Social Banking and Social Finance

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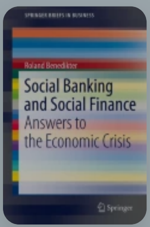

Social Banking and Social Finance

interplay can be considered as instructive also regarding the worldwide development of social finance.

This volume consists of three parts. Part 1: Social banks have been among the most successful financial institutions worldwide during the economic crisis of 2007–2010 and have emerged strengthened by it. Therefore, the volume provides a short analysis of this crisis from the viewpoint of social banking and social finance. Part 2: It then describes the main ideas and methods of social banking as new approaches to money and finance, capable of re-orienting the financial system in order to avoid further crises. Part 3: Finally, it draws the perspective of how social banking and social finance – as integral parts of the growing global civil society and the broader international movement toward sustainability – may work together with the mainstream banking and finance industry by serving as “best practice” examples in selected fields.

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pros and cons involved) congenial with the creative – e.g. community oriented, participatory and basis democratic – approach of social banking and social finance. In the specific case of this booklet and its scope, I don't think that these sources should and can any longer be excluded from a serious, i.e. rational, experimental and progressive discourse about finance and economics, although I know that some colleagues may see this elsewise (and certainly with well founded reasons whose validity I wouldn't deny). Regarding the debate about the pros and cons as well as the potentials and limits of such an approach see the more accurate discussion in footnote 243.

2. There are two main points that we have to keep in mind when attempting to understand the financial and economic crisis of 2007–2010. *First*, there are multiple ways to look at the complex interweavement of causes and factors that led to this crisis, as well as to its effects and outcomes. We can discern at least

understanding, without excluding anyone in the first place, and – as far as possible – without biases against none of them. Only later on, we may decide which one makes most sense to us, and which one not. So the first rational step would be to stay openminded to many approaches. That includes "alternative" hypotheses about – and understandings of – the crisis like the one presented on the following pages, inspired by the viewpoint of social banking and social finance. The point in the first place is not if this viewpoint is "right" or "wrong", but if it can open new views within the pluralistic concert of timely interpretations. The following is – and certainly wants to be – an "alternative," non-mainstream approach of "reading" the crisis. Nevertheless, this approach does not conceive itself as being opposed to other viewpoints, but rather as complementary to them, as far as possible. I hope that it will be received in this sense.

Second, the way we look at the crisis and how we observe and understand its

I will go into this problem of “interpretation power plays” with regard to the crisis more in-depth at the end of this publication. In order to make things not too complicated right from the start, let me preventively just say this here: there is in the contemporary scientific discussion the question of whether we can overcome our unconscious fixations at all, in order to be open-minded. According to the findings of some important social thinkers of the past three centuries like Immanuel Kant, John Dewey, Jacques Derrida, Jürgen Habermas, Helene Cixous, Colin McGinn, or Judith Butler, we construct our own realities by our convictions: that is, we always understand what we already know, and we see what we project into those things and events that we have decided to observe. Our (conscious and unconscious) convictions influence our judgments. That means that our judgments are subjective, and unconsciously bound to prejudices (according to the theory of modern “hermeneutics,” which is the art of interpreting things according to German philosopher Hans Georg Gadamer).

because we feel that it helps us to understand things from different viewpoints, and thus in a more realistic way, and that *at the same time* we are always unavoidably bound to our (conscious and unconscious) convictions and expectations, which bind us to certain restricted positions – then it is important to note right from the start that social banking and social finance in principle, and as such belong to a mindset that by its very basic aspiration is trying to become conscious of this inner dualism, and to work with it to let open-mindedness prevail. As we will see in the "philosophical" subdivisions dedicated to the origins and basic concepts of social banking and social finance, social banking and social finance belong to a mindset that is the mindset of the contemporary civil society: a mindset that we will call an "idealistic pragmatism," because it tries not to be ideological, but pragmatic, while conceding at the same time that its own attempt is already a "construct" and nothing given by nature; that is, idealistic in its essence, while based on a for an Integral Economy of the Future (Wirtschaft in der Zeitenwende. Ideen und Impulse für eine integrale Ökonomie der Zukunft). The Institute for Integral Studies IFIS, Freiburg im Breisgau 2010, p. 10.

6. I will examine that last aspect later (see footnote 47). In my view it is important at this point to understand right from the start the overall "silent agreement" between different societal groups – coming from different social classes! – which contributed to the mechanisms that created the preconditions for the crisis. What we can say already here is that the mechanisms of the interweavment of interests that gave origin to the crisis were of no "class origin." They were due to an implicit consensus of basically all the social classes, at least in the United States and (with some restrictions) also in the rest of the Western world. That is one main reason why I regard most "Marxist" and classically "leftist" approaches to understand the crisis as inappropriate, or

strict sense; his book is not as narrow as his critics depict it; and he did not support many of the subsequent developments, but opposed them (for example, most of the financial and economic policies of G. W. Bush, Jr.). It is perhaps part of the personal *life drama* of many theorists of capitalism of the time that because of their books, they became symbolic figureheads of a radically speculative interpretation of capitalism (often branded "neoliberalism"), without fully belonging to it.

10. Cf. J. F. Foster and F. Magdoff: The Great Financial Crisis: Causes and Consequences, Monthly Review Press, New York, NY 2009.

11. Some would argue though that the increased mortgage debt was not only due to higher house prices, but also due to individuals re-financing existing houses

policies where an individual (or an enterprise) buys fire insurance or health insurance to prevent major financial losses in the future are to a certain extent derivatives too. But they are more or less "down to earth," and transparent. Therefore, what is said here about the (in principle) speculative and intransparent character of derivatives as "abstract" financial instruments "betting about the future of others" is valid predominantly for the more complex and structured derivatives, where it is difficult to determine the "insurance" purchased by whom at which conditions. This is the case where they are constructs of "insurance of insurance of insurance," which were created by speculators (with the help of borrowed money by banks). These constructs were so complex in the end, that nobody could understand them anymore. It is this sort of derivatives that decisively co-caused the crisis – *not* the daily life derivatives that the "real economy" needs to be practically functional.

21. “Derivative (finance)”: loc cit.

22. “Derivative (finance)”: loc cit.

23. My personal hypothesis, however, is that the real problem was not with the hedge funds, but with trading activities in large financial institutions (such as AIG Financial Products) that leveraged the capital into large trading positions that distorted the market. When these positions collapsed, they brought down the institutions. Although they were buried inside extremely large financial conglomerates, these derivative-trading activities frequently were poorly regulated and escaped normal risk control processes, due to the “neoliberal” political and economic approach of the period. This was exacerbated by the apparent profits being made, which made senior management less likely to

opportunities based on concrete work and truly individual performance in the real economy, rather that in the cunning of manipulations within a speculative, imaginary, and parasite secondary economy of the real estate and derivative bubbles (which in the end, taken as they are, are not real business, but rather bets on business)?

25. There are two related but separate issues that banks constantly face. One is asset quality and the other is liquidity. There has yet to be a proper in-depth review of how these two issues interacted in the recent crisis.

26. As D. N. Chorafas has correctly pointed out, the lack of trust was probably the main reason for the second stage of the crisis. The importance of the "trust factor" is a still undervalued element in many analyses of the happenings of

- housing loans that may never be paid back;
- corporate loans, with rising default rates;
- a great amount of poorly understood and incorrectly valued structured (financial) products." D. N. Chorafas: loc cit.

29. R. Wolf: Record number in government anti-poverty programs. In: USAToday, August 30, 2010, http://www.usatoday.com/news/washington/2010-08-30-1Asafetynet30_ST_N.htm?csp=hf (retrieved August 30, 2010).

30. Handelsblatt Düsseldorf: Small United States Banks collapse one after another (Kleine US-Banken kollabieren eine nach der anderen). In: Handelsblatt Düsseldorf, 28 March 2010.

June 11, 2009, http://de.reuters.com/article/topNews/idDEBEE55A00N20090611.

35. Cf. M. Bachner: The Sword of Damocles Hangs over the Small and Medium-Sized Enterprises (Damoklesschwert über den KMUs). In: Der Kurier Vienna, March 19, 2010.

36. Cf. National debt of Germany (Staatsverschuldung Deutschland), in: http://de.wikipedia.org/wiki/Staatsverschuldung (retrieved August 25, 2010).

37. Cf. Y. Osman and D. Riedel: The Banks Are the Achilles' heel of Greece (Die Banken sind Griechenlands Achillesferse). In: Handelsblatt Düsseldorf, April 29, 2010, p.1.

