Community Currency Magazine August 2011

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Editorial: Attention on global economy

It seems that in the last 3 months, local monies have been squeezed out of the conversation, as all attention is directed towards the visibly crumbling global economy. We are seeing widening discussion about the role of gold, and the effects of printing money on prices and wealth distribution. We will see increasing calls for a return to the gold standard, and while this would prevent inflation it would not change the power base significantly or prevent corruption.

With the bailouts of European nations we are seeing national sovereignty sold up the food chain, beyond democratic reach, to financial institutions who are telling governments what to do.

The pursuit of local money is at the same time a pursuit of local sovereignty.

At the local level democracy can be meaningful, corruption is manageable, and supply chains are less energy intensive. While fiat money may be at the end of it's supercycle, we can't expect governments and more importantly markets to wake up and design a more appropriate 21st globalised economy.

We need to be pulling back, managing our own affairs, but we can only do that outside the realm of commercial debt-money. N.B. Money (partially) backed by gold is still debt-money, though its limited in supply. We must not forget who controls it and what power they have over the users.

I'm looking into easier ways to produce this mag, so expect some changes in format. Always looking for help....

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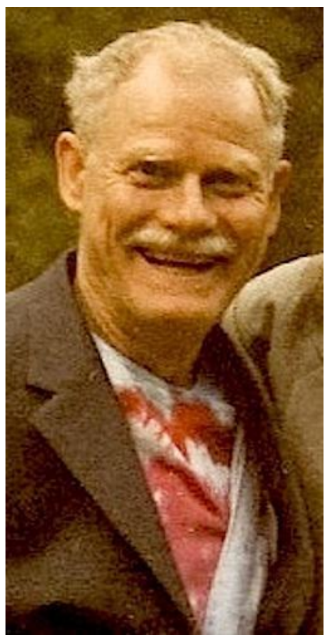
Big Picture interview with Ithaca hours founder, Paul Glover

Brief:

Ithaca hours is one of the most successful community currencies running today. This is largely due to the groundwork and commitment of Paul Glover. We caught up with him in Holland to find out how he sees the CC world.

Author:

Leander Bindewald



What are the questions you would most want to explore with fellow movers and shakers in the complementary currency movement?

The comparability of local currencies with digital currency. Systems of intertrade and clearance between all these currencies, with standards of confederation to validate each currency´s integrity and vitality.

What recent developments in the field do you find most exciting?

The variety and volume of innovation. We are in an experimental phase, we are meeting needs that national currencies fail to meet. The greatest excitement for me therefore is the great experimentation, and the basic needs these currencies are starting to meet.

And what do you see as key challenges, obstacles or blind spots which hinder the movement's success?

Its all about networking: we must have professional networkers so that community currencies become an institution, not a hobby. We've seen so many currencies fail because the people starting them were excellent dedicated volunteers yet they were not able to give it total hands-on attention. Reliably paid Networkers provide constant promotion, facilitation and troubleshooting. This should be an honored profession, paid primarily via community donations of housing, food, health care, transit and recreation.

Where do you see untapped resources and unmet needs within the field of complementary currencies? And do you have any suggestions about how to bridge them?

Today there are so many more collaborative community systems: food coops and CSAs, cooperative healthcare, ecological housing, cooperative banking systems and so-forth. But food people normally only talk about food, the healthcare people only talk about health-care. So local currency is a tool to bring all such systems together and magnify their impact. When I started the health co-op in Ithaca, it didn't only pay for broken bones, stitches and the treatment of burns, but the members actually owned their own free clinic. And new members could join by paying with Ithaca HOURS. And finally the health co-op became a bank making interest-free HOUR loans.

Besides financial support, what would help the acceleration of the monetary shifts that are needed?

Most broadly, we need cultural shifts that inspire creativity and local actions that replace passive consumerism and its culture of obedience to giant companies and big government. These institutions have stood like mommy and daddy promising security. And even when these are bad parents people resist rebellion.

But seemingly impossible changes have happened. The world is getting better and worse and the media hold a lot of power: they tell us the world is getting worse and we all have to be afraid. But imagine media that's dedicated to telling us the world is full of active and very creative people, who care and who are helping, who set examples and you can do it also. If they would tell the stories of the millions of positive initiatives, people would join the fun.

What could bring about a tipping point in the shift from a monopoly of bank debt money toward a monetary ecology? And is the idea of a "tipping point" the best way of thinking about that change?

For the short run, community currencies do not replace national money. They replace lack of national money. But eventually, as the failure of national and global institutions destroys the middle class, regional economies will eclipse them. Immense worldwide human suffering, and confinement of the spirit, suggests that the door is open wide for financial alternatives. By continuing to experiment and work hard, we will make that point tip.

There are those who feel we need to organize ourselves more efficiently (the way the Right has done in the United States), and those who suggest that there is strength in our natural diversity or that networked systems organize themselves. Where do you stand on this question?

I believe both are true. As people continue to experiment, the best of these examples will inform new and even better examples. And as we continue to learn from one another we will gradually develop more efficient systems of collaboration and our ability to connect real economies becomes more powerful.

A lot of valuable community-building initiatives in this movement are done by dedicated people, as a labor of love, but would often highly benefit from actual financial support. if you were given $10,000 to $50,000 to invest in strengthening the currency movement, how would you invest these funds?

We will need an online intertrade database that enables continual verifiable updates showing comparative strengths of each currency system, so that we can can honor one anthers' currencies in adjacent cities and neighborhoods. System managers would enter data about their currency: years of operation, individuals and retailers enrolled, how many of them provide food, total credits issued by month and year, equivalencies to national money, issued grants and loans, outstanding and repaid, and how much was issued to the system itself. These numbers would translate to color coded graphs. The mere existence of such a system would raise the profile and credibility of community money. And they'd help us learn from one another.

Still, our prime measures are qualitative. I collected 300 "success stories," asking Ithaca traders how they earned HOURS, how they spent them, why they liked them. Each system could post theirs via this master site as well.

I'd emphasize that every community should be able to raise a few thousand dollars from locals who want to stimulate local trade, expand community connections, meet unmet needs, gain control of interest rates and of investment, decrease dependence on the Empire and its fossil fuels.

With the financial meltdown in the US and the accelerated social polarization, is the CC movement ready to step up!

The movement is still a baby, though growing fast. Twenty-five years ago we had no movement, just a few examples, and could hardly ask questions like these, such as how to fill huge gaps in the world economy. Now we have experimented a lot, we have seen bold success and a lot of failure, and have learned.

Today, finally, it is useful to travel the world and ask questions like yours. It helps us to take a deep breath and to reflect. These questions play an important part at this stage of the development. But if the government would put the money they spend on one nuclear bomb or a space-shuttle on local currencies we could hire a lot of networkers who could knock on doors to create catalogs of local capability. And properly promoted these catalogs could become the living heart of a new economy.

> 1. *Professionalize the management/networking of local currency systems*

2. *Connect different local collaborative community systems*
3. *Enable intertrading between all kinds of currencies*

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Venezuela's Network of Exchange Systems

Go to original

Brief:

Juan Esteban Lopez is from Medellín, Colombia, and has been living in Venezuela for the past four years where he has helped coordinate the Network of Exchange Systems, which has been implementing local currencies in many different communities in Venezuela.

