



## Group Assembly Process (GAP) - Stirring Paper

# New tools for new times Cocreating the world currency of the future

by Miguel San Miguel, Telecommunication Engineer, Currently member of the Council of Attac Deutschland, Cofounder of the alternative currency Beta (Leipzig, Germany)

Several researchers and activists around the world<sup>i</sup> have since many years discussed and warned for the role of money as a means of dispossession of the social majority, whether intentionally or not, and as direct steering mechanism of the *need for a never ending growth* at the macro level of our economies<sup>ii</sup>.

### It burns

This notion has bred past Degrowth Conferences too<sup>iii</sup>, but there are unluckily less renowned scholars and papers<sup>iv</sup> on the subject. The matter is nonetheless vital for the future of all humanity, and even for the whole set of life on the planet: it is now impossible to deny that *our ecological footprint* on it is affecting too many other species, destroying biodiversity and endangering the future of countless generations, not to talk about the consequences of the *economical imbalance* for whole populations. But, whereas it is of most importance to take coordinate action, it cannot be done without putting a remedy to the roots of this outrage instead of treating only its symptoms.

### The gist

Those researchers and activists are now aware that, beside a natural human inclination to an increasingly-more-fulfilled-and-always-better life (and sometimes even beside human greed), there is *an intrinsic mechanism in the way that we create our money* in our present economic system, which *enforces the need for eternal economic growth*. Which, as everybody may understand, is not possible in our finite world (and whose first symptoms are already been felt all around us<sup>v</sup>). Now, *we could deactivate that mechanism*, and achieving that is actually key to reaching sustainability in our economies. On the other hand, letting things go on as they have until now would make all other efforts to stop growth futile, only delaying the unavoidable catastrophe for a little time.

### How comes?

Although the mechanism is still subject to controversies in its details, there is no question in that the kernel here lies in the above mentioned process of money creation. Essentially: most of the circulating money is called into life by an entry in the books of commercial

banks whenever they give a credit (which just happens in electronic form nowadays) for which they expect an interest in return. But *there is systematically not enough money in circulation* to pay all interests back, since, as most of it has been created as credit, it must be returned and get destroyed afterwards. Hence, the show can only go on if new credit is given to repay the existing one over and over again, always in bigger amounts. In order to serve the previous debts, more and more securities must be offered as guaranties for new credits, resulting in a *monetization process of always more spheres* of human life<sup>vi</sup>. Though this in itself is worrying enough, neither it is the main problem, nor it is that *every good or service offered serves the interests* paid by the different actors in the production chain<sup>vii</sup>, or that this mechanism is also responsible for a *massive regressive redistribution of money wealth*<sup>viii</sup>.

### Put a beginning to it

The biggest problem lies here on the seed of *destruction intrinsically bound to infinitely growing amounts of money in this finite world*<sup>ix</sup>. That we must stop, the sooner the better. But, as already mentioned, there are too few scientists, too few governmental entities (least central banks, just a handful of municipalities) ready to seek for solutions; the affected interests are too big: too few dare to put themselves at risk. The last financial crisis in the western world has shown how politicians and big economic players alike are unwilling to face and conduct a most needed monetary reform not even on the verge of the abyss<sup>x</sup>, not even when they still have some hold on its further development. Hence, *the solutions must come bottom up*, the small people should not wait for the top down ones (which will not make a real difference anyway). It is the time for courageous visionaries to *develop alternatives which can be already be adopted by wide masses* independently from governments and other public entities (who may as well join later). Alternatives which compose not slightly better proposals compared to the current system but a truly sustainable money system.

But, is this possible at all? The work of hundreds of initiatives around the world until today brings hope: they show how many people are soon aware, active and ready to engage for a change. The recent rise of Bitcoin (et al), with all its flaws, has shown that the world is ready, even more, it longs for a better money system. And many individuals and groups already offer different concepts for complementary currencies, each of them with a different perspective of the matter at hand (while some of them could be quite astray, others might be pretty on the point)<sup>xi</sup>. Therefore, let us grip this chance and discuss, shape and start up the most important economic tool known to human: *the money system for a sustainable future*.

### We can what we need

On this undertaking, there are several building concepts from very interesting authors which, taken as building blocks for the bigger picture, could be of great help<sup>xii</sup>. Everyone may have a contribution to make to the task, even until now most seem to grasp the problem partially. It must therefore be our way to remain continuously open to any

contributions that enrich any solution built. Some prominent traits for such a system should take (without exhaustiveness) the following central ideas into account:

