Envisioning Monetary Freedom

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> So constantly have the ideas of currency and government been associated—so universal has been the control exercised by lawgivers over monetary systems—and so completely have men come to regard this control as a matter of course, that scarcely any one seems to inquire what would result were it abolished. Perhaps in no case is the necessity of state-superintendence so generally assumed; and in no case will the denial of that necessity cause so much surprise. Yet must the denial be made.

So wrote Herbert Spencer (1851: 396), the Victorial polymath, during a period now seen as the apotheosis of laissez-faire economic thought. Yet even then, Spencer's thesis—that legislative interference with money and currency "is not only needless, but injurious" (ibid., 402)—was an extremely radical one. Spencer was not content to merely argue for open competition among rival private suppliers of paper currency, as he did by unfavorably comparing the results of the Bank of England's monopoly privileges with those of Scotland's less privileged (and less regulated) banks. He also dared to challenge the most ancient of all forms of government control of money, by insisting that the minting of coins itself ought to be left to the private sector.

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Since Spencer wrote, studies of the Scottish "free" banking system—a remarkably unregulated and efficient yet famously stable commercial banking and currency system that flourished during the first half of the 19th century (see White 1995)—and of several past, competitive coinage systems, have shown that, for all its radicalism, Spencer's critique of state interference rested on solid empirical foundations. Just as importantly, it remains as true today as it was in Spencer's day that the only way to determine whether such interference is desirable is by asking what would happen without it.

Monetary Freedom, Then

Answering that question is, however, never easy. Partly that's so because of "status quo bias"—a natural tendency to assume that what's customary is necessarily best. The problem is one of which Spencer himself was well aware. "So much so does a realized fact influence us than an imagined one," he wrote, "that had the baking and sale of bread been hitherto carried on by government-agents, probably the supply of bread by private enterprise would scarcely be conceived possible, much less advantageous" (Spencer 1851: 402).

Yet it was far easier to envision a monetary system independent of state interference in 1851 than it is now. Back then, the monetary systems of all advanced nations were based on units of gold or silver or (in so-called bimetallic systems) both; and although state interference sometimes favored one metal over the other, one did not have to suffer from status quo bias to take a precious-metal standard of some sort for granted, as Spencer himself did.

And although a handful of nations, England among them, had rudimentary central banks that enjoyed special privileges, especially when it came to issuing circulating paper notes, others (like Scotland) allowed numerous commercial banks to issue notes and otherwise compete on roughly equal, if not liberal, terms. Although they were as yet few and far between, bank clearinghouses—the agencies responsible for gathering notes and checks issued by or drawn on various banks, returning them to their sources, and arranging for the settlement of interbank dues—were themselves still private institutions. Finally, although coining was a state monopoly almost everywhere, an entirely private coinage system was thriving in California, whereas another had been snuffed out only a few decades before by authorities in England (see Selgin 2008).

In short, one did not have to look all that far, or to strain one's imagination, to realize how both coins and paper money might be manufactured and supplied entirely through private initiative, much as bank deposits are supplied today, except without the least hint of state interference.

Monetary Freedom, Now

Today, governments are far more heavily involved in the business of supplying and regulating money than most were in Herbert Spencer's day. Here and there, to be sure, banks enjoy certain freedoms denied them in the past. In the United States, for instance, banks can now have nationwide branches, whereas before the 1990s, many were limited to a single location only. But in many other respects, both here and elsewhere, banks are more heavily regulated than ever. Here in the United States, federally chartered ("national") banks are regulated by the Federal Reserve, the Comptroller of the Currency, and the Federal Deposit Insurance Corporation (FDIC), while most state-chartered banks are regulated by the Fed and the FDIC as well as by state regulatory authorities. U.S. banks are also indirectly subject to international regulations, including those promulgated by the Basel Committee—the global prudential regulatory authority housed within the Bank of International Settlements.