Author:

Gregory Wilpert

What is an exchange system?

An exchange system is a community or popular power—as we say in Venezuela—organization, whose objective is to create a local economy, which operates in a particular locality, in a barrio, in a city, or in a municipality. That is, to create a market among the people themselves who are a part of the exchange network, in order to exchange products, services, and knowledge. It is a market with its own economy, through exchange, which has various types of modalities, but whose main objective is to create a local economy.

What are these modalities to which you refer?

Basically, in Venezuela, in Colombia, in Mexico, we use mixed models for the exchange process. That is, the direct exchange of one product for another or for a service, without any mediation by money, without any type of exchange medium. But direct exchange commerce is limited. The products do not always have the same value or comply with the needs of each of the exchange participants, so a local currency is created, which serves as a facilitating instrument for the exchange. This works to value the products, services, and knowledge, which are exchanged in the system and to broaden the possibilities of exchange. If it were merely based on direct exchange it would be limited. The local currency works similarly to a traditional currency, but traditional currency has a series of other characteristics.

What is the advantage of the exchange system over the traditional system?

First, these systems emerged not just in Venezuela, but in the whole world, as an alternative to the global capitalist economy, which at the heart of it ends up pauperizing communities because productive communities and small businesses, sooner or later, realize that their efforts are not compensated because in the way capitalism functions the money does not remain in the communities, but rather returns to the global financial system. So, exchange networks are created with this objective, where a complementary currency might truly empower the local economy so that this local economy would not be absorbed by the greater global economy.

The advantage that people have in the exchange networks is that they are participating in a market that is more human. It is a market where people are more in solidarity with each other, where people seek to meet each other. The "invisible hand" of the capitalist market dehumanizes human and economic relations. The first advantage of this system of exchange thus is that it humanizes economic relations, where people participate with their neighbors, with people who live in the same area.

Additionally, the costs of the products are not so high because there are no intermediaries. Producers offer their products directly, which allows them to sell them at a lower price.

Also, it is an ecological economy because in the exchange system there are no unnecessary energy costs because there are no large transports to take products form one place to another. Rather, it's about seeing if we can produce products that we need in our locality.

Well, many times there are products that we cannot make or for which we do not have the raw materials or the knowledge, but it's also about sharing knowledge, to see if there are certain things that we can produce that are otherwise a relatively expensive part of the basic food basket, for example.

Another example: cleaning products are products that are basically very simple to make, but in the regular market they tend to be very expensive. Within an exchange system one might begin to produce chlorine, for example, which is used in cleaning soap or in detergent for cleaning dishes. Soaps can also be produced within the community. We are thus also generating an ecological economy, which is not causing damage to the environment.

If you are able to generate some sort of raw material for your product, then you can also reduce costs. This is a solidarian logic. The great advantage of the exchange system is that it's about being in solidarity, which is the opposite of the capitalist economy, where you have to be competitive. So we are eliminating competition and not killing each other.

How many exchange systems are there in Venezuela and what is their average size?

Currently there are 13 exchange systems in Venezuela. On average more or less 120 people participate in each. There are some with less and some where there are between 250 and 300 prosumers (note: a term that combines the concept of producer and of consumer). At first there was a real eagerness to participate. Also, at first people used the local currency more and they only participated in order to receive it and when they spend it they leave the system. The people who have participated more or less constantly and who share the philosophy might be around 120 persons per system. Currently we are in a phase of reinforcing the systems, of incorporating more people, and of creating more exchange systems in Venezuela.

What are the main problems that exchange systems have had to confront?

At first there was quite a bit of criticism from the opposition because they misinterpreted the local currency and attacked it, saying that the intent was to replace the bolivar [the national currency], when this is completely false. In fact, the theorists of local currency, such as Silvio Gesell, called them "complementary currencies" because they are currencies that are used locally and which fulfill certain functions that the national currency cannot fulfill. They are thus complementary. Never was it proposed to replace the bolivar. This was a criticism that we had to confront because many people entered the system fearfully, thinking that at some point it would be exchanged for the national currency. When they noticed that this was not the case they left the system.

Basically there is a lack of consciousness because it is not easy to change capitalist habits, the habit of being egotistical, of pursuing personal gain, of wanting to cheat the other. Also, many people do not understand that the exchange systems ought to be self-managed, even though we live in a country where this has been the national public policy. The facilitators of this process have tried to inculcate in people that this is a self-managed organization. Despite the fact that there was support from the national government at first, this must tend to disappear.

There also have been some problems of a logistical nature because exchange systems were created in very large regions, which cover 4, 5, 6 municipalities. Therefore, in order to have an exchange system it sometime is very difficult for people to get there. Other logistical problems have had to do with acquiring the tables, the tents, but these we have solved with resources from the government.

What has been the relation between the government and the exchange systems?

President Chávez got to know the experiences in Brazil and in Argentina and so the exchange experiences in Venezuela emerged from a government impulse, from the beginning, starting in 2006. I was in Medellín and there we worked on implementing several exchange systems and for some reason they got to know of our work and so the Ministry for the Popular Economy back then contracted us to come here to promote this experience.

So from the start this experience is connected to a public policy. Even, in 2008, two years later where there already were ten exchange systems, President Chávez convoked his ministers in order to draft a law on local currencies, which was decreed within the enabling power of 2008 [which allowed Chávez to pass law-decrees for a year], a Law for the Promotion and Development of the Popular Economy, which recognized various communal socio-productive organizations, including the exchange systems.

And in December 2010 the Organic Law for the Communal Economic System was promulgated, which ratifies and advances some more on the State's organizational, support, financing, and accompaniment aspects for the creation and conformation of exchange systems. The relationship has thus been one of support, financing, and accompaniment, even though the Ministry of the Commune has not complied with its functions and has not provided an impulse—as it should—for the creation of the exchange systems.

This might be a unique case in the world because in the rest of the countries, for example in Colombia, we have some support from municipal or departmental governments, but never from a national government. In the experience of Argentina there also was at some point support from the government of the province of Buenos Aires, but in general there has been no national support. There they were born from the experience of civil resistance. Even in developed countries, such as the United States, France, or England, the initiatives are from civil society, from the communities. So this could be almost the only case, of support from a national government, because Chávez, within his socialist project, considered that for popular economies exchange systems and local money are a necessary, basic, and important tool.

What is the function of the National Network of Exchange Systems?

For the past two years we have been meeting and it's an instance of cooperation, of exchange of experiences in order to strengthen each other, in order to being about common policy, to share lessons, experiences. Also, for the future a larger exchange is planned, of products and knowledge. We have done this before, where we meet and exchange knowledge. For example the people who know about medicinal plants exchange seeds and knowledge in general on a national level.

