An interview with Bernard Lietaer

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Beyond Greed and Scarcity

Few people have worked in and on the money system in as many different capacities as Bernard Lietaer. He spent five years at the Central Bank in Belgium, where his first project was the design and implementation of the single European currency system. He was president of Belgium's Electronic Payment System, and has developed technologies for multinational corporations to use in managing multiple currency environments.
He has helped developing countries improve their hard currency earnings and taught international finance at the University of Louvain, in his native Belgium. Bernard Lietaer was also the general manager and currency trader for one of the largest and most successful offshore currency funds. He is currently a fellow at the Center for Sustainable Resources at the University of California at Berkeley and is writing his seventh book: The Future of Money: Beyond Greed and Scarcity.

YES! editor Sarah van Gelder talked to Bernard about the possibilities for a new kind of currency better suited to building community and sustainability. He can be reached to discuss this topic via an Internet conference at: http://www.transaction.net/money/.

Sarah van Gelder of YES!:
Why do you put so much hope into the development of alternative currencies?

> **Bernard Lietaer**:
> Money is like an iron ring we've put through our noses. We've forgotten that we designed it, and it's now leading us around. I think it's time to figure out where we want to go--in my opinion toward sustainability and community--and then design a money system that gets us there.

So you would say that the design of money is actually at the root of much else that happens, or doesn't happen, in society?

That's right. While economic textbooks claim that people and corporations are competing for markets and resources, I claim that in reality they are competing for money - using markets and resources to do so. So designing new money systems really amounts to redesigning the target that orients much human effort.

Furthermore, I believe that greed and competition are not a result of immutable human temperament; *I have come to the conclusion that greed and fear of scarcity are in fact being continuously created and amplified as a direct result of the kind of money we are using.*

For example, we can produce more than enough food to feed everybody, and there is definitely enough work for everybody in the world, but there is clearly not enough money to pay for it all. The scarcity is in our national currencies. In fact, the job of central banks is to create and maintain that currency scarcity. The direct consequence is that we have to fight with each other in order to survive.

Money is created when banks lend it into existence. When a bank provides you with a $100,000 mortgage, it creates only the principal, which you spend and which then circulates in the economy. The bank expects you to pay back $200,000 over the next 20 years, but it doesn't create the second $100,000 - the interest. Instead, the bank sends you out into the tough world to battle against everybody else to bring back the second $100,000.

So some people have to lose in order for others to win? Some have to default on their loan in order for others to get the money needed to pay off that interest?

That's right. All the banks are doing the same thing when they lend money into existence. That is why the decisions made by central banks, like the Federal Reserve in the US, are so important --increased interest costs automatically determine a larger proportion of necessary bankruptcies. So when the bank verifies your "creditworthiness," it is really checking whether you are capable of competing and winning against other players - able to extract the second $100,000 that was never created. And if you fail in that game, you lose your house or whatever other collateral you had to put up.

That also influences the unemployment rate.

It's certainly a major factor, but there's more to it. Information technologies increasingly allow us to attain very good economic growth without increases in employment. I believe we're seeing one of the last job-driven affluent periods in the US right now. As Jeremy Rifkin argues in his book, The End of Work, jobs are basically not going to be there anymore, even in "good times."

A study done by The International Metalworkers Federation in Geneva predicts that within the next 30 years, 2 or 3 percent of the world's population will be able to produce everything we need on the planet. Even if they're off by a factor of 10, we'd still have a question of what 80 percent of humanity will do.

My forecast is that local currencies will be a major tool for social design in the 21st century, if for no other reasons than employment. I don't claim that these local currencies will or should replace national currencies; that is why I call them "complementary" currencies. The national, competition-generating currencies will still have a role in the competitive global market.

I believe, however, that complementary local currencies are a lot better suited to developing cooperative, local economies.

And these local economies will provide a form of employment that won't be threatened with extinction?

As a first step, that is correct. For example, in France, there are now 300 local exchange networks, called Grain de Sel, literally "Grain of Salt." These systems - which arose exactly when and where the unemployment levels reached about 12 percent*- facilitate exchanges of everything from rent to organic produce, but they do something else as well. Every fortnight in the Ariege, in southwestern France, there is a big party. People come to trade not only cheeses, fruits, and cakes as in the normal market days, but also hours of plumbing, haircuts, sailing or English lessons. Only local currencies accepted!

Local currency creates work, and I make a distinction between work and jobs. A job is what you do for a living; work is what you do because you like to do it. I expect jobs to increasingly become obsolete, but there is still an almost infinite amount of fascinating work to be done. For example, in France you find people offering guitar lessons and requesting lessons in German. Neither would pay in French francs.

