Why Hayek Was Wrong On Concurrent Currencies?

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Abstract

The purpose of this paper[1] is to deal with the concept of concurrent currencies. We argue that Hayek's proposal is Utopian, since only commodity money can emerge in the unhampered market. Moreover, we show that even—for the sake of the discussion—his idea would be realized, the competing fiat currencies could not be a solution to economic crises—quite the opposite, it could rather enhance the business cycles. We prove that Hayek does not fully understand the nature of money and its function. In particular, we criticize the concept of competition among freely fluctuating currencies, especially: fiat currencies—since, as long as people seek profits, the best situation occurs when in the market is only one money—and the idea of stabilizing the purchasing power of money, pointing out that it would be useless, or even destructive policy. We conclude that the monetary system proposed by 1974 Nobel Laureate would be inferior to the gold standard, for which we opt.

I. Introduction

More and more economists are perceiving that the current monetary and banking system is incompatible with the stable economic growth.[2] Indeed, since we departed from the gold standard we have suffered continuous inflation, and since we accepted the fractional reserve banking instead of the 100 percent reserve banking we have been faced with recurring boom-bust cycles. As the money is the command post of each advanced economy, it becomes obvious why the monetary reform is so crucial. One of such a proposal is the concept of concurrent currencies, developed by Professor Hayek, presented in his book *Denationalisation of Money* (Hayek, 1990). In short, the 1974 Nobel Laureate is against a government's monopoly of issuing money and claims that every person, or institution, should have a right to issue his own money (either commodity or fiat). However, the question is, if it would prevent the crises? Before we answer it, let's analyze briefly what the crisis really means.

II. The Business Cycle

According to the Austrian Business Cycle Theory, the boom-bust cycle is not a market phenomenon (it is especially a Rothbard's notion), but it is caused by the government intervention in the free market. Indeed, a privilege given to the bankers allows them to lend its customers' money which was only *deposited* in the bank, *not* lent it. This "violation of the traditional rule of conduct" (Huerta de Soto, 2009) leads to the credit expansion, which artificially lowers the interest rate, and causes the boom, which has to result in the bust, since the pool of real savings did not before increase accordingly to expanded banking credit.

[1] I would like to thank Michał Kierul for his useful comments on a draft of this essay.

[2] See: Tempelman, 2010.

Now, we can see that the crises *may* occur under all possible monetary system, because whatever the money—fiat or commodity—will be used, as long as banks will be permitted to create it (or its substitutes) *out of thin air*, the business cycles will happen. But maybe the privatization of money could, at least, limit the negative impact of the business cycle? To answer this question, we must firstly study what the money really is, and—after that—examine in detail the Hayek's conception, which—for the sake of our analysis—we divide for three parts: first, which concerns abolishing the legal tender; second, which is about the monopoly of issuing money; and third—the case of issuing concurrent (fiat) currencies.

III. Few further definitions of monetary phenomena

It would be useful to define few terms, widely used in this essay. Thus, money is a common medium of exchange; and its very function is to facilitate the interchange of goods and services. According to the Menger's explanation of the origin of money (2009, p. 38), it emerged as "the spontaneous outcome, the unpremeditated resultant, of particular, individual efforts of the members of a society, who have little by little worked their way to a discrimination of the different degrees of saleableness in commodities (which enables them to achieve their goals more successfully—note ours)." Mises developed Merger's elucidation in the field of the pure economic theory, formulating his regression theorem, according to which (1953, p. 111): "Before an economic good begins to function as money it must already possess exchange-value based on some other cause than its monetary function." What is important here is the fact that this statement refers to the origin of money, not to the current use of it. Mises points it out (1953, p. 111): "But money that already functions as such may remain valuable even when the original source of its exchange-value has ceased to exist." In turn, money-substitutes are "claims to a definite amount of money, payable and redeemable on demand, against a debtor about whose solvency and willingness to pay there does not prevail the slightest doubt" (Mises, 1998, p. 429). Commodity money means "a medium of exchange which is either a commercial commodity or a title thereto" (Hoppe, 1994, p. 49), while fiat money is a medium of exchange which is not the commodity money. Finally, writing about the gold standard, we will have in mind all possible systems, under which the commodity (spontaneously chosen, e.g., gold) serves as a money; a historical example is so-called the "classical" gold standard in 1815-1914, under which banknotes were redeemable in gold, and national currencies were *only* units of weight of gold.

