

*How can
complementary curries
help us to renew an economy?*



*Supporting the Economic Plans of the Kiev Government to
improve life in the Ukraine*

How to do best a financial and economical reform in the country?

Suggestions.

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Why working with / implementing regional currencies in a country?

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The new Economy

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The Economic Plans of the Kiev Government Will Spell Ruin for a Great Many in Ukraine

Friday, 02 May 2014 11:34 By Renfrey Clarke, Truthout | Op-Ed



Ukrainian Prime Minister Arseniy Yatsenyuk. (Photo: Atlantic Council / Flickr)

The economic plans of Prime Minister Arseniy Yatsenyuk and his government in Ukraine will amount less to austerity than to economic evisceration.

*The Economist published a chart in March that placed Ukraine's per capita GDP in 2013 (1992=100) at a level of about 45, compared with Russia at 130 and Belarus at 260. Something else has obviously been at work in Ukraine apart from the normal mayhem that **accompanies a shift from bureaucratized command planning to oligarchic capitalism**. In Ukraine, I argue, a major additional problem has to do with the effects of putting a national boundary through the middle of tightly integrated productive complexes.*

Soviet industry, it's often forgotten, was structured on the basis that it was going to be centrally planned. Enterprises often had only one practicable supplier of particular inputs. The borders of the various Soviet republics weren't allowed to get in the way of rational planning decisions. Countless enterprises depended on materials or components from across republican boundaries. That wasn't a problem so long as it was all the USSR, with a single planning system. From 1991, though, the borders acquired meaning, and national trade policies added a big complication wherever production complexes sat astride the frontiers.

Ukraine was home to some of the most heavily industrialized regions of the USSR, so this problem loomed especially large. A major proportion of Ukrainian industry could only function through rejigging the old planning relationships into new forms of international trade with Russia and other post-Soviet partners. Sourcing inputs from the West tended not to be an option; numerous technical standards, for one thing, were different.

*In its essentials, the above pattern persists to this day. Currently, about **40 percent of Ukraine's trade is conducted with other post-Soviet countries, which take more than 60 percent of Ukrainian exports**. In these circumstances, any kind of ideologically-driven "turn to the West" by Ukraine has to be extraordinarily costly, leaving numerous enterprises economically stranded and forcing them to shut down.*

The fact that Ukraine's new rulers are intent on just such a turn prompts a comparison with the economic policies followed in Belarus, Ukraine's northern neighbor. Belarus President Aleksandr Lukashenko is an unpleasant character in many ways, but he hasn't been seduced by the supposed magic of privatizing industry and realigning trade toward the European Union. Something like 80 percent of large-scale industry in Belarus remains in state hands. Ties with Russian suppliers and customers have been preserved and enhanced. The results, noted above, have been spectacularly better than in Ukraine.

Rather than drawing the obvious conclusions, key sections of the Ukrainian intelligentsia and political elite - besotted with capitalist ideology - have decided that the real problem is that realignment toward the West hasn't gone far enough. Economic aid from Russia, along with entry into the Russian-led Customs Union, has been

Why working with / implementing regional currencies in a country?

rejected. The choice by Ukraine's new leaders has been to move toward a free-trade pact with the EU, and an agreement is due to be signed following the presidential election of May 25.

But if Ukraine is to have free trade with the EU, then various free trade arrangements that have existed with Russia and Belarus will have to be terminated. Otherwise, goods from these countries are certain to be rebranded in Ukraine and re-exported duty-free to the EU, which is something that EU officials have made clear they won't tolerate. For that matter, the Russians aren't about to allow duty-free entry of EU goods to their territory either.

So what will the effects be of the extensive reorientation of Ukraine's trade toward the EU, as is promised to begin later this year?

Agricultural exports will benefit from expanded markets, and this will have a certain impact in Ukraine's western provinces, where agriculture is relatively more important. But Ukraine is mainly an urban, industrial country, and the effects on industry will be cataclysmic. The prospects are especially grim for the eastern regions where the country's heavy industry is concentrated.

New tariff barriers are likely to break the vital production nexus with Russian industry more or less definitively, leaving **numerous Ukrainian enterprises to be sold for scrap. Ukrainian manufactured goods**, which until now **have been competitive in other post-Soviet countries**, will find few buyers in the EU. Forced to compete directly with more sophisticated, higher-quality EU offerings, they'll find few buyers in Ukraine either. More enterprises will be driven into bankruptcy as a result.

The notion that EU capital will flood into Ukraine, buying up distressed factories and modernizing them to produce for the European market, is fantastical. Western corporations that want cheap, skilled labor can find it elsewhere in Eastern Europe, in countries where the travails of the shift to capitalism have been overcome to a much greater degree and where key industrial regions aren't gripped by insurgency.

Then there's the question of natural gas supplies. **Ukraine relies on Russia for about 50 percent of the gas** it uses and it has run up a gas bill to its neighbor amounting to some \$2.2 billion. When former President Yanukovich was forced by his domestic opponents last December to reject \$15 billion in Russian aid in favor of a much less generous deal with the EU, he also passed up the offer of a 40 percent discount on the price of Russian gas.

Now the Russians are demanding that the gas bill be paid. Further deliveries are only to be made if money is received in advance, and Russian President Putin has warned that unless conditions for paying off the arrears are met, future deliveries will be reduced or halted. Without Russian gas, Ukrainian cities will freeze in the bitter winters, and many industrial plants will be unable to operate.

All in all, the "turn to the West" is shaping up as astoundingly wrong-headed. Together with the effects of austerity, which will sharply reduce effective demand from the population and cripple industry still further, **this move by the new Ukrainian rulers promises to deindustrialize their country and turn it into an agricultural and raw materials appendage of the EU.**

Facing the worst effects are the eastern provinces, particularly the Ukrainian section of the Donbass coal and steel region, which depends heavily on exports of steel to Russia. The people of Donetsk and Lugansk provinces aren't stupid, and have a good sense of what's in store for them. Rather than waiting for it to happen, they're rising in revolt first.

Unlike Kiev's Maidan demonstrators - middle-class eaters of Victoria Nuland's* cookies - the people on the barricades in Donetsk and Slavyansk are of a solidly proletarian cast. The struggle there has a very important class dimension, exemplified now in the decision by groups of coal miners to join in the fight. This class aspect of the conflict will, I think, come increasingly to the fore.

*Victoria Nuland is the assistant secretary of state for European and Eurasian Affairs at the US Department of State. Last December, she demonstrably went to Maidan Square in Kiev to hand out cookies to protesters. Nuland became famous in early February when a recording of a conference call between her and the US ambassador to Ukraine was leaked and went viral. The call took place a few weeks before President Victor Yanukovich was overthrown. In the conversation, Nuland described the US choice of Arseniy Yatsenyuk to become the Ukraine prime minister. When she and the US ambassador came to discuss the hesitations of some European leaders in supporting the Maidan protest movement, Nuland famously said, "Fuck the EU."

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Renfrey Clarke

Renfrey Clarke is an Australian journalist, translator and left activist. Throughout the 1990s he reported from Moscow for Green Left Weekly, of Sydney.

<http://www.truth-out.org/opinion/item/23449-the-economic-plans-of-the-kiev-government-will-spell-ruin-for-a-great-many-in-ukraine>

Regional Exchange System «Time Banking»

«Cooperation, not competition, should be the motto of the mankind, if the mankind wants to survive»

What is «Time Banking»?

Regional Exchange System «Time Banking» (RES «TB») is an informational and accounting system of cooperation and mutual exchange which allows you to place information about your offers and needs as well as receive goods and services you need without using money.

You do not need money to participate in «Time Banking».

For more details about how the System works, please see the video and schemes below... [Video explain how the RES «TB» works.](#)

The philosophy of RES «TB»:

1. Let's make the world a better place to live.
2. Today you share with others because you have such opportunity and desire to do this – later others will share with you.
3. We need each other in social life; every person is significant in civil society.
4. We have what we need if we use what we have.
5. We are not looking for better situations somewhere, but we make better those situations where we are.

For whom does the Regional Exchange System «Time Banking» work?

For everyone without exception! Exchange your goods for goods of other participants. Exchange with each other! Equal exchange in the society is a formula of justice.

For answers to other questions – please refer to [FAQ section](#).

Benefits for you:

1. You can receive necessary for you goods and services as an advance for the amount of 4000 points (equivalent of 4000 UAH ≈ 500 USD).
2. Interest-free from of finance for business owners.
3. For participation you do not need any monetary funds, payments, contributions, deposits, etc.
4. You will be able to realize your potential and express yourself; you will receive necessary help, attention, care, support in case you need.
5. Access to captive markets.
6. You receive an opportunity to save your business and personnel, obtain new contacts, increase the volume of exchange transactions, not to depend on cash.
7. It's a possibility for local community to compensate the deficit of monetary funds in budget, implement underfinanced projects, establish order in its territory, and make the world around better.
8. You will find new friends and will feel your own significance for the society.

