

What is Money and Do We Really Need It?

By Tim Jenkin |

There is probably no subject that has been written about more frequently than money and its origins. Usually money is portrayed as a natural phenomenon like gravity, energy or light: one of the constants of the universe. It is assumed to have a unitary understanding across cultures and throughout history. It is also assumed to be a top-level concept, a subset of nothing.



There are many schools of thought about the origins of money. There are those who consider it to be a market phenomenon and thus arising out of the needs of the marketplace. Other schools consider it to be always and everywhere the creation of governments or states. Others consider it as arising out of the need for credit or as a necessity to settle debts. Irrespective of which school one supports, money's origin is sudden: it appears in the human record when ancients first meet in the marketplace, or when states appear for the first time, or when the need for credit arises, or when debtors need to borrow to settle their debts. Whenever historians look back in time and see some activity that today would involve money, they project their conception of money onto the ancients and assume that they understood and used their proto-money in much the same way as money is understood and used today.

The problem with all these different approaches to the origin of money is that they start with the concept of money itself. 'Money' is assumed to be universally understood and to have been part of the human story since the beginning of civilisation. As money is considered a top-level concept nothing is used to explain money itself. It just is, like God. Monetary historians tell us that there was a barbarous time before money was 'invented', when individuals had to barter to get what they wanted. This was so inconvenient that people invented money, from which point civilisation took off.

If any concept is considered as a top-level concept then its origin can't be explained by referring to something at a higher level; it can't be a product of something else. Its origin must be the result of a sudden, inexplicable 'big bang'. By having top-level concepts thought is broken up into vertical, linear, unrelated stacks of knowledge (like 'economics'). As we know, everything is related so there can't be any top-level concepts, for concepts are but abstractions of the totality, useful for helping us understand that complex

totality. While there can be levels of abstraction, knowledge is circular without boundaries preventing us from reaching ever higher levels of abstraction that help us explain lower levels.

Exchange

Money is actually a concept that is subsumed under the higher-level concept of exchange. Exchange is subsumed under life itself, for exchange is a property of life and probably of the universe as well. The life of any particular organism cannot be understood or explained adequately without considering its exchange relationships with other organisms. The very word 'relationship' implies exchange, for if there is no exchange of any kind there is no relationship.

The same applies to money: it can't be understood without considering it as an exchange concept. There is no history of money separate from the history of exchange, in the same way that there is no history of oil separate from the history of energy. Exchange is not a consequence of money; money is a consequence of exchange.

Humans, like all living organisms, exchange with other living organisms in a multitude of different ways. Human to human exchange also takes place in a great variety of ways but because humans tend to collectively produce their means of existence instead of obtaining it directly from nature using their instinctual and bodily tools, their exchange relationships are generally more complex than those of non-human organisms of the same type.

Regular, organised exchange results in the establishment of **exchange systems**. Every human society, from the simplest roving band to the most complex industrial societies of the 21st century, has an exchange system. These facilitate the sharing and exchange of energies in the production and distribution of their means of existence by establishing and maintaining relationships in time and space.

All exchange systems involve a number of **modes, means and methods of exchange**. On top of that, exchange systems consist of customs, conventions and rules that ensure the smooth flow of exchange without members of the society having to plan how to effect each and every transaction and negotiate fresh terms and conditions each time.

There are various **modes of exchange** that humans can use when engaging in exchange. Some are more suited for situations where the parties are known to each other, others for exchange between strangers. As societies become more complex, modes of exchange that deal more effectively with complexity are adopted. Each society is characterised by the combination of these modes and by which is dominant.

Reciprocal exchange (gifting) is dominant in simpler societies but still operates on the margins in more complex societies. Sharing or pooling, which involves *distribution* and *redistribution* was predominant in the ancient empires but is still evident in modern industrial societies; *exchange mediated with commodities or issued, circulating currencies* (market exchange) have been used throughout history, and is the predominant mode in the world today; exchange facilitated by *record keeping* has likewise been in use since the beginning of history but will be the predominant mode in our connected world. There is much that can be said about each of these, but let's keep it at that for now.

The **means of exchange** are the actual tools and mechanisms that are used to effect and facilitate exchange. Examples are writing, numeracy, accounting, clay tablets, knotted strings, tally sticks, coins, notes, credit cards, ATMs, banks, clearing houses, computer networks, algorithms etc.

The **methods of exchange** refer to the actual methods that are used to transfer and share value: sharing, gifting, barter, swaps, commodity exchange, monetary exchange, time exchange, record keeping, mutual credit etc.

