

ANARCHY

AND

MONEY

Published by:

Jon Matonis

The Institute for Monetary Freedom, 1984

ANARCHY AND MONEY

TABLE OF CONTENTS

Prologue

I. Anarchism and Methods

II. The Monetary Models of Anarchism

A. The "Labor Note" System

1. Josiah Warren (1798-1874)
2. Stephen Pearl Andrews (1812-1886)

B. The Mutual Bankers

1. Pierre Joseph Proudhon (1809-1865)
2. William B. Greene (1819-1878)

C. The Free Currency Propaganda (1894-1899?)

Epilogue

Endnotes

Selected Bibliography

ANARCHY AND MONEY

Prologue

A revolution is brewing - not a violent, political revolution, but an epochal revolution against the present social order of privilege and class distinctions. The economic inequities which exist between the leisure class, those who hold property, and the working class, those without property, has historically created societies divided by their interests and convictions.

Since wealth and its accumulation inevitably leads to this sharp distinction of classes, it becomes necessary to examine what wealth is. Wealth is property, and once established as a right, property tends to expand.

The first man who having enclosed a piece of ground, bethought himself of saying This is mine, and found people simple enough to believe him, was the real founder of civil society. (1)

Civil governments are then erected by the rich, ostensibly for the security of all, but actually to secure for themselves their property and power. From that point on, natural liberty ceased to exist and the rest of mankind became subjected to perpetual labor and misery.

Under the banner of utopia, thousands of philosophers and social reformers have attempted to solve the social problem through politics. They believed somehow that the problem was in the way the State employed its power to achieve a desirable

distribution of wealth and prevent poverty. No consideration was given to the idea that power itself harmed the social good.

Power and authority are coercive - they must be. Ideally, society founded upon the free development and the voluntary exchange of ideas and commodities leads to the most beneficial condition for each individual in that society. Undoubtedly, the most important commodity of that society is the medium of exchange, the lifeblood of a civilization, money. If freedom is the end, then freedom, in all avenues, must be the means.

For freedom to flourish, the inequitable structure that society has built itself upon must change. No amount of law or education will achieve this desired change. The comedy of Aristophanes, Ecclesiazusae, laughs at the idea that inequalities of property can ever be eliminated - by law or by education. The revolution requires a transformation of human nature which can be accelerated only by a transformation of what humans use to represent their value.

Anarchism and Methods

Anytime the word anarchy is heard, it immediately invokes horrible thoughts of chaos and disruption. However, anarchy simply means the absence of government. All regimes, by their nature, must be coercive to survive. Therefore, seeking the best of the coercive forms of government is an inappropriate target for an entire planet of human beings who are able to reason rather than coerce. Now, since there is no such thing as the best regime, best government, or best State, only varying degrees of coerciveness, anarchism as a goal becomes a supposition.

This paper is not a dissertation on the merits of anarchism, but an analytical look at several models of monetary exchange with anarchism. Imagine a society without a government to manage and manipulate the money. What would free and responsible individuals choose to use as money? The State's historical domination over money prevents voluntary human interaction and social progress to such a degree that anarchists must focus their attention directly on the monetary system if they ever hope to achieve a society without a State. So far, philosophical anarchists of all types have had little to say about the importance of money in the free society.

There are basically two approaches to anarchism and non-violent economic noncooperation only applies to one of the approaches.

Voluntaryist anarchism, the nonviolent, nonelectoral approach to anarchism, known as "voluntaryism", holds the attitude that if one takes care of the means, the end will take care of itself. If non-coercion is the end, then non-coercion must be the means. Voting means that you give your consent to be governed. It makes the State legitimate. Voluntaryists reject the legitimacy of the State by ignoring it and by working entirely outside of the system.

The other route, socialist anarchism, tends to work within the system to gain control of the State and hopefully dismantle it from the inside. This method changes the power structure quickly, but it does not change minds, which is needed for any long-lasting reform. Socialist anarchists also advocate coercion and violence if it will help further their cause. In their view, the end does justify the means.

In time, voluntaryist anarchists will adopt nonviolent economic noncooperation as the main course to take. Anarchists must reject the money of the State which controls their lives in so many aspects, because this alone will make violence and coercion unnecessary.

The Monetary Models of Anarchism

It has been said that a purely free enterprise system of money is inherently unstable, and therefore the State must step in. Perhaps it is the State's monetary monopoly which lies at the root of the instability, and this monetary monopoly is also the sole cause of social discontent and oppression. Do regimes desire this monetary power for the control and acquiescence of the citizenry ?