For the list of goods/services offered and needed in the System – please see the [System Offers](#) section.

International experience

The systems of mutual help, similar to RES «TB», have been successfully working for many years in all developed countries of the world.

From scientific point of view

Regional Exchange System «Time Banking» (RES «TB») is an innovative addition to the national economy which is ideally adjusted to needs of society on the local level in accordance with the applicable law.

RES «TB» is a synthesis of stable systems complementing monetary systems (Robust Complementary Community Currency System (ROCS)). RES «TB» is based on the ideas of “free money” (freigeld) of Silvio Gesell. RES «TB» implements the principle of “community currency” which provides sustainable goods exchange, the process of exchange is getting faster and cheaper, and the demand becomes steady.

More detailed about the history of local exchange systems and time banks

We invite everyone for participation and cooperation!

Why working with / implementing regional currencies in a country?

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<http://www.glavrada.org/index.php?id=61>

[Home](#) » [What is Timebanking](#)

What is Timebanking



Timebanking has been around in the UK since 1998. Since that point it has witnessed extraordinary growth, being applied to many and varied settings across the public, private and community sectors. And it is not just a UK phenomenon. The timebanking journey began in the USA, and has now spread to over forty countries in six different continents.

But the coming of age of this movement, timebanking still remains an approach that is far from fully formed. Not a day goes by without timebanking being applied in a new setting, or across a new boundary. No two timebanks of the 250 or so there are in the UK are

the same. We are constantly learning about how and why timebanking as a means of exchange can make a difference to society. In many ways we are only just scratching the surface of our understanding and experience of this new way of doing business.

Why working with / implementing regional currencies in a country?

This area of the site will help you understand what timebanking is, why it is an important means of exchange, and what some of the key economic and social benefits can be.

There is also a resources section with videos about timebanking, some research findings about the impact of timebanking, and our latest publications available for download.

See more at:

<http://www.timebanking.org/about/#sthash.eul1CoWf.dpuf>

<http://www.timebanking.org/our-membership/find-your-nearest/>



Why working with / implementing regional currencies in a country?

Complementary Currencies – Explanations

what it is and how it works

The Experiment from Wörgl in Praxis

<https://www.youtube.com/watch?v=hxdPIOUTd2k>

<http://geldhahn-zu.de/>

What are regional currencies? (Hochgeladen am 05.08.2010)

What are regional currencies? Regional/local currencies are a relatively new phenomenon in economy. Since in 2003 the "Chiemgauer", a local currency at the lake Chiemsee (Germany) started off, the project has inspired many similar projects, and enriched the ideas about how money can function a lot. Regional currencies are a medium of exchange designed for a certain region, which are used in addition to the currency of the country.

<https://www.youtube.com/watch?v=BU5CKfju1ss>

WIR Economic Circle Cooperative (Hochgeladen am 07.09.2007)

The Wirtschaftsring in Switzerland, formed in 1934 is one of the oldest complementary currency systems in existence. See our websites and our work at www.complementarycurrency.org and www.network-economies.com.

<https://www.youtube.com/watch?v=uQehEGGwy0Q>

Creating Our Own Money: Introduction (Hochgeladen am 14.07.2010)

People have begun to create "complementary currencies".

An introductory animation.

Part 1 of 2

<https://www.youtube.com/watch?v=YvegNgKcQ-g>

Creating Our Own Money: Examples (Hochgeladen am 14.07.2010)

People have begun to create "complementary currencies".

This short animation gives a few examples.

Included in this video - short clips from: WIR Economic Circle Cooperative by Stephen DeMeulenaere

<http://www.youtube.com/watch?v=uQehEG...>

<https://www.youtube.com/watch?v=3pH47531SbE>

MINUTO - make your own money (Veröffentlicht am 15.08.2012)

A money alternative system where one can print his own cash and circulate it upon a circle of trust.

Produced by Ammar Keyhani and Viola Martin from the founder Konstantin Kirsch. www.minutocash.org

https://www.youtube.com/watch?v=CU8OCx_M04E

Introducing Hours - Community Currency for the People (Veröffentlicht am 21.10.2012)

Wayne Walton explains a new complementary currency that is popping up around the US. Mountain Hours, Mile High Hours, and Island Hours are just a few examples of this voluntary co-operative currency, which allows for more transactions than were previously available connecting more unmet needs with unused resources.

<https://www.youtube.com/watch?v=fdZWrR8bdCw>

Bernard Lietaer: Money diversity (Hochgeladen am 16.11.2011)

Bernard Lietaer argues that the monoculture of money is what creates economic instability, leading to liquidity crises. He calls for a greater diversity of alternative currencies, citing innovative and enormously successful initiatives like the Lithuanian Doraland Economy, the Torekes in Belgium and Switzerland's famous alternative currency, the WIR.

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<https://www.youtube.com/watch?v=T9EI2PrDpmw>

Made in Germany | A Regional Currency (Uploaded on Aug 12, 2009)

The Cherry Blossom, Plenty and Chiemgauer are just some of the names given to regional currencies that have seen a boom during the global financial crisis. The Chiemgauer, introduced in Bavaria's Chiemgau region five years ago, is the most successful in all of Europe. Many economists scoffed at or dismissed the Chiemgau's regional currency as a tourist gag. But now more than 600 companies use the currency to pay their bills. Regional currencies help local businesses - not the international financial markets. Reporter Vanessa Fischer traveled to the town of Traunstein to find out what makes the Chiemgauer so attractive.

http://www.youtube.com/watch?v=6_Bf85tX9YE

Local Currencies – Replacing Scarcity with Trust (uploaded on Feb 8, 2007)

Francis Ayley established over a dozen local currencies in the UK before moving to the U.S. He contrasts our standard, scarcity- and debt-based money system with local currencies in which "there's always as much as you need." Local currencies like his Fourth Corner Exchange issue money when members trade goods and services. Communities with local currencies will be less affected when recession or depression hits the mainstream economy. Episode 49: [www.fourthcornerexchange.com]

<http://www.youtube.com/watch?v=Aflp7jC1Yuw>

watch this video! It is about experiences and organising complementary Currencies in the US and in London, UK. You will be amazed about what you hear ... very very POSITIV! Also: the Statement about Community Spirit at 10:15 ...

Richard C. Cook : The Gaia Plan ~ Creating Local Currencies, Sustainable Community Oct 5 2011

(Hochgeladen am 06.10.2011)

Robert C. Cook Interview, {Author of "We Hold These Truths: The Hope of Monetary Reform"} Oct, 2011 One Radio Network ; Creating local currencies backed by labor, services .. and building local communities + The Gaia Plan, the Basic Income Guarantee and how we owe it to everyone on this planet the means to survive.

"A local currency provides an economic "cul-de-sac" that keeps wealth within a community. Local money tends to stay close to home. This means that profits do not get exported via chain stores and multinational corporations. Instead, people buy and sell goods and services among themselves, with the currency being an accounting tool."

- Michael E. Merotta

"Money can be made to serve rather than to rule, to be use—rather than profit-oriented—and to create abundance, stability, and sustainability." ... it has "the potential to be the most destructive or most creative." - Margrit Kennedy.. money should "empower people to care for each other and the earth." - Christopher Bamford

<https://www.youtube.com/watch?v=YPrDHtMIHE0>

The Bristol Pound

The Bristol Pound is a local currency designed to encourage and incentivise spending with local independent businesses, build stronger communities and develop more sustainability supply chains across Bristol.

Video by <http://www.johnhendicott.com>

Music by John Hendicott featuring Laura J Martin

Twitter: <https://twitter.com/bristolpound>

Facebook: <http://www.facebook.com/BristolPound>

<http://www.bristolpound.org/>

Made by: <http://www.johnhendicott.com/>

Ithaca Hours: Local Currency (Uploaded on Aug 15, 2010)

ithacahours.org: Ithaca Hours is a local currency system that promotes local economic strength and community self-reliance in ways which will support economic and social justice, ecology, community participation and human aspirations in and around Ithaca, New York.

<https://www.youtube.com/watch?v=Jy2nCHX36tI>

Charles Eisenstein : Money and life [05/2010]

10

www.realpeacework-akademie.info/sofia/Englisch/E-pages/NWO_TheNewSociety_e.html
www.realpeacework-akademie.info/sofia/German/D-Webseiten/NWO_uebersicht_d.html

Why working with / implementing regional currencies in a country?

http://www.matrixwissen.de/index.php?option=com_content&view=article&id=173%3Acharles-eisenstein-money-and-life&catid=49%3Ageld-a-wirtschaft&Itemid=75&lang=de

Genial! Most simple explanation of our financial system given by a 12 year old Canadian girl
(27.08.2012) (Published On Jun 13, 2013)

Amazing news-clips - English

<http://www.youtube.com/user/amazingne...>

<https://www.youtube.com/watch?v=38F31xbZYz4>

List of community currencies in the United States

http://en.wikipedia.org/wiki/List_of_community_currencies_in_the_United_States

Local currencies pictures

<https://www.google.com.ua/search?q=local+currency&tbm=isch&tbo=u&source=univ&sa=X&ei=yrpkU6yKC MnS4QSD9oCIBA&sqi=2&ved=0CDoQsAQ&biw=1600&bih=748>

Why working with / implementing regional currencies in a country?