IV. Legal Tender

As Hayek writes (1990, p. 36): "In its strictly legal meaning, 'legal tender' signifies no more than a kind of money a creditor cannot refuse in discharge of a debt due to him in the money issued by government."

Thus, legal tender laws violate our freedom of contract; like all restrictions, they reduce the amount of knowledge transmitted to the market; like all interventions, legal tender laws diminish utility of people who are subjected to it; and, as Hayek puts it (1990, pp. 39-40), they become "in certain circumstances, a factor that intensifies the uncertainty of dealings".

However, what is the most important, the legal tender enables the government to cause an inflation. Indeed, historically it was introduced to debase the coinage. According to Hayek (1990, p. 33): "from Roman times to the 17th century, when paper money in various forms begins to be significant, the history of coinage is an almost uninterrupted story of debasements or the continuous reduction of the metallic content of the coins and a corresponding increase in all commodity prices."

Moreover, legal tender laws were necessary to build the fiat-money system—since in the free market (as we will see) only the commodity can emerge as money—and "legal tender laws have been directly and indirectly instrumental in promoting fractional-reserve banking" (Hülsmann, 2004, p. 37).

Therefore, the Hayek's proposal to abolish the legal tender should be supported as the first step to relieve the world of recurring economic crises.

V. The Monopoly of Issuing Money

The monopoly of issuing money is inherently connected with the legal tender. As Hülsmann puts it (2004, p. 50): "historically, legal tender laws were applied to debased coins only as a monopoly—of course, as a monopoly of the government's mint." Indeed, the competition in the coinage—since all coin producers would be likely to debase their coins more and more to grasp extra profit (of course not in the free market, but only when there are few legal tenders, which allows spoiling money)—would lead to hyperinflation. Hülsmann writes (2004, p. 47) that: "There is also a fourth implication of granting legal tender privileges for debased coins, especially if these privileges, as we have so far assumed, are granted indiscriminately. This implication is that coins can no longer be produced on a competitive basis without destroying the currency. When a coin producer can debase his product indefinitely and heap it on the other market participants, the race to the bottom has no stopping point short of the resolute rejection of any further monetary exchange by the citizens, that is, short of the total disintegration of the market. This is why legal tender privileges have never been granted under such conditions."

The same applies to fiat money. As Hoppe points out (1994, p. 59): "of free entry, if the (non-money) price paid for paper notes exceeded their production cost (which is virtually zero—note ours) , the production of notes would immediately be expanded to the point which the price of money approached its cost of production. The result would be hyperinflation."

This is a great illustration of the truth that one intervention *causes* further interventions.

However, if the legal tender was abolished, there would not be any reason why the government should possess the exclusive right to issue money. Indeed, there is no reason why the government should enjoy such the monopoly. The mintage works as any other business. After all, private mints and coins were quite common throughout history. Nevertheless, the question is, if such a reform would be sufficient to prevent crises? Hayek believes that such a separation money from the state would cease the current, stupendous level of inflation. However, we are afraid that the Hayek's proposal of privatization of money cannot stand the criticism—what will be the subject of the following sections.

VI. Why not fiat money?

According to the Hayek's conception, legal tender laws would be eliminated and everyone could be allowed to issue his own currency, even the fiat ones. He writes (1990, p. 32): "It would therefore now be possible, if it were permitted, to have a variety of essentially different monies. They could represent not merely different quantities of the same metal, but also different <u>abstract units</u> (underline ours) fluctuating in their value relatively to one another. In the same way, we could have currencies circulating concurrently throughout many countries and offering the people a choice." The 1974 Nobel Laureate believes that his solution would cease the inflation, he claims (2009) that then "people will be very quick indeed to refuse to use the national currency once it depreciates noticeably, and they will make their dealings in a currency they trust."

