurisdiction. If all of these modes of formal/informal linkage were considered, there might be some prospect of bureaucracy and the people entering a new partnership for development.

What is striking in all this is the international agencies' short-sightedness and lack of institutional memory. The World Bank in particular, over the last half-century or so, has pursued contradictory strategies, often within a decade of each other. I have been involved with the concept of the informal economy now for forty years, if you count the research I did in Ghana on which the term is based. I have come to see the issue as a long struggle to redefine the relationship between bureaucracy and the people in the context of the evolution of market economy. Seen in the light of the whole period since 1945, it is hard to avoid the conclusion that international and national institutions have lost considerable legitimacy in the current decade.

A lot depends on whose perspective you take on these issues. I started off as a young ethnographer four decades ago asking how little people survived in the cracks of

the state-made economy; but the informal economy has flourished since as a result of market liberalization. To some extent, bureaucratic institutions need to be more flexible in their treatment of informal practices, so that more people can take shelter under the rule of law. Informality is a problem, for sure, but it must surely be part of any long-term solution.

### **Money in the digital revolution**

Of all the institutions we live by, the most pervasive is money. Its power to affect our lives is often disturbing, yet most of us take its form for granted. Now that world society is being formed as a single interactive network, we need to ask how it might be made more democratic, since democracy is universally acknowledged to be the only legitimate basis for our societies. The principle that those who are most affected by decisions should play the main part in making them is simple, but rarely realized in practice. Moreover, political democracy has often been subverted by economic inequality. Rather than follow the tradition that rejects markets and money because they are identified with capitalism, I prefer to explore their potential to sustain a more genuine economic democracy than at present. We express our desires democratically whenever we spend money; but this kind of voting is massively unequal, since some have so much more than others. The vast majority of people alive have hardly any money to spend at all. How much better it would be if we made our own money and voted with that. A radically new approach to money, offering individuals and communities more effective control in their own economic decision-making, is the most direct way to restore democracy to our participation in society.

Money is often portrayed as a lifeless object separated from persons, whereas it is in fact a creation of human beings, imbued with the collective spirit of the living and the dead. Money is a means of communication so powerful that we often ascribe human or quasi-divine agency to it and what it buys. The analogy with language is a cliché – words and money each lend universality to the most limited transactions. It is less obvious what they have in common and what makes them distinctive. This issue has been brought to the fore by the convergence of the two great vehicles of communication, language and money, in a digital network of communications, the internet. We always knew that words

were information to be exchanged as signs; but, grammarians apart, we are less ready to think of language as an abstraction detached from its human source. Money, on the other hand, has often been represented as a real thing exchanged for material objects like itself that takes on a life of its own. Now we know that it too is simply information, a measure like hours, and at the same time peddling information is rapidly becoming the main way of making money. The rise of virtual economy in the last two decades has widened the scope of individuals' participation in markets and to a degree has dematerialized money. But we are no nearer to understanding the human agency that animates its flow.

What then is money? It is a universal measure of value, but its specific form is not yet as universal as the method that humanity has devised to measure time all round the world. It is purchasing power, a means of buying and selling in markets. It counts wealth and status. It is a store of memory linking individuals to their various communities, a kind of memory bank. As a symbolic medium, it conveys information through a system of signs that relies more on numbers than words. A lot more circulates with money than the goods and services it buys. For some people, money is the root of all evil; for others it is the source of modern freedom. In both cases it makes the world go round. And this leads to a second point: money is associated with movement in space, with change, with the exchange of objects travelling great distances, in other words, with the market; and it is itself in movement through time, hence the history of money is an essential part of the history of society. Money is not one static thing or idea, much as we would all like it to stand still and be counted.

The standard definitions do not capture the most important feature of money, its evolution as a means of human interaction in society. Money is *made* by us, but for most people it has long been something scarce which we *take* passively whenever possible, without any sense of its being our collective creation. From having been an object produced by remote authorities, it is becoming more obviously a subjective expression of our own will; and this development is mirrored in the shift from 'real' to 'virtual' money. In the last 300 years or so, the money form has evolved from metallic coins through paper notes and ledger entries to electronic digits. In the process, it has become dematerialized, losing any shred of a claim that it is founded on the natural scarcity of precious metals. Even the authority of states, which stamped coinage and issued the notes

we are still most familiar with as money, cannot long survive the electronic blizzard that is money in the age of the internet.

The idea is slowly taking root that society is less an oppressive structure out there and more a subjective capacity that allows each of us to learn how to manage our relations with others. Money is a good symbol of this shift. It first took the form of objects outside ourselves of which we usually had a greater need than the available supply; but of late it has increasingly been manifested as personal credit, in the form of digital transfers mediated by plastic cards and telephone wires, thereby altering the notions of economic agency that we bring to participation in markets. If modern society has always been supposed to be individualistic, only now perhaps is the individual emerging as a social force to be reckoned with. This claim rests on a single overwhelming fact, that large amounts of information concerning the participants in economic transactions at any distance can now be processed cheaply, thereby making possible the repersonalization of complex economic life. In the process the assumptions that supported mass society for a century are being undermined.