Understand the present Monetary and Banking System

Understanding Money and the Banking System (Uploaded on Jan 11, 2011)

Posted with Permission - Please support the video creators by buying the high quality video from their website or by making a donation

<http://theamericandreamfilm.com/>

The AMERICAN DREAM is a 30 minute animated film that shows you how you've been scammed by the most basic elements of our government system. All of us Americans strive for the American Dream, and this film shows you why your dream is getting farther and farther away. Do you know how your money is created? Or how banking works? Why did housing prices skyrocket and then plunge? Do you really know what the Federal Reserve System is and how it affects you every single day? THE AMERICAN DREAM takes an entertaining but hard hitting look at how the problems we have today are nothing new, and why leaders throughout our history have warned us and fought against the current type of financial system we have in America today. You will be challenged to investigate some very entrenched and powerful institutions in this nation, and hopefully encouraged to help get our nation back on track.

Buy the high quality video from the website, <http://theamericandreamfilm.com/>

The video creators understand that how the monetary system works can be very confusing to some and have done a brilliant job in explaining how the whole system is set up to keep you forever in debt. This is not what the original founding fathers of America had in mind.

Also, this is not just an American problem. It's the same scam in nearly all countries around the world

<http://www.irs.gov/> (Internal Revenue Service)

<http://www.youtube.com/watch?v=k6zpfE7WjHI>

Wealth transfer, manipulation of markets, gold, silver, model of our global financial system (Published on Jan 2, 2014)

The subject starts at 4:44! (147 global corporations incl. the biggest banks controlling 1318 large corporations) – Today on The Janssen Report (#23): A model of our global financial system showing the essence of its design - the way I see it:

- Money controls Politics
- Banks and Global Corporations control Money (currency)
- Through our debt-based system the tax payer's wealth flows to those who control money

There is plenty of evidence that large international banks rig the markets in order to create an environment that benefits them the most: that is how they make incredible amounts of money at the expense of the people, hence a huge wealth transfer is taking place.

Although precious metals prices are being suppressed, I strongly believe Gold and Silver are going to rise in value (significantly) and you can benefit from that! Make sure you protect your wealth and even boost it by riding this wealth cycle that is about to start. More to follow!

Hope you'll make 2014 a great year! It's up to you: you are the one who controls your future. Continue to educate yourself, create your own business and learn to invest. Learn more about my primary source of investment education, which makes investing accessible for everyone: <http://bit.ly/18u0l4x>

My goal is to help people understand our financial environment and help them build a prosperous future.

Stay tuned! - Marco Janssen

www.therules.org

http://www.youtube.com/watch?v=k2_wSGr7K5M

The Crisis of Credit Visualized - HD (Uploaded on Jan 22, 2011)

The Short and Simple Story of the Credit Crisis -- The Full Version

By Jonathan Jarvis. Crisisofcredit.com

The goal of giving form to a complex situation like the credit crisis is to quickly supply the essence of the situation to those unfamiliar and uninitiated.

http://www.youtube.com/watch?v=bx_LWm6_6tA

Why working with / implementing regional currencies in a country?

The European Debt Crisis Visualized (Published on Feb 11, 2014)

Feb. 12 (Bloomberg) -- At the heart of the European debt crisis is the euro, the currency that tied together 18 countries in an intimate manner. So when one country teeters on the brink of financial collapse, the entire continent is at risk. How did such a flawed system come to be? Bloomberg Television and Jonathan Jarvis present "The European Debt Crisis Visualized." (Source: Bloomberg)

-- Subscribe to Bloomberg on YouTube: <http://www.youtube.com/Bloomberg>

Bloomberg Television offers extensive coverage and analysis of international business news and stories of global importance. It is available in more than 310 million households worldwide and reaches the most affluent and influential viewers in terms of household income, asset value and education levels. With production hubs in London, New York and Hong Kong, the network provides 24-hour continuous coverage of the people, companies and ideas that move the markets.

→ so all the latest happenings is about 'let the Fiscal Union follow the Monetary Union

<http://www.youtube.com/watch?v=C8xAXJx9WJ8>

A Bitcoin Bug? The Latest Hiccup for the Currency (Published on Feb 12, 2014)

Feb. 12 (Bloomberg) -- Bitcoin Source Code Co-Author Alex Waters and Former Bank of America Global Wealth President Sallie Krawcheck discuss Bitcoin's troubles on Bloomberg Television's "In The Loop." (Source: Bloomberg)

-- Subscribe to Bloomberg on YouTube: <http://www.youtube.com/Bloomberg>

On "In the Loop with Betty Liu," Betty Liu reports on breaking news headlines, Wall Street movers and shakers, global leaders, billionaires and interviews the most influential guests -- all as the opening bell rings the market into action. Betty Liu's robust team of Bloomberg TV reporters includes frequent appearances by Bloomberg market correspondents, among them: Julie Hyman, Michael McKee, Alix Steel, and more.

In addition to covering leading company news, the show highlights industry competitions including Samsung vs Apple, Pepsi vs Coke, and Aereo vs News Corp, along with coverage of the business leaders involved such as PIMCO's Mohamed El-Erian, WPP founder Sir Martin Sorrell, AOL CEO Tim Armstrong, Apple CEO Tim Cook, Coca-Cola CEO Muhtar Kent, media mogul Rupert Murdoch, billionaire investor Warren Buffett and more. "In The Loop" broadcasts from Bloomberg TV's New York headquarters, at 8-10am ET/5-7am PT. For a complete compilation of In The Loop videos, visit: <http://www.bloomberg.com/video/in-the...>

Watch "In The Loop" on TV, on the Bloomberg smartphone app, on the Bloomberg TV + iPad app or on the web: <http://bloomberg.com/tv>

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The Breakdown Of Our Financial System (Published on Jul 29, 2013)

After running his own finance office with 8 employees and working for the most prestigious retirement firm in the nation, Brandon left his promising and lucrative career in finance: Here's why.

<http://www.youtube.com/watch?v=JKEWAWPmwxM>

Fixing the Biggest Pipes in the Plumbing of Our Financial System (Uploaded on Nov 21, 2011)

Professor Duffie discusses the latest news on the repair of one of our financial system's most critical pieces of infrastructure, the tri-party repo market. Some of the world's biggest banks finance their inventories of securities in this overnight lending market. The daily credit granted to an individual bank through this market can routinely exceed \$100 billion. The giant tri-party repo "money pipes," through which cash flows to these banks, are about to undergo a complete overhaul, prompted by weaknesses that came to light with the failure of Lehman Brothers in 2008. Professor Duffie explained the current market design, the proposed new design, and the concerns over systemic risk that led to the new design, and some remaining longer-run issues.

Related Links:

<https://gsbapps.stanford.edu/faculty...>

<http://www.gsb.stanford.edu/news/head...>

<http://www.youtube.com/watch?v=KOYaP41qaqI>

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money market funds to the dealers \neq clearing bank to the dealers
stable 'NAV' – Floating 'NAV'

007: How to destroy your financial system (Published on May 5, 2014)

<http://www.youtube.com/watch?v=pPhPCo89HVA>

The Most Powerful Men in the World & the Crisis of the Global Financial System (2013)

Published on Oct 29, 2013

After becoming Bank governor, King explained that Bank of England policy was "similar to that of the Federal Reserve" under Alan Greenspan. Greenspan described his approach as "mitigat[ing] the fallout [from the bursting of a bubble] when it occurs".[12] King agreed with Alan Greenspan that, "It is hard to identify asset price 'bubbles'".[12] Other warnings about the UK housing market followed, including from the National Institute of Economic and Social Research in 2004[13] and the OECD in 2005.[14] King noted the "unusually large" difference between the RPIX and CPI at the beginning of 2004 (the latter does not include house prices as part of its inflation measure, whilst the former does),[15] and, six months later, that UK house prices had risen "to levels which are well above what most people would regard as sustainable in the longer term", having increased by more than 20% over the preceding year and more than 100% over the preceding five.[16]

In 2005, *The Economist* described the run-up in UK house prices as forming part of "the biggest bubble in history",[17] and, by October 2007—when the UK housing bubble was at its peak[18]—the IMF was reporting that the UK housing market was "overpriced by up to 40 per cent".[19] As noted by the OECD, house-price volatility "can raise systemic risks as the banking and mortgage sectors are vulnerable to fluctuations in house prices due to their exposure to the housing market".[20]