Nevertheless, this idea is incorrect from, at least, few reasons.

Firstly, it is *Utopian*, since money emerged in the free market *must* be the commodity money. Many Austrian economists refer to the Mises' regression theorem at this point. For example, Rothbard (1992, pp. 3-4) states: "Hayek and his followers have failed completely to absorb the lesson of Ludwig von Mises' 'regression theorem', one of the most important theorems in monetary economics". However, this argument would be valid, if Hayek proposed the creation of money completely *out of thin air*. Yet, he writes (1990, p. 46): "Since readers will probably at once ask how such issues can come to be generally accepted as money, the best way to begin is probably to describe how I would proceed if I were in charge of, say, one of the major Swiss joint stock banks. Assuming it to be legally possible (which I have not examined), I would announce the issue of non-interest bearing certificates or notes, and the readiness to open current cheque accounts, in terms of a unit with a distinct registered trade name such as 'ducat'. <u>The only legal obligation I would assume would be to redeem these notes and deposits on demand with, at the option of the holder, either 5 Swiss francs or 5 D-marks or 2 dollars per ducat.</u> (underline ours)" It means that Hayek's ducats would be in some way based on already existing currencies, for which there is a demand, and therefore the contradiction with the Mises' regression theorem does not occur. The same opinion shares Murphy (2005): "However, this objection (that Hayek's idea denies regression theorem—note ours) overlooks the fact that Hayek's proposal *does* contain an initial link to an underlying asset in order to get off the ground." Therefore, it is possible to create a new fiat currency based on other fiat currencies, as it was in the case of euro.

In other words: the technical possibility of an implementation of the new currency (which occurs, because there is demand on the already existing currencies) is one thing, while the question, if it is possible in the free market is another. Indeed, why people should choose the Hayek's ducat, fiat money, i.e., the piece of paper, instead of the commodity money, e.g., gold? Historically, people always choose—if they could chose, of course—the commodity as money; on the contrary, the paper money has always been introduced by the governmental coercion, as a result of outlawing the use of commodity money[3].

So this is the point: the money emerged in the free market must be the commodity money, because it cannot be based *only* on confidence—contrary to Hayek's belief.

He writes (1990, pp. 48-49): "The kind of trust on which private money would rest would not be very different from the trust on which today all private banking rests (…) People today trust that a bank, to preserve its business, will arrange its affairs so that it will at all times be able to exchange demand deposits for cash, although they know that banks do not have enough cash to do so if everyone exercised his right to demand instant payment at the same time." Nevertheless, in the free market the commodity money is always preferred, because its value is based not only on confidence (that it will be accepted as a medium exchange), or—putting this in other words—only on monetary values, but also on an objective (only in some sense, since the non-monetary use of the gold also is based on subjective preferences of individuals; and only at the very moment of choosing money) factor, i.e., its non-monetary value (sometimes called: 'intrinsic value'). As Hülsmann explains (2008, p. 32): "By its very nature, paper money provides only monetary services, whereas commodity money provides two kinds of services: monetary and commodity services. It follows that the prices paid for paper money can shrink to zero, whereas the price of commodity money, will always be positive as long as it attracts a nonmonetary demand. If the prices paid for a paper money fall to zero, then this money can never be re-monetized again, because short of an already-existing price system the market participants could not evaluate the money unit. Thus the use of paper money carries the risk of total and permanent value annihilation. This risk does not exist in the case of commodity money, which always carries a positive price and which can therefore always be re-monetized."

Thus, it seems that Hayek confuses money with money-substitutes, since demand deposits are merely money-substitutes, not money itself. The trustworthiness is crucial when individuals decide to use the former (which cannot possess 'the intrinsic value' from definition, since they are *titles* to money), while the latter possess also non-monetary value, or it should to be called money (precisely: the commodity money), since no one would voluntarily accept using money based *only* on promises (being based on other fiat currencies does not solve this overwhelming problem).