What's nice about local currency is that when people create their own money, they don't need to build in a scarcity factor. And they don't need to get currency from elsewhere in order to have a means of making an exchange with a neighbor. Edgar Cahn's Time Dollars are a classical example [see page 24 of this issue]. **As soon as you have an agreement between two people about a transaction using Time Dollars, they literally create the necessary "money" in the process; there's no scarcity of money.** That does not mean there's an infinite amount of this currency, either; you cannot give me 500,000 hours - nobody has 500,000 hours to give. So there's a ceiling on it, yes, but there's no artificial scarcity. Instead of pitting people against each other, the system actually helps them cooperate.

So you're suggesting that scarcity needn't be a guiding principle of our economic system. But isn't scarcity absolutely fundamental to economics, especially in a world of limited resources?

My analysis of this question is based on the work of Carl Gustav Jung because he is the only one with a theoretical framework for collective psychology, and money is fundamentally a phenomenon of collective psychology. A key concept Jung uses is the archetype, which can be described as an emotional field that mobilizes people, individually or collectively, in a particular direction. Jung showed that whenever a particular archetype is repressed, two types of shadows emerge, which are polarities of each other. For example, if my higher self - corresponding to the archetype of the King or the Queen - is repressed, I will behave either as a Tyrant or as a Weakling. These two shadows are connected to each other by fear. A Tyrant is tyrannical because he's afraid of appearing weak; a Weakling is afraid of being tyrannical. Only someone with no fear of either one of these shadows can embody the archetype of the King.

Now let's apply this framework to a well-documented phenomenon - the repression of the Great Mother archetype. The Great Mother archetype was very important in the Western world from the dawn of prehistory throughout the pre-Indo-European time periods, as it still is in many traditional cultures today. But this archetype has been violently repressed in the West for at least 5,000 years starting with the Indo-European invasions - reinforced by the anti-Goddess view of Judeo-Christianity, culminating with three centuries of witch hunts - all the way to the Victorian era.

If there is a repression of an archetype on this scale and for this length of time, the shadows manifest in a powerful way in society. After 5,000 years, people will consider the corresponding shadow behaviors as "normal." The question I have been asking is very simple: What are the shadows of the Great Mother archetype? I'm proposing that these shadows are greed and fear of scarcity. So it should come as no surprise that in Victorian times - at the apex of the repression of the Great Mother **- a Scottish schoolmaster named Adam Smith noticed a lot of greed and scarcity around him and assumed that was how all "civilized" societies worked. Smith, as you know, created modern economics, which can be defined as a way of allocating scarce resources through the mechanism of individual, personal greed.**

Wow! So if greed and scarcity are the shadows, what does the Great Mother archetype herself represent in terms of economics?

Let's first distinguish between the Goddess, who represented all aspects of the Divine, and the Great Mother, who specifically symbolizes planet Earth - fertility, nature, the flow of abundance in all aspects of life.

Someone who has assimilated the Great Mother archetype trusts in the abundance of the universe. **It's when you lack trust that you want a big bank account. The first guy who accumulated a lot of stuff as protection against future uncertainty automatically had to start defending his pile against everybody else's envy and needs. If a society is afraid of scarcity, it will actually create an environment in which it manifests well-grounded reasons to live in fear of scarcity.** It is a self-fulfilling prophecy!

Also, we have been living for a long time under the belief that we need to create scarcity to create value. Although that is valid in some material domains, we extrapolate it to other domains where it may not be valid. For example, there's nothing to prevent us from freely distributing information. The marginal cost of information today is practically nil. Nevertheless, we invent copyrights and patents in an attempt to keep it scarce.

So fear of scarcity creates greed and hoarding, which in turn creates the scarcity that was feared. Whereas cultures that embody the Great Mother are based on abundance and generosity. Those ideas are implicit in the way you've defined community, are they not?

Actually it's not my definition, it's etymological. The origin of the word "community" comes from the Latin munus, which means the gift, and cum, which means together, among each other. So community literally means to give among each other.

Therefore I define my community as a group of people who welcome and honor my gifts, and from whom I can reasonably expect to receive gifts in return.

And local currencies can facilitate that exchange of gifts.

The majority of the local currencies I know about have been started for the purpose of creating employment, but **there is a growing group of people who are starting local currencies specifically to create community.** For example, I would feel funny calling my neighbor in the valley and saying, "I notice you have a lot of pears on your tree. Can I have them?" I would feel I needed to offer something in return. But if I'm going to offer scarce dollars, I might just as well go to the supermarket, so we end up not using the pears. If I have local currency, there's no scarcity in the medium of exchange, so buying the pears becomes an excuse to interact.

In Takoma Park, Maryland, Olaf Egeberg started a local currency to facilitate these kinds of exchanges within his community. And the participants agree that is exactly what has been happening.

That raises the question of whether local currencies can also be a means for people to meet their basic needs for food and housing, or would those sectors remain part of the competitive economy?