Dean Baker in *The American Prospect* said the failure by Greenspan and King to tackle the bubbles in their respective countries' housing markets resulted in catastrophic "fallout" when the bubbles burst, resulting in the worst recessions in both countries since the Great Depression.[21] UK--US inaction may be compared to action taken by China[22][23][24][25][26] and Australia.[27] Another result of the financial crisis has been King's rejection of the Bank's devout focus on price stability, or inflation targeting, a policy that was instituted after Black Wednesday in 1992 and that was continued by King after becoming governor in 2003.[28] One of the two early lessons King drew from crisis were that "price stability does not guarantee stability of the economy as a whole" and that "the instruments used to pursue financial stability are in need of sharpening and refining".[29] Accepting King's narrow concentration on price stability had resulted in disaster, the 2012 Financial Services Bill, in transferring the majority of macroprudential regulatory powers from the FSA to the Bank, will grant the Financial Policy Committee (chaired by King) the power to curb lending in booms, including placing limits on the public's access to mortgages.[30] Overall, one former, senior BoE official summed up the Bank's pre-crisis performance well: "How can you look back with the benefit of hindsight and see it as a success? We were responsible for financial stability and we utterly failed to take any avoiding action against the greatest financial crisis in our lifetimes".[6] David Blanchflower noted that, even as late as the summer of 2008, King did not even see the financial crisis coming.[31]

In its review of Bank of England accountability, one of the major complaints of the Treasury Select Committee was the Bank's refusal to undertake an internal review of its performance during the financial crisis,[32] meaning the Bank has still not been held properly accountable for its substantial culpability.[30] Such a review would pose difficulties since evidence on how its most senior policymakers arrived at their decisions is destroyed as a matter of course, as are those of the meetings of the interim Financial Policy Committee, which was set up in 2011 as part of the Bank's greater responsibility for financial stability.[32] By contrast, the United States publishes the Federal Reserve's deliberations with a five-year lag, which have provided "the most detailed picture yet of how top officials at the central bank didn't anticipate the storm about to hit the U.S. economy and the global financial system".[33] As in the UK, the US central bank's devastating failure has led to a new regulatory framework, the 2010 Dodd--Frank Wall Street Reform and Consumer Protection Act, giving more supervisory power.

http://en.wikipedia.org/wiki/Mervyn_King_%28economist

<http://www.youtube.com/watch?v=yqV0664Zm1I>

The Financial Crisis & Public Debts Explained In Detail. (Grand's Cut~) (Published on Jun 12, 2012)

http://www.youtube.com/watch?v=KSxDxx_zt2Q

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Silvio Gesell: The Natural Economic Order

Part 4: Free-Money or Money as it Should Be

1. Free-Money

Money is an instrument of exchange and nothing else. Its function is to facilitate the exchange of goods, to eliminate the difficulties of barter. Barter was unsafe, troublesome, expensive, and very often broke down entirely. Money, which is to replace barter, should secure, accelerate and cheapen the exchange of goods.

That is what we demand of money. The degree of security, rapidity and cheapness with which goods are exchanged is the test of the usefulness of money.

If, in addition to this, we ask that money shall cause a minimum of trouble by its physical properties, we make a claim that is valid only if the purpose for which money exists is not thereby defeated.

If security, acceleration and cheapening of the exchange of goods can be achieved by means of a form of money which cannot be harmed by moth and rust and which besides, can be conveniently hoarded, then let us, by all means, have such money. But if this form of money diminishes the security, rapidity and cheapness of the exchange of goods, we say: Away with it!

Knowing that the division of labour, the very foundation of our civilisation, is here at stake, we shall select whatever form of money is suited to its necessities, quite regardless of the wishes or prejudices of individuals.

In order to test the qualities of money we shall use no scales, crucibles or acids; neither shall we scrutinise some coin or consult some theorist. We shall consider, instead, the work done by the money. If we observe that a certain form of money seeks out goods and conveys them by the shortest route from the workshop to the consumer; if we notice that goods cease to congest the markets and warehouses, that the number of merchants diminishes, that commercial profits shrink, that no trade depressions occur, that producers are assured of a ready disposal of all they can produce while working at full capacity, we shall exclaim: This is an excellent form of money! - and we shall hold to this opinion even if, on closer examination, we find that the money in question is physically unattractive. We shall consider money as we consider, say, a machine, and form our judgement exclusively on its efficiency, not on its shape or colour.

The criterion of good money, of an efficient instrument of exchange, is: -

- 1. That it shall secure the exchange of goods - which we shall judge by the absence of trade depressions, crises and unemployment.*
- 2. That it shall accelerate exchange - which we shall judge by the lessening stocks of wares, the decreasing number of merchants and shops, and the correspondingly fuller storerooms of the consumers.*
- 3. That it shall cheapen exchange - which we shall judge by the small difference between the price obtained by the producer and the price paid by the consumer. (Among producers we here include all those engaged in the transport of goods).*

How inefficiently the traditional form of money functions as an instrument of exchange has been demonstrated in the previous part of this book. A form of money that necessarily withdraws when there is lack of it, and floods the market when it is already in excess, can only be an instrument of fraud and usury, and must be considered unserviceable, no matter how many agreeable physical qualities it may possess.

Judged by this criterion, what a disaster was the introduction of the gold standard in Germany! At first a boom, fed by the millions taken from France, and afterwards the inevitable crash!

We introduced the gold standard because we expected an advantage from it, and what other advantage could we expect from a change of our monetary system than greater security, cheapening and acceleration of the exchange of goods ?

But if such was the purpose, what was the justification for the introduction of the gold standard to achieve it ? Gold coins, neat round shining toys, were expected to facilitate, accelerate and cheapen the exchange of straw, iron, limestone, hides, petroleum, wheat, coal, etc., but how that was to be done nobody was able to explain; it was simply a matter of faith. Everybody - even Bismarck - relied on the judgement of the so-called experts.

After the establishment of the gold standard, just as before it, the exchange of goods consumes 30, 40, and sometimes perhaps 50% of the entire output. Trade depressions are just as frequent and just as devastating as in the days of the thaler and the florin; and by the increased number of dealers we observe how slight is the mercantile power of the new money.

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The reason why the mercantile power, the power of exchanging goods, of this money is so slight, lies in the fact that it has been over-improved - improved, that is, exclusively from the view-point of the holder. In fixing upon the material for money, only the buyer, only demand was considered. The goods, supply, the seller, the producer of the goods, were entirely overlooked. The very finest of materials, a precious metal, was chosen for the manufacture of money - just because it offered certain conveniences to the holders of money. Our experts did not pause to consider that the holders of goods in selling their products had to pay for these conveniences. By the selection of gold as money-material, the buyer has been allowed time to choose the most favourable moment for the purchase of goods, and in granting this freedom the devisers of the gold standard forgot that the seller would be forced to wait patiently in the market till the buyer chose to appear. Through the choice of the money-material, demand for goods was placed at the discretion of the owners of money and delivered up to be the sport of caprice, greed, speculation and chance. Nobody saw that the supply of goods, owing to its material nature, is at the mercy of this arbitrary will. Thus arose the power of money which, transformed into financial power, exercises a crushing pressure on all producers.

In short, our worthy experts when considering the currency question forgot the goods - for the exchange of which the currency exists. They improved money exclusively from the point of view of the holder, with the result that it became worthless as a medium of exchange. The purpose of money evidently did not concern them, and thus as Proudhon put it, they forged "a bolt instead of a key for the gates of the market". The present form of money repels goods, instead of attracting them. People do, of course, buy goods, but only when they are hungry or when it is profitable. As a consumer everyone buys the minimum. No one desires to have stores, in planning a dwelling house the architect never includes a storeroom. If every householder were today presented with a filled storeroom, by tomorrow these stores would be back on the market. Money is the thing people want to own, although everybody knows that this wish cannot be fulfilled, since the money of all mutually neutralises itself. The possession of a gold coin is incontestably more agreeable than the possession of goods. Let the "others" have the goods. But who, economically speaking, are these others? We ourselves are these others; all of us who produce goods. So if, as buyers, we reject the products of the others, we really all reject our own products. If we did not prefer money to the products of our fellows, if instead of the desired yet unattainable reserve of money, we built a storeroom and filled it with the products of our fellows, we should not be obliged to have our own products offered for sale in expensive shops where they are, to a great extent, consumed by the cost of commerce. We should have a rapid and cheap turnover of goods.

100 DOLLARS FREE-MONEY											
10 Cents	10 Cents	10 Cents	10 Cents	10 Cents	10 Cents	10 Cents	10 Cents	1 Sept.	6 Oct.	3 Nov.	1 Dec.
10 Cents	10 Cents	10 Cents	10 Cents	10 Cents	10 Cents	10 Cents	10 Cents	11 Aug.	8 Sept.	13 Oct.	6 Dec.
10 Cents	10 Cents	10 Cents	10 Cents	10 Cents	10 Cents	10 Cents	10 Cents	18 Aug.	15 Sept.	20 Oct.	17 Dec.
10 Cents	10 Cents	10 Cents	10 Cents	10 Cents	10 Cents	10 Cents	10 Cents	25 Aug.	22 Sept.	27 Oct.	24 Dec.
	10 Cents			10 Cents				29 Sept.			29 Dec.
Federal Currency Office, Washington, 1 January 1960											

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Figure 4. Free-Money, American Currency.

