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### **The Future of Money**

We all know what money is, don't we? Money is the notes and coins that governments print and mint to facilitate economic transactions. Money is a statement of faith in the value of instruments of exchange. Bearers of such instruments believe the promise that, on demand, or soon after, they may exchange amounts of that money for goods and services to the value specified, or for alternative promissory instruments to that value.

Most of us in advanced economies assume that every commercial transaction requires money! But does it? Barter is primitive! Or is it? Surprisingly, spontaneous new forms of barter and exchange are occurring, by-passing money at least in part. A very strange phenomenon has occurred in Kinko copier stores all over the US in past few years. As customers queued for copying, printing and other computer-related services, they struck up friendships with others waiting in line. A community of Kinko users appeared; friendships evolved. Teleworkers in particular, missing the socializing of an office environment, would go to the store even if they had no copying to do!

Often these new friends discovered that they were potential customers for each other's services. On the basis of newfound friendships, and in their spare time, they exchanged advice and bartered services. Why bother? The recipients of such 'favours among friends' don't need to dip into their savings and they avoid the need to pay sales taxes; and the seller was paid with a promise of reciprocation that carries no burden of income tax.

Bartering is just the start. A shared sense of trust is all it takes to create a currency. Local communities have such trust in abundance, so they can issue their own notes of credit that will pay for goods and services in and around the locality. There are already hundreds of these Local Exchange Trading Schemes (LETS) in the UK alone: issuing acorns, bobbins, cockles, cranes, groats, naaris, strouds, trugs. The idea was first introduced in Canada to kick-start the local economy of a depressed mining community, which boasted a high degree of internal community trust. They cut right across the vicious circle of untrusting formality that is the banking system. Banks work on credit-worthiness calculated on formal employment status, or ownership of capital goods. When you are not credit-worthy, the cost of borrowing goes up, and you become even less credit-worthy. With LETS the uncredit-worthy get credit.

LETS need trust; trust needs a sense of community; social pressures in a community ensure that all debts are repaid, reinforcing a virtuous circle of communal trust. A closed community can play this non-profit zero-sum game for the mutual benefit of all.

Everyone starts at zero, and keeps track of debits and credits by double entry book-keeping of IOU tokens. Usually measured in hours of work, these tokens assume that an hour's labour is the same, no matter what the work; baby-sitting, gardening, window cleaning, hair-dressing, consulting. However, as the market for such tokens got more sophisticated, some schemes have introduced agreed differential rates to pay for more highly skilled work like doctoring, accountancy or advice on computing.

This confused situation is becoming even more confused as new technology changes the nature of government money. Such money is becoming electronic information; mere strings of binary bits stored on a smart-card. At present there are 27 different countries experimenting with such digital money: in the UK, Mondex is running a pilot study in Swindon. Using the same technology, now Global Exchange Token Schemes (GETS) are possible. What constitutes money will no longer be monopolized by national governments. "Money does not have to be created legal tender by governments. Like law, language and morals it can emerge spontaneously. Such private money has often been preferred to government money, but government has usually soon suppressed it" (Hayek). In the Information Age, in the age of Internet can government keep suppressing it? Hayek's vision of *the Denationalisation of Money* can now become a reality.

This is not a new idea. It was developed by Chinese family businesses, which have spread across the globe over the centuries by many diaspora. 'Chip chop' money has been used for generations to bypass the national financial regulations of their host countries. Otherwise known as *Fei-Chien* (flying money), a huge underground banking system based on a code of trust has developed within the worldwide Chinese community.

At a time when so many Europeans are soul-searching over a single currency and monetary union (in essence solving yesterday's problems), such alternative currencies can spring up anywhere. With networked tills accepting digital cash, the transaction costs of exchange will become insignificant. It will be of little consequence for traders whether there are one or one thousand currencies in circulation.

Now every corporation can issue its own electronic money. In devising loyalty schemes, supermarkets are basically the issuing 'plastic money'. Companies can go much further. The real issue is not "dollar bills, but Bill's dollars"; Bill Gates' dollars. A company can issue a proportion of its equity as digital cash. Instead of the value of money decreasing as governments profit from the hidden tax of inflation, the value of money can actually increase if the company's shares go up in value.

The LETS (and now GETS) idea can become a mechanism for company money. Then buying and selling goods and services within the company community, employees and customers, becomes a form of transfer pricing, which like the above schemes are invisible to the taxation authorities. Such company schemes can be computerized and they can go global! And why be restricted to the globe? Why not go off-planet? A satellite can act as a depository for digital cash. Customers send not only their digital cash and other information capital, but also the digital safe that secures it; and they hold the only key. The term 'Capital Flight' will take on a whole new meaning. The worldwide government conspiracy over the issuing of money will finally be smashed. Then, like in William Gibson's science fiction novels, governments will try to ban money. The 'control freaks' of government will have finally lost the plot.

So we all know what money is ..... or do we?

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