

The May Scale

Monetary Hardness in an Era of Soft Money

by Jim Davidson
jim@resilientways.net

"The noble silver drachma, which of old we were so proud of, and the one of gold, coins that rang true (clean stamped and worth their weight) throughout the world have ceased to circulate. Instead the purses of Athenian shoppers are full of shoddy silver-plated coppers."
~ Aristophanes, [The Frogs](#), 405 BC

We live in a time of new types of money. For many thousands of years, people have used a small weight of gold, silver, or copper as a medium of exchange. Many other things have been used as money, such as salt, from which we get the word "salary" and the phrase "worth his salt" and cattle, from which we get the word "pecuniary." In war time and in times of monetary inflation, things like hard candies, chocolate, cigarettes, tins of anchovies, and silk stockings have been used as media of exchange. The function of money is to make trade and commerce faster.

In the 13th Century, according to Marco Polo, as related in Antony Sutton's excellent book [The War on Gold](#) the emperor of China painted some vermilion ink on pieces of a paper made from the bast between the bark and the core wood of mulberry trees and used these pieces of paper as a substitute for gold, silver, pearls, and precious stones, all of which he required the merchants and people to exchange at rates he fixed. While the paper money was supposedly redeemable back to the backing instruments, the occasions when redemptions were allowed became more and more rare. Eventually nobody could redeem the paper money, fewer and fewer people would accept it, and it became worthless.

Paper money experiments have been tried from time to time, and we are currently in the midst of one. It is by no means the first, nor the longest period in which unbacked money substitutes have been thrust into the world economy. It seems destined to fail as all the rest.

Back in 1640, Charles the First, then king of England and somewhat hard pressed by the parliamentarians, seized the private gold stored at the royal mint. After that, merchants preferred to keep their gold with private gold smiths who issued receipts on their holdings. These goldsmith notes were circulated as money, and were often endorsed on the back from one party to another. However, Charles the Second borrowed most of that gold from the goldsmiths, then closed the exchequer, bankrupting the goldsmiths, in effect stealing the gold. Eventually that led to the establishment of a bank of England which did other things with money.

Goldsmith notes were a circulating medium, a substitute for the gold they represented. Similarly, in 1772, the London Credit Exchange Company began issuing traveller's cheques for 90 cities in Europe. A century later, Thomas Cook was issuing traveller's cheques that were widely accepted. Checkbook money is similar, in that it represents a claim on funds on deposit with a bank or credit union.

Since about 1960, there have been credit cards. Credit cards are a digital claim on the credit of the card holder. Companies like Diner's Club, Mastercard, Visa, Discover, and others provide a digital interaction between their databases and those of merchants. Credit is extended to the card holder up to a limit or according to some analysis of the credit worthiness of the buyer. The vendor either accepts or declines the transaction based on the willingness of the credit issuer to pay them, and there are fees for the processing of card transactions. Owing to the unbacked nature of these transactions, and the desire

to please their card holders, credit card companies are happy to reverse charges on the slightest provocation, and then make the merchant prove that they were paid.

Beginning in 1995, the Internet brought about the ability to transact in digital gold. For about a dozen years, companies like e-gold, e-Bullion, and others did so. In 2007, the USA government attacked and effectively destroyed e-gold. Subsequently, other digital currencies were pioneered to remove the perceived risk of "trusted third parties" who held the gold and would, on the slightest provocation, turn it over to governments. Bitcoin was designed, in part, to reduce the risk of such a seizure of the backing medium. Instead, bitcoin and other crypto-currencies create value through a public and decentralised ledger of transactions that requires computation to effect transactions.

The May Scale of monetary hardness was developed around 2002 by JP May who ran such iconic e-gold merchant sites as BananaGold, CoconutGold, and 1MDC. The concept begins by ranking the extent to which money is "hard" or represents an actual asset such as gold. There are many insights from this scale, including the fundamental insight that using a soft money to buy a hard money is very risky for the party selling the hard money.

Hard	
1	Street cash, gold coins, silver coins, US dollars, Bitcoins where you hold the secret keys
2	Street cash, euro currencies, Japan
3	Street cash, other regional currencies
4	Interbank transfers of various sorts (wires etc), bank checks
5	personal cheques
6	Consumer-level electronic account transfers
7	Business-account-level retail transfer systems, bitcoins on the Lightning Network
Soft	
8	Paypal and similar 'new money' entities, bitcoins on a bitcoin exchange controlled by your username and password login
9	Credit cards

People who accept credit card funds in exchange for bitcoin or gold run into the problem that the asset they are selling is of certain value, very hard, very definite. The money substitute they are accepting is very soft because the credit card holder can ask the credit card issuer to reverse the charge, and they will. Then it becomes the obligation of the seller to prove that the transaction was valid and the buyer got what they were sold, and even then it takes time and effort to actually get paid.

Similarly, cheques can be stopped. A checking account holder can ask their bank or credit union to stop payment on a cheque. That can require a higher level of proof before the stop payment order is accepted, but it creates the same difficulty for the merchant.

Thus, people who mine bitcoins are not necessarily enthusiastic about trusting the other party to their

transaction. They want their money up front, before they turn over the shiny new bitcoins which have never previously been used in transactions.

Bankers seek to buy such bitcoins preferentially because blockchain analysis can be used to figure out the vast array of previous transactions associated with any particular bitcoin, and money transmitter laws preclude laundering of funds that are suspected to have been used in any sort of crime, drug trafficking, terrorist organisation funding, or prohibited transaction - and there are a very large number of prohibitions in the world.

To sort out these problems for large transactions, escrow services are employed. However, many banks are reluctant to use the escrow service of any other party for their own transactions, claiming that their reputation is all that should be needed. And, of course, they cannot use their own escrow service in transactions on their own account. So, it is the case that some large transactions do not occur because of conflicting levels of monetary hardness.

=====

Jim Davidson is an author, entrepreneur, actor, and director. He is the cfo of KanehCN3.com and the vision director of HoustonSpaceSociety.net You can find him on [Twitter.com/planetaryjim](https://twitter.com/planetaryjim) as well as Pocket.app and Flote.app also as planetaryjim. He appreciates any support you can provide as times are very difficult. See the Paypal link on this page. Or email your humble author to offer other choices. Visit IglooLuau.com for more information. Those seeking a multi-jurisdiction multi-hop VPN for communications privacy please visit <https://secure.cryptohippie.com/houstonspacesociety.php> For those seeking colloidal silver try ppmSilver.com/Jim Ask Jim about CryptoWealth.