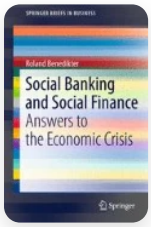
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Social Banking and Social Finance

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Social Banking and Social Finance

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Abstract

This small volume provides a concise introduction to contemporary social banking and social finance. Written in a short and easily understandable manner, it explains the history, the philosophy, the current state, and the perspectives of social banking and social finance. It describes their place within the global economy and the visions of their “global alliances” for the years to come. The focus is on the basic mindset that gave birth to social banks about a century ago, and that still constitutes their main driving force in the age of globalization, and on the comparison of the current state of social banking in the United States and Europe. Since most social banks are found on both sides of the Atlantic, their 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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Notes

1. In addition to peer reviewed articles, books and media productions by experts and practicioners, this material consciously includes, even though to a minor extent, civil society cooperative information and shared knowledge, a.o. from Wikipedia, green economy activist sites, Youtube, alternative news and

commentary blogs like the Huffington Post, and similar sources. The reason is that these in their majority open and democratic collaborative efforts “from below”, i.e. through public participation of the civil society, are in principle and as such (though not in all their realizations for sure, and obviously with all the 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 seven different ways to analyze the crisis that have surfaced through the public and academic discussions of the last years; in essence, they correspond to the seven types of answers to the crisis discussed in this volume in part 10. Sure enough, the multifacetedness of viewpoints, which are often “incommensurable” (J.-F. Lyotard) with each other, but which at the same time all seem to catch in some way important aspects that have their own legitimacy and plausibility (and have therefore to be included in the attempt toward a balanced and integrative view), is certainly sometimes confusing and discouraging. But we have to get used to the current situation of “interpretational pluralism,” because it applies to basically every important social development in today’s age of “ripe modernity” (J. Habermas). This is because the democratic Western societies have reached a level of complexity where many different positions can – and shall – coexist aside of each other in order to catch the greater picture. Thus, the historical moment of our culture is characterized by the principle of “deep ambivalence” (Z. Bauman) as a creative moment. “Deep ambivalence” means that everything observed, including

traumatic global events like the crisis, presents features that are often contradictory and dialectic in nature, and can thus be “read” in different ways.

What we can learn from this situation in my view is that we should be open to appreciate and to recognize a vast array of different approaches of 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 basic features, besides all open-mindedness depends *also* unavoidably on the ideological, philosophical, and methodological standpoint we (consciously and unconsciously) hold. That seems to be a paradox, but seems how our mind works. Our mind is open, on the one hand, but it is also bound to certain previously made experiences *at the same time*. So, for example, a Marxist, even if she or he sincerely tries her or his best to be openminded, may read the crisis in a very different way than a neoconservative, and both may argue that the viewpoint of the other is not correct. The dispute that is taking place today – and that will most probably continue over the years to come, as long as there is no consensually accepted interpretation of the crisis, its origins, and its effects, not to mention how to prevent further crises – is due to the fact that there are many ideological factions, who besides sharing certain basic judgments, are often battling each other for “interpretation supremacy.”

They are not seldomly accusing each other to not understand things properly – because, for example, of allegedly not being “scientific enough”, not having the

"right mindset", of not being "empirical enough" or (on the contrary) of being too tied to specific empirical findings, or because of accusing each other simply of "not being a (good) economist" (which usually means not to be a *mainstream* economist of this or that affiliation).

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). But in contrast, we in most cases believe that our judgments are "objective." That is due to the fact that our mind does not tend to observe itself when it is working, but rather "loses" itself in the things observed, and thus in most cases it is not conscious of its own act of "constructing" its own world. Thus, the result is that in judging things we are open to make new experiences by observing things, and at the same time we are bound to what we know, and believe.

3. From what said previously, it follows that any attempt to understand the crisis is of course not the only way to look at it. This is a. o. due to the fact that "two bubbles" the that we are going to discuss as two main (and interacting) pillars of the crisis: the "real estate bubble" and the "derivative bubble" are just two *leitmotifs* in a certainly much more complex overall puzzle. I don't even exclude that it could eventually turn out that per se they have not been the most important factors. Therefore, the explanation presented here should neither be taken as the "whole truth," nor should it be reduced to the notion of being an

all too reductionistic, too simplifying, or “only marginal” viewpoint. It is one reading option of what happened among others – not more, and not less.

4. If this paradoxical situation is the case: that we always try to be open-minded 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 conscious and unconscious decision. Accordingly, social banking and social finance are in principle not about confrontation and division by applying prejudices against (or in defense of) something or somebody, but about a sober, down-to-earth and realistic attempt to recognize what are the needs of the time. Applied to economy and finance as co-social endeavors: they are *not* about a “speculative economy,” which is anonymous and based on abstract numbers; on the contrary, they are about the “real economy,” tied to concrete, evolving realities and to “living people” who are connected with ambiguous life realities that are as vulnerable as they are beautiful. Throughout the pages of this volume, we will approach this “different” and at the same time “integrative” mindset, get to know the basics of its inner and outer dimensions, and see how they fit. At the end of all this, I will come back to the point how social banking and social finance are more about a mindset with which to look at financial and economic issues in a more inclusive way, than about any solution in particular that may rapidly change according to the contexts and to

history (solutions that have to be found, according to social banking and social finance, in every single case anew by individual and collective moral intuition).

5. G. Assenza and A. Martynau: The Financial Crisis: A Brief History of the Future. In: E. Fein (ed.): Economy in The Times of Change. Ideas and Impulses 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 at least as one-sided.

7. Cf. the exemplary case study in: R. Benders: Cleveland against Deutsche Bank (Cleveland gegen Deutsche Bank). In: Handelsblatt Düsseldorf, August 26, 2010. Sure enough, the case here is not about Deutsche Bank in particular, but about the business practices of mainstream banks in the “neoliberal” period between 1989 and 2007 in general, as well as about the overall systemic mechanisms (including expectations and hopes of large parts of the population) they created.

8. See for example F. Fukuyama: The End of History and the Last Man, Free Press New York 1992. “In this book, Fukuyama argues that the victory of Western liberal democracy on a global dimension in 1989–91 may signal a kind of final point of humanity’s sociocultural evolution and the definite form of human

government.” Cf.: http://en.wikipedia.org/wiki/The_End_of_History_and_the_Last_Man (retrieved August 02, 2010).

9. To be precise though, Fukuyama was (and is) no “neoliberal” theorist in the 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 to raise cash to support consumption. I suspect the mortgage crisis was a combination of both these factors.

12. The Washington Post: It’s Fantasy Economy! Some Expert Views on What Should Happen Next. In: The Washington Post, October 19, 2008, http://www.washingtonpost.com/wp-dyn/content/article/2008/10/17/AR2008101702148.html.

13. Cf. N. Roubini and S. Mihm: Crisis Economics: A Crash Course in the Future of Finance, Penguin Press, London, 2010.

14. “Derivative (finance)”: In: Wikipedia (English), http://en.wikipedia.org/wiki/Derivative_%28finance%29 (retrieved March 12, 2010). Cf. similarly the Stock Market Encyclopaedia of the Frankfurter

Allgemeine Zeitung (Börsenlexikon FAZ): http://boersenlexikon.faz.net/derivate.htm (retrieved June 22, 2010).

15. We have to make the constriction here that not all derivatives are purely speculative – such as “exchange traded futures.” For example, insurance 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.

16. Derivative (finance): loc cit.

17. “Hedge fund”: In: Investorwords, http://www.investorwords.com/2296/hedge_fund.html (retrieved August 15, 2010).

18. Some would challenge the assumption that “hedging” and “hedge fund” are directly related. I believe “hedge funds” as they currently exist (i.e., based on their legal forms of constitution) claim to “hedge” positions. Nevertheless, there is some evidence that they use the term as a way to maximize their ability to charge fees to investors. In my view, this does not change the overall argument presented here in its essence.

19. “Derivative (finance)”: loc cit.

20. “Derivative (finance)”: loc cit.

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 support conservative risk managers.

24. Niccolò Machiavelli (1469–1527) was an Italian politician, philosopher, historian, and poet. He held that for every endeavor to be successful, cunning and duplicity in statecraft or in general conduct must be employed. Machiavelli was convinced that to mislead one’s (political, trade, or business) partner in order to gain the maximum personal advantage is by far preferable to moral, interpersonal, or community oriented conducts. This is because Machiavelli did not believe in the basic humanistic doctrine that the more people are allowed to participate in the common wealth, the more society will benefit from it and evolve. Rather, Machiavelli believed that life is “everybody against everybody, and the winner takes it all.” The resulting ideology implicit in his worldview was that in the end, there must be necessarily one winner at the expense of many who must lose everything. As it seems from our current viewpoint, Machiavelli was not that far off from the “neoliberal” interpretation

of how a “good finance industry” must work, especially in the period between 1989 and 2007. But while important parts of the traditional, mainstream financial system were de facto based on similar assumptions, the crisis has questioned that view. Would it not be better for an open and democratic society that everybody had in principle the same economic and financial 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 2007–2010. Chorafas writes: “At the tail-end of 2008, (the) central theme would have been that credit is what the crisis is all about. In the year 2009 the keyword became trust. While confidence was at a very low point, capitalism was left without capital and this was impacting upon the real economy like a sledgehammer.” D. N. Chorafas: Capitalism Without Capital. Palgrave MacMillan Studies in Banking and Financial Institutions, Palgrave McMillan, New York 2009.

27. Trying to liquidate derivative positions was one part of an overall liquidity crisis built on the lack of trust. A similar liquidity issue was faced in the economic crisis (often called the “Great Depression”) of 1929 (the famous “Black Tuesday”), but with far more drastic results because there was insufficient intervention to restore liquidity. For a comparative perspective, see: The Great Depression, http://en.wikipedia.org/wiki/Great_Depression

(retrieved March 10, 2010); and L. Ahamed: Lords of Finance: The Bankers Who Broke the World, Penguin Press, London, 2009.

28. Or as D. N. Chorafas resumes, “It transpire(d) that many complex financial instruments (were) actually backed by assets that are nearly or fully worthless. These include(d):

    - 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.

31. The US Congressional Oversight Panel: February Oversight Report: Commercial Real Estate Losses and the Risk to Financial Stability, February 10, 2010, http://cop.senate.gov/documents/cop-021110-report.pdf. (retrieved February 11, 2010)

32. The US Federal Deposit Insurance Corporation (FDIC): Quarterly Banking Profile, Fourth Quarter 2009, February 23, 2010, http://www2.fdic.gov/qbp/2009dec/qbp.pdf.

33. Wirtschaftsblatt Vienna: European Central Bank experts worry that 2010 might be the next crisis year for European banks (EZB: Sorge um Bankenkrise

2010. Dauert die Krise zu lange, steht den Banken 2010 die nächste Krise bevor). In: Wirtschaftsblatt Vienna, June 11, 2009, http://www.wirtschaftsblatt.at/home/377926/index.do.

34. Reuters Germany: European Central Bank worries about new banking crisis in 2010 (EZB befürchtet weitere Bankenkrise 2010). In: Reuters Deutschland, 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.

38. AFP: The German National debt reaches new all time high (Staatsschulden erreichen Rekordhoch), March 11, 2010; Staatsverschuldung in Deutschland (German National Debt), in: Bund der Steuerzahler Deutschland (Association of German Tax Payers), http://www.steuerzahler.de/, November 28, 2010; U.S. National debt, in: http://en.wikipedia.org/wiki/United_States_public_debt and The United States National Debt Clock, http://www.usdebtclock.org/ (retrieved August 25, 2010). Additional numbers and statistics can be found in: G. Assenza and A. Martynau: loc cit, pp. 11 ff. On the rising threats for countries and nations as a result of such huge debts, see N. Ferguson: Complexity and Collapse. Empires on the Edge of Chaos. In: Foreign Affairs, March/April 2010.

39. Some though would question the extent of the impact of the financial crisis on the United States and on the European Union's overall debt development, since their structural origins reach back far before the crisis, and have multiple causes. A more accurate judgment on this topic will be possible only in a couple of years with the help of additional numerical and statistical material.

