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# Money as a Commons

*by Graham Barnes*

From one particular point of view - that of money as private property - the idea that money could be treated as a Common Pool Resource (CPR) [1] seems patently absurd. The money I have in my account is mine alone. The more I have of it the more I am concerned that it should keep its value intact until I want to spend it. How can it make any sense that its stored value be shared?

But going forward money is either a reward for past work, or (when issued through the device of credit) an advance secured in expectation of future work. From this viewpoint we can see money as an aspirational commons - a Common Pool Resource backed by our collective efforts, that with the right governance regime could be managed equitably and to mutual benefit.

This article is *not* a specification of a commons-based money-form. Rather it is an attempt to explore the concept of money from a commons perspective.

Some aspects of mainstream fiat money are less than ideal - how it is issued, passed on and accumulated...

i) Allocation of new money. Private banks create money out of nothing and allocate its first use as credit to whomever they see fit. This bank-centric oligopoly can be challenged by new currencies that are effectively controlled by their users [2]. The level of effective control over current money supply and distribution exerted via the democratic process is close to zero.

ii) Influence of old money. A considerable proportion of existing wealth is inherited. Its possession confers no merit whatsoever. It is not a reliable indicator of past effort or innovation. The 'soft power' of its owners acts to prevent progressive reform and reinforces inequality. New currencies may be designed so as to prevent capture by this soft power.

iii) Coagulation in Asset-Form. Money coagulates as various asset classes (including money itself). This has two effects that may be considered negative to a sub-economy - firstly it removes currency from being available to exchange trades and thereby reduces economic activity; secondly it encourages the rentier class - those who live by charging for the use of acquired assets rather than by doing any work - allowing outsiders to sequester our assets and rent them back to us. Newly designed currencies may incorporate mechanisms to hinder asset coagulation or manage asset formation to insider (currency user) benefit.

... but one particular aspect - the way it facilitates division of labour - will be hard to match.

## The desired result

The Money we are working towards here is a value-led means of exchange - the manifestations of value being decided by its users - the commoners. What follows is a consideration of three important design areas from a commons perspective: convertibility, the equitable allocation of issued money, and how to provide capital investment; followed by a comment on division of labour.

# Convertibility

Convertibility we can define as the extent to which the currency design and operation supports or hinders exchange with fiat. If we look at a parallel situation with a more easily thinkable CPR, land, then we can see that the key danger is of a commoner selling their rights to an 'outsider' who may not share the values of the community. Elinor Ostrom's number one key design principle in her rebuttal of the so-called Tragedy of the Commons [3] is "clearly defined boundaries (effective exclusion of external un-entitled parties)".

A guaranteed fixed exchange rate with fiat, as operated by the proxy-pounds for example, means that currency can be bought by outsiders, but the localised acceptance of the Brixton, Totnes or Bristol Pounds means there is limited scope for outsider disruption. Convertibility is certainly a plus in terms of starting up a currency because a user whose commitment wanes can always bail out and cash in for fiat.

In future, though, we can imagine circumstances where the Preferenced Domain [4] of a currency incorporates some access rights or goods and services that are reserved to (or supplied at a preferential rate to) the users - the commoners. Engineering this will help to attract users. In this context, some means of defining, identifying and excluding 'un-entitled parties' is needed.

To address any concern that this form of exclusion is elitist in some way, it is best to consider it as a protective measure - to keep a new developing currency safe from the Deprecated Domain [5] - from outsiders wishing to appropriate it as capital and rent it back to its users. Because that would be a natural course of events in a pure capitalist eco-system. It's one interpretation of what has happened with fiat.

There is a feasibility issue here too though. In an open market economy there is nothing to stop an exchange developing that would manage supply and demand for our new currency and 'discover' a fiat market price for it. This can be addressed via a 'right to use' status held independently for each user separate from their currency account balance. Such a right to use would be based on an individual's reputation - their track record in supporting the values and extending the reach of the currency. This line of thinking was anticipated by Feasta's co-founder, the late Richard Douthwaite [6]. Interestingly, the role of 'oracles' in Bitcoin, as trusted assessors of some external condition that will trigger a payment (or some other blockchain transaction) gets us into the same ground. As assessments required become progressively more subjective and less 'factual', reputations of assessors will matter more and more.

# Equitable Issuance

For our proxy-pound example, issuance is only achieved by purchasing with fiat. Essentially no new currency is created. Fiat can clearly not be considered a CPR - it breaks every one of Ostrom's eight design principles [see Annex]. So we are here concerned with currencies that issue new money in some form. The issuance regime of Bitcoin allocates new coins to the miners. It has been argued that this is just substituting a tech-geek oligarchy for a financial oligarchy. Perhaps there is an element of shared-value anti-government sentiment in that community, but rewards appear to be accruing to accounts in an inequitable manner. At its heart is an important development - the blockchain - but Bitcoin is not a value-led currency suitable for treatment as a CPR.

For an equitable issuance regime, we can turn back to 'to each according to his needs and contributions'. The needs part of this equation can translate into some form of issuance related to a Basic Income or Citizen Dividend (maybe one-off, maybe recurring). The criteria for inclusion could be a combination of targeted audience (geographic, demographic, interest-group) , charter-value sign-up and the completion of some initial tasks appropriate for the particular value-set. A handful of Altcoins are already pre-distributing currency - for example Auroracoin to the citizens of Iceland.