(Or any other decimal currency)

This \$100 note (bill) is shown as it will appear during the week August 4th - 11th, thirty-one ten-cent stamps (\$3.10) having been attached to it by its various holders on the dated spaces provided for the purpose, one stamp for each week since the beginning of the year. In the course of the year 52 ten-cent stamps (\$5.20) must be attached to the \$100 note, or in other words it depreciates 5.2% annually at the expense of its holders.

So we must make money worse as a commodity if we wish to make it better as a medium of exchange.

Gold does not harmonise with the character of our goods. Gold and straw, gold and petrol, gold and guano, gold and bricks, gold and iron, gold and hides ! Only a wild fancy, a monstrous hallucination, only the doctrine of "value" can bridge the gulf. Commodities in general, straw, petrol, guano and the rest can be safely exchanged only when everyone is indifferent as to whether he possesses money or goods, and that is possible only if money is afflicted with all the defects inherent in our products. That is obvious. Our goods rot, decay, break, rust, so only if money has equally disagreeable, loss-involving properties can it effect exchange rapidly, securely and cheaply. For such money can never, on any account, be preferred by anyone to goods.

Only money that goes out of date like a newspaper, rots like potatoes, rusts like iron, evaporates like ether, is capable of standing the test as an instrument for the exchange of potatoes, newspapers, iron and ether. For such money is not preferred to goods either by the purchaser or the seller. We then part with our goods for money only because we need the money as a means of exchange, not because we expect an advantage from possession of the money.

FOUR POUNDS FREE-MONEY											
One Penny	One Penny	One Penny	One Penny	One Penny	One Penny	One Penny	One Penny	1 Sept.	6 Oct.	3 Nov.	1 Dec.
One Penny	One Penny	One Penny	One Penny	One Penny	One Penny	One Penny	One Penny	11 Aug.	8 Sept.	13 Oct.	8 Dec.
One Penny	One Penny	One Penny	One Penny	One Penny	One Penny	One Penny	One Penny	18 Aug.	15 Sept.	20 Oct.	17 Dec.
One Penny	One Penny	One Penny	One Penny	One Penny	One Penny	One Penny	One Penny	25 Aug.	22 Sept.	27 Oct.	24 Dec.
	One Penny			One Penny				29 Sept.			29 Dec.
British Currency Office. London. 1 January 1960											

Figure 5. Free-Money, British Currency.

Free-Money, British Currency, is issued in 1-shilling, 5-shilling, 10-shilling, £1, £4, £10, and £20 currency notes and in perforated sheets of stamps resembling small postage stamps, value 0.5 d., 1d., 2.5d., and 5d., which are used for attaching weekly to the notes, to keep them at their face value. A penny stamp must, for example, be attached weekly by the holder to the above £4 currency note which is divided into 52 dated sections for this purpose. The note is shown as it will appear during the week August 4th - 11th., 31 penny stamps having been attached to it by its various holders, one stamp for each week from the beginning of the

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year. In the course of the year 52 penny stamps (value 4s. 4d.) must be attached to this £4 note, or in other words it depreciates 5.4% annually at the expense of its holders.

As the owners of goods are always in a hurry for exchange, it is only just and fair that the owners of money, which is the medium of exchange, should also be in a hurry. Supply is under an immediate, inherent constraint; therefore demand must be placed under the same constraint.

Supply is something detached from the will of owners of goods, so demand must become something detached from the will of owners of money.

If we decide to abolish the privileges enjoyed by the owners of money and to subject demand to the compulsion to which supply is by nature subject, we remove all the anomalies of the traditional form of money and compel demand to appear regularly in the market, independently of political, economic or natural conditions. Above all, the calculations of speculators, the opinions or caprices of capitalists and bankers will no longer influence demand. What we term the "tone of the Stock-Exchange" will be a thing of the past. As the law of gravity knows no moods, so the law of demand will know of none. Neither the fear of loss nor the expectation of profit will be able to retard or accelerate demand.

In all conceivable conditions demand will then consist of the volume of money issued by the State, multiplied by whatever velocity of circulation is permitted by existing commercial organisation.

All private money reserves are automatically dissolved by such compulsory circulation. The whole volume of money issued is in uninterrupted, regular and rapid circulation. No one can any longer interfere with the public monetary administration by putting into circulation or withdrawing private reserves of money. And the State itself is under obligation at all times rigorously to adapt demand to supply - an obligation which it can fulfil by issue or withdrawal of trifling sums of money.

More than that is not needed to protect the exchange of goods against any conceivable disturbance, to render crises and unemployment impossible, to reduce commercial profits to the rank of a wage, and in a short space of time to drown capital-interest in a sea of capital.

And what do the priceless advantages of compulsory monetary circulation cost us, the producers, who create the money through the division of labour? Nothing but renunciation of the privilege of infecting demand with our arbitrary will, and, through it, with greed, hope, fear, care, anxiety and panic. We need only abandon the illusion that we can sell our produce without someone else's buying it. We need only pledge ourselves mutually to buy, at once and in all possible circumstances, exactly as much as we have sold. And in order to secure reciprocity for this pledge, we must endow money with properties that will compel the seller of goods to comply with the obligations incidental to the possession of money; we must compel him to convert his money into goods again - personally, if he has any need of goods, or through others, to whom he lends his money, if he has not.

Are we then willing to break the fetters that enslave us as sellers of our produce, by renouncing our despotic privileges as buyers over the produce of our fellows? If so, let us examine more closely the unprecedented and revolutionary proposal of compulsory demand. Let us examine a form of money subjected to an impersonal compulsion to be offered in exchange for goods.

Description of Free-Money

1. Free-Money is a stabilised paper-money currency, the currency notes being issued or withdrawn in accordance with index numbers of prices, with the aim of stabilising the general level of prices.
2. Free-Money, decimal currency (* For Free-Money, British currency, see Figure 5.), is issued in 1 - 5 - 10 - 20 - 50 - and 100 dollar (franc, mark) notes (bills). The monetary authority also sells, through the post-office, currency stamps value 1 - 2 - 5 - 10 - 20 and 50 cents.
3. Free-Money loses one-thousandth of its face value weekly, or about 5% annually, at the expense of the holder. The holder must keep the notes at their face value by attaching to them the currency stamps mentioned above. A ten-cent stamp, for example, must be attached every Wednesday to the \$100 note illustrated (Figure 4), which is shown as it will appear during the week August 4th - 11th, 31 ten-cent stamps (\$3.10) having been attached to it, on the dated spaces provided for the purpose, by its various holders, one stamp for each week since the beginning of the year. In the course of the year 52 ten-cent stamps must be attached to the \$100 note, or, in other words, it depreciates 5.2% annually at the expense of its holders.
4. For small change up to one dollar (1 - 2 - 5 - 10 - 20 - 50 cents) the currency stamps themselves could be used, in which case they would not be reissued when paid in at public offices, but replaced by fresh stamps. The currency stamps would be sold in small perforated sheets resembling a page from a postage-stamp booklet, the total value of each sheet being one dollar.

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5. At the end of the year the fully-stamped currency notes are exchanged for fresh notes, for circulation during the following year.
6. Everyone of course tries to avoid the expense of stamping the notes by passing them on - by purchasing something, by paying debts, by engaging labour, or by depositing the notes in the bank, which must at once find borrowers for the money, if necessary by reducing the rate of interest on its loans. In this way the circulation of money is subjected to pressure.
7. The purpose of Free-Money is to break the unfair privilege enjoyed by money. This unfair privilege is solely due to the fact that the traditional form of money has one immense advantage over all other goods, namely that it is indestructible. The products of our labour cause considerable expense for storage and caretaking, and even this expense can only retard, but cannot prevent their gradual decay. The possessor of money, by the very nature of the money-material (precious metal or paper) is exempt from such loss. in commerce, therefore, the capitalist (possessor of money) can always afford to wait, whereas the possessors of merchandise are always hurried. So if the negotiations about the price break down, the resulting loss invariably falls on the possessor of goods, that is, ultimately, on the worker (in the widest sense). This circumstance is made use of by the capitalist to exert pressure on the possessor of goods (worker), and to force him to sell his product below the true price.
8. Free-Money is not redeemed by the Currency Office. Money will always be needed and used, so why should it ever be redeemed? The Currency Office is, however, bound to adapt the issue of money to the needs of the market in such a manner that the general level of prices remains stable. The Currency Office will therefore issue more money when the prices of goods tend to fall, and withdraw money when prices tend to rise; for general prices are exclusively determined by the amount of money offered for the existing stock of goods. And the nature of Free-Money ensures that all the money issued by the Currency Office is immediately offered in exchange for goods. The Currency Office will not be dormant like our present monetary administration which with indolent fatalism expects the stability of the national currency from the mysterious so-called "intrinsic value" of gold, to the great advantage of swindlers, speculators and usurers; it will intervene decisively to establish a fixed general level of prices, thereby protecting honest trade and industry.
9. The great importance of external trade makes it desirable that there should be an international agreement to stabilise the international exchanges. In the meantime we shall have to decide whether the monetary administration, when regulating, the issue of money, is to stabilise home prices, or to stabilise the foreign exchanges. It cannot of course do both, for stabilising the exchanges means conforming to the price levels of other countries. And these price levels, in countries with metallic standards, constantly fluctuate.
10. The exchange of metal money for Free-Money will be entirely optional. Those who cannot bear to part with their gold may keep it. Gold, however, like silver formerly, will lose the "right of free coinage", and the coins will be deprived of their quality as legal tender. After the expiration of the legal period for exchange, the coins will no longer be accepted by the courts of justice or other public institutions.
11. For payments abroad use can be made as heretofore of bills of exchange offered for sale by merchants who have shipped goods abroad. For small amounts Post Office Money Orders may be employed, as is the custom at present.
12. Anyone wishing to purchase national products for export and having only gold at his disposal, that is, if he has not been able to buy any import bills, can sell his gold to the Currency Office. Anyone needing gold for the import of foreign goods, because there are no export bills on offer, can buy the gold at the Currency Office. The price of this gold will depend on how the question left open in (9) is answered.
13. The sale of the currency stamps creates a regular annual revenue for the Currency Office, amounting to 5% of the value of the currency notes in circulation, or 200 - 300 million marks in Germany before 1914.