40. A case could be made that the previous US and European administration(s) created much of the deficit through a combination of unwise and unneeded tax reductions, expansion of middle class entitlements, and military operations that were very expensive. In any case, the debt will need to be repaid by the future productivity of the population.

41. Cf., for example, C. F. Bergsten (ed.): The Long-Term International Economic Position of the United States. The Peterson Institute for International Economics, Special Report 20, May 2009. A short summary of the main findings can be found at: C. Bergsten: The Unsustainable International Economic Position of the United States and the Budget Deficit. In: The Peterson Institute für International Economics, http://www.iie.com/publications/newsreleases/newsrelease.cfm?id=150, May

investors on Wall Street and in financial institutions were greedy, arrogant, and reckless in their risk taking and build-up of leverage because they were compensated based on short-term profits. As a result, they generated toxic loans – subprime mortgages and other mortgages and loans – that borrowers could not afford and then packaged these mortgages and loans into toxic securities; that is, into the entire alphabet soup of 'Structured Finance Products' (so-called 'SIVs') like 'MBS's: mortgage-backed securities, or 'CDOs': collateralized debt obligations – and even 'CDOs' of 'CDOs'. These were new, complex, exotic, non-transparent, non-traded, marked-to-model rather than market-to-market and mis-rated by the rating agencies. Indeed, the rating agencies were also culprits as they had massive conflicts of interest: they made most of their profits from mis-rating these new instruments and being paid handsomely by the issuers. Also, the regulators and supervisors were asleep at the wheel as the ideology in Washington for

Eastern nations, have grown beyond the average rate of the overall population. Cf. US Bureau of Labor Statistics: Employment and Unemployment among Youth. Summary. August 27, 2010. In: http://www.bls.gov/news.release/youth.nr0.htm (retrieved August 27, 2010), with hardly half of the youth unemployed. Regarding Europe, youth unemployment at the end of 2009 was more than 21%, see: http://epp.eurostat.ec.europa.eu/cache/ITY_PUBLIC/3-29012010-AP-EN.PDF (retrieved November 25, 2010), i.e. far beyond the average unemployment rate.

44. There is nevertheless some evidence that the gold standard brings with it other problems, especially at times of liquidity challenges. Cf. L. Arnold: "More Turbulences" ("Weitere Turbulenzen"). In: Die Weltwoche Schweiz, September 5, 2007, http://www.weltwoche.ch/ausgaben/2007-36/artikel-2007-

48. It is evident that that if we combine two of the outcomes of the crisis mentioned: the increasing national debts of the United States and Europe on the one hand, and the massive oversupply with money that may lead to its further devaluation on the other hand, how most governments, including Federal Reserve Bank leaders like Jean-Claude Trichet in Europe and Ben Bernanke in the United States, believe the national indebtments can be mastered.

To put it in easy terms, they believe in a simple mechanism: That the national debts, which are measured in money, will be manageable through the massive devaluation of money. This is because the more money nations print and put into circulation through their Federal Reserve banks (using it, for example, to carry out public work or to stimulate productivity, or to import real goods like for example oil), the more the value of money decreases, a.o. through inflation. If money is worth less, the national debts will de facto decrease in http://www.focus.de/finanzen/news/konjunktur/tid-17228/wirtschaft-mister-inflation_aid_473550.html. In contrast to what Dönch and Körner assert, I believe that there is no fundamental difference regarding the main mechanism of dealing with national debts between the United States and Europe.

But this overall ratio showed serious weaknesses when the global financial and economic crisis hit. Many of my colleagues and I thus believe in the meantime that this grand strategy is not the path to follow toward a sustainable and balanced economy in a long-term perspective anymore. The reason is that this strategy ultimately follows the slogan: *We don't have to find concrete solutions now. Time is the answer, because it is through time combined with inflation that our debts will decrease*. *So let's put it on playing with the time factor*. What this implies is that there will be a continuous postponement of the economic and financial reality of today toward the future

Some contraindications to this argument though are once again found at: Handelsblatt Düsseldorf: “It will feel like a permanent crisis” (“Es wird sich wie eine Dauerkrise anfühlen”). In: Handelsblatt Düsseldorf, April 9, 2010. In this article, European experts and CEOs assert that Western nation states cannot rely on inflation to reduce their deficits because the then necessary continuous re-financing of short-term debts would be too expensive on the middle and long run, and would cause more damage then the relative “benefits” of inflation could balance. Again, I believe this to be an argument that does not touch the core issue.

49. Some though speculate that the extraordinary hunger for additional capital revenues by nation states at the brink of bankruptcy like Greece (or by single US states like California) may – now and in the future – indirectly and temporarily (i.e., for at least several years) suck up part of the prospective

material goods (like cars, food, resources) for its deliberately printed paper money, since every other country needed a strategic reserve of US dollars and was thus forced to give real goods for paper. Other countries delivered – and continue to deliver until today – real goods to the United States in exchange for paper. Additionally, the United States was able to artificially uphold the value of the dollar despite of the fact that there were – and are – far too many dollars in worldwide circulation if compared with the market value of the US dollar. Considering the amounts of dollars printed in the past (including most recently the issuing of a 600 billion dollar "infusion" into the US economy by the Federal Reserve Bank in November 2010, announced to be made by "alternative" methods) and presently in circulation worldwide, the US dollar's value is too high; in reality, its worth compared with other currencies, and with the value of real goods, would be much less. Cf. The Next Reporter: Federal Reserve $600 billion bid defended: Barack Obama says Federal

Washington DC, Remarks by President Obama at G-20 Press Conference in Toronto, Canada, June 27, 2010,

http://www.whitehouse.gov/the-press-office/remarks-president-obama-g-20-press-conference-toronto-canada.

This situation, created by an interdependent mix between political, military, and economic powers, might change with the emergence of a worldwide reserve system based on multiple currencies, including the euro, the yen, and the British pound sterling. The creation of such a system is currently discussed as one of the main effects of the crisis 2007–2010. Since the crisis showed the dangers of a de facto single world reserve currency, many countries are asking now for a multipolar reserve system as a security against future crises. The result could be a long-term decline for the US dollar, because many countries could gradually sell at least part of their (in the industry. I believe that independently of how these perspectives develop, the main question is not about currencies, but about the amounts of money in circulation on a worldwide level. The main problem are the increasingly disproportionate amounts of money that will need supervision and considerable re-adjustment if above-average inflation is to be avoided in the coming years. I believe this is valid not only for the dollar and the euro, but also for the other currencies mentioned. What is needed is a new relationship between the money in circulation and the productivity of the real economy.

51. It is useless to deny that this development was partly supported by the then prevailing academic thought which during the 1990s and in the first-half of the current decade co-created over-complex financial instruments, and proposed adventurous ways of doing business and getting rich by speculation instead of work. Cf. J. Sapiro: From Financial Crisis to Turning Point. How the

55. The United States Financial Crisis Inquiry Commission: http://fcic.gov/.

56. N. Rüdel: “They did not know what they were doing” (“Sie wussten nicht, was sie tun”). In: Handelsblatt Düsseldorf, April 8, 2010. Cf. N. D. Schwartz and J. Creswell: What Created this Monster? In: The New York Times, March 23, 2008.

57. F. Malik: Capitalism has failed (Der Kapitalismus ist gescheitert). In: Handelsblatt, July 12, 2009. Cf. in some points similarly R. A. Posner: The Crisis of Capitalist Democracy, Harvard University Press 2010. Cf. contrarily R. Benedikter: Book Series Postmaterialism: The Second Generation, Volume 5: The Capital (Buchreihe Postmaterialismus: Die zweite Generation, Band 5: Das Kapital), Vienna 2005.

financial weapons of mass destruction. In: BBC London online, March 4, 2003, http://news.bbc.co.uk/2/hi/2817995.stm (retrieved August 16, 2010).

62. R. Paul: The End of Dollar Hegemony. Speech at the U.S. House of Representatives, loc cit.

63. Laboratoire Européen d'Anticipation Politique LEAP Paris: Global Europe Anticipation Bulletin N°1, January 2006. See also: LEAP Paris, http://www.leap2020.eu/English_r25.html.

64. Cf. J. B. Quilligan: The Superbubble behind "The Great Moderation": How the Brandt Report Foresaw Today's Global Economic Crisis. In: Integral Review, March 2010, Vol. 6, No. 1, http://integral-

68. I suspect a large portion of the money in the international hedge funds 1990–2007 came (and continues to come) from institutional investors, many of which are pension funds using the retirement funds of average working people. I would argue that not enough attention has been paid to the impact of choices taken by these large institutional investors, also with regard to their future behavior in the name of the average citizen.

69. BBC London: Buffet warns on "investment time bomb." Derivatives are financial weapons of mass destruction. In: BBC London online, March 4, 2003, loc cit.