However, it seems that we need not have refer to *confidence*, but to the *praxeology*, i.e., to the fact, that, *ceteris paribus*, people prefer a more durable good to less, as the former can be useful through a longer period of time. Of course, there is no doubt that, due to its chemical and physical properties, gold is *more* durable than paper, and it is why the gold will be always preferred in the free market to any possible fiat money.[4]

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[3] See: Hülsmann, 2008, pp. 30-31, 159.

[4] In the literature there are also mentioned other proper qualities of money. For example,

VII. Why fiat concurrent currencies with the stable purchasing power of money are not better than gold?

Since the ducat would be initially redeemable for other currencies, it would be merely *money-substitute*, not the money, just with an *option to choose* a currency as the base currency. As it is known, money-substitutes exist in the market, because they facilitate market transactions (compared to commodity money; inter alia, by reduction the cost of transportation—e.g., of heavy bars of gold), however we do not see how the ducat would be able to facilitate the market exchanges, since in that case some paper notes would substitute other paper notes (i.e., dollars, francs, D-marks), which creates no benefits for its users.

Still, according to Hayek, there would be such an advantage, i.e., the ducat would possess a stable purchasing power. He writes (1990, p. 46): "I would announce at the same time my intention to regulate the quantity of the ducats so as to keep their (precisely defined) purchasing power as nearly as possible constant." What is more, he believes that this feature of his proposal could provide more stability than gold standard. He states (1990, p. 110): "Though gold is an anchor—and any anchor is better than a money left to the discretion of government—it is a very <u>wobbly</u> (underline—ours) anchor."

Yet, this conviction is fallacious. It seems that Hayek confuses two meanings of monetary stability. He identifies the monetary stability with the stability of the purchasing power, however the latter should not be a policy objective from two reasons. Firstly, as Hülsmann points out (2008, p. 77): "First of all notice that the notion of "purchasing power of money" (PPM) cannot be given an impartial definition. The PPM is in fact the total *array* of things for which a unit of money can be exchanged. If the price of telephones increases while the price of cars drops, it is impossible to say by any impartial standard whether the PPM has increased or decreased. One can of course make up some algorithm that 'weighs' the prices of cars and telephones and so on, and brings them under a common mathematical expression or index. But such indices are not some sort of constant measuring stick of economic value. For one thing, the constituents of the price index are in need of incessant adaptation (they need to be *changed*) to take account of the changes in the array of goods and services offered on the market in exchange for money. Moreover, and most importantly, no such index conveys generally valid information. Different persons buy different goods; therefore, some of them might experience a rise of prices (of the prices *they* have to pay) while others experience a drop of (their) prices in the very same period. The quantitative statement of the index reflects just an average of very different concrete situations. But it is concrete circumstances, not some average, that count for human decision making."

Rothbard in *The Mystery of Banking* (2008, pp. 6-7) enumerates them: heavy demand on it, high divisibility, easy portability, high value per unit (scarcity) and durability. Notice that paper possess the first three features, nevertheless it is less scarce than gold, and, as we already know, less durable, which makes it inferior to gold.

Moreover, it is not true—contrary to Hayek's belief—that stability of PPM is a necessary precondition of business calculation, because in the human action, and in particular in the business calculation, *relative* values matter, not the *absolute* ones. It means that entrepreneurs *compare* possible *future* alternatives, not *measure* business projects in terms of some indexes. Therefore, they can—and they do it—anticipate changes in the PPM.[5] The second meaning of the monetary stability places emphasis on the internal consistency and durability of commodity money, e.g., gold, through time. This is the sole proper definition of the monetary stability, since only it is based on objective, nonarbitrary foundations such a physical integrity (and its constancy) of an entity. In short, according to this postulate: "no producer shall make coins bearing the same imprint but containing different quantities of precious metal. Monetary stability in this sense is not only unobjectionable, but truly a presupposition of a well-functioning economy." (Hülsmann, 2008, 72).