The internet permits almost instantaneous communication between machines using microscopic circuits to process and store information. There are profound implications for the system of money. Now that the internet is no longer primarily a research tool, its use is increasingly as a electronic marketplace, making links between and within businesses and between them and their customers. Electricity travels at the speed of light and the transfer of information itself is essentially costless. This then is a market with unusual time and space dimensions, where the personal and impersonal aspects of economic life meet on new terms. Very little of social significance will be left untouched before long.

The world economy is being transformed once more by radical reductions in the cost of producing a basic commodity, in this case the transfer of information. There was a time when commodities traded internationally were things extracted from the ground and services were performed locally in person. Now the person answering your business call could be located anywhere in the world and a growing number of service jobs are exposed to global competition. Vast profits are to be made in entertainment, education, the media, finance, software and all the other information services. But the digital

revolution poses specific problems for accumulation. The saying goes that “information wants to be free” and certainly there is continuous downward pressure on prices in this sector arising from the ease of copying proprietary products.

The cheapening of the cost of information transfers has considerable consequence for the character of long-distance market relations. Money was traditionally impersonal so that it could retain its value when it moved between people who might not even know each other. If you drop a coin or banknote on the floor, whoever picks it up can spend it just as easily as you can. Money in this form is an instrument detached from the persons who use it. The expansion of trade often depended on this objectivity of the medium of exchange and economists have long debated whether money’s value derives from its being a scarce commodity or from the guarantees made by states who issued it. Bank credit on the other hand has always been more directly personal, being linked to the trustworthiness of individuals and, in the case of paper instruments such as cheques, issued by them. The idea that transactions involving money are essentially amoral comes from its impersonal form, but until recently, in most societies, the bulk of economic life was carried out by people who knew each other and were able to discriminate between individuals on the basis of experience.

The era of mass production and consumption may be ending as a result of cheap information transfers. It is now possible to attach a lot of information about individuals to transactions at distance. For example, amazon.com keeps a record of every book I have bought from them and they make recommendations for new purchases on this basis. This is similar to the small bookseller who reserves a book for a favorite customer, but it all takes place anonymously at distance. Some firms are already moving towards a system known as Customer Relationship Maintenance (CRM) based on data banks that know no limit in scope. This enables them to target buyers who generate above average revenues, to remind them of the need to buy something for their wife’s birthday and so on. Nowhere has this process gone further than in the market for personal credit. A generation ago I relied on the bank manager to extend my purchasing power through making an overdraft available. Now the number and variety of financial instruments on offer is growing exponentially and these are often customized to my personal needs. The trend is definitely to restore personal identity to what were until not long ago largely

impersonal contracts. Of course, rich and powerful organizations have access to huge processors with which to manipulate an often unknowing public. But at the very least, for many people, these developments have introduced new conditions of engagement with the impersonal economy. What matters is to recognize that the line between personal and impersonal society is shifting, with significant implications for individual and collective agency.

Money may seem to be the problem, but it is also the solution. We have to find ways of organizing markets on the basis of equal exchange and that means detaching the forms of money from the capitalist institutions that currently define them. Instead of taking money to be something scarce beyond our control, we could begin to make it ourselves as a means of accounting for those exchanges whose outcomes we wish to calculate. Money would then become multiple sources of personal credit, building on the technology that has already given us plastic cards. All of this stands in stark contrast to state-made money, where citizens belong to one national economy whose currency is monopolized by a political class claiming the authority of representation to manage its volume, price and allocation.

The original title of my book on money in the digital revolution (and now of my website) was *The Memory Bank*. Memory banks are, of course, found in computers; but banks are, for most people, places to store money. The idea of a 'bank' is the stability of deposits relative to fast-moving flows, whether of water, money or information. The line between the exchange of objects by means of money (markets) and the exchange of meanings through words and signs (language) is becoming blurred. Money is becoming information and information money. This provides us with an opportunity to reassess the positive relationship of money to culture and civilization. For the memory bank of my title is money itself. I argue that the origins of the institution in Europe drew a firm association between money and collective memory. The formation of a global communications network in our time leads us to recall this semantic connection, just as the developments I envisage would emphasize money's function as a means of remembering.