This revenue of the currency administration is an accidental by-product of the reform, and is comparatively insignificant. The disposal of this revenue will be specially provided for by law. (*For other methods of applying the principle of Free-Money see page 245.)

2. How the state puts Free-Money in circulation

The money reform deprives the Banks of Issue of the privilege of issuing banknotes. Their place is taken by the National Currency Office which is entrusted with the task of satisfying the daily demand for money.

The National Currency Office does not carry on banking business of any kind. It does not buy or sell bills of exchange, it does not classify business firms as first, second and third rate. It entertains no connections with private persons. The National Currency Office issues money when the country needs it, and withdraws money when money is in excess. That is all.

To put Free-Money in circulation all public treasuries are instructed to exchange, when requested to do so, the old national metal money or paper money for Free-Money; one dollar (franc, or shilling) of Free-Money being given for one dollar (franc, or shilling) of the old money.

Anyone not consenting to this exchange may keep his gold. No one will compel him to exchange it; there will be no legal pressure; no force will be employed. The public is merely warned that after the lapse of a certain term (1, 2 or 3 months) the metal money will be only metal, and no longer money. If by that time anyone still possesses metal money he is free to sell it for Free Money to a dealer in precious metals, but he must bargain about the price. The only form of money recognised by the State will be Free-Money. Gold, for the State, will be a mere commodity like wood, copper, silver, straw, paper or fish-oil. And just as today taxes cannot be paid in wood, silver or straw, so gold will not be available for the purpose of paying taxes after expiration of the term for exchange.

The State knows that there is no room for any but State money, and that consequently no special efforts are needed to give this money currency. For the indispensability of money and the necessity for State control of money automatically lead to that result. So if anyone decides to set up a private mint and to strike coins of any particular weight and fineness, the State can tranquilly look on. Coins, for the State, have ceased to exist and so, therefore, have forgers of coins. The State simply deprives all coins, including those formerly struck by itself, of its guarantee of weight and fineness, the minting machinery being sold to the highest bidder. That is all the State does to prevent gold from circulating - but it suffices.

So if anyone opposes Free-Money to the point of rejecting it as payment for his goods, nobody will interfere. Let him continue to demand gold for his products. But he will have to weigh this gold and test its purity, coin by coin, with touchstone and acids. He will, moreover, have to ascertain whether anybody will buy the gold from him, and at what price, and he must be prepared for certain surprises. If on second thoughts he finds this procedure troublesome and expensive, he is still free to seek salvation within the pale of Free-Money. He will then only be following the example of the former enemies of the gold standard, the German landowners who at first fiercely opposed the new gold money but very soon accepted it.

What is the State to do with the gold received in exchange for Free-Money ? The State will melt it down and have it manufactured into chains, bracelets and watch-cases to present to all the brides of the nation on their wedding day. What more reasonable use could be found for such a mass of treasure ?

*For the State does not need gold, and by selling the gold received for Free-Money to the highest bidders it would depress its price and embarrass other nations, as happened when Germany so thoughtlessly sold its demonetised silver. If on that occasion Germany had used the silver thalers to manufacture wedding presents, or to erect in front of every pawn-shop and loan-bank life-sized statues to the champions of the gold standard - it would have been better for economic life at home and abroad, and even for the State finances. For the few millions which the State realised from the sale of silver, a mere drop in the ocean considered from the point of view of German economic life as a whole, were largely instrumental in depressing the price of silver, and the difficulties of the German landowners, caused by the low price of grain, were partly due to these silver sales. (*Laveleye: La Monnaie et le Bimétallisme.) If Germany had adopted the above proposal and manufactured the thalers into silver wedding presents, it would have recovered the loss tenfold out of the increased taxpaying capacity of its subjects.*

3. How Free-Money is managed

After Free-Money has been put in circulation and metal money withdrawn, the sole function of the National Currency Office is to observe the ratio at which money and goods are exchanged and by increasing or decreasing the monetary circulation, to stabilise the general level of prices. In doing so the National Currency Office is guided by statistics for the calculation of the average price of all goods, as discussed in Part III of this book. According to the results of this calculation, which show whether the price-level tends to rise or fall, the monetary circulation is reduced or enlarged. (Instead of altering the volume of money the Currency Office

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might alter its rapidity of circulation by reducing or raising the rate of depreciation of 5.2%. But the first method proposed is preferable).

To increase the monetary circulation, the Currency Office pays new money into the public treasury which will expend it by means of a proportional reduction of taxation. If the taxes due to be collected amount to 1000 millions, and 100 millions of new money is to be issued, the taxes are reduced 10%.

That is a simple matter, but the decrease of the monetary circulation is still simpler. For since the amount of Free-Money in circulation decreases 5% annually through depreciation, all that the Currency Office has to do, to decrease the volume of money, is - to do nothing. Any surplus consumes itself automatically. (*This refers to Gesell's original plan, published in 1891, for applying the principle of Free-Money, in which he proposes to let the face-value of the currency notes decrease from 100 at the beginning of the year to 95 at the end - instead of keeping the face-value at 100 by stamping the notes at the holder's expense. See page 245.) Should this not suffice the volume of the currency could be reduced by increasing taxation and using the resulting surplus to destroy Free-Money notes. The volume of currency could also be regulated by purchase or sale of Government securities by the Currency Office.

By means of Free-Money, therefore, the Currency Office has perfect control over supply of the instrument of exchange. It controls absolutely both the manufacture of money and the supply of money.

The Currency Office does not require a palatial building with hundreds of officials, like the German National Bank. The Currency Office carries on no banking business of any kind. It has no counters, nor even a safe. The money is printed in the national printing press; the issue and the exchange of the money is effected by the public treasuries; the general level of prices is calculated by the bureau of statistics. All that is needed is one man who takes the money from the printing house to the public treasuries, or destroys the money collected by taxation for the purpose of regulating the currency. The whole establishment consists of a printing press and a stove. Simple, cheap, efficient!

With this simple apparatus we can replace the arduous labour of gold-digging, the ingenious machinery of the mint, the working capital of the banks, the strenuous activity of the Bank of Issue, and yet make sure that today, tomorrow, for ever, in good days and in bad, there will never be a penny too much or too little in circulation. And we can do more than merely replace the present organisation. We can establish permanently a model currency system for all the world to imitate.

4. The Laws of Circulation of Free-Money

Let us now consider Free-Money more closely. What can its possessor or holder do with it? On January 1st its value in the markets, shops, pay-offices, public treasuries and courts of justice is \$100 and on December 31st it is only \$95. That is to say, if the holder of the note intends to employ it at the end of the year to pay \$100, on a bill of exchange, invoice or demand note, he has to add \$5 to the note.

What has occurred? Nothing but what occurs with every other commodity. Just as a certain egg steadily and rapidly departs from the economic conception "egg" and is not comparable to it at an on completion of the rotting process, similarly the individual dollar note drifts away from what the dollar stands for in the currency. The dollar as the currency unit is permanent and unchanging; it is the basis for all calculations; but the dollar as a money-token has only the starting point in common with it. Nothing has occurred, then, but what occurs with everything about us. The species, the conception is unalterable; but the individual, the representative of the species is mortal and moves steadily onwards towards dissolution. All that has occurred is the separation of the object of exchange from the unit of currency, the individual from the species, and the subjection of money to the law of birth and decay.

The holder of this perishable money will beware of keeping the money, just as the egg-dealer will beware of keeping the egg any longer than he must. The holder of the new money will invariably endeavour to pass on the money, and the loss involved by its possession, to others.