70. BBC London: loc cit.

Federal Reserve Bank Chairman Alan Greenspan (born 1926, FedReserve chairman 1987–2006), who notoriously called her "my only teacher." See, for example, S. K. Beckner: Back from the Brink. The Greenspan Years, Wiley New York 1999; and R. Benedikter: The Attention Economy. Perspectives of a New Economic Approach (Die Aufmerksamkeitsökonomie. Perspektiven einer neuen Wirtschaftsform). In: R. Benedikter (ed.): Postmaterialism – The Second Generation (Postmaterialismus – Die zweite Generation), Vol. 2: Man in Economic Culture (Der Mensch), Vienna 2004. Although Ayn Rand distanced herself fiercely from being labeled as "neoliberal," her mindset exemplified in splendid, even brilliant philosophical arguments and astonishing novels the main inspirations for it.

75. Cf. A. Rand: Atlas Shrugged, New York, NY 1957; and A. Rand: The Fountainhead, New York, NY 1943.

society (i.e. not “participatory” in the broader sense). Nevertheless, the INET is – necessarily, as the post-crisis situation unavoidably requests – concerned with sustainable finance and common wealth development for the future. For a detailed overview see: http://ineteconomics.org.

78. I. Goldin: In: The Institute for New Economic Thinking INET: The Role of the Economic Profession in the Crisis, http://ineteconomics.org./videos (retrieved August 22, 2010). Cf. similarly R. Skidelsky and C. Westerlin Wigstrom (eds.): The Economic Crisis and the State of Economics, Palgrave McMillan 2010.

79. Cf. A. Kaletsky: Capitalism 4.0. The Birth of a New Economy in the Aftermath of Crisis, Public Affairs 2010.

unhealthy bubbles, not only the sheer overabundance of money in the real economy. The subsequent growing liquidity problem of the real economy (experienced probably more in Europe than in the United States) was not the *cause* of the crisis, but it became one main factor of the "domino-effect" *once the crisis had started*, by helping to spread it around and to affect large parts of the productive economy. Fact is, that most traditional banks in Europe and in the United States already in an early stage of the crisis significantly reduced their lending amounts to down-to-earth businesses, industry, and manufacturing because they were afraid of suffering additional losses, after their capital resources were weakened by the losses in the speculative real estate and derivative businesses. Most small- and medium-sized enterprises in the United States and in Europe unanimously report that during the early stages of the crisis they couldn't get the loans and credits they needed, or that they could get them only at a very expensive price they often couldn't

86. P. B. Farrell: Derivatives (are) the new "Ticking Bomb." Buffett and Gross Warn: $516 trillion bubble is a disaster waiting to happen. In: MarketWatch, March 10, 2008, http://www.marketwatch.com/story/story/print?guid=B9E54A5D-4796-4D0D-AC9E-D9124B59D436 (retrieved August 29, 2010).

87. It is important to explicitly note that the "sandglass model" used in this chapter to explain the basic mechanisms that triggered the crisis is by no means conceived as a representative statistical or quantitative model. It doesn't show the real distribution of money in the current western capitalistic economy. And it does not claim in any way that there is no money left in the real economy in the center, because the two "bubble economies" may have dried all of it up; of course there is still money in the real economy, and even a lot (given that probably overall seen there is even too much money around, as

4. Oil and commodity rich nations demanding equity payments rather than debt.

In short, despite clear warnings, a massive derivatives bubble (was) driving the domestic and global economies, a bubble that continues growing today parallel with the subprime-credit meltdown triggering a bear-recession …. To grasp how significant this bubble increase is, let's put that $516 trillion in the context of some other domestic and international monetary data:

- US annual gross domestic product is about $15 trillion;
- US money supply is also about $15 trillion;
- Current proposed US federal budget is $3 trillion;
- US Government's maximum legal debt is $9 trillion;

derivatives market like an unsecured, unpredictable nuclear bomb in a Pakistan stockpile. It's only a matter of time.

The fact is derivatives have become the world's biggest black market, exceeding the … traffic in stuff like arms, alcohol, gambling, and (…) cigarettes. Why? Because like all black markets, derivatives are a perfect way of getting rich while avoiding taxes and government regulations. And in today's slowdown, plus a volatile global market, Wall Street knows derivatives remain a lucrative business.

Recently Pimco's bond fund king Bill Gross said: "What we are witnessing is essentially the breakdown of our modern-day banking system, a complex of leveraged lending so hard to understand that Federal Reserve Chairman Ben Bernanke required a face-to-face refresher course from hedge fund managers. In short, not only Warren Buffett, but Bond King Bill Gross, our Fed Chairman

89. Again, although the “sandglass model” attempts to explain the basic mechanism of the crisis, it does not explain all aspects of it. To give just *one* – again “alternative” – example of how many phenomena and respective explanations are competitively in play when analyzing the complex and interwoven origins and causes of the crisis, I would like to mention the original approach of Ernst Ulrich von Weizsäcker, former dean of the Donald Bren School of Environmental Science and Management of the University of California at Santa Barbara, considered one of the leading contemporary thinkers on global sustainability. From his point of view, the housing market collapse with which the crisis started (as we have illustrated above) was indeed the activator and catalyst that triggered the crisis in the public perception. But at the same time the housing market, with its incredible rise and its subsequent sharp decline between the end of the 1980s and 2007, was much more closely connected to US fuel prices than most observers usually

in value, in many cases dramatically – not least due to the fact that many of them were built by relying on exaggerated mortgages and lendings. Thus, the owners were left with debts that were higher than the speculative value of the house they had borrowed it for. Summing up, I would say that the crisis has been co-triggered by the decrease in value of peripheric houses that were valuable only as long as fuel was extremely cheap. Many though still want to make us believe that the crisis and its apparently billionary losses were mainly the result of greedy bankers; i.e., the immoral behavior of just a couple of thousands of persons. But this is a far too simplicistic explanation. The crisis was much more due to do how we systemically use resources, and about our basic mindset of how we conceive the use of land, technology, nature and the social sphere." E. U. von Weizsäcker: "Five times wealth from one kilowatt hour" ("Fünfmal so viel Wohlstand aus einer Kilowattstunde"). In: Utopia Magazin, March 10, 2010, http://www.utopia.de/magazin/ernst-ulrich-von-origins and causes of the crisis can be found at J. Fox: The Financial Crisis Blame Game. Who and what got us into this financial mess? Here’s my far-from-exhaustive list of the guilty. In: Time Magazine, 12 January 2009, p. 17, http://www.time.com/time/specials/packages/article/0,28804,1869041_1869040_1869030,00.html. I am of the opinion that any such list of possible origins and causes does not undermine, but strengthens, the claim that the “sandglass principle” was the core mechanism that triggered the crisis at the very heart of the international financial system between 1990 and 2007.

92. In fact, to invest money by speculating (not into the real economy) had become increasingly fashionable during the past decades – making speculation not only a financial, but also a cultural trend and an accepted basic civilizational mindset, generally branded as “progressive.” Speculation “above” and “below” the real economy was in the process of becoming more

anymore – and this fact will not be good on the long run. Only losers today believe in work, while all the others try to do magical 'potter' things and let their 'structured financial products,' that is, their hollow containers fly.

So why should we stop 'performing magic' now (after the crisis)? Because 'witching' is an activity that obscures the relationship between cause and effect. The problems begin when the effect is more important than the cause – financially speaking, when profit is no longer in a reasonable relationship with practical, material achievement and performance of the real economy. I would say that it is exactly this imbalance that has stamped the cultural atmosphere of the past three decades. Many indeed wanted to escape reality; in most cases, an average person spent 40 hours per week working and often couldn't receive decent income – whereas at the same time there were others who could achieve great wealth just by spending a couple of hours doing financial 'magic.' Thus, we have invented a dangerous calculation mode for the overall want to change something we have to change the neoliberal "Harry Potter" culture from pure speculation back to concrete reality – from the two "bubble economies" back to the center of reality.

Or put into other words: We must bring the illusions, pathologies, and fantasies involved in the financial "witching epoch" back to a concrete encounter with the "real world," its human needs, and its social options and possibilities once again. We must turn away from an artificial, speculative mindset that characterized the late neoliberal years back to the ordinary American and European spirit that laid the bases for the incomparable wealth of these countries. It means returning to "real production" compatible with the needs of the social community, as it is the task of a functioning and healthy finance. As we are going to see later on, speculative "inventions" may not be compatible with any of the two basic procedures of modern, capitalistic economies: they neither apply work onto nature (1), nor apply spirit (i.e., contribute to such an endeavor. This is because they can indicate the way toward a sustainabilty oriented "Financepeace" through their basic ideas, but also as "best practice" examples in applied fields of the international banking and finance sector. Thus, social banking and social finance may represent one important pillar for an upcoming civil society initiative by providing it a practically proven applied reference framework.