Many free market theorists explain social problems in terms of how the absence of government interference will alleviate if not cure the problem. These theorists, however, all stop short at the creation of money. Money, they are proud to espouse, must be maintained by the State. This type of free market they call capitalism. A genuine free market is called anarchy.

Contrary to popular opinion, capitalists derive their power not from the "horrible" freedom of the market, but from the control and regulation of the legal tender used in that market. Why must we use "legal" tender ? Government's arbitrary and exclusive adoption of gold - or specie - value as the basis of the circulating medium is severe market interference.

Capitalism would falter if the financier's usurious grip was released from credit and absolutely anything could circulate as money. There would be no method of exploitation since no one would arbitrarily have a greater claim to wealth than

anyone else. The present class antagonism finds its roots in the theory of capitalism, which maintains that wealth is property, and property must be owned and accumulated for civilization to progress.

The famous English sociologist of the 19th Century, John Ruskin, understood the unique relationship between money and men.

Money has been inaccurately spoken of as merely a means of circulation. It is, on the contrary, an expression of right. It is not wealth, but a documentary claim to wealth, being the sign of the relative quantities of it, or of the labour producing it, to which, at a given time, persons or societies are entitled.

If all the money in the world, notes and gold, were destroyed in an instant, it would leave the world neither richer nor poorer than it was. But it would leave the individual inhabitants of it in different relations. (2)

With the absence of government, freedom of choice in money will lead us to the best possible medium of exchange. Money can and will evolve naturally without the coercive authority of the State dictating what shall be used as the medium of exchange. Money facilitates trade, and trade is essential to a civilization. Now, for a moment, envision a civilization without a State. What will most likely develop as the accepted form of money ?

A. The "Labor Note" System

The chief objective of the "labor note" system was to devise a self-regulating system of currency and banking based directly on labor. It operated under the general principle that each man's worth is measured by his skill and by what he can produce over a given period of time. Paper money would still be exchanged, but it would be in the form of credit slips with time as the unit of value, either hours or minutes. This idea became popular and first showed itself in the United States around the early 19th Century.

1. Josiah Warren (1798-1874)

Josiah Warren, known as the first American anarchist, descended from an old New England family. He was an active member of the Boston Free Discussion Society, where he began turning his attention from formal philosophical and theological issues to the more practical economic and social questions that the Enlightenment had given rise to.

As a social reformer, Warren believed that the most effective way of eliminating social evil from society is to withdraw from the established social and economic system into voluntary communities.

In 1846, Warren attempted to build a small community on

the Ohio River twenty-five miles south of Cincinnati, which he called Utopia. Utopia was founded upon the "labor cost principle," the main foundation of Warren's economic theory. This principle expressed that the only sane index to price ought to be the actual cost to the producer of making the item.

Believing that the viciousness of trade and pricing originates in our intercourse with each other, Warren opened the "Time Store" to revamp the ordinary market system characterized by exploitation and profit gouging. The "Time Store" operated on the principle that the equitable marketing of the goods produced by individual workers would automatically lead toward a social system in which freedom would be maintained at a maximum. Warren offered those who supplied goods and services to his store paper script entitling them to a like amount of labor time from anyone who would accept it. Unearned increment in the form of profit and interest was eliminated by exchanging goods and services according to the principles of cooperation rather than the laws of supply and demand.

Unhindered by any formal governmental machinery or judicial structure, the members of Utopia appeared to prosper for the first few years, causing Warren to pronounce the experimental colony a success. But like all utopian communities of this period, the corrupting influences of the outside world gradually drew away the members. By 1875, only a few hardy utopians remained, and Warren himself had moved East to sponsor another

experimental community, Modern Times.

2. Stephen Pearl Andrews (1812-1886)

Initially a follower of Fourier, Stephen Pearl Andrews was introduced to Warren's social thought through their mutual interest in the free thought movement and their association in the New England Labor Reform League.

Like Warren, Andrews believed in a "labor note" system where every man would be his own banker by simply writing his own labor notes. The character and skill of a particular man are the basis for his credit in the marketplace, and to be accurate the labor note must represent a man's degree of intensity and acquired skill.

Andrews, however, did go further than Warren in his portrayal of culture and society after this type of monetary reform. He thought of himself as "a scientist, a positivist" rather than an activist or agitator. His vision was a society with complete freedom of access to occupations, which would enable individuals to know far better than they now know what labors they enjoy most, and are willing to do at the cheapest rate. This will create a legitimate labor market, where all kinds of labor and products would be exchanged at the minimum price as measured by the labor note.