In fact, the stabilizing of PPM can disrupt the business calculation, which was expressed by—what an irony!—Hayek himself, as Huerta de Soto reveals it (2009, pp. 427-428): "Hayek demonstrates that a policy of stabilizing the purchasing power of the monetary unit is incompatible with the necessary function of money with respect to coordinating the decisions and behaviors of economic agents at different points in time." Indeed, if the stabilizing of PPM occurs, it means that the supply money becomes the matter of will and discretionary policy, not, in fact, of market forces, which can be, more or less, the subject of rational analysis. On the contrary, under the gold standard the growth of the money supply is determined by the market forces; and, taking under consideration the historical data, it can be expected between 1 to 5 percent annually.[6]

Besides, the gold standard (under which the stable physical integrity of the commodity money is preserved) actually *ensures* the stability of the PPM, since "when mining is less profitable than other branches of industry—which tends to be the case when the price level is high—then less money will be produced and money prices will tend to decline. And when mining is more profitable—usually when the price level is low—then more money will be produced and money prices will therefore tend to rise" (Hülsmann, 2008, 73).

We can also add that the aim of money is to facilitate exchanges, not to enable purchasing certain (strictly defined) goods at fixed prices—this is rather aim of forward/future contracts.

VIII. Why not concurrent currencies?

Firstly, the very nature of money is its *common use*. It is obvious that the more currencies exist in the market, the less common use of each of them occurs. Hence, the best situation takes place when people in the whole word use only *one* money, just because its function, as we remember, is to

[5] One can, however, ask, what with hyperinflation? Indeed, it seems that business calculation is practically impossible then, but the hyperinflation is *not* a simple change in PPM, as a matter of fact, it is the complete *destruction* of monetary system; and when the monetary system is destroyed, the economic calculation (which is expressed in money) is impossible by definition.

[6] See: M. Skausen, *The Structure of Production*, p. 359 (Huerta de Soto, 2009, p. 681).

facilitate exchanges. Indeed, in the free market "there would be an inevitable tendency for the less marketable of the series of goods used as media of exchange to be one by one rejected until at last only a single commodity remained, which was universally employed as a medium of exchange; in a word, money" (Mises, 1953, pp. 32-33)—the reason is simply, the more marketable good is, the higher probability of being able to resold this good to other people is. We can apply here the market process analysis[7] to the matter of money: let's assume the barter economy, in which some people have *noticed* that certain goods are more 'saleableness' than others. They can try to start using one of such a commodity as a medium of exchange and take advantage of the opportunity to improve their situation by facilitating exchange (and probable by demanding more goods for that reason). It, of course, requires anticipation other participants' actions—does they accept it as a medium of exchange?—so errors can occur; and the whole process of establishing one money can last quite long time.[8]

However, as long as entrepreneurs can be able to act in a unfettered way, some of them—"the more farsighted and prudent market participants" (Hülsmann, 2008, p. 32)—will lead to establishment of *one* (since it enables completely integration with the global economy), commodity (since only the commodity can emerge in the free market as the money, and can prevent the sudden collapse of monetary system, which will be noticed by the most perceptive individuals) money in the world, i.e., the worldwide gold standard.

To notice the absurdity of the concept of concurrent currencies, let us consider an extreme case when each individual issues his own money—this would be nothing but a barter!

Moreover, Hayek believes that the competition among issuers of fiat currencies would ensure stable money (1990, p. 48): "Competition would certainly prove a more effective constraint, forcing the issuing institutions to keep the value of their currency constant (in terms of a stated collection of commodities), than would any obligation to redeem the currency in those commodities (or in gold)." However, it is not so obvious, because—since what really counts in the real world are relative values—issuers can inflate their monies in the *same* pace (proportionally to the inflation of base currencies). Hülsmann writes (2004, p. 51): "Each bank has an incentive to be especially reckless in diminishing its reserves (issuing further notes without coverage) because it can rely on the other banks as some sort of a safety net." What is more, since one method of altering the volume of issuer's currency in circulation would be short-term lending—"The issuing bank will have two methods of altering the volume of its currency in circulation: it can sell or buy its currency against other currencies (or securities and possibly some commodities); and it can contract or expand its lending activities"(Hayek, 1990, p. 59)—it is probable that the bankruptcy of one issuer is likely to trigger the bankruptcy of many other such institutions, which makes strong temptation to create a cartel.

