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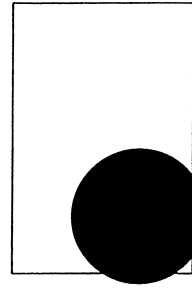
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Money in an unequal world

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Abstract

Humanity is caught between the institutions of agrarian civilization and a machine revolution whose implications we barely understand. In consequence, the world is becoming rapidly more unequal as we grow closer together. As a result of digitalization, the dominant economic form of the 20th-century, state capitalism, is giving way to a new phase, virtual capitalism. The struggle for value on the internet is analysed with reference to the categories of classical political economy. The key to economic democracy is to focus on the money instruments themselves, which are changing in response to the repersonalization of economic life in a world of cheap information. The article reviews the evidence for such change and considers the future of money. If we are to displace the old regime of agrarian civilization, the middle-class revolution with which the modern age began needs to be revitalized.

Key Words

capitalism • civilization • democracy • digitalization • inequality • internet • money
• revolution • state • virtual

INTRODUCTION

Our world seems to be driven by a great contradiction. The last two decades have seen humanity connected as never before and yet become much more unequal. Given that increased social distance has been the preferred method of managing the gap between rich and poor, this suggests at the very least that any resolution of the contradiction requires something new in human history to occur. Moreover, it is plausible that whatever is generating increased social connection, as symbolized by the internet and the digital revolution of the 1990s, is also responsible for economic polarization. And this is the case. The combination of money and machines that we know of as capitalism is the source of both trends and is itself undergoing profound transformations at this time.

My aim here is to throw light on these developments, through focusing on money in relation to this latest phase of a machine revolution that is propelling humanity from the village to the city as our normal habitat. Yet capitalism is not the only source of our common predicament. Contrary to the modernist rhetoric we live by, the institutional

legacy of agrarian civilization still holds humanity in its grip. Contemporary world society closely resembles the old regime of 18th-century France. This is because the universal social form of the 20th century, the nation-state, is a synthetic expression of a state capitalism that moves forward to a global future while facing backward to an agricultural age. But the transition to a new phase growing out of state capitalism's contradictions offers us the hope of a truer economic democracy, to be achieved by drawing on the same social and technical forces that have now come to threaten life on earth.

It may be that nothing short of world revolution will lead us out of the present impasse. A first step in this direction, however, would be to form an anthropological vision of our moment in history that is genuinely global and open to the economic currents shaping the world today. In pursuit of such a vision, the argument begins with the contradiction between agrarian civilization and the machine revolution of which capitalism is both the source and the outcome. My label for the convergence of machines and money at this time is 'virtual capitalism'. Just as the factory proletariat once struggled for the value generated by the first industrial revolution, some of us will have to engage with governments and corporations for the value generated by means of the internet. In order to do so, we need to grasp the potential of the forms of money and exchange emerging under these circumstances, with a view to developing financial instruments that serve the interests of each of us and people in general.

A major strategic consideration is whether the unfinished middle-class revolution against the old regime is still necessary to democratic progress and, if so, where that leaves hitherto failed attempts to bring about the end of capitalism in the name of the working class. Whatever these terms may mean today, a major conclusion drawn here is that the middle classes are still central to the struggle against inequality, not least because of their privileged access to the new information technologies. In Marxist terms, the petty bourgeoisie have traditionally swung between the powerful and the powerless, often adopting the interests of the dominant classes as their own, but sometimes leading the movement for greater equality and freedom. My arguments are addressed principally to those middle-class individuals who may still be capable of stirring themselves on behalf of the general human interest. It is unlikely that the demise of capitalism is a plausible aim at this time; rather, alliances with the more progressive elements of a capitalism strongly restructuring itself at the global level seem indispensable.

BETWEEN AGRARIAN CIVILIZATION AND THE MACHINE REVOLUTION

Rousseau's *Discourse on the Origins and Foundations of Inequality among Men* (1984 [1754]) ends with a ringing indictment of economic inequality that could well serve as a warning to our world.

It is manifestly contrary to the law of nature, however defined . . . that a handful of people should gorge themselves with superfluities while the hungry multitude goes in want of necessities.

(Rousseau, 1984: 137).

Surely the stale odour of corruption that so revolted Rousseau is just as pervasive today. According to the United Nations *Human Development Report* (1998), the world's 225

richest men (and they are men) own more than \$US1 trillion, the equivalent of the annual income of the poorest 47 per cent of the world's people. Three of them have assets worth more than the gross domestic product of the 48 least developed countries. The West spends \$US37 billion a year on pet food, perfumes and cosmetics, almost the estimated additional cost of providing basic education, health, nutrition, water and sanitation for those deprived of them. The rate of car ownership in industrial countries is 400 per thousand, 16 in all developing countries. The rich pollute the world 50 times more than the poor; but the latter are more likely to die from the pollution. World consumption has increased sixfold in the last 20 years, but the richest fifth account for 86 per cent of it.

As a thought experiment, we could conceive of humanity as a unit stratified by wealth, race, age and gender. Women everywhere are struggling with the legacy of patriarchy. The world's poor, however, are concentrated in what came to be called the Third World and latterly the South, the outcome of western expansion over the last 500 years and particularly of imperialism in the 19th century. The ideology sustaining this expansion was racism, the belief that the power of 'white' people derived from a biologically founded superiority to the 'darker races'. Although racism is nowhere officially sanctioned today, it still plays a major part in organizing cultural responses to global inequality. Then also the world's young people are to be found predominantly in the South owing to a lag in the fall of birth rates there. For the age distributions of rich and poor countries are skewed heavily toward the old and young respectively.

There are tremendous inequalities within countries and regions (Bill Gates owns as much as the annual income of the 106 million least affluent Americans); but it is not difficult to summarize the description just given in terms of a two-class model. A rich, mainly white, ageing minority (about 15%, if we take North America, Western Europe and Japan together) is surrounded by a majority (five-sixths of the total), which is on average a lot poorer, darker in colour and especially much younger. Seen in terms of the reproduction of humanity as a whole, we can say that a stagnant western elite is about to be succeeded by a hugely proliferating generation of non-westerners from whom it is separated by a tradition of cultural arrogance and by ingrained practices of social exclusion. But the elite frantically erects barriers in the hope of staving off this demographic threat to its continuity.

The situation is not unlike that found in agrarian civilizations, where small urban elites sought to maintain control over rural masses condemned to drudgery and political impotence. Generally speaking, modern populations are more mobile and difficult to control than the peasantries of old. Indeed the main difference between the two cases lies in the fact that modern world society is supposed to be organized by an ideology of human freedom and equality. This is the legacy of a democratic revolution, begun in the 17th and 18th centuries, which aimed to install rule by the people in general as the only legitimate form of government. The industrial revolution, which closely followed its political counterpart, implied that humanity might now be released from material as well as social constraints on its development. But the evidence of global inequality today shows that this emancipatory rhetoric is an illusion.

