

*A Monetary Blind Spot?*¹

By Bernard Lietaer

The human eye has a biological blind spot, i.e. the spot where the optical nerve enters the eyeball corresponds to an area where we literally can't see anything. The way that money enters the economy and our social system seems to suffer from a similar blind spot. There are four layers to this phenomenon. They are respectively: the patriarchal value coherence; the capitalist vs. communist ideological war; an institutionalized *status quo*; and finally an academic taboo. Here, we will only briefly summarize each of these layers.

Patriarchal Value Coherence

All patriarchal societies in history have had the tendency to impose a monopoly of a single currency, hierarchically issued, naturally scarce or artificially kept scarce, and with positive interest rates. This was for instance the case in Sumer and Babylon, in Greece and Rome, and from the Renaissance onwards in Western societies all the way to today. The form of these currencies has varied widely, ranging from standardized commodities, precious metals, paper or electronic bits. But what they all have in common is that governments accepted only that specific currency for payment of taxes, that this currency could be stored and accumulated, and that borrowing such currencies implied payment of interest. They all have in common Yang characteristics as illustrated in Figure 1.

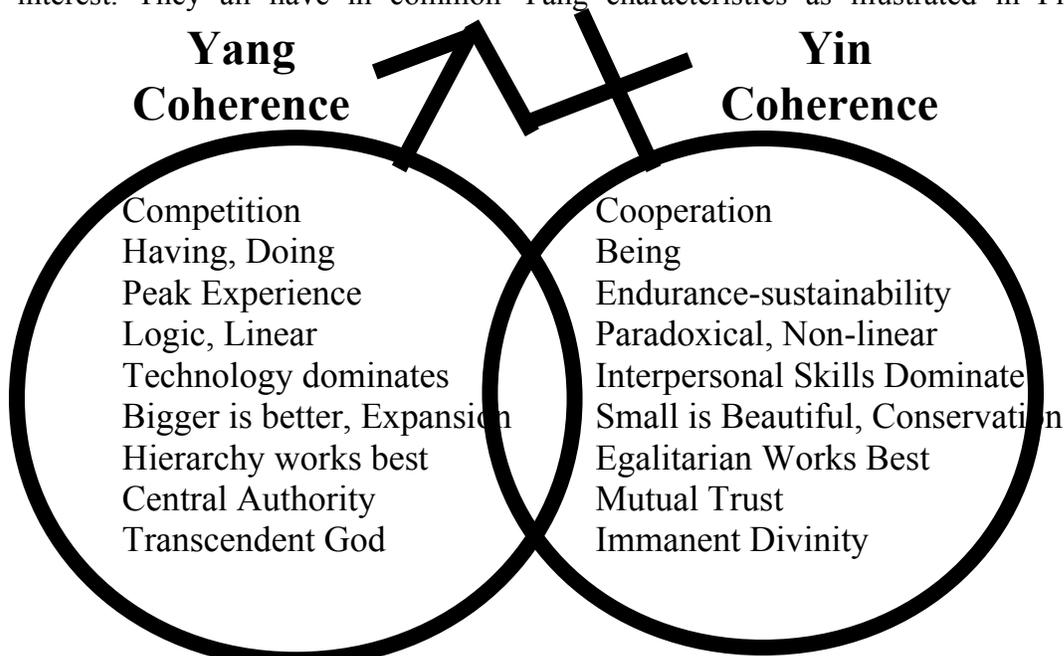


Figure 1: Yin-Yang Coherences and Polarities

¹ Extract from chapter 2 of a book forthcoming with McMillan, edited by Simon Mouatt and Carl Adams with working title "*Societal Change and Monetary Innovations*"

In contrast, matrifocal societies have tended to use a dual currency system: one currency (typically identical to the surrounding patriarchal societies) for trading long distance with people one doesn't know; and a second type of currency for exchanges within one's own local community. This second type of currency, with Yin characteristics, was usually created locally (often by the users themselves); was issued in sufficiency; and didn't have interest. In the most sophisticated cases, this currency even had a demurrage fee - a negative interest equivalent to a parking fee on money -, which would discourage its accumulation. In short, it would be used as a pure medium of exchange, not as a store of value. This was the case, for instance, with the corn-backed currencies that lasted for well over a millennium in Dynastic Egypt that was one of the secrets of the wealth of that ancient society (Preisigke, 1910) (Lietaer, 2000) .

Notice that we are talking about "matrifocal" societies, not matriarchal ones, because there is no evidence that genuine matriarchal societies have actually existed in reality. In a purely matriarchal society, the only role for a male would be procreation. The Amazons are an example of such a society, but they have only existed in the imagination of the Greeks, as no historical or archeological evidence for such an Amazon society has ever shown up. In contrast, matrifocal societies, defined as those where feminine values are honored, while less frequent than patriarchal ones, have existed in various parts of the world. The easiest way to detect them is to look at their vision of the divine.

In a matrifocal society, it is a goddess or goddesses that play the most important roles, such as being a "Co-Creator" or a "Savior". In comparison, in patriarchal societies it is invariably a male god that plays this role; and in monotheistic religions a single male God plays even all the divine roles.

Examples of matrifocal societies include Dynastic Egypt (where Isis was the Savior), or the Central Middle Ages in Western Europe (roughly from the 10th to the 13th century, the period of Courtly Love, also called the Age of Cathedrals which were most frequently dedicated to a Lady). In both these historical societies, a dual currency system prevailed. Detailed evidence for these claims is provided elsewhere (Lietaer, 2000).

