

The Oil Drum: Campfire

Discussions about Energy and Our Future

A World Without Money?

Posted by [Nate Hagens](#) on December 31, 2008 - 7:04pm in [The Oil Drum: Campfire](#)

Topic: [Miscellaneous](#)

Tags: [barter](#), [campfire](#), [fiat money](#), [import substitution](#), [money system](#), [original](#), [thought experiment](#), [todcampfire](#) [[list all tags](#)]

Our Wed night/Saturday TOD:Campfire series continues. In addition to having 'practical' essays on topics our community has expertise in, the intent is also for these slots to be a home for unprovable, perhaps untestable ideas, from which (perhaps) testable and worthwhile ideas emerge. Since it is New Years Eve, meaning tomorrow marks a new mini-beginning, (and the fact that traffic will be low...;-), below the fold is a short thought experiment. Imagine what the world would look like if tomorrow morning we woke up, and all money in the world had disappeared.....



No money. Empty bank accounts. But *everything* else remains the same....

Let's take as given there will be general chaos for a period of time, pretty much everywhere. Just-in-time medical prescriptions would be disrupted, dog and cat food supply would stop, and all sorts of other unpleasant trajectories that would accelerate adverse feedbacks to the system. For the benefit of getting worthwhile discussion from this post however, let's avoid debating whether this temporary anarchy would be a 6 or a 9 on the 1-10 nastiness scale, and look beyond to the eventual order and type of structures that would emerge, be it in 3 days, 3 weeks, or somewhat longer.

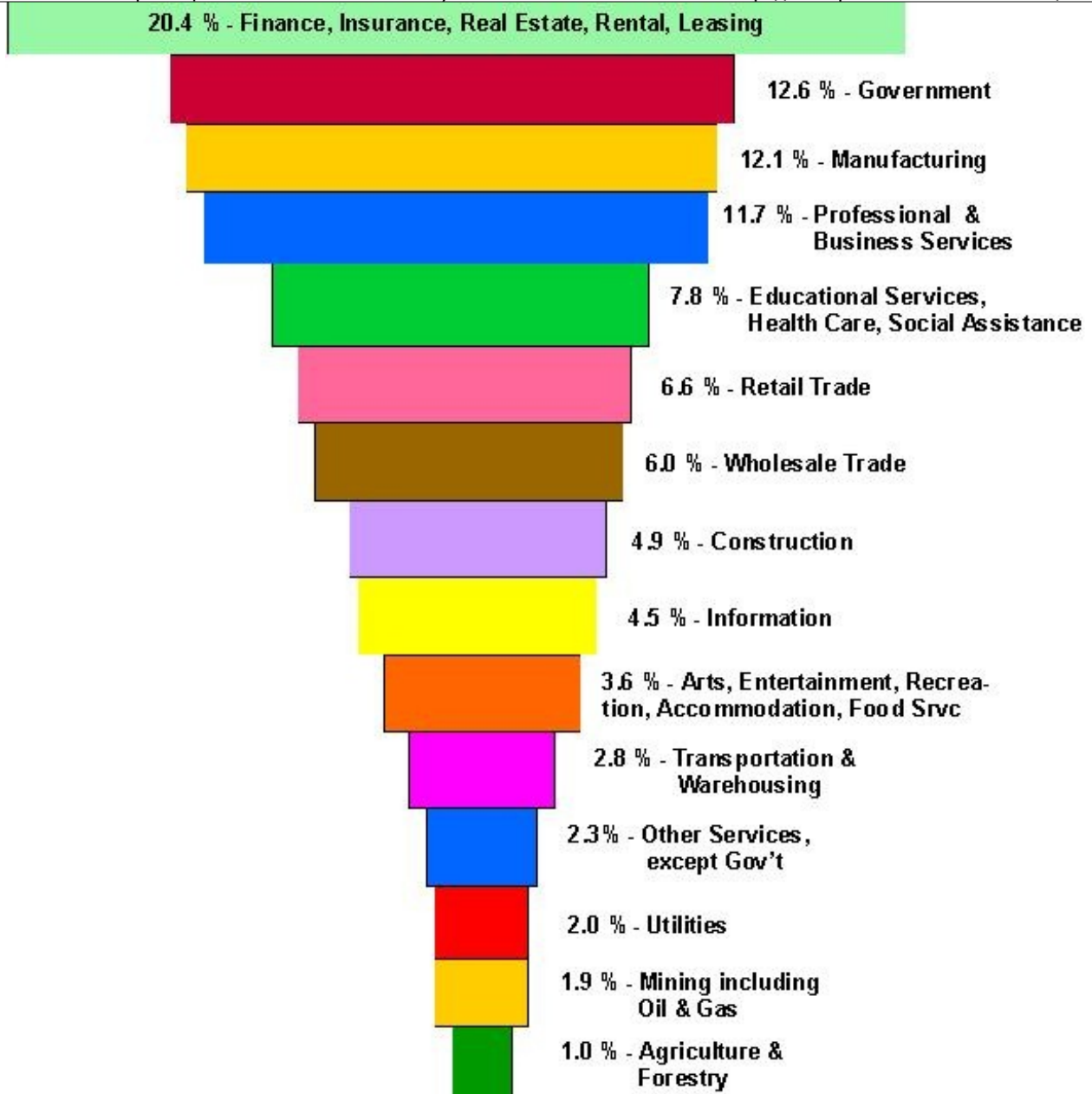
With no money, in our pockets or in our banks, financial 'capital' would at least temporarily cease to exist. Though it exists now as an abstraction that facilitates commerce and trade, money is really only a marker representing the 4 *real* categories of capital: **built** capital (wind turbines, shovels, books, houses, lumber, tools, etc), **natural** capital (land, animals, trees, riparian zones, ecosystems, fresh air, sunlight, etc.), **social** capital (friends, trust, networks, communities,

