

Where Does Money Come From?



What *is* Money ?

Economist use a Functional Definition – what money *does*

Money is a:

- Medium of exchange
- Measure of value/
- unit of account
- Store of value



These roles may be incompatible

- ▶ Amongst money's many functions, that of the lubrication of a fully functioning economy is the most basic
- ▶ If some people are storing money then it may not be able to lubricate the economy efficiently
- ▶ Speculation can mean that money is sucked out of the local economy to areas of the world where it can attract a higher rate of return as investment capital

- ▶ If a bank is a profit-making institution it will give the money to the sectors where it can make the most money, not where it can achieve the most socially or ecologically



If you don't believe me . . .



Theory: the money multiplier

„Reserve ratio“ of 10%; money multiplier is the reciprocal of this, i.e. 10

- ▶ An initial deposit is made of £100
- ▶ The bank lends £90 of this and holds £10
- ▶ The borrower uses the £90 to pay for work and it is deposited in the workers account
- ▶ Now customer balances have increased by the original £100 plus the £90 from the new cheque deposits: a total of £190
- ▶ The bank can now lend 90% of the £90, a further £81.
- ▶ Total deposits are now increased by another £81 to £271
- ▶ This process repeats and the total increase in bank deposits is 10 times the amount initially deposited: i.e. £1,000

Myth no. 1: the fractional reserve

- ▶ Bank creation of money is not controlled by some set ratio—only ‘prudence’
- ▶ The constraint on bank lending is only a willing supply of borrowers
- ▶ When there are no more borrowers the system collapses
- ▶ Quantity of money is not related to economic activity

Myth no. 2: money has 'backing'

- ▶ Most money is 'fiat'
- ▶ Banks do not hold gold and neither to governments
- ▶ The agreement in 1944 was that the dollar would be backed by gold
- ▶ This link was broken unilaterally in 1971

Myth no. 3: money is neutral

Most economic activity is based on borrowed money

The money that is deposited belonged to somebody with excess money

The person who borrowed it has insufficient money

Interest will transfer money from the working person with less money to the person living from unearned income