While most forms of bank regulation limit what banks can do, ostensibly to prevent them from behaving imprudently, others actually tend to encourage imprudent behavior. Deposit insurance, which was relatively unknown before the 1930s and which has since been adopted by most nations, falls into this category: by protecting depositors from losses, it encourages them to overlook the risks certain banks take and even to patronize risky banks that pay higher rates on their deposits (see Anginer and Demirgüç-Kunt 2018).

Although the explicit coverage offered by government deposit insurance schemes is usually limited—in the United States today, individual bank accounts are covered up to a (very generous) limit of $250,000—creditors at very large or otherwise important financial institutions enjoy the equivalent of unlimited coverage, thanks to the now-prevalent view among government officials that such institutions are "too big to fail." Provided he or she keeps it at one of these institutions, a creditor with a balance well in excess of $250,000 has

good reason to assume that, should the institution get into trouble, the government will rescue both it and its depositors.

Perhaps most importantly, precious-metal monetary standards have given way to fiat-money systems, in which the standard money unit is represented by nothing more substantial than an irredeemable slip of paper issued by some national central bank. Commercial banks have also stopped issuing paper money of any sort, except in three places: Scotland, Ireland, and Hong Kong. And even in those exceptional cases, note issue is very strictly regulated. All other commercial banks are limited to receiving and managing digital credit balances known, somewhat inaccurately, as "deposits," denominated and redeemable in official fiat money units.

The much-enlarged role of government in modern monetary systems makes it especially difficult to "inquire what would result" were the government to cease playing any role. Some might be tempted to suppose that ending the government's involvement now would necessarily lead to the spontaneous revival of market-based monetary arrangements of the past, including a gold (or silver) standard. But the temptation ought to be resisted. To suppose that, were they given free reign today, market forces would restore the gold standard, or cause commercial banks to start issuing their own redeemable banknotes, just because these were features of less regulated monetary systems of the past, makes about as much sense as supposing that privatizing Amtrak would bring back steam locomotives. Instead, a modern "laissez-faire" monetary system of the future might well have even less in common with a circa 1851 laissez-faire system than with today's heavily regulated arrangements.

But just how great those differences will be, and what precise forms they take, will depend on precisely how we go about "abolishing" the "control exercised by lawgivers" over today's system. It's easy enough to agree that doing so means doing away with both explicit and implicit deposit insurance, so that all bank creditors have a reason to consider the safety of the banks they do business with. Taking that step in turn paves the way for repealing all bank regulations designed to do something other than enforce voluntary contracts between commercial banks and the persons and institutions that deal with them, including usury laws and minimum reserve, capital, and "liquidity" requirements, among other regulations.

It's also easy enough to imagine a reform that privatizes the present, Fed-operated payments and settlement system, by converting

today's Federal Reserve banks into so many private clearinghouses, owned and governed by their member banks, by making commercial banks' participation in the newly privatized Fed system voluntary, and by allowing banks and other financial firms to either take part in that newly privatized system or to create or join alternative private arrangements.

A privatized U.S. mint that's forced to compete with rivals in supplying banks with small change, consisting of "token" metallic coins, as well as full-bodied gold and silver "bullion" coins, for those who'd rather deal in those metals, is also pretty easy to ponder, as are other private mints that compete directly with it. Finally, the advent of bitcoin and other cryptocurrencies makes it easier than ever to imagine a competitive market, not just in bank-supplied digital dollars, but in blockchain-based alternatives to dollar-denominated monies.

Plus ça Change

What would such a future, free-market monetary system be like for the typical consumer? Would someone from the world today, time-traveling to take part in it, find it utterly bizarre? Although there's no predicting the details of such a system with any degree of accuracy, if past experience is any guide, it will have enough in common with today's arrangements to make it possible for our time traveler to quickly get the hang of it. Chances are that a small number of general monetary standards, if not a single standard, will prevail in most places. The prevailing standard monetary unit might still be the U.S. dollar. Or it might be some cryptocurrency unit. Or it might be a unit of gold, or of silver, or even of some foreign currency. Or we might see several (but probably not many) of these different standards operating in parallel, as happens already, though only to a limited extent, in some parts of the world.