One reason for this is the effectiveness of education and propaganda systems that disguise the true nature of social reality. Another is the national form of society, which inhibits recognition of the urgent need to redress global wrongs. In consequence, world

society today is at base as rotten as the aristocratic regimes that preceded the modern age. Power has been concentrated into forms held against the people, first in the hands of owners of money (capitalists) and then in a revived and strengthened state apparatus. In the second half of the 19th century, no major thinker envisaged the possibility of imposing state control on the restless energies of industrial/commercial society. Yet in the course of our own century, the rule of elites has been restored: state bureaucracies seek to regulate the lives of citizens in unprecedented ways, and world society is divided into national fragments. There is no popular government anywhere, and most people have forgotten when they last took an active interest in such a possibility. The confusing part lies in the widespread use of a rhetoric derived from the democratic revolutions to cloak the purposes of those who reserve effective power to themselves. Western states are no more liberal than the Soviet Union was Marxist. At least the old regime of agrarian civilization called itself what it was. The vast majority of intellectuals are complicit in the lies needed to sustain this latterday revival of the state. Behind a smokescreen of democratic slogans, the bureaucracy relies on impersonal institutions to maintain grotesquely unfair levels of inequality.

One method for an anthropology of the contemporary human condition would thus be to conceive of world society as a single population divided into rich and poor or, if you like, polarized between a remote elite and the undifferentiated masses. This society is humanly insupportable, in that most of its members must routinely endure poverty and violence, while a few enjoy the benefits of wealth in forms that were unimaginable before the industrial revolution. Moreover, a society so cruel and indifferent to the general human interest is heading for ecological disaster. Ours is a corrupt *ancien régime* (de Tocqueville, 1955 [1856]) that must soon find a new democratic revolution, if human intervention in the life of this planet is not to end in catastrophe.

The form of social organization underpinning this universal crisis for humanity in the 20th century has been state capitalism, the attempt to manage markets and money through nation-states (James et al., 1986 [1950]). We know that agrarian civilizations ruled the earth for 5000 years before the machine revolution altered the conditions of human life irreversibly. Today's societies everywhere claim to rest on science and democracy, the twin foundations of modernity and the lasting legacy of the 18th-century revolutions. This modern religion is similar in many ways to older claims made on behalf of God, and with the same plausibility: if society is omniscient and good, how can there be so much suffering in the world? The obvious answer to this question is that society is not run by and for the people as a whole and, whatever its principles, they are not based on effective knowledge. Perhaps we are less emancipated from the past than we imagine and are further from a desirable future than we hope.

The institutions of agrarian civilization, developed over five millennia by elites bent on controlling a passive rural workforce, have an abiding influence in our day. Obviously, modern societies differ in almost every respect from their predecessors, but there is an underlying sameness that we prefer to deny, especially Americans (who imagine that they have escaped from history). It is counter-intuitive, but the dominant institutions of today's world have their origins in agriculture and closely resemble, in form if not in content nor always in function, pre-industrial civilizations that still significantly underpin our own. A preliminary list would include territorial states, landed property, warfare, embattled cities, impersonal money, long-distance trade, an emphasis on work,

world religion, racism and the family. Consider what happened to all the wealth siphoned off as taxes by western industrial states since the Second World War, the largest concentrations of money in the history of humanity. It went on subsidizing food supplies and armaments, the priorities of the bully through the ages, certainly not those of the modern urban consumers who paid the taxes. No, as Bruno Latour (1993) says, we have never been modern. We are just primitives who stumbled recently into a machine revolution and cannot yet think of what to do with it, beyond repeating the inhumanity of a society built unequally on agriculture.

The half-century since the Second World War has seen astonishing developments in technology. This comes with an unknowable environmental, social and personal cost. It is unsurprising that what Edmund Leach called ‘a runaway world’ (Leach, 1968; Giddens, 1999) leaves many people wondering whether the consequences of this explosion of machine production are bearable. The machine revolution has its origins in improvements made to the steam engine in the 18th century, but the period 1800–2000 may plausibly be described as ‘the age of mechanization’. Although the penetration of machines into our lives has been a continuous process throughout this period, it is possible to identify three main phases, corresponding to steam power, electricity grids and digitalization, respectively. Each of these has been expressed in a distinctive organizational form: the factory, the office and the internet. These phases in turn have been linked to growth in the power of the owners of money (capitalism) and to significant changes in the social forms of that power. At the same time, the prime location of the economy has moved from the house via the city and the nation-state to the world. It is possible, therefore, to identify schematically three sets of broad social changes associated with the development of machine production (see Table 1).

There is, of course, considerable overlap between the stages shown in the table; but it is evident that we are living in the transition from the dominant pattern of 20th-century economy and technology to whatever will become its equivalent in the 21st.

Marx and Engels (1968 [1848]) correctly foresaw that machine production entailed the centralization of society; and they hoped that the newly formed industrial working class would seize the chance of being concentrated in the cities to organize effectively against the factory owners and their allies in government. Instead, the bureaucratic revolution of state capitalism beat the workers to it, while harnessing the energies of the professional middle classes to the task of nation-building. The communications revolution is based on a more decentralized technology than before (at least at the level of use, rather than infrastructure) and it has accelerated the integration of world society, principally in the form of a network of markets. Does the emergence of a world market mediated by miniaturized machines contain new democratic possibilities for expressing general

Table 1. Three stages of the machine revolution

	c. 1800	c. 1900	c. 2000
<i>Revolution</i>	Industrial	Bureaucratic	Communications
<i>Technology</i>	Steam-power	Electricity grids	Digitalization
<i>Institution</i>	Factory	Office	Internet
<i>Capitalism</i>	Market	State	Virtual
<i>Economy</i>	Urban	National	World

human interests, or are we merely witnessing the culmination of a global capitalism run by and for huge corporations?

VIRTUAL CAPITALISM

In 1975, Milton Friedman, favourite economist of Ronald Reagan and Margaret Thatcher, set out, with a partner from the Chicago Mercantile Exchange, to prove that the age of Keynesian macro-economics was over (Hirsch and de Marchi, 1990). As a free trader and sound money fundamentalist in the tradition of John Locke, he took heart from the financial crises that affected international exchange in the early 1970s and from the persistent inflation caused by governments trying to spend their way out of trouble. The instrument he devised, money futures, was intended to alleviate the uncertainties inflicted on mid-western farmers by wide fluctuations in exchange rates. If you sell your porkbellies to Germany six months ahead of delivery time, the dollar/deutschmark exchange rate may deteriorate in the meantime and your actual earnings will be less than anticipated. A futures market in money allows you to determine that exchange rate six months in advance and to stabilize your expectations as a result. Others can speculate for the sake of making money, but the farmer gets paid reliably for his porkbellies.

From this unremarkable beginning, a new phase of capitalism emerged. In the mid-1970s, almost all currency exchanges were to finance the international purchase of goods and services (like porkbellies or tourist vacations). Today less than 0.1 per cent of international money transactions are for that purpose; the rest is just money, in a bewildering variety of instruments and forms, being exchanged for money. It is now possible to buy futures in anything, such as the likely level to be reached by the index of a major stock exchange (Henwood, 1997). This was how a Singapore trader broke the British bank, Barings, by betting on the Tokyo Nikkei index at a time when an earthquake depressed prices unpredictably. Of course, not all investment in these money markets is as reckless as this, but it is hardly scientific either. When betting on futures (which are intrinsically unknowable) is increasingly the basis of world economy, we are all in for a rough ride.