### Three Stages of the Machine Revolution

	<b>c.1800</b>	<b>c.1900</b>	<b>c.2000</b>
<i>Revolution</i>	Industrial	Bureaucratic	Digital
<i>Technology</i>	Steam-power	Electricity grids	Information processors
<i>Social form</i>	Factory	Office	Internet
<i>Business</i>	Individual entrepreneurs	State/corporate partnership	Transnational corporations
<i>Market</i>	Urban	National	World

The digital revolution is driven by a desire to replicate at distance or by means of computers experiences that we normally associate with face-to-face human encounters. All communication, whether the exchange of words or money, has a virtual aspect in that symbols and their media of circulation stand for what people really do for each other. It usually involves the exercise of imagination, an ability to construct meanings across the gap between symbol and reality. The power of the book depended on sustaining that leap of faith. In that sense, capitalism was always virtual. Indeed Marx tried to show how the power of money was mystified through its appearance as things (coins, products, machinery) rather than as relations between living people. Both Marx and Weber insisted that capitalists sought to detach their money-making activities, as far as possible, from real conditions obstructing their purposes. Money-lending, the practice of charging interest on loans without any intervening act of production or exchange, is one of the oldest forms of capitalism. So the idea of the money circuit becoming separated from reality is hardly new. The point of the virtual is abstraction and this is a function of the shift to ever more inclusive levels of exchange, to the world market as the frame for economic activity rather than the nation-state. But more abstract forms of communication

allow real persons to be involved with each other at distance in very concrete ways. The idea of ‘virtual reality’ expresses this double movement: on the one hand machines whose complexity their users cannot possibly understand, on the other live experiences ‘as good as’ real. It is the same with money. Capitalism has become virtual in two main senses: the shift from material production (agriculture and manufacturing) to information services; and the corresponding detachment of the circulation of money from production and trade. Since the invention of money futures in 1975, the world market for financial instruments has mushroomed to the point where less than 1% of the money traded internationally is used to buy goods and services; the rest is just money in one form being exchanged for money in another. And this money market, sometimes referred to just as ‘the markets’, is largely unregulated by political institutions.

We need to return to the roots of political economy in order to clarify our strategic options. ‘Political economy’ emerged in the early nineteenth century as a discipline concerned with how the value generated by an expanding market economy might best be distributed in the interest of economic growth. Smith, Ricardo and their followers identified three types of resources, each thought to be endowed with the power of increase: the environment (land), money (capital) and human creativity (labour). These in turn were represented by their respective owners: landlords, capitalists and workers. The distribution of specific sources of income — rent, profit and wages — contained the key to the laws of political economy. The main conflict was then between landlords and capitalists; and the policy was to ensure that the value of market sales was not diverted from the capital fund to high rents.

Political economy held that competitive markets lowered the margins available to middle men and forced capitalists to reduce their production costs through innovations aimed at improving efficiency. This was achieved through economies of scale, division of labor and ultimately the introduction of machines to factories. The productivity of labor was raised, allowing the resulting profits to be ploughed back into an expanded level of activity. Society’s manpower was thereby freed up for more elaborate forms of commercial production. The only threat to this upward spiral was if landowners raised their rents to take advantage of these newly profitable industries, diverting value into wasteful consumption. Worse, whereas the capital fund was inherently limitless, land was

definitely in limited supply. Economic expansion meant population growth, driving up food prices and squeezing the capital fund on the other side through wages. The solution was to expose Britain's landowners to competition with cheap overseas suppliers; and this made free trade the great political issue of the 1840s.

The basic division between classes possessing the environment, money and human creativity persists today. Indeed, writers as diverse as Locke and Marx had visions of history in which a state of nature or society based on the land gives way to an age of money (our own) whose contradictions should lead to a just society based on fair reward for human creativity. So how are these broad classes of interest manifested in the struggle for the value generated by electronic commerce? If the owners of money and labor were first allied against the landlords (industrial capitalism), the capitalists later turned to the traditional specialists in crowd control, the landlord class, to help them hold down burgeoning urban populations (both factory workers and criminal gangs) concentrated in the cities by machine industry. This fusion of bureaucratic capitalism and the nation-state dominated the twentieth-century world. So how are the classes aligned in the present phase of global or virtual capitalism?

The landlord class has by no means rolled over and died; but the internet offers a means of escape from land shortage, indeed from spatial constraints of all kinds. The territorial controls once exercised by the landed aristocracy have largely now passed to national governments. Territorial states seek to extract taxes from all money transactions taking place inside or across the boundaries of their jurisdiction and also derive significant rents from public property such as mineral wealth. This has been greatly facilitated by the advances in bureaucracy made over the last 150 years; but it becomes more difficult when the source of value shifts from car factories and downtown shopping centers to commodity exchange conducted at the speed of light across borders. This system of involuntary transfers (taxation and rents on physical assets) could once be justified in terms of economic security for all. But that principle has been under attack by neo-conservative liberals for over two decades now.

The capitalists have come a long way too. Having formed an alliance with the traditional rulers from the 1860s onwards, they absorbed and ultimately defeated the challenge posed by the workers. The recent revival of free market liberalism provides

triumphal evidence of that victory. But the relationship of capital to the state has become increasingly moot. Money has always had an international dimension and the corporations that dominate world capitalism today are less obviously tied to their nations of origin than before. There are now some three dozen firms with an annual turnover of \$30-50 billions, larger than the GDP of all but eight countries. Moreover, half of the world's 500 largest firms are American and a third European. So the world economy is controlled today by a few firms of western origin, but with dubious national loyalties.