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 6, 2009 (retrieved April 16, 2010).

42. Overall, I agree with the analysis of N. Roubini, Stern School of Business of New York University, former US treasury official during the Clinton and Gore administration: "The trouble is that in the bubble phase nearly everyone, the exception being a few critical analysts, (was) swept in a delusional bubble mania of irrational euphoria: households, financial institutions, investors, governments, all of whom profited from the bubble, including Ponzi-schemers [i.e., fraudulent investors], who concoct their houses of cards and financial games. In each bubble there are cranks who argue that this time is different and that this bubble is driven by a fundamental brave new world of ever rising growth and profits. Then, when the boom and bubble turns into a bust and crash, a reality check occurs and financial depression sets in. (But) who is to

blame the most for the financial crisis 2007–2010? Who were the culprits of this latest one?

The list of culprits is long. The US Federal Reserve Bank (under the leadership of Alan Greenspan, chairman from August 11, 1987 until January 31, 2006) kept interest rates too low for too long in the earlier part of the 1990s and fed – pun intended – the housing and credit bubble. Bankers and 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 the last decade (i.e., in the years of the presidency of G. W. Bush Jr., R. B.) was one of laissez faire 'Wild West' capitalism with little prudential regulation and supervision of banks and other financial institutions. (…)

In sum, the Great Recession of 2008–2009 was triggered by excessive debt accumulation and leverage on the part of households, financial institutions, and even the corporate sector in many advanced economies. While there is much talk about de-leveraging as the crisis wanes, the reality is that private-sector debt ratios have stabilized at very high levels. By contrast, as a consequence of fiscal stimulus and socialization of part of the private sector's losses, there is now a massive re-leveraging of the debt of the public sector. Deficits in excess of 10% of the gross domestic product (GDP) can be found in many advanced economies, including the United States, and debt-to-Gross-Domestic-Product ratios are expected to rise sharply – in some cases doubling

in the next few years." In: http://www.amazon.com/Crisis-Economics-Course-Future-Finance/dp/1594202508/ref=pd_sim_b_1 (retrieved August 15, 2010).

43. Another indication among others for the assumption that the crisis has put particular burden upon the youth is that as a result of the crisis, unemployment, and poverty among young people not only in the United States, but also in Continental Europe, particularly in Eastern Germany and in 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-2007-36-weitere-turbulenzen.html.

45. Some contraindications, though, are found in 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, among others Michael Heise, Chief National Economist of the Allianz Insurance Trust International, assert that the risk of increased inflation is given for the coming years, but it will not reach seriously overproportional levels because of the low capacity utilization and the high unemployment rates in the wake of the crisis. I believe this to be a self-referential, circular, and speculative argument that does not touch the center of things.

46. Cf. the detailed global analysis (including China) of D. Heilmann, M. Thibaut, A. Grüttner, and M. Eberle: An End of the Crisis is not in Sight (Ein Ende der Krise ist nicht in Sicht). In: Handelsblatt Düsseldorf, March 30, 2010.

47. Many observers think that the next global bubbles may be a food and a water bubble.

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 value, even if their numbers rise. The hope is that the amounts of money with which a national state is indebted will allegedly lose their *real* value more rapidly (due to inflation combined with the increase in productivity) than the strictly numerical increase of the indebtedness.

    The Executive Board Member of the European Central Bank, L. Bini Smaghi, puts this ideology in just one sentence: There is a widespread belief that national debts can be mastered “through monetary policy. [A country or union of countries like the European Union] can (either) print money to inflate its debt away, (or) depreciate its currency to recover competitiveness … and grow the economy out of debt.” L. Bini Smaghi: The Future of the Euro: Why the Greek Crisis Will Not Ruin Europe`s Monetary Union. In: Foreign Affairs, August 10, 2010, http://foreignaffairs.com/articles/66509/lorenzo-bini-smaghi-

the-future-of-the-euro.html. Cf. also U. Dönch and A. Körner: Mister Inflation. Ben Bernanke is the president of the US Federal Reserve Bank – and probably the greatest money annihilator in history: He prints billions of new dollars – thus heating prices up and threatening our monetary system (Mister Inflation. Ben Bernanke ist Präsident der US-Notenbank – und womöglich der größte Geldvernichter der Geschichte: Er druckt ungeniert Milliarden von neuen Dollars – das treibt die Preise und gefährdet auch unser Geld). In: Focus. The Weekly News and Analysis Magazine, Nr. 4/2010, pp. 1–13, 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 in contemporary capitalistic societies – by creating a relationship between the real economy and the amount of money that should represent it that is not rooted in the realities of the present, but is permanently anticipating some possible, imaginary realities of the future. Governments in the meantime are printing and distributing money in amounts that would be more appropriate for economies that may have developed in 30 or 50 years in the future, but not now. They are bringing into circulation far too much money compared to the size and the productivity of the real economy.

There are two main implications and effects of this mindset.

First, it is clear that this attitude of acting in the "here and now" by speculating on the future as an "imagined reality" playing with money as a

time factor to a certain extent mirrors basic mechanisms both of the “real estate” bubble and of the “derivative” bubble, in this case on the level of the long-term strategy of the national economy.

Second, the continuing disproportion between the real products, goods and services produced by the real economy and the amount of money in circulation must sooner or later lead to new bubbles, and thus to new crises.

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 inflation by detracting liquidity from banks toward nation states, mainly through the emission of an increasing number of – comparatively attractive – government bonds dedicated to cover the growing national debts. I strongly doubt that this hope will hold true in practice, since most of the respective nation states may use at least part of the resulting capital for new investments into incentive programs, hoping to spark a new “growth spiral” that may absorb the debt through the combination of growth and inflation, and thus indirectly repay it, as described above, rather than use it for the “simple” (i.e., direct) repayment of debts and interests. Cf. M. Maisch: Banks run out of the big money. The hunger for capital of over-indebted states becomes a problem for the financial industry (Banken geht das große Geld aus. Der Kapitalhunger der überschuldeten Staaten wird zum Problem für die Finanzbranche). In: Handelsblatt Düsseldorf, April 27, 2010, p. 36.

50. An option to keep (too) high-inflation rates away from US soil in the past decades was to solicit other countries to keep a “supranational reserve” of US dollars in order to purchase key resources like petroleum, which due to the largely unchallenged political and military power of the United States is traded almost exclusively in US dollars. Therefore, the US dollar has become the de facto “world’s reserve currency.” This facilitated the US import of real, 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 Reserve is independent, has his support. November 9, 2010, http://thenextreporter.com/rj/federal-reserve-600-billion-bid-defended-barack-obama-federal-reserve-independent-support/0810429/.

    It is therefore not entirely accurate when President Obama in his G-20 Toronto speech of June 2010 underscored that “after years of taking on too much debt, Americans cannot –and will not – borrow and buy the world’s way to lasting prosperity. No nation should assume its path to prosperity is simply paved with exports to the United States.” There is some sense and some nonsense in this statement. On the one hand, it is right that the US military supremacy and political power contributed to make European welfare states possible after World War II (and to keep them alive until today), because due to the protection from the US, Europe needs only a comparatively small army and could otherwise not put that much more into governmental programs.

Also, it is a fact that the world economy strongly relies on the US economy, its performance and demand. On the other hand, the US wealth is partly also financed through the "dollar hegemony," and thus by the world – which accepts paper for the real goods "exported to the United States" (Obama). That means that the outstanding wealth of the United States is paid for at least partially by the world – that is, by relying on the current status of the US dollar as "de facto" world reserve currency. B. Obama: In: The White House 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 meantime huge) US dollar reserves – as "big player" China, since July 2010 the second-largest economy in the world behind the United States (as well as the biggest foreign holder of US dollars in the world), actually has already begun to do in March 2009. China's strategy is clear: "In March 2009, the governor of China's central Bank, Zhou Xiaochuan, made a splash by arguing that the dollar should be replaced as the world's reserve currency by special drawing rights (SDRS), the accounting unit used by the International Monetary Fund IMF, in transactions with its members and currently composed of a basket of four currencies (the dollar, the euro, the yen, and the pound)." B. Eichengreen: The Dollar Dilemma. In: Foreign Affairs, September/October 2009, pp. 53–68. Cf. R. Paul: The End of Dollar Hegemony. Speech at the U.S. House of Representatives, February 15, 2006, in: The US House of Representatives,

http://www.house.gov/paul/congrec/congrec2006/cr021506.htm (retrieved March 07, 2010).

There are several reasons, however, that provide some contraindications to such a development. Among them are the relative decline of the value of the euro due to the threat of bankruptcy of Greece and the huge debt problems of other European countries like Ireland, as well as the adjustment of the value of the British pound due to the notorious structural problems of the British 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 U.S. “Subprime Crisis” Turned into a World-Wide One and will Change the Global Economy. In: International Politics and Society, edited by the Friedrich Ebert Foundation Berlin, Nr. 1/2009, pp. 27–44.

52. Cf., for example, P. Krugman: The Return of Depression Economics. In: Foreign Affairs, January/February 1999.

53. In: Krugman Wins Nobel Prize in Economics. In: National Public Radio (NPR), October 12, 2008, http://www.npr.org/templates/story/story.php?storyId=95674011 (retrieved January 20, 2010). In the same interview, Krugman blamed “former Federal Reserve Chairman Alan Greenspan for much of the crisis because Greenspan ignored warnings about the economy.”

54. Cf. Krugman on the Financial Crisis and Spending. In: National Public Radio, October 21, 2008. See also P. Krugman: The Return of Depression Economics and the Crisis of 2008, W. W. Norton 2008; and P. Krugman: What to do. In: The New York Times Review of Books, Vol. 55, No. 20, December 18, 2008.

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.

58. Cf., for example P. Krugman: Will There Be a Dollar Crisis? In: Economic Policy, July 2007, pp. 435–467.

59. See a.o. N. Ferguson: Banking Crisis: Don’t blame the Central Banks. In: The Daily Telegraph, September 30, 2007. Reprint in: The official Niall Ferguson site, http://www.niallferguson.com/site/FERG/Templates/ArticleItem.aspx?pageid=34; and N. Ferguson: Colossus. The Price of America’s Empire, Penguin Press, London, 2004.

60. N. Roubini: 2006 and 2007 Speeches to the International Monetary Fund (IMF), in: http://www.roubini.com/roubini-

monitor/253448/2006_and_2007_imf_speeches_by_roubini_predicting_the_recession_and_the_financial_crisisand_the_five_stages_of_grief. Cf. E. Brockes: He told us so: N. Roubini. In: The Guardian London, 24 January 2009, http://www.guardian.co.uk/business/2009/jan/24/nouriel-roubini-credit-crunch (retrieved August 25, 2010).

61. BBC London: Buffet warns on “investment time bomb”. Derivatives are 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-review.org/documents/Quilligan,%20The%20Superbubble%20behind%20The%20Great%20Moderation,%20Vol.%206%20No.%201.pdf.

65. Cf. “Neoliberalism”: In: Wikipedia (English), http://en.wikipedia.org/wiki/Neoliberalism (retrieved August 5, 2010).

66. See “Hedge fund”: In: Wikipedia (English), http://en.wikipedia.org/wiki/Hedge_fund (retrieved March 10, 2010).

67. Cf. R. Benedikter: Warning Signal Thailand (Warnsignal Thailand). In: SWZ – Südtiroler Wirtschaftszeitung. Wochenblatt für Wirtschaft und Politik.

Bolzano, 16.04.1999, p. 19. Reprint of an extended version under the title: Warning Signal Thailand. The Asian Economic Crisis Shows the Dangers of the Globalization of the Finance and Capital Markets (Warnsignal Thailand. An der asiatischen Wirtschaftskrise zeigen sich die Gefahren der Globalisierung der Finanz- und Kapitalmärkte). In: Kulturzeitschrift “Die Drei” Frankfurt am Main, 69. Jahrgang, Heft 4/1999, pp. 59–62.

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.

71. W. Buffet, in: M. Panzner: Buffett on Derivatives: “A Fool’s Game.” In: http://seekingalpha.com/article/34606-buffett-on-derivatives-a-fool-s-game, May 7, 2007.

