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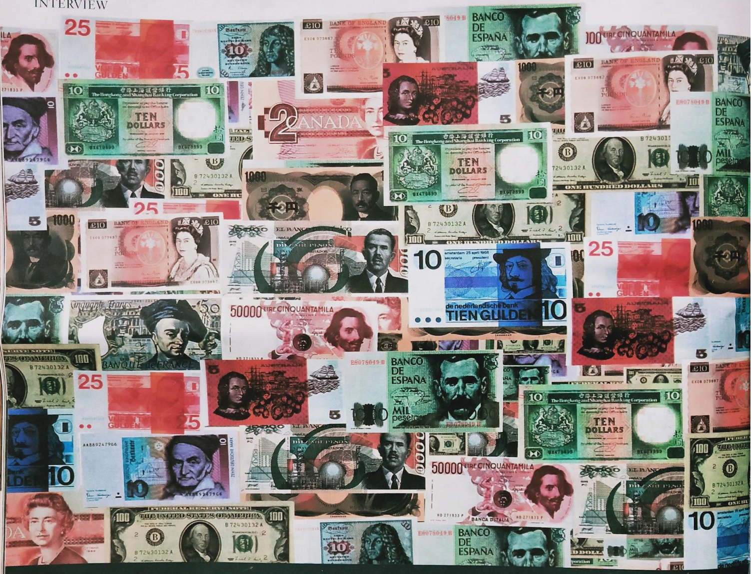
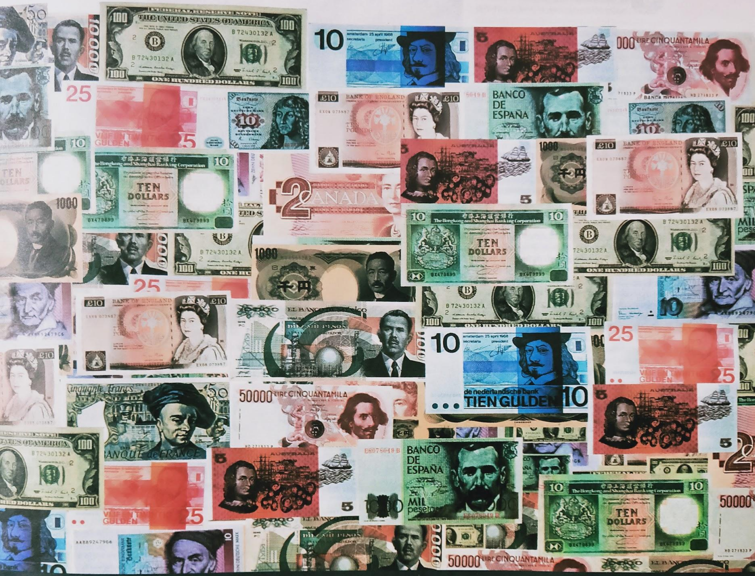


FUTURES TRADING



This is the year 2100 and money is not what it used to be. The pound, the dollar, the yen and the rouble are long gone. Instead most human exchange is based on time units. The effects of this are huge. The environmental crisis that had been predicted last century did not happen. Unemployment is no longer a problem. People are happier. They feel more content with their place in society. Sound far-fetched? Not according to Bernard Lietaer, architect of the euro. This is Sustainable Abundance, the future he would like to create

SITTING opposite me in the bar of the Oriental Mandarin Hotel, Hyde Park, is the man who reckons he can solve most of the world's problems. It is 11am. I order coffee. He orders port: Croft Vintage 85. Later today Bernard Lietaer will go to the House of Lords to explain his big idea to those of the noble Lords prepared to open their ears to it. His view is that our global money system no longer works in our best interests and that what humankind needs now is a complete overhaul of money – and our attitude towards it.