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macanillas_mayo.jpg	413.86 KB

The Law of Local Currencies

Brief:

Local currencies are not an end in themselves. Bruce Colley explains how a local currency is intrinsically connected to the local economy

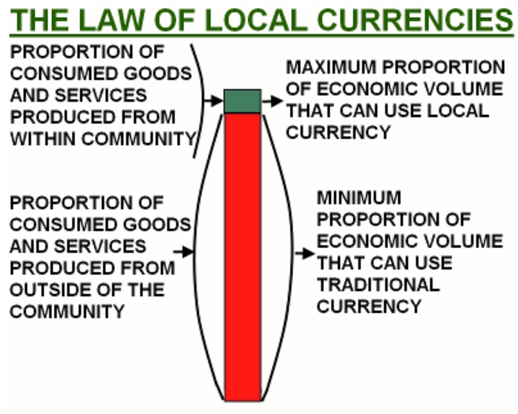
Author:

Bruce Colley

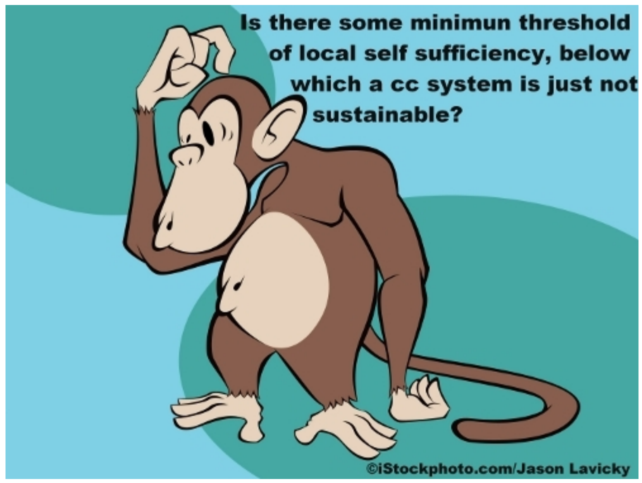
Any study of local/community currency systems will reveal that many of these have failed. Of the ones that have survived, many have had very minimal economic impact. In fact, it is possible through a rather basic economic analysis, to demonstrate that even many of the surviving systems have accounted for an extremely small portion of economic activity in the regions they serve. While that analysis is not the purpose of this article, it does make one wonder if there is some greater force at work here, or some overarching law which constrains the success of CC systems. Intuitively, it would seem obvious that a community currency is most effective if it can be used to purchase products and services which are entirely of local origin, for only then can the currency be re-circulated within the community. Of course the traditional currency can also purchase those same products and services of local origin, as well as those of non local origin, so this sets the parameters of what we can generalize into the form of an economic law:

The Law of Local Currencies: The degree of economic activity accounted for by a local currency cannot exceed the degree of self sufficiency of the community in which it is used.

In other words, if a community produces 5% of the goods and services that it consumes (probably, in this age of specialization and globalization, a very generous estimate for most communities), then the local currency cannot account for any more than 5% of the economic volume of that community, and at least 95% of the economic volume of that community will use the traditional currency.



From here, one could raise an interesting question, and perhaps develop a corollary to the law. Is there some threshold, or "critical mass" of local self sufficiency, below which a CC system is just not sustainable? Might a study of CC systems indicate that below this threshold, the obstacles to CC adaption and use overcome its advantages, and the CC system just fades away? We'll leave that question for another time and examine how we can use the Law of Local Currencies to our advantage.



So what actions does the Law of Local Currencies compel us to take? One approach is as follows.

1. Be very selective when inviting local merchants into your CC system. For example, instead of signing up the local supermarket, where the vast majority of the processed foods sold are probably not locally sourced, go through that supermarket and make a list of all of the products that might be produced locally - products made from ingredients which in turn can be sourced locally. The list might include soups, salad dressings, tomato sauce, vegetable and fruit juices, bread, crackers, cookies and other baked goods, mayonnaise, ketchup, and other condiments, breakfast cereals, jams, jellies, and many, many more items.
2. Start an incubator for new, small locally based, sustainable goods and services, where support, assistance, idea exchange, and facilities are provided for local residents who wish to produce local products and services.
3. Find a church or other organization which has infrequently used kitchen facilities, or find a restaurant

which would be willing to rent kitchen space during off hours, and produce these processed foods in these facilities. Encourage residents or local organic farms to produce ingredients for these foods, knowing that there is a ready market for them, and some of the community currency that they receive in payment can be used to purchase the processed food items that are being produced. 4. Besides food, identify every other category of important local economic activity and human need - housing, transportation, energy, education, health care, and others. Many of these areas may appear to be impenetrable fortresses of traditional currency dominance, but an investigation of innovative and imaginative locally based alternatives may just amaze and inspire you. These categories comprise such a large portion of economic activity that without offering viable local alternatives, a CC system can not achieve any substantial level of local economic penetration.

4. Establish a microloan project and invite more affluent members of the community to invest in the community in this manner. You are not asking for gifts or grants, but capital for small loans which will go toward community building through funding of the above mentioned types of businesses. Establish a means of directing these loans towards promising projects. Enable your CC system to handle all loan disbursement and loan repayment transactions.
5. Don't be timid. Starting up these locally based ventures may be disruptive to others in the community who are offering non locally based alternatives. Consider a properly designed CC system with internet and mobile phone capability and other advanced features to be a Disruptive Technology - an innovation that creates a new (and unexpected) market by applying a different set of values. Remember that you have to break some eggs to make an omelet!

What Else? Even the best efforts at increasing local self sufficiency will still leave many gaps where traditional currency must be used. One approach to address this problem is to expand the geographical area of the CC system to include neighboring communities where products and services are produced which fill these gaps, thereby increasing the level of self sufficiency of the combined communities. Now, one might then ask if this isn't a step in the direction of just replicating the traditional currency system, where it eventually leads to a very large geographical area of CC operation, large volume production and specialization. To answer this, let's look at the extremes. If there is not enough self sufficiency in the area in which a CC system operates, then the CC system runs the risk of becoming just a low impact, "feel good" project, or perhaps not even surviving. Approaching total self sufficiency might involve expanding the area of the operation of the local currency to a point where the end result is a replication of the existing system (although without the controversial practices of central banking and a debt based currency, but that is a subject for another day.) It would appear that the proper balance therefore might lie somewhere in between.

Conclusion: The Law of Local Currencies defines the limits of possible impact and penetration of a local/community currency and attention to its implications compels a CC system to focus on increasing local self sufficiency by assisting in the creation and support of sustainable, locally produced goods and services in every category of economic and community activity, particularly through establishment of incubators and micro loan programs and other such initiatives.

Bruce Colley is the developer of LocalMart (LocalMart.net), a full featured internet and mobile phone enabled CC system with integrated social networking, multi-vendor, multi language ecommerce store, incubator (BetterWorldWorkshop.org) and microloan facility (MicroLendingNetwork.org). bruce@localmart.net

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AA_thumbnail_X2.jpg	90.93 KB
LocalMart-law.gif	20.92 KB
LocalMart-todo.gif	37.64 KB

Equal Dollars valuation changes

Go to original

Brief:

If an equal dollar doesn't equal a dollar, what does an equal dollar equate?

Author:

Bob Fishman, CEO, Resources for Human Development

Last year, the Federal Reserve Chairman Ben Bernanke announced an increase in the amount that the Federal Reserve Banking system will charge for overnight banking. That decision, along with other factors, is causing members of our community to experience the affects of the declining purchasing power of the US dollar. For example, last year this time it cost the average Philadelphian $30 to fill up a 13.2-gallon gas tank. Today, it costs them $45 to fill up the same gas tank. The $100 spent at the grocery store last year, buys the average person less groceries this year.