- *Scientism, universality, resilience.* The current system has evolved along the years without a real plan, since money was born spontaneously to solve human needs, and as such it is a human creation that can take many forms. In past times it was far from practical (not to mention the many different interests influencing its historical modifications<sup>xiii</sup>), and even today it is not essentially coherent (nonetheless, modern economic theory stands on these feet of clay). For a currency is not valid enough if it cannot fulfill its tasks anywhere, anytime. It must allocate credit where and when it is needed through appropriate institutions in order to finance any sound economic initiative<sup>xiv</sup>.
- *Stability, neutrality, fidelity.* Our dominant fiat money system decouples the amount of goods and services been traded and accounted for from the amount of money units at general disposal, making prices more artifacts than reflections of the underlying costs in a less than ideal global marketplace. It also puts artificial barriers on the access to credit for most smaller players. These not only complicates economic calculation and planning, since a unit's value changes along time due to inflation (sometimes to deflation), along space due to exchange rates and along economic layers due to disturbances in the price formation, it provokes as bad a loss of wealth which is most burdensome for the least economically favored.
- *Democracy, decentralization, transparency.* How comes that an intermediary holds such a great power at its discretion as a private commercial bank does today? Not only it decides mainly on its own interested criteria when credit is given to whom and in what amount, but also retains an incredibly huge part of it as a toll (the interest), refraining the so called freedom of enterprise and excluding whole milieus from the access to new money. Those actors are out of any democratic control, since the central banks who supervise them are themselves not under public check. An alternative proposal should allow independent but connected initiatives to grow, collaborate and exchange on the basis of common rules. It should separate concerns such as money creation, credit allocation, accounting, transferring, administration costs, etc.
- *Security, simplicity, flexibility.* In the end it comes all down to using money for what is meant with ease, safeness, privacy, etc. Whatever system that we can design will not be widely adopted if it is not bringing huge advantages over the current one, since just initial adoption represents a hurdle at the best case. It must easily offer connections among investors, entrepreneurs, experts, stakeholders, savers, etc., and should encourage sustainable and fair forms of investment.

## Prelude

There is no way out of the crisis but to face it. It must be a joint effort and there are still many opened questions which short papers cannot solve. But the astonishing technical achievements of the last decades, the accumulated knowledge of the swarm intelligence and a certain confidence in the human spirit should allow us to step into this thrilling path with trust.

Let us hope that enough people engage on this quest after this most urgently needed sensible and sustainable world currency. Let us join together and make it real!

- i Those who have the luck of disposing of spare time to devote to something else than their own survival and got an educational level to understand the intricacies of the issue at hand.
- ii Other civilizations needn't such an ill notion as perpetual growth for their common goal, like, let's say, indigenous peoples when seen as a counterpart to so called western societies.
- iii Like in "The Myth of Sustainability and the Quadrillion Dollar Economy: Why Must the Economy Grow", by Richard H. Robbin, paper prepared for the Montreal International Conference on De-Growth in the Americas, 2012
- iv Although it is never easy to make a career while swimming against the mainstream, the full money vs. fiat money debate is quite a long one and offers a good variety of positions. The Chicago Plan (1936) was a nice example of the former. (See a 2013 update by "The Chicago Plan revisited", by Jaromir Benes and Michael Kumhof, at <http://www.stanford.edu/~kumhof/chicago.pdf>)
- v Environmental crisis, financial crisis, social crisis, these are nowadays common memes trying to describe what many fell as the end of an era in historical human terms.
- vi A paradigmatic example was the Cochabamba Water War in Bolivia, 2000, but municipal services are nowadays under the radar all around the world.
- vii Each product has a different interest load, but on average every product in the market is around 30% more expensive than it would be without an interest mechanism in the money creation, and this percentage grows steadily. (See "Dieses Bier hat 30 % Zinsanteil" under <http://www.inwo.de/sonstiges/einstieg/ansicht-einstieg/dieses-bier-hat-30-zinsanteil/>, in German)
- viii Only the richest 15% of the human population receives more interests back through these mechanism as they pay for as they consume, thus it could be said that those already lucky ones are been rewarded with the interests paid by the poorest 85% rest, and they even have not to put it on risk, a simple savings account suffices for them. (See "Und dann können wir gar nicht mehr unser Geld für uns arbeiten lassen?" under [http://www.neuesgeld.net/index.php?option=com\\_faqbook&view=category&id=48](http://www.neuesgeld.net/index.php?option=com_faqbook&view=category&id=48), in German)
- ix We shall expect an economical and financial collapse, but probably not before humankind has further ravaged nature and its resources to their near exhaustion.
- x Calls to re-found capitalism when the French President N. Sarkozy made his big day at the worst of the 2008 crisis finished did not deliver any substantial change, neither as financial regulations (See <http://www.washingtonpost.com/wp-dyn/content/article/2008/10/16/AR2008101604020.html>)
- xi But most of the them reduce themselves to certain geographic or economic areas (not offering a real substitute for the current prevalent but doomed-to-fail system) or lack a holistic view such as here expected, and none got the momentum to make it for the big showtime
- xii Some of them deserve to be aforementioned here: Agustí Chalaux i de Subirá (telematic check-invoice), Bernard Lietaer (terra), Bernd Hückstädt (gradido), Michael Linton (LETS), Mike Montagne (Mathematically Perfected Economy), Ryan Fugger (ripple), Satoshi Nakamoto (bitcoin), Silvio Gesell (free-money)... Others may deserve attention as well and it is the hope of the author that this paper awakes enough energy for many to join this debate, be it through intermediaries if needed.
- xiii The first bank notes and the establishment of the Bank of England in 1694/5 led to legally accepted fractional reserve in the 18<sup>th</sup> century. The 1913 Jekyll Island meeting is also a disputed milestone which may have led into the foundation of the Federal Reserve. (For a supposedly neutral perspective on that meeting, see <http://www.publiceye.org/conspire/flaherty/flaherty1.html>)
- xiv How about a business running out of measuring units? That is exactly what happens in any inflation-driven financial crisis because of the lack of measuring units of value, because of the absence of money in the productive economy, often despite enough local wealth and production means being ready for work and exchange (See <http://www.gmlets.u-net.com/explore/need.html>)