[7] More about the market process theory can be find in Kirzner, 1978.
[8] Indeed, since the silver was more useful for smaller transactions, it often coexisted with the gold in the history. However, nowadays, with modern electronic techniques of dealing with money, the gradual tendency to establishing only one money will be, as we believe, even more unequivocal.

Furthermore, although the competition is a very desirable and positive process, this statement applies only to the *free market competition*. Putting it in other words (Hoppe, 2004): "Free entry is not always good. Free entry and competition in the production of *goods* is good, but free competition in the production of *bads* is not. Free entry into the business of torturing and killing innocents, or free competition in counterfeiting or swindling, for instance, is not good; it is worse than bad." Thus, competition among fiat currencies must be rejected, since—as we have already seen—they had emerged as a result of coercion, not the free market.[9]

In the end, we can ask sarcastically, why the fiat concurrent currencies—if they are so excellent money, as Hayek believes—has never spontaneously emerged in the free market?

IX. Concurrent currencies and the business cycle

Now, it is obvious that Hayek's conception could not be a solution to economic crises. What is more, it would rather *promote* destructive effects of the artificial boom-bust cycle. Well, under the system of fiat concurrent currencies the production of money relies on the will of producers, i.e., it can be produced almost without any limits, which causes a problem of moral hazard, since "if just a few persons speculate on the assistance of the paper-money producer, they can be helped with the printing press at the expense of all other owners of money" (Hülsmann, 2008, 169). Under the gold standard—just the opposite, the production of money *costs*, which really guarantees that the supply of money cannot be increased at will.

Hayek notices this danger, but he believes that the competition between issuers would eliminated the temptation to increase the supply of money. He writes (1990, p. 63): "There will of course always be a strong temptation for any bank to try and expand the circulation of its currency by lending cheaper than competing banks; but it would soon discover that, insofar as the additional lending is not based on a corresponding increase of saving, such attempts would inevitably rebound and hurt the bank that over-issued."

However, this is a fallacious statement, from, at least, two reasons. Firstly, "individual entrepreneurs do not know whether or not a loan offered them originates from growth in society's voluntary saving" (Huerta de Soto, p. 422). In other words: the fact that the bank expands the credit activity through creating money *ex nihilo*, can be perceived only after some time, when this extra quantity of money (inflation) will spread through the economy, bidding up prices (*ceteris paribus*). Secondly, the question, if issuers would increase the supply of money or not cannot be a matter of "good practice" (especially when, as we have already shown, there are strong arguments for the quite opposite thesis, i.e., that under fiat money regime there would be strong motivation to create an inflationary cartel), but *traditional legal principles*.

[9] Of course, everyone has the right to issue whatever he wants. However, we claim that paper notes (or titles thereto) would have not become commonly used in the free market as the medium of exchange, thus they would have never spontaneously become currencies, therefore the existence of fiat currencies in the society is a result of coercion.

In other words, if issuers could regulate the supply of their fiat currencies (it is the very condition of stabilizing PPM), it means that they could create money *out of thin air*, with all its economic consequences. In particular, when this new created money enters the market through short-term lending, the boom-bust cycle would be generated.

Moreover, the stable PPM would extend the crisis, since the necessary condition of economic recovery are falling prices, as Reisman stresses (2009): "During the boom, inflation and credit expansion increase the supply of money and at the same time reduce the demand for money for holding. Then, in the subsequent bust phase of the business cycle, the demand for money for holding rises and the supply of money can actually fall. Both of these factors make for a decline in total spending in the economic system and thus the need for a correspondingly lower level of wage rates and prices to achieve economic recovery."