Virtual means 'as good as'. All communication, whether the exchange of words or money, has a virtual aspect in that symbols and their media of circulation stand for what people really do for each other. In that sense, capitalism was always virtual. Indeed Marx's intellectual effort was devoted to revealing how the power of money was mystified through its appearance as things (coins, products, machinery) rather than as relations between living men (Marx, 1970 [1867]). Both Marx and Weber (1981 [1923]) were at pains to show how capitalists sought to detach their money-making activities, as far as possible, from real conditions obstructing their purposes. Money-lending, the practice of charging interest on loans without any intervening act of production or exchange, is one of the oldest forms of capitalism. So the idea of the money circuit becoming separated from reality is hardly new. Yet there are changes taking place that deserve a distinctive label and, for the time being, 'virtual capitalism' will have to do.

The point of virtuality (or 'virtualism', according to Carrier and Miller, 1998) is to achieve concrete results by more abstract means, to generate a physical process through applying an equation, to tell a story on celluloid. In essence, being virtual allows us to make society at distances of time and space, while usually losing some of the qualities associated with presence. A shift to exchange on a global scale would be impossible

without it. But reliance on more abstract forms of communication carries with it the potential for real persons to be involved with each other at distance in very concrete ways. The idea of virtual reality expresses this double movement: on the one hand machines whose complexity their users cannot possibly understand, on the other live experiences 'as good as' real. It is the same with money. Capitalism has become virtual in two main senses: the shift from material production (agriculture and manufacturing) to information services, and the corresponding detachment of the circulation of money from production and trade. This in turn is an aspect of the latest stage of mechanization, the communications revolution of the late 20th century. The question is whether the same developments that have been responsible for the recent integration of world society are also the cause of its increasing polarization. The answer is yes.

Long-distance trade in information services requires a substantial technical infrastructure (Naughton, 1999). The internet has its origins in scientific collaboration between America and Europe during the Cold War. Its main language is English. Every stage of mechanization has been initially concentrated in a narrow enclave of world society, and this one is no different. The internet had only 3 million users when it went public in 1993; this number increased to 100 million in the next five years, but that is still only 1 in 60 human beings. Equally, diffusion of these new techniques has often been quite rapid. Satellite and cellular telephony, as well as videotape, have brought telecommunications to many parts of the world where the old infrastructure of electric power was underdeveloped. There is even talk of the western market for the means of communication (telephones, computers, television) being saturated or nearly so, leading to a new version of the scramble for Africa, this time for shares in a largely untapped telecommunications market. But, for all this talk, the short conclusion is that many poorer regions appear to be stuck in phases of production that have been marginalized by this latest round of uneven development.

The expansion of markets for money in countless notional forms seems to have injected a new instability into global capitalism, if only by allowing accumulation to transcend the controls that nation-states once seemed able to impose. The east Asian bubble of endlessly rising stock prices has recently burst, precipitating unprecedented upheavals on Wall Street and pushing the Japanese banking system into a tailspin. Billions of paper assets have been wiped out overnight. Mismanagement by the banks has reached colossal proportions (Crédit Lyonnais made 'errors of judgement' that amounted to losses equal to the deficit on the French national social security fund!). This apotheosis of capital, its effective detachment from what real people do, has made many huge fortunes and produced devastating losses. Here is certainly one of the motors of global inequality, money being made with money.

The situation is comparable to that between the First and Second World Wars in America, especially, and also in Europe. A stock market boom ended with the Wall Street crash of 1929. The resulting depression lasted a decade. This was the opportunity for states to assert their own dominance over a capitalism that was then still more national than international. The subsequent period of about four decades was the heyday of state capitalism. What political forces are adequate to regulate the present money madness in the interest of people in general? The world organization of money has now reached a social scale and technical form that make it impossible for states to control it. This may be good news for democrats and anarchists in the long run, but in the meantime Hegel's

(1952 [1821]) recipe for state moderation of capitalism has been subverted, with inevitable results: rampant inequality at all levels and appalling human distress without any apparent remedy.

We may be on the verge of a new stage in global capitalism led by the United States in which earlier constraints on development are transcended, as they have been before. On the other hand, it is no longer self-evident that being inside the virtual economy is a privilege. If the balloon goes up, people sitting on little plots of land in the countryside will count themselves lucky to have missed the bonanza. In another sense, development is no longer conceivable as a linear process describing unequivocal winners and losers in the global economy, advanced and backward producers. The rules of the game are being rewritten so fast and with such uncertain consequences that it is no longer apparent who is best placed to benefit from them. The populations of America and Europe, which have grown passively dependent on the impersonal institutions of state capitalism, may be less well-placed than many Africans who have never known the relatively painless security of a welfare state.

It is too early to discern the new social forms that are likely to win out in the shift from state to virtual capitalism engendered by the communications revolution. Governments everywhere are gearing up to reassert their authority in the face of forces subverting it. Corporate capital ranges more freely in world markets, yet the question of the legal basis for income, property and contracts remains unresolved, if the rules imposed by nation-states lose their force. New forms and levels of political association are emerging (global, regional and local, as well as national), with Europe in the experimental vanguard and the USA caught between world empire and a reinvigorated federalism. The relationship between a rapidly expanding internet and territorial organization remains indeterminate as yet. Nevertheless, we can begin to discern the contours of what may be taking shape in the coming century. But more than empiricism will be needed if we are to grasp the world of possibility involved. With this in mind, I approach the question of money and inequality in the age of the internet through the lens of the categories developed by classical political economy at the beginning of the machine revolution.

THE POLITICAL ECONOMY OF THE INTERNET

Political economy was an argument about how the distribution of the value generated by an expanding market economy might best be deployed in the interest of economic growth (Robinson and Eatwell, 1973). Smith, Ricardo and their followers identified three types of resources, each thought to be endowed with the power of increase: nature (land), money (capital) and human creativity (labour). These in turn were represented by their respective owners: landlords, capitalists and workers (the latter before long taking the form of an industrial proletariat). Their interest was in specific sources of income, the distribution of which contained the key to the laws of political economy: rent, profit and wages. The main conflict was at that time seen to be between landlords and capitalists; and the policy recommendation was to ensure that the value of market sales was not diverted from the capital fund to high rents. Only later did the issue of the conflict between the interests of capitalists and workers arise.

The basic division between classes formed by an interest in land, money and human creativity persists today. Indeed, writers as diverse as Locke and Marx have constructed visions of history in which a state of nature or society based on the land gives way to an

age of money (our own) whose contradictions should lead to a just society based on fair reward for human creativity. So the question posed by our latest phase of the machine revolution, whose symbolic and practical expression is the internet, is how these broad classes of interest are manifested in the struggle for the value generated by electronic commerce. If the class alliance was first presumed to be between the owners of money and labour against the landlords (industrial capitalism) and then took the form of landlords and capitalists against the people (state capitalism), how are the classes aligned in the present phase of virtual capitalism?

The original claims made by the classical political economists arose from a perception that the rising forces of industrial capitalism were running up against the entrenched institutions of agrarian civilization. They found that the land was in the hands of an hereditary aristocracy who could charge what they wanted for its use, and that the price of the food eaten by their workers was similarly tied up in traditional agriculture. They sought to change both. But they soon found themselves faced with two potential antagonists, not just the traditional ruling class, but increasingly the industrial working class, which the combination of money and machines called into being.