As a result of these difficult times, the Equal Dollars Community Currency Central Banking Committee was motivated to meet and make the subsequent decision to separate the value of the Equal Dollars currency from the purchasing value of the U.S. dollar. This action will take place effective May 15, 2011.

We understand and respect the reasons why those who manage the U.S. dollar purchasing value believe that it is best if that currency reduces in its purchasing value year by year. We also understand and respect that there are many economic theories that justify that such a reduction in value is good. It affects "costs of labor" and creates a pressure on labor to seek employment so as to cover basic living needs, etc.

However, the Equal Dollars Committee re-affirmed its purpose - that creation of a complementary currency is aimed at providing a stable value for the exchange of labor and goods without interest charged for the use of currency nor interest paid on the accumulation of currency in accounts. We believe that in order to maintain that stable value over years of time we will need to re-establish the value of our local trading currency relative to the decreasing purchasing value of the U.S. Dollar.

The Equal Dollars Banking Committee determined the following:

1. We will reduce the Equal Dollar to .80/eighty cents on the U.S. Dollar.
2. Adjustments to member accounts balances will be made on May 27 by increasing those amounts by 20 percent.
3. We will reduce outstanding loan principle amounts by 20 percent on May 27.
4. At this time the recommended Equal Dollars hourly minimum compensation for labor will increase to 15 Equal Dollars.

We are not the first group that has issued and used a local currency for exchange that operates separately from the rules established by those governing the official currency in use.

Other communities around the world have determined that they need a way to exchange the value of their goods and services. Each of these communities then had to determine the rules that they will use to manage the exchanges they started. Our Equal Dollars system has recently grown substantially, with more than 1,000 individual members; 35 organizations and corporate members; 90K units of Equal Dollars out on loan and over 170K Equal Dollars in circulation.

The Equal Dollars Banking Committee decided it was timely for us to clarify issues relating to the community's agreement on the minimum payment for an hour of labor, currently at 12 Equal Dollars for an hour by increasing it to 15 Equal Dollars. By shifting the Equal Dollar valuation to .80/eighty cents on the U.S. dollar, the increase will not increase the tax obligations.

Living Without Money is an Act of Community

Go to original

Brief:

In this article for shareable, I wanted to explain that money is only one dimension of life and that changing money is part and parcel of changing our lives.

Author:

Matthew Slater

As a monetary activist, I shun state-sanctioned-commercial-debt money (like the US dollar or Euro) as much as possible. Generally, individual actors making economic protests against state-sanctioned money are little more effective than fish protesting the water. That's because money and the economy are functions of *community*, and it is only in partnership with their communities that the politically disenfranchised ninety nine per cent can claim back their lives from wage slavery and the permanent shortage of employment. So I'm living by building software for community money; I depend on gifts and occaisionally sympathy to meet my basic needs. In monetary terms, I'm a beggar, but in spirit, I'm a superempowered, superconnected and self-determined individual!

Negative Outlook

While governments tell us to brace for austerity, they are not acknowledging the full extent or nature of the problem we face. While its true that bailing out the banks was very expensive, what most people don't realise is that the commercial debt-money system has catastrophic failure built-in, once resource extraction fails to keep pace with interest repayments on an expanding money supply. So while people are angry at governments for socialising losses of private corporations, they are not being educated that these debts will never be paid off, that big banks are now effectively able to demand as much interest on national, and personal debts, as we can bear, forever. Therefore, the national currencies themselves have become instruments of servitude and serfdom.

Remember that the banks extract their dues through interest payments on things like mortgages and overdrafts, through taxes spent on managing government debt, as well through derivative speculation and financial services such as pensions. To banks, the little people are but cells in the matrix generating wealth; money, interest, and the stock market are the mechanisms that transfer that value to where banks want it, to them.

So every time you pay pax, interest, bank charges, card fees, or enter into agreements such as for pensions, you are entering into relationship with a vampire squid, as Rolling Stone reporter Matt Taibbi called investment bank giant Goldman Sachs. And consider that most industry is run on credit, a significant portion of the cost of goods is in fact interest. Big banks have a hand in everyone's till. That's why the Age of

Leisure expected since the industrial revolution never seems to arrive.

So is it part of the social contract that we each pay an unreasonable tithe to the banking industry?

Effectively, Yes.

And is it even possible to avoid such extractive relationships in a so-called free society?

It is just about legal, but not very convenient. I don't earn money, or own property, or a car. In addition I have no phone or bank accounts. Consequently I have to depend on gifts of food, shelter, hardware, cash and flights. This is precarious, but the more people turn from parasitic pyramidical structures, the more they must share and trust one another.

A Range of Solutions

This sharing and trusting takes different forms depending how many people are involved. Here is my list from small, radical bottom up solutions to larger, more moderate top down solutions.

- informal sharing: Using reciprocal gifting and sharing of resources like accommodation, equipment, transport, and cooking and childcare, networks of individuals can improve their wellbeing and 'work' less. Taking it to the extreme however, in a commune, can be a lot of work, and many projects don't survive the intensity!
- Villages: Villages can formalise their sharing networks, engage in group-buying with the help of a premises for redistribution. They can consider medium scale projects with land ownership and energy generation. Once the community is too big for everyone to communicate directly, and trust, everyone else, software can be very useful, especially when it includes accounting tools. (This is what I am making). Accounting helps to monitor where resources are coming from and going to, and to ensure that, on some scale, people are giving and getting in fair proportion. It also indicates where hard currency expenses could be internalised by investing in, say, a windmill, or bakery.
- Industries / Businesses: There are already well established ways for business to save money by using credit clearing with their peers instead of direct payments. Especially in the US there are many legal business to business (B2B) barter networks supporting trade and helping with taxes. By joining such networks, business can reduce their dependence on debt money, as well effectively paying in-kind when dealing with other local traders. Bigger industries sometimes use a technique called **Counter trade** for international trade, which protects them from currency fluctuations and reduces need for cash. See the International Reciprocal Trade Association to learn more about about business bartering.
- Cities: At this level though the city government can take the courageous step of accepting a local currency for tax, and spending it, all of which adds up to less debt money in circulation and less vulnerability to central government redistribution. One town is Austria, Voralberg, is doing this! There's also room for 100% reserve saving/lending institution like the **JAK bank** or building societies. Note that such insitutions can never be as profitable as banks, which have the power to create as much money as they can lend.
- States / regions: In the US, the newly formed Public Banking Institute is working to form State owned banks similar to the Bank of North Dakota (BND). North Dakota is now the most solvent of all states due in large part to BND. The bank, I understand, still produces debt money, but the debt is owned by the state, not leveraged, funnelled into private hands and gambled in the derivatives market.
- Countries: Most elected leaders and those in authority do not understand the nature of money. The few who talk sense, such as Ron Paul in US and Douglas Carswell in UK are excluded from the mainstream discussion. There are many possible ways for countries to move forward so decision making is hard, even for the opposition! National level options include public banking, returning to the gold standard, or defaulting on national debts and rebooting national currencies. Working at this level, one shouldn't expect great results in one lifetime.Banking is the most powerful lobby of all.

