

Privatization today is probably the leading reform advocated to improve the economy and ameliorate — at least to some degree — the oppressive hand of government. That being the case, why not privatize one of the most important aspects of an economy, money?

This idea is not radical at all — although, to some, it may appear to be so. Most people are used to governments making money their monopoly. They never knew money originated with private individuals who were seeking an easier means to trade their goods for the articles they desired.

Merchants devised the coins that circulated, and imprinted their insignia on them, attesting to their weight and purity. Governments learned the convenience of paying their debts with debased coins, and manipulated money to suit their purposes. As a result, money became their monopoly.

The history of money and banking is primarily about the mess which governments made of monetary matters. If they had let money alone, it would have developed in a perfectly natural manner, as other goods did. Any exchange media, such as bank notes and demand deposits which later came into existence, would have played an efficient part in helping commerce develop. It is doubtful that exchange media would be manipulated as it is today to accomplish dubious social and economic reforms.

If a nation wishes the finest possible system of money and banking, the entire monetary field should be under the aegis of private enterprise. This may appear to be a startling statement. But that is because all of us are so used to money and banking being controlled by government. It is similar to a man wearing a ball and chain on his leg. If he had done it all his life, he probably would be shocked if someone suggested discarding it. Although it would be perfectly obvious that he should remove it, he would probably undergo a severe traumatic experience in developing the courage to free himself of the impediment. After the event, he would probably wonder why he ever submitted to wearing the ball and chain for so long.

Does this mean that any individual could issue coins if so desired? The answer is an emphatic yes! Just as any individual may issue IOUs which people may circulate in effecting transfers of wealth, so should any individual be able to issue coins. During the gold rush days of 1849 in California, private individuals minted coins that circulated.

It is not likely that many people would issue coins. Rather, it probably would be done by banks, with goldsmiths hired to do the minting. Possibly through their banking association, the banks would agree on standard sizes

of coins and ingots of various denominations. Each bank might imprint its name on the obverse side of the coin. Thus, the cost of minting might be charged to advertising.

Banks might even issue tokens, although this might be the province of merchants. In the 1960s, the shortage of subsidiary coins caused some department stores to issue tokens. However, the government, ever mindful of its monopoly, forced the cessation of such minting.

If the monetary system were privatized, the only new function of banks would be the issuance of actual money, that is, in a country such as the United States, coins and ingots of gold, as well as tokens. At the same time, they would have recaptured their ancient right to issue bank notes and demand deposits to whatever extent they felt the market would permit.

If money and the banking system were privatized with no governmental interference, the quantity of exchange media would be controlled by the people via the market place, with prices rising and falling as the media of exchange rose and fell. The fluctuations in the money supply would probably be so gradual as hardly to be noticed. A growing, dynamic country would find that not only its supply of money would keep pace with business conditions but also the supply of its money-aids, as bank notes and demand deposits. There is no set ratio between the supply of money of a society and the number or value of its transactions. Rather, whatever supply of money and money-aids are required would automatically be forthcoming.

If the privatization of money became universal, there would be little of the gigantic counterfeiting which nations indulge in by issuing bank notes or creating demand deposits through their central banks on the excuse that this is necessary to encourage business growth.

Privatization of money does not mean that economic justice would be instituted. This requires, at the very least, a just system of land tenure. Also, the freedom of the individuals to do as they please is qualified only by their non-interference with their neighbors' equal freedom. Money and its effects are analogous to the blood system. The fact that one has a sound system for distributing the blood throughout the body does not mean that one is necessarily healthy. Other factors are required, such as proper food, ventilation, and healthy organs. But just as it is difficult, if not impossible, to have a truly healthy body if the circulatory system is not a healthy one, so it is difficult, if not impossible, to have a just society in a highly developed civilization if the monetary system is not a sound one.

On the other hand, it is hardly likely that a healthy circulatory system will exist if other parts of the body are seriously *(continued on page 15)*

community, and prevent the government "from using the banks of the nation to indulge in its present extravagances by forcing them to finance its deficits."

He argues that, if the following measures were taken, the whole moral climate of the economy would be transformed:

1. Bankers, as professionals, should ensure both the safety and proper use of the funds entrusted to them.
2. Professional bankers should see to it that the funds entrusted to them be used only to facilitate commerce.
3. Professional bankers should give priority to financing local needs before investing in projects outside the community.
4. Professional bankers should take over the whole field of investment, taking it out of the hands of the so-called investment bankers of Wall Street.

It is encouraging to note some movement in this direction by a few "enlightened" bankers. There are some notable examples of banks which, while still operating under the umbrella of the corporate charter, have acted to implement some of the above proposals, especially the financing of local needs. Among these are the South Shore Bank in Chicago and the Community Capital Bank of Brooklyn. Besides these, there are dozens of non-bank community loan funds springing up all over the country.

For more information about these, contact the National Association of Community Development Loan Funds, P.O. Box 40085, Philadelphia, PA 19106.

(Adapted by Ed Dodson from an article, "The Nature of Banking" by Dr. Ralph Borsodi, which appeared in Green Revolution, published by the School of Living.)

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diseased. Similarly, it is hardly likely that a sound monetary system will prevail if other aspects of the economy are unhealthy. One could almost measure the degree of health of an economy by the monetary system. If the economy is a just one, the monetary system will be a sound one; if the economy is not a just one, then the monetary system will be an unhealthy one. This points up the fact that while people are groping toward creating a sound currency, they must also strive to create a sound economy, for one goes with the other.

The only true monetary system is one in the field of private enterprise, with the people in control through the marketplace.

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