

Rethinking Finance

The Lifeblood of Enterprise and the
Financial Heart Attack

How do you know something is money?

- What qualities does it have?
- Why do you believe in it?
- Does it have to exist in physical form?
- Who creates it?
- Who controls it?



What is Money ?

Economists 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

- The lubrication of a fully functioning economy is the most basic role



- But it is incompatible with the role as a commodity in international speculation

If you don't believe me . . .



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

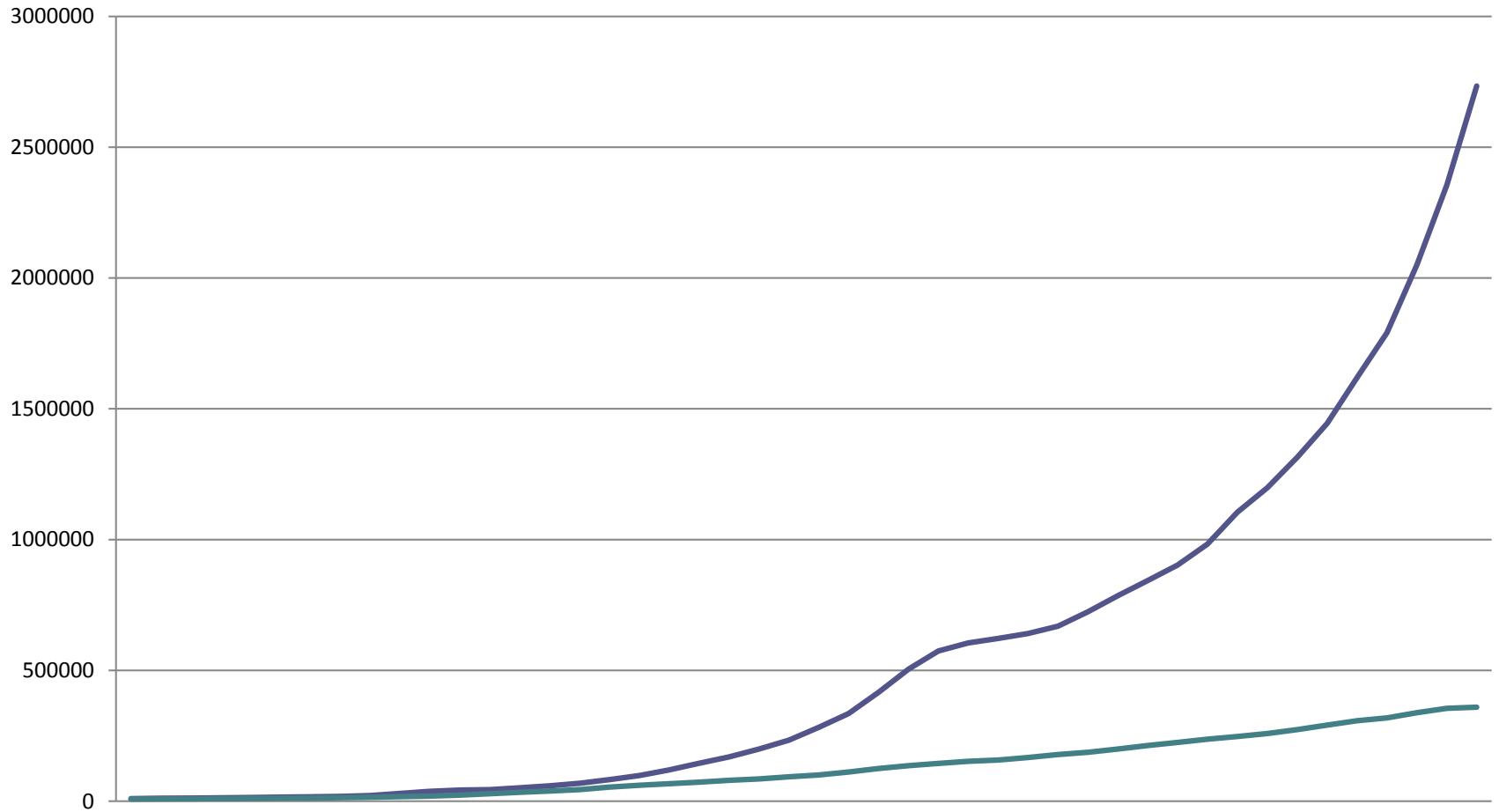
Interest will transfer money from the working person with less money to the person living from unearned income

Financial crisis? Credit Crunch?