The so-called austerity measures will last until the 'too big to fail' banks are persuaded not to maximise their profits and political power, which won't be any time soon. The disaster being sold to us as the financial crisis is a grand narrative to convince us to accept the next order of magnitude of financial vampirism and disenfranchisement. Whether through education, medicine, credit cards or mortgages, more and more people are falling into debt. Bankruptcy is not the relief it used to be. And debt is the ball and chain that forces us to work to get money, because the state only recognises debts denominated in money. We must disengage while we still can! I say, we need to be trying *all* of the above.

Alternatives to the banksters: local currencies

Go to original

Brief:

Though connected to social justice issues, monetary reform is not necessarily linked to either side of the political spectrum. This promotion of the questionable 'Transition' currencies comes from the UK far right.

Author:

By Patrick Harrington

Everyone knows that the current banking system is at the root of many of the economic evils we face as a Nation. The banks enslave people with interest and stifle business investment.

Yet Nationalists are not looking hard enough at alternatives like Credit Unions and, dare I say it, the Islamic banking system – which forbids the charging of interest on loans (usury). I'd like to kick off some debate with a very brief look at one alternative, the idea of local currency systems.

The first area to issue its own currency was Totnes in Devon. The Totnes Pound was launched in March 2007. According to the site of the Transition Town Totnes, here's how it works:

'Totnes Pounds enter circulation when people choose to exchange their sterling currency into Totnes pounds at one of four places around Totnes. At present the exchange rate is 1TP for £1.

'Totnes Pounds can then be spent at participating businesses, of which there are currently around 70. Some of these are now offering discounts for certain purchases that are made in Totnes Pounds to encourage usage.

'People can exchange their Sterling into Totnes Pounds at a number of issuing points around Totnes. People can also accept Totnes Pounds in change from participating shops. This does not create new pounds, but does help them to circulate and enables shoppers to show their loyalty to the local economy.

'Every Totnes Pound in circulation is therefore 'backed' by one pound of Sterling. This money is put into a bank account.

'Totnes Pounds then circulate between consumers and businesses. Some businesses spend the Totnes Pounds that they receive with other local businesses. This strengthens the local economic multiplier, which means basically that money stays within the community rather than leaking out. If a business has an excess of Totnes Pounds they are able to exchange the surplus back for Sterling.

'At the moment the project is managed by an unincorporated community association. However, the project team have been working with Co-ops UK to set up an Industrial and Provident society which will be the long term vehicle for managing the currency. This will ensure that the project is owned by the local community and run for its benefit.

'Businesses that accumulate an excess of Totnes Pounds are able to exchange them back for sterling. However, we encourage them to think about how they can spend them themselves, to strengthen the 'local multiplier' and build new relationships.

'In the longer term we plan to diversify the asset which backs the currency. In future it might be possible to back it with land, energy or labour. At this point the currency will be able to play an even more significant role in building economic resilience.'

As well as the Totnes Pound in Devon, alternative or complementary currencies can also be found in Lewes in Sussex, Stroud in Gloucestershire and Brixton in South London.

All issue their own pound which only circulates in the local area. This means that more of the money spent in the local area stays in the local area. It builds local wealth. This helps businesses thrive in the face of recession and fierce competition from chain stores. This in turn saves jobs.

The economic, environmental and social aspects of these alternative currencies should be of great interest to Nationalists. Mutual aid in the form of provident societies, Credit Unions, friendly societies, Local Exchange Trading Systems and the like can take the edge off recession. If you support these ventures and get involved, we can start to build an alternative from the grassroots to our corrupt and damaging Banking system. If Stroud and Totnes can have a local currency, why not your town?

Excerpt from New Currency: How money changes the world as we know it

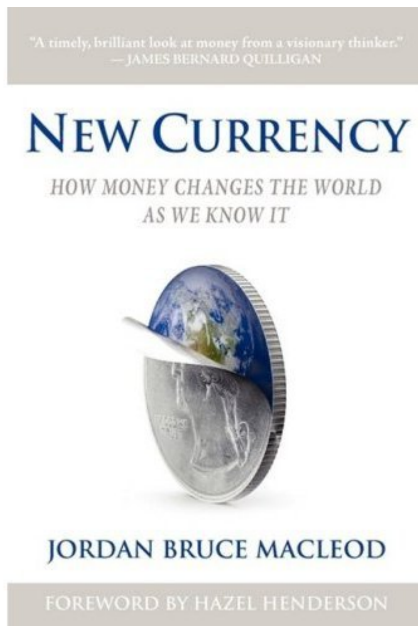
Go to original

Brief:

This very well written introduction to why we need differently designed currency has an interesting review of historical experiences, in particular how evolutions after the meltdown of 1929 could help find solutions for the meltdown of 2008.

Author:

Jordan Bruce MacLeod



During the Great Depression, the esteemed Yale economist Irving Fisher came to a stark realization. In the midst of this grave economic crisis he observed that not only were the majority of Americans suffering as a consequence of poor monetary policies, but also in large part they were suffering needlessly. In the aftermath of Black Tuesday, October 29, 1929, millions were left unemployed and in severe financial hardship. Within three years, industrial production had dropped by almost 50%, and 5,000 banks in America alone had gone under.

Black Tuesday may have started on Wall Street but its impact was deeply felt globally. Whole industries came to a standstill and the consequent social distress gave rise to regressive political movements around the world that capitalized on the anger, fear and confusion of the times.

By 1933, Fisher had come to understand that millions were experiencing intensified financial pain because they did not have access to a sufficient money supply. Indeed, in retrospect, many prominent economists including current Federal Reserve Chairman Ben Bernanke and economist Milton Friedman later agreed with Fisher's on the ground observation that the Great Depression was severely exacerbated by a contracted money supply that was unduly restricted from expanding to the levels of demand.

In plain language, the US Federal Reserve was not printing enough money to meet the needs of the people. Their inability to increase the money supply was in large part due to regulations that bound them to backing their currency with gold and by reaching credit ceilings that were in place. The money supply then further contracted because of the declining confidence in the banking system. As a consequence, hoarding money became a widespread pandemic. This left people with things to sell and others with things to buy but an insufficient supply of money to effectively enable the exchanges. Therefore, more than one million Americans were reduced to the slow and difficult process of barter while tens of millions of others had insufficient and sporadic access to cash. The overall impact of hoarding was severely amplifying the financial pain throughout the country and the rest of the world.

The Miracle of Wörgl

With this grave problem in mind, Fisher wrote the book Stamp Scrip in the midst of the Great Depression to disseminate an effective solution as quickly as possible. It was basically an instruction manual for local towns and cities to create their own temporary local currency to compensate for the contracted money supply and the inability to increase it at the Federal level.

First, he instructed towns, municipalities and cities to issue notes (scrip) on their own, and to guarantee their value with the promise to pay it back in US currency within one year. This, he believed, would increase the confidence in the market and help ensure they could be used interchangeably with legal tender. By producing their own scrip, local municipalities could effectively act as surrogate printing presses for the Federal Reserve as they were constrained from creating new money on their own.