Ever since their merger, capital and the nation-state have had a relationship of conflict and co-operation. The wave of anti-trust legislation that accompanied the rise of monopolists like John D. Rockefeller in the early twentieth century is matched today by the feebler efforts of governments to contain the economic power of Microsoft and a few companies like it. Corporations now rely at least as much on rents (income from property secured by law) as on profits from sales of commodities; and so the burden of accumulation has shifted from workers to consumers. Governments compete for a share of the value of commodities in the form of taxes. But sales, rents and taxes all depend on a system of legal coercion, on a realistic threat of punishment, to make people pay up. So far the corporations have not found a way of dispensing with the state as enforcer, but this reliance is called into question when markets are increasingly international in scope.

So where does that leave the rest of us? If Marx and Engels could identify the general interest with a growing body of factory workers tied to machines owned by capitalists, the majority of us now enter the economic process primarily as consumers. Economic agency is linked to purchasing power these days. Despite the collapse of traditional industries in recent decades, there are still those who argue that workers associations, unions, remain the best hope for organized resistance to big business. National capitalism once made people believe in society as a place with one fixed point. But now the internet points to a more plural version of society composed of mobile networks. The mass of its ordinary users have a common interest, as individuals and pressure groups, in avoiding unreasonable regulation and retaining the economic benefits of their equal exchanges. So we may provisionally accord to the 'wired' a class identity in opposition to governments and corporations.

The main players in the political economy of the internet are thus governments, corporations and the rest of us, the people (represented, let us say, by the minority who are wired). The landed interest now rests on the coercive capacity of territorial states to extract taxes and rents by right of eminent domain and on threat of punishment. Capitalist profit is concentrated in a handful of huge transnational corporations whose interest is to keep up the price of commodities and to guarantee income from property (rent) in the face of resistance to payment. Ordinary people exchange services as equals on the internet in their capacity as individuals endowed with personality and agency. The digital revolution, by radically cheapening the information attached to long-distance transactions, makes it possible for these individuals to enter several markets, notably those for credit, as persons with a known history. Governments and corporations need each other, for sure, but their interests are far from coincident. Both may be vulnerable to self-conscious use of internet resources by democratic movements aiming to subvert their respective monopolies.

In many ways, our world resembles the old regime of agrarian civilization and this is because unequal power has been concentrated in the hands of enforcers and rentiers. Hence the term 'information feudalism' is appropriate for our era. The world is now witnessing the triumph of that "pseudo-aristocracy" of commercial monopolists that Jefferson once saw as the main danger to liberal democracy. It is as if the East India Company had never suffered the reverse of American independence. We could do worse than return to Ricardo's focus on how wealth is distributed in human society and, in particular, on the contradiction between coercive demands for tax and rent and the formation of a world market where people in general might enjoy the benefits of the machine revolution, if they were left free to exchange goods and services as equals. Human work was once conceived of as collective physical energy, as so many 'hands'. The internet has raised the significance of intangible commodities. Now that production of things is significantly complemented by trade in information services, labour is increasingly understood as individual creativity, as subjectivity. And it is this shift that has been captured by big money in the claim that 'intellectual property' deserves closer regulation in the interest of its owners than it gets at present (the main focus of my long essay, *The Hit Man's Dilemma*).

### **Economic democracy: the example of community currencies**

Community currencies stand in contrast to conventional money whose sources are closed to most of us. There are many varieties of these, but their basic principles are simple and general. These are open in the sense that they can be created by any association choosing to come together for the purposes of exchange; they are free in the way that speech is, or ought to be, free. Whereas conventional money is a commodity kept artificially scarce by remote suppliers (the banks, regulated in turn by a central bank), a community currency is simply a measure of exchange whose supply is limited only by the willingness of participants to trade. In this way, the scope for what people do normally, buying and selling, is extended without the restrictions imposed by normal cash.

Community currencies are both a radical subversion of capitalism and its natural extension. It is possible, even necessary, to conceive of them as complementary to existing economic forms and interests, operating at present on a minute scale that offers scant threat to the status quo -- so many mice running around the basement, as it were. Thus businesses may accept payment in local and national currencies together; participants in these exchange circuits often pay taxes on their transactions; small increments in human welfare are generated. These are markets based ultimately on the same law of contract as modern capitalism. Yet the forms of money involved are also sharply different. The money we are familiar with and have known for at least four thousand years is produced by remote agencies in amounts that ensure its scarcity. It is therefore a commodity with a value independent of its function as a means of exchange; it is loaned at a price (interest) and hoarded. The markets formed by this money proliferate everywhere, increasing the participants' sense of their own powerlessness. Community currencies, on the other hand, are issued by people coming together in their own finite associations. There is no inherent restriction on their supply; individuals make them by finding others to trade with. The money does not drain away, but stays within the circuit as a source of future exchange. It is simply a measure with no independent value and thus cannot be transformed into capital. It expresses the word of each participant (whether individual, business or organization), not that of a central bureaucracy. Above all, whereas the social character of conventional money often appears as an anti-social force, the active principle of community currencies is co-operation in society.