In the free system of the future, almost all transacting will be done digitally and the vast majority of payments will be made using convertible substitutes, supplied by banks or other companies, for "standard" money or monies—the counterparts of today's transferable bank deposits. Those substitutes would include transferable deposits themselves—where the transfers are mainly done using smartphone apps, debit cards having become old-fashioned, much like checkbooks today. Smartphones could also carry digital "cash" balances—the counterpart of old-fashioned banknotes—that could be

transferred from one phone to another, with no need for recipients to have their own bank accounts. To enhance the acceptability of their digital cash, private issuers could establish and police cash-provider networks, not unlike the ATM networks in use today, so that consumers might confidently accept cash from any supplier belonging to a trusted network. Although coins and paper money would largely be dispensed with, a niche market for either might be supplied with private banknotes or privately manufactured token coins, rather than by the products of central banks or government mints.

Standing behind these forms of private money itself would be an intricate clearing and settlement system, by which transfers of all sorts are electronically executed, tracked, and reconciled or, when necessary, settled by firm-to-firm transfers of designated standard monies. Those behind-the-scenes private arrangements would function much like today's partly nationalized arrangements, though (thanks to private innovation) probably more economically and expeditiously.

A Free-Market Dollar?

The hardest questions concern what to do with the U.S. dollar itself. Presently, as we have seen, that dollar is a "fiat" unit, convertible into nothing else. The stock of "base" dollars—the modern counterpart of the stock of gold coins and bullion in the 19th century—consists of the sum of Federal Reserve notes outstanding and banks' credit balances at their regional Federal Reserve banks, and is regulated by the Federal Open Market Committee (FOMC), a semipublic central governing body. Will the dollar continue to serve as the nation's most basic monetary unit? If so, how will the supply of dollars be regulated, if not by a bureaucratic committee? Must there still be an FOMC, or something like it? If not, is there an obvious free-market alternative?

Concerning the first question, although a free-market monetary system would exclude all barriers to the emergence of alternative monetary standards, it wouldn't necessarily result in the mass adoption of any of those alternatives. On the contrary. So long as the established dollar standard continued to command some confidence, powerful forces would incline people, both in and beyond the United States, to go on employing it. The choice of a preferred monetary standard, like that of a computer operating system, depends heavily

on the size of its established network, making it relatively hard for new upstarts to gain a foothold, let alone to sweep the field.

So, although alternative potential monetary standards, based on gold, one or more blockchain-based cryptocurrencies, or some foreign central bank unit, might gain adherents, the dollar would probably survive, at least for a time. Nor would it be reasonable to look forward to, let alone take steps to achieve, its rapid overthrow: whatever long-run gains such an overthrow might promise, the short-run consequences could be dire ones. Innocent dollar holders both in the United States and abroad might suffer a sudden decline in the value of their holdings. And even if they don't, the continued use of the dollar could mean both a high level of uncertainty about the dollar's future value and a substantial increase in the amplitude of the business cycle. Although it's true that Fed actions themselves have often contributed to booms, busts, and inflation, it hardly follows that simply doing away with it will somehow make the dollar work better than ever.

If we aren't to simply abandon the dollar to some uncertain fate, how can we free it from government control? In one sense, we can't: unlike the gold dollars of yore, the paper dollar won't "manage itself." A dollar bill today costs less than 6 cents to manufacture, while a $20 bill costs just under 11 cents. The Fed can also add dollars to commercial banks' balances at practically no cost at all. Consequently, allowing a fully privatized and profit-maximizing set of Federal Reserve banks to create as many inconvertible dollars as they like would be asking for trouble.

Instead, some alternative limit—call it "the last monetary regulation"—must be placed on those banks' ability to issue dollars. Although that limit itself would have to be imposed, and therefore wouldn't qualify as a "market"-based solution, when it comes to regulating the supply of dollars, it could at least serve to replace the "rule of men" with the "rule of law."

Convertibility, or a Quantity Rule?