The 'stamp' in 'stamp scrip' was something far more novel and innovative a proposal for boosting the economy out of the Depression. Fisher designed the money to have 52 boxes on their reverse side. Each week on a Wednesday, the money holder would be required to buy a stamp to validate the value of the note for the following week. In Fisher's design, for each $1, one had to pay 2¢ to buy the weekly stamp to keep it valid (or 2% weekly). This provided the money holder with significant new incentive for using their currency before the expiry date on Wednesday. This bold and creative idea came to America from Europe where it had successfully been implemented. The most notable of its applications came in the town of Wörgl, Austria.

In 1932, the town of Wörgl was suffering from a 35% unemployment rate. The town's mayor had a long list of projects and only 40,000 Austrian schillings in the bank to pay for them. Rather than simply spend the money on what would amount to only a fraction of the work that needed to be done, he used the schillings to back the creation of local stamp scrip. The mayor then used the stamp scrip to begin paying for public projects and thereby introduced the currency into the town's circulation. Yet, it was only after this money was spent that the dramatic effects began to take hold.56 In less than two years from the start of using the stamp scrip it became the first town in Austria to reach full employment. With the equivalent of a modest number of Austrian shillings in circulation, reports money expert Bernard Lietaer, "Water distribution was generalized throughout ... the town was repaved, most houses were repaired and repainted, taxes were being paid early, and forests around the city were replanted."

Clearly when a town begins to experience full employment during a depression and even voluntarily deciding to pay their taxes early, people will talk. In this short period of time the success of the town had garnered international attention and was branded the 'miracle of Wörgl.' Even the French Prime Minister, Édouard Dalladier, came for a special visit to evaluate the dramatic economic renaissance of a depressed community.

The Science behind the Miracle

While a part of this marked turnaround came from the town's revenues in collecting stamp scrip fees, this was not the most significant force behind the dramatic revitalization. Of greater importance were the extraordinary contributions from its increasingly engaged citizens. These citizens were enabled to transform their community and do what was previously impossible and economically unfeasible when the average velocity of money throughout the town increased fourteen fold because of the stamp scrip's monthly expiration date.

In other words, with the introduction of stamp scrip, money changed hands fourteen times more frequently in the same period of time than with the national currency, the Austrian shilling. The sudden increase in trade and activity of this magnitude represents a dramatic rise in economic activity and confidence that simply cannot be replicated by central governments through spending programs or tax cuts.

Between July 5, 1932 and November 21, 1933, an average of only 5,500 units of the stamp scrip were outstanding (its value was on par with the Austrian schilling). These units circulated throughout the community 415 times over 13.5 months. Each unit therefore changed hands on average approximately every single day. As a consequence only 5,500 schillings of stamp scrip in circulation produced the extraordinary equivalent of more than 2.5 million Austrian schillings in economic activity during this period (this is the equivalent of about 64 million Austrian schillings or US $7.5 million in 2001 terms). Net investment in productive assets also increased by more than 200% compared to the previous year prior to stamp scrip coming into circulation.

Fourteen times the number of economic transactions is an extraordinary leap in activity by anyone's standards. In traditional economic thinking it is generally assumed that such an increase in the velocity of money can occur through innovative technical advances or during unfortunate times of hyperinflation when people cannot give their money away fast enough because of its falling value.

New technologies, ranging from faster transportation, to new economic tools, to new communication devices have enabled economies to increase the velocity of economic activity and the span and breadth of their trade. When money is able to move from one transaction to another at a faster rate, economic output can grow because the speed of business increases. Enhanced potential for greater wealth creation, efficiencies and societal interconnectivity also emerge.

The general exception to this case is the occurrence of hyperinflation, which emerges when the purchasing power of money rapidly devalues. This phenomenon tends to occur when the money supply far exceeds demand. For example, in the Weimar Republic in 1923, hyperinflation was so severe that prices doubled every two days. In other words by holding on to money for two days, the price of a loaf of bread would double. Holding onto it for four days, it would double again, and so on. In such dire circumstances it is in the money holder's interest to spend the money as quickly as possible to avoid the devaluation, which can accelerate the velocity of money.

In the case of Wörgl, the town certainly did not experience the negative effects of hyperinflation when the velocity of money and economic activity skyrocketed. At first glance, one might hardly think that placing an expiry date on money would constitute a techno-economic advance. Nevertheless, the town succeeded in transforming massive unemployment and stagnation into full employment and community revitalization during the Great Depression. All of this came directly as a consequence of implementing stamp scrip. This achievement truly was a miracle, yet backed by the innovation of solid, grounded economic means.

The primary source of renewal and revitalization did not come from the town's spending on public projects but from the creative enterprises and projects taken on by its citizens. Rather than rely on municipal governments or centralized powers, the people of Wörgl had created the means to take power into their own hands and directly get things done without the meddling of relatively arbitrary and inefficient centralized bureaucracies.

For better or worse, it would appear that the success of the stamp scrip and the subsequent emergence of decentralized power structures and economic activity have been broadly interpreted as a threat to the power and control of national governments and their central banks. By the time the German stamp scrip "Wara" had successfully spread throughout Germany in 1931, it had attracted the attention of the German Central Bank. Subsequently it was prohibited from further operations because of the Central Bank's monopoly on currency creation. Thee process was similar in Austria. When 200 communities launched projects to copy Wörgl's success, they were also blocked by the Austrian Central Bank. In 1934 after the town's stamp scrip was banned Wörgl quickly fell from full employment back into a painful rate of 30% unemployment.

In the United States, Irving Fisher and his colleagues helped introduce the stamp scrip idea into 400 cities and thousands of smaller communities. To adopt even broader implementation Fisher brought the stamp scrip concept to the attention of the US Treasury Department. According to Lietaer, Dean Acheson, the Undersecretary of the Treasury at the time met with Fisher and subsequently sought out other expert opinions on whether stamp scrip would work. Lietaer relates that Acheson was advised, "...it would work but that it would imply strongly decentralized decision making, which he should check out with the President." Soon thereafter, President Roosevelt prohibited any use of "emergency currency" and announced one of the most ambitious and controversial series of centralized government projects in American history: the New Deal."

Attachment	Size
newcurrencycover.jpg	23.06 KB

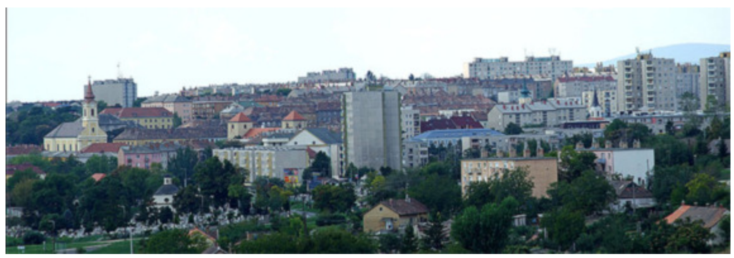
Grassroots initiative starts in a socialist manmade city

Brief:

I became acquainted with Zoltán MIKHELLER, founder of Bakonyi CsereKör a community based LETS circle during my research work, and conducted an email interview with him, that gives some detail about the history and activities of this circle.

Author:

Zsuzsanna Eszter Szalay



If you go around in Várpalota, in a town in Western Hungary with population 23 thousands, you may see 25 km away in the horizon the Lake Balaton and the Bakony Mountains. During socialist era it was a mining town with chemical industry, but the mines and the factories have been closed. Most of the citizens work now in the nearby cities. The socialistic industrial era's child stepping in an elderly age is looking for a sustainable way of living.