The technical possibilities for linking community currency payment systems to the internet and to ‘the new economy’ of e-commerce are growing rapidly at this time. The economy emerging today is global, highly connected and favors intangibles, ideas over things. The most powerful technologies enhance soft relationships and decentralized modes of control. There are increasing returns to adding members to any given network; but the loss of an individual to that network matters little. The value of the network takes precedence over the value accumulated by individual units. In the world of the internet, scarcity gives way to abundance and the common wealth grows fastest through an ethos of sharing and giving. Prices tend to fall towards being free (*gratuit*). It is an unstable world that rewards innovation, as well as excluding the many who cannot participate or who lose when they do. Community currencies, based as they are on well-established social principles, have the capacity of building bridges between everyday economic life and the opportunities arising in the new economy.

Community currencies have existed in one form or another for a long time. The principle of forming closed circuits of exchange through gifts of valuables is said to be much older than markets. We are familiar with contemporary examples of this such as the Northwest Coast potlatch and the *kula* ring of the Western Pacific. Utopian experiments in self-sufficient economic community, such as those associated with Robert Owen and William Morris in the nineteenth century, have been commonplace throughout the industrial age. There are numerous modern examples of people inventing the means of exchange in the face of scarce money. In the 1970s a bank strike in Dublin was circumvented successfully by the expanded circulation of cheques as a substitute for currency. A wide variety of local experiments in social credit emerged during the Great Depression, often involving the invention of new currencies; these included in one place the circulation of pieces of deerskin known as ‘the buck’. Perhaps the best-known example from the inter-war period was the stamp scrip of Silvio Gesell in Austria, celebrated by Keynes in his *General Theory*, itself a sustained exercise in the economics of circumventing the scarcity of conventional money. A Swiss complementary currency founded in 1934, the *WIR* (‘we’), is still flourishing today as a means of trade between businesses.

The late twentieth century saw another revival of this form, paradoxically in the leading centres of western capitalism. LETS, meaning 'Let's do it!', but later elaborated as Local Exchange Trading Systems, began in British Columbia in 1982 at the initiative of Michael Linton. This was in response to a temporary downturn in the local economy because of reduced demand for the defence industry and provincial government finances. Since then the LETS system design has spread through the English-speaking countries and beyond, to France, Germany, Japan and Argentina. Many thousands of people have joined LETS systems which until now have generally been independent of each other. Most communities and even nation-states depend heavily on imports and exports and their internal economy has a weakly developed structure. Community currencies, on the other hand, sustain self-regulating economic networks allowing members to issue and manage their own money supply within a bounded system. As such, they may be conceived of as a way of closing off local communities from the market economy; but Linton has subsequently emphasized the need to integrate these circuits into existing commerce.

In LETS, people, businesses and organizations open accounts in one or several systems, with the unit of account, often named distinctively for local cultural resonance, made equivalent to the national currency for ease of calculation. Member accounts start at a zero balance with no deposit of normal money nor any requirement to buy before selling. No interest is paid or charged on balances. There is a register of members (which would normally include businesses as well as individuals and organizations), sometimes listing the services they offer. Payment for goods and services may be in some combination of local and national currency, with only the former being registered in the circuit. Transfers and balances are recorded by a registry which is a virtual bank with no 'real' money. Minimal administrative expenses are recovered from member accounts in community currency on a 'cost of service' basis. There is never any obligation to trade; and, if desired, members may know the balance and turnover of other members. In the latest stage of the technology, these transactions are recorded off-line on smart cards capable of registering a plurality of currencies and then communicated card-to-card via the internet. Any existing bank could perform this function for a large number of such networks, but they do not.

Each individual member listed on the common register issues the currency whenever the balance of their exchanges drops below zero. In doing so, they make a promise to honour their commitment, acknowledging the gift of goods or services made in return. At any moment, the totality of exchanges sums to zero. These multiple-issuer currencies are more robust than the conventional, single-issuer variety in that the ability of members to trade is not diminished by the disappearance -- by default, migration, death or whatever -- of accounts with substantial negative balances. Even so, trade can dry up if some members accumulate significant positive balances and find little to buy within the circuit. Most of all such a system offers a means of economic empowerment to individuals as members of communities brought together in a practical way through a circuit of exchange with its own medium of communication. This in turn is an education in citizenship of a new kind, where society may take the form of many levels of association, not just those depending on the economic monopoly of the nation-state.