All exchange systems provide the following, but obviously vary in the way they are applied and the emphasis given to each:

- A means to memorise or record contributions and distributions (given/received, sold/bought, provided/consumed, claims/obligations, input/output)
- A means to measure the value of these contributions and distributions (unit of value/unit of account)
- Rules to ensure a balance between contributions and distributions (credit/debit limits)
- Sanctions to prevent imbalances
- Measures to ensure that obligations to and claims on the community do not become excessive:
 - To prevent freeloading/theft, accumulation of wealth/power
- A means to exchange multilaterally:
 - Those who receive something should not be directly obligated to those who provide it, and those who provide something should not have to receive recompense directly from those they have supplied
- The ability to settle imbalances over a period of time:
 - Those who receive something should not have to provide equivalent value immediately, and those who provide something should not require immediate recompense
- A means to defer claims for a long period ('store of value')
- A means to receive credit/go into debit beyond current contributions (loans, credit, deep debit)

- A means to incrementally reduce large obligations over a period of time (loans, credit, debit, incremental reciprocations)
- A means to transfer claims and obligations to others

Class society and states emerged when a certain sector took control of the means of exchange. Since then every exchange system has been hijacked by the ruling class, using the power of the state to enforce usage of the means of exchange under their control. The scope of states has always been synonymous with the domain where they have been able to enforce the means of exchange under their control. Therefore, to create an exchange system that is under democratic control and functions equally for everyone it would need to have the following features as well:

- Exchange media replaced with information (metric currencies). The existence of exchange media permits capture and control of the exchange system and their elimination will get rid of usury, speculation and the ability to extract value without delivering value
- Transparency. Everyone should be able to determine the standing of everyone else (i.e. activity records should be public)
- Public accounts should be open for inspection
- The means of exchange should not be ownable or controllable - to prevent special interests from using them to advantage themselves and control others
- While seamless trade with any entity, anywhere should be possible, the focus should be local and the administration of exchange should be decentralised at the community level
- All methods of exchange should be promoted to prevent a monoculture that defines how our economies work and corrals us all into one economic paradigm

What is commonly referred to as the 'financial system' or 'monetary system' fits neatly into the above description of an exchange system. This is because these terms are really just inaccurate names for exchange system. Again, the use of these terms assume that all exchange is 'financial' or 'monetary' and that exchange that is not monetary is not worth considering (i.e. outside 'the economy').

Exchange systems evolve with the social groupings to which they apply. As the population increases and the society becomes more complex, different exchange methods need to be used. Where everyone knows or is related to everyone else the relations of exchange are simple and this is reflected in the use of simpler recording mechanisms that do not require much accuracy. But when societies become more complex, more involved recording mechanisms are required. Historically this led to the rise of a specialised class of administrators who kept track of inputs and outputs. Since these administrators were in control of the society's product, they effectively had control over the

population. This gave rise to class society. Centralised control over production and distribution resulted in centralised, distributionist economies. The bureaucratic overhead required to manage these societies eventually overwhelmed them and resulted in the adoption of exchange media ('money') as the preferred mode of exchange. The usage of exchange media gave rise to markets, which was a much more streamlined way of organising exchange than through centralised warehousing and accounting records.

With the formation of nation states, local exchange systems merged into national ones and today all are, in differing degrees, merged into a global exchange system. The trajectory appears to be the creation of a single, global exchange system with a single medium of exchange. The unification of 'money' and exchange will be complete.

Because money plays such a large role in all of our lives, we feel that we know exactly what it is. However, when taking an historical perspective, the concept 'money' appears to have morphed in meaning over time. It is also a very limiting and restricting concept that focuses only on methods of exchange that involve exchange media, even though for most of human history non-monetary methods of exchange were predominant.

Projection of their own understanding of concepts onto older and other cultures is a common shortcoming of academics, and especially of economists with a political or financial agenda. It is not accurate to say, for example, that the ancient Mesopotamians had 'money'. This invites us to believe that they had something similar to what we understand as money today, which is about as useful as saying that they also played sport, encouraging us to conjure up visions of bronze age football leagues and tennis tournaments!

It is probable that most ancient and traditional cultures had no word for 'money', at least not in the sense that it is used today. Monetary historians tend to lump together cattle, cowrie shells, gold bullion, silver coins, bills of exchange, currency notes, credit cards and Bitcoin under the same rubric 'money'. While it is true that all of these have been used to facilitate exchange, it is not very edifying to call them all 'money'. Projecting current conceptions of money onto anything used in the past to facilitate exchange is to deny that earlier cultures had or used their own unique methods of exchange. This diminishes the importance of non-monetary exchange and elevates monetary exchange to a position where it is the only form of exchange worth considering.