There are lots of people who love gardening, but who can't make a living from it in the competitive world. **If a gardener is unemployed, and I'm unemployed, in the normal economy we might both starve. However with complementary currencies, he can grow my salads, which I pay for in local currency earned by providing another service to someone else.**

In Ithaca, "HOURS" are accepted at the farmer's market; the farmers can use the local currency to hire someone to help with the harvest or to do some repairs. Some landlords accept Hours for rent, particularly if they don't have a mortgage that must be paid in scarce dollars.

When you have local currency, it quickly becomes clear what's local and what's not. K-Mart will accept dollars only; their suppliers are in Hong Kong or Singapore or Kansas City. But Ithaca's local supermarket accepts Hours as well as dollars. By using local currencies, you create a bias toward local sustainability.

Local currencies also provide communities with some buffering from the ups and downs of the global economy. You've been in the business of monitoring, dealing in, and even helping to design the global finance system. Why would communities want to be insulated from it?

First of all, today's official monetary system has almost nothing to do with the real economy. Just to give you an idea, 1995 statistics indicate that the volume of currency exchanged on the global level is $1.3 trillion per day. This is 30 times more than the daily gross domestic product (GDP) of all of the developed countries (OECD) together. The annual GDP of the United States is turned in the market every three days!

Of that volume, only 2 or 3 percent has to do with real trade or investment; the remainder takes place in the speculative global cyber-casino. This means that the real economy has become relegated to a mere frosting on the speculative cake, an exact reversal of how it was just two decades ago.

What are the implications of this? What does it mean for those of us who aren't transacting deals across international boundaries?

For one thing, power has shifted irrevocably away from governments toward the financial markets. When a government does something not to the liking of the market - like the British in '91, the French in '94 or the Mexicans in '95 - nobody sits down at the table and says "you shouldn't do this." A monetary crisis simply manifests in that currency. So a few hundred people, who are not elected by anybody and have no collective responsibility whatsoever, decide what your pension fund is worth - among other things.

You've also talked about the possibility of a crash in this system...

Yes, I see it now as about a 50/50 chance over the next five or 10 years. Many people say it's 100 percent, and with a much shorter time horizon. **George Soros, who's made part of his living doing what I used to do - speculating in currencies - concluded, "Instability is cumulative, so**

that eventual breakdown of freely floating exchanges is virtually assured." Joel Kurtzman, ex-editor at the Harvard Business Review, entitles his latest book: The Death of Money and forecasts an imminent collapse due to speculative frenzy.

Just to see how this could happen: all the OECD Central Banks' reserves together represent about $640 billion. So in a crisis situation, if all the Central Banks were to agree to work together (which they never do) and if they were to use all their reserves (which is another thing that never happens) they have the funds to control only half the volume of a normal day of trading. In a crisis day, that volume could easily double or triple, and the total Central Bank reserves would last two or three hours.

And the outcome would be?

If that happens, we would suddenly be in a very different world. **In 1929, the stock market crashed, but the gold standard held. The monetary system held. Here, we are dealing with something that's more fundamental. The only precedent I know of is the Roman Empire collapse, which ended Roman currency.** That was, of course, at a time when it took about a century and a half for the breakdown to spread through the empire; now it would take a few hours.

So local currencies could provide some resilience for a community that could help it survive a currency melt-down or some other international breakdown. You've also mentioned that local currencies help promote sustainability. What's the connection?

To understand that, we need to see the relationship between interest rates and the ways we discount the future.

If I ask, "Do you want $100 now or $100 a year from now," most people would want the money now simply because one can deposit money risk-free in a bank account and get about $110 a year later. Another way of putting it is that if I were to offer you $100 a year from now that would be about equal to offering you $90 today. This discounting of the future is referred to as 'discounted cash flow'.

That means that **under our current system it makes sense to cut down trees and put the money in the bank; the money in the bank will grow faster than trees. It makes sense to "save" money by building**

poorly insulated houses because the discounted cost of the extra energy over the lifetime of the house is cheaper than insulating.

We can, however, design a monetary system that does the opposite; it actually creates long-term thinking through what is called a "demurrage charge." The demurrage charge is a concept developed by Silvio Gesell about a century ago. His idea was that money is a public good - like the telephone or bus transport - and that we should charge a small fee for using it. In other words, we create a negative rather than a positive interest rate.

What would that do? If I gave you a $100 bill and told you that a month from now you're going to have to pay $1 to keep the money valid, what would you do?

I suppose I would try to invest it in something else.

You got it. You know the expression, "Money is like manure; it's only good when it's spread out." **In the Gesell system, people would only use money as a medium of exchange, but not as a store for value. That would create work, because it would encourage circulation, and it would invert the short-term incentive system. Instead of cutting trees down to put the money in the bank, you would want to invest your money in living trees or installing insulation in your house.**

Has this ever been tried?