A proper currency service provider would enable users to create their own systems in the space available and give them access to other similar systems. A stand-alone community currency is like a radio or TV that can only tune to one station, a computer with just one programme. Supporting trade between people who keep their accounts in different currencies requires that the registries can communicate with each other through a cross-clearing network. This would be operated primarily through the internet, using its own money domain naming system (MDNS). The MDNS proposed by Linton would start with national top-level domains responsible for the registration of regional sub-domains, which would be in turn responsible for local registration. This facility would be further enhanced by 'multi-cc' smart-card systems. The cards can currently carry up to 15 different currencies at a time, off-line and anonymous, and are designed to make community money systems easily adopted in the retail sector. The card system enables every participating business also to have a loyalty loop specific to their own business, if they choose. The combination of the cross-registry clearing and smart card systems would create a platform for virtually any form of open money. When the LETSystem software achieves a kernel of cross-platform protocols capable of defining the integrated platform of any application, it will become open source software, open

money in the fullest sense. Of course, co-ordination in this area is difficult when there is no one body concerned with establishing standards.

A powerful 'free and open source software' movement (FOSS) has emerged in recent years, building on the achievements of the Free Software Foundation's Richard Stallman and the founder of Linux, Linus Torvalds. The latter is a free operating system that has gained phenomenal popularity in recent times because it allows users to modify software to suit their own needs. Linux is a collaborative effort of thousands of programmers interacting over the internet and is therefore not owned or controlled by any one company. By exposing software source code to peer review by a community of users quickly and often on the internet, it has posed a strong challenge to the closed business model of seeking to derive monopolistic rents from secret intellectual property. The robustness of the open source model lies in its being able to draw on a much larger pool of potential developers than could ever be employed by a single firm. In similar fashion, the spread of community currencies would benefit from sharing software developments and other forms of innovation within a community of associations using open money. Already community currency design, code and other relevant information has been made freely available for others to use and to contribute to its development. Moreover, like open source, these developments take place through an egalitarian ('flat') network rather than through hierarchical institutions. There are other parallels between the two cases. Open source appears to be driven by a logic of giving and sharing, more than financial reward; and in circuits organized through community currencies concern with money prices is often secondary to the individual and collective purposes of exchange.

There is a paradox in my use of the terms open and closed in this context. For the majority of community currencies such as LETS the definitive principle is that the exchange circuits they sustain are closed. In contrast, the markets sustained by conventional money are open-ended networks of limitless extent, so that money seems to drain away to unseen centres of power that are invariably located elsewhere, leaving us powerless to prevent its passing. The whole point of LETS is that the purchasing power generated by trade comes round again to nourish the participating community; and it promotes internal production rather than the import/export pattern that predominates in mainstream markets. This becomes more obvious when the circuits are small, as they

usually are, and when the community supporting a currency is a well-defined local area. But open money circuits may be scaled up to a much larger membership that could easily be dispersed around the internet. There are trade-offs between these poles of association, small- and large-scale, local and virtual, closed and open. Some may choose the intimacy of relations with those they know well, whereas others may prefer looser connection with a large pool of strangers. If they are to succeed, community currencies must embrace both poles. Thus, the greater control afforded by closed circuit networks needs to be offset by an open source approach to the software needed to operate community money. This dialectic of local community and global network, reflected in the combination of closed circuits of exchange and open distribution methods, has been a constant feature of LETS' evolution over the past two decades.

The general aim of community currencies is to enable trading and exchange, when purchasing power in the conventional market economy is especially defective. But clearly the form lends itself to a wide variety of social and ecological purposes whose rationale may not be narrowly economic in that sense. LETS and similar systems are differentiated in a number of ways. Of these the most important is the degree of integration in the national economy, but others include: the monetary measure (based on the national currency or on hours of work, for example); the organizers' reliance on free or salaried labour or government grants; digital or material records of payment; involvement of businesses or exchange of services between individuals only; local or virtual association; forms of leadership and participation; and so on. Many LETS associations are reluctant to band together in case their autonomy is compromised. They still bear the hallmarks of Victorian philanthropy, aiming only at the poor, forming boards and committees, protecting their insular and clubby nature against all-comers. Such institutions are usually time-consuming and dogmatic, with a bias against business and for public grants. Their main motive appears to be to get away from the conventional economy into a separate world of their own, however small.

At another extreme, community currencies may, in their desire for economic integration, mimic national money so closely as to resemble them more than the family of currencies associated with the LETS movement. The Limehouse Townhall in London's East End has been occupied since 2001 by a miscellaneous group of artists and activists.

In October 2005 they launched a series of events known as the World Summit for Free Information Infrastructure. As part of their engagement in the local economy, they also launched their own currency, known as the *lime*. This is a bright green paper scrip similar in appearance to supermarket discount tokens. Denominations are 1, 2 and 5 units upwards and have purchasing power equal to the pound sterling. The lime circulates in the local community, where it is accepted by some shops and restaurants. These in turn may redeem the tokens for national currency whenever they choose; some of them offer a discount of ten percent to the issuing authority (not to the customers). Although it is intended as a permanent feature of local life, the lime is mainly used as an event currency, with many goods and services available internally only in exchange for the community currency.