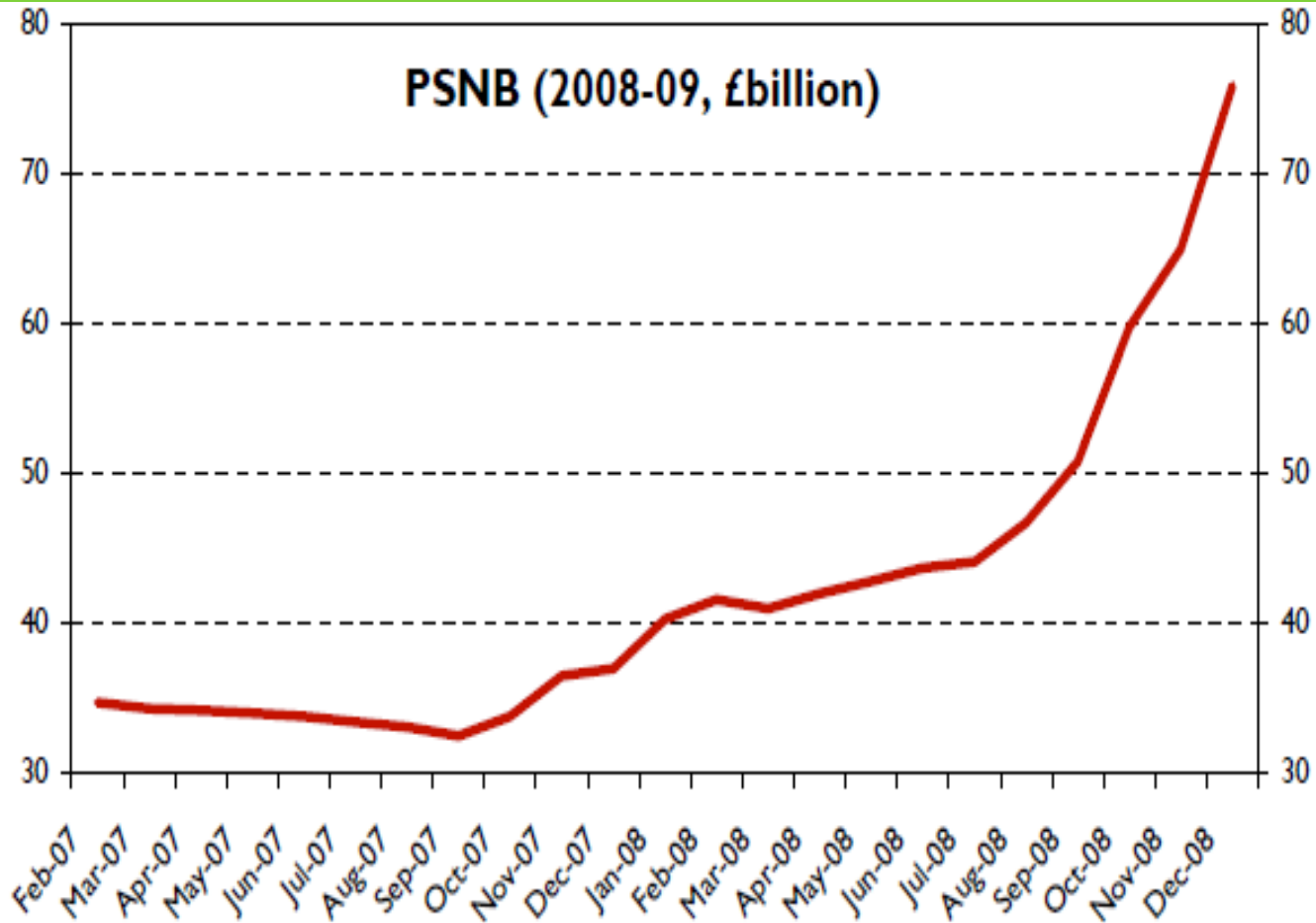
What Mervyn King Said

- ‘Of all the many ways of organising banking, the worst is the one we have today.’