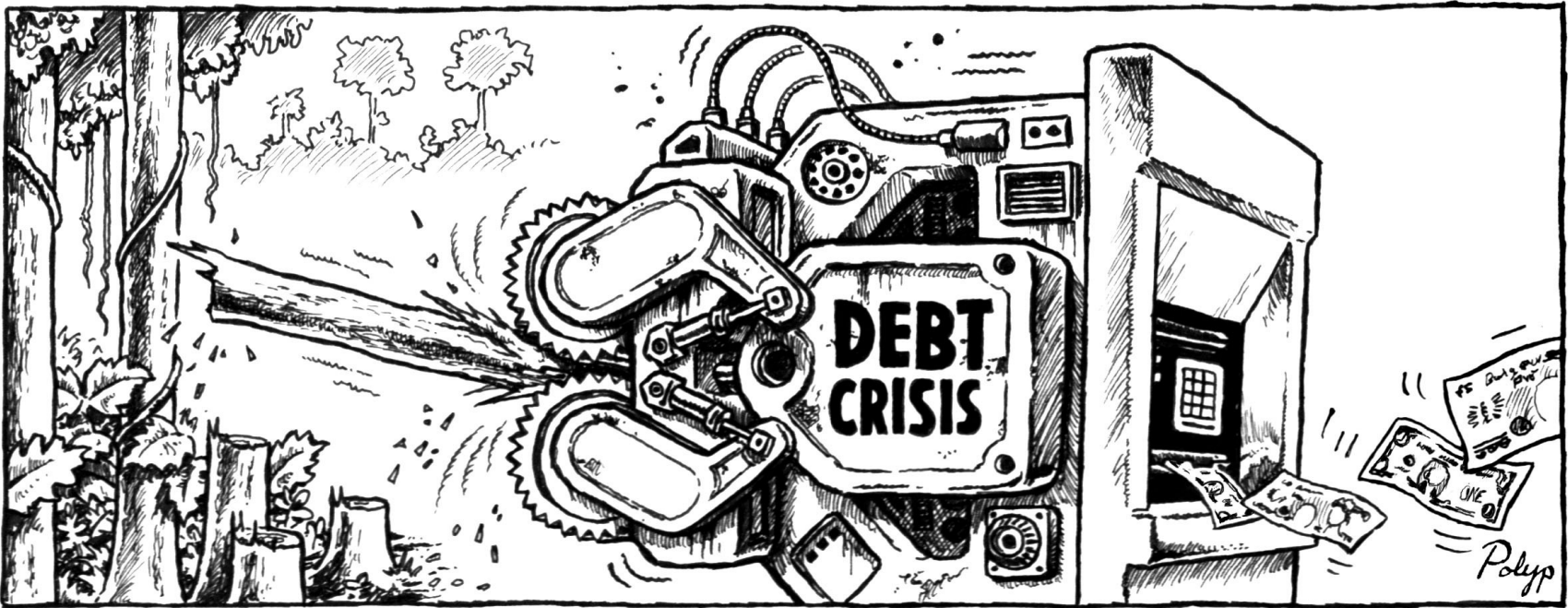


- What happened?
- What were the symptoms?
- What were the causes?
- What is the impact on business?
- How can we respond positively?

Money: Unstable and Unsustainable



Financialisation and the Environment

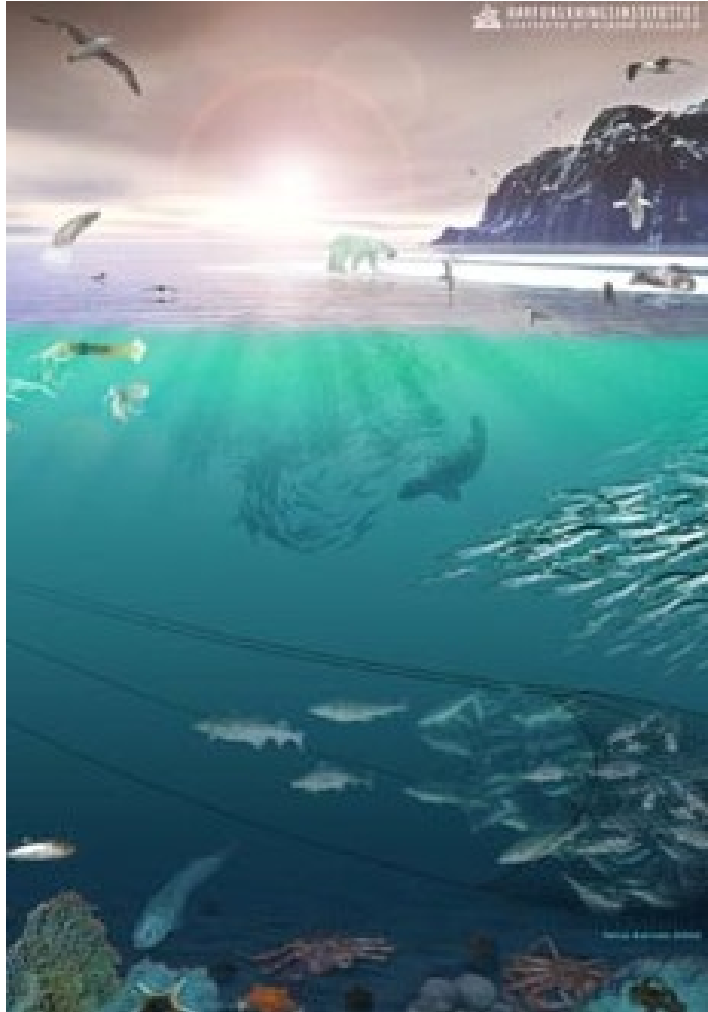


- 97% of money is created as debt by banks:
- 95% of money transactions have no contact with real goods
- Allows people to make a claim on future value

Questions?