X. The proper solution

As we have yet examined, the Hayek's conception is Utopian, so—logically—it could not be an antidote to crises, since the proper solution has to be possible to implement. The gold standard is surely such a resolution, since it has already existed as the free-market result of voluntary individual actions of market participants. Of course it could not prevent the boom-bust cycles itself, it must be followed with the full-reserve banking, since bankers could issue bank notes without a background in gold. However, the gold standard would reduce the scale of credit expansion. There are, according to Rothbard (2000, pp. 24-25), few limitations: "In the first place, each bank would find its newly issued *uncovered*, or 'pseudo' receipts (uncovered by cash) soon transferred to the clients of other banks, who would call on the bank for redemption. The narrower the clientele of each bank, then, the less scope for its issue of pseudo-receipts. All the banks could join together and agree to expand at the same rate, but such agreement would be difficult to achieve. Second, the banks would be limited by the degree to which the public used bank deposits or notes as against standard cash; and third, they would be limited by the confidence of the clients in their banks, which could be wrecked by runs at any time." We may add here the threat of a gold drain abroad as another limitation of credit expansion.

However, how can we return to the gold standard? The question is, if the abolishing legal tender laws and government's monopoly of producing money will be sufficient? Rothbard maintains (1992, p. 3) that not, since "these names (ducats, Hayeks, Rothbards, etc.—note ours) will not be chosen as currencies precisely because they have not been used as money, or for any other purpose, before."

Therefore, he proposes defining again national currencies as a units of weight of gold, i.e., denationalization of dollar (and others national currencies, as well). However, we do not agree with Rothbard that individuals "will simply not shift away from the dollar to the gold ounce or gram as a currency unit [and] will cling doggedly to their customary names for currency" (1992, p. 4). Indeed, the gold also was not the money from the very beginning, it was chosen; and why people would not shift away from dollar if other currencies (based on the commodity) would be simply better?. We can illustrate Rothbard's opinion by analogy, claiming that people will never replace a word "canst" by "can", because they are cling to it. We also do not understand how denationalization of dollar can be possible, since the dollar is *merely* the name of weigh unit and names cannot be owned?[10] Thus, although everything that should be done is to abolish legal tender laws and government's monopoly of "producing" money, we support, from the pragmatic reasons, Rothbard's idea that, prior to government's stepping aside from the monetary system, the national currencies should be again tied to gold, and "redefined so as to be able to exchange it, one for one, for dollars (and others national currencies, analogously—note ours) claims on gold" (1992, p. 11), which will be the step to liquidate central banks and will help to repay national debts.[11]

XI. Conclusion

The Professor Hayek's conception of concurrent currencies may be criticized for being constructivist, since it tries to design social institutions, more precisely: money. It seems that Rothbard shares this opinion, as he writes (1992, p. 5): "In the first place, such a market-basket currency has never emerged spontaneously from the workings of the market. It would have to be imposed (to use a derogatory term from Hayek himself) as a "constructivist" scheme from the top, from government to be inflicted upon the market." It will be completely clear, when we realize that money *cannot* be produced. Indeed, the money is *commonly* used medium of exchange, and it is obvious that *no one* can produce something that would be commonly in use from the very beginning; it is impossible by definition.[12] We must remember that the emergence of money is the *market process*.

However, on the other side, everyone can "submit proposal" of the usage of a new medium of exchange. After all, the use of gold as money also was introduced by someone, i.e., some individuals began use it as the first ones, which can hardly be described as the constructivism.

The point is that Hayek's idea is simply Utopian, since it does not take under consideration the real nature of money—i.e., being the commodity, not an abstract unit—and its very function, which is to facilitate exchanges, not to allow for purchasing some "basket" of goods at constant prices; and underestimates the market forces which lead to single, commodity money in the global economy, which enables everyone to integrate with the entire worldwide population—can we imagine anything else that could enhance such a harmonious, peaceful and voluntary cooperation among the people?

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[10] We maintain that only goods can be possessed, not words, trademarks, or information. See: Kinsella, 2001, pp.43-44.

[11] Technical details of such a reform are beyond the scope of this article; see: Rothbard, 1992, pp. 7-15 and Huerta de Soto, 2009, pp. 715-819 (especially: 791-803). Another, quite different, plan of the monetary reform toward the gold standard can be find in: Nataf, 2002, pp. 27-29.

[12] Gold miners just find and transport money; similarly, coin producers also do *not* produce money, they just certifies weight of gold (or some other precious metals) and transform one form of money (bars) to more convenient in daily exchanges (coins).

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