96. B. Obama: Obama "Ready To Fight" Banks. In: http://www.youtube.com/watch?v=nRp0UrAmNCs. Cf. J. Calmes: With Populist Stance, Obama Takes on Banks. In: The New York Times, January 22, 2010.

97. B. Obama in: U.S. News and World Report: Obama Steps Up Campaign Against Wall Street Banks, January 21, 2010,

convicted to jail sentences, I wouldn't go so far. This is *first* because most of the transactions and business models that led to the crisis were explicitly or unexplicitedly legal at that time. *Second*, like most social bankers do, I believe that the principle of responsibility can be hardly addressed by denoting it negatively in terms of deviance or crime. While new regulations may certainly be necessary, the decisive dimension is a new basic (and systemic) mindset approach to money and finance, which has to be achieved by changing the overall culture of the financial business through education and increased public awareness.

In fact, according to philosophy and media Professor Peter Sloterdijk, business leaders have on average not become greedier than in the past, but rather followed – and in doing so were actively stimulated and rewarded by – the logics of a system that worked in a highly disputable way. The interesting point here is that Sloterdijk blames some reactions to the crisis to have the crisis by parts of the established social sciences, in particular by (in the broad sense) “leftist” approaches, to exaggerate in the judgment “ad personam” of what happened, and to generalize it in a way that has hardly to do with reality. Thus, by such approaches like the one of H. N. Pontell not much is achieved in the end, because exaggerations usually produce the least impact on reality. Instead, I believe that any reasonable elaboration of the causes of the crisis as well as any proper outline of perspectives consists in making analyses and proposals through balanced and common sense judgments. Some proposals in this sense are found in the following chapters.

99. Cf. AFP: German Chancellor Angela Merkel wants to cut off financial speculators from business (Angela Merkel will Spekulanten das Handwerk legen), in: AFP News, March 9, 2010.

http://www.gls.de/die-gls-bank/presse/pressespiegel/bankenchef-thomas-jorberg-zieht-kunden-an.html; and NNA News Limited: GLS-Bank: Instead of Financial Crisis Leaps over One-Billion threshold (GLS-Bank: Statt Finanzkrise Milliarden-Hürde genommen). In: NNA News Limited, February 5, 2009.

102. Cf. Triodos Group News Report: http://www.triodos.com/com/whats_new/latest_news/press_releases/growth_triodos_group, 25 February 2010; and Info3 News Report Frankfurt am Main, March 1, 2010.

103. Gartner Inc.: Gartner Says Social Banking Platforms Threaten Traditional Banks for Control of Financial Relationships. New Technologies, Ethical

glaenzt-mit-30igen-wachstum/, February 2, 2010; cf. Info3 News Report Frankfurt am Main, March 1, 2010.

106. F. De Clerck: Ethical Banking. In: L. Zsolnai, Z. Boda and L. Fekete (eds.): Ethical Prospects. Economy, Society and Environment, Springer Netherlands 2009, p. 6.

107. Although important as a matter of principle, I would argue that this aspect is not nearly as critical as the first and third question. There is lots of populist attention surrounding the compensation issue of bankers, but the real issues is what values drive a social bank. I believe that these values will more likely lead to appropriate compensation practices, rather than interventions “from above” (i.e., by governments).

sided, approaches have proven to be specialized and thus focused enough within the system to alter its course at least to a certain extent. Empirical research of the past three decades indicates that in their vast majority, only such rather “one-sided” approaches have exercised any effect on the greater system.

The (philosophical, as well as principal “world view”) question for the new generation of socially engaged people is: How “pure” must I calibrate my attempt toward “improving” the world, and toward implementing my ideals, to have any effect on the overall system – given that (most of) these attempts will be “neutralized” by as many contrary approaches? And further: Is it worthwhile to pursue any “hybrid” (or even, to use a more positive term, “integral”) approaches at all? As the balance of – and the systemic dialectics between – forces seems to be everything in a democratic society, the question may arise: Does a “balanced” (as opposed to a “one-sided,” or

116. The Institute for Social Banking Bochum: http://www.social-banking.org/en/news/.

117. UNESCO Decade "Education for Sustainable Development" 2005–2014: http://www.unesco.org/en/esd/.

118. The Institute for Social Banking and Social Finance Paper Series: http://www.social-banking.org/en/researchteaching/isb-paper-series/.

119. Apart from the several existing social banking and social finance initiatives in the United States – which are in part older then their European counterparts (see the following chapters) – there is an increasing number of related academic approaches towards social finance in the United States,

121. A. Merkel: loc cit.

122. All those who at this point would like to get additional “hard” statistical numbers – beyond those rendered here – as well as more information about the operative sides of the social banking business in the strict, daily applied sense should consult the websites of the global alliances of social banks mentioned above, the book “Networking Social Banking” published by INAISE of 2010, see http://www.inaise.org, and the forthcoming book by O. Weber and S. Remer: Social Banks and the Future of Sustainable Finance, Routledge, London 2011. The latter will focus on information about the operative realities and procedures for current and future practitioners in the sector including operative business strategies for the rapidly changing environments of “post-national” finance. Some concrete case studies on a quantitative level can be found in: P. Schwizer, A. Carretta and V. Boscia

this may be a good slogan for the financial industry on a systemic level; but it is not similarly appropriate for the individual consumer's use of his personal money. From my point of view, this isn't meant as an incitement to reckless spending and consuming, but rather as an invitation to take bank's money out of the "hoarding boxes" of the upper and lower part of the "sandglass" and to put it to work in "the real world." In fact, one of the causes of the economic crisis 2007–2010 was that the individual consumer on average did not save enough and spent too much, ultimately overstretching his or her credits. See: U. Reifner: Using Money. 20 years Institute for Financial Services, Baden-Baden, Nomos 2007. Cf. U. Reifner: "A Call to Arms." For Regulation of Consumer Lending, in: Whitford, B./Ramsay, I./Niemi-Kiesiläinen, J. (eds.): Consumer Credit, Debt and Bankruptcy: Comparative and International Perspectives. Hart Publications, UK 2009. Reifner's current book on: The Money Society. Lessons from the

130. C. Guene and E. Mayo (eds.): Banking and Social Cohesion. Alternative Responses to a Global Market, Jon Carpenter Publishing, Charlbury, 2001, p. 1.

131. G. Banks: Markets – How free? In: G. Banks: An Economy-Wide View: Speeches on Structural Reform. The Australian Government Productivity Commission, Commonwealth of Australia, Melbourne 2010, p. 265. To be found a.o. at: The Social Science Research Network, http://papers.ssrn.com/sol3/papers.cfm?abstract_id=1614664, August 15, 2010.

132. Cf. M. Friedman: Capitalism and Freedom, University of Chicago Press, Chicago, 1962 (2002).

sociologist K. S. Cook: Trust in the Economy. In: J. Beckert and M. Zafirovsky (eds.): International Encyclopedia of Economic Sociology, London 2005, pp. 690–696; and K. S. Cook, R. Hardin and M. Levi: Cooperation Without Trust? New York, NY 2005.

134. De Clerck: loc cit, pp. 12–13.

135. F. Zakaria: Restoring the American Dream. In: Time, November 1, 2010, pp. 14–19.

136. G. W. Domhoff, University of California at Santa Cruz: Who Rules America? Wealth, Income and Power. November 2010, http://sociology.ucsc.edu/whorulesamerica/power/wealth.html.

made local and regional banks successful (and also the communities in which they exist). Or as David K. Korslund, lead independent director of Chicago-based social bank, Shorebank, and senior advisor of the Global Alliance of Banking on Values GABV London puts it: “I believe that we make too much of the fact that social banking is new. I would argue that it is merely returning to the roots of banking which is how to use money in a community to develop its potential. By doing so the community has a stronger economy which is good for a bank.” D. K. Korslund: Letter to the author, April 8, 2010.

139. Nevertheless, it remains an interesting challenge for social banks to use money appropriately to finance real estate on the one hand, and to anticipate concrete futures on the other hand *without* creating bubbles. Some potential answers to this challenge can be found in the following chapter.