72. The tricky issue here is one of liquidity though. One [of the few] benefits of speculators is that they provide market liquidity, which generally leads to more efficient market pricing.

73. A. Rand: The Virtue of Selfishness, Signet, New York, NY 1964. As the book states, “Ayn Rand here sets forth the moral principles of *Objectivism*, the philosophy that holds man’s life – the life proper to a rational being – as the standard of moral values, and regards altruism as incompatible with man’s

nature, with the creative requirements of his survival, and with a free society." Cf. "Ayn Rand", In: Wikipedia (English), http://en.wikipedia.org/wiki/Ayn_Rand; and "Objectivism", In: Wikipedia (English), http://en.wikipedia.org/wiki/Objectivism_%28Ayn_Rand%29, (both retrieved August 20, 2010).

74. A. Rand has been the philosophical and ideological teacher of former US 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.

76. I. A. Goldin has initiated and directed a wide range of collaborative research programs, including the Programs of the Organization of Economic Co-Operation and Development OECD and of the Rockefeller Foundation on "The Economics of Sustainable Development", as well as of the "Economic Reform, Trade and Development". Cf. "Ian Goldin": In: Wikipedia (English), http://en.wikipedia.org/wiki/Ian_Goldin (retrieved July 23, 2010).

77. The Institute for New Economic Thinking INET is an independent think tank publicly launched in the framework of a conference held in April 2010 at Kings College, Oxford University, by leading world economists, among them Nobel Laureate Joseph Stiglitz. It was formally founded with an endowment

from US investor George Soros in October 2009, and has its main seat in New York City. Its main goal is to rethink the basic paradigms of the international financial and economic sciences given that these sciences have obviously failed to foresee the crisis; as well as to lay the building stones for a new, "integrative" economic paradigm for the post-crisis world. The programs of the INET are of high quality and can be recommended with conviction – even if some initiatives appear rather elitist and are not yet geared toward civil 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.

80. The term "Sustainability." In: http://en.wikipedia.org/wiki/Sustainability (retrieved January 25, 2010).

81. The issue of sustainability of profits – and its non-consideration by the speculative financial system – is a critical factor in explaining the origins of the crisis. Again, I would argue that the pressure for short-term returns from institutional investors like pension funds was – and remains – one of the key underlying problems not yet addressed sufficiently by post-crisis analysis.

82. One might argue that while the "sandglass principle" metaphor may be accurate in principle, it would nevertheless be difficult to give any concrete examples of how the real economy in the United States and in Europe was

under-capitalized during the pre-crisis years (i.e., between the 1990s and 2007). Money was cheap and relatively accessible for most endeavors back then. In fact, one might argue that on the contrary, the overabundance of liquidity in general was a fundamental cause of the housing and derivative bubbles. While that might be correct to a certain extent, the point remains that large amounts of the available money were put into the "underworld" and the "beyondworld" – and exactly that contributed to the crisis by creating 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 afford. A critical amount of liquidity went into government bonds or – now when the worst of the crisis seems to have passed – into high-risk derivative funds again.

83. D. N. Chorafas: loc cit. Cf. similarly D. N. Chorafas: Financial Boom and Gloom, Palgrave MacMillan, London, 2008. Cf. G. Assenza and A. Martynau: loc cit, pp. 10–25.

84. P. Sloterdijk: The Inner World Dimension of Capital (Im Weltinnenraum des Kapitals), Frankfurt am Main, Suhrkamp Verlag, 2005.

85. P. Sloterdijk, in: E. Karcher: Revolution of the Mind! Peter Sloterijk on the

Future. An Interview (Revolution des Geistes! Peter Sloterdijk über die Zukunft. Ein Interview). In: Süddeutsche Zeitung, January 3, 2009, http://www.sueddeutsche.de/kultur/peter-sloterdijk-ueber-zukunft-revolution-des-geistes-1.371816 (retrieved August 20, 2010). Cf. more in detail P. Sloterdijk: In The Inner World Dimension of Capital (Im Weltinnenraum des Kapitals), loc cit.

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 we have seen earlier). The "sandglass model" is *not* about the concrete quantitative proportions between "real economy" and the "bubble economies". Instead, it is useful as a qualitative didactical model of envisioning the entire situation, its inherent dynamics and some systemic features of the pre-crisis finance industry practices at one glance. That is how it can and should be used to understand the crisis, and to build perspectives out of it – not more and not less. Thus, this model should serve as a metaphor for what I believe to be one general mechanism that caused the crisis.

88. Or as Paul B. Farrell already at the start of March 2008 rightly subsumed: "The derivatives bubble was fueled by … (some) key economic and political trends (…):

1. (United States' and Europe's) Federal Reserve's cheap money policies created the subprime-housing boom;
2. War budgets burdened the US Treasury and future entitlements programs;
3. Trade deficits with China and others destroyed the value of the US dollar;
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;
- US mutual fund companies manage about $12 trillion;
- World's GDPs for all nations is approximately $50 trillion;
- Unfunded social security and Medicare benefits $50 trillion to $65 trillion;
- Total value of the world's real estate is estimated at about $75 trillion;
- Total value of world's stock and bond markets is more than $100 trillion;
- Bank of International Settlements (BIS) valuation of world's derivatives back in 2002 was about $100 trillion;
- BIS 2007 valuation of the world's derivatives is now a whopping $516 trillion.

(Today's) cascading 'domino effect' was brilliantly described (by) columnist Jesse Eisinger (who) concluded, "There's nothing intrinsically scary about derivatives, except when the bad 2% blow up." Unfortunately, that 'bad 2%' did blow up … It only takes a little spark from a 'bad 2%' deal to ignite this $516 trillion weapon of mass destruction. Think of this entire unregulated 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 Ben Bernanke, the Treasury Secretary Henry Paulson and the rest of America's leaders can't figure out the world's $516 trillion derivatives.

Why? Gross says we are creating a new 'shadow banking system.' Derivatives are now not just risk management tools. As Gross and others see it, the real problem is that derivatives are now a new way of creating money outside the normal central bank liquidity rules. How? Because they're private contracts among two companies or institutions.

This chaotic 'shadow banking system' has become the world's biggest black market. Why? Because central banks require reserves like stock brokers require margins, something backing up the transaction. Derivatives don't. They're not real money. They're paper promises closer to 'Monopoly' money than real US dollars. And it takes place outside normal business channels … That's the wonderful world of derivatives, and it's creating a massive bubble that could soon implode." P. B. Farrell: Derivatives 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).

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 noticed. Von Weizsäcker analyses:

“It has been so far heavily underestimated that the crash of the U.S. housing market of 2006–2007 was closely connected with the relationship of fuel prices with the expansion of the real estate market, i.e. with land consumption in the United States. What mean is by that? Assumingly this: Since the times of Ronald Reagan (1911–2004, US president 1981–1989), Americans followed a kind of untold ideology which consisted in keeping fuel prices always as low as possible, and as a matter of principle – i.e., as a kind of ‘citizen’s right.’ Indeed, during the 1980s and 1990s, the oil and fuel prices were and remained low to very low. The effect was that the commuting distances in the USA almost doubled during the past three decades. At the same time, and as a direct result of low fuel prices and the respectively increasing commuting options, a huge expansion in the overall land consumption took place: People built their houses always farther out of the centre, and farther away from their working place because fuel was so cheap that almost everybody could afford it to commute to almost every distance. Thus, home prices in the

periphery went up dramatically. But when in 2006 the oil prices suddenly increased, many Americans had to leave their periphery houses and move to places closer to their place of employment in the centre, because they could not afford commuting anymore. As a result, most houses in the periphery lost 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-weizsaecker-faktor-fuenf-mal-so-viel-wohlstand-aus-kilowattstunde-energie-ressourcen.

I mention the approach of my friend and mentor Ernst Ulrich von Weizsäcker here only to underscore, for a last time before we move on, the complexity of the crisis; and as a warning to not too easily reduce it to this or to that viewpoint. But I mention it also to point out once again that this booklet does not presume to give the full detailed account of how to explain the crisis. It rather wants to give a basic picture that is meant to give rise to further investigation on the part of the reader. For sure, there are many things still to explore, and to understand regarding the crisis of 2007–2010.

90. There is much relevance to the point that bankers were like lemmings marching to the sea. They have done so repeatedly over the last decades. The quote from Chuck Prince from Citibank on "dancing while the music plays" is quite relevant here, see C. Freeland: Investors had little choice but to keep on

dancing. In: The Financial Times, October 8, 2009, http://www.ft.com/cms/s/0/7f7260c2-b43d-11de-bec8-00144feab49a.html

91. A popular – although necessarily eclectic – list of more reasons explaining the 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 important than the real economy – not only regarding the concept of "success," but also in the minds and hearts of large parts of the population. Why? Because, as German philosopher Peter Sloterdijk stated, the general cultural mindset that triumphed in the pre-crisis years between 1990 and 2007 was that of "Harry Potter," the undisputed imaginary hero of the neoliberal years:

"The change apparently took place in what the neoliberals believe as the seemingly universal problem solving power of the markets … but in reality, it happened in the name of a magical, i.e. neo-mythical world view. The real hero of 'neoliberalism' is Harry Potter. This is because the 'Harry Potter' novels present a fabled world without any reality frontiers. They convinced a whole generation to discover the illusionist and wizard in themselves. Interestingly, the word 'potter' denotes a craftsman who creates hollow containers, or jugs. Containers (or jugs) are media that absorb in order to release. (German philosophy professor) Martin Heidegger has written a deep

philosophical reflection about the essence of ‘things’ using the example of a jug. The jug can fulfill its function only to the extent that it is hollow, e.g. that and can be filled. If it gets replenished, it then lets the fluid go again; by discharging, it donates itself to others. Contemporary finance, in contrast, seems to have blocked the exit of the jug. There is nothing that flows out 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 system. And not to forget: The whole system of education will break down, if the logics of cause and effect are suspended. In the current financial culture, nothing will be predictable, because everything goes.” P. Sloterdijk, In: E. Karcher, loc cit.

In other words: The “neoliberal” years between 1989 and 2007 produced a culturally broadly accepted – and even celebrated – mindset that held: You don’t have to become wealthy by hard work (i.e., through the real economy), but by “witching” (i.e., by speculation in the “upper” or “lower” part of the “sandglass”). “To witch” was to speculate on high risk, short-term profits without care for any consequences. It was to bet on the work of others, and to triumph in an “easy game” by making lots of money in a comparatively short amount of time, and without any “real work.” That is what the hype of Harry Potter in the end was all about: Harry Potter incorporates, in the form of a fairy tale, the spirit of the particular time period of “neoliberalism”. But this was a destructive and parasitic spirit, in the end, as the crisis of 2007–2010

ultimately proved. Seen through the character of the culture that stood behind it, the crisis was ultimately a necessary outcome, and, to a certain extent a “natural” consequence. If analyzed in-depth, the “Harry Potter” mindset of the neoliberal finance industry and its culture turned the Calvinistic and protestant mindset that founded America on its head. So if we 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., organization) onto work (2). Instead, they de facto create a kind of a “witching bubble” by applying “spirit onto spirit” and thus become “virtually” (and spiritually) parasitic.

93. Cf. S. Remer: “Society has not learned from the crisis” (“Gesellschaft hat nicht aus Krise gelernt”). In: Deutschlandradio Kultur, 15.09.2009; and S. Remer: “The Education of Young Bankers Lacks of Knowledge and Morality” (“Es fehlt an Wissen und Moral”). In: Die Zeit Hamburg, November 10, 2008.

94. Cf. The European Parliament: Wolf Klinz on European Parliament special committee to tackle the financial crisis. In: http://www.europarl.europa.eu/sides/getDoc.do?pubRef=-//EP//TEXT+IM-PRESS+20091002STO61738+0+DOC+XML+V0//EN, October 7, 2009.