The 20th century may be perceived as having been framed by these stages in the evolving relationship between capitalism and the machine revolution: at one end, by the bureaucratic revolution and the shift from market to state capitalism, at the other, by the communications revolution and the shift from state to virtual capitalism. This in turn can be understood in terms of changing relationships of alliance and conflict between the three classes of political economy. An alliance of capitalists and workers against the landlords was replaced by an alliance of capitalists and landlords against the workers. In Britain and elsewhere, the capitalists ended up sharing power with the aristocracy in order to keep the workers tied to an unequal labour contract. How are these class relations shaping up in the age of the internet?

Now that the internet is no longer primarily a research tool, it is becoming increasingly an electronic marketplace, a site for e-commerce. The point about electricity is that it travels at the speed of light and the passage of information itself is virtually costless. This then is a market with unusual time and space co-ordinates, where the personal and impersonal dimensions of economic life meet on new terms. Most of us will take some time to get used to the implications of such developments; in the meantime, the pioneers of cyberspace are making the most of these new opportunities (Uimonen, 1999). Is the analysis of classical political economy appropriate to these circumstances? There are broad and narrow answers to that question. In the former case, we need to talk about the distribution of value in the global economy as a whole; in the latter only of the internet seen as a contested site of virtual capitalism or the world market. It is easy to conflate the two, as Marx and Engels did when they chose to interpret a few Lancashire factories as the vanguard of capitalist development. The three classes of political economy may even represent the divisions of our worldly knowledge (nature, society, humanity) or the overlapping stages of history in which land, money and human creativity are respectively dominant.

So where are the three classes today? The landlord class has by no means rolled over and died, at least in Britain, where politics retain a distinctly feudal tone. But if one thing can be said with confidence about the internet, it is that it offers a means of escape from land shortage, indeed from spatial constraints in all their forms. The part originally

played by the landed aristocracy in maintaining the right to control people through their occupation of territory has largely now passed to national governments. Territorial states are able to extract taxes and rents from all those economic activities involving money that take place inside or across the boundaries of their jurisdiction. Their ability to do so has been greatly facilitated by the advances made in bureaucracy during this century. But this becomes more difficult when the source of value shifts from car factories and downtown shopping centres to transactions of money and commodities conducted at the speed of light without regard to borders. The system of involuntary transfers could once be justified as a source of economic security for all. But that principle has been under attack from the right for at least two decades now, and the governments of rich countries are now more likely to legitimate their activities in terms of keeping the poor majority out.

The capitalists have come a long way too. Having formed an alliance with the traditional rulers from the 1860s onwards, they absorbed and ultimately defeated the challenge posed by the working class. It is not hard to see in the recent revival of free market liberalism triumphal evidence of that victory. But the relationship of capital to the state has become increasingly moot. Money has always had an international dimension, and the corporations that dominate world capitalism today are less obviously tied to their nations of origin than they once were. There are today some 34 firms with an annual turnover of \$US30–50 billion, larger than the gross domestic product of all but eight countries in the world – the same countries being the home base of these corporations (Alexandra Ouroussoff, personal communication). Moreover, despite an apparent trend in the 1980s for Asian countries to challenge western hegemony, by the end of the 1990s half of the world's 500 largest firms were American (244, up 22 on the previous year), more than a third were European and the rest of the world's representatives shrank in numbers and influence as a result of the financial upheavals of 1998 (*Financial Times*, 28 January 1999). In other words, the evidence is that an ever larger proportion of the world economy is controlled by a few firms of western origin but dubious national loyalties.

The relationship between capital and the nation-state has always been one of conflict and co-operation. The wave of anti-trust legislation that accompanied the rise of monopolists like John D. Rockefeller at the beginning of the century is matched today by the feeble efforts of governments at various levels (mostly in America) to contain the economic power of Microsoft and a few companies like it. A lot rides on whether bureaucracies and legislatures can impede Bill Gates's dream of extracting payment for use of his internet software worldwide. The idea of profit as a form of rent (income from property) is confirmed, even if the burden has shifted from workers to consumers. The state competes for a share of the value of commodities in the form of taxes. But both rent and tax depend on a system of legal coercion, on a realistic threat of punishment to make people pay up. This remains a shared concern of governments and corporations alike.

So where does that leave the rest of us, allowing for the fact that many ordinary people would side with the big players for quite mundane reasons? If Marx could identify the general interest with a growing body of factory workers tied to machines owned by capitalists, it has been true for some time now that the majority of us enter the economic process mainly in the role of consumers. Economic agency is for most of us a matter of spending money. Despite the collapse of traditional industries in recent decades, there

are still those who argue that workers' associations, unions, remain the best hope for organized resistance to big business. It was an achievement of state capitalism to make people believe in society as a place with one fixed point. But this is giving way to a more plural and shifting terrain in which the internet may well be breaking new ground. The mass of ordinary users have a common interest, as individuals and pressure groups of various kinds, in avoiding unreasonable regulation of their activities and in retaining the economic benefits of their exchanges (conducted on an equal basis). In this formulation, we may provisionally accord to the wired, netties, internauts or what have you a class identity in opposition to governments and corporations.

To summarize then, the main players in the political economy of the internet are governments, corporations and the rest of us, the people (in this case the small minority who are wired). Political power based on controlling the land, following a class alliance between landlords and capitalists in the 19th century, now takes the principal form of territorial states, the coercive capacity of governments to extract taxes and rents on threat of punishment or by right of eminent domain. Capitalist profit is now concentrated in a handful of huge transnational corporations whose interest is not only in keeping up the price of commodities, but often in deriving rent (income from property) in the face of resistance to payment. It is problematic to identify the class that represents the general human interest in retaining the benefits of our own creativity, but, on an analogy with the workers who tended the factory machines (themselves initially a very small minority), we could start by looking at the wired, the ordinary people who might aspire to exchange services or simply share as equals on the internet.

If we assume that the uneasy alliance between territorial states and corporate capital will continue to dominate the next phase of world economy, then the emergence of the internet will not make much difference to the lives even of those few people who have access to it. If the rhetoric of the neo-conservative liberals holds true, that we are reverting to a phase of market capitalism along 19th-century lines, then there possibly exists scope for a new alliance between some sections of corporate capital and those people capable of mobilizing the new means of communication on behalf of a liberal humanist agenda. This latter seems the more desirable to me, but both scenarios are more plausible than a third, namely that states and their citizens could combine to limit the scope of global capitalism, or a fourth, that a world revolution in the interest of humanity as a whole may be galvanized through the resources of the internet. There are other intermediate possibilities for social democracy whose form is not yet apparent. The point of this section, however, has been to pose these issues in a clearer way, rather than leap to a prejudiced and one-sided conclusion.

MONEY IN THE AGE OF THE INTERNET

Despite the continuing influence of outmoded cultural forms, the idea is slowly taking root that society is less an oppressive structure out there and more a subjective capacity that allows each of us to learn how to manage our relations with others. Money is a good symbol of this shift. It first took the form of objects outside ourselves (coins) of which we usually had a greater need than the available supply, but of late it has increasingly been manifested as personal credit, in the form of digitalized transfers mediated by plastic cards and telephone wires, thereby altering the notions of economic agency that we bring to participation in markets. If modern society has always been supposed to be

individualistic, only now perhaps is the individual emerging as a social force to be reckoned with. This claim rests on a single overwhelming fact, that large amounts of information can now be processed cheaply concerning the individuals involved in economic transactions at any distance, thereby making possible the repersonalization of complex economic life. In the process, the assumptions that supported mass society for a century are being undermined.