January 10, 2010). The outstanding usefulness of the division of labor and the use of technology that a.o. leads to a “surplus” in the form of savings (capital) is one main reason why the dream of “going back” to self-supporting ways of life, often interpreted as “return to nature” and thus to a better life, must be ultimately an illusion; it would make us much poorer, reduce our life options and get us less creative. Social banking and social finance are about consciously using all the modern forms of labor and productivity, including the division of work, technology, and high-level specialization, and they are about producing capital, and using it. Social banking and social finance are not about going back to the “natural world” that, for example, the hippies or the “flower power generation” of the 1960s and 1970s dreamed of. The reason is that such a return, besides hindering technological progress and leaving the facilitating powers of money and capital unused, would basically limit us to daily survival. Once self-sufficient tone. While the *wrong use* of applying work and technology onto nature must be criticized in order to improve things, the principles of value creation explained above, as well as their validity for creating wealth for the greater social progress, in my view are not touched by it.

143. Cf. A. Sen's seminal tract on the role of freedom in human development: A. Sen: Freedom as Development, Oxford University Press, Oxford 1999.

144. Again, this is only true if the expression "real work" is understood either as "physical work" (i.e. as applying physical work onto nature) or as "thought work" (applying intelligence onto work). Pure speculation on the work of others can't be considered as "real work" (derivative bubble), nor can the speculation on material goods be classified as such (real estate bubble).

correctly pointing to the *wrong use* of capital, does not take into account several positive aspects that are decisive in the overall structural judgment. Cf. I. M. Wallerstein: World-Systems Analysis: An Introduction, Duke University Press, Durham 2004 (1987); I. M. Wallerstein: Historical Capitalism, with Capitalist Civilization, Verso, London 1995; and I. M. Wallerstein: The End of the World as We Know It: Social Science for the Twenty-First Century, University of Minnesota Press, Minneapolis, MN 1999. See also http://www.yale.edu/sociology/faculty/pages/wallerstein/.

147. Cf. The actuality of German poet J. W. Goethe's (1749–1832) poem "Faust," where it is stated (in part II) that money is the "deepest riddle" – in the positive and negative sense alike – that characterizes the social sphere and the cohabitation of human beings in the age of modernity; and that thus money and capital have to be understood in their ontological essence if

150. Dutch philosopher Jaap Sijmons (* 1959), in an attempt to combine idealism and realism into *one* attitude, describes this approach as "Phaenomenological Idealism," which would be a good denomination for the basic world view of social banking and social finance. See J. Sijmons: Phaenomenology and Idealism. ZENO Research Institute of Philosophy of the University Utrecht, Series "Questiones infinitae," Volume 50, Utrecht 2004.

151. I. Schönauer: "Return to the core business of banking." CEO states that the sourcing of the real economy is the most important task of the financial industry ("Rückbesinnung auf das Banken-Kerngeschäft." Institutschef bezeichnet die Finanzierung der Realwirtschaft als wichtigste Aufgabe der Finanzbranche). In: Börsen Zeitung Düsseldorf, Nr. 29, 12.02.2009.

electronic money are basically not limited resources and can therefore be multiplied ad libitum. That means that gold has a more concrete and more realistic relationship with the economic and social reality than paper money or electronic money.

156. Cf. F. Varela: Monte Grande. What is life? Icarus Films 2004. In: http://www.montegrande.ch/eng/home.php.

157. The change of currency from national European currencies (the German d-mark, the French franc, the Italian lira, the Dutch gulden, the Spanish peseta and the Greek drachma, etc.) to the European euro on January 1, 1999 (book money) and on January 1, 2002 (cash) as the joint currency of the European Union has helped many Europeans to understand that money is

option=com_content&view=article&id=11&Itemid=8 (Episode 2%00A0;ff.) (retrieved February 25, 2010).

160. In contrast, religious institutions, in the United States and Europe alike, traditionally favor principle ethics over consequentialist ethics. For example, the catholic pope Benedict XVI. (Joseph Ratzinger) has included a long passage on the characteristics of modern economy and capital in his so far most important Encyclica “Deus Caritas est” (“God is Charity,” December 25, 2005), dedicated to social progress: Chapter 26 ff., see: http://www.vatican.va/holy_father/benedict_xvi/encyclicals/documents/hf_ben-xvi_enc_200512.25_deus-caritas-est_en.html. There he states that economy and finance are among the most important fields of action for “socially engaged people” of the present and the future, if there are principle ethics (i.e., Christian ethics in his case) applied. The chapter has assumedly been

163. See: http://en.wikipedia.org/wiki/Rudolf_steiner.

164. See: http://en.wikipedia.org/wiki/Silvio_Gesell.

165. For more information, see: http://en.wikipedia.org/wiki/Social_threefolding.

166. For more information, see: http://en.wikipedia.org/wiki/Freiwirtschaft.

167. One important cluster of respective *contemporary* “bottom-up” initiatives (among an increasing number of similar approaches philosophically and systematically opposed to the “bottom-down” directives of the traditional

170. Other sources include rural and civil society cooperatives, trade unions, charity organizations of the churches, ecological (green) movements, and the microfinance movements, all of them active in Europe mainly since the 1950s and 1960s, the microfinance movement since the 1980s.

171. Cf. G. G. Preparata: Perishable Money in a Threefold Commonwealth: Rudolf Steiner and the Social Economics of an Anarchist Utopia. In: Review of Radical Political Economics, Vol. 38, No. 4 (2006), pp. 619–648, Sage Publications, London 2006; and S. E. Usher: Rudolf Steiner and Economics. The Threefold Social Organism: An Introduction. In: http://www.rudolfsteinerweb.com/Rudolf_Steiner_and_Economics.php (retrieved January 15, 2010).

the large majority of existing social banks and their global networks (as well as most of their global leaders) are found here; *second*, because the worldwide financial system is still guided, and dominated, by the West; and *third*, because of the comparative scope of this volume. Nevertheless, there are many useful theories on social banking from other cultures, societies and traditions. A useful reading list that includes elements of non-Western experiences can be found at the Institute for Social Banking Germany's recommended reading list: http://www.social-banking.org/fileadmin/isb/file/ISBLiteratureResources.pdf (retrieved November 15, 2010).

177. Cf. R. Kropp: Sustainable Investment Strategies Earn Respect in the Aftermath of the Financial Crisis. Having sounded warnings for years about the possible causes of the economic crisis, sustainable and responsible

183. Vancity: https://http://www.vancity.com/AboutUs/.

184. I do not include here the mainstream community development financial institutions (CDFIs) in the United States, even if they present features that qualify some of them as *potential* social banks. The reason is first that average CDFIs are the result of a U.S. Government designation to make sure local communities are sourced (i.e., a designation "from above", while social banks are in principle developments "from below"). Second, the vast majority of CDFIs do not share many of the proceedings (triple bottom line), the values and ideals, and the concepts of money and finance of social banks. For more information about CDFIs, see: The CDFI Fund of the United States Department of the Treasury, http://cdfifund.gov/who_we_are/about_us.asp; and The National Community Investment Fund NCIF, http://www.ncif.org/index.php/CDBIindustry/CDFIs/. See also R. Kropp:

extent. That said, *one* aspect for the different approaches toward "improving the capitalistic system" in Europe compared with the United States might consist in the fact that capitalism as a form of modern economy and the United States as a nation formed an indivisible unity right from the start, so that most US citizens face certain difficulties in "culturally" rethinking how capitalism should work. To many, this would mean to "change the United States as such" (especially to the conservatives of course). In contrast, in Europe there has been a long history of experiments with non-capitalistic and alternative forms of economy since the very first forms of capitalism during the crusades and the renaissance (i.e., between the 12th and the 15th century) emerged. Although basically all of the experiments with alternative approaches have failed, Europeans seem to find it generally easier to imagine the possibility of alternative approaches to "classical" modern capitalism than Americans. On the other hand, a *second* aspect might be that vibrant opposition to the excesses of business came from socialist anti-market movements – in the United States this opposition was squarely pro-market. When Louis Brandeis [1856–1941, US Supreme Court Justice from 1916 to 1939] attacked the money trust, he was not fundamentally trying to interfere with markets – but was only trying to make them work better. As a result, Americans have long understood that the interests of the market and the interests of business may not always be aligned." It is clear that this difference between the histories of capitalism in the United States and Europe continues to be influential on the system until today, and that it also influences the differences in the basic attitudes of social banking and social finance on both sides of the Atlantic. A *fourth* reason is the different relationship with debts and indebtedness as such: "Another distinguishing feature of American capitalism is that it developed relatively untouched by foreign influence … As a result, American capitalism developed more or less because I regard the American dream as a positive ideal inherent in a progressive and open society, and its potential decline as worrisome. The question is rather, can the American Dream of individuality, self-reliance and vertical mobility and the common good be structurally better combined than it has been the case so far? I regard this question as important for the United States and Europe alike. While the United States may have to supplement the American dream with a stronger community orientation, Europe may have to introduce something like a “European dream” on a systemic level, and to use it to balance its often one-sided dreams of a communitarism in crisis already since the 1970s. Again, all these five points present their pros and cons on both sides involved. America has the inestimable advantage of being culturally so “close” to – and involved with – capitalism that it is kind of a “natural” habit that facilitates the use of money; and the outcome is that America has become – by far – the richest successful and influential businessmen of all time – is perhaps the best example of the *diachronic* principle that is followed by many philanthropists: *First* you make money by "playing tough" and "playing rough" with the mainstream rules of the "everybody against everybody" economic and financial mainstream, not excluding occasional ambivalent or even questionable behaviors and practices (see, for example, the various trials brought by the US and European governments against Microsoft for monopolistic and anti-competitive practices). *Then* you go into the "helping and community principle," that is, into administrating the achieved profit and donating it according to your preferences. Sure enough, modern capitalistic societies will always need these great individual entrepreneurs, since their work has to be considered as exemplary in many ways as it is inspiring to many. Furthermore, like most of his kind and at this exceptional level, Gates certainly puts the principle "using money rather than having it" the handling of money becomes a systemic factor, i.e. an institutionalized function within society that is in principle independent of single, charismatic pioneers? Social banking is about implementing the use of money to the benefit of all as a systemic factor in today's financial business, and it is exercised according to decisions not taken by great individual donors (and their advisers), but by communities of shareholders, customers, and consumers in a democratic – or "associative" – way. Could it be that it is exactly this cooperative and dialogic *procedure* that makes the biggest difference over time, not the input of money as such? Interestingly, in his answers to the questions posed by the audience in response to his Stanford lecture of April 2010, Bill Gates gave a definition of sustainability centered on the demand of the community: "Sustainable probably means that you wanna do something that even once you're not there giving that either the practices, or the government funding allows that benefit to continue. So it is

189. Cf. as just one – though symptomatic – example the famous initiative of the US “super-philanthropists” Bill Gates and Warren Buffet who in July 2010 tried to motivate (private) billionaires first in the United States, and then around the world, particularly in Europe, to dedicate 50% of their wealth by donating it to charity through public foundations and funds. See: The Giving Pledge, http://givingpledge.org/. Although all those who agreed to donate did so in a non-binding manner, the initiative was read by many as the opening up of a “new age of commitment” of the rich as an effect of increased consciousness produced by the crisis. Regardless if this is the case, and independently of the open question if private, voluntary philanthropy by a selected group of billionaires may be the right way for society to evolve its social bases and to improve participation, the interesting point is that there were widely different reactions in the United States (where 40 billionaires joined) and Europe (where only a few agreed). The different reactions

different systemic embedments of social banking and social finance that could result as one great advantage fostering flexibility and adaptability. In any case, the "50% donation" initiative of Gates and Buffet made it once more clear what we have discussed above: Philanthropy is (1) not the same, (2) it is not of equal systemic valence, and (3) it is no substitute for (and no alternative to) social banking and social finance – even if there might by (hopefully) some alliances in the future. In short, the question here is about the greater vision on tomorrow's society. Do we want to have a financial system based on ruthless speculation on the one hand, and a donating pole of philanthropists and private foundations on the other hand – without connection between them, and with the latter often building the profits that create the charity endowments in the "opposed" sector? Is it not desirable to have something "in between" these two poles? This would indeed be social banking and social finance. They are a part of the working financial system, Washington DC, September 21, 2009. These 12 theses have also been signed by the European Federation of Ethical and Alternative Banks (FEBEA), by the US National Community Reinvestment Coalition (NCRC), and by the Global Coalition for Responsible Credit (GCRC).

193. T. Jorberg (Chairman of GLS Bank): European Alternative Banks Call for an 8 Point Plan (Alternativbanken Europas fordern 8-Punkte-Plan). In: http://www.gls.de/die-gls-bank/presse/pressearchiv/detail/datum/2008/12/08/alternativbanken-europas-fordern-8-punkte-plan.html, December 8, 2008.

194. Cf. Bank for International Settlements: http://en.wikipedia.org/wiki/Bank_for_International_Settlements. Insertion by

their funds to social banks (i.e., voting with their wallets). On the other hand, some markets are intransparent and provide insufficient information. Given the premise of social banks that capitalism is not a bad thing, but on the contrary the best form of working with money and finance available, there is a large question as to the role of markets in a capitalistic system. Addition by Benedikter.

198. Again, as much I share P. Blom's and the GABV's basic viewpoint here, I would not at the same time devalue the importance of markets too much. In my view, while I agree with the need to change things, from a scientific viewpoint the reality of markets and their role for the proper functioning of the capitalistic system is more complex than Blom's statement, and therefore it has to be seen in a more sober and pondered way. I would in general agree with G. Banks (The Australian Government) here who in my view correctly

things are slightly more complex. I rather agree with G. Banks' smart statement: "Problems *in* markets should not be conflated with problems *of* markets. It is easy to lose sight of the simple function of markets. They are a means of connecting willing buyers and sellers, to their mutual benefit. That is all they do. Of course, if they do it well, they achieve a lot. But, like the old saying about oils, 'markets ain't markets': some operate a lot better than others. History tells us that those societies with better functioning markets have been the most successful economically, and often the most successful socially as well." G. Banks: loc cit, p. 267. I wouldn't necessarily contrapose Banks' position to Blom's however. Both have their points, and both these positions have to be seen as "unity in diversity," if we want to catch the multifaceted – and often contradictory – nature of contemporary (financial) markets.

in circulation globally is enough to buy and sell the entire biosphere several times over. All that money sloshing around is bound to create disturbances. Addition by Benedikter.

204. Some analysts thus paradoxically even assert that the real estate and the derivative bubbles may be to a certain extent a relative benefit for the stability of the value of money, since they bind a lot of it in artificial “hoarding boxes”; if the huge amounts of money “hoarded” in the real estate and the derivative markets would be taken out and put into the real economy (as social banks propose), inflation could explode to unprecedented levels, so these analysts say. I believe this is an assertion that could be challenged from various viewpoints, and with a variety of arguments. Nevertheless, if the proposals by social banks to leverage the bubbles by pulling out the money from the derivative and the real estate markets in order to stimulate

205. Admittedly, though, from a strictly empirical point of view it is still not fully clear if the current economics of banking allow a sufficient margin to be generated by basic banking in the long run. There are also issues of scale given the increased use of technology in banking. I therefore think that substantial research into the economics of basic banking is needed to determine what level of capital can be supported by social banks under which conditions for how long. Addition by Benedikter.

206. GABV: The Upside of the Downturn, loc cit, Accentuations by Benedikter.

207. Personally, while fully agreeing with this point, I would make one exception here: I would assert that there is a need for some very large banks to provide

p. 13, http://www.ft.com/cms/s/0/1957afc4-5193-11df-bed9-00144feab49a.html (retrieved April 27, 2010).

210. For further information, see: MiFID, http://en.wikipedia.org/wiki/Markets_in_Financial_Instruments_Directive (retrieved April 1, 2010).

211. Community Reinvestment Act: see http://en.wikipedia.org/wiki/Community_Reinvestment_Act (retrieved March 16, 2010).

212. Monetary and Financial Code. Statute of the Banque de France. In: http://www.banque-france.fr/gb/instit/telechar/histoire/mfc.pdf (retrieved

217. U.S. News and World Report: Obama Steps Up Campaign Against Wall Street Banks, January 21, 2010, http://www.usnews.com/news/national/articles/2010/01/21/obama-steps-up-campaign-against-wall-street-banks.html.

218. Columbia University News Release: On Campus News from Columbia University: Citigroup CEO Vikram Pandit Underscores Need for Banking Reform and "Responsible Finance" at Columbia's World Leaders Forum. April 29, 2010, including full video of the lecture in:

http://news.columbia.edu/oncampus/2015.

219. T. Riecke, M. Maisch und R. Benders: The Power of Banks Challenged (Die Macht der Banken im Visier). In: Handelsblatt Düsseldorf, April 8, 2010.

Zukunft), Munich 2006. See also: The Dobbiaco Sustainability Colloquia Academy, http://www.toblacher-gespraeche.it/index_e.php.

226. Sure enough, without a universal tax system (not likely to be agreed in the near future), there are many open issues to address here. Addition by Benedikter.

227. Similarly, L. Zingales states, “we stand at a crossroads for American capitalism. One path would channel popular rage into political support for some genuinely pro-market reforms, even if they do not serve the interests of large financial firms. By appealing to the best of the populist tradition, we can introduce limits to the power of the financial industry – or any business – for that matter … This would mean abandoning the notion that any firm is

http://www.inaise.org/doc%20download/Press%20release/Merkur%20press%20release%20Dec%202008%20EN.PDF.