95. APA/Austrian National Broadcasting Network ORF Teletext: Finance lobby is obstructing reforms. European Parliament calls for “Financepeace” (Finanzlobby behindert Reformen. Europäisches Parlament ruft nach “Finanz-Peace”), June 23, 2010, p. 126. As the following chapters will point out, social banking and social finance are innovative approaches that may be able to 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, http://www.usnews.com/news/national/articles/2010/01/21/obama-steps-up-campaign-against-wall-street-banks.html. Obama’s opinion seems in this case to be relatively representative of his party’s overall standpoint. Cf. T. Braithwaite: Democrats adopt hard line on derivatives. Democrats have agreed to a forceful stance on derivatives that could make banks spin off trading desks, but some aids say legislation will stop short of an outright ban. In: Financial Times Europe, April 27, 2010, p. 6.

98. Going beyond Barack Obama’s – overall seen pondered – judgment, some scientists, such as H. N. Pontell from the Department of Criminology, Law and Society at the School of Social Ecology of the University of California at Irvine, went so far to subsume the financial crisis and some of its parts under the label “White-Collar-Crime,” a.o. by suggesting that the overall lack of consequences of the crisis 2007–2010 for mainstream bankers and (derivative) traders means to “trivialize lunatic crime.” See H. N. Pontell:

Fraud and financial crisis. Trivializing the lunatic crime rate. In: H. N. Pontell and S. M. Rosoff (eds.): Social Deviance. Readings in Theory and Research, McGraw Hill, New York 2010, pp. 30–39. Besides that among those who made "obscene amounts of money" through the use of the "sandglass principle" were indeed some criminal individuals who were later brought to trial and 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 solicitated negative behaviour further: "The world has not become greedier or more avaricious then in previous times. But when the U.S. Federal Reserve Bank in response to the crisis emits money for zero interests, the rational global player has to snap at the chance. Why? Because otherwise he is at a disadvantage to other competitors who will take this easy money.

(Also these disputable reactions) show that the financial crisis has its main cause in technical errors of the world's leading Federal Reserve Banks. Behind these errors stands the conflict between an inflationary and an anti-inflationary course in monetary policies. What we experience today (i.e., as the reactions to the crisis,) is the consequence of the fact, that the pro-inflationists and the debt acrobats have won the game behind the curtains. If the international Federal Reserve Banks attempt to mitigate the crisis by starting the printing presses and printing billions of dollars, we can clearly see how the 'revaluation of values' works. Many governments… are trying to master the turbulences with a hidden strategy of inflation, which in reality is

creating an upcoming inflation crisis." P. Sloterdijk, In: E. Karcher, loc cit. Cf. what we have said similarly in footnote 47.

Summing up, if what Sloterdijk asserts is only approximately the truth, it seems to be typical for some temporary, emotionally "heated up" reactions to 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.

100. Info3 News Report Frankfurt am Main, March 1, 2010

101. C. Scheire and S. De Maertelaere: Banking to make a difference. A preliminary research paper on the business models of the founding member banks of the Global Alliance for Banking on Values. Artevelde University College Gent, in cooperation with the Global Alliance for Banking on Values and supported by the European Social Fund, Artefelde Hogeschool, Gent, June 2009, pp. 19–20; and The International Association of Investors in the Social Economy (INAISE): 12 measures for a socially useful financial system. Four International Social Finance and Community Development Federations put out a call to G-20 Governments. In: http://www.inaise.org/EN/fr_1.html, Paris, Brussels and Washington DC, September 21, 2009. I take only the European banks into account here, and I have inserted the balance sheets as of 2010, where possible (i.e., in the cases of Triodos bank and GLS bank). Cf. Triodos Group News Report:

Triodos Group grows by 30%. Stable profit and a record year of lending, in: http://www.triodos.com/com/whats_new/latest_news/press_releases/growth_triodos_group, February 25, 2010; TAZ Berlin: Bank Chief Thomas Jorberg attracts customers (Bankenchef Jorberg zieht Kunden an), in: 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 Trends and Rise of Social Networking Set to Change Industry Dynamics. Egham, UK, February 6, 2008. In: http://www.gartner.com/it/page.jsp?id=597907 (retrieved February 15, 2010). Interestingly, as a consequence Gartner Inc. “advises (traditional) banks … (that they) should identify opportunities for partnerships with FSNs … (and to) urgently invest in customer behavioral and segmentation analysis and re-engineer business intelligence models so that they can better understand the demographic changes taking place in the market.” “Demographic change” here means that social banking is strongly connected to the future segments of the financial markets, i.e. that it attracts particularly the young and well educated portions of the population.

104. C. Scheire and S. De Maertelaere: loc cit, p. 16. The balance sheet of Triodos bank and GLS bank is given as at February 28, 2010; all others are as at February 28, 2009.

105. Glocalist Daily News: Umweltbank Nürnberg performs brilliantly with 30% growth rate (Umweltbank glänzt mit 30%igem Wachstum). In: http://www.glocalist.com/news/kategorie/wirtschaft/titel/umweltbank-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).

108. The Global Alliance for Banking on Values: http://www.gabv.org/.

109. C. Scheire and S: De Maertelaere: loc cit, p. 4.

110. The Global Alliance for Banking on Values: http://www.gabv.org/ (retrieved January 26, 2010).

111. INAISE: http://www.inaise.org/EN/frdr_1.html.

112. The Global Impact Investing Network GIIN: http://www.globalimpactinvestingnetwork.org/cgi-bin/iowa/home/index.html.

113. The interesting main question here is of course how “pure” a “neo-idealistic” approach like social finance must be to have any long-term effect on the

societal whole, particularly on the systemic level. Experience since the 1980s and 1990s has shown that under increasingly complex and multilpolar cultural and economic conditions, only “pure,” even if comparatively one-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 “pure”) approach not play the game of the opponents of social banking and social finance?

These are “deep”, principal strategic questions to discuss – not only between the members of the “new generation” of bankers, but also for everyone that deals with money, i.e. basically for all of us. Further, these questions underscore as such the basic “fundamental ambivalence” (Zygmunt Bauman) of our current civilizational constellation we discussed in footnote 2; and they are fundamental for everyone to reach a clear stance toward the current economic-political scenery.

Like most of my colleagues, I am actively in favor of consciously “balanced” paradigms, but it is still a legitimate debate if these are useful approaches under every circumstance.

114. The Global Impact Investing Network, loc cit.

115. The Skoll Centre for Social Entrepreneurship at Oxford University: http://www.sbs.ox.ac.uk/centres/skoll/Pages/default.aspx.

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, even though in most cases with slightly different centers of gravity than in Europe. Among them are the MIT Green Hub at the MIT Boston, Department of Urban Studies and Planning, which includes MIT's Community Innovators Lab (CoLab), http://www.thegreenhub.org/; the Center for Social Innovation CSI of the Graduate School of Business of Stanford University, http://csi.gsb.stanford.edu/; the Center of Ethics in Society of Stanford University, http://ethicsinsociety.stanford.edu/; the Orfalea Center for Global and International Studies of the University of California at Santa Barbara, http://www.global.ucsb.edu/orfaleacenter/index.html; the Bruce Initiative on Rethinking Capitalism at UC Santa Cruz, http://www.rethinkingcapitalism.org/; the Institute for Social Innovation at Fielding Graduate University, http://www.fielding.edu/whyFielding/ci/isi.aspx; the (private) Foundation for the Advancement of Social Theory (FAST), associated with Fielding University, http://www.fielding.edu/whyFielding/ci/fast.aspx; and the Institute for New Economic Thinking INET New York, http://ineteconomics.org/, to mention just a few.

120. B. Obama: loc cit.

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 (eds.): Cooperative Banking in Europe: Case Studies. Palgrave Macmillan Studies in Banking and Financial Institutions, Palgrave McMillan, London 2009. I do not include this detailed information here, because the focus of this short volume is on providing a first introductory image of what social banking and social finance are about; and this endeavor is necessarily tied more to the understanding of a mindset than to the description of concrete everyday operations. Sure enough, these remain important for those who want to go further, or take action themselves by joining the social banking business, and so they should consult the reading list at the end of this volume. An extended collection of highly specialized literature can be found at the “Institute for Social Banking Bochum” reading list, see: http://www.social-banking.org/fileadmin/isb/file/ISBLiteratureResources.pdf.

123. U. Reifner and J. Ford (eds.): Banking for People: Social Banking, New Poverty Consumer Debts and Unemployment in Europe, Walter de Gruyter Publishers, New York 1992. Cf. U. Reifner and J. Evers, Institute for Financial

Services IFF of Hamburg University (eds.): The Social Responsibility of Credit Institutions in the EU: Access, Regulation and New Products, Baden Baden, Nomos 1998. In his writings, Reifner rightly underscores the lead slogan of social finance: “Using money – rather than having it.” Sure enough, 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 financial crisis (Die Geldgesellschaft. Aus der Finanzkrise lernen, Wiesbaden 2010) summons up his writings of the last 30 years with focus on the contemporary financial system. Reitner servers currently also as the official speaker of the European Coalition for Responsible Credit (ECRC) (see: http://www.responsible-credit.net/).

124. U. Reifner: Financial Literacy in Europe, Nomos Publishers, Hamburg 2006.

125. C. Scheire and S. De Maertelaere: loc cit, p. 3.

126. F. De Clerck: loc cit, pp. 1–2.

127. De Clerck: loc cit, pp. 5–6.

128. De Clerck: loc cit, pp. 5, 8, 10.

129. De Clerck: loc cit, p. 9.

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).

133. There is little doubt in social research today that networking – that is, establishing social cohesion based on mutual trust and on personal contact – creates social contexts that are becoming increasingly useful prerequisites of economic and financial success not only individually, but also collectively. This is the case specifically in progressive environments of economy and society. One of the best examples is the success story of Silicon Valley, as currently researched by Stanford's economic sociologist Mark Granovetter. Mark is conducting research on the sociology of industrial organizations: "One study is called the 'Silicon Valley Network Analysis Project' (SiVNAP). Though everyone agrees that the most crucial aspect of Silicon Valley's dramatic success is its networks, there has been virtually no systematic study of their history, structure, and functioning. Mark's study explores these networks and their evolution over time, and also investigates the institutional complex that supports local industrial activity, including

financial, educational, legal, and political sectors." In: Stanford University, Department of Sociology, http://www.stanford.edu/dept/soc/people/mgranovetter/index.html (retrieved April 27, 2010). Regarding the increasing importance of trust in societal relationships (including economy), see the seminal contributions of Stanford 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.

137. This assumption is to a certain extent also the ideological basis of the European "welfare states." Unlike in the United States, most countries in Europe offer their citizens free health care, free social services like kindergardens and schools, as well as extended, publicly financed security nets against unemployment and social disadvantaged. For example, every citizen in the European Union has the right to get public health care, wherever she or he is; there are in principle no differences in the quality of treatment related to money. This is a "social finance" aspect inbuilt in the overall public spending of most European states. Sure enough, the other side of this coin is that many European states are currently at a point where they face great difficulties in maintaining this system, because health care and other social features are becoming too expensive due to advanced technologies, and given that people's average age in the Western countries is rapidly increasing thus growing the financial needs for public welfare.

138. This aspect is at the center of the view of most social bankers that social banking is a return to banking's original roots, where the circulation of money to build a community (and its individuals) is what has historically 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.

140. I use this term here in a non-Marxist, humanistic (and thus more simplifying, not class and exploitation specific) sense.

141. The division of labor and the development of technology are the two main structural causes of capital formation; they are at least as important as the effort of individual work as such. As one of the theoretical forerunners and pioneers of modern social banking and social finance, Austrian philosopher Rudolf Steiner (1861–1925) asserted, there are two basic modes through which values are created: (1) The application of work onto nature; (2) the application of intelligence onto labor, as in the form of the organization of work by the division of labor and through technology. The result of (1) is material goods; the result of (2) is material capital (i.e., the means of production, such as machines) and money capital. Cf. R. Steiner: Seminar on National Economy (Nationalökonomischer Kurs) (1922), Basel 1979, in:

Dreigliederungsportal Deutschland, http://www.dreigliederung.de/download/340.pdf (retrieved January 10, 2010); and R. Steiner: Capital and Credit (1919), in: Rudolf Steiner Archive online, http://wn.rsarchive.org/SocialIssues/CapCrd_index.html (retrieved 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 ways of life produce more than they can consume, we would be already in a "capitalistic" society again, because the surplus starts to produce its own laws and structural features – even if most social dreamers were (and remain) reluctant to admit that. Overall, I believe that self-sufficient ways of living can be a good addition to the benefits of the capitalistic society; but they can certainly not replace it.