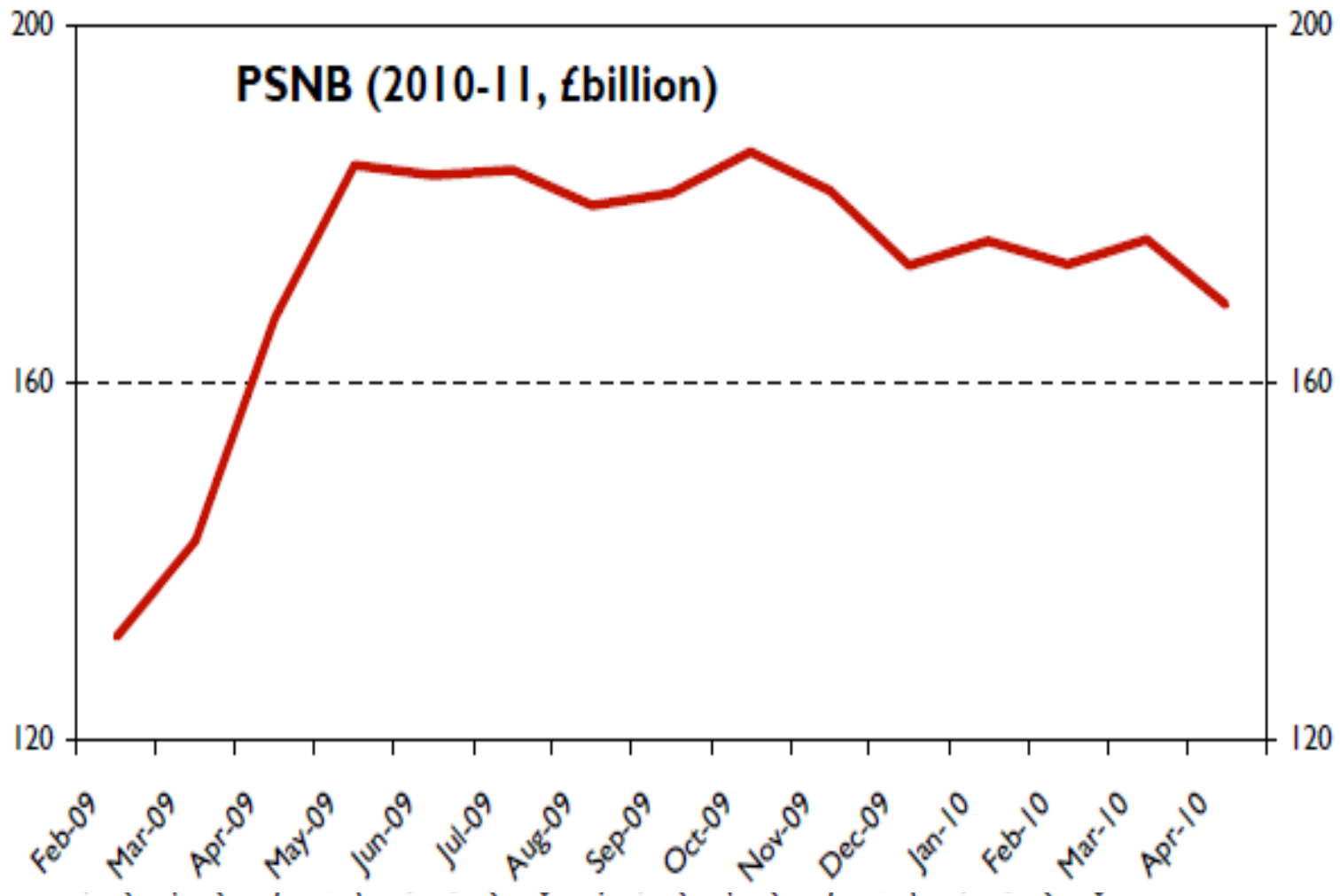


- ▶ ‘Unemployment is up, businesses have closed, and the direct and indirect costs to the taxpayer have resulted in fiscal deficits in several countries of over 10% of GDP – the largest peacetime deficits ever.’