The organizers of the lime have discovered the joys of central banking: the sole issuer of the currency has the power to create money that did not exist before, to the extent that tokens are not immediately redeemed for normal cash. The scheme also has the merit of being easily understood by participants, some of whom may be just passing through the community; and it adds flexibility to local markets. Its drawbacks are those of conventional currency. The lime is impersonal, undemocratic in origin (single-issuer as opposed to multiple issuers), easily counterfeited and unconnected to the new information technologies. As such, it is a long way from LETS; but what it loses by mimicking the pound sterling, it gains in terms of cultural acceptance.

Given the cultural longevity of conventional money and the powers of indoctrination held by ruling institutions, it is not surprising that most people are initially reluctant to embrace community currencies. People feel that the monopoly claimed by national money must be inevitable, since no-one would freely choose it. To be told there is an alternative that we could choose makes nonsense of a lifetime's enslavement to an unrewarding system. So we cling to what we know as the only possibility. The central task, if community currencies are to make serious inroads into society, is to persuade the doubtful, by showing them that money can be made to work for them in practice, that it is the solution as well as the problem. The exchange of objects through money and that of meanings through language are now converging in a universal network of communications, the internet. This is a world where people have a notoriously short

attention span. It is not enough to develop a superb design for exchange circuits employing community currencies. People have to be sold the idea; and this involves a subtle engagement with what is old and new in their experience.

The central role of persuasion or rhetoric in economy was understood by those who have most influenced our economic ideas and behaviour. Thus Adam Smith spent fifteen years lecturing on rhetoric and left instructions in his will for these lectures to be destroyed, presumably so that his *Wealth of nations*, the founding text of economic science, would not be seen as the self-conscious literary artifact that it is. Maynard Keynes likewise devoted a dozen years to his *Essays in persuasion*, trying to get across one simple message, that economic recovery would only come when the Victorian recipe of saving for capital accumulation was abandoned. His mantra was 'spend, don't save; spend, don't save'. More than any sophisticated academic treatise, such as the *General theory*, this rhetorical project accounts for the eventually favourable reception of his ideas. Now that we have all absorbed his message, the time is probably ripe for another one.

If one of the obstacles in the way of disseminating community currencies is the difficulty of persuading people consciously to adopt new ideas, another is the unconscious use of old models when designing new forms of association. The nation-state has enjoyed tremendous success as the dominant form of society over the last century or two, so much so that we have internalized its principles and reproduce them whenever we seek to construct new forms of community. I identify four ideal types of community, all of them assimilated within the synthetic notion of the nation-state. The nation-state has been a *political community* capable of offering its citizens a single vehicle for relating to the world outside, as well as the framework of law regulating their internal affairs. It has been a *community of place*, resting on territorial principles of association with definite boundaries of land and sea. It has also been an *imagined or virtual community*, a constructed cultural identity relying on symbolic abstraction of a high order. It has finally been a *community of interest*, in both the subjective and objective senses, uniting members in trade and war by a shared purpose. Given this extraordinary achievement in making society synonymous with a single form, it is not surprising that, when people come together to make alternatives to the national economy,

they should unconsciously reproduce it in the design for their association -- as a stand-alone multi-purpose community of like equals rather than, say, as a federated network of unequal social entities. We have already seen this in the contrast between the development of LETS as 'open money' and a singular currency such as the lime. Obviously, significant institutional success for community currencies depends on the discovery of complex hybrid forms, combining genuinely new principles with what people already know well.

The principles underlying community currencies are timeless and universal; but is our moment in history particularly favourable to their diffusion now? In any case community currencies are to be found today mainly in the countries where capitalism is most deeply rooted, more than in the poorer countries. So this question entails the relationship between community currencies and capitalism.

Capitalism is a historical configuration of people, machines and money which in the twentieth century took the dominant form of 'national capitalism', the attempt to manage accumulation and markets through central bureaucracy. It was an era of mass production and consumption, of heavy industries and centralization, when human destinies were tied to the impersonal institutions of states, capitalist markets and science. Recent advances in both connectedness and inequality mark a new stage of freedom for the owners of money, to which I give the tentative label, 'virtual capitalism'. The 'globalization' brought about by the digital revolution of the last two decades has undermined the pretension of states to control their national economies. In the process, long-distance trade in information services has overtaken manufactures as the main focus of economic growth and the money circuit has become increasingly detached from real production and exchange. The world holds its breath, wondering if this is a new stage of human evolution or a financial bubble whose end will engulf us all.

If Marx and Engels found in the circumstances of factory industry the social possibility of workers' emancipation, the democratic potential of a community currencies movement should likewise be referred to the conditions generated by virtual capitalism. The cost of transferring information has been radically cheapened and this opens up the scope for peer-to-peer communications and exchange, even as it reinforces the powers of surveillance and control exercised by remote powers. The financial revolution associated

with plastic credit cards and similar instruments has introduced greater personal responsibility for the management of debt, within the constraints of the conventional banking system. For that part of the human population living in the heartlands of virtual capitalism, let us say the western middle classes for short, experience of new financial instruments, of the internet, global telecommunications and travel, as well as the erosion of collective security by neo-liberal policies, have had a cumulative impact on individual and social consciousness. Given the rate of diffusion of the new technologies and the growing integration of world society, such consciousness is by no means limited to the western middle classes. We have reached a stage where the historical configuration of people, machines and money could sustain widespread adoption of a radical alternative.