142. Of course, both the core creation modes of (material) values: (1) the application of work onto nature and (2) the application of intelligence onto labor have to be enacted with common sense and responsibility, as not least the current grave environmental crisis shows. There are limits of applying work onto nature; as well as dangers inherent in the overuse of intelligent working capacities due to the increasing power of technological tools. For an exemplary interactive introduction into these issues, see: A. Leonard: The Story of Stuff. An interactive learning project, in: http://www.storyofstuff.com/ and http://storyofstuff.com/index.php (retrieved

April 12, 2010). While I regard Leonard's – and other environmental activists'– critique on the *overexploitation* of nature through the overapplication of intelligence onto labour and the *overuse* of technology as legitimate and necessary, I do not agree with its generalizing, anti-economy 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).

145. One of the most influential thinkers that incepted such an unusual approach to money and finance, and thus gave birth to the first "green" movements in Europe in the 1970s and 1980s (including the German political "Green party") was the famous German artist Joseph Beuys (1921–1986). In fact, the slogan "Capital = Spirit" is mainly his invention (as it was, for the rest, also the slogan "Art = Capital"). It was originally the *leitmotif* of his professorial chair as ordinary professor of Art and Society at the University of the Arts Düsseldorf (1961–1975), and it later became the slogan of the "Free International University," which he co-founded in 1973 in order to promote new approaches to social and societal questions, including economy and finance. Cf. J. Beuys: What is Money? A Discussion. Clairview Books, Forest Row 2010.

146. In contrast, influential US theorist Immanuel M. Wallerstein's (Yale University, born 1930) definition of capitalism is something to the effect of

"capital is always and necessarily the pursuit of capital per se." This definition implies that capitalism, as Wallerstein understands it, is fundamentally and by its very characteristics unhealthy for the greater societal good. In contrast to Wallerstein, I think that such a view, while 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 modern man as such is to be understood. Cf. J. Ackermann und H. C. Binswanger: "Money is missing. Good then, let's create it!" Goethe's poem "Faust" and the Modern Use of Money ("Es fehlt das Geld. Nun gut, so schaff es denn!" Goethe's Faust und der moderne Umgang mit Geld). In: Frankfurter Allgemeine Zeitung (FAZ), 20.06.2009, http://www.faz.net/s/Rub58241E4DF1B149538ABC24D0E82A6266/Doc~E10569058E50A4F888BFCCAD3B5A4648C~ATpl~Ecommon~Scontent.html; H. C. Binswanger: Money and Magic, Chicago University Press, Chicagos 1994; and H. C. Binswanger: The Magic of Money (Die Magie des Geldes), in: St. Galler Tagblatt, June 3, 2005, http://www.iep.uni-karlsruhe.de/download/Die_Magie_des_Geldes.pdf

148. The Stanford Program on Liberation Technology at the Freeman Spogli Institute for International Studies: http://fsi.stanford.edu/research/program_on_liberation_technology/

149. In: http://fsi.stanford.edu/research/program_on_liberation_technology/ (retrieved January 15, 2010).

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.

152. My hypothesis is that core banking in the "medium area" of the real economy is (a) asset accumulation in safe warehouses, (b) building solid productive assets using borrowed funds, and (c) facilitating cash payments.

153. J. Heinrichs: The Logical Principles of the Social Sphere. Origins of Society (Logik des Sozialen. Woraus Gesellschaft entsteht), Varna 2005. Cf. M. Opielka: Community in Society, Sociology after Hegel and Parsons (Gemeinschaft in Gesellschaft. Soziologie nach Hegel und Parsons), Wiesbaden 2006.

154. Cf. the excellent short overview over the interweavement between economic, technological, and cultural factors in innovative processes in F. Knauß: How Innovation Functions (Wie Innovationen entstehen). In: Handelsblatt Düsseldorf, 15 March 2010.

155. Admittedly, though, the value of gold is in the end nothing “natural” or “given,” but is ascribed by the community of human beings to it. The only difference is that gold has a greater material consistence, and most important, that it is a limited resource on this planet – while paper and 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 nothing more, and nothing less, than a social convention, or a social contract between given parts. In the United States, the founding moment of its currency, the US dollar (derived from the German word “taler,” a medieval currency used mainly in Central Europe) in 1792, seems too long ago for an average citizen to remember that at the basis of the unmatched wealth of this nation – the richest nation on earth at the present, and presumably also in the foreseeable future – there has been, and still is, a social contract about values, and thus about money, that is unparalleled in the history of humankind. Cf. B. M. Friedman: The (American) Economic System. In: P. H. Schuck and J. Q. Wilson (eds.): Understanding America. The Anatomy of an Exceptional Nation, Perseus Books, New York 2008, pp. 87–120.

158. M. Sandel: What’s the right thing to do? In: Harvard University Justice Course, Episode 1, http://www.justiceharvard.org/index.php?option=com_content&view=article&id=11&Itemid=8 (retrieved February 25, 2010).

159. Cf. M. Sandel: What's the right thing to do? In: Harvard University Justice Course, http://www.justiceharvard.org/ and http://www.justiceharvard.org/index.php?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 written in part by experts in modern economic history. While there are many good ideas produced for the whole of society and the sphere of social organizations, the inclination of traditional religions toward principle ethics that is once more exemplified in this Encyclical (as well as in similar writings and teachings by other religions) is one reason – among many – why social banking and social finance, like other socially progressive initiatives rooted in (and working with) the civil society paradigms and mechanisms of today's world, have to consider themselves independent from every religious affiliation. That does not exclude the appreciation of and cooperation with religious charity trusts.

161. Cf. the detailed comparative statistics in C. Scheire and S. De Maertelaere: loc cit, p. 10 ff. and p. 16 ff.

162. N. Ferguson: On the Financial Crisis. In: The Agenda with Steve Paikin,

http://www.youtube.com/watch?v=By8n0Rkmzik. Cf. already in 2004 N. Ferguson: Colossus. The Price of America's Empire, Penguin Press, London 2004; and most recently N. Ferguson: The Ascent of Money: A Financial History of the World, Penguin Press, London 2008.

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 elites) is "Transition towns." See: http://www.transitiontowns.org. "Transition towns" are towns and cities where parts of the civil society deliberately (i.e., without the command of the government, or other public institutions) choose to address all those aspects of life that the community needs in order to sustain itself and thrive: for example, how to significantly increase sustainability by drastically reducing carbon emissions to mitigate the effects of climate change. "Transition towns" are about "forming (civil society) groups to look at all the key areas of life (food, energy, transport, health, heart & soul, economics & livelihoods, etc.), thus creating complementary pools to governmental and institutionalized power by civil society activity, and by including money and finance at the very core that empowers them." In: http://www.transitiontowns.org.

168. In the gender-attentive society of today, we would rather prefer the slogan "Freedom, Equality, Siblinghood."

169. E. Hobsbawm: Age of Extremes: The Short Twentieth Century 1914–1991, Little Brown & Company, London 1994.

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).

172. Cf. R. Steiner: Towards Social Renewal (1921), Rudolf Steiner Press 1977; R. Steiner: World Economics (1922), Rudolf Steiner Press 1972. Most texts by Rudolf Steiner about social economy and social finance can be found online at: http://www.rsarchive.org/SocialIssues/.

173. Cf. S. Gesell: The Natural Economic Order (1906), translated by P. Paye, in: http://www.ces.org.za/docs/Gesell/en/neo/index.htm.

174. J. Maynard Keynes: General Theory of Employment, Interest and Money, Harcour, Brace and Company, London 1935 p. 355. See also online: University of Adelaide, http://ebooks.adelaide.edu.au/k/keynes/john_maynard/k44g/.

175. H. C. Binswanger (St. Gallen University): Money and the Alchemistic Form of Being. A Dialogue (Geld und die alchemistische Seinsweise. Ein Dialog). In:

Institute for Social Threefolding Stuttgart, June 1994, http://www.dreigliederung.de/essays/1994-06-015.html.

176. I deliberately focus here on the "Western" constellation only: *first*, because 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 investment may be embraced by more mainstream investors. In: Sustainability Investment News, October 17, 2008, http://socialfunds.com/news/article.cgi/article2567.html.

178. For a continued oversight, see the largest U.S. website devoted to socially responsible investing "Social Funds": http://www.socialfunds.com/.

179. NCRC: http://206.130.110.176/index.php?option=com_content&task=blogcategory&id=50&Itemid=104 and http://206.130.110.176/wordpress/. NCRC's projects are funded in part by the Ford Foundation New York, http://www.fordfoundation.org/.

180. F. De Clerck: loc cit.

181. C. Scheire and S. De Maertelaere: loc cit, p. 16.

182. Xigi.net, http://www.xigi.net/index.php?en=426 (retrieved February 1, 2010).

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: Treasury Department Will Invest $1 Billion in Community Development Financial Institutions. With unemployment rates still at record highs and big banks unwilling to lend to small businesses, CDFIs welcome the infusion of capital when demand for their services is greater than ever. In: Sustainability Investment News, February 10, 2010, http://socialfunds.com/news/article.cgi/article2885.html.

185. I would suggest that this difference is an interesting overall cultural comparison between Europe and the United States.

186. As always with comparative cultural issues, it is a delicate task to seek explanations for the differences between the United States and Europe with regard to the societal embedment of capitalism. The reason is that every such explanation is by its very nature unavoidably full of potential

exaggerations and misunderstandings, which is always dangerous because it generalizes and functions necessarily as a reduction that presents some advantages and many problems. Thus, every such attempt has to be handled with extreme caution and carefulness. Second, every such attempt has to consider that most aspects involved present their pros and cons *to an equal 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 the different approaches in the "cultural psychology" toward capitalism could be the result of the fact that modern capitalism was "invented" in Europe (let us think of the Fugger family in Germany in the late Middle Ages, or the Medici in Florence during the Renaissance, to mention just a few); so that Europeans in general might have it easier to be critical, given that they have had such a long story with witnessing its many faults in the early and "axial" periods; while Americans might be necessarily less distanced, that is, "closer" to capitalism as a functioning "natural" cultural practice given that they became a nation when capitalism was at an already developed stage. A *third* cause of the typological differences between social banks in Europe and the United States may consist in the different political framework of the history of capitalism in the United States and in Europe, i.e. in the fact that in the United States, unlike Europe, democracy predated the rise of industrial capitalism. Cf. the accurate observation of L. Zingales in: Capitalism After the Crisis, In: National Affairs, Number I, Fall 2009, pp. 22–35: "In America, unlike much of the rest of the West, democracy predated

industrialization. By the time of the Second Industrial Revolution in the latter part of the 19th century, the United States had already enjoyed several decades of universal (male) suffrage, and several decades of widespread education. This created a public with high expectations, unlikely to tolerate evident unfairness in economic policy … Unlike in Europe – where the most 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 organically, and still shows the marks of those origins. The American bankruptcy code, for instance, exhibits significant pro-debtor biases, because the United States [as a colony] was born and developed as a nation of debtors." L. Zingales, l.c. Cf. G. C. Herring: From Colony to Superpower, Oxford University Press, Oxford 2008. On the one hand, this has the advantage of making indebtedness something "normal" in the United States (which is not the case in Europe); on the other hand, it has the disadvantage of unconsciously favoring debts over donations, de facto excluding the latter from "regular" business and constricting them into philanthropy. Finally, a *fifth* reason might be a more narrow cultural one: The close connection between the "American dream" and capitalism, which made of the dollar sign a symbol of promise of a "good life," and thus a proto-religious symbol. Something similar does not exist in Europe, because Europe has no "American dream." Instead, most European societal dreams already since the late medieval social reformers (for example, Michael Gaismair, 1490–1532) were (at least in their basic tendency) more or less oriented toward

“social” dreams of society (“social” in the sense of “community oriented” and “collective-relied”). R. Haskins rightly stated that as a consequence of the economic and financial crisis “there is a real threat to the American Dream.” In: R. Haskins: Getting Ahead in America. In: National Affairs, Number I, Fall 2009, pp. 36–37. The question is not whether this is positive or negative 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 nation on earth within only two centuries. The relative advantage of Europe is that it may be more inclined to experiment with institutional and governmental options, although this is a two-edged sword insofar as innovations in the financial markets can only take place on a global level; that is, in exchange between Europe, the United States, and other nations, if they want to be sustainable. That is one reason (among others) why I believe that the future of the beneficial use of capital and money, and the improvement of how the capitalistic system works, consists in the combination of both the cultural habits and relative typological strengths of the United States and Europe. Cf. similarly F. Zakaria: Restoring the American Dream, l.c.