When exchange and money are presented as a unitary concept then neither the past nor the future can be any different from the present. There is no scope to reinvent exchange and therefore the relations of exchange can never change. Human economic life is set in stone.

What IS money then?

Economists define money in terms of its functions. They tell us that anything that serves as a medium of exchange, a unit of value/account and a store of value is money. Money is thus defined in terms of itself and thus turned into a static concept that can be applied with equal weight in any situation at any time.

But if money is seen rather as an exchange concept then it becomes less absolute and we can see that it is just one way or method of facilitating exchange, not the only way. Because of its connotations 'money' will always be a partisan concept, which means it should probably be discarded. As this is not likely to happen, the following is offered as a description of money (not a definition!) as it applies at the present time:

Money is an exchange method used in many exchange systems. This method involves the use of a medium of exchange that is issued into circulation by a centralised authority such as a state or chartered non-state financial institutions (banks). This medium of exchange is declared 'legal tender' in the domain over which the particular state claims to have jurisdiction, meaning that it is 'illegal' to refuse it when presented for the settlement of debts and the only 'legal' way to pay taxes. The declared medium of exchange is promoted as a monopoly in order to enclose all exchange within its 'space' and displace and discourage other modes of exchange.

This description could be padded out indefinitely but it is sufficient for now, provided a few riders are added.

Medium of exchange does not imply something tangible but it does imply that it has the property of quantity. Anything that exists in quantity has to be created, and creation implies a creator. Money is thus something 'created' for the express purpose of facilitating exchange, but it can't be created by anyone as there would then be no control over its supply and no one would trust it. There needs to be some connection between the supply of the exchange medium and the amount of goods and services available for exchange, otherwise it becomes meaningless.

Initially states usurped the role of creating and controlling the supply of the exchange medium as it gave them the most powerful weapon for controlling the population of the area over which the state claimed dominion.

Much subsequent history has been a struggle between states and non-state institutions wishing to take over control of the means of exchange, such that today it is these 'private' institutions that are on top. The two, however, have

formed a strategic alliance to keep the scheme going. Politics is essentially about who controls the means of exchange.

All states permit only one 'legal' exchange medium, the officially declared currency of the country. States also discourage the use of exchange methods that they are unable to tax, as this would decrease their revenue and weaken their ability to control the population. The very first ruler of the very first state realised that in order to control his subjects, he needed to be able to control the system of exchange. States today still operate according to this tried and tested formula.

The non-state institutions that today create the state-sanctioned medium of exchange, support their states' insistence that there should be a monopoly of the exchange medium. The 'economy' is the arena in which people produce and exchange using this monopolised exchange medium. The production of goods and services in this 'economy' is purely coincidental and secondary to the prime aim, which is to 'make money'.

The state/financial-institutions partnership promotes the notion that exchange is a consequence of money, and not the other way around. Without money, we are encouraged to believe, there will be no exchange and the economy will come to a grinding halt – in the same way that a car will not run if it has no petrol. Everyone needs to be kept on the treadmill in the pursuit of money, so that banks can continue to lend it to us at interest, businesses can continue to sell us stuff to realise a profit and states can continue taxing us for using it. There is a whole parasitic infrastructure dependent on our continued belief that money is as essential to life as air and water.

The 'economy' (that realm where money is the exclusive exchange method) is a closed box that attempts to enclose the remaining enclaves of social reality where non-monetary exchange continues to operate. Anything not captured by the official 'economy' is depicted as evil, illegal or subversive. Hence we have the 'underground economy', the 'dark economy', the 'shadow economy', the 'black market'.

We are all herded into this singular 'economy', which does its best to prevent us escaping by keeping us dependent on money and illegalising non-monetary exchange. We cannot imagine a world without money; that is equivalent to death. The fear of descending into poverty (lack of money, not the inability to produce and exchange) keeps us all prisoners.

Money is not essential for life but exchange is

For those who have grown up in a society where they are taught that the purpose of life is the pursuit of money, it is hard to think outside the 'money prison' that incarcerates them. Money, it seems, governs our lives totally and

without it life stops. There are too many examples of what happens when money ceases to flow: economies flounder and mass starvation ensues; the population flees in search of 'economic opportunities' elsewhere. Everyone follows the money; no one stops to think: "Is there another way?".