It is perhaps predictable that the early development of community currencies has taken the form of defensive particularistic units offering a temporary refuge from the ravages of capitalism. Such groups normally emphasize relations of personal trust between members, a shared morality in contrast with the ruthless impersonality of the world outside. Harking back to the labour theory of value, some of them have based their measure of money on time (time dollars, Ithaca hours), thereby putting some distance between their exchanges and the national economy. It is also significant that these communities have usually been local and stress the value of policing the boundaries of face-to-face communities. This is what most people imagine community currencies to imply; and indeed a substantial part of the movement will retain this character indefinitely. But virtual relations at distance and face-to-face communication reinforce each other in a complementary way and should not be posed as stark alternatives.

Nevertheless, the internet favours virtual association and the more progressive forms of open money that I have highlighted here are designed to allow for multiple combinations and considerable scale. Moreover, while the logic of community currencies, in contrast with conventional money, is intrinsically consistent with a more ethical social agenda, it is important to note that this operates through their abstract design and does not imply any particular type of behaviour from members. Money today is the way we keep track of a potentially bewildering number of contractual agreements linking us to a great variety of associations. It is a 'memory bank'; and I find it hard to conceive that we could dispense with this highly personal register of transactions. Nor

would most of us be willing to devote large parts of each day to the social nuances of exchange. Community currencies must be built with this objective in mind. They can and should be designed to facilitate exchange reliably at low transaction cost. Individual responsibility comes in at the level of issuing and maintaining a shared currency, not as an ethical requirement that exchange should be personal or even particularly solidaristic.

Community currencies are inevitably small in scale at this stage. But they can be designed very much with the possibility of scaling up in mind. Once the principle of community currencies is seen to be viable, their growth as a sector of modern economies is likely to be rapid. In any case, participation is a learning exercise. They show what conventional money is and does to us, as well as providing opportunities to practice new relations between individual and society. By redesigning the money we live by, we send a message that other things matter more. Experience with LETS has already shown that, when people issue their own currency, the habit of trying to get more for less, of buying cheap and selling dear, dissolves and the real purposes of exchange take precedence over the money involved. Even so, it is a far cry from small experiments like this to the problem of global economic inequality and ecological instability. Community currencies may echo the principles animating the movements that must arise to address these problems. They offer a source of political education, a means of social connection, perhaps a tool of economic improvement. It is impossible to predict how far or fast this experiment in economic democracy will spread.

Although community currencies are closely identified with the particular interests that bind people together in small-scale associations, we must not lose sight of humanity's need to remake world society with people in mind. Money is the most universal means of communication we have and the kind of society it reflects is at once both universal and particular. Past projections of universality, whether made in the name of the Catholic church, colonial empire or neo-liberal ideology, have eliminated cultural particulars in order to dominate them. It is time that we made a society whose universality is realized through its constituent particulars. The principle of such a society in microcosm could be reproduced in the design of community currencies.

Oliver Cromwell established a 'Commonwealth' in 1649 after the English Civil War. It meant a government formed with the common consent of the people and it was

intended to replace the old regime of absolute monarchy and aristocratic rule. British democracy never recovered from the counter-revolution of 1660 (the restoration of the monarchy). But the American democracy subsequently retained the spirit and sometimes the name of that original Commonwealth. And it persists as the title of the largest and most diverse voluntary association of nation-states in the world today, following the break-up of the British empire. In the work of John Locke, whose political philosophy did so much to inform the English-speaking democracies, commonwealth referred not just to the form of government, but to what we might call 'the public good', the welfare of all citizens. Today the great corporations command our unequal world with all the haughty power and indifference to human welfare that was once the hallmark of the aristocracy in pre-revolutionary France. For us, however, 'Commonwealth' can no longer refer to anything less than democratic self-government by humanity as a whole; and economic democracy, in thousands of measures, large and small, is indispensable to achieving that end.

What then does the term 'common wealth' mean in the context of the community currency movement? What is the 'wealth'? Not the money itself, for sure. Money, conceived of as a commodity with its own value to be hoarded and deployed as an instrument of power, as capital, is the opposite of open money. Nor is the collectivization of such capital in the manner of twentieth century socialist regimes remotely appropriate either. Rather, the wealth to be mobilized is the human creativity in all of us, resources that have been ill-used for too long, because of the money regime we have been forced to live by. This creativity belongs to each individual, but it can only be realized in society, together. Society should be conceived of as a multitude of levels of association and many of these could take the form, as one of their dimensions, of a community with its own circuit of exchange and money. Economic democracy in this limited sense would point us to more inclusive forms of polity; and then perhaps the dream of abundance that has long inspired humanity would be realized as more than just the riches of a few.