family, etc.), and **human** capital (knowledge, skills, social acumen, experience, etc.). The moment money disappeared, all these 'real' forms of capital would instantaneously increase in value, some more than others. The global [GINI coefficient](#), (a measure of income/wealth disparity) would plummet (ones 'worth' would now be measured by these real assets as opposed to digits - there would be quite a shift in the Forbes 400). I suspect 'knowledge' and 'who one knows' would loom large as assets, as traditional paychecks, bribes, payments in a service based economy, etc. would no longer be denominated in paper currency or bank transfers.

The major difference between this thought experiment and the real world is the speed. With a slow decay of the financial system, the existing elected officials and businessmen will eventually construct some new Bretton Woods III. With money disappearing overnight, different organizational themes might emerge. Over time, as has always been the case, leaders would rise to the top, both locally, and regionally. A plausible scenario would be that some areas of the world would centralize around some powerful warlord (who might now be wearing a suit and tie): other areas would be communities led by committee of friends/peers - kind of a bimodal distribution somewhere between HBOs 'Deadwood' and Kunstlers "A World Made By Hand". In either environment, irrespective of whether the leaders were local or national, anarchist or top-down, basic goods would almost certainly be reasserted as top priority: food, fresh water, sanitation, heat and electricity, medicine, etc. To make things more convenient, a new 'currency' would eventually be issued. What would it be based on? Would prior claims be attempted to be 'matched' in the new currency? Would prior liabilities be 'forgiven'? Would people be happier (after the initial nastiness?)

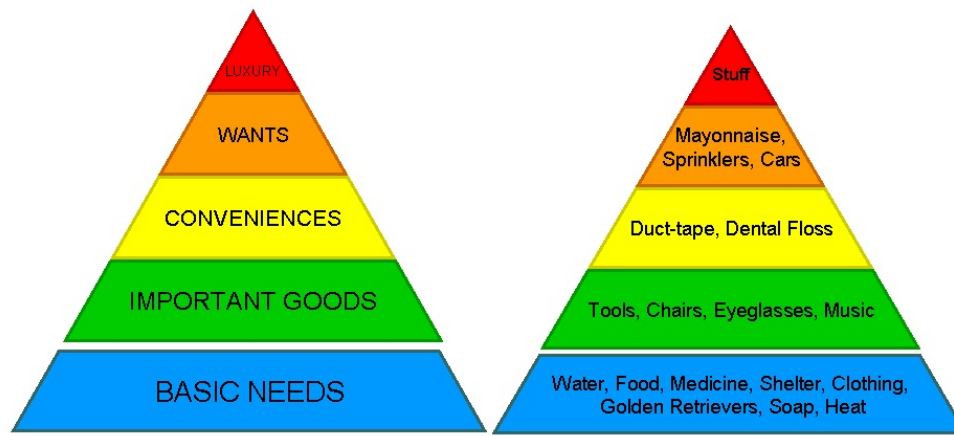
While industrialized nations may not have directly undergone this experiment, some have come close - 2001 Argentina and 2008 Iceland come to mind. Money 'existed' but was only available to withdraw in small amounts. At the other end of the spectrum, modern day [Zimbabwe has PLENTY of money](#) - in fact, my brother enclosed a 10 billion Zimbabwean Dollar Note in my Christmas card.

The production of goods is accomplished by human and natural capital. When denominated by money, here is how our economy 'stacks' up, by industry, as a % of GDP:



(from [Upside Down Economics](#), by Kurt Cobb)

Without money, perhaps it would look something more like this?

**Consumption Pyramid****Examples of such**

Money has allowed us to increase efficiency, to reduce redundancy and increase aggregate 'profit'. [Trade benefits from specialization](#) have made nations 'monetarily' better off, though without money, most of these advantages not only disappear, but become liabilities. Import substitution policies that were suppressed by the Washington Consensus now look attractive. Regions where industry and production of basic goods occurs locally will have an advantage, almost irrespective of who is in charge. Undoubtedly money will emerge again, because trading a cow for 2 computers and some skis is awkward. But what will it be based on?

Money no longer exists, and has no meaning. You are in charge. How do you structure things?

This thought experiment is not TOO far removed from present day reality...Have at it - there are no 'right' answers, and Happy New Year...;-)

* A paper worth a read [Natural Capital, Human Capital, and Sustainable Economic Growth](#)

* The concept of the 4 capitals is outlined in Chapter 5, "A Four-Capital Model of Wealth Creation", in the book, [Real Life Economics](#), by Paul Ekins

**Thanks to my massage therapist Kathy for helping me envision a world without money



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