The internet may confirm a trend that liberals have often asserted and socialists once denied, that economic power is being transferred from producers to consumers, from centralized bureaucracy to flexibly specialized markets in which individual consumers carry more weight than we ever did in the days when shopping involved picking undifferentiated products off a shelf (Miller, 1997). Banking services are becoming much more specialized, less paternalistic and more consumer-driven. Many firms are turning to the new information technologies to tackle a long-standing problem that was intransigent in the days of mass consumption. It is often the case that up to 80 per cent of sales are generated by the top 20 per cent of customers. In future, these customers will be targeted for special attention (it is called CRM or customer relations management) and treated in ways reminiscent of the customized shopping enjoyed by a privileged few before the bureaucratic revolution of a century ago. At the same time, others may find themselves rejected as customers because they do not spend enough to make it worthwhile to serve them. In general, it will be possible to take identification of customers' needs well beyond the hit-or-miss level of much current junk-mail.

In principle, the internet overcomes one of the chief arguments made by the classical economists for barter's inefficiency as a form of exchange. This was that, in order for an exchange to take place, one seller has to find a buyer who also has what the seller wants for himself, in the required quantities. The use of traditional money allows this interdependence to be broken, with the seller holding cash against future purchases of his own. Under previous conditions, the constraints of market size and timing restricted the scope for barter. But, with the internet, one can imagine swaps taking place within networks of infinite size and global scope. *Wanted:* in exchange for the collected works of Milton Friedman, a night in a Bangkok knocking shop. There must be somebody out there . . . Of course, problems of timing, trust and delivery will not disappear overnight. But we have scarcely tapped the potential for direct exchange as yet. As for internet sales involving cash payments, a whole new industry has grown up concerned with developing forms of electronic money ('e-money'). It seems likely that a high proportion of these will be special-purpose currencies operating within closed circuits of exchange rather than general-purpose money capable of crossing the boundary between the internet and the rest of the economy.

The internet thus opens up the possibility for people to form closed circuits of labour exchange with their own nominal currency. Local Exchange Trading Systems (Bowring, 1998; Servet, 1999) or LETS (the precise wording is less important than the acronym's call for us to be proactive) were invented by Michael Linton in British Columbia in the early 1980s as a way of generating local employment during a recession. There are perhaps a thousand of these organizations in the world today, with membership ranging from a few dozen to 2000. In France, SEL (*Systèmes d'Echange Local*, the acronym carries the connotation of salt as a barter currency) have attracted favourable publicity in newspapers like *Le Monde* as a possible source for the democratic socialist revival. Some

schemes operate with paper chits, so LETS is not necessarily a digitalized form of exchange; but the system is obviously more effective when transactions are registered on a central computer.

The main problems they face are: start-up costs (someone usually has to put in a lot of free labour); transaction costs (a lot of effort is taken up with setting up a deal); variable quality of service (how do you tell whether the person you have hired really knows the job?); the network is too small and intermittent to be relied on; plumbers are in higher demand than amateur artists; and quite a few more. These add up to recognizing that it is labour-intensive to set up a new market that works effectively. For enthusiasts this handicap can be overcome. But this perhaps explains why most LETS systems so far are rather small and not particularly durable.

In America, there is a growing number of similar attempts to establish exchange circuits relying on what people have – spare time – rather than what they don't have – spare dollars (Boyle, 1999). Edgar Cahn's initiative in setting up an exchange system using *time dollars* puts the emphasis back squarely on the labour theory of value. People are encouraged to accept service credits for their labour, to be exchanged in the future against services they need. Here the focus has initially been on reaching disadvantaged groups such as old people, the poor and minorities. But, as in most of these alternative economic initiatives, the aim is to reform society itself, from small beginnings, but with big ideas. A similar scheme, with more of an emphasis on community self-sufficiency, is in Ithaca, New York, home of Cornell University. Here the currency for a local exchange circuit is known as *Ithaca hours* (motto: in Ithaca we trust) and the scheme is strongly associated with a leading activist, Paul Glover, who built up this one after an earlier LETS system had failed.

The principle of these alternative economies is not new. During the Great Depression of the 1930s, numerous local currencies sprang up to help generate exchange in the absence of liquid cash. One of the most imaginative of these was strips of deerskin known as the 'buck'. Before that, in the 19th century, America hosted numerous self-help schemes and communitarian utopias, some of which survive in modified form today. What makes LETS and similar initiatives potentially different is their link to the communications revolution. Cheap information – cheap in the sense of both the processing machines and their running costs – changes the scope of these activities. At present we have only seen some very limited small-scale experiments drawing on pretty conventional ideas designed for another age. Similarly, we have yet to see the pay-off in terms of direct democracy that interactive closed-circuit television networks allow for in principle. But the potential for development is clearly there. When it comes to the world of money itself, there are also some remarkable instances and future possibilities to report. I will mention just two examples.

JAK Members Bank (Oscar Kjellberg, personal communication) is a Swedish interest-free savings and loan association that was registered as a bank in 1997, but has been operating since 1965. JAK stands for land, labour and capital in Swedish. The association is a telephone bank with 20,000 members and 25 local branches. These branches are for information and study-groups. JAK's members have deposited over \$US60 million in addition to equity of \$US8 million, and this has been allocated as loans to 5000 members. The insistence on loans being interest-free is linked to an ideology that stresses the avoidance of exploitation of people and nature. Subscribers accumulate

'savings points' rather than interest, and these are used to determine eligibility for loans. The bank is a non-profit organization, but recipients of loans are charged an administration fee to cover wages and related costs. The main point of JAK Members Bank, however, is to promote dialogue about how to achieve a fair and sustainable economy, as much as it is about financing loans through savings. Average deposits of \$US3000 and loans of \$US13,000 suggest that the bank appeals to people of middle income. The scale of operations is significantly larger than any LETS system.

Private owners of capital in the forms of savings, life insurance, pension funds and the like have the chance not just to be more involved in the management of their own portfolios, but to band together as collective institutions exercising a growing influence on financial markets. Robin Blackburn (personal communication) has drawn attention to what he calls 'grey capitalism', reflecting both the average age of the constituency he is interested in and the murky character of the property law involved. Over half the value of equities in the USA and Britain at this time is owned by pension funds and life insurance companies. What would be the result if contributors banded together under various identities to exert more concerted pressure on the managers? The scope for increased intervention by investors, acting alone or in groups, but with the benefit of electronic information, is great. If capitalism, far from being on its last legs, as socialists have been wont to imagine, is entering a strong phase of restructuring as a global phenomenon, then the democratic currents that have always been an element in the development of the internet suggest that, in the heartlands of virtual capitalism itself, the large corporations may not have things entirely their own way.

THE FUTURE OF MONEY

Inequality is a shorthand expression for the social contradiction that a future democratic society would have to redress. It should not be necessary to explain why economic inequality is a problem for world society; but, after two decades of 'loadsamoney' economics, it is.