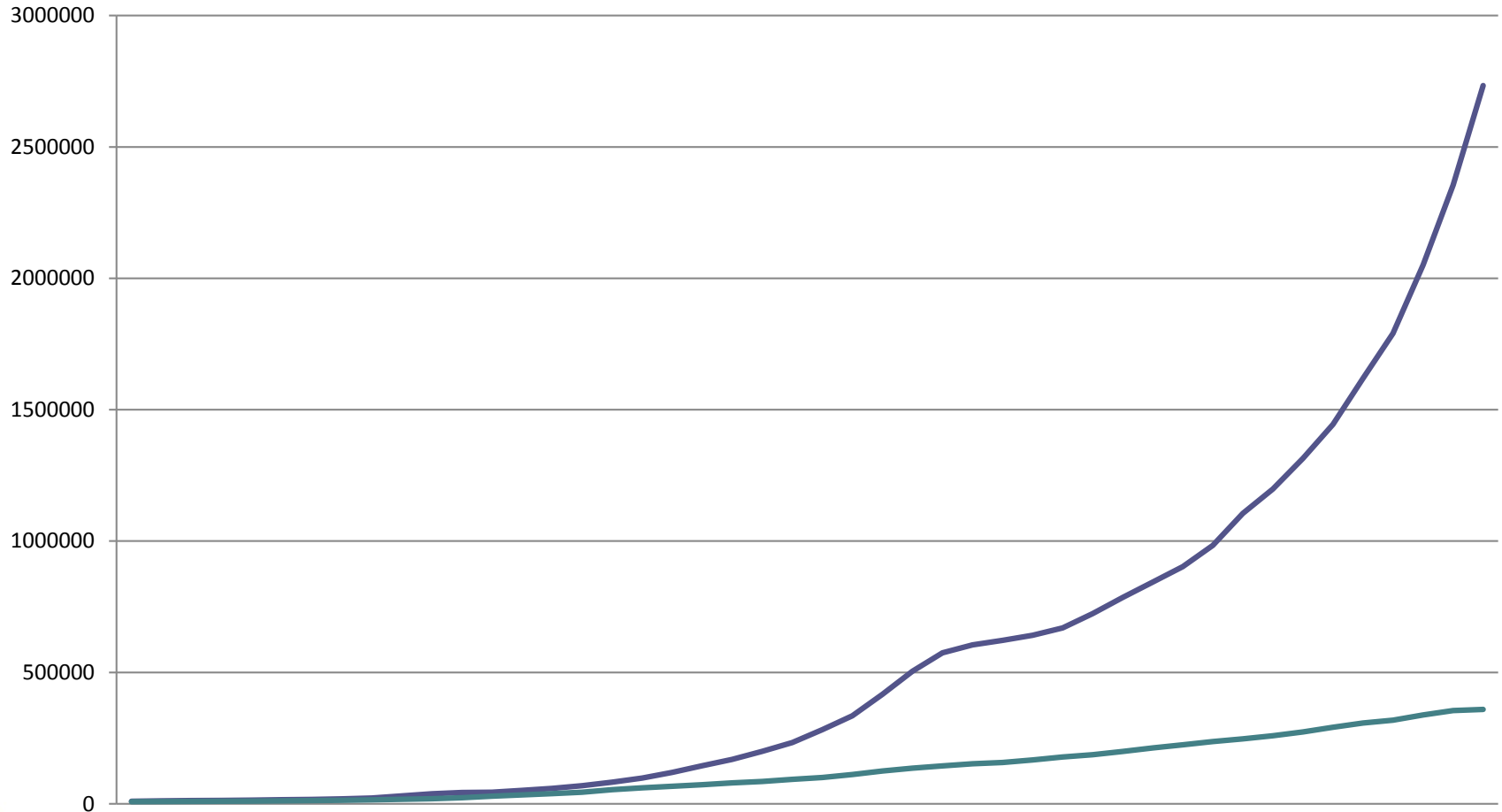
Projected borrowing(PSNB), 17 Dec. 2009



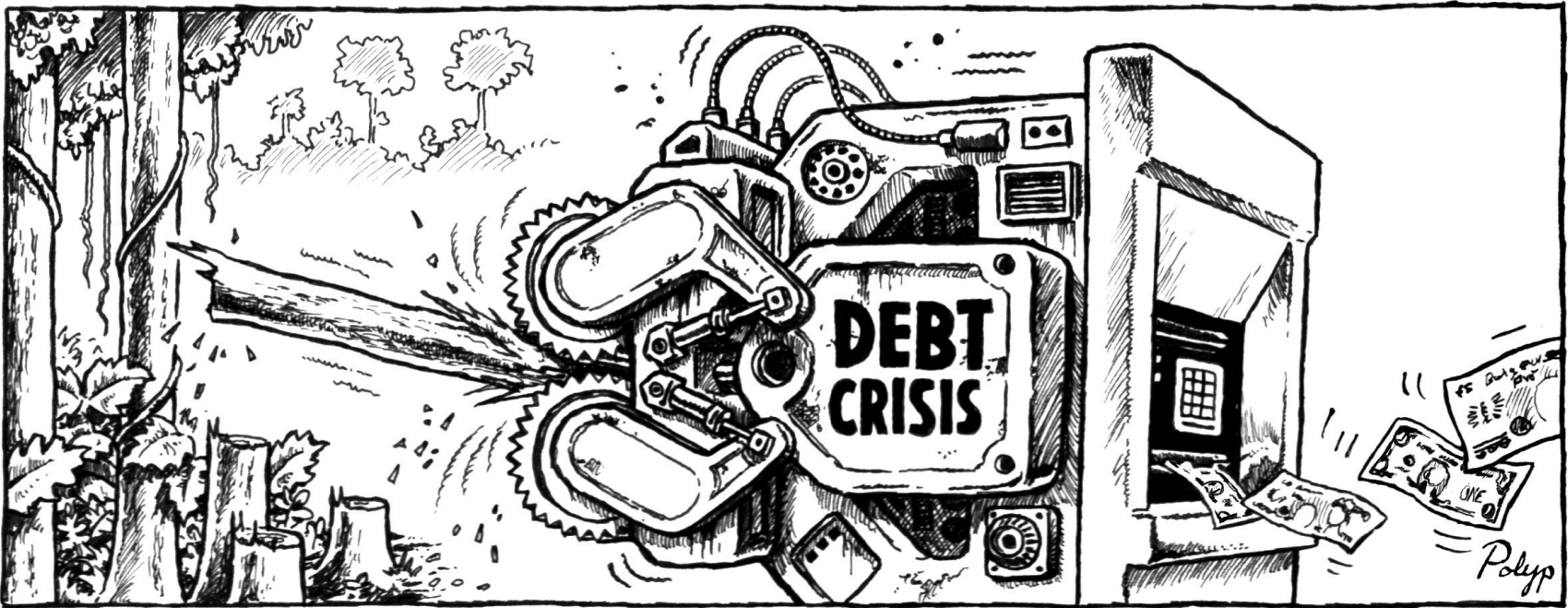
Projected borrowing(PSNB), 21 April



Money: Unstable and Unsustainable



And what he didn't say



- 97% of money is created as debt by banks:
- 95% of money transactions have no contact with real goods
- Allows people to make a claim on future value



Bristol Pound



Can we design money to create a green economy?