Even though he never actually applied his economic theories to the degree that Warren had, Andrews' contribution to the philosophy of anarchism was just as great since he recognized monetary freedom as essential to keeping the individual absolutely above all institutions and free from submission.

B. The Mutual Bankers

The "labor note" system was somewhat restrictive and ambiguous in what would back up the paper money. It had to be labor, but occupations existed which were neither labor-intensive nor product-oriented, such as a general clearing-house for the variety of labor notes circulating. What about people that had acquired personal property but their labor was in providing a service. Essentially, they had no credit with this system.

Mutual banks are a different monetary model with anarchism. They operate under the idea that a place is always needed to bring together borrowers and lenders, regardless of what commodity is borrowed and lent. These two groups are mutually necessary to each other and without a regular meeting place finding each other becomes difficult. It would be similar to the inconvenient barter system where a shoemaker had to search for a merchant willing to accept his shoes for food.

A mutual bank is formed when a group of individuals in a certain region agree to accept a common piece of paper for exchanging purposes. Any individual can join a mutual bank by merely pledging to receive the notes issued by the bank whenever offered in payment of debts owed to him. In order to borrow paper notes from the bank, property is required as

collateral. Property usually did not include the land itself since no individual can create land, only improve land. Anarchists differed on this point, notably Lysander Spooner, who introduced his real estate mortgage banks in the late 19th Century.

Among the various mutual banks, there obviously were minor theoretical differences, but with the removal of government from the money business, the emergence of some form of mutual bank is inevitable.

1. Pierre Joseph Proudhon (1809-1865)

Born in Besancon, France, Pierre Joseph Proudhon experienced a poor peasant childhood. Family financial disasters forced him to work in a printing shop, where he met utopian Socialist Charles Fourier. In 1838, his intelligence won him a scholarship to study in Paris.

With ample leisure time to formulate his own ideas, he wrote his first and probably most significant book, What is Property ? (1840), in which Proudhon declared "Property is Theft!" Here, he attacked the kind of property by which one man exploits another man, such as in the ownership of a farm so distant that the owner has never laid eyes upon it. However, Proudhon firmly believed in the possession of land that

the farmer worked as well as the possession of personal belongings.

After nearly being imprisoned several times for more political writings, he unsuccessfully attempted to establish a bank based on the doctrine of mutualism. Mutualism, in Proudhon's sense, meant the spontaneous organization of society through a system of mutual credit from people's banks. Associations of workers would manage factories and other means of production. Contract and mutual interest rather than laws would bind the various associations and economic communities.

In Proudhon's pamphlets and early papers, he used the name Bank of Exchange for the theoretical institution by which he proposed to realize the mutualization of credit or credit at cost. The bills of exchange are drawn on every member of the bank since every member is obliged to accept the notes in exchange for something. In extremely small economic communities, the bills of exchange bear the signatures of every member. No interest beyond expenses is ever attached to bank loans since the bank is formed for the benefit of the entire community.

The formal organization intended for practical application was named the Bank of the People. In spite of its failure, Proudhon's unrelenting confidence was admirable. He asked only for the free and peaceful application of his banking

principles to their logical and legitimate consequences.

This, he was confident, would ultimately free the exploited workers and allow everyone an opportunity to realize their genuine social worth.

Human nature undoubtedly plays an important role in economic relations and vice versa. A true reform of society, Proudhon believed, must commence with the function of exchanges, for that is the point where economic relations converge. (3)

2. William B. Greene (1819-1878)

Born in Massachusetts as the son of a Boston newspaper publisher, William B. Greene attended West Point for his education. Turning his interests toward theology and religious values, he became a Unitarian clergyman. He then traveled to Europe, where he met and was profoundly influenced by P.J. Proudhon. All of this later played a crucial part in his intellectual development as an anarchist and an atheist.

The influence of Proudhon's monetary ideas is apparent in the writings of Greene on mutual banking. It is most incorrect to speak of Greene as only an advocate of Proudhonian principles. Greene's mutual bank plan exhibited its own originality and simplicity. The generic features of a mutual bank applied, but no one could borrow from the bank more than one

half of the property he was able to pledge. Greene did not clearly specify what the term property included, but his proposal implied a preference for real property, that is land and immovables. Anything of declared market value could easily be monetized, as Greene wrote: "Whoever, in the times of the Mutual Bank, has property, will have money also; and the laborer who has no property will find it very easy to get it; for every capitalist will seek to secure him as a partner." (4)

A system of mutual banking depends upon voluntarism for vitality rather than upon the compulsion of statist law. Mutual money, Greene observed, was an economic attack on the State, which naturally decentralized the State's arbitrary political power and replaced State-organization with self-organization.

