



James Robertson, Almantas Samalavičius

## Future money

### A conversation with James Robertson

**Published 29 August 2012**

Original in **English**

First published in **Kultūros barai 9/2012 (Lithuanian version); Eurozine (English version)**

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Understanding the need to combine economics and ethics amounts to a "Copernican revolution", says James Robertson, co-founder of the New Economics Foundation. The survival of our species depends on our making the money system work in ways that will "enable and conserve".

**Almantas Samalavičius:** In one of your early books, *Profit or People: The New Social Role of Money* (1974), you remarked that "established institutions acquire a life and momentum of their own. Today our institutions are like a huge ocean liner, seemingly out of control, locked on a course and moving steadily in the wrong direction." What strikes me reading these lines today, in the context of the ongoing financial and economic crisis, is how precisely they diagnose the problem of contemporary financial institutions (both local and international). As you note in your latest book [Future Money](#), "casino-banking" has grown into a huge global enterprise. I would like to start by asking whether, in your opinion, there need to be more financial collapses in order for the depth of the present problems to become fully clear. Or do you see signs that governments have started to understand that large-scale financial and monetary reforms are urgently needed?

**James Robertson:** My answer to your question about more financial collapses is No. We don't need any more. We must prevent them happening. Their effects would be more likely to accelerate the self-destruction of the human and other species than help to avoid it. We need to compel our governments urgently to bring in reforms on the lines I propose in *Future Money*. Those will add up to a comprehensive new way of organizing of how



the system of money will work fairly and efficiently to meet the needs of people and many other forms of life; to help our human species to survive at least beyond the end of this century.

Those reforms will have a doubly necessary effect: first, in the short term, they will ease the “austerity” now being imposed on most people in the world in response to the financial crisis that began in 2007-2008 and still continues; second, for the longer term the reforms will reduce the risk of frequent future financial crises continuing to happen again and again.

To your question about whether governments understand the need for reforms, the answer is Yes, they are beginning to understand it. Public and governmental outrage is growing throughout the world, accompanied by an understanding that how the money system has been working must be changed. Mervyn King, the governor of the Bank of England, has suggested that the present global financial crisis that started in 2007-2008 could last at least another four years. That prospect of prolonged “austerity” – with its effects on public order and its political consequences – may well force financial professionals to accept more radical changes in the money system than they can now contemplate. Similarly, the continuing failure to resolve the eurozone crisis may force more radical changes on the European money system than conventional politicians and their financial expert advisers can now imagine.

Examples of the kind of reforms needed include:

- Stopping rich people and businesses being able to dodge the taxes they should pay to society.
- Preventing bankers profiting their banks and themselves by falsifying the reported interest rates at which banks lend money to one another – through the Libor (London Interbank Offered Rate) and Euribor (Euro Interbank Offered Rate) systems.
- Obliging banks to pay more attention to their “retail banking” competence than to their present “casino banking”, as illustrated by the recent breakdown in the payments services of the Royal Bank of Scotland (owned by the British government) that has left hundreds of thousands of its customers deprived of access to their accounts.
- Stopping the practice, widespread among big British banks, of deliberately cheating small businesses by enforcing risky conditions on loans that they have not told borrowers about or that borrowers have not understood.



**AS:** In *Future Money* you claim that “today’s professional understanding of how money works is still at a primitive stage”. What are the reasons for this ignorance? Is it because alternative thinking in the sphere of economy has been too slow to capture the minds of professional circles? Because the financial policy of largest states and international organizations is based on false assumptions? What can break this vicious cycle?

**JR:** “Groupthink” is a common fault of most established professional, academic and political communities. It is supported by the pressures of financial interest and career advancement. Many influential people in virtually every country in the world benefit financially from how the money system now works. The *status quo* is also important to their sense of identity, importance and worth. If you have dedicated your life to work or teaching based on conventional assumptions, you will strongly resist the idea that they have been wrong. That would imply that how you have been working or teaching has been a waste of your life, if not positively damaging to other people.