The contributions part implies a continuing, ideally peer-reviewed process assessing the contributions of each user to the currency itself and to its underlying value-set, with appropriate reward levels. There is admittedly a chicken-and-egg problem here in that the pro-currency and pro-value activities have to be assessed ahead of the distribution, and therefore issuers need to recognise that the use-value of the issued currency is at that stage unguaranteed. Work is being undertaken for uncertain reward, energised primarily by the communal shared value-set, and underlining the need for clear articulation of that value-set.

# Capital Investment

A good issuance regime can make sure there are enough 'insiders' with enough currency to circulate to facilitate exchange between users. It cannot, without additional design features, cater for currency to be set aside for capital projects. Arguably it should not do this at all because we know that saving (or hoarding) slows down circulation with a consequent lack of liquidity and exchange. There are after all many asset classes out there competing for investment, and in a money-diverse future new currencies will operate alongside fiat.

But it is tempting to set out to address one of the problems with fiat - that capital is available to most only as a loan at interest. If our new currency can be created out-of-nothing (just like the banks do with fiat) then we have the option of varying the terms. Most of the rationale for interest disappears anyway with ex-nihilo fiat, except for its justification as a 'hidden subsidy' for the issuer banks in return for their unholy partnership with government and the operation of a payment clearing system (which could incidentally be run itself as a commons).

The incorporation of any form of capital accumulation and allocation, even for projects which clearly benefit the CPR itself, adds a significant level of complication to the currency. But if investment in the CPR itself is needed, as is likely, external financing brings with it the possibility of part-capture or enclosure by outsiders, so designing-in forward access to capital will have to be attempted.

# Division of Labour

We have come this far without mentioning Mutual Credit, and have done so mainly to avoid specifically critiquing it in the cause of a wider exploration of the issues. Mutual Credit and Timebanking are both interesting money-form models, but they both illustrate a key issue - that of facilitating the re-combination of labour into the co-operative production of goods (and services).

As individuals we can essentially issue our own currency based on forward commitment of work. Fiat currency effectively allows the capitalist to put a numeric value on individual contributions (via wages) and inputs, add a profit element and set a price. Who performs this role in a mutual credit or timebanking context? And how is this co-operative process governed?

Unless we accept that new CPR-oriented currencies must restrict themselves to exchange between individuals, it seems necessary to complement the core currency design with the governance design of an institution which takes on the 'capitalist role' in the management of collective endeavour. To this extent, the institution-type *is* the currency. And if the corporation is the flawed and outdated institution-type of fiat currency capitalism, what might the preferred institution-type of a commons currency look like?

## Summary

The paradigm of money as a common pool resource may be able to provide insight and encourage radical monetary innovation. The complexity and multi-functional nature of the fiat money form should not be allowed to conceal the fact that the root backing for money is work - past work rewarded and future work pledged. An exchange currency needs a stability of value (non-volatility) but it does not need to provide an appreciating store of value. Fiat money has become a toxic asset class in its own right. Because of the manner in which much of it has been created and passed on , holding it implies no associated merit; it confers increasingly unequal social power which may in turn be exchanged for political and economic influence.

New money forms do not need growth. Designers can choose to exclude or discriminate against deprecated behaviours, recognise and reward behaviour compatible with an explicit transparent value-set, and prioritise the well being of commoner-insiders. In so doing the exemplars created will lay the foundations for a post-modern version of common wealth.

## Annex: Ostrom's 8 principles (from Wikipedia)

Ostrom identified eight “design principles” of stable local common pool resource management:

- Clearly defined boundaries (effective exclusion of external un-entitled parties);
- Rules regarding the appropriation and provision of common resources that are adapted to local conditions;
- Collective-choice arrangements that allow most resource appropriators to participate in the decision-making process;
- Effective monitoring by monitors who are part of or accountable to the appropriators;
- A scale of graduated sanctions for resource appropriators who violate community rules;
- Mechanisms of conflict resolution that are cheap and of easy access;
- Self-determination of the community recognized by higher-level authorities;
- and In the case of larger common-pool resources, organization in the form of multiple layers of nested enterprises, with small local CPRs at the base level.

## Endnotes

[1] A clarification from my Feasta colleague Brian Davey: “A common pool resource is the resource itself. (e.g. the earth’s atmosphere). A commons is a shared set of management arrangements for a common pool resource. (eg a cap and share arrangement organised through a global commons

trust). Thus a common pool resource can be managed with privatising principles and arrangements or with commons arrangements and the practice and the values of commoning. Of course a common pool resource can be the subject of an "aspirational commons" – a set of arrangements that does not yet exist either partially or fully but which could be brought into existence or developed."
[2]: http://www.feasta.org/documents/moneyecology/chapterfour.htm
[3]: http://en.wikipedia.org/wiki/Elinor_Ostrom#Design_Principles_for_CPR_Institutions
[4]: http://www.feasta.org/2013/11/19/designer-currencies-and-the-preferenced-domain/
[5]: http://www.feasta.org/author/graham-barnes/
[6]: http://www.feasta.org/documents/liquidity_network/2010_LQN_CI_Scan.pdf

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## About the author

Graham Barnes is a Currency Designer. @GrahamJBarnes He is a Member of Feasta's Co-Ordination Group and co-organiser of the Feasta Currency Group. He holds a PhD in Computer Science and worked at a senior level in IT and online marketing in a previous life. His current projects include the detailed design and delivery of currencies to be sponsored by a local authority; by a social entrepreneur to complement and enhance a well established sustainability methodology; and by a restaurant chain.

*Feasta is an open-membership-based think tank founded in Ireland in 1998. It aims to identify the characteristics (economic, cultural and environmental) of a truly sustainable society, articulate how the necessary transition can be effected and promote the implementation of the measures required for this purpose.*