

– A Book Review by Thomas H. Greco, Jr.

***The Lost Science of Money: The Mythology of Money – the Story of Power* by Stephen Zarlenga**

(The American Monetary Institute, PO Box 601, Valatie, NY, 2002. Hardcover, 724 pages. ISBN 1-930748-03-5)

Zarlenga's book, is in many ways, impressive, but in other ways, disappointing. This massive treatise (more than 700 pages) recounts the history of money from early times, providing an interesting historical overview based on a wide variety of sources. It is a scholarly, well researched, and insightful account of the evolution of money, banking, and finance, in which the author argues that “a main arena of human struggle is over the monetary control of societies...,” and shows how the money power has historically rivaled that of governments. All that is well and good; the story of money IS the story of power, and the author tells it well. It is, indeed unfortunate that few people today realize the important political implications that are inherent in the control over money and banking, or that such control has typically been in the hands of elite private interests. This well researched history goes a long way toward clearing away the fog that has enshrouded that bastion of privilege.

The book attempts to do two things, first, to describe the dimensions of the “money problem” by tracing its roots, not only in economics and finance, but also in ethics, religion, and politics; and second, to prescribe, in broad outline at least, a solution. In the first instance it is mostly successful, but in the second, in my view, it falls far short.

The title promises to tell us about “the lost science of money,” but there is little in it that, in my opinion, would qualify as scientific. The author's subtitle, “The Mythology of Money – The Story of Power,” would have been far more appropriate as a title. While I can appreciate the author for the major contribution he has made to our understanding of the evolution of money, banking, and centralized power, I must also offer my opinion that the conclusions he draws and his proposed reforms are less than helpful.

Zarlenga begins with the very earliest evidence in tracing the origins of money, from which he tries to discern the meanings of money in very early cultures. That is interesting, but not particularly pertinent to today's problems. Much more important is the period from 1600 onward, the coverage of which he begins with Chapter 9 and continues through Chapter 23. It is not until the very last chapter that we see anything of proposed solutions. That is just as well, for his reform proposals are ill considered and anything but original, directing us into another blind alley of centralized control.

In a mere 28 pages, he manages to dismiss every other approach to a solution which he has ever heard of, then propose that the money monopoly be reestablished under new management, and to chide the reader to adjust his attitude, saying, “No doubt some readers will wince at the thought of instituting the monetary power in our government. The reason is that **for over two centuries, a poisoning of our attitude toward government has been underway. The stealthy promotion of this self-destructive childishness must stop.**” (Emphasis is the author's).

He gives short shrift to the whole alternative exchange movement – mutual credit clearing associations, LETS, and community currencies, and, does not even mention the commercial “barter” industry, thus revealing that he has not yet educated himself about the essential nature of the exchange process, contemporary methods, and the possibilities offered by voluntary, popular, and private approaches.

His critique of the “free money” movement covers less than a single page. If Zarlenga has any knowledge at all of the free money and free banking theories, it is not apparent, or maybe this is a case of selective perception. One wishes that he had studied the free money literature as diligently as he had studied the historical literature. But, he may be forgiven that considering the general obscurity of its main proponents and the lack of availability of the writings of its best thinkers. It would have been better had the author not mentioned it at all.

Likewise, his critique of the local currency movement is similarly uninformed. Again, in less than a page he dismisses it as worse than irrelevant, seeing it as a distraction from the “real” work of reform (the centralist, government-oriented approach). In his mind, all local currencies are equivalent to LETS, and all lack vigor and permanence. Never mind the fact that millions of people around the globe are today taking the initiative to create community-based approaches to financial and economic liberation. To be sure, there have been many failures and false starts, as there are in any newly developing technological field, but to suggest that this approach cannot mature into something powerful and effective is sheer folly.

Zarlenga's third “straw man” is “the all money is debt faction.” This is a vague entity which takes two pages to dismiss. In these pages, the author shows that he has not come to understand that credit money need not be the offspring of banking privilege; that interest-free credit money can be created apart from any banking cartel, and that the entire process can be democratized.

Having described so carefully the corrupting effects that result from centralizing the money power, it is curious that the author asks us to accept it when under the control of politicians and bureaucrats. Does he not see that the political and financial elites are in cahoots, and indeed are the same people. Did nationalization of the Bank of England solve the money problem in the UK? Does he not see the utter futility of getting his program implemented through the political process, the very same process that has been used to construct the system to be as it is? He himself points out that “grasping for privilege while rejecting responsibility has become a hallmark of modern capitalism in America.” **Central government is the dispenser of privilege.**

The details of the Zarlenga plan consist of three main points on which he insists there should be “no compromise:”

1. Nationalize the Federal Reserve.
2. End fractional reserve banking and institute the “100% Reserve Solution” (ala Frederick Soddy), which he insists is not the same as merely requiring 100% reserves.
3. Institute anti-deflation programs.

Zarlenga captures the essence of the underlying ailment of modern society when he says, “When society loses control over its money system it loses whatever control it might have had over its destiny” (p. 656). His error lies in believing that “society” is synonymous with “government.” He rightly seeks to “end the monetary privileges that the financial classes have grabbed,” and to achieve the goal of a nation “in control of its own money system,” (p. 663) but, again, fails to make a distinction between “nation” and “government.” His approach is both reformist and centralist.

He admits that he does not have a “complete and detailed blueprint of the ideal monetary system,” but suggests that reform can be successful so long as it is “consistent with the nature of money, and considerations of justice play the major role” (p. 663), but such generalities that are hardly arguable. One must agree, too, with his cautions that reformers (1) avoid deflation, and (2) “place time on the side of justice instead of against it, as at present.”

Zarlenga has adopted Aristotle's view, which he quotes: "...Money exists not by nature but by law." This is in direct opposition to the view of E. C. Riegel, who has said that most monetary reformers "accept the false premise that government must issue, control and manage money and prices. Thus their efforts are innocently devoted to various schemes to improve upon perversion. *Government should not issue or control money; and it is not the function of money to control prices. Money is a neutral agent whose sole function is facilitating exchange, and not influencing prices in any way.*" (*Private Enterprise Money*, Ch 1 p. 3 html version)

Riegel says further, "There has never been and can never be an issue of money except by a buyer in the act of purchase," and goes on to clarify the meaning of "issue," saying that "No *actual* issue can take place until there has been an *exchange for value*. In other words, issue is not effected until accepted by the seller who surrenders value therefor." (*Private Enterprise Money*, Ch 2 p. 1 html version)

Well, no one volume can hope to be competent in addressing all aspects of a problem, so we should appreciate this book for what it **is** rather than condemn it for what it **isn't**. Despite its shortcomings, this is an important book. In sum, it is an admirable contribution to our understanding of power dynamics in today's world, and the singular importance of the democratization of the monetary power to enabling lives of dignity, freedom, and fulfillment for all.

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