In earlier times most things were obtained directly by producing them or through exchange using non-monetary exchange methods, and somehow people survived. No one thought of 'the economy' as something separate from society, as a place where you go to earn money and as something that could cease functioning optimally just because there is a shortage or oversupply of the exchange medium!

Money has penetrated vertically to the deepest levels of our societies and enclosed upon almost every facet of our lives. It has expanded horizontally across the face of the earth and swallowed up just about every enclave that has resisted its expansion. Now money has reached its limits. There is little else for it to enclose, there is nowhere else for it to expand. This is manifesting in the form of a global financial crisis that cannot be resolved because money requires constant growth and expansion. Up against the limits, economies programmed by the logic of money have nowhere to go except collapse.

This widely predicted scenario cannot be resolved by reforming the financial system because it is a broken, dysfunctional system that was designed for a bygone era and as a tool to extract wealth from the majority to benefit the small group who control it. It is premised on growth so cannot serve any purpose in a world where we are up against physical limits and growth is no longer possible. Prolonging its life will just make the crisis worse.

There *is* a way out of the 'money trap', but it will only be found if the starting point is exchange and not money. When it is realised that money is just one method of exchange, and not a very good one at that, it is easier to recognise that there are a multitude of ways to exchange what we have and can do for what we need. We can begin to see that there are ways around money and that we don't need to go down with it.

The Internet revolution has changed everything. Now exchange media can be seen for what they are: an unnecessary relic from the past. They served their purpose in the era before computers and networks, but now issued, circulating currencies are a completely unnecessary 'middleman' inserted between traders when pure information (metric currencies) can do the same job much more efficiently. Metric currencies do not have to be created because all they do is measure and record. And because they are not created no one can control or use them to advantage themselves at others' expense. For excellent examples of how metric currencies are being used look at the [Community Exchange System](#) (CES), [Community Forge](#) and [IntegralCES](#). These are all linked into a

global network permitting inter-trading in a far more efficient way than the clumsy global financial system.

Older exchange methods such as gifting, bartering, swapping and sharing have been given a new lease of life, and new exchange methods such as time banking, time exchange, service exchange and information exchange have become truly effective as methods for distributing our energies.

States, businesses (entities producing for money) and financial institutions that have always worked together to keep us trapped in the money prison can do nothing to prevent us breaking out. Modern crypto-currencies operate outside conventional channels and blockchain technologies conceal from the parasites what exchanges people are making. Apart from that, metric currencies cannot be controlled, hijacked, stolen, manipulated, diverted, laundered, hidden, and speculated upon. All they do is record, and they do this in retrospect.

Gifting, bartering, swapping, sharing and other methods of exchange that have been enhanced by computer technologies are “off the books” so also cannot be monitored and leached by the parasites.

There is no need to invent new economic systems, adopt new ‘modes of production’, develop new economic theories or fight against the existing social system (capitalism). It is the mode of exchange that shapes societies, not the mode of production. Relations of production are a consequence of exchange relationships, which in turn are determined by the predominant mode of exchange prevailing at a particular time. Capitalism is ‘moneyism’ (as its name implies!) so unless we develop moneyless exchange methods that can challenge money (centrally-issued exchange media), nothing can or will change.

Commons-based peer production cannot be invented, like any new mode of production. What has to come first is commons-based peer exchange. This is the adoption of exchange methods that are truly commons based and administered, and not ‘enclosed’ by any institutions (state or otherwise). The exchange of commons production using centrally-issued and controlled exchange media (money, in all its forms) is not commons production; it is production that is still subservient to and dependent on the matrix. Commons-based peer production, as a mode of production, needs to be able to stand on its own. It needs to be detached from the mainstream mode, a separate, parallel ‘economy’ if you will, not something supporting or complementing capitalism. It can only achieve this status if it is founded upon a separate, parallel mode of exchange.

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So ultimately the answer to the question “what is money?” is that money is an exchange method that has not served humanity well. It has been used to

exploit and enslave and it keeps us in thrall to the tiny minority who control it for their own benefit. We don't need it and can survive without it. Let us reinstate exchange and learn that there are many ways to do it without money. At the same time we can get rid of usury, parasitic classes that have benefited by their control and manipulation of the exchange system, as well as states that have always upheld this exploitative structure. We can create a society that produces to satisfy human needs and not for the sole purpose of generating a profit. This means getting rid of economies (places where production takes place for profit instead of need) and reintegrating production with other social institutions.

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<http://www.ctte.org.za/what-is-money/>