Broadly speaking, either of two rule-based means for regulating the quantity of dollars is possible. A "convertibility rule" would make dollars once again convertible into some scarce commodity, like gold. A "quantity rule" would instead regulate their total quantity according to some definite formula. The convertibility rule

alternative owes its appeal to the fact that it has been successfully used in the past, particularly during the classical gold standard era of 1871 to 1914.

But replicating that success won't be easy. For one thing, the classical gold standard's success rested on its having been not just a U.S. standard, but an international one. The classical gold standard's international status contributed to its appeal by guaranteeing stable exchange rates and also by limiting short-run fluctuations in gold's purchasing power by reinforcing and stabilizing the world demand for that metal.

More importantly, the gold standard's success rested on people's confidence that banks—including central banks—would honor their convertibility commitments. That confidence, which remained more or less intact until the outbreak of World War I, was shattered afterward, especially during the 1930s when nation after nation suspended convertibility. Subsequently, the United States alone offered to exchange dollars for gold, albeit at a reduced rate, and only for foreign central banks, until the late 1960s, when it also abandoned the gold standard.

Today, thanks to that experience, people are naturally wary of central banks' convertibility pledges. Consequently, such pledges—which in recent decades have taken the form of commitments to maintain a fixed rate of exchange between one central bank currency and another—have become vulnerable to "speculative attacks." In such attacks, currency speculators, betting that the commitment will be dishonored, seek to convert as much of the central bank's currency as possible at the promised exchange rate. Because such attacks tend to exhaust a central bank's foreign exchange reserves, the prophesy that gives rise to them is often self-fulfilling.

The public's newfound tendency to distrust central banks' convertibility commitments poses an obvious problem for any modern attempt to reestablish an official gold standard. For speculators will be tempted to "test" any renewed offer by the Fed or any other central bank to convert its currency into gold at a fixed rate. And such testing could cause even a central bank with the best of intentions to renege on its offer, causing the new regime to collapse.

The risk of a successful speculative attack would of course be mitigated by equipping the central bank with gold reserves fully equal to its outstanding (currency and bank reserve balance) liabilities. In that case, the central bank would never be compelled to

suspend or devalue by the prospect of running out of gold. But doing that wouldn't be as simple as it sounds.

In early 2018, the Fed's liabilities amounted to about $4.4 trillion. Even assuming a reduction to just $2 trillion—a far more aggressive "unwind" of the Fed's crisis-era asset purchases than presently appears likely—the government's gold stock, valued at gold's mid-2018 price of about $1,200 an ounce, would be worth about $314 billion, or less than one-sixth the value of the Fed's liabilities. To allow for 100 percent cover, gold's official price would have to be set at over $7,600 an ounce, which high gold parity, as Lawrence White has explained (in a somewhat different context), would imply "a large influx of gold from the rest of the world, a large loss of other U.S. wealth in exchange, and a sharp transitional U.S. inflation" (White 2017: 217).

Because it doesn't invite speculative attacks, a quantity rule offers a more reliable (or far less expensive) alternative for nonbureaucratic control of the dollar supply. Many alternative quantity rules are possible, but this isn't the place to argue the virtues and drawbacks of various alternatives. However, any desirable rule should satisfy at least two requirements. First, if consistently abided by, it should guarantee a reasonably stable and predictable value for the dollar, especially in the long run.[1] Second, the rule should be "hardwired" into the monetary system, as it might be by enshrining it in a constitutional amendment, or by allowing the public to trade existing Federal Reserve dollars for new "cryptodollars" whose supply, like bitcoin's, is regulated by a tamperproof computer algorithm.

A Level Monetary Playing Field

To argue for rules that would allow the dollar to survive in a future state of monetary freedom isn't to say that it *must* survive, much less that it should not have to compete with rival currencies. On the contrary: if monetary freedom means anything, it means that people are free to choose what sort or sorts of money they will keep on hand, or accept from others, in exchange for their labor, goods, or services. And enjoying such freedom in turn means that

[1]A gradually increasing purchasing power—commensurate with improvements in productivity and a consequent decline in gold's average unit cost of production—may also be acceptable (see Selgin 2018).

government regulations neither compel people to use any particular sort of currency nor prevent entrepreneurs from marketing alternatives to the dollar, whether those alternatives consist of foreign currencies, precious metals, or digital code.