231. The World Future Council (founded by Swedish writer and activist Jakob von Uexküll, born 1944): http://www.worldfuturecouncil.org/english.html?lang=1.

232. T. Jorberg: European Alternative Banks call for an 8 point plan, December 8, 2008. In: http://www.gls.de/die-gls-bank/presse/pressearchiv/detail/datum/2008/12/08/alternativbanken-europas-fordern-8-punkte-plan.html. This eight-point plan has been signed by Banca Etica (Italy), Cultura Bank (Norway), Ecological Building (United Kingdom), Ekobanken (Sweden), Freie Gemeinschaftsbank (Switzerland),

do not share the majority of his ideas. See: http://en.wikipedia.org/wiki/Immanuel_Wallerstein.

235. Cf. M. Gorbachev: Manifesto for the Earth. Action Now for Peace, Global Justice and a Sustainable Future, Clairview Books, Forest Row 2006.

236. Cf. N. von Stillfried: What About Transdisciplinarity? Its Past, Its Present, Its Potential … and a Proposal. In: Metanexus Institute, Bryn Mawr, PA, June 4, 2007, http://www.metanexus.net/conference2007/abstract/Default.aspx?id=427.

237. Economic anthropology: http://en.wikipedia.org/wiki/Economic_anthropology.

243. I believe that a sound balance between the disciplines in the perspective of an interdisciplinary holistic view is critical for the development of a contemporary societography. To the contrary, most existing approaches remain typically either too financially or too sociologically oriented. This is particularly true for a large part of the critique on modern economics brought forward by the paradigmatically “postmodern” parts of the contemporary humanities and social sciences. Many of them criticize things with which they have no direct experience, and which as a result they do not understand as practitioners. For example, books “against” the capitalistic system and its practices like the ones of Naomi Klein, Jacques Derrida, or Gilles Deleuze (to mention just a few), while contributing important viewpoints on the economic culture of our time, usually did not make any constructive contribution to a positive development. Instead, they were all

contribution toward the increase of a participatory financial literacy of broader parts of the society could be possible within relatively short timeframes. Cf. The Center for Studies in Higher Education at the University of California at Berkeley: Civic and Academic Engagement in the Multiversity. Institutional Trends and Initiatives. Proceedings of a University of California Symposium held June 10, 2005 at the University of California at Berkeley, University of California Press 2005. There it is stated: "Civic engagement is moving to the forefront of higher education discussions as universities see ways not only to intensify students' learning experiences but also to forge stronger links with the communities they are meant to serve … (The goal is to analyze) the important interface of civic and academic engagement, and to explore ways to further expand civic engagement… Universities have a special responsibility to engage the public that they serve …" (pp. 5–7). This would certainly be a trend at first glance not directly university-based. In this new mode, research is applied, problem-centered, transdisciplinary, heterogeneous, hybrid, demand-driven, entrepreneurial, and network embedded. This transdisciplinary research shares many of the same characteristics of more traditional research. Practitioners adhere to the norms of the scientific method, but they use different cognitive and social strategies. Existing knowledge is used, but the theoretical framework is creative, evolving, and cannot be reduced to its distinct disciplinary parts. The research team typically includes diverse perspectives on both the question that is being addressed and the possible applications for the research that is produced. In addition, research groups tend to be temporary and dissolve as the problems are solved or redefined, although communications persist over time through the use of technology. The results are diffused instantly through the network of participants, thus merging production and diffusion. Subsequent diffusion occurs as practitioners enter features (as described above) to the existing ones, where appropriate, for the benefit of the overall system.

245. S. Remer: The Education of Young Bankers Lacks Knowledge and Morals ("Es fehlt an Wissen und Moral"). In: Die Zeit Hamburg, 10 November 2008. See also: Die Zeit online, http://www.zeit.de/2008/46/C-Interview-Remer?page=all.

246. S. Remer: loc cit.

247. S. Remer: loc cit.

Washington DC 2010. There they assert that the “turn to sustainability” in the sense of a “new cultural attitude” is critical for the future of Western societies, and of globalization. At the same time, the researchers complain that there are “still too few approaches available for significant impact.”

253. Cf. emblematically E. Hobsbawm: The Death of Neoliberalism. In: Marxism Today, November/December 1998, pp. 7–21.

254. See for example M. Candeias, The Rosa Luxemburg Foundation Berlin: The Last Conjuncture. Organic Crisis and “Postneoliberal” Tendencies. In: Policy Papers of the Rosa Luxemburg Foundation 4/2009, http://www.rosalux.de/cms/index.php?id=19787&type=0 (retrieved March 6, 2010).

Asia, Africa and South America, to pioneering new green projects in North America and Europe." According to Fazle Hasan Abed, "if we are to tackle the global problems we face, we are going to need international action to do it. We believe (social) banks have the potential to change the architecture of the financial world, and start delivering lasting solutions for unserved and underserved communities and sectors." GABV: Global Alliance for Banking on Values Announces Commitment at the Clinton Global Initiative. International network commits to support $2 billion lending expansion. In: GABV News, http://www.gabv.org/News/press-release-09-09.htm, September 25, 2009.

260. GABV News: Sustainable Banking Pioneers Plan to Touch a Billion Lives by 2020. In: The Global Alliance for Banking on Values, http://www.gabv.org/News/2010-03-09-SustainableBanking.htm, March 9,

266. See: The "Move Your Money" campaign in the United States. This campaign is a movement by civil society members that promotes the move of assets by average bank customers from big to small and to community banks. The movement has been made famous, among others, by Arianna Huffington (born 1950): http://moveyourmoney.info/. This campaign is going viral on "YouTube" as well: http://www.youtube.com/watch?v=uI1tqeuXy80&feature=rec-LGOUT-exp_fresh+div-1r-1-HM, http://www.youtube.com/watch?v=PdJUksOOpgk&feature=related, and http://www.youtube.com/watch?v=Icqrx0OimSs&feature=related (all retrieved on March 1, 2010).

267. The US wide "Slow Money Alliance" presents some connatural features to the "Move your money campaign," see: http://www.slowmoneyalliance.org/. "Slow money" is dedicated to the idea of "nurture capital." It is, as its

III. The 20th century was the era of Buy Low/Sell High and Wealth Now/Philanthropy Later – what one venture capitalist called 'the largest legal accumulation of wealth in history.' The 21st century will be the era of nurture capital, built around principles of carrying capacity, care of the commons, sense of place, and nonviolence.

IV. We must learn to … connect investors to the places where they live, creating vital relationships and new sources of capital for small (food) enterprises.

V. Let us celebrate the new generation of entrepreneurs, consumers, and investors who are showing the way from 'Making A Killing' to 'Making a Living.'

VI. Paul Newman said, 'I just happen to think that in life we need to be a little like the farmer who puts back into the soil what he takes out.'

Francisco and Wainwright Bank Boston. Obviously, the term "slow money" is an analogy to "slow food," meaning a more healthy and sustainable handling of money, as well as a more responsible and thought-out approach to finance in general; it is parallel in meaning to "slow food" versus "fast food." This concept is closely related to what we saw above as the slogan of social ecology Professor Hans Glauber: "Slower, Less, Better, More Beautiful."

Sure enough, being responsible and sustainable in the use of money seems to be necessarily "slower," because it takes more time to act in a thoughtful manner than to act like "lemmings marching to the sea" (David K. Korslund): you have to think more and longer before you act. Nevertheless, there is a certain contradiction in the term "slow money," since, as we have seen in chapters 7 and 8, social banking and social finance seem more inclined to increase the speed of money according to the slogan "using money instead of having it." In contrast, the term "slow money" could be understood as

268. K. Kelly, T. McGinty and D. Fitzpatrick: Big Banks Mask Risk Levels. Quarter-End Loan Figures Sit 42% Below Peak, Then Rise as New Period Progresses; SEC Review. In: The Wall Street Journal, 8 April 2010, http://online.wsj.com/article/SB10001424052702304830104575172280848939898.html.

269. M. Gorbachev: loc cit.

270. Cf. chapter 4.

271. R. Salam: The Dropout Economy, in: Time Magazine, The Vision Edition, March 22, 2010, p. 41.

world gives way to a period of "competing (or contested) modernities," that is, to an age where the concepts of "modernization" and "modernity," including capitalism, are no longer defined mainly in a Western, democratic way, as they were previously. Many of the arising powers are eager to develop their own cultural models and modes of capitalism, which are in part not in accordance with Western democratic values.

