

# DO YOU PAY WITH COWS OR SIMPLY WITH YOUR PHONE MINUTES?

*We hoeven niet te verwachten dat we tot het einde der dagen zullen betalen met bankbiljetten en pinpassen*

**We may not think about, but it is actually a miracle that I can now at the butcher on the corner exchange a piece of paper for a rump steak.**

Money is, by definition, virtual. And it always has been! Well, perhaps not in the time when people used cows and goats as barter. A cow is a living creature, and useful as well. You can drink its milk and when the creature no longer gives any milk you can always kill it and eat it. We may not think about, but it is actually a miracle that I can now at the butcher on the corner exchange a piece of paper for a rump steak.

## **A short history of money**

If we are to understand fully how money came into being, we must go back to ancient China where, as in many other places, a lively bartering system arose: an apple for an egg, two goats for a cow, a hammer for a bucket. Because they were durable and universally useful, many tools were bartered such as knives and ploughs, and in particular the shovel became a popular barter object. A rich man had a whole row of shovels on his land which were, in fact, not used to work the land but served purely as a means of barter. Smithies made addition shovels which became progressively smaller: these were not handy for digging, but extremely handy for bartering. At a given moment, the shovels had become as small as a present-day coin. Then finally somebody came up with the idea of making them round. The abstraction was complete.

## **Authority = reality**

In order to emphasise their value, coins were frequently made from precious materials such as silver or gold. This brings us to a following step in the ongoing 'virtualisation' of money. In 1973, the American government decided to dispense with the gold standard. Paper money had been introduced earlier: beautifully designed and printed notes but the material used, however, in contrast to coins, did not represent any particular value. The value of paper money exists

purely thanks to the bank guarantee, by which a bank note can always be exchanged for the value concerned in coins. Much handier than having to lug round a bag of coins! At a given moment, paper money worked so well that few people were interested any more in whether there was a fort somewhere containing a pile of money for the value of all the bank notes together - it was a public secret that this hadn't been the case for quite some time. And thus the gold standard was relinquished: money was from then on only based on trust. This is, in fact, a collective illusion, but as long as everybody believes in the value, it works excellently. Can it become even more virtual?

Agreed, you can introduce debit cards and credit cards, which means that your money is only stored digitally somewhere on the server of the bank. Because these methods of payment have only been introduced recently, we still have to grow accustomed to the idea and consider these monetary systems as 'virtual', which incorrectly suggests that the bank note I use to pay for my rump steak is actually 'real'. We conveniently, or perhaps it is better to say pragmatically, ignore the fact that money is actually by definition virtual: it only has a symbolic value that is ingeniously constructed as replacement for the unhandy and less than precise barter of commodities. The step from the bank note to the digital administration of your possession is only a baby step in comparison to the enormous symbolic leaps which had been made in the course of centuries: the replacement of valuable living creatures and commodities (such as cow, goat or tool) with valuable materials (such as gold and silver) to valueless representations of valuable materials (bank notes), to simple faith in a government that claims to guarantee the value of your bank note without having it backed up by a fort filled with gold ... that's progress, people! Using

Chinese betaalmiddelen:  
van schep tot muntgeld



your direct debit card for a pair of sport shoes (total bill: fifty Euro) is much easier than exchanging them for two chickens and an egg. It makes very precise payments, complex financial constructions and hot money that flashes round the world with the speed of light possible. There is also a downside.

Although it may be physically rather more convenient, because you no longer have to cart around a herd of cows or a basket of eggs, the introduction of money has created a cognitive burden: you have to think about it! You can't simply leave your money in a corner and be sure it will retain its value, you have to deposit it on the right account or invest it sensibly, keep track of inflation and watch out that the banker or the government that guarantees its value doesn't fall. That can prove very stressful and not without reason. For sometimes things can go terribly wrong, as they did in China in the fifteenth century, where a bank note worth 1000 coins dropped in value, as a result of hyper inflation, to just 3 coins, and this subsequently caused the government to do away with paper money altogether. Incidentally, the Chinese bank note was also dispensed with in the eleventh century and later reintroduced. Can that happen again? Of course. We shouldn't expect to pay for the rest of our lives with bank notes, credit cards and debit cards.

#### **Innovation in Africa: pay with phone minutes**

Recently, an interesting innovation in methods of payment has taken place in Africa. Africa is not particularly famous as a leader in the area of sophisticated technology. In various areas on the continent, cows were still used as currency until the 1960s and overgrazing caused by cattle that were only used as 'value deposits' was responsible for environmental problems until the eighties. Necessity, they say, in the mother of invention, and this is certainly the case in Africa where people have no access to a stable banking structure and therefore have started using phone minutes as currency. Africa currently has more than 100 million mobile phones and it is one of the fastest growing markets for mobile telephony. Expectations are that in 2011, more than 370 million telephones will be in

use. They are used to download music, to send text messages and for playing games, but also as a wallet. The vast majority of telephone owners do not have a subscription, but purchase phone minutes from one of the many telephone shops. The mobile network on Kenya has an innovative payment technology called M-Pesa (M is for 'mobile', pesa is Swahili for 'money'), that allows people to send each other phone minutes via a text. At the start of 2008, the political instability in Kenya led to violence and many telecom shops were forced to close their doors; telephone cards became scarce. People started sending each other phone minutes and - you know where this is going - these minutes were not used for telephone calls: they were used as currency. Very quickly, telephone cards became more valuable than cash. Family members could send each other phone minutes over great distances; that was much more reliable than an envelop with bank notes. Even aid organisations started distributing telephone cards which people then used to purchase food and other basic needs.

You will appreciate that the telephone companies have followed this development with considerable interest. They are, after all, the ones who can create phone minutes at the press of a button. Certainly in the current situation, in which the financial system is under pressure throughout the world and traditional bankers have, with their unconcealed greed, shown their worst sides, telephone providers believe they have a good chance of becoming the new bankers. Perhaps in time it will no longer be the government that guarantees your money, but a commercial company such as Vodafone, AT&T or T-Mobile. I don't know, but I would advise you to put your eggs in more than one basket and, to be on the safe side, keep at least one cow in your private meadow.