187. Cf. B. Gates’ exemplary lecture: Giving Back: Finding the Best Way to Make a Difference. 2010 Payne Distinguished Lecture, Freeman Spogli Institute for International Studies, Stanford University, 19 April 2010, in: Stanford

University, http://news.stanford.edu/news/2010/april/bill-gates-setup-040910.html. With an endowment of $34 billion (as at April 2010), the Bill and Melinda Gates Foundation holds assets that are almost double the amount of the combined total balance sheets of all social banks worldwide. In managing such huge amounts of money, Gates – as one of the most 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" convincingly into practice, at least with part of his fortune (Gates' overall fortune is estimated to be about $53 billion net worth as of April 2010). But while it is more then commendable (as well as honorable) that great individuals put their money into philanthropy, and while these "great achievers" deserve unreserved admiration for their contributions to progress and wealth for the broader public, there are a few questions that should be openly discussed. *First,* is it possible to follow a *synchronic* principle of "doing business" and "doing the good" *at the same time*, instead of doing *first* the one, and *then* the other? It it possible to combine profit and philanthropy for the benefit of all within "regular" business; that is, without going into philanthropy in the narrow sense? Social banks and social finance institutions are about lending and donating money to sustainability-oriented enterprises; but they are also about making profits, and they function like normal banks, while following a "triple bottom line" for people, profit, and planet. They are trying to do business and to do the good at the same time without separating the one from the other. A *second* possible question to

discuss with regard to the relationship between philanthropy and social finance is a more general one: Is it better for the overall development of modern societies if the social good is taken care of by “great individuals” according to their personal world views (even if in some cases in close cooperation with the governments), or is it better if the benefit of all through 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 gonna be something … that is so dramatic in its impact … that it will continue … It’s easy to be unrealistic about it … a lot of virtual philanthropy comes in that isn’t able to sustain that … So it’s a smart question to thinking about that from the very beginning … and only those solutions that are very effective and have incredible demand from the people involved will be the ones that get adopted.” In: B. Gates: Stanford Open Office Hours, 20 April 2010, http://www.facebook.com/home.php?#!/video/video.php?v=672651583673&ref=mf. Cf. A. Gorlick: Bill Gates pushes students to focus on the “important problems.” In: Stanford Report, April 19, 2010, http://news.stanford.edu/news/2010/april/bill-gates-lecture-041910.html. See also R. Benedikter: The Case of Microsoft. Economy between the Principles of Individuality and Community (Der Fall Microsoft. Wirtschaftsleben zwischen Individualität und Sozialität), in: Kulturzeitschrift “Die Drei,” 70. Jahrgang, Nr. 9/2000, Stuttgart 2000, pp. 7–23.

188. Some social bankers in the United States see an additional aspect of their ethical roots in the 1920s and 1930s, when churches, particularly the Methodists and Quakers, established trade-union-like community funds that excluded the production of alcohol and the funding of prostitution.

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 pointed toward the existing cultural divide between the two shores of the Atlantic when it comes to social issues: Whereas in the United States, "social finance" is still comparatively widely identified with private donations, the same task is identified in Europe almost automatically with a core function of the state (respectively, the government). In the United States, the government has traditionally kept a low profile and low interference with the citizens; the culture of private initiative for the greater good still prevails (depending obviously also on the single states and their different "sub-cultures;" California, particularly northern California, is not Texas, in the sense that even within the state of California, and between the states of California and Texas, the common good is looked at differently). In contrast, in Europe, private care for "social progress" is not appreciated to a similar extent, and thus does not enjoy the same prestige. This is because Europeans believe that it should not be left to the voluntary decision of the richest segment of the population to contribute according to their

possibilities to public concerns; instead, social issues should be regulated systemically and by law. The issue here is that different financial and societal systems have incepted different “cultures of finance,” particularly when seen in their relationship to public affairs. It is clear that this unavoidably creates different presuppositions and contexts for social banking and social finance. On the other hand, it may be exactly this potential complementary between 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, and they are at the same time functioning as its corrections with regard to social issues. Thus, social banking is neither part of the one, nor of the other pole: it is part of both, and thus a functioning and feasible “third way” to serve as a “systemic bridge.” Cf. Handelsblatt Düsseldorf: The Nice Billionare Next Door (Der nette Milliardär von nebenan), in: Handelsblatt Düsseldorf, August 29, 2010.

190. Cf. S. Remer: “Society has not learned from the Crisis” (“Gesellschaft hat nicht aus Krise gelernt”). In: Deutschlandradio Kultur, 15.09.2009; and F. De Clerck: loc cit, p. 12.

191. The Global Alliance for Banking on Values (GABV): The Upside of the Downturn: How Sustainable Banking Can Deliver a Better Future. Three Theses. In: http://www.gabv.org/News/Triodos.htm, February 5, 2009.

192. The International Association of Investors in the Social Economy (INAISE): 12 measures for a socially useful financial system. Four International Social Finance and Community Development Federations put out a call to G-20 Governments. In: http://www.inaise.org/EN/fr_1.html, Paris, Brussels and 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 Benedikter.

195. To be more precise, we have to record that this habit was not only practiced by mainstream full banks, as the whole process involved many intermediaries (mortgage brokers, underwriting banks, servicing banks, packaging investment banks), all of which took fees to make a profit, and none of whom maintained a long-term relationship with the client. Addition by Benedikter.

196. It is decisive to understand however that these profits were only short-term and *apparent* profits. If the accounting had captured all costs including cost of capital and risk, these profits would not have existed. I suspect that if you look at the profits in the “fat” years until 2006 and compare them with the losses of 2007–2010, there would be no net profits at all, even if the

incredible levels of unsettled compensation were repaid to the banks. Addition by Benedikter.

197. Sure enough, there are many issues about markets that cannot be fully addressed here. On the one hand, the markets allow individuals to move 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 states: "Not all societies have been persuaded by the logic of [capital driven] markets. However experiments around the world with alternative systems have only served to demonstrate their value. And indeed we have seen a progressive shift towards, or back to, markets across the globe in recent decades; a move which has generally paid off for the countries concerned. Since 1980, world Gross Domestic Product (GDP) has risen by two and a half times, or an unprecedented 40 per cent per capita, with millions of people rising out of extreme poverty … (The) gaps or deficiencies in market provision all involve things that civilized societies care about. They have to do with fairness and quality of life. It could be said that they have to do with the *productivity of societies,* not just the *productivity of economies.* But we shouldn't condemn markets for failing to produce them. Markets make an important contribution, but they cannot satisfy every societal goal or need. They cannot do it all. That is why we have governments and why, realistically, electorates require them to perform a larger role than the

minimalist functions advocated by libertarian philosophers." G. Banks: loc cit, pp. 267–270.

199. In this regard, I again only partly agree with Blom, because I regard such a "total" judgment in danger of becoming imbalanced in its tendency. Again, 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.

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

201. My assertion is that Glass–Steagall separations worked as they kept more risky proprietary trading off the books of "commercial" banks and in the hands of "investment" banks where any losses would be at the cost of the owners. Therefore, I believe that the combination of public trading of investment banking shares with the elimination of Glass–Steagall relative to certain proprietary trading in the "neoliberal" era co-created the underlying circumstances leading to the crisis.

202. Cf. R. Heakal: What was the Glass–Steagall Act? In: http://www.investopedia.com/articles/03/071603.asp (retrieved March 10, 2010); and Handelsblatt Düsseldorf: Glass–Steagall Act of 1933 (Glass–Steagall Act von 1933). In:

http://www.handelsblatt.com/politik/international/obamas-vorbild-glass-steagall-act-von-1933;2516803, January 21, 2010.

203. In fact, as I have already mentioned above, we might have too much money if compared with the size of the real economy. After all, the amount of money 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 "real" economic productivity were followed on a systemic level by the national and international economic and financial systems, it would be indeed necessary to drastically reduce the overall amount of money in circulation. An interesting contribution to this debate about how much money is appropriate for what economy at which time is the theory of "100% money," also called the theory of "Plain money" developed by I. Fisher (Yale University, 1867–1947) and J. Huber (Halle University, Germany). See: http://de.wikipedia.org/wiki/Irving_Fisher and http://de.wikipedia.org/wiki/Joseph_Huber_%28Soziologe%29. Some actual texts of Huber on the topic of monetary reform can be found at: http://www.soziologie.uni-halle.de/huber/publikationen.html#a11, as well as at http://www.soziologie.uni-halle.de/huber/publikationen.html. I especially recommend J. Huber: Seigniorage Reform and Plain Money. Paper prepared for the Forum for Stable Currencies, House of Lords, London, June 20, 2001, in: http://www.soziologie.uni-halle.de/huber/docs/london2001.pdf; and J.

Huber and J. Robertson: Creating New Money. A monetary reform for the information age. The New Economics Foundation NEF London, London 2000, in: http://www.neweconomics.org/sites/neweconomics.org/files/Creating_New_Money.pdf (retrieved April 15, 2010).

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 global reach. These banks are unlikely to find enough capital to support their role in this manner. Therefore, while the principle is right, it might need some differentiation. Addition by Benedikter.

208. There is evidence though that some level of speculation provides useful market liquidity. The question is how much of it is healthy for the overall system. Addition by Benedikter.

209. In fact, a first step in that direction has been induced by the G-20 group (i.e., by the 20 most industrialized countries of the world) in March–April 2010 by sketching and discussing the draft for a homogenous global financial services tax. “The G20 … called for more work on the International Monetary Funds’ (IMF’s) proposal for a levy on the balance sheets and profits of financial services companies, which is designed to fund future bank rescues.

[But] the proposals have already faced protests from the [mainstream] banks, as well as from countries such as Canada and Australia, whose banks did not suffer greatly from the financial crisis. There have also been complaints from the private equity and hedge fund industries that fear they too will be caught by the tax." P. J. Davis: Top 80 insurers hit out at being included in IMF global tax plan. In: Financial Times Europe, April 27, 2010, 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 March 30, 2010).

213. The US Home Mortgage Disclosure Act: http://www.ffiec.gov/hmda/ (retrieved March 29, 2010).

214. INAISE: 12 measures for a socially useful financial system, loc cit.

215. Of course, the tricky question here is: When is investment on a global level the right thing to do? There is a risk that if the regulations against global speculation are implemented too tightly, there could be a lack of funds for needed investments for improving communities in developing countries. That is one reason (among several) why I am in general against overregulation of the banking and finance business.

216. 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 09, 2010.

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.

220. Austrian National Broadcasting Network ORF 2 Teletext, August 25, 2010, pp. 137.

221. T. Riecke, M. Maisch und R. Benders: loc cit.

222. T. Riecke, M. Maisch und R. Benders: loc cit.

223. G. Banks: loc cit, p. 271.

224. E. F. Schumacher: Small is Beautiful: Economics as if People Mattered, Blond and Briggs Publishers, London 1973 ff.

225. Cf. H. Glauber (ed.): Slower, Less, Better, More Beautiful. 15 Years of Dobbiaco Sustainability Colloquia: Cornerstones for the Future (Langsamer, weniger, besser, schöner. 15 Jahre Toblacher Gespräche: Bausteine für die 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 too big to fail, and putting rules in place that keep large financial firms from manipulating government connections to the detriment of markets. It would mean adopting a pro-market, rather than pro-business, approach to the economy.” In: L. Zingales: loc cit, p. 35.