- ▶ Shift consumption into the local economy?
- ▶ Encourage activity in the core economy?
- ▶ Counteract recessionary pressures?
- ▶ Reduce consumption?



Can we change the velocity of circulation?

- ▶ Interest encourages people to hold money and slows it down
- ▶ Negative interest (demurrage) might speed it up
- ▶ Silvio Gesell (1862–1930)



The Chiemgauer

- ▶ Uses principle of demurrage
- ▶ Electronic and paper money
- ▶ Back one-for-one by euros
- ▶ Can be exchanged back for a 5% fee
- ▶ Accepted by 150+ shops

20 CHIEMGAUER
CHIEMGAUER.INFO

Das regionale Zahlungsmittel in den Landkreisen Rosenheim + Traunstein
Chiemgauer-Verzeichnis, Auflage: 20.000 II. Quartal 2006

NIMM DIE ZUKUNFT IN DIE HAND

Trachtenverband mit Vision
Trachtenvereine pflegen das bayerische Brauchtum angefangen vom „Schuhplattler“, über die „bairische“ Sprache, Gesänge, Musik, Tänze, Kleidung und vieles mehr. In einem gemeinsamen Haus soll nun ein Informationszentrum für Trachtenvereine und Interessierte entstehen, in dem unter anderem die Trachtenvielfalt in Bayern präsentiert und eine Jugendbildungsstätte entstehen wird. Auf Initiative des Trachtenverbandes „Bayerischer Inngau“ können alle Mitglieder und Freunde des Bayerischen Trachtenvereine mit dem Chiemgauer fördern. Der Sitz des Trachtenverbandes Bayern ist übrigens in Traunstein, da dort seit 1899 der älteste Trachtenverband besteht. Allein in den Landkreisen Rosenheim und Traunstein sind insgesamt 48.000 Erwachsene dabei.

Sinssee-Markt macht mit
Pünktlich zum Frühlingsbeginn öffnet der Sinssee-Markt seine Pforten und lädt alle Chiemgauer-Mitglieder herzlich ein, das Angebot der regionalen Solidargemeinschaft kennenzulernen. Der Markt in Baiersbach findet jeden Freitag von 14 bis 16 Uhr beim „Bauern“ in Baiersbach, Edlinger Str. 6B, statt. Eine weitere Gelegenheit gibt es auf dem Wochen- und Bauernmarkt auf dem Schloßberg, Rathausplatz 1, jeden Mittwoch von 9 bis 13 Uhr.

Solaranteile zeichnen!
Der 3. Bauabschnitt des Bürger-Solarstromwerks im Prien am Chiemsee kommt ins Rollen. 40.000 Euro werden investiert, davon 10.000 über Chiemgauer-Anteile. Ein Anteil ist bereits ab 500 Chiemgauer möglich. Wie bei jedem Chiemgauer-Tausch können die Verbraucher über ihre Region auswählen, welcher Zweck mit 3% gefördert wird. Welche Investition kann sonst von sich behaupten, dass sie die Renditeerwartungen der Anleger erfüllt, ökologisch wertvoll ist, die regionale Wirtschaft fördert und dann noch gemeinnützige Zwecke in der Region unterstützt? Der Geschäftsführer der Priener Solargesellschaft, Herbert Langmann, informiert Sie gerne unter Tel. 08051-1382.

10 Opernfestival
10 Jahre Musik
AUGENBLICKE
10 Jahre Musik
Die Zauberflöte von Wolfgang Amadeus Mozart
Regie: Ingrid Isenhardt - Premiere: 11.06.2006
Don Carlos von Giuseppe Verdi - Premiere: 20.07.2006
und vieles mehr!

