

# THE PERSONALIST IDEA OF MONEY. HOW TO CHANGE A SYSTEM TOO BIG TO FAIL?

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“The debate on the future of money is not about inflation or deflation, fixed or flexible exchange rates, gold or paper standards, but about the kind of society in which money is to operate.”

G. Simmel *Philosophie des Geldes, Philosophy of Money*  
1900

# A story in four steps

- Why the system failed? The syndrome of moral myopia
- Back to the principles of economic wisdom
- Anticipating the future of money.
  - ▣ Bernard Lietaer, *The Future of Money. A new way to create wealth, work and a wiser world, 1999.*
- The practice of complementary currencies:

# Why the system failed?

- The sub prime-mortgage crisis in the USA as a trigger
- Since the 1980's, the system turned a blind eye to its inherent risks and promoted irresponsible, short time oriented and speculative behaviour
- In classical tragedies a process of moral myopia and hubris always comes before the catastrophe.

# The process of moral myopia

- ❑ Uncritical belief in the efficient market paradigm
- ❑ Abolition of the distinction between traditional and investment banking.
- ❑ Prioritisation of shareholder value over stakeholder value as the aim of business
- ❑ A cultural obsession of ‘always more and bigger’ which leads to megalomania.

# Back to economic wisdom

- Business ethics as an effort to re-contextualise *the principles of economic wisdom*.
- Wisdom is not anti-scientific. It integrates the best of scientific research but it relates to other complementary resources of intelligence as well.
- Wisdom learns from spiritual traditions, personal experience, common sense and open dialogue.

# Four principles of economic wisdom

- The primacy of the real over the financial economy (Aristotle)
- The interest restriction (the late scholastic interest theory)
- The idea of democratic and cooperative entrepreneurship (utopian socialism, personalism)
- The principle of frugality (spiritual traditions)

# The Future of Money (B. Lietaer)

- 'Presencing' the Future (O.Scharmer)
- Scenario's of the future (1999)
  - ▣ The impossible 'official future'
  - ▣ Four possible scenario's:
    - Without a monetary crash: 'corporate millenium' and 'sustainable abundance'
    - Reacting to a monetary crash: 'hell on earth' and 'caring communities'



*no monetary crash*

Corporate Millenium

Sustainable  
Abundance

*Individualistic  
priorities*

*Non individualistic  
priorities*

Hell on Earth

Careful  
communities

*monetary crash*



# A personalist idea of money

- Complementary currencies as complements making possible new local and social activities within the current system
- *“Money is an agreement, within a community, to use something as a means of payment “*
  - Money as a relational good
  - Based on trust and credibility
  - Reciprocity versus relations of power
  - Promoting an idea of society

# The industrial monetary agreement

- Based on the monopoly of national currencies and the privileged role of banks
- Limits of the industrial age: monetary instability, rapid ageing population, creation of cyberspace, climate crisis and loss of biodiversity
- Monetary diversity as the appropriate response

# Key features of national currencies

- Geographical attachment to a nation-state
- Banks create money out of nothing: 'Fiat money'
- Control and supervision by a central national bank regulating the amount of money
- Regular payment of interest

# Complementary currencies

- ❑ Over 4000 currencies in use
- ❑ Not any more attached to a national state
- ❑ No 'fiat' money. Money creation is based on a system of mutual credit.
- ❑ No need of banks. Private companies, local communities or non-profit organizations can take the initiative.
- ❑ No payment of interest. In some cases there is an 'interest' to pay for hoarding the currency called a 'demurrage'

# Expected benefits

- Diversity makes the monetary system more resilient to crash situations
- Breaking the monopoly of the banking system without abolishing its positive role
- Rediscovering the principles of economic wisdom
- Challenging the rational 'homo economicus'

# Conclusion

- ***“Just as river banks and dams determine where water is encouraged or discouraged to flow, our monetary or currency system (from the Latin verb currere – to flow) determines the directions in which human energies are encouraged or discouraged to go, and what we can individually and collectively create as a result. It is for this reason the most influential of all our man-made systems”***  
(Bernard Lietaer).