Ideological Warfare between Capitalism and Communism

The second layer of the blind spot is, comparatively speaking, a recent one.

During most of the 20th century, and particularly since the end of World War II, an intense ideological warfare has been waged worldwide between communism and capitalism. This has affected practically all social and political sciences, including economics. Within each of these ideologies, there are even a number of different schools each with their own particular take on the corresponding ideology (see following figure). There are literally hundreds of thousands of books written about the smallest differences between these ideologies and schools.

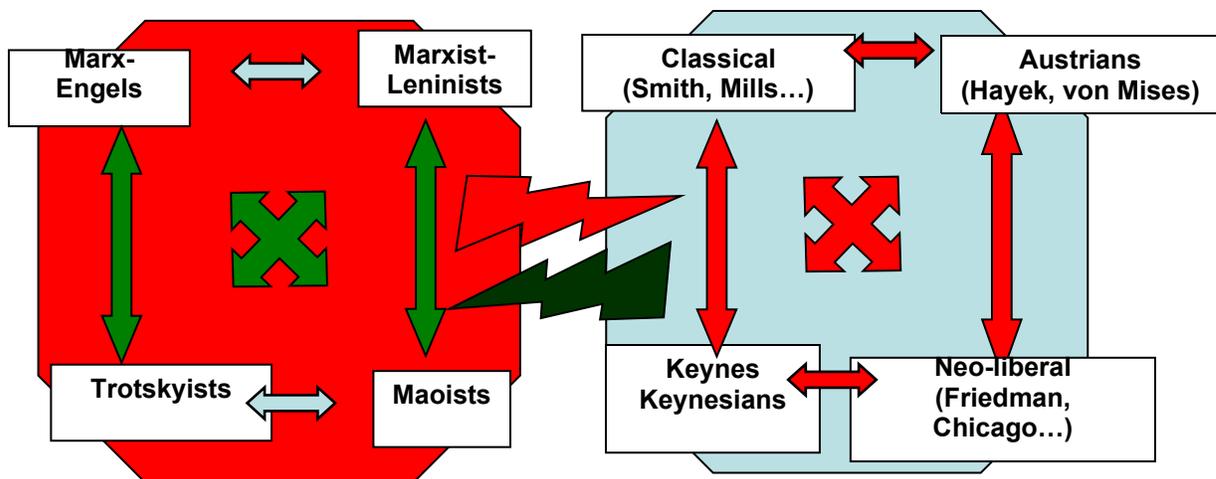


Figure 2: Ideological Polarization between Communism and Capitalism

However, what they have in common is almost completely overlooked. Specifically, they all consider normal a monopoly of a centralizing currency. Could the reason for this be that both ideologies were at their root two different expressions of industrial age, patriarchal societies?

This ideological split, by bringing the focus on everything *except the money paradigm*, has substantially reinforced the monetary blind spot.

Institutionalized Status Quo

Sometime during the 18th and the 19th century, a decision was made that the paradigm of a monopoly of a single currency issued through bank debt should be institutionalized. Each country's central bank plays that role, and since Bretton Woods the International Monetary Fund (IMF) and the World Bank have been added to the panoply. All these institutions have important and useful tasks in terms of preserving the integrity of the system. But they also are the guardians of monetary orthodoxy which continues to prevail: the idea that achieving the objective of monetary stability requires the safeguarding of the monopoly of the existing money creation process. This orthodoxy is part of the powerful auto-catalytic forces that engender and protect banks that become as a consequence "too big to fail". The orthodox idea - that we need to enforce a monopoly of a single national currency, one in each country or group of countries - remains firmly in place, despite the massive systemic collapse in 2008. Let us please remember that it is also that same orthodoxy that got us into this trouble...

We should also feel some sympathy for financial regulators and policy makers who find themselves in the uncomfortable role of trying to control the defective car sent over a mountain range that was described in the metaphor at the beginning of this paper...

Academic Taboo

Challenging a paradigm in any field is always a risky business. In particular, challenging the monetary paradigm can be interpreted as violating an academic taboo. It somehow gets in the way in being invited to the top conferences or getting published in the most

prestigious “peer-reviewed” journals. Let us take as example the most prestigious award of all, the “Nobel Prize in Economics”. Many people ignore that there is a significant difference between that economics prize and the other five established in 1901; the ones in physics, chemistry, medicine, literature and peace. The Economics prize is the only one that wasn’t created by the will of Alfred Nobel, nor is it funded by the Nobel Foundation. Its technical name is the “Sveriges Riksbank Prize in Economic Sciences in Memory of Alfred Nobel”, and it was first awarded in 1969. Its laureates are selected exclusively by the Board of the Swedish central bank, and its funding is coming from the central bank. Is it surprising that none of the 64 Nobel Laureates in economics so far have made the mistake of challenging the monetary paradigm?

Paul Krugman told the author personally in 2002 in Seoul, Korea, that he has always followed one piece of advice that his MIT professors had given him: “never touch the money system”. He did get the Nobel in 2008.

Conclusions

The four layers that generate the blind spot in the monetary paradigm reinforce each other to the point of locking us into a pretty tight straightjacket around what is perceived as “normal” or “acceptable” in the monetary domain.

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