But how can he do so? By selling his products he has come into possession of this money. He was forced to accept it, though well aware of the loss its possession would cause him. His products were from the first intended for the market; he was forced to exchange them, and exchange, under the given conditions, could be effected only through the medium of money; and this is the only money now produced by the State. Hence he was compelled to accept this odious Free-Money in exchange for his products if he was to dispose of them at all and so attain the object of his labour. Perhaps he might have deferred the sale, say until he was in immediate need of other goods, but meanwhile his own products would have deteriorated and become cheaper; he would have incurred a loss, perhaps greater than that involved in the possession of the money, through the diminution in quantity and the deterioration in quality of his products, and through the cost of storage and care-taking. He was under constraint when he accepted the new money, and this

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constraint was caused by the nature of his own products. He is now in possession of the money which steadily depreciates. Will he, in his turn, find a purchaser, will he find anybody willing to let the loss arising out of the possession of such money be passed on to him? The only person who will accept this "bad" new money from him, is someone like himself under constraint, someone who has produced commodities and is now anxious to dispose of them in order to avoid the loss incident to their possession.

We thus at the very outset, note a remarkable fact, namely that the buyer has a personal desire, arising immediately out of the possession of his money, to pass it on to the possessor of commodities, and that this desire equals in strength the seller's eagerness to pass on his commodities to the buyer. The gain from the immediate completion of the bargain is the same for both parties, and the effect, of course, is that during the negotiations about price the buyer can no longer refer to his invulnerability (gold), and threaten to withdraw should the seller not submit to his terms. Buyer and seller are both poorly armed; each has the same urgent desire to strike the bargain. Under such conditions, obviously, the terms of the bargain will be fair and the transaction will be accelerated.

But let us now suppose that the Free-Money note which we have just been considering has come into the possession of a saver, merchant or banker. What will they do with it? In their hands also, the money-token steadily shrinks away. They came into possession of Free-Money by exchanging their former gold coins. No law constrained them to make the exchange; they might have kept the gold, but the State proclaimed that after a certain date it would refuse to give Free-Money for gold, and what could they then have done with their gold? They could have had it manufactured into gold ornaments, but who would have bought these ornaments, and at what price? And with what would the gold ornaments have been paid for? With Free-Money!

So they found it advisable not to let the term for exchange slip by. And now they are considering the new money, their property. The uselessness of the demonetised gold forced them to consent to exchange it for Free-Money, and the loss inseparable from possession of the new money now forces them to get rid of it in order to transfer the loss as quickly as possible to others.

But since as savers and capitalists they have no personal demand for goods, they now seek a market for their money with people who wish to buy goods, but at present have no money. That is, they offer the money as a loan - just as they used to do in the case of gold. There is, however, a difference. Formerly they were free to lend the money or not, and they only lent it as long as they were satisfied with the conditions of the loan. Now they are forced to lend the money, whatever the conditions of the loan. They now act under compulsion. By the nature of their property (commodities), they were compelled to accept Free-Money, and now they are compelled by the nature of Free-Money to lend it. If they are not satisfied with the interest offered, let them buy back their gold, let them buy goods, let them buy wine which is said to become better and dearer in the course of time, let them buy bonds or Government securities, let them become employers of labour and build houses, let them enter commerce, let them do anything they please that may be done with money - one thing only they cannot do: they cannot now lay down the conditions upon which they are willing to pass on their money.

Whether they are satisfied with the interest offered by the debtor or the yield promised by the projected house; whether the securities selected are favourably quoted; whether the price of the wine and precious stones which they intend to hoard has been forced up too high by the great number of buyers with the same ingenious idea; whether the selling price of the matured wine will cover the cost of storage, caretaking, etc., makes no difference, for they are compelled to dispose of the money. And that too immediately, today and not tomorrow. The longer they stop to think, the greater the loss. Supposing, however, that they find somebody willing to take the money, the loan-taker can have only one intention, namely to invest the money at once in goods, in enterprises or in some other manner. For no one will borrow money simply to put it in a box, where it depreciates. He will endeavour to pass on the loss connected with the possession of money by passing on the money.

In whatever way the money is invested, it will immediately create demand. Directly, through purchasing, or indirectly through lending, the possessor of money will be obliged to create a demand for commodities exactly proportionate to the quantity of money in his possession.

It follows that demand no longer depends on the will of the possessors of money; that price-formation through demand and supply is no longer affected by the desire to realise a profit; that demand is now independent of business prospects and expectations of a rise or fall of prices; independent too, of political events, of harvest estimates; of the ability of rulers or the fear of economic disturbance.

The supply of money, just like the supply of potatoes, hay, lime, coal and so forth, will be weighable, measurable, and without life and volition. Money, by an inherent natural force, will steadily tend towards the limit of the velocity of circulation possible for the time being, or rather it will in all conceivable circumstances tend to overleap this limit. Just as the moon, calm and unaffected by what may be going on here below, moves in its orbit, so Free-Money, detached from the wishes of its holders, will move through the market.

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In all conceivable circumstances, in fair weather and in foul, demand will then exactly equal: -

- 1. The quantity of money circulated and controlled by the State. Multiplied by:*
- 2. The maximum velocity of circulation possible with the existing commercial organisation.*

What is the effect upon economic life ? The effect is that we now dominate the fluctuations of the market; that the Currency Office, by issuing and withdrawing money, is able to tune demand to the needs of the market; that demand is no longer controlled by the holders of money, by the fears of the middle classes, the gambling of speculators or the tone of the Stock Exchange, but that its amount is determined absolutely by the Currency Office. The Currency Office now creates demand, just as the State manufactures postage stamps, or as the workers create supply.

When prices fall, the Currency Office creates money and puts it in circulation. And this money is demand, materialised demand. When prices rise the Currency Office destroys money, and what it destroys is demand.

Thus the Currency Office controls the tone of the market, and this means that we have at last overcome economic crises and unemployment. Without our consent the price-level can neither rise or fall. Every movement up or down is a manifestation of the will of the Currency Office, for which it can be made responsible.

Demand as an arbitrary act of the holders of money was bound to cause fluctuations of prices, periodic stagnation, unemployment, fraud. Free-Money makes the price-level dependent on the will of the Currency Office which uses its power, in accordance with the purpose of money, to prevent fluctuations.

Confronted with the new money everyone will be forced to conclude that the traditional custom of storing up reserves of money must be abandoned, since reserve money steadily depreciates. The new money, therefore, automatically dissolves all money hoards, those of the careful householder, of the merchant and of the usurer in ambush for his prey.

And what does this change further signify for economic life ? It signifies that henceforward the population will never be in possession of more than the exact amount of the medium of exchange necessary for the immediate requirements of the market -an amount regulated so as to eliminate fluctuations of prices caused by too much or too little money. It signifies that henceforward no one can frustrate the policy of the Currency Office by flooding the market with money drawn from private reserves at a time when the Currency Office considers a drainage of the market opportune, or by draining off money into private reserves when the Currency Office wishes to replenish the stock of money. It signifies consequently that, to enforce its policy, the Currency Office need issue or withdraw only insignificant quantities of money.

But with the new form of money no one needs to provide for a money reserve, since the regularity of the circulation makes reserves superfluous. The reserves were a cistern, that is, merely a receptacle, whereas the regularity of circulation of the new money will make it a perennially-welling spring.

With Free-Money demand is inseparable from money, it is no longer a manifestation of the will of the possessors of money. Free-Money is not the instrument of demand, but demand itself, demand materialised and meeting, on an equal footing, supply, which always was, and remains, something material. The tone of the Stock-Exchange, speculation, panic and collapse cease from now on to influence demand. The quantity of money issued, multiplied by the maximum velocity of circulation possible with the existing commercial organisation, is in all conceivable circumstances the limit, the maximum and also the minimum, of demand.

Money, anathema throughout the ages, will not be abolished by Free-Money, but it will be brought into harmony with the real needs of economic life. Free-Money leaves untouched the fundamental economic law which we showed to be usury, but it will cause usury to act like the force that seeks evil but achieves good. By eliminating interest Free-Money will clear away the present ignoble motley of princes, rentiers and proletarians, leaving space for the growth of a proud, free, self-reliant race of men.

<http://www.silvio-gesell.de/en/neo/part4/4.htm>

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Silvio Gesell: *The Natural Economic Order*

Appendix:

METHODS OF APPLYING THE PRINCIPLE OF FREE-MONEY

(Translator, 1958).

There are many methods of applying the principle of Free-Money, the most important being: **Tabular Free-Money, Stamped Free-Money, Serial Free-Money, and Supplementary Free-Money.**

Tabular Free-Money was the earliest proposal. In *Currency Reform as Bridge to the Social State* (1891), Gesell suggests letting the face-value of the Free-Money notes ("rusting banknotes" as he then called them) decrease from 100 at the beginning to 95 at the end of the year, the current value of the note being shown in a table printed on it. This plan, which has advantages from the banker's standpoint, was retained in the first edition of the present work (1906).

