The evolution of money and its delivery systems

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In Before Babylon, Beyond Bitcoin payments consultant and thought-leader – an accolade given casually too often, David Birch discusses the evolution of money and its enabling technologies. With Bitcoin's breaking $4000, Apple Pay, Android Pay and Chinese mobile payments Phenoms Alipay and WeChat Pay capturing headlines, Birch's optimistic oeuvre is topical.

His enthusiasm for the subject, cleverness and wit are on full display as he waltzes the reader through several millennia of monetary history, from Lydian gold-and-silver alloy coins, Chinese emperor Kublai Khan's fiat paper currency, King Henry the First's tally sticks – pieces of wood recording debt, the greatest payments innovation of the last century general-purpose bankcard networks, failed e-purses, to mobile wallets and cryptocurrencies in the 21st century. The enabling technologies march forward but money serves the same purpose for the 21st century New Yorker it did for the 1st century Roman.

Birch often conflates technology and money. Money is a means of exchange, store of value and unit of account, and critically a network relying on technology, trust and generally government sanction. A dollar is a dollar, however, whatever technology's employed to store and spend it, whether it's a paper note, four quarters, or electronic bits in a DDA, PayPal, a prepaid account or receivable. Electronic delivery platforms amplify money's social and commercial utility.

Two Birches jockey. The payments mastermind has strong opinions about the ingredients of better payments mousetraps, what Mondex should have done in the nineties and rails against cash. The mastermind's frustrated with people's innate conservatism in payments, declaring "Money is a field in which conservatism – preserving the status quo is very definitely a bad thing. Caution is not the best course of action." People are reluctant to abandon the tried and true. Innovation is all well and good, but new money or systems for managing payments must be compellingly better than what they attempt to displace.

Birch laments the failure of electronic purses such as Mondex, Danmont, and Proton and banks' strategies introducing them, in the nineties. With cards, cash and checks neither consumers nor merchants had an obvious payments problem at the physical pos. But online, Digicash, CyberCash, First Virtual, Beenz, and Flooz also failed. Traditional card systems were good enough and had network critical mass.

In the 21st century successful new payment systems such as PayPal, Alipay, WeChat Pay and M-Pesa had paths to critical mass compellingly solving big problems. PayPal solved the payment challenge on EBay. In the shadow of monopoly card network China Unionpay, Alipay built critical mass on marketplace Alibaba. WeChat Pay catapulted to formidability on Tencent's gaming and chat platforms. And in emerging markets like Kenya and Tanzania, M-Pesa succeeded competing with insecure and inconvenient cash.

Then there's Birch the proto-Hayekian who believes in the dynamic intelligence and innovative capacity of competition and decentralized decision making. Advances in the technology of money have been spurred by competition, spearheaded by private-sector actors, and adopted most rapidly in markets where cash reigned supreme and traditional retail-card payment networks and banks were weak.

He allows government should control money. Nevertheless, Birch cites former Bank of England governor Mervyn King's speculation central banks could become extinct and channels Cato's George Selgin observing "The production of money does not have the properties of a natural monopoly."

Competing currencies would better discipline and encourage innovation than monopoly central banks. Birch notes people can deal with multiple currencies. And where existing money and payment systems don't serve, mutually consenting adults are resourceful finding ways to transact, notwithstanding government restrictions. Africans evade government mandates to transact in shaky currencies by transacting in dollar-denominated airtime.

In the 21st century, however, governments enjoy money monopolies, reap seignorage and debase currencies. Some governments threw in the towel, typically adopting the dollar. Ecuador and Panama outsourced monetary policy to the Fed. Inflation in Zimbabwe reached 89.7 sextillion percent. The economy dollarized because Zimbabweans refused to transact in Zimbabwean dollars. Permitting competition in money as in every other realm would improve performance and innovation.

It’s fashionable to trash gold as a relic. In that regard Birch doesn’t disappoint. But digital bills backed by gold would retain its timeless benefits, except perhaps for anonymity, and have none of its disadvantages. For example, Gold Money provides fiat-currency debit cards drawing on gold accounts. Gold isn’t the only asset one could draw in lieu of dollars, euros or pounds, with a debit card. Xapo offers debit cards with bitcoin accounts.

Birch is provocative, speculating “Selfie money should have little trouble getting popular acceptance”. Why not? Digital dollars might carry the bearer’s picture and/or fingerprint replaced on payment by the new bearer’s.

Like most payments gurus Birch is passionately anti-cash. However, while electronic payment systems will continue to displace cash, it still has enormous utility and isn’t going away in Birch’s lifetime.

Money and payment systems matter. For curious millennials to baby boomers, and payments professionals pondering futureproofing existing payment systems or challenging them, Birch’s Before Babylon, Beyond Bitcoin is an accessible, engaging and eminently worthwhile read.