Sz.: How did you start, from where did you get the idea?

M.: In 2006 I took part in the anti-governmental demonstrations on Kossuth tér. I also followed the events on Internet, and influenced by the speakers I went in quest for Hungary's insolvency. Trying to find the answer I discovered Hungarian alternative financial homepages, and also the works from Gesell and Síklaky. These two were enlightening for me; I created my own homepage, which is nowadays still very frequently visited. In May 2009 I participated in the festival called KÖRFESZT about mutual helping systems which was organized by 25 NGOs. Here I got the idea to establish a LETS circle. First I tried to do it within the circle of my friends, all and sundry subsidised me. After that I put several ads in the local newspapers calling for reciprocal helping. Everybody who has responded got an invitation for 4th of December 2009 to the Civil House in Várpalota (http://www.palotaicivil.hu/). There we established our LETS Circle called Bakonyi CsereKör accepting the operational regulation and we defined our targets.

Sz.: What are your goals?

M.: We would like to revive the tradition of “kaláka” in our neighbourhood, which was a system of complex reciprocal informal agreements: where and when houses were built, crops were gathered thus the community was much less dependent to the mainstream monetary system. “You give me today and get something from me tomorrow.” Our money, the scores of our working, should be seen as a tool for our changing. Our belongings, utilities, clothes, etc. should serve us as long as possible, so instead of throwing things away we organize flea markets and free shops. We would like to strengthen the local economy of our city and its surroundings, so later on we will contribute to start a local community currency - with local entrepreneurs, farmers and the municipality.

Sz.: What are the characteristics of the members of the circle and the population of the area served by your system?

M.: Our target region is Várpalota (with 23 thousand inhabitants) and its countryside. Among 35 active members there are some outsiders, who have signed up through Internet, we suggest them to establish another circle in their hometown with our help. Most of the members live in suburbs, are aged between 40 and 70, and the 2/3 of the members are men. In many cases the husband and the wife enter together in the circle. We have a lot of senior citizens, but we miss the youth, the unemployed and those who live in poorer neighbourhoods with block of flats. By profession the range is very wide: from carpenter through artist to IT expert etc.

Sz.: How could you describe the functioning of the circle?

M.: The Bakonyi CsereKör is an unregistered organization; its members are civils and non-profit organisations. It allows, moreover incites memberships in other LETS circles. Everybody pays own tax. The organisational decisions are taken by a yearly elected four-person management group (on a one person - one vote basis). The communication and the accounting is done through Internet based on a google-groups mail list and there is also a meeting in each month. Our homepage is: www.bakonyicserekor.sokoldal.hu . Upon joining the circle, everyone has a balance of zero, later on it should be between minus 10 units and plus 20 units. In case of leaving the circle, the balance should be zero again. The memberships fee is quarterly 0,2 units. One work-hour is priced usually 1 unit, in special cases (depending on the contract) it can be 1,5 units. As a reference tool we have defined the value of unit in HUF too: 1 Unit is 1000 HUF. The transactions are realized through personal agreements.

Sz.: How are transactions realized between the members? How would you describe the turnover?

M.: Upon joining the circle we ask for a personalized demand/supply list, which should be refreshed each month. If somebody has a need, he chooses one member with a matching supply and contacts that member. After agreement and realization of the exchange the seller fills out a bill in 3 copies, stating the following: “X has given this and that to Y (or has worked doing this and that for Y), so we ask the accountant to add Z Units to the balance of X and subtract the same amount from the balance of Z. Dates and signatures.” From the three copies the buyer keeps one, one goes to the account office (no later than until the next monthly meeting), and the last one remains with the seller.

The yearly turnover reaches approximately 250 thousand HUF that is 1000 Euros. The typical transactions are: transportation, grass cutting, snow clearing, flower planting, maintenance and repair, selling used items, computer related help, tax sheet calculation, selling fruit tree saplings, etc. The majority (at least the two third) of the members interact regularly which each other.

Sz.: What problems do you face in the life of the circle? What would be a big help for you?

M.: So far we didn’t encounter any serious problems. We haven’t seen unfair attitude or free-rider behaviour. Hitherto only two exits happened. If somebody’s balance turns into negative, he/she tries to do everything to correct it: seeks opportunities for work within the circle.

We present the circle at different local events and on the tv-channels. István SZÁJVOLT, one of the founding members did a great PR job; we still receive two new members monthly on the average. To make our lives much more easier and to spread our activity we would like to have some legislation changes, such as changes related to tax issues and income calculation. Our members form a social network and help each other on a very low level, thus the transactions within the circle should be treated as a non-taxable.

Sz.: Mr. Mikheller, thanks for the information and let me share the latest news with you: from January of 2011 taxable entities in Hungary may decide to establish a Cooperative Community. The services provided within a Cooperative Community will be exempt from VAT. Now it is the community’s turn to manage the process of establishing this Cooperative Community.

Attachment	Size
Varpalota.jpg	102.42 KB

In Fifty Days, Payments Innovation Will Stop In Silicon Valley

Go to original

Brief:

Big players who want to get a piece of the lucrative financial services pie (don't forget the rest of the economy is depressed) are moving into online payment systems. to that end, the law is being upgraded. Startups without capital, privacy activists, bitcoin, and others will all need lots of capital and legal approval in order to sell payment services.

Author:

Aaron Greenspan

Most people don't regularly check the California Senate Committee on Banking, Finance and Insurance for the latest news about potential legislation, and so it's no surprise that most people have never heard of California Assembly Bill 2789. That's too bad, because California AB 2789, passed into law in September, 2010 and effective January 1, 2011 as the Money Transmission Act, is a ticking time bomb, and the big red numbers are glowing "50" as of midnight tonight.

What the law accomplishes sounds mundane enough: it requires money transmitters--companies that act like banks, but aren't, such as PayPal--to get licenses. As usual, however, the devil is in the details. Previously, California corporations were only required to get money transmitter licenses for international funds transfers, and domestic transfers were unregulated. Now both kinds of transfers are regulated. Also, the price of each license is a little bit steep: half a million dollars and change.

Oh, and if you want to do business nationwide, you'll need 43 more of those licenses from almost every state. The forms and requirements are different everywhere, most states want your fingerprints to do a criminal background check (the exact same criminal background check, it turns out), and the price varies wildly from a measly $10,000 to $1,000,000+ per state. Want the forms? Good luck finding them; some states don't post them on-line.

Why does California's law matter at all when the regulatory framework for money transmitters is already such a mess? Well, Silicon Valley is located in California, and if Valley startup founders risk going to jail (which, under the updated PATRIOT Act, they do) for transmitting money illegally without a license, then there aren't going to be very many new companies working on ways to handle payments that don't involve the same old banks touting the same old plastic cards. Not to mention that there aren't a lot of investors who like the idea of putting half a million dollars into a company's bank account so that it can be immediately locked up and used for licenses.

In other words, the Money Transmission Act is designed to kill innovation.