The reason people are willing to listen to him is that this son of a Belgian marketing executive has spent 25 years working in different (and usually mutually exclusive) areas of the money system. Creating the single European currency (when working for the Central Bank in Belgium) and being named "the world's top currency trader" by Business Week (making $22m in three years for an environmental trust) are just two of his claims to financial fame.

He has also consulted with developing countries on four continents about improving hard currency earnings, overseen the set-up of the most efficient electronic payment system on the planet, and been Professor of International Finance at the University of Louvain. Now 58, he lives between California, Brussels and Munich, and is on a mission to explain the exciting and mind-opening financial vision outlined in his book, *The Future of Money*, out this week in English and already published in German and Japanese.

"I tend to live a little further in the future. It's a bit uncomfortable for me because I'm always seen as the crazy guy. But it's just that I'm five to 10 years earlier than everyone else," he says. Like, for instance, in the Seventies when he forecast the Latin American debt crisis of the Eighties, or when he got involved in designing the ecu. Speaking of which, when does he think Britain will finally join the single European currency system? "Around 2005," he says. "Exporters are already clobbered by the expensive pound; by then importers will be clobbered by an expensive ecu." The campaign to save sterling is, according to Lietaer, irrelevant. It is part of an outdated money system designed to drive the Industrial Age and well past its sell-by date for serving the needs of the Information Age.

"In pre-Victorian England the world was oblivious of pollution, greenhouse effects and overpopulation. Nationalism, competition, endless growth and colonisation were encouraged. These values are what shaped the monetary and banking systems we inherited," he explains. What we need now is nothing less than a full-scale monetary revolution. It is not that Adam Smith got it wrong; it is just that when he wrote *The Wealth of Nations* the world was a very different place. The priorities then were all about greed and scarcity and kindling the competitive spirit.

Today, the chief executives of big corporations are still locked into short-term thinking, their jobs dependent on delivering good financial results for the next end-of-quarter (most business decisions are made with horizons of less than five years; the longest term conservative investment available in dollars is the 30-year 'long bond'). Yet what our plundered planet desperately needs is the kind of long-term thinking which would reward investment in, for instance, cleaner, environmentally friendly methods of production, or a 500-year reforestation project of the sub-Sahara desert.

Just as fish never question the nature of the water they swim in, most of us are unaware of the nature of money

The problem is that just as fish never question the nature of the water they swim in, most of us are completely unaware of the nature of money and the way it shapes our existence, explains Lietaer. In the first of a stream of quotable quotes he turns to commentator Mark Kinney, who wrote: "Money is like an iron ring we put through our noses. It is now leading us wherever it wants. We just forgot that we are the ones who designed it."

Lietaer adds: "I think it's time to figure out where we want to go – in my opinion toward sustainability and community – and then design a money system that gets us there." Unfolding this argument in *The Future of Money*, he first grabs the reader's attention by time-honoured means: sex and fear.

Describing money as "frozen desire", he explains how one of the very first coinages – the Sumerian shekel around 3200 BC – was used as payment for sacred sexual intercourse at the temple of Inanna, the goddess of life, death and fertility. Farmers would bring their contribution of wheat to the temple and in exchange receive a shekel coin, entitling them to visit the priestesses at festival time. "Throughout history, virtually every society has conferred some mysterious sacred qualities on its currency," says Lietaer. Even today in the United States, a nation where Church and State have been scrupulously separated since its founding, and where school prayers can still stir a heated debate, a dollar bill has as its motto: 'In God We Trust'. More bizarrely, Liberia chose to issue its legal tender with portraits of *Star Trek* characters Captain James T Kirk and Captain Jean-Luc Picard.

