

# The Lot of the Currency Designer

Graham Barnes, Ciaran Mulloy

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The Lot of the  
Currency  
Designer

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Ciaran Mulloy

Currency Design  
- Overview

Currency can be  
designed

Objective #1 :  
Increased  
liquidity

Design Objective  
#2:  
Re-localisation

Design Objective  
#3 : Behaviour  
change

Rewards /  
incentives and  
penalties.

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over again

# Title

- ▶ Alternative title
  - ▶ Issues that can be addressed by the Currency Designer

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# Currency Attributes

- ▶ Designed to fulfil specific objectives
- ▶ Not all transactions are of equal importance
- ▶ Potentially free to redesign ourselves away from our existing pervasive elite monetary hegemony
- ▶ Reclaim the monetary commons

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# Acknowledgement:

Richard Douthwaite 1942 – 2011

- ▶ Economist, Ecologist
- ▶ Co-Founder of Feasta
- ▶ Author “The Ecology of Money” (1999 on-line)
- ▶ Author “The Growth Illusion” (1992)



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# Exchange currency

- ▶ Primarily to facilitate the exchange of goods and service
- ▶ Debt based currencies (euros, dollars etc) performs this function
  - ▶ also to be a secure store of value
  - ▶ these two functions sometimes act against each other
- ▶ a functional means of exchange takes precedence

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# Currency can be designed to:

- ▶ Promote or support specific values
- ▶ Encourage certain behaviours or outcomes

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# Mainstream economist might suggest:

- ▶ That currency should be neutral
- ▶ It should facilitate any sort of exchange
- ▶ Incorporate no inbuilt value-association

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# Even fiat money fails this test!

- ▶ Created by being lent into circulation
- ▶ Created out of thin air as debt
- ▶ Borrower forced to create value faster than the debt grows through compounded interest

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# Currency is provided:

- ▶ By those who have more than they need
- ▶ To those who need more than they have
- ▶ Wealth thus created is a capital rent
- ▶ Bestowed on the lender solely by virtue of the fact that he already has the money
  - ▶ (Or the issuance rights)
- ▶ Not because he is clever or industrious!

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# Growth required to repay the debt+interest

- ▶ Theoretically extent of the growth implied is moderated by a level of debt default
  - ▶ The higher the risk the more interest is payable
- ▶ As debtors are not allowed to default in the current crisis: -
  - ▶ Their debt is 'socialised' i.e. picked up by non-participants in the loan
  - ▶ Typically the taxpayer!
  - ▶ Lender's position is held paramount

# Unfortunate aspects of Debt based money:

- ▶ Its role in increasing inequality
- ▶ Failure to recognise financialised-economy is the tail wagging the real-economy dog
- ▶ Its need for infinite growth on a planet with finite resources

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# Currency design

- ▶ Currency design as a legitimate profession!
- ▶ Anticipates and welcomes the emergence of multiple 'Designer Currencies'

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# Why increased liquidity?

- ▶ Banking concerns about loss of preferential role in economy?
- ▶ Ongoing efforts by banks to implement capital adequacy
- ▶ And progressive transfer of debt to citizens
  - ▶ Giving rise to further social hardship

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# 'Self-issued credit' approach to additional liquidity

- ▶ Backed by IOU's against a promise of future goods or services
- ▶ These IOU's can be traded without the need for a debt-based currency

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# Exchange currencies

- ▶ Douthwaite's view was that exchange currencies, once established, need no backing
- ▶ Have value by virtue of the confidence that they are widely accepted within the community

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# Ability to 'cash in' the currency discouraged!

- ▶ Ability to 'cash in' the currency for the backing currency
  - ▶ decreases the very liquidity which we want to create!
- ▶ Need to design in 'leakage inhibitors' -
  - ▶ Mechanisms to stop, control or mitigate the loss of circulating currency



# Pure Liquidity Network

- ▶ Leakage inhibitor is 100%
- ▶ Typical 'proxy pound' the inhibitor is 5%
  - ▶ (like the Brixton, Lewes and Totnes Pounds in UK)
  - ▶ Proxy pounds can be changed back into sterling at 95% of face value

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# Leakage inhibitors

- ▶ A key tool in the currency designer's kitbag!
- ▶ Could be achieved via an exchange rate
- ▶ Setting conditions stating which units may be exchanged and when

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# Backing for an exchange currency

- ▶ Like trainer wheels on a child's bike
- ▶ Needed to get the currency rolling
- ▶ Discarded once momentum is established



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# Rebuilding of local economies

- ▶ Provide communities with means of retaining wealth
- ▶ Reverse damage done by centralised supply chains
- ▶ Provide opportunity for businesses to offer the option of locally produced goods and services
  - ▶ Alternative local supply may simply not exist

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# Behaviour change

- ▶ 'Pro-currency' - actions likely to accelerate the usage or acceptability of the currency
- ▶ 'Pro-local' - actions to encourage consumption of local goods and services
- ▶ 'Pro-value' - supporting a defined value set

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# Rewards / incentives and penalties

- ▶ Reinforces the values driving the currency
- ▶ Rewards in the form of additional currency subject to inflation-management
- ▶ Demurrage (that is a form of negative interest to discourage hoarding)
  - ▶ Problematic in an immature currency
  - ▶ Introduction in an established currency - Careful! possible change of terms

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# Major differences today

- ▶ Internet
  - ▶ Ideas spread quickly
  - ▶ Interest groups formed quickly
  - ▶ Currency in the 'Cloud' at low cost
- ▶ Potential of environment and/or global currency crises

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