228. Cf. T. McVeigh: The party’s over for Iceland, the island that tried to buy the world. Almost overnight, its population became the wealthiest on Earth. The credit crunch is making the cash disappear. In: The Observer London, October 5, 2008, http://www.guardian.co.uk/world/2008/oct/05/iceland.creditcrunch; and The Financial Times: Iceland, http://www.ft.com/iceland (retrieved March 15, 2010).

229. Perhaps the more relevant question here is: What should be the role of rating agencies in an improved capitalistic system at all? Addition by

Benedikter.

230. T. Jorberg: European Alternative Banks call for an 8 point plan, December 8, 2008. English version in: 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), GLS Bank (Germany), Merkur Bank (Denmark), and Triodos Bank (The Netherlands) – i.e., by European Social Banks only. Translation from the German version: Roland Benedikter.

233. Cf. H. C. Binswanger: The Growth Spiral. Money, Energy and Imagination in the Dynamics of the Market Process (Die Wachstumsspirale. Geld, Energie und Imagination in der Dynamik des Marktprozesses), Marburg 2006; and H. C. Binswanger: Forward to Mitigation. Perspectives for a Sustainable Economy (Vorwärts zur Mäßigung. Perspektiven einer nachhaltigen Wirtschaft), Hamburg 2009.

234. Cf. my attempts in R. Benedikter: Global Systemic Shift and System Action Theory. In: The Globalism Research Centre, RMIT University Melbourne, http://rmit.info/browse;ID=cvfqzezbtdfiz, September 7, 2008; and R. Benedikter: Global System Shift. An Integral Perspective. In: The Unit for

Sociocultural Research on Learning and Development (LCMI), University of Luxembourg, http://dica-lab.org/rab/contributions/abstracts/benedikter-abstract, 16 February 2010. One of the interesting attempts in this direction in the United States is the “World Systems Analysis” by Immanuel Wallerstein, Yale University, which I have already mentioned above, even if I 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.

238. K. Polanyi: The Great Transformation. The Political and Economic Origins of Our Time, Beacon Press, Boston 2001.

239. S. Gudeman: The Anthropology of Economy: Community, Market and Culture, Wiley, New York, NY 2001; S. Gudeman: Economy’s Tension. The Dialectics of Community and Market, Berghahn Books, Oxford 2008; and S. Gudeman (ed.): Economic Persuasions, Berghahn Books, Oxford 2009.

240. C. Meillassoux: Maidens, Meal and Money: Capitalism and the Domestic Community, Cambridge University Press, Cambridge 1981.

241. E. Terray: Marxism and “Primitive” Societies. Two Studies, Monthly Review

Press, New York, NY 1972.

242. Cf. J. G. Carrier (ed.): A Handbook of Economic Anthropology, Edward Elgar Publishers, Northampton, MA 2006. See also: The Society for Economic Anthropology SEA: https://seawiki.wikidot.com/.

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 too often playing the old “I am good, you are bad” game of social scientists “against” capitalism so familiar since the 1960s, especially in the European humanities. But this game makes not much sense anymore. We have to overcome the pseudo- “moral” attitude of “radical and overall” critique as soon as possible and replace it with more participatory, detail-oriented, and constructive approaches, given that morality (and especially academic morality) in our time no longer consists in just pointing the finger toward the (alleged) wrong, but in moving things concretely forward for the benefit of all.

244. Parallel to the development toward a stronger community service by financial institutions that is currently brought forward by social banking and social finance, there is indeed a strong movement toward increased community orientation of universities and academic knowledge – not least

with the help of systemic networking, and the combination of sound theory with practice orientation. Taken together, these features toward a context and community embedded “new social knowledge” are sometimes labeled as “multiversity” – as one (even if of course not the only) future-oriented variant(s) of the current concept of “university.” I think if social banking and “new social knowledge” join forces and become interactive, an important 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 in line with the prediction of Anatole Kaletsky of The Times London who asserts that higher education will likely become more market-oriented in the coming years. Cf. A. Kaletsky: Capitalism 4.0. The Birth of a New Economy in the Aftermath of the Crisis. Kindle 2010, p. 10, p. 271, and pp. 281–282. I am convinced however that the trend toward a “new social knowledge” is not necessarily opposed to a greater market orientation; they may be complementary or even related trends according to the example of social banking: orientation toward the surrounding communities and contexts improves the competitiveness of higher education and thus their strength on the international market. In her core essay to this booklet, Barbara A. Holland rightly asserts: “The traditional role of universities has been to generate and transmit knowledge through three functions: research, teaching, and service. However, the emerging role of universities is to generate a learning society through discovery, learning, and engagement. Increasingly, universities will be part of a network of learning – a fluid and

changing network of different sources of expertise. Part of the reason for this global shift in the research culture is a new transdisciplinary approach to issues and the extensive social distribution of knowledge. Knowledge and data are now so diffuse that researchers are required to work interactively. In its original mode, research was pure, disciplinary, homogeneous, expert-led, supply-driven, hierarchical, peer-reviewed, and almost exclusively 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 successive problem contexts … – and the quality of research is judged by … criteria including efficiency and usefulness." Barbara A. Holland (Indiana University): Scholarship and Mission in the 21st Century: The Role of Engagement. In: The Center for Studies in Higher Education of the University of California at Berkeley: Civic and Academic Engagement in the Multiversity, loc cit, pp. 7–13, here: pp. 7–9. An electronic version of this document is available at: http://cshe.berkeley.edu/events/civicacademic/. From my point of view, although I fully agree with Holland's point, it is important to stress here though that standard academic scrutiny is and remains more important than community orientation and networked knowledge, even if these poles may be more and more complimentary to each other in the future. So I would sum up this point asserting (1) that with the development of the academic sector toward "multiversity" structures connected with greater community orientation and civic engagement, the ideas and practices of social banking and social finance will be facilitated

without any doubt; (2) at the same time, this development shouldn't alter or even try to replace the existing habits and standards of academic research and teaching because these habits and standards have long proved to be effective (in fact, to be the most effective ones available). What "multiversity" features can and should do instead, is to add additional 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.

248. Cf. K. S. Cook and A. Gerbasi: loc cit; and K. S. Cook, R. Hardin and M. Levi: loc cit.

249. NNA News: Interview with the Institute for Social Banking (Interview mit dem Institute for Social Banking). In: The UNESCO Decade "Education for Sustainable Development" 2005–2014 Journal (UNESCO Dekade "Bildung für Nachhaltige Entwicklung" 2005–2014 Journal), February 2006, http://www.eine-welt-netz.de/coremedia/generator/pm/de/Ausgabe__006/02__Interview/Interview_20mit_20ISB.html. Translation from German: Roland Benedikter.

250. For more information about SRI, see: http://en.wikipedia.org/wiki/Socially_Responsible_Investment.

251. NNA News: loc cit.

252. The Worldwatch Institute Washington DC: http://www.worldwatch.org/. In January 2010, 60 scientists from around the world have published the latest Worldwatch report: State of the World 2010: Transforming Cultures. 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).

255. Cf. G. Assenza and A. Martynau: loc cit, p. 14 ff.

256. L. Bini Smaghi (Executive Board of the European Central Bank): The Future of the Euro. Why the Greek Crisis Will Not Ruin Europe’s Monetary Union. In: Foreign Affairs, August 10, 2010.

257. A. Carretta, P. Schwizer and V. Boscia (eds.): loc cit.

258. The Clinton Global Initiative: http://www.clintonglobalinitiative.org/

259. “We commit, over three years, to assist our members and other sustainable finance institutions to secure $250 million in additional capital (for the

Clinton Global Initiative),” said Peter Blom, CEO of Dutch ethical bank, Triodos, and Chair of the Global Alliance for Banking on Values. “This capital will lead to $2 billion in new lending. At a time when the global financial system is struggling to lend, our members and other genuinely sustainable banks will benefit millions of borrowers – from individual entrepreneurs in 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, 2010.

261. M. McArdle: In Defense of Failure, in: Time Magazine, The Vision Edition, March 22, 2010, p. 43.

262. AFP: EU Bank tax could raise 50 billion Euros a year. In: The Business Times Singapore, http://www.businesstimes.com.sg/sub/latest/story/0,4574,380021,00.html, April 6, 2010.

263. AFP: EU Bank tax could raise 50 billion Euros a year, loc cit.

264. The US Federal Deposit Insurance Corporation: http://www.fdic.gov/.

265. Handelsblatt Düsseldorf: Small US banks collapse one after another (Kleine US-Banken kollabieren eine nach der anderen). In: Handelsblatt Düsseldorf, March 28, 2010. Translation from German: Roland Benedikter.

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 proponents say, about “a new nonprofit organizing (of finance) … to bring money back down to earth. Founded by Woody Tasch, a pioneer in merging investing and philanthropy, Slow Money’s mission is to build local and national networks, and develop new financial products and services, dedicated to investing in small food enterprises and local food systems; connecting investors to their local economies. Soil fertility, carrying capacity, sense of place, care of the commons, cultural, ecological and economic health and diversity, nonviolence – these are the fundamentals of nurture capital, a new financial sector supporting the emergence of a restorative economy …

    Slow Money … has attracted (so far) over 185 founding members including leaders in organic food, sustainable agriculture, philanthropy, and social investing … (There is a) million Americans contributing to a grassroots, non-

profit seed fund supporting small food enterprises and investing 1% of their assets in local food systems … We do hereby affirm the following principles:

I. We must bring money back down to earth.

II. There is such a thing as money that is too fast, companies that are too big, finance that is too complex. Therefore, we must slow our money down – not all of it, of course, but enough to matter.

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.' Recognizing the wisdom of these words, let us begin rebuilding our economy from the ground up, asking:

* What would the world be like if we invested 50% of our assets within 50 miles of where we live?

* What if there were a new generation of companies that gave away 50% of their profits?

* What if there were 50% more organic matter in our soil 50 years from now?" Principles of the Slow Money Alliance, In: http://www.slowmoneyalliance.org/ (retrieved April 5, 2010).

It is obvious that initiatives like these present affinities with social banking and social finance, since both share basic pillars of philosophy and vision. Not least as a result of the recent crisis, since 2008 “Slow Money” initiatives are emerging throughout the United States, with centers in Austin, Seattle, Boston, and New Orleans. The second Slow Money’s National Gathering took place at the National Historic Landmark of Shelburne Farms, Vermont, on June 9–11, 2010; it was certainly not by chance that it was co-sponsored by the US social banks RSF Rudolf Steiner Foundation for Social Finance San 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 keeping the money by hesitating to give it to others; that is, hoarding it instead of investing it into the community.

Despite these inherent ambivalences the “Slow Money Alliance” is an initiative that in many aspects is related to the goals and the methods of social banking and social finance, while not being completely identical to them. The main affinity is the goal of “bringing money down to earth,” which is identical with social banking’s goal to pull money away from the derivative and the real estate bubbles and bring it back into the “real economy.” The main difference in my view is that social banking and social finance at their best are uncompromisingly oriented toward the future, that is, toward working with capitalism in a more sustainable way, whereas the “Slow Money Alliance” seems to present certain features that I regard as typically

"green" and in part oriented toward a "return to the roots of simple and natural life." As I have pointed out previously, this is a tendency that I regard not only as regressive in its nature, but also as impossible in practice. Instead, I believe we have to go forward with the help of the opportunities and tools of our time, by making use of globalized capital in a more human, context- and community-oriented way.

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.

272. R. Salam: loc cit.

273. At this point, we need one last observation about the long-term impact of social banking and social finance – this time in a global *geopolitical* perspective, which may result in being even more relevant than any strictly financial and economic outlook. It's about the *growingly important interface* between sustainability in global *finance* and sustainability in global *democracy*.