The fear factor emerges when reading Lietaer's scenarios of what the world might be like in 2020, based on how we deal with the four 'mega-trends' now sweeping through our lives. These are: monetary instability, global greying, the information revolution, and climate change and species extinction. The crashes of Mexico in 1994, South-East Asia in 1997, Russia in 1998 and Brazil in 1999 indicate the very real possibility of a global monetary crisis, he says. Even George Soros, one of the most

PORTRAIT ROGER SPOONER/PREVIOUS PAGE: STONE successful players ever in the money markets opines: "Freely floating exchange rates are inherently unstable; moreover, the instability is cumulative so that the eventual breakdown of a freely floating exchange rate system is virtually assured." And Joel Kurtzman, business editor of the New York Times, has already written the doom-monger's guide to finance, *The Death of Money: How the Electronic Economy has Destabilized the World's Markets and Created Financial Chaos*.

Meanwhile, with increasing longevity (two-thirds of all humans who have ever reached the age of 65 are alive today), how is society going to look after everyone in their lengthy old age? (The 'official retirement' age of 65 was chosen by Bismarck during the 19th century when life expectancy in Germany was 48 years).

At the same time, the technology of the information revolution is wiping out jobs faster than a file-eating computer virus. Or, as employment expert William Bridges puts it: "Within a generation, our scramble for jobs will look like a fight over deck chairs on the Titanic." All this is happening against the background of growing evidence that we are trashing the planet with such a vengeance it may not be fit for our grandchildren to inhabit, let alone our great-grandchildren. "1998 was declared by the UN Insurance Initiative as the worst year *ever* for natural disasters," notes Lietaer.

Depending on how we react to these 'megatrends', Lietaer sketches four scenarios for the future. One is 'The Corporate Millennium': governments are disbanded, central banks close down and the world is run with Big Brother control by huge corporations which issue their own currency. In 'Caring Communities' (a modern version of what happened after the collapse of the Roman Empire), people retreat – after, for instance, a monetary crash or a huge earthquake in California – into small, self-sustaining communities, like tribes.

The scariest scenario, though, is 'Hell on Earth' in which the breakdown of life as we know it is followed by a highly individualistic free-for-all, resulting in an ever more obscene gulf between rich and poor. This, says Lietaer, is already happening in Berkeley, California, where, less than half an hour's drive from the wealthiest county in the US, homeless children are living on the streets and dying because they can't afford medical care. The fourth possible future – 'Sustainable Abundance' – envisages a world where we take better care of the environment, re-engage the poor and the unemployed in mainstream society and give back time and fulfilment to the over-worked, while providing the elderly with a high level of personal care. "In short, capitalism with a human face does not have to remain an oxymoron," writes Lietaer.

This sounds too good to be true but Lietaer claims it is perfectly possible, provided we are willing to re-invent our money system and our thinking about money. "The only future scenario that isn't possible is business as usual," he says. Whatever politicians tell us, and however much they themselves believe it, the asteroid of change is hurtling towards us too fast for us to avoid it, he argues. In his book and in conversation, Lietaer has a penchant for quotable quotes. At this point he cites scientist-social-thinker-futurist Willis Harman: "Our societies have reached a point where transformation is not optional any more."

Lietaer's own belief is that far from being the root of all evil, money is "the root of all possibilities" from which will grow all manner of creative solutions, provided we re-think our money system. "In order to deal with the challenges just described we are going to have to change as much in our consciousness about money over the next 20 years as we have over the past 5,000 years," he says. The idea of inventing new currencies is not as radical as it sounds: many of us have already signed up to frequent flyer schemes like Air Miles, which allow us to buy hotel nights, cinema tickets and car hire, as well as flights.

Having already helped create one new currency – the ecu – Lietaer is completely gung-ho about bringing another into circulation. As yet only existing within a computer model in a German economic research institute, the Terra would be a new world currency linked to real commodities like oil, wheat and copper. It would be created not by nation states and their central banks but by an alliance of big corporations. (Governments and politicians are of rapidly diminishing importance, reckons Lietaer; already, of the 100 richest economies in the world, 51 are corporations; sales by General Motors are greater than the GDP of Denmark, and Ford's are greater than the GDP of South Africa).