To offer some specifics: there would be no such thing as "legal tender" in a free monetary system. The government and its agencies might, for the sake of convenience, specify the currency standard in which they prefer to receive tax payments and fees. But they would be expected to accept any private currency denominated in that unit and supplied by a firm that is in good standing (e.g., a bank that is a member of the local clearinghouse). But to allow that option is merely to place the government on a footing similar to that of private merchants, who would likewise be allowed to choose which currencies to accept, and who would furthermore be allowed to refuse the currency of any specific issuer or issuers.

Entry into the business of supplying alternative "standard" monies (meaning monies that are not themselves claims to other monies) would be free, with legal requirements applicable to any ordinary business. Requirements would include sanctions imposed on suppliers that dishonor their contractual obligations or are found guilty of fraud, including the counterfeiting of any rival producers' goods, when that's possible. Because the principle of "caveat emptor" would apply, those contemplating using unfamiliar alternative currencies would have every reason to inform themselves about their issuers and to read the fine print accompanying their contracts.

Nor should that circumstance change once one or more of these alternatives achieve widespread use. So long as consumers retain an incentive to shop for quality, they are likely to be well served by various product-rating services, which are no less capable of reporting on the quality and performance record of various alternative monies than they are today of reporting on the quality and performance of cellphones, automobiles, and mutual funds. Firms may also have strong incentives to investigate products issued by their rivals and to expose their flaws, much as California's rival mints did during the 1850s.

Finally, banks and other private financial institutions should be free to manage deposits and make loans in any currency unit their customers prefer. In doing so, they will almost certainly stick to the traditional practice of matching liabilities in any one currency with loans made in the same currency, so as not to avoid exposing themselves to unnecessary exchange rate risk. But here again, the best

guarantee that such prudent procedures will be followed consists, as usual, of the expectation that imprudently managed banks will be allowed to fail, that their shareholders will be wiped out before their creditors bear any losses, and, finally, that creditors may themselves suffer if they do business with a poorly run bank.

Freedom and Failure

Indeed, of all the forms of government interference in modern banking systems, none poses a greater barrier to the achievement of genuine freedom in banking than the various guarantees, whether explicit or implicit, aimed at protecting bank depositors from losses if their banks fail. By removing natural incentives for bank depositors to avoid excessively risky banks, or to seek correspondingly high interest rates from banks that make risky investments, such guarantees remove market discipline from the banking system, encouraging banks to engage in risky lending for the sake of attracting depositors who don't bear any of the risk themselves. Then, to compensate for the lack of market discipline, regulators are compelled to impose all sorts of other "prudential" regulations on banks, including minimum reserve requirements, liquidity coverage ratios, minimum capital requirements, and limitations on the sorts of loans they can make, in the hope that doing so will make up for the fact that bank depositors could not care less about how safe their banks are.

It follows then that if we are ever to have a less regulated banking system, we must start by doing away with those government guarantees. Reducing the power and privileges of the central bank, so that it can't simply bail out any bank it deems "too big to fail," is an obviously important step and one that is a natural component of any plan to put central bank money creation on automatic pilot. But explicit deposit insurance, such as that provided in the United States by the FDIC, must be rolled back as well. That's because such insurance now protects individual deposit balances up to $250,000, or a sum equal to about half of all bank deposits (the rest of which are mainly held by "too big to fail" banks). In other words, the vast majority of bank depositors have no reason to worry that their banks may be unsafe.

To many, it seems unreasonable to place any part of the burden of bank failures on banks' creditors, and on ordinary depositors especially. Such depositors, the popular view has it, are often too unsophisticated to tell the difference between a safe bank and a

dangerous one. They therefore require extra protection, in the shape of deposit insurance or, alternatively, a postal saving system or other "narrow" banking arrangement, in which their deposits are fully backed by cash or other safe assets.