I go into this in more detail in the Conclusion to *Future Money*. For example, I quote Machiavelli in *The Prince*, advising that “he who introduces a new order of things has all those who profit from the old order as enemies, and he has only lukewarm allies in all those who might profit from the new”. I also refer to Thomas Kuhn’s theory of scientific paradigm shift in *The Structure of Scientific Revolutions*. People do not normally give up their convictions, even if these have become untenable, because this would be too threatening to what they see as their identity and their professional and economic existence. They combat against the challenge or challengers – as long as they manage to defend their status; or, as time goes by, until they become marginalized and die out. That’s what Kuhn called the “biological solution” to competing paradigms and to the struggle between conservative and progressive positions.

**AS:** For a number of years there has been very little discussion about the relationship between money and values, or money and ethics as you put it in your book. Do you see any positive mental changes acknowledging the bonds between ethics, money and business? If so, are these more than accidental examples? Or is there an improving climate for accepting ethical principles in the monetary sphere?



**JR:** We are necessarily coming to the end of a period of history during which conventional economic thinking has done its best to separate economics from ethics and instead to turn economics into a factual science. More and more people are coming to see that the survival of our species depends on our becoming more intelligent in that respect; we have to make the money system work in ways that will motivate everyone to “enable and conserve”, so that we and other living species survive. Understanding the need to design our money system to achieve that purpose amounts to a “Copernican revolution”.

**AS:** 1989 was crucial in bringing Cold War to an end, in demolishing the communist empire that had held a large part of Europe in its grip for more than half a century. However, in eastern and central Europe as well as in some other areas, the last two decades have been full of controversies over economic and financial policies. Most obvious was the popularity of the notion, advocated by the late Milton Friedman and his adherents, that the market economy needs no regulation. In your opinion, what does eastern Europe need to do to ensure a sounder economic awareness? Or must we wait until a younger generation takes the initiative of reconstructing university courses?

**JR:** The worldwide human society of today is dominated by what is essentially a single globalized money system. This has developed over the last two hundred years out of the collection of the separate currencies of previous centuries. For example, when Marco Polo returned to Italy from China in the thirteenth century, he reported on the special features of the Chinese money system, which he suggested European traders might learn from. But he had no idea that future worldwide trade would lead to a system of currency exchange that would be more than a necessary service in support of useful trade. Only in recent times has the market for buying and selling currencies become the most important market of all.

What should have been a helpful tail for the dog to wag is no longer a useful appendage. The money system is now the tail that wags the dog. This can be understood as a form of elephantiasis – a horribly disabling and disfiguring disease. The whole of humanity now suffers from it. It threatens the future of us all.

That will seem an extreme view to some people. But it suggests that eastern Europe should not be treated as a special case. If the present money system



and the conventional academic support for it remain unreformed, they will destroy the future of humanity as a whole.

**AS:** In *Future Money* you argue that the present understanding of the monetary system is comparable to the pre-Copernican mentality in interpreting the solar system. You suggest an alternative understanding of how money works in the world. However, paraphrasing Benjamin Barber, who said that democracy, like a good book, needs time: Can we afford the slow pace it takes for alternative understandings to mature and be disseminated? For many years, economics was separated from ecology; sometimes it seems we are simply running out of time. What can be done to speed up the integration of ideas about monetary reforms into so-called common knowledge?

**JR:** There is no easy answer. The impetus needed to start unstoppable support for the necessary money system reforms will depend on pressure from growing numbers of intelligent, active citizens around the world who value the human future more highly than the *status quo*. It is for us to get the bandwagon of change rolling so that other people can see it is in their interest to join it.

I see the challenge we face as being comparable to the one Antonio Gramsci described in his letters and prison notebooks in 1929. It calls for pessimism of the intellect (we must recognize that the obstacles to necessary changes appear overwhelming) combined with optimism of the will (we must nevertheless do what we can to make the changes happen).