As Martin Jacques, co-founder of the English think-tank "Demos" and research fellow at the London School of Economics, has pointed out, "the most likely scenario for the future is that China continues to grow stronger and ultimately emerges over the next half-century, or rather less in many respects, as the world's leading power … China's continued development will be one of the forces that shapes the century. But China will not be just any old superpower. It has its own distinctive combination of attributes: a huge population, a sense of its identity as a civilization as well as a nation state, a is right, the upcoming epoch will not only be one of “competing modernities,” but also one of “competing concepts of capitalism and finance” – with a presumingly strong impact toward non-democratic “paradigms.” It seems likely that no concept of “capitalism” will be able to remain completely untouched by such an overall development, at least not in the middle and in the long run – because cultural “paradigms” are at least to the same extent an effect of changing socio-economic environments, as they influence or even co-“create” them.

With the raise of China as the new global superpower that increasingly uses state capitalism as a tool of global outreach, but does not include the notions of freedom, participation, individualism and democracy into it, the financial system may be at least partially threatened as an endeavor of freedom, as Ian Bremmer, president of Eurasia Group, has brilliantly underscored:

year, but very few of those target the Chinese Communist Party directly. Many of them appeal to the party for help with local problems.

It’s impossible to know how China’s government would poll with its people. The country remains a police state, and foreign pollsters aren’t exactly welcome. But China is not North Korea or Cuba. Journalists and foreigners can interact with ordinary Chinese and exchange views with them both publicly and privately. The accumulated anecdotal evidence suggests that China’s entrance onto the international political and economic stage serves as a point of great pride, and that many citizens credit their government with wise leadership. The bigger worry is that China’s solid rebound from the global market meltdown is attracting admirers (and imitators) from across the developing world. China’s state-driven form of capitalism has become a threat to the future of free markets.

Finally, developing countries see anxiety in America, upheaval in Europe, paralysis in Japan, and growth and stability in China. Which is the more attractive model?

Many free-market democracies are preoccupied with yesterday's accidents and today's repairs. Too few have their eyes on trouble in the road ahead." I. Bremmer: As free-market democracies flail, China is the rare "success." In: USA Today, May 26, 2010, p. 11A. Cf. I. Bremmer: The End of the Free Market: Who Wins the War Between States and Corporations? Portfolio 2010. A similar thesis is held by A. Kaletsky: Capitalism 4.0, loc cit. Kaletsky asserts that there will be competition rather than convergence between the Chinese and Western models of politico-economic development and their underlying worldviews. Cf. A. Kaletsky: loc cit, p. 11, p. 257, pp. 304–313, pp. 315–317.

into capitalism as a “good” societal force *in the democratic sense*, are social banking and social finance. This is due not least because they are as much cultural as economic forces. While a large part of the mainstream Western institutions and practices of capitalism seems to be culturally discredited by the crisis, thus contributing to the expansion of non-democratic, state-centered and authoritarian concepts of capitalism, which de facto undermine its very basic notions and thus ultimately threaten the world capitalistic system as such, social banking and social finance may promote the insight into the benefits of an even more democratic use of capital and money.

Thus, my claim is that social banking and social finance may be needed in the era of “contested modernities,” in order to restore confidence to the democratic notion of capitalism by infusing ethics into it, and by pointing it out as freedom promoting and humanistic social endeavor.

December 18, 2008.

279. As M. Sandel rightly states: Insight "… as an exercise in self-knowledge carries certain risks … (It) teaches us, and unsettles us, by confronting us with what we already know … There is an irony: the difficulty consists in … (the fact) that thinking teaches you *what you already know*. It works by taking what we know from familiar unquestioned settings and making it strange. It estranges us from the familiar … not by supplying new information, but by inviting and provoking a new way of seeing." M. Sandel: What's the right thing to do? In: http://www.justiceharvard.org/index.php?option=com_content&view=article&id=11&Itemid=8. I would conclude with saying that this is exactly what social banking and social finance do, or want to do, with the old views of mainstream banking and finance. Social banking wants to take the familiar look of banking and finance and turn it around, so

are growing so rapidly, and as a result might face problems when dealing with bigger amounts of capital that may force them to diversify their investment strategies. The question is: How far can such a diversification of investment go, for example by putting part of the money in mainstream investment models in order to co-finance the core business of social investment, without moving away from the principles of social banking and social finance? Or to put it in other words: How "pure" must the principles of social banking be applied to achieve the overall goals of social finance in the long run? Is there, as some state, a difference between the mid-term and the long-term perspective, corresponding to the difference – and complementarity – between tactics and strategy? And is it thus allowed, or even preferable, to use "impure" mid-term tactics to achieve the "pure" long-term goals? This recalls the principal questions examined in footnote 112.

and how they can be expressed through the terms and values of the international financial markets.

5. Finally, whereas mature “real economies” provide relatively little opportunity for “outperformance,” which is what every professional investor is seeking, “sophisticated” Wall Street investors are disciplined by the marketplace to chase high returns that are outstanding, but not sustainable. As we have seen, this leads to all sorts of problems, including volatility, asset bubbles, and speculation (the so-called “Casino Capitalism”). It creates “fast money”. Social finance is a conscious and explicit rebuttal of that practice. Social finance invests in the real economy. This is “slow money:” a totally different set of expectations, a different culture, and a different risk profile. A comparative empirical research about the different features, specific capacities, relative strengths and weaknesses, and about the performances of “fast money”

283. First German National Television ARD: G-20 agree upon deficit reduction (G-20 beschliessen Defizitabbau). In: ARDtext, June 27, 2010, http://www.ard-text.de/index.php?page=120, p. 120.

284. Second German National Television ZDF: Merkel fails with banking fee (Merkel blitzt mit Finanzsteuer ab). In: ZDF-Videotext, June 26, 2010, http://www.teletext.tv-on-line.cz/zdf-teletext/, p. 140. There are some signals though that the European Union could implement aspects of the financial transaction fee independently from the United States. Cf. Austrian National Broadcasting Network ORF: European Union may implement financial transaction fee alone (EU könnte Finanzsteuer im Alleingang beschliessen). In: ORF Teletext, June 28, 2010, p. 120.

289. Handelsblatt Düsseldorf: Deutsche Bank dispises the USA (Deutsche Bank verschmäht die USA). In: Handelsblatt Düsseldorf, August 11, 2010, p. 1.

290. Cf. the statements of I. Golding, Director of the James Martin 21 Century School, Oxford University, and other leading scholars in: The Institute for New Economic Thinking: The Role of the Economic Profession in the Crisis. In: The Institute for New Economic Thinking: http://ineteconomics.org.video/, 25 July 2010 (retrieved August 22, 2010).

291. I. Kay, In: The Institute for New Economic Thinking: What Is the Institute for New Economic Thinking? In: http://ineteconomics.org.video/, July 20, 2010 (retrieved August 22, 2010).

world, less for the realities of Europe (and for parts of the rest of the world, for example, Africa). Like most of the current English-speaking literature on the history of capitalism, on the crisis and the subsequent reforms, Kaletsky's book has the tendency to extend what may be perfectly right for the Anglo-American constellation of the past 40 years to the whole world, and to claim it to be "the" reality of contemporary capitalism as such. While I agree with many of his observations and theses, I do not think that is completely the case. Thus, also his future concept of a "capitalism 4.0" remains only partly relevant for Europe (and other parts of the world), even though it proclaims itself as a "global concept." At the same time, Kaletsky is paradoxically also right with his claim to cover "the whole world," since the Anglo-American system and practice of capitalism of the past decades indeed heavily influenced, if not dominated, the system of global capitalism.

300. As a result of the crisis though, many Europeans feel more than ever insecure and financially illiterate. Cf. AFP: Many Germans believe they are financially illiterate (Viele Deutsche halten sich in Finanzfragen für unwissend), July 19, 2010.

301. If properly discerned from private uses of this word for (in some cases rather dubious) entrepreneurial purposes, like found on the internet, and in counselling advertisements.

302. Cf. R. Benedikter: Third Way Movements, loc cit.

303. Or as Ernst Ulrich von Weizsäcker has convincingly pointed out, current "leftist" and "rightist" ideologies and their respective lifestyles have not

http://www.time.com/time/magazine/article/0,9171,1670524,00.html (retrieved August 21, 2010).

308. P. Sloterdijk: Du musst Dein Leben ändern: Über Anthropotechnik (You must change your life: About Anthropotechnology). Frankfurt am Main 2009. Translation: Roland Benedikter.

309. P. Sloterdijk, In: E. Karcher: loc cit. Translation: Roland Benedikter.

Further Readings

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