But so long as depositors, or many of them, value bank safety, a free market in money will include a market for safe money, including deposits that are well secured by some combination of bank capital and safe bank assets. And it isn't difficult, after all, for bank customers to inform themselves of the relative safety of different banks, so long as they have any incentive to do so: although it's true that an ordinary bank customer is unlikely to be informed of the quality of a bank's loans, a customer prizing safety above other advantages can look for a bank with a large capital cushion or a portfolio heavy on cash and government securities. Provided enough such customers exist, banks wishing to attract them will flaunt these features of their balance sheets, as U.S. banks often did before the days of federal deposit insurance. And here also, various consumer rating services and watchdog publications might also be expected to come to the public's aid.

That safe banks will exist for those who put safety first doesn't mean, of course, that banks catering to "high rollers" won't also exist. In a free and competitive economy, different firms may cater to different sorts of consumers; banks are no exception. Some will display their high (non-risk-adjusted) deposit rates, for the sake of attracting deposits from more risk-loving clients; whereas others will advertise their high ratios of capital government securities, and cash, to a risk-averse clientele. Will some who can't afford to be tempted nonetheless place their life savings in the least safe banks? The answer, alas, is almost certainly yes, just as some will patronize casinos and horse races. In Hong Kong, where I lived during the mid-1980s, and where there was as yet no deposit insurance, everyone knew that the major "European-style" banks were much safer than most of the local banks, while the local banks often paid higher deposit rates. Yet many poorer people preferred the local banks, presumably for the same reason that many enjoyed patronizing mahjong parlors.

It would be foolish, therefore, to suppose that a truly free banking system of the future would be one in which banks never failed. But it doesn't follow that free banking would itself be undesirable. As the late Allan Meltzer (2012: 22) famously observed: "Capitalism without failure is like religion without sin. It doesn't work." One wants to

allow for variety and innovation, to cater to the needs of different consumers and also to allow for the discovery of new and better ways of banking. But doing that means having banks fail occasionally.

If the experience of free banking systems is any guide, those failures needn't involve major losses to bank creditors—most would avoid such losses altogether. Nor would they give way to full-fledged banking crises. Instead, failures would be limited to particular banks. The reason is that troubled banks in a truly free-market banking system tend to close down rapidly, as private creditors abandon them, before their losses can accumulate to the point of wiping out their capital. That happens mainly because such a system has no "last resort" lenders that can keep such banks on artificial life support. Unlike many central banks, including the Fed, that have dismal records when it comes to shoring up or bailing out reckless banks that deserve to fail, private banks tend to be very good at telling unsound banks from sound banks and offering last-minute aid to the sound ones only. For that reason, a free banking system tends to quickly weed out unsound banks before they suffer losses big enough to exhaust their capital.

A Future without Fractional Reserves?

Although deregulated banks catering to risk-averse customers might do so in part by keeping larger-than-usual cash cushions, they would more likely do so by holding government securities and other assets that, although still relatively safe, would at least earn some interest.

But even if some free banks succeeded in marketing 100 percent reserve accounts, such accounts would be exceedingly unlikely to sweep the board. On the one hand, there would be no rules to prohibit voluntary acts of fractional-reserve banking among consenting adults in a free society. Despite what Austrian economist Murray Rothbard and some of his followers claim, there is nothing inherently fraudulent about fractional-reserve banking, the legal basis for which derives from ancient law.[2] Experience suggests, moreover,

[2]In brief, that law said that loose coins "deposited" with a moneychanger or banker automatically became the banker's property, which the banker might use as he or she pleased, whereas persons wanting to retain ownership of coins placed on deposit had to place them in a sealed container (see Selgin 2017).

that whenever banks have been relatively unhindered by regulations, and bank depositors have been unprotected by guarantees, fractional-reserve banking has thrived.