**AS:** Going through your website, I came across a note on E. F. Schumacher – a alternative economist and social thinker – and Ivan Illich – an equally challenging philosopher and critic who scrutinized our modern prejudices and preconceptions about modernity and its social institutions. Both of these thinkers inspired many people worldwide. What role have they played in your own intellectual development and thinking?

**JR:** In 1973 my change of career freed me to catch up with a lot of what had been happening in the previous twenty years that I had not been following. I became interested in the environmental movement, the women's movement, futures studies, and the "convivial society" ideas of Illich and the "small-is-beautiful" thinking of Schumacher, both of whom it was a privilege to get to know personally.



On the rebound after twenty years in the big systems of government, business and money, my earlier involvement in decolonization attracted me to the idea of people liberating themselves from being too dependent on those big systems, and developing more local and personal ways of organizing their lives – work, food, technologies, health, education, money (local currencies and other local financial services), and so on.

I still see this shift of emphasis towards local and personal co-operative self-reliance as a vitally necessary response to the future that human societies now face. But that doesn't mean we can just decide to detach ourselves *en masse* from the big interlocking systems of government, business and money. For one thing, in today's global village there are obviously crucial matters to be dealt with at national and international levels. For another, the people running those big systems won't easily let go of the power they have over us now. It is wishing for the moon to hope that they will voluntarily get off our backs without being encouraged or compelled to do so. Smooth and peaceful liberation will only be achieved when it is matched by deliberate, planned giving up of power – decolonization.

**AS:** You advocate large scale monetary reform that, of course, can not be discussed at length here. However, what are the most urgent and essential steps that governments must make? Is it more important to introduce an international reform of the money system or to start by reshaping local currencies, for example introducing local money within states?

**JR:** The essence of the “Copernican revolution” idea is that we need to understand the money system and reform it *as an integrated system* of thought and action. Its various elements must be made to work efficiently and fairly together, to regulate the exchange of goods and services and motivate us to help one another and conserve the earth's resources that we rely on for our survival and wellbeing.

For example concentrating on setting up new local currencies and other local financial institutions wouldn't achieve very much if we continued to allow centralized national and international financial institutions to siphon wealth out of localities and transfer it to the richest and most powerful element of the world's and each country's population. The fact is that if we continue to allow the managers of the money system to develop it piecemeal as they have done throughout its history, it will continue to be disastrously inefficient and unfair, and ultimately lead to our self-



destruction.

The practical challenge is for reformers to concentrate on making particular reforms happen, while understanding how they fit in with other parts of the larger picture. This calls for a response to the present global financial collapse which gets to the root of its cause. It can help us to prolong the life of our species and to break through to a new kind of future. We now need to mobilize the collective statesmanship to put it into practice.

**AS:** You seem to suggest that both capitalism and socialism are worn out and compromised. What kind of economy, in your opinion, has the potential to take shape in the future and on what ideas it will be based, assuming it is not yet too late?

**JR:** Capitalism and socialism have now become abstract notions without practical meaning. What should we do? What action should we take? Those are the questions we must answer. Arguing about capitalism and socialism – and suggesting any other abstract term in their place – is a wasteful distraction of people’s energy and time.

The practical new principles for the money system at national and international levels should include the following:

- Public agencies serving the common interest should create the public money supply.
- People and businesses and other organizations should be rewarded untaxed for the contributions we make by our efforts and skills to the wellbeing of other people and for the contributions we add to the value of common resources.
- People and businesses and other organizations, including public service and other nonprofit organizations, should be taxed on the value they take from common resources.
- The revenue from those taxes – after democratic decisions on what is needed to finance other public services – should be fairly shared among us all as a citizen’s income.

Those arrangements should be designed to help us to meet our own needs in ways that help others to meet theirs and to conserve our common inheritance of the world’s resources. They should free us from continually increasing dependence on centralized national and international money, and on big business and government to meet all our needs, and so enable us to



reduce our use of conventional mainstream money.

*4 July 2012*