There are only three periods I have found: classical Egypt; about three centuries in the European Middle Ages, and a few years in the 1930s. In ancient Egypt, when you stored grain, you would receive a token, which was exchangeable and became a type of currency. If you returned a year later with 10 tokens, you would only get nine tokens worth of grain, because rats and spoilage would have reduced the quantities, and because the guards at the storage facility had to be paid. So that amounted to a demurrage charge.

Egypt was the breadbasket for the ancient world, the gift of the Nile. Why? Because instead of keeping value in money, everybody invested in productive assets that would last forever - things like land improvements and irrigation systems.

Proof that the monetary system had something to do with this wealth is that it all ended abruptly as soon as the Romans replaced the Egyptian 'grain standard' currency with their own money system, with positive interest rates. After that, Egypt ceased being the grain-basket, and became a "developing country" as it is called today.

In Europe during the Middle Ages - the 10th to 13th centuries - local currencies were issued by local lords, and then periodically recalled and reissued with a tax collected in the process. Again, this was a form of demurrage that made money undesirable as a store of value. The result was the blossoming of culture and widespread well-being, corresponding exactly to the time period when these local currencies were used.

Practically all the cathedrals were built during this time period. If you think about what is required as investment for a small town to build a cathedral, it's extraordinary.

Because cathedrals take generations to build?

Well, not only that. Besides the obvious symbolic and religious roles - which I don't want to belittle - one should remember that cathedrals had an important economic function; they attracted pilgrims, who, from a business perspective, played a similar role to tourists today. These cathedrals were built to last forever and create a long-term cash flow for the community. This was a way of creating abundance for you and your descendants for 13 generations! The proof is that it still works today; in Chartres, for instance, the bulk of the city's businesses still live from the tourists who visit the cathedral 800 years after it was finished!

When the introduction of gunpowder technology enabled the kings to centralize power in the early 14th century, the first thing they did was to monopolize the money system. What happened? No more cathedrals were built. The population was just as devoutly Christian in the 14th or 15th century, but the economic incentive for collective long-term investments was gone.

I use the cathedral simply as an example. Accounts from 12th century estates show that mills and other productive assets were maintained at an extraordinary level of quality, with parts replaced even before they wore out. Recent studies have revealed that the quality of life for the common laborer in Europe was the highest in the 12th to 13th centuries; perhaps even higher than today. When you can't keep savings in the form of money, you invest them in something that will produce value in the future. So this form of money created an extraordinary boom.

Yet this was a period when Christianity was supreme in Europe and so presumably the Great Mother archetype was still being repressed.

Well, actually a very interesting religious symbol became prevalent during this time: the famous "Black Madonna." There were hundreds of these statues during the 10th to 13th centuries, which were in fact statues of Isis with the child Horus sitting on her lap, directly imported from Egypt during the first Crusades. Her special vertical chair was called the "cathedra" (which is where the word cathedral comes from) and interestingly this chair was the exact symbol identifying Isis in ancient Egypt. The statues of the Black Madonnas were also identified in medieval time as the "Alma Mater" (literally the "Generous Mother," an expression still used in America to refer to someone's 'mother university').

The Black Madonnas were a direct continuity of the Great Mother in one of her most ancient forms. She symbolized birth and fertility, the wealth of the land. She symbolized spirit incarnate in matter, before the patriarchal societies separated spirit from matter. So here we have a direct archetypal linkage between the two civilizations that spontaneously created money systems with demurrage charges while creating unusual levels of abundance for the common people: ancient Egypt and 10th-to-13th century Europe. These money systems correspond exactly to the honoring of that archetype.

How interesting! What potential do you see for local currencies to bring this Great Mother archetype of abundance and generosity into our economic system today?

The biggest issues that I believe humanity faces today are sustainability and the inequalities and breakdown in community, which create tensions that result in violence and wars. We can address both these issues with the same tool, by consciously creating currency systems that will enhance community and sustainability.

Significantly, we have witnessed in the past decades a clear re-awakening of the feminine archetype. It is reflected not only in the women's movement, in the dramatic increase in ecological concerns, or in new epistemologies reintegrating spirit and matter, but also in the technologies that enable us to replace hierarchies with networks (such as the Internet).

Add to these trends the fact that **for the first time in human history we have available the production technologies to create unprecedented abundance. All this converges into an extraordinary opportunity to combine the hardware of our technologies of abundance and the software of archetypal shifts.**

Such a combination has never been available at this scale or at this speed: it enables us to consciously design money to work for us, instead of us for it.

I propose that we choose to develop money systems that will enable us to attain sustainability and community healing on a local and global scale. These objectives are in our grasp within less than one generation's time. Whether we materialize them or not will depend on our capacity to cooperate with each other to consciously reinvent our money.