C. The Free Currency Propaganda (1894-1899?)

By far the best organization devoted to monetary freedom with anarchism was the Free Currency Propaganda in London near the turn of the century. Founded by several prominent English individualists, such as Henry Seymour and John Badcock, Jr., the Propaganda was extremely comprehensive in its aims and methods. The results of a free currency would, in their view, lead us to the ideal economic conditions.

The exchange banks proposed by the Free Currency Propaganda were quite comparable to the mutual banks of the preceding section. However, the Propaganda stands uniquely alone since it was a serious attempt at founding a movement with a precise plan of action to economically educate a society.

Free currency does not mean that money is issued without charge or collateral. Free currency is currency determined entirely by the free market and free from the control of the money-lords.

The committee of the Propaganda wrote "that the great problem of our time is no longer one of production, but rather one of distribution." (5) The equitable payment of any type of labor is its entire product. With division of labor, the payment of each individual worker is the equivalent value of his particular contribution to production, which is usually determined by competition in a free market. The treacherous

departure from this principle of justice is due to the monopolies of land and capital, the sole cause of social discontent and oppression.

These monopolies have always rested upon authority, but the monopoly of land is chiefly supported by the monopoly of capital. Once the latter is abolished, the abolition of the land monopoly becomes obvious and lucid. The monopoly of capital is due to the monopoly of monetary credit, which results from an exclusive, compulsory utilization of a single commodity value as the basis of the circulating medium.

In a monetary monopoly, interest is exacted by the financial aristocrats and the working classes, while always dependent for employment, are barred from association and self-help. Without capital, the wage workers must reluctantly underbid each other to the subsistence level for the privilege of working for the capitalist.

Free market money, based on suitable marketable values, would increase the supply of money available for consumption purposes. As consumption and the standard of living increase, production follows placing the workers in a position of high demand. It is imperative that this increase of money be verifiably supported by something of value, which would only be the case in a free market atmosphere. A worker's wage rate would rise until it was equal to the potential earnings of his competing capital, had he decided to invest in a cooperative

enterprise by monetizing his credit. Hence, worker and employer are in equal association.

The Propaganda appealed to workers and employers alike, for when the menacing monopolists are disentangled from the domain of monetary credit, labor and capital will have identical interests. At that point, the Free Currency Propaganda will have achieved its objective. (6)

Epilogue

The control of the production of wealth
is the control of human life itself.

--Hilaire Belloc

Liberty not the daughter, but the mother
of order. --P.J. Proudhon

Philosophical anarchists have long tried to formulate the ideal method for reform, but none of the methods are as efficacious as when they focus their attention on the money power. Whether labor notes, mutual banks, or a free currency, the monetary system is the arena where the battle with the State must begin. The State's power or sole privilege to create money is not a given. It must be challenged.

Nonviolent economic noncooperation emphasizes the social and economic over the political. A new social order of voluntary mutualism will eventually undermine the coercive authoritarianism of regimes.

You might ask yourself, without a political system and without a government, would chaos result? No, there would be order, without law to disturb it. (7)

ENDNOTES

- (1) Jean Jacques Rousseau, On the Origin of Inequality (London: J.M. Dent & Sons Ltd., 1755), p. 348.
- (2) John Ruskin, Ruskin's Views of Social Justice (New York: Vanguard Press, 1926), p. 51.
- (3) Charles A. Dana (commentator), Proudhon's Solution of the Social Problem (New York: Vanguard Press, 1927), p. 29.
- (4) William B. Greene, Mutual Banking (Worcester, Massachusetts, 1870), p. 50.
- (5) "The Free Currency Propaganda," Liberty (May 5, 1894).
- (6) Ibid.
- (7) Frank Chodorov, "If We Quit Voting," Fugitive Essays (Indianapolis: Liberty Press, 1980), p. 200.

SELECTED
BIBLIOGRAPHY

Frankel, S. Herbert, Two Philosophies of Money, Basil Blackwell, New York, 1977.

Martin, James J., Men Against the State, The Adrien Allen Associates, DeKalb, IL, 1953.

Proudhon, Pierre Joseph, Proudhon's Solution of the Social Problem, Vanguard Press, New York, 1927.

Reichert, William O., Partisans of Freedom, Bowling Green University Popular Press, Ohio, 1976.

Ruskin, John, Ruskin's Views of Social Justice, Vanguard Press, New York, 1926.

Sharp, Gene, The Politics of Nonviolent Action, Porter Sargent Publishers, Boston, 1973.

Simmel, Georg, The Philosophy of Money, Second Edition, Duncker and Humblot, Leipzig, 1907.