- 1 Inequality undermines democracy. Broadly equal access to the world's resources is a condition for free co-operation in society.
- 2 Inequality makes us feel bad. Human compassion struggles with indifference, the desire for connection with that for distance.
- 3 Inequality is a threat to world peace. Resentment of historical wrongs fuels terrorism and ultimately war.
- 4 Inequality obstructs joint stewardship of the planet's ecology. The rich cannot pursue the goal of conservation mainly through restricting the development of the poor.
- 5 Inequality reduces market demand. Economic growth in the modern world comes from increasing the purchasing power of the masses. Everyone benefits from redistribution.

Economic inequality today is manifested as gross discrepancies in spending power. If the machine age has seen a general rise in humanity's material well-being, these discrepancies have escalated dramatically in the last quarter-century. This is due partly to the declining ability of states to mitigate poverty by reducing the gap between rich and

poor, both at home and internationally. It is also due to the development I have called virtual capitalism, whereby the money circuit has been detached from real production and exchange, with spiralling consequences for the unequal distribution of wealth. Whatever solutions are attempted and by whom, the forms of money and exchange must be central to them. We have seen that these have begun to change in the context of the internet and electronic commerce. In the next two sections, I extrapolate from these incipient developments to consider where money might be going, before finally summarizing my argument concerning economic inequality. It may well be at this stage that the most we can hope for is increased economic agency for a privileged minority, that our world is still too heavily mired in the legacy of agrarian civilization to contemplate a radical democratic alternative to the old regime. But I would prefer to explore more constructive possibilities, however remote, rather than concede this pessimistic scenario.

Coins gave way to paper currency in the modern period, and recently money has taken the predominant form of electronic digits (or 'bits') transmitted through telephone wires. If paper marked a move toward the assertion of state authority over money, the cheap information contained in bits allows exchange to admit a higher degree of personal agency than before. So that, instead of debating whether money's value resides objectively in precious metals or is made by political authorities, we can revive the tradition of banking that emphasized money as personal credit or acknowledgement of debt ('bank money' in the terminology of Keynes, 1930). Seen in this light, money is an expression of trust between individuals in society (Simmel, 1978 [1900]), an act of remembering that allows us to bring calculation to some of our interactions and relationships. This trust is two-sided also, residing in both personal responsibility and the shared memory of communities, in personality and culture, to echo an American school of anthropology. But we can no longer afford the oversimplified assumption that nation-states monopolize, in their relations with individual citizens, either the source of money or the only meaningful locus of community. Most of us now live, thanks to cheap transport and telecommunications, in a plural set of associations of potentially infinite scope, the most inclusive of which is the world market. Money must evolve to reflect that plurality, and this is precisely what has been happening already.

It seems likely that, for the foreseeable future, any moves toward more personalized forms of money will co-exist with those that are already dominant. A large number of transactions, involving people and institutions around the world, will have the need of a money or moneys which have wide acceptability both as money-of-account and as money-proper, to use Keynes's (1930) terms. At present the dollar and, to a lesser extent, some other national currencies play such a role, and this has been enhanced by the financial turbulence in east Asia, Russia and elsewhere during the late 1990s. There are moves to strengthen the dollar zone of currencies tied to the USA economy. This comes at the same time that western Europe has explicitly set out to establish a rival currency, the euro. In any case, the regional power blocs are shaping up to offer currencies that aspire to general use in the world economy.

One obvious victim of this development is the independence of national currencies. Many of these have been more or less useless for international transactions for a long time, being 'soft', or non-convertible, rather than 'hard' currencies. And those few that are still actively traded in international money markets experience wide and destabilizing fluctuations in their exchange rate, as a result of the growing size of the free-floating

funds that shape these markets. It seems probable that these will persist as an expression of feelings of national sovereignty, as a medium of public expenditure and taxation supporting the reduced pretensions of government in countries whose citizens have traditions they wish to cling to. But this level of the economy will be squeezed between global and local interests and the money associated with it marginalized as a result.

A growing number of people spend time occasionally or regularly outside their own country, and this requires them to hold different currencies, paying conversion costs when necessary. For them the advantage of a currency like the dollar or the euro would be its acceptance in many places. The money could be held as banknotes, travellers' cheques, conventional plastic or smart cards drawing on bank deposits anywhere. In terms of everyday economic life, it seems probable that most people will want to make purchases at short notice using a money-of-account that is locally acceptable and paying on a cash or credit basis. They will continue to be paid in this kind of money for most of the jobs they perform. So what scope is there for using special electronic forms of money such as those described briefly here?

The great advantage of setting up or joining closed circuits of exchange with their own money-of-account (Keynes, 1930) is that they offer some respite from the exigencies of the markets for normal money. They can give communities or networks of individuals a means of organizing some of their activities independently, without fear that the value of their transactions will somehow be sucked off to an anonymous centre of redistribution or accumulation. We have already seen that they suffer from high transaction costs, variable quality of service, small scale and inadequate division of labour, as well as unresolved costs of starting-up and managing such schemes. But these are early days and the participants are handicapped as often as not by antiquated ideologies. Developments affecting electronic money on the internet may bring commercial sophistication to these alternative economic practices. At the very least an arena has been opened up where people can explore different methods of livelihood and co-operation. Having absorbed plastic cards faster than some pundits predicted, they can now discover ways of integrating a wide variety of money forms into their lives, as many kinds of money, in fact, as the associations in which they are regularly involved (Pahl, 1999).

PEOPLE'S MONEY: BEYOND ECONOMIC COERCION

'The people', whose will is universally declared to be sovereign today, have had to content themselves with a lot of propaganda and little of the reality of power in the 20th century and beginning of the 21st. Rather, a bureaucratic elite, distinguished by its uniform ('the men in suits') and divided in principle between government and commerce, has supervised one of the most unequal systems of rule seen in history, state capitalism. For all the rhetoric of freedom that abounds in our societies, state capitalism is based on legal and economic coercion, on the ancient principle of territorial monopoly and on the newer one of having to sell oneself in order to live. State power looks as if it is on the wane, and, while the world's money system totters from one crisis to the next, the concentration of economic power in the hands of a few large corporations seems inexorable.

This then is our chance to find new forms of political association, more appropriate to popular needs, and perhaps even to subvert the dominance of a capitalism enjoying the fruits of globalization. The one strategic asset we have is the fast-breaking medium of the internet, and, at a time when society increasingly takes the form of a world market,

our efforts at self-emancipation must be focused on the money instruments themselves. For, too often in modern times, the goal of political democracy has been undermined by the absence of any realistic economic counterpart. After the heads and tails of state money and commodity money (Hart, 1986), it is time to make people's money, that is, money in forms reflecting the needs and interests of the people using them.

The word socialism having fallen out of fashion, I prefer the expression 'economic democracy'. Socialism emphasizes the collective above all else, whereas democracy can refer to both collective and individual agency. In a late essay, 'Socialism, utopian and scientific', Engels (1968 [1892]) explained why his version of socialism was scientific and social experiments such as those of William Morris were the former. Utopian socialists looked back to a pre-industrial age of communities and craftsmanship, whereas scientific socialists looked ahead, with the benefit of the best knowledge available, to the reshaping of the modern world by contemporary social and material forces. He, along with all the leading social scientists of the day, correctly saw the world moving along a path of centralization fuelled by machine industry. He was concerned, however, that this centralization was proceeding faster and more effectively at the top of society than the bottom, and he was right to be, as it soon turned out.