In common with the pharaohs of Ancient Egypt, who based their currency on the grain in their stores, the issuers of the Terra would link it to real commodities like oil, wheat and copper. This would give it stability. But to stop people hoarding the Terra, it would also have a built-in financial wheeze called demurrage. This is a time-related charge – or negative interest rate – which means that if you hold onto your money you have to pay a penalty. The advantage of this is that instead of hanging onto their money to build up interest (as they do today), people would have a financial incentive to invest and keep investing, thus funding new jobs and new projects and encouraging the kind of long-term thinking that will be better for the planet. The last time this happened in Europe was seven centuries ago.

'The scariest scenario is Hell on Earth, where the breakdown of life as we know it is followed by an individualistic free-for-all'

In the so-called Age of the Cathedrals – the 10th to 13th centuries – a form of demurrage was in operation which prompted the wealthy to create buildings and art forms which – in complete contrast to the thinking behind, for instance, the Dome – were intended to last for ever. "Of our bounty of 20th century creations, which ones will our descendants be able to visit in the year 3000?" asks Lietaer. "If such a long-term oriented money system were operational today, what would be the cathedrals of the 21st century?"

He envisages the Terra existing alongside three regional currencies – including, as one might expect, the one he helped bring into being: the ecu. His ideal scenario also includes hundreds of thousands of community currencies which would operate so efficiently in their limited local areas (for instance, a 20-mile radius of Falkirk) that they would be a useful complement to nation-state currencies like the pound, the franc or the mark. The exciting thing about community currencies is that they are already springing up in different corners of the world. Historically this usually only happens in times of financial crisis, like the Depression of the Thirties. Far more flexible than a country-wide currency like sterling, they can be tailor-made to fit the needs of a specific area. Another advantage is that they tend to bring people together, fostering a sense of community. This in itself has a value that goes beyond money.

Among the many examples in *The Future of Money* is the Time Dollars scheme. Originally developed to help people in retirement homes in Florida, but now successfully rolling out to 30 different states, it uses hours of service as a means of payment. For instance, when Julia agrees to drive one hour across town to shop for Joe, an old man with failing eyesight, she chalks up a one-hour credit and he gets a one-hour debit. If Joe were to pay off his debt by working for an hour in Julia's garden, that would amount to barter. But with Time Dollars he can spend an hour working in someone else's garden while Julia can use her credit to pay for Jane's home-baked biscuits or for an hour's German tuition from Karl. The system is so simple it can be run on a small scale by chalking up credits and debits on a blackboard, but can also be expanded to more people by keeping an electronic tally on the internet.

In a similar scheme in Japan, a new 'Caring Relationship Ticket' allows people to earn credits by looking after the elderly. There's a rising scale of values: doing someone's shopping in working hours is worth less, for instance, than helping them have a bath in the evening. You can build up credits in your personal Time Account to use in your own old age or transfer them now to an elderly relative or friend too far away for you to visit on a daily basis. Interestingly, the caring quality of the service turns out to be higher than those obtained from yen-paid social service workers. It also provides "a more comfortable emotional space" for old people who might be embarrassed about asking for free services. With more than 300 such schemes now operating in Japan, Lietaer says: "The Japanese Healthcare Currency has proved both more cost effective and compassionate than the system which prevails in the West."

But does he really – hand on sober-suited heart – believe that community currencies, and the other ideas outlined in *The Future of Money*, could add up to the dream of Sustainable Abundance for all within a generation? "Yes," he says confidently. "I do." Would there be enough resources to feed everyone on the planet? "Yes," he repeats. Enough for everyone to live as comfortably as most of us do in the West? Lietaer smiles and pauses for a moment, searching his mental library of quotable quotes until he finds a suitable response. It is from Mahatma Gandhi, who once said: "There is enough for everybody's needs but not enough for everybody's greed." And with that the man who wants to change the world by coining a new money system picks up his laptop and proceeds to his next appointment. ■

The Future of Money: Creating New Wealth, Work and a Wiser World by Bernard Lietaer is published this week by Century, £18.99