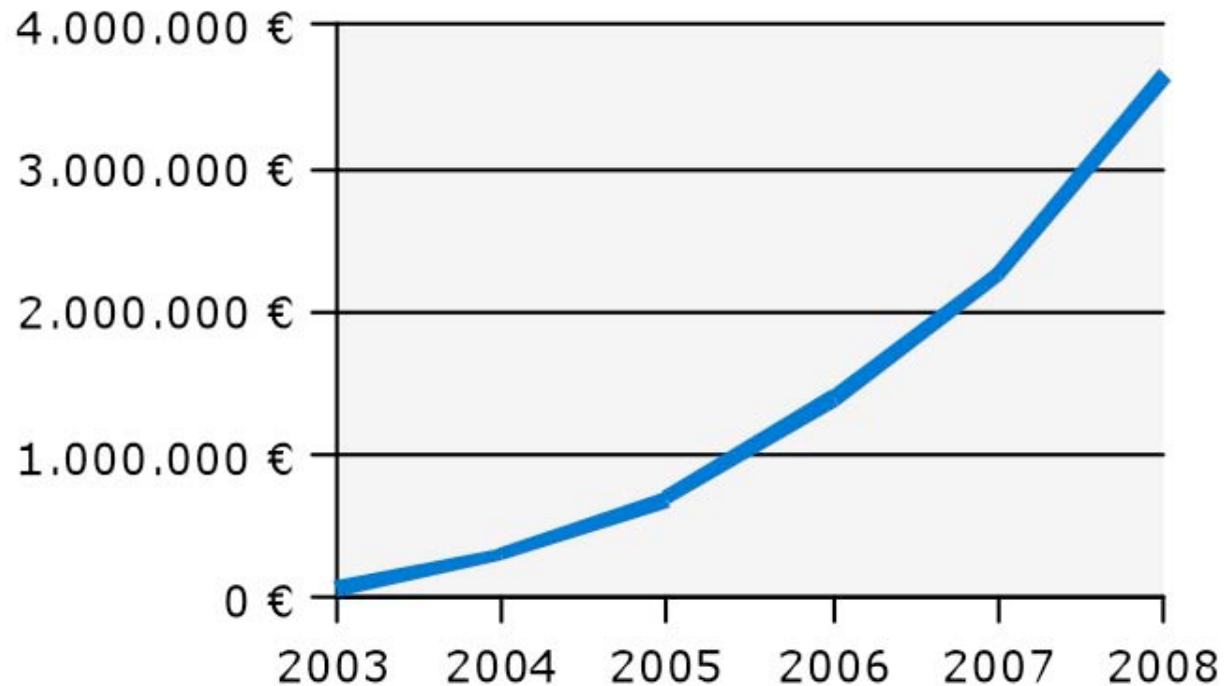
23. Juni + 6. August 2006
Karten im Chiemgauer
bittet telefonisch
vorbestellen!

**Infos: Bei allen Chiemgauer-Ausgabestellen
und im Internet unter www.chiemgauer.info**



► <http://www.chiemgauer-regional.de/>

Turnover of all participants



2008 = 3 Mio. CH + 0.6 Mio. ST

[http://www.uea.ac.uk/env/ijccr/pdfs/IJCCRvol13\(2009\)pp61-75Gelleri.pdf](http://www.uea.ac.uk/env/ijccr/pdfs/IJCCRvol13(2009)pp61-75Gelleri.pdf)