Now the nostalgic left is likely to dream of rebuilding the states that once seemed to carry the aspirations of the masses everywhere. This is a utopian exercise, since it fails to come to grips with the forces changing our world. What are these? Virtual capitalism, a corollary of the communications revolution, weakening state management of capitalism, and the apparent dominance of markets driven by 'wild' money, that is, money no longer subject to the national controls typical of the Bretton Woods era (Gregory, 1997). Global integration is linked to a decentralizing technology that favours increased mobility at the expense of national political controls. The result is that whatever safeguards had been built up to protect the poor in some countries have been undermined. It sometimes seems that only a capitalist crash on the scale of the Great Depression could restore the political will to intervene in markets as strongly as governments did in mid-century. But the political framework for such intervention is much less obvious now.

I argue, nevertheless, that it is time to go beyond the established positions of right and left. If money is the problem, it is also an indispensable part of the solution. We are living in a rapidly urbanizing world of great complexity and increasing social connection whose affairs cannot be managed by means of handouts, either on a bureaucratic or on a customary basis. Apart from the obvious issue of hierarchy entailed in this method, people will expect to use any economic freedom they win for themselves to calculate the costs and benefits of many contracts they enter in the course of normal daily life. We cannot afford to oppose collective and individual solutions to our common human dilemmas. If I turn to markets and money as a focus for social reform, it is because, by emphasizing the means of extending social credit to responsible persons, we may be able to address more effectively the causes and remedies of what makes contemporary society so unequal.

The immediate and long-run causes of economic inequality, therefore, are an unfair and unstable system of money-making; the lack of legal guarantees ameliorating poverty; arbitrary power, whether political or economic; cultural barriers to entry, in the form of state rules and informal prejudice; and the uneven development of machine technology. Virtual capitalism has exacerbated these by marginalizing whole sectors of the world

economy where agriculture and mining are predominant, as well as by unleashing savage swings in the money system, which can impoverish national economies at a single blow. The Americans, who started off in the present monetary crisis worrying that the pensions of mid-westerners could be wiped out by the bursting of the Far Eastern equities bubble, seem now to be sustaining global stock markets through confidence in their own technological innovation and financial strength. A world dominated by American capital to the degree that we are now witnessing would be even more unequal than that country's internal economy. There would then be no end to an age of money dominated by the rich.

The world today, I have suggested, is as much the offspring of agrarian civilization as of modern machines, government and money. The obstacles to progressive change are thus twofold: the need to democratize the age of money, to bring capitalism under control, and the need to break down 'natural' structures based on territorial monopoly, to foster mobility at the expense of being tied to the land. The aim should be to improve the scope for human beings to see themselves as free economic agents; to make it more possible for people to express their personalities in social life; and to build up the stable infrastructures of money, law, education and technology capable of providing impersonal guarantees of such activity. Even then, reducing inequality may require wider social mobilization and a reform programme with many dimensions. At the very least, the emergence of a single interactive social network at the global level makes it possible to address questions that are in fact universal.

Just as the classical political economists focused their energies on denouncing the mechanisms of distribution, which they saw as hindering capitalist development, we too might benefit from examining the forms of revenue that sustain governments and companies in our day. It bears repeating that the bureaucratic power of states and corporate capital rests on coercion. Tax and rent both depend on the authorities being able to force people to pay through the threat of punishment, and territorial monopoly is indispensable to both. This, for all their conflicts of interest, underlies the continuing alliance between large firms and particular nation-states. The issue is whether borderless trade at the speed of light will permit governments still to extract revenue from markets and whether every internet user in the world will pay rent to Bill Gates or his equivalent, whenever they switch on their computers.

Recent improvements in the mobility of people, goods, money and information have systematically undermined the ability of governments to exact payment on threat of punishment. Sir James Mirlees, Professor of Political Economy at Cambridge University, recently received a Nobel prize and a knighthood for proving that you cannot tax the rich any more than they want to pay. When asked by his university's alumni magazine to explain his theory, he told them that it was far too technical for lay people to understand. Alfred Marshall and Maynard Keynes, two of his Cambridge predecessors, who both favoured income redistribution and found it possible to communicate with the public, would no doubt have been interested in his answer. Of course, the rich and the corporations have enjoyed relative freedom from taxation for some time. The poor dropped underneath the tax net long ago. And criminals of all classes have succeeded in avoiding regulation with growing impunity. This leaves mainly the middle classes to pay for the tax burden; but they have now been given the technical means of exercising greater discretion when it comes to paying taxes, at the same time that they are more

financially insecure than ever before. Instead of working out how to clobber the rich, the rest of us might benefit from learning how to emulate them.

Future generations may well conclude that we are passing through a cumulative tax revolt of proportions not seen since the end of the Roman Empire (Anderson, 1974; Weber, 1977 [1904]). I do not intend here to explore how people might further evade paying taxes. It is ironic enough that the state's paper money is the anonymous medium of exchange preferred by criminals; and, for those who choose to risk being identified through electronic transactions, the sheer volume, speed and spatial dispersion of these transactions will ultimately defeat revenue-collecting bureaucracies. At present, the system of taxation depends on citizens' belief in its inevitability. We have not yet reached the stage of extra-terrestrial banking by satellite, the ultimate offshore facility, but imagine the legal arguments over political jurisdiction when we do. It is not long ago, the middle of the 19th century in fact, that governments seriously doubted whether they could make people pay tax on more than a nominal proportion of their income.

If governments, with all their powers of surveillance and punishment, will find it increasingly difficult to enforce their claims, how much more will this apply to corporations seeking to secure rental income from their 'property'? The internet has opened up a revolution in intellectual property rights by making the reproduction and diffusion of print publications almost costless. The backlog of copyright cases waiting for legal processing mounts up daily. When computer software is one of the growth industries and a company specializing in its development is the richest in the world, the internet is bound to become a site in which the battle for control of information and the wealth to be derived from it is fought out. Already there are websites and mailing lists devoted to disseminating free the software to which Microsoft claims copyright. This then is one of the main arenas in which the relative power of governments, corporations and ordinary people will be tested. The conflict of values and interests has, of course, already been joined.

This discussion has obvious relevance to the forms of political association that are likely to develop. The centralized state depended on convincing its citizens that they had no alternative means of joining world society than through its auspices. This is no longer so. What has long been true for a privileged elite is becoming increasingly true for the rest of us; that means that people are now freer than ever to decide which forms of government to submit to. In consequence, decentralization or devolution of powers to regional or local government bodies will grow in significance, since people are more likely to fund public projects nearer to home. At the same time, they will become aware of national governments' inability to address global problems and will seek out more inclusive institutions (federations, international associations and single-issue pressure groups) better suited to addressing them. It seems likely, therefore, that the territorial dimension of society will devolve to more local units. These will retain a modified ability to coerce taxes and rents from their members, at a level limited by the sanction of personal mobility. There will no doubt be a large class of nomads who put down their roots in no one place for long enough to be made to pay any taxes, beyond those assessed on commercial services and at controllable points in the transport system. The US government is, at this moment and for similar reasons, seeking to persuade others to keep their hands off the internet (US Department of Commerce, 1998).