    The point is: It is still often underestimated how important the (implicit and explicit) ethical dimension of social banking and social finance and their "best practice" input is for the further development of capitalism under the

conditions of globalization. Social banking and social finance are indeed a contribution not only to the further development, but also to the sheer continuation of capitalism as a democratic, individualistic, and freedom-centered endeavor on a global level. This is because we start to live in an period of multipolar power, which includes not only the United States, Europe, and the West, but also China and other regional and international powers, many of which are not democratic and do not cultivate freedom oriented forms of government, economy and finance. The new multipolar 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 long-standing influence on the nations and cultures that border it, and a diaspora that impacts not just its region but the world. China’s habits of governance are not those of the Western world; its values – let us say harmony and stability, rather than liberty and justice – are not those of the West. The roles of both the state and the extended family as social mechanisms in China differ from those in modern Western societies. All of this means that the 21st century will be one of ‘contested modernities.’ Until around 1970, modernity was, with the exception of Japan, an exclusively Western phenomenon. But as China assumes a bigger role in global economics and politics, that is changing … A self-confident giant with a billion-plus population, China will likely resist globalization as we know it. This exceptionalism will have powerful ramifications for the rest of the

world.” M. Jacques: When China Rules the World: The End of the Western World and the Birth of a New Global Order, Penguin Press 2009. Cf. M. Elliott: Into the Unknown. In: *Time Magazine*, August 10, 2009, pp. 32 ff.

To put this it into perspective with our topic: China will push its own ideals and concepts of “capitalism.” As core concepts of Chinese history, “integration” and “inclusion” are traditionally strongly related with “national unity” and with “stability and peace;” Western concepts like human rights or constitutional state do not play any significant role. Thus, if Martin Jacques 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:

“Twenty months of economic and political turmoil have American voters ready to reject Washington and anyone connected with it. And we have company: British voters couldn’t wait to sweep Gordon Brown from 10 Downing Street. A recent poll in *Le Parisien* found that nearly 60% of respondents expressed ‘no confidence’ in French President Nikolas Sarkozy. A poll in the magazine *Stern* gave German Chancellor Angela Merkel 32% support, and just 17% said the government could solve Germany’s problems. Watch news reports from Greece, and you won’t need the volume on to know what citizens think of their leaders. Nor is this simply a ‘Western’ trend. Thousands of protesters in Thailand occupied entire neighborhoods of Bangkok for weeks to demand early elections. Crowds dispersed only after conflicts with soldiers killed more than 40 people. Japanese Prime Minister

Yukio Hatoyama's poll numbers make Gordon Brown look like Nelson Mandela.

What do all these countries have in common? They're free-market democracies in various stages of economic trouble. Where do we go to find a popular government? How about China?

Three decades of double-digit economic growth can buy a government plenty of popular goodwill. There are tens of thousands of protests in China each 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.

Why worry? China's leaders have created that model to ensure that markets don't threaten their political power. They use state-owned oil companies to lock up the long-term energy supplies. They use other state-owned and privately owned but politically loyal companies to dominate other (global) industries. They pay for all this with help from a pair of sovereign wealth funds created from the extra cash China earns from exports to America, Europe and Japan.

This trend threatens free markets for several reasons.

First, China has welcomed foreign investment for years to gain exposure to the technological, management and marketing expertise in Western and Japanese companies. As Chinese companies find their footing, their

government has less need of foreign help and an interest in promoting Chinese firms at the expense of outsiders.

Second, multinational companies now must compete throughout the developing world with powerful state-owned Chinese companies.

Third, China continues to build commercial relations with international outlaws such as Iran, Sudan and Burma, making it all but impossible to impose tough sanctions.

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.

All this is especially relevant since China, as well as other former developing and under-industrialized countries, has developed into a fully industrialized nation due to annual increases of economic growth of 10–15%, thus not only bringing a remarkable amount of the world population out of poverty, but also bringing the overall global consumption of resources and climate to an exponential increase within only a couple of years. The consequentially even more necessary evolution of political systems and lifestyles toward sustainability is not limited to, but includes capital use and finance efficiency. Or as former UK prime minister Gordon Brown put it: "The big issue is that we have a globalization that has brought 4 billion people into the world economy, where 10 or 15 years ago there used to be only about a billion. So you have this enormous change that has taken place in the world economy,

but we have a global financial system without an effective form of supervision (of this new situation).” G. Brown: “Sometimes It’s a Crisis that Forces Change,” in: Time Magazine, April 6, 2009, p. 21, http://www.time.com/time/world/article/0,8599,1887600,00.html.

It should have become clear from the pages of this booklet that some of those ideas that may be able to deal positively with the “troubles on the road ahead” and the “enormous change” of the global future at the interface of finance and democracy, that is, some of the ideas able to restore confidence 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.

274. Cf. – as just one example among many – the prediction of US financial analyst Robert Prechter that the financial system will “melt down” by 2016. See J. Sommer: A Market Forecast That Says: “Take Cover.” In: The New York Times, July 3, 2010, http://www.nytimes.com/2010/07/04/your-money/04stra.html?pagewanted=1&_r=1 (retrieved July 3, 2010). Cf. AFP: U.S. Analyst predicts doom of financial markets (US-Analyst sagt Untergang der Finanzmärkte voraus), July 21, 2010.

275. D. N. Chorafas: Capitalism Without Capital, loc cit.

276. F. Malik: loc cit, Translation from German: Roland Benedikter.

277. U. Reifner: Financial Literacy in Europe, Nomos Publishers, Hamburg 2006. Some rather mixed till obverse indications though are found under "Financial Literacy" at: http://en.wikipedia.org/wiki/Financial_literacy (retrieved March 11, 2010).

278. P. Krugman: What to do. In: The New York Review of Books, Vol. 55, No. 20, 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 that we can look at it in an alternative way. And it aspires to do that for the sake of the "overall wealth" of the social sphere of our age – and thus also for the cultural dimension (in the broad sense) of current (mainly Western, but increasingly also worldwide) "economy driven societies" as a whole.

280. Obviously, while the principles to follow seem to be clear (and in large part indeed "already known" by many), there remain obviously a lot of questions to address with regard to the concrete everyday practices, which this booklet could only touch here and there. I hope that these questions will be further pursued by empirical research. Among the still open crucial questions on the future of social banking and social finance to address are:

1. As mentioned earlier, in-depth research is needed to determine how much of the overall shareholder capital of a social bank can be sustained over what timeframe by the core process of social banking alone (i.e., by relatively low return rates, while making donations and so on); what are the limits of the maximum amount under which conditions; and how a "mixed" model of investment would look like without losing touch with the founding principles of social banking. All these are particularly difficult and pressing questions at the moment given that social banks 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.

2. We need more and better empirical and statistical research regarding the ratio of financial activity to real economic activity over the past several decades. This would indicate the degree of financialization of the real economy that has been taking place, and indicate if, and how, the growingly disembedded globalized financial business that followed the "sandglass principle" has in fact become a potential drain on society.

3. We need a more accurate and broader comparison of the returns of social funds and community development notes over the past several years in order to further empirically explore and differentiate the field of social banking and social finance.

4. Also, we need applied research toward a more flexible and enlarged concept of the time value of money. We need a concept that applies a broader, multilayered expectation of returns in the marketplace rather than to the impact of financial interest rates alone. In order to sustain such a concept, applied quantitative research is needed to determine how “side returns” such as a clean and healthy environment, social cohesion, sustainability in the use of resources, a cultural climate of trust and responsibility, and a working “real economy” can be measured, 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” versus “slow money” is needed, not least to seek possible complementary fields, where useful. This is because we cannot assume that in every case and in any circumstances “slow money” is unconditionally better than “fast money;” if this was the case without further in-depth empirical inquiry, a new ideology would have been born. Therefore, the question in the perspective of rational progress is where and under what conditions which approach works better, to what extent, and why.

281. D. Schepp: Obama Signs Financial Reform Legislation into Law. In: Daily Finance, 21 July 2010, http://www.dailyfinance.com/story/investing/obama-

signs-financial-reform-legislation-into-law/19562674/ (retrieved August 20, 2010). See also T. Noyes: Reforms put Wall Street in its place. In: The Guardian London, May 21, 2010, http://www.guardian.co.uk/commentisfree/cifamerica/2010/may/21/obama-financial-reform-bill-wall-street (retrieved July 15, 2010).

282. AFP: German parliament votes for prohibition of “naked sales” (Deutscher Bundestag stimmt für Verbot von Leerverkäufen), July 2, 2010.

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.

285. Handelsblatt Düsseldorf: “The big banks have become even more dangerous” (“Die großen Banken sind noch gefährlicher geworden.”). In: Handelsblatt Düsseldorf, August 28, 2010, p. 1 (retrieved August 28, 2010).

286. Austrian National Broadcasting Network ORF: USA: This year already 86 banks collapsed (USA: Dieses Jahr schon 86 Bankenpleiten). In: ORF Teletext, June 25, 2010, http://teletext.orf.at/, p. 160.

287. Kleine Zeitung Bregenz: Seven European Banks Fail Stress Test (Sieben europäische Banken durch Stresstest durchgefallen). In: Kleine Zeitung, July

4, 2010, http://www.kleinezeitung.at/nachrichten/politik/oesterreich/2416135/sieben-europaeische-banken-durchgefallen.story (retrieved July 7, 2010).

288. AFP: According to “Financetest,” Banks Continue to Advise Their Customers Badly (Banken beraten ihre Kunden laut “Finanztest” weiter schlecht), July 20, 2010.

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).

292. J. Stiglitz, In: The Institute for New Economic Thinking: Joseph Stiglitz in the Financial Times on the Need for New Economic Paradigms. In: http://ineteconomics.org/blog/joseph-stiglitz-need-new-economic-paradigm.html (retrieved August 22, 2010).

293. J. Stiglitz: ibid.

294. A. Kaletsky: Capitalism 4.0. The Birth of a New Economy in the Aftermath of the Crisis, Bloomsbury Publishing, London 2010.

295. This is an important issue mainly in the contemporary Anglo-American world, however less in Continental Europe where the Reagan–Thatcher belittlement of the state and the government role in economy and finance was never that accentuated as in the Anglo-American sphere. European governments played a much pronounced role in finance and economics also in the "neoliberal" constellation between the Reagan–Thatcher era (i.e., the 1980s) and the start of the crisis in 2007, for example, as welfare states or as public investors and regulators. This is one aspect that makes of Kaletsky's book an analysis mainly for capitalism in the English-speaking 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.

296. A. K. Dutt and C. K. Wilber: Economics and Ethics. An Introduction, Palgrave MacMillan, New York, NY 2010.

297. In this sense, money and capital are something "spiritual," as pointed out in Chapter 6.

298. Obviously, this brings us back to the "deep ambivalence" of where are started. It really seems that there will be no future without deep ambivalences; and "evil be to him who evil thinks" ("honny soit qui mal y pense").

299. In this sense, Enlightenment today also means: enlightenment “from below,” i.e., through the civil society and its applied experiences, not only “from above,” i.e., through the elites – even if their exceptional role is certainly not belittled by more participation. Cf. R. Benedikter: Enlightenment. In: M. Juergensmeyer et al. (eds.): The SAGE Encyclopedia of Global Studies, SAGE, London 2011 (forthcoming), and R. Benedikter: Third Way Movements, ibid.

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 necessarily to be abolished, but to be evolved. See: E. U. v. Weizsäcker et al.: Factor Five: Transforming the Global Economy, Earthscan Publishers, London 2010.

304. S. J. Van Steenkiste: Review of A. Kaletsky, Capitalism 4.0, In: http://www.amazon.com/Capitalism-4-0-Economy-Aftermath-Crisis/dp/1586488716/ref=sr_1_1?ie=UTF8&qid=1290913152&sr=8-1.

305. Cf. A. Kaletsky: loc cit, pp. 8–9, 26 ff., 306 ff.

306. G. Sartori: The Ecological Collapse. The Politics of the Ostrich (Il collasso ecologico. La politica dello struzzo). In: Il Corriere della Sera Milan, 15 agosto 2010, p. 1, http://www.corriere.it/editoriali/10_agosto_15/sartori-collasso-ecologico_93258b4c-a83b-11df-94a2-00144f02aabe.shtml (retrieved August 15, 2010).

307. M. R. Capecchi, In: N. Gibbs: The Nobel Warrior. In: Time Magazine, October 12, 2007, 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.

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