On the other hand, 100 percent reserve banks have been rare historically and have tended to thrive only where regulations artificially favored them—either by granting them subsidies or by outlawing fractional-reserve rivals. Indeed, until the advent of government deposit insurance, regulations tended to hamper rather than encourage fractional-reserve banking. Thus, although many governments imposed minimum reserve requirements on banks, so far as the record indicates, none ever insisted on a *maximum* reserve requirement.

Nor, finally, would the survival of fractional-reserve banking depend in any way on that of the dollar. Just as fractional-reserve banking systems have grown on the foundation of all sorts of past monetary standards, whether fiat or metallic, so too might one flourish on the basis of any future standard. Although some fans of bitcoin seem to suppose otherwise, there is also no reason to suppose that the spread of crypocurrencies would prove fatal to fractional-reserve banking, as banks might play the same role lending and borrowing cryptocurrency-denominated funds, and creating close cryptocurrency substitutes, as they played in specie-based monetary systems of the past, and as they play in today's world of fiat monies.

Were the bitcoin unit to become widely adopted as a unit of account, prices would be expressed in it, and contracts written in it. Those contracts would include debt contracts, specifying that a loan of X units of bitcoin today is to be repaid in $X + Y$ units at some future date. Such debt contracts could take many forms, including bank deposit contracts that allow deposit holders to redeem any part of their bitcoin credit balances on demand, while allowing them to earn interest (again, in bitcoin) on those balances so long as they retain them.

In short, in a free economy, so long as opportunities exist for profitable lending and borrowing, there will be banks and fractionally backed bank money; and that will be so regardless of the basic form of money people employ.

Other Aspects of Future Monetary Freedom

But perhaps I am dwelling too much on old-fashioned banking. The truth is that a truly free monetary system of the future might be one in which the banks and means of payments we're familiar with

today no longer play such an important role. It's quite possible, for example, that not long from now, if regulators allow it, most of us will pay for things using our cellphones, rather than debit cards (let alone cash or checks), and that wallets (I mean, the nonelectronic kind) will become curiosities, and eventually collector's items, like so many slide rules. And in a truly free monetary system, firms like Walmart and Amazon, to name just two, that presently play only a small part in the payments business would take on a much larger one. Who knows?

Only one thing can be said with confidence regarding future monetary innovations: there will be more of them, and better ones, in an open and competitive monetary and banking system than there ever could be in the heavily centralized and regulated system of today. We know that, not just because common sense leads us to think so, but because the freest money and banking systems of the past, like the Scottish system, were also the most innovative. As banking consultant Eric Grover (2017) observed a while back, those crafty Scottish bankers of long ago "invented branch banking, interest-bearing savings accounts, overdrafts, lines of credit, and two-sided and multicolor banknotes," among other things—all while achieving a record for safety that any bank regulator today might envy. If Scottish bankers could do all those things centuries ago, who can say what novel improvements today's financial market entrepreneurs might come up with, if only we let them.

But as impossible as it is to foresee the technical innovations that a future, free monetary regime would bring forth, it's also important to recognize that such innovations will take hold only to the extent that people voluntarily embrace them: unlike government regulatory agencies, private financial firms cannot force new arrangements on an unwilling public. For that reason, it's also likely that a free monetary system of the not-too-distant future would continue to retain many of the features of today's arrangements. That system would, in all likelihood, comprise one or at most a small number of prevailing "standard" monies; it would also have numerous competing issuers of convenient substitutes for those standard monies, where the substitutes consist of instantly redeemable and readily transferable IOUs denominated in the basic money units.

Of course, the specifics would differ. Digital or commodity standard monies might circulate alongside, or replace, "fiat" standard money; "banks" (using that term broadly to refer to firms supplying convenient substitutes for standard money), instead of operating

brick-and-mortar facilities, might offer online services only; and transfers in bank-supplied money might be affected using cellphones instead of debit cards or checks.

But apart from such superficial differences, the everyday experience of making payments would not be fundamentally different from what it is now. The real differences would consist not so much in how money will work, but in its overall convenience and dependability. And in those respects, as Herbert Spencer long ago insisted, the change would almost certainly be for the good.

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