The only silver lining is that the very last clause, section 1872, allows companies that had already been operating under the old law to continue doing so without repurcussion until July 1, 2011, which is when the music stops. On that date, every affected company needs a license application on file, or else the founders, employees and even investors will be committing state and federal crimes by merely continuing to operate.

Who would sponsor such a draconian law? According to legislative analysis of AB 2789, we can blame The Money Services Round Table. If The Money Services Round Table sounds like a shady political group that doesn't want to reveal its true identity, that is because it is a shady political group that doesn't want to reveal its true identity! Thanks to the Freedom of Information Act, however, we know that its lobbyists had some very important things to tell the Federal Reserve in 2006, including its member list (which may have grown since then). At the time, it included such names as:

- Western Union
- MoneyGram
- Travelex
- American Express

While it's no surprise that these companies might want to keep out the competition, that doesn't make anti-competitive behavior something we should accept. The big four payment card companies (Visa, MasterCard, Discover and American Express) have managed to raise interchange fees for years and years thanks to legislative tricks, and only now is Congress trying to solve the problem by regulating debit (but thanks to lobbyists, not credit) card interchange rates via the Durbin Amendment to the Dodd-Frank Act, which has severe problems of its own.

You might argue that innovation in the financial industry is alive and well, but you'd only be right if you mean that in the most cynical terms. Case in point: Square, a payments company that is a media darling frequently cited as a leading innovator, does not disrupt the financial infrastructure in any way. In fact, Visa just invested in Square directly because it does such a good job of propagating the status quo. PayPal similarly exists to promote existing financial infrastructures, not replace them with something better.

My company, Think Computer Corporation, will be forced to shut down FaceCash (https://www.facecash.com)--the only payment system built from the ground up to replace the plastic card network--if we cannot meet California's requirements to apply for a license by July 1. (We're pretty confident we'll be okay, but it's still a considerable risk.) Another one of our competitors won't admit it, but even after raising $20 million in venture capital funding, they just stopped operating entirely in April, 2011, likely because of the regulatory uncertainty posed by AB 2789. Today, a former American Express executive who worked on the company's Serve mobile payment system confided that the license issue had even become an internal issue for the one of the very same companies that sponsored the legislation in the first place.

Simply put, in a capitalist society, this system is insane. It does not protect consumers. It prevents market competition. It keeps interchange prices so high that Congress can't even hold enough hearings about the issue.

'The Future of Money' by Mary Mellor

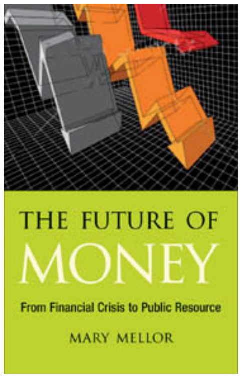
Go to original

Brief:

Book Review

Author:

Steve Herman



Mary Mellor's The Future of Money takes its cue from the recent financial crisis to explore the history of money from ancient times until the present and presents solutions to the current financial problems. The book makes a damning accusation to the banking system for hijacking a public resource (money), using (and losing) it for personal gain, and to the political world for allowing this to happen. The author argues strongly for a reclaiming of money issuance by the state and letting the public decide democratically how to spend the money.

The Future of Money starts off with an exploration of what money really is through a look at the origins, nature and function of money. This forms the basis of the book. Mellor explains how money can never have value in itself, but can only measure relative values. She discards the idea that money needs to be linked to a scarce commodity, and states instead that money is a social construction, a combination of social conventions, banking systems and state authority. She also dismisses barter theorists who state that money grew out of barter, but instead says that money is important for its token value. She then delves into the relationship between money and debt, which forms an important part of the book, as debt is the main instrument for profit in the financialised economy, as the reader learns later in the book.

Once the origins, nature and function of money have been cleared out, Mellor explains the rise of the money economy as a far from natural process, instead proclaiming it to be a system imposed on people whose land has been taken away from them and who have had wage labour imposed on them so rich landowners could obtain more flexible wealth out of them while they lived in the city. She explains the capitalist dilemma that paid labour leads to a surge in debt because workers are paid less than the value of their products in order to extract profit from their labour. Mellor challenges perceptions of what the economy really is and lets the reader question herself what wealth means for her. Mellor argues that the capitalist market cannot be seen as the source of value in a society and that money-based exchange systems do not equal the economy.

In the second chapter, Mellor explains the shift from debtfree state issued money to private bank generated debtbased money, which is effectively 'fresh air money'. She explains the innovations and new financial instruments in the second half of the twentieth century and explains how financial deregulation came about. For those who are not yet aware of how money is created these days, this chapter can be quite a shocker. For those who do know, it serves as a grim reminder of how banks have hijacked the money system and what immense implications this has for the global economy.

The third chapter argues that the privatisation of money by banks has led to the emergence of a financialised society where money value predominates. This has undermined public and collective approaches to social solidarity and security. As a result, public and collective assets have been privatised or demutualised. People have been encouraged to enter financial capitalism through pensions, stocks and mortgages. This chapter really pulls in the reader as it explains how the general public has been fooled into believing that one does no longer need society, but can handle the problems of different life stages by himself through savings. For a young reader like myself, who never knew anything but this financialised society, it becomes clear how banks have destroyed social solidarity and created poverty and inequality instead.

Chapter four looks at the main beneficiaries of the massive issuance of credit. The truly immense scale of debt and risk banks used since the seventies to earn profit is described. New financial instruments such as derivatives and securities are explained. The author tells the story of the eclipse of the productive sector by the rise of finance. Here the case for an abolition of an (in any case) unsustainable capitalist system becomes very strong. By summing up in such a clear and concise way the inner workings of the capitalist system and the motives of bankers, the reader begins to think in a more radical way about the abolition of capitalism and the time frame in which this should happen.

Chapter five deals with the financial crisis. Armed with the knowledge of the previous chapters, the reader follows Mellor as the card house implodes. Maybe it is because some time has passed since the events, but I have yet to read a better explanation of the reasons and sequence of events of the financial crisis. The public underpinning of the financial sector is revealed and the savings of the world disappear as states try to rescue the banks. The following chapter asks if any lessons have been learned, to which the answer seems to be no, and what lessons should have been learned instead.

In the final chapter Mellor looks for solutions. She proposes a sufficiency economy, and thus a steady3state economy, to deal with green and feminist arguments against the current system. The chapter looks at a range of proposals for how the money and banking system could be reformed in order to provide a practical financial basis for a democratic, ecologically sustainable and socially just provisioning system.

Mellor has no fresh ideas, but stresses the reclaiming of money by the public, and establishment of a democratic process for deciding what to do with new money. She also discusses the ideas of Keynes, Gesell, Douthwaite and others.

The fact that capitalism has so clearly failed has opened the space for debate about new roads which society can take. However, if no one understands the nature of money and the intricate way the financial sector works, this debate will once again be hijacked by the financial sector. What Mary Mellor has done here is important. She does not offer any new ideas, but instead makes a strong case by objectively telling the story of money in a very clear and simple way. The veil of mystique around money falls off and all that is left is an ugly naked system of greed. This book is therefore interesting both for the general public, which gets a very good oversight of money from Babylon to Wall Street, as well as for any economist still believing in the efficiency of markets, who will have to rethink his world view.

Attachment	Size
mellor-futureofmoney.jpg	48.91 KB