Banking on the Local Economy



- Break up the nationalised banks and create local banks
- Mutually owned with a board of local businesspeople and citizens
- Local multipliers and benefits of finance stay local

Local Bond

- Rates of return can outstrip bank interest rates, especially when supported by the FiT
- Creates an investment vehicle for savers who receive virtually no return from banks
- Especially powerful on a local basis



Ecotricity's EcoBonds

- Launched in October 2010 to secure up to £10 million of funding for its Green Energy projects
- Ecotricity challenged the profit rates required by banks
- By the deadline more than 1,800 people had applied for almost £15million worth of EcoBonds, oversubscribed by nearly 50%
- The most successful private bond ever issued in the UK.

Peer-to peer lending



- Zopa has lent more than £200m since 2005
- Makes equity sharing available on a small scale
- Shared risk but no significant commitment or relationship

Bristol Pound



Bristol Pound



- Heavy involvement with local council
- Partnership with credit union
- Good support from businesses
- Powerful media coverage
- Can it compete with the pound sterling?

The Chiemgauer

- ▶ Uses principle of demurrage
- ▶ Electronic and paper money
- ▶ Back one-for-one by euros
- ▶ Can be exchanged back for a 5% fee
- ▶ More than 500,000 in circulation generating transaction volume of €0.5m

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

Trachtenverband mit Vision
Trachtenvereine pflegen das bayerische Brauchtum angefangen vom „Schuhplattler“, über die „bairische“ Sprache, Gesänge, Musik, Tänze, Kleidung und vieles mehr. In einem gemütlichen Haus soll nun ein Informationszentrum für Trachtenvereine und Interessierte entstehen, in dem unter anderem die Trachtenwelt in Bayern präsentiert und eine Jugendbildungsstätte entstehen wird. Auf Initiative des Trachtenverbandes „Bayerischer Inngau“ können alle Mitglieder und Freunde des Bayerischen das gemeinsame Vorhaben der Bayerischen Trachtenvereine mit dem Chiemgauer fördern. Der Sitz des Trachtenverbands 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.

Simssee-Markt macht mit
Pünktlich zum Frühjahrsbeginn öffnet der Simssee-Markt seine Pforten und lädt alle Chiemgauer-Mitglieder herzlich ein, das Angebot der regionalen Solidargemeinschaft kennenzulernen. Der Markt in Baierbach findet jeden Freitag von 14 bis 16 Uhr beim „Bauern“ in Baierbach, 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 Bürgersolarkraftwerks 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 Regiocard 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. 08951-1382.

14 Opernfestival
2006 Jahresausblick
AUGENBLICKE
10 Jahre Musik
Die Zauberflöte von Wolfgang Amadeus Mozart
Regie: Ludwig Beckmann - Premiere 11.06.2006
Don Carlos von Giuseppe Verdi - Premiere 20.07.2006
und vieles mehr!
23. Juni - 1. August 2006
Karten im Chiemgauer
bittet mechanisch
vorbestellen!

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

Financial planning

- You want to fund a new enterprise:
 - Where do you go for finance?
 - What role do those who provide the finance have in your enterprise?
 - How do you gain the maximum investment while relinquishing the minimum power?
 - How much of the value of what you produce has to go back to those who provide the capital?



Bretton Woods

And a Global Currency?



Bretton Woods Conference

Negotiations during the
first three weeks of July
1944

Dominated by the US
and UK negotiations:
Harry Dexter White and
John Maynard Keynes

Dollar Domination

The Conference established the World Bank, set the Gold Standard at \$35 an ounce and chose the American Dollar as the backbone of international exchange.

- Keynes had argued for a neutral global currency: the Ebcu
- The domination of the dollar has resulted from its role as a global reserve currency
- Its abandonment of this power should be made the condition for its imminent default



Euro as a Political Project

- Compete as reserve currency with dollar: ‘I cannot resign myself to the decline of Europe and of France’ —Delors
- Force the pace of integration
- Not ideal currency area



Euro as Common Currency not Single Currency

- Greeks would still be able to spend Euros, and the tourism industry, for example, might continue to accept them
- Traders would prefer to have Euros
- Euros would limit imports and exports but the national economy could function on its own currency