About Stroud

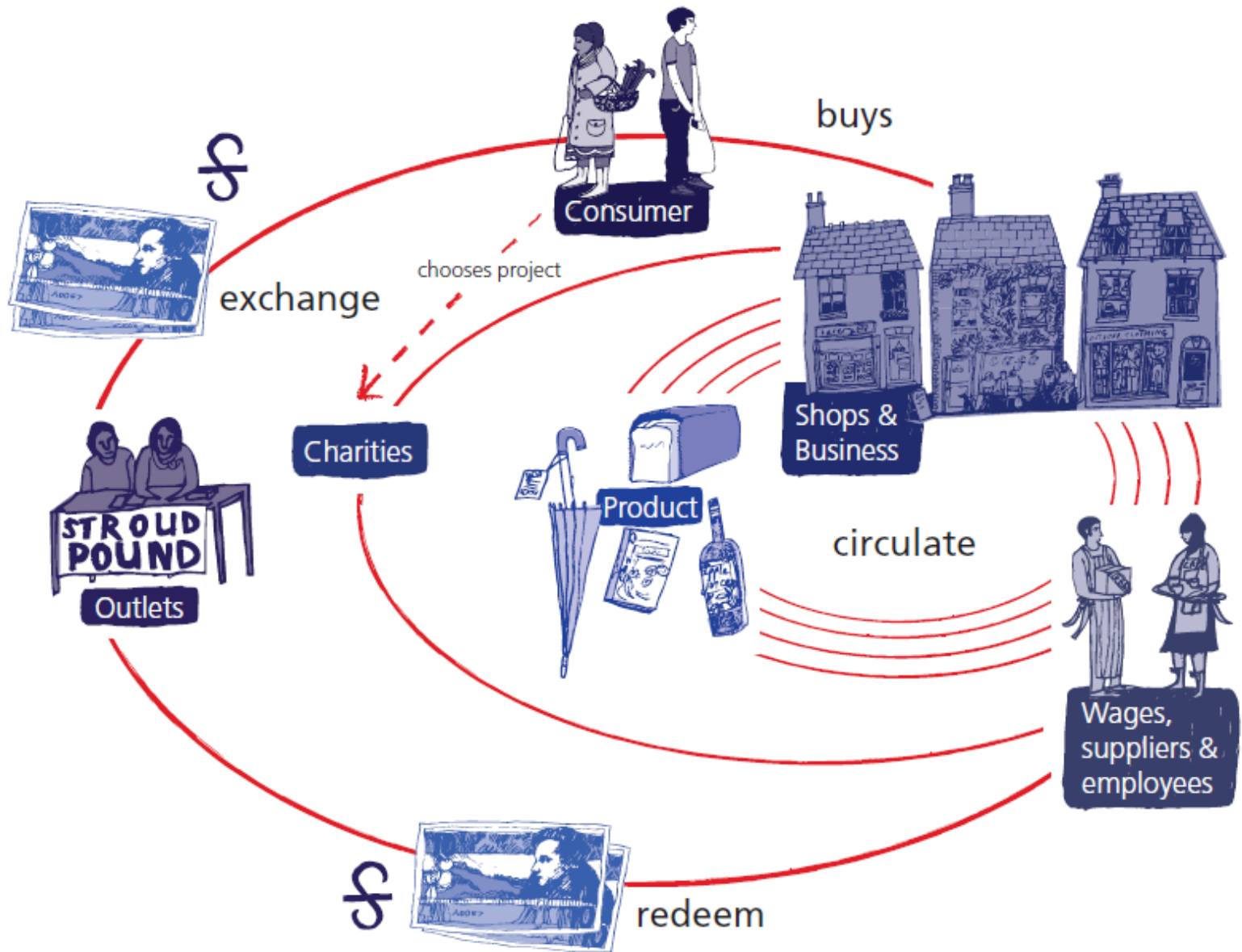


Stroud is an exemplar sustainable community located in rural Gloucestershire some 30 miles North-East of Bristol, UK

- ▶ A former textile town, it suffered severe industrial restructuring in the second half of the 20th century
- ▶ Site of one of the UK's most successful LETS schemes (North, 2008)
- ▶ One of the first UK towns to register with the nascent Transition Network in September 2006

How it works

- ▶ Issued by the co-operative on a one-for-one exchange basis for pounds sterling
- ▶ Businesses, consumers and charities are encouraged to join the scheme, although it is possible to pick the notes up in change and use them for purchasing
- ▶ When consumers buy Stroud Pounds a percentage of the value is donated to a local charity of their choice
- ▶ This is balanced by a 3% 'redemption' charge when businesses exchange the money back for sterling



Reinforcing the local economy

- ▶ 3% demurrage to increase velocity of circulation
- ▶ Identification with local economic themes
- ▶ Laurie Lee



Story after one year

- ▶ Launched in September 2009
- ▶ A total of £10,066 were exchanged for Stroud Pounds
- ▶ Slightly over half of those (£5940) had been redeemed
- ▶ £290 allocated to the ten local good causes which people had chosen. A year after the launch of the scheme SP4,126 were in circulation. The scheme had around 180 consumer members and 44 outlets or service providers where the local currency could be spent.