Under these circumstances we have to ask now what would have been an unthinkable question for most of the 20th century: how might public economies be financed

without effective means of coercing payment? It may seem far-fetched now to suggest that public economies will have to be largely financed on a voluntary basis. But if people cannot be forced to pay, they must be motivated to support public ends. At its peak, state capitalism enjoyed considerable legitimacy and it is more than the threat of punishment that keeps the law-abiding majority paying taxes today. But, as Weber (1978) insisted, when society makes its demands in the name of an impersonal norm of rational government, the moral basis for individual conformity is weakened. Just as state capitalism emerged in the late 19th century, it is time to contemplate its possible replacement. American federalism offered an early alternative to strongly centralized nation-states, and this is possibly now being revived under the internet's decentralizing influence. The European Union is currently working out another version. The internet should not be considered independently of these larger institutional developments, yet it is still possible to begin to discuss what might be the special possibilities entailed in its form. There is no point in assuming the inevitable power of national authority if this short-lived social form is now being undermined.

There are many antecedents for building communities on the basis of individual members' moral and religious commitment. The history of the Protestant international, which launched the modern democratic revolution, is just the most obvious source of comparison. Modern Islam, in its many variants, is another. The growth of non-governmental organizations (NGOs) financed by charitable donations could likewise be enrolled in expanding this point. Marcel Mauss (1990 [1925]) was far-sighted when he sought to trace the foundations of the modern economy to its origin in the gift rather than in barter, as the conventional myth holds. The idea of money as personal credit, linked less to the history of state coinage than to the acknowledgement of private debts, is consistent both with Mauss's emphasis and with the scenario outlined here. In my recent book, *Money in an Unequal World* (Hart, 2001), I have suggested that we should look for the meaning of money in the myriad acts of remembering that link individuals to their communities. In this interpretation, the need to keep track of proliferating connections with others is mediated by money in its many forms as the principal instrument of collective memory. To an increasing extent, it will be possible for people to enter circuits of exchange based on voluntary association and defined by special currencies of the sort pioneered in LETS systems. At the other extreme, we will be able to participate as individuals in global markets of infinite scope, using international moneys-of-account, such as the dollar, electronic payment systems of various sorts or even direct barter via the internet. In many ways, it will be a world whose plurality of association, even fragmentation, will resemble feudalism more than the Roman Empire.

CONCLUSION: THE OLD REGIME AND THE MIDDLE-CLASS REVOLUTION

I have tried to simplify a confusing picture, but there is no getting away from the indeterminacy of an argument that simultaneously emphasizes the tenacity of old institutional forms and the need for radical change in the short-run. Underlying this argument is a vision of human history as having four phases:

- 1 The state of nature, before agriculture and property.
- 2 Agrarian civilization, landed property and the naturalization of unequal society.

- 3 The age of money or capitalism, where power goes to the owners of capital in a market economy.
- 4 Universal community founded on just reward for human creativity and the need to reconcile money and markets with nature.

These phases overlap and it is by no means obvious that, having disposed of stage 2, capitalism (stage 3) is about to give way to stage 4. Indeed, while denying the apologists for capitalism their claim that stages 3 and 4 are identical and existent, I find myself advocating for the immediate future a variable synthesis of all four stages. For we live in an age of money where the institutions of agrarian civilization still predominate, but the machine revolution is propelling us towards at least the possibility of forming a democratic human community. At the same time, concern with preserving life on a planetary scale may well be the ideological and practical stimulus to such an end.

The forces of technology are amplified by a massive social contradiction: the world is growing closer together and more unequal at the same time. The same process that has spawned the internet, virtual capitalism, is also generating a wide gap between haves and have-nots. It follows that we must seek ways of using the means of improved social connection to combat economic inequality. This is similar to Marx and Engels' proposal that centralization of machine industry in the factory system should be used to develop more effective resistance by workers to capitalist exploitation. To say this is not to belittle the power of world capitalism nor to suggest that a revolutionary alternative can easily be found. It is to base a radical politics on the same social forces that constitute economic oppression.

The middle-class revolution with which the modern age began has stalled, even regressed, first allying itself with landed power and then assuming the form of rule traditional for agrarian civilization. Human society is caught between mechanization and agrarian institutions, and the combination is potentially lethal. Its most striking pathology is the polarization of rich and poor at every level of society. Nothing less than a world revolution is adequate to redressing the inequality of our times, and it will not succeed without an appropriate explanation for the phenomenon in question. Mine has been roughly as follows.

First, we are living with the consequences of 5000 years of agrarian civilization (Childe's [1981] urban revolution) which cannot be discarded overnight. When 3 billion peasants work in the fields with their hands and archaic institutions like the territorial state rule the world, we must not attribute all wrongs to capitalism. Even so, it is not hard to see that a system of making money with money favours those who have a lot of it at the expense of those who don't. Without some corrective, the rich will get richer and the poor stay poor. Moreover, every stage of the machine revolution has been initially concentrated in a narrow enclave of world society, and ours is no different. Many poorer regions now appear to be stuck in phases of production that have been marginalized by this latest round of uneven development.

A major corollary of the foregoing is the tendency for labour markets to take on a dualistic character: two streams of workers, one highly paid in jobs using sophisticated machinery, the other performing tasks of little skill for low wages and in poor working conditions, often no better than those prevailing in traditional agriculture (Lewis, 1978). Institutions have been developed at every level of world society to justify inequality and

to keep the poor in their place by controlling any movement that might undermine the separation of rich and poor. In a word, this is *apartheid*. The territorial state and nationalism effectively reinforce indifference to others, leaving the world stage to be ruled by the most powerful, while undermining whatever sense of our common humanity might lead us to want to alleviate the horrors of poverty.

Having said this, what general grounds might we have for trying to deploy the internet against economic inequality rather than for it? Many users of the internet express a commitment to building a better society drawing on principles made more feasible by the new medium. These are often self-consciously opposed to traditional attitudes to money and the market. They include an ethos of helping out without pay, interest-free loans, community barter schemes, and so on. At the same time, electronic commerce is growing rapidly, both as exchanges between firms and in consumer markets like books, flowers and airline tickets. Some see these developments as being inevitably opposed, while others seek to reconcile them, for example, in ecological investment consultancies or customized marketing. It is one thing, however, to demonstrate how the internet might help some of its users to achieve a higher level of personal agency in economic life, quite another to show how it might be used to address the causes of poverty. Even so, a fragment of the middle classes, stirred by the possibilities unleashed by the internet, may come to see the way toward general social reform as a more permanent solution to their private dilemmas. We might, for example, focus on a campaign to alter the world's economic institutions along lines pioneered by Keynes.

I have not concealed the two main problems which seem to stand in the way of realizing any such programme. First, the internet is dominated by the big players, the governments and corporations of this world, whose power could be said to overshadow whatever the rest of us may be capable of. Second, the vast majority of human beings are excluded from participating in the internet, which may well be seen as reinforcing global divisions rather than removing them. This latter point has always seemed to me to be a cop out. Just because only a few people have access to the internet, it need not prevent some of them from engaging with world problems by this means. Who else will stand against the social forces that would reduce this enormous advance for humanity to a way of consolidating the old regime?

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