Stamped Free-Money, suggested by George Nordmann, a Swiss merchant, was adopted by Gesell in the second (1916) and subsequent editions. The Free-Money notes, instead of losing 5% of their face-value in the course of the year, would be kept at their full face-value by weekly or monthly stamping at the holder's expense.

With weekly stamping, shown in schematic form on page 270 the number of stamps (52) on each note could be reduced to 13 by grouping the stamps in quarters (13 stamps to each quarter) and cutting off each fully-stamped quarter when the note was passing through a bank or public treasury, with the mention: "First (or Second, or Third) Quarter fully-stamped." Or the notes could be re-issued at 6-monthly or quarterly intervals, instead of annually. With monthly stamping and half-yearly note-issues, six stamps would be the maximum number attached to a note.

If the currency stamps were used only for stamping the notes (and not also as small change), they could be printed on cellophane rolls like the self-adhesive tape used for fastening parcels. Or, instead of adhesive stamps, machine stamping could be adopted, as at present with letters and parcels.

Stamped Free-Money has advantages in the market, outside the gathering places of money. In almost all the practical realisations of Free-Money (in Germany by Hans Timm in Gesell's lifetime, and by the mining entrepreneur Hebecker, using Timm's "Wära", at Schwanenkirchen in 1931, in Austria by the Mayor of Wörgl in 1932, and in the many later experiments throughout the United States) stamped Free-Money was the form adopted.

With *Serial Free-Money* each denomination of the currency notes is issued in four or more series distinguished, by a number and bold marking, for example 1 - 4 red bars across the note. At determined intervals one of the series, drawn by lot, ceases to be legal tender but is exchanged for a fresh series by the Currency Office - after deduction of the legal depreciation for all four series. With some modifications this plan could be applied to small-change coins. *Serial Free-Money* has the merit of reducing interference with the currency to one-quarter; three-quarters of the currency continues to circulate undisturbed.

With *Supplementary Free-Money* the legal depreciation is compensated in each transaction by a supplementary payment by the holder of the note, as at present in many countries with the purchase tax (sales tax).

Theoretically the principle of Free-Money could be applied by a continuous regular inflation of prices of 5% annually, with, to protect creditors, a corresponding modification of all long-term money contracts. (For 18 years the continuous irregular inflation, without modification of money contracts, practised by almost all countries, has realised one aim of Free-Money: the elimination of depressions and unemployment - but at the expense of creditors, and with many grave economic disturbances).

During the great American depression of the thirties, when the United States currency, in spite of liberal credit policy, failed to circulate, legislation was introduced in the Senate and House of Representatives (Bankhead - Pettengill Bill, 1933) directing the Federal Treasury to issue \$1,000 million in \$1 stamped notes. To each of these notes it was proposed to attach weekly a 2-cent stamp, a depreciation charge of 100% which would have made the whole issue self-liquidating within a year, through sale of the stamps.

In Switzerland a Plan for applying the principle of Gesell's Free-Money was proposed in 1948 in the Federal Parliament as an amendment (Bernoulli - Schmid) to the charter of the Swiss National Bank. To forestall depressions, this plan proposes to empower the Bank to counteract any statistically observed slackening of velocity of the currency circulation, by cancelling some or all the higher denominations of the notes, the cancelled notes to be immediately exchanged for fresh notes after a deduction not exceeding, in any one year, 6% of the value of the note.

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Gesell rejected the plan of 5% compensated inflation and he also rejected proposals to raise the legal depreciation rate of the notes above what is needed to load money with the carrying costs to which, by their nature, the wares are subject - estimated at about 5% annually. But Gesell did not advocate exclusively any of the other proposals; he held that the technique of Free-Money, like all technique, must be determined in practice, by trial and modification.

(See Professor Irving Fisher: Stamp Scrip (1933); Fritz Schwarz: Das Experiment von Wörgl (1950); Karl Walker: Die Technik der Umlaufsicherung des Geldes (1952). The New York Public Library has an immense collection of material relating to the American local realisations of Free-Money.)*

<http://www.silvio-gesell.de/en/neo/appendix/methods.htm>

5. How Free-Money will be judged

A. The Shopkeeper

The coming of Free-Money has made notable changes in my business. In the first place my customers have taken to paying cash, because it is to their immediate advantage to pay promptly, and because they are paid cash themselves. In the second place the sale of goods in small quantities has ceased, I no longer sell goods by pennyworths. Customers were formerly loath to part with their money, because the money did not compel them to pass it on; because they received interest; because they had money in the savings bank; because it was more convenient to have money in the house than goods; and finally because nobody was ever sure when he would receive the money owing to him. The circulation of money was irregular and payments were so uncertain that everyone except those in receipt of a fixed income was forced to keep some money in reserve. And this reserve was formed by purchasing whenever possible on credit and by purchasing only necessities for immediate consumption. Instead of a pound customers bought an ounce, instead of a sack, a pound. It never occurred to anyone to lay in provisions or to provide a store-room when planning a new house. The only possible kind of store was a store of money. A modern house had many rooms for special purposes such as a darkroom, a carpet-room, a box-room, etc., but never a room for provisions.

All this has now changed. The new money constantly reminds men of their duties as debtors, and they are eager to pay, as they are paid, promptly. Money is now compelled to circulate, so its circulation is steady and uninterrupted. It can no longer be arrested by rumours. Regular circulation produces a regular turnover of goods, and as everyone, to avoid loss, is anxious to pay at once for what he has bought, the influx of money into my till has also become regular. We shopkeepers are able to rely on this regular influx of money and are therefore no longer forced to keep a reserve of money; quite apart from the fact that reserves of money are now impossible, since they depreciate. Instead of hoarding money, people now lay in stores; they prefer possession of goods to possession of cash, just as, for the same reason, they prefer paying cash to buying on credit. Instead of minute quantities, the public now buys large amounts of goods in their original packing; instead of a gallon, a barrel; instead of a yard, a roll; instead of a pound, a sack.

From this it might be imagined that we retailers are revelling in the new situation but that, unfortunately, is not so. Luckily for myself I watched developments closely and was able to adapt my business to the changed conditions. For my former retail prices I have substituted wholesale prices, and have in this way managed not only to retain, but greatly to increase the number of my customers. But other shopkeepers who had not the same foresight have been forced to close their shops. Where there were ten shops formerly there is now only one which, in spite of its tenfold increase of turnover, requires less labour to run. The rent of my shop has already been reduced by 90%, because so many shops have been vacated and are being converted into flats. But in spite of a minimum rent and a tenfold increase of turnover my profits are far from having increased proportionately, since other shopkeepers, owing to the general simplification of commerce, have also been forced to reduce their profits. Thus instead of an average profit of 25% I now charge about 1% commission. As I deliver orders in the original packages and am paid cash, a small margin of profit will suffice. No book-keeping, no bills, no losses! And in spite of the tenfold increase of turnover, my warehouse has not been enlarged. My customers have agreed to take regular supplies which are delivered direct from the railway station. Shopkeeping has developed into a mere consignment business.

My fellow retailers who have been forced to close their shops are, I admit, to be pitied, especially the older ones who are past learning another trade. As their impoverishment has been caused by the introduction of Free-Money, that is, by State-interference, they ought in justice to be compensated by a State pension. And the State is well able to pay this compensation since the disappearance of these middlemen and the consequent cheapening of all commodities has greatly increased the tax-paying capacity of the population. On a former occasion the State felt itself bound to protect landlords against a fall of rent by introducing a duty on wheat, so compensation would seem fully justified in the present case.

I must admit that shopkeeping is enormously simplified by Free-Money. Something of the kind was bound to happen. Neither small retail selling, with the tremendous cost it involved, nor the misuse of credit sales could have continued indefinitely. It was an intolerable abuse that the retail sale of daily necessities should add 25% to their price at a time when labour was forced to struggle hard for a 5 % increase of wages.

Switzerland, with 3,000,000 inhabitants, in 1900 employed 26,837 commercial travellers who paid an aggregate of 320,000 francs for licences. Even if we put their daily expenses at only 5 francs per head, commercial travellers cost Switzerland 48,977,525 francs annually.

In Germany there are 45,000 commercial travellers permanently on the road. (In Switzerland this business is largely carried on as a subsidiary occupation; hence the comparatively large number of travellers and my low estimate of 5 francs a day for expenses). It has been calculated that each of these 45,000 commercial travellers costs 14 marks a day (salary, travelling expenses, hotel bills) and this is certainly not an over-

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estimate. That amounts to 600,000 marks a day or 218 million marks a year. To this other travelling expenses must be added. We can say that two-thirds of all travelling is travelling on business, and that two-thirds of the hotels in existence exist solely for the service of business travellers.

It was predicted that the introduction of Free-Money would render buyers more amenable, and I observe that their behaviour has already been sensibly modified. Last Saturday a customer who wanted a sewing-machine kept me talking for an hour, but the man seemed unable to make up his mind and kept discovering imaginary defects in my good machine - until I reminded him of the imminent close of the week and the necessity of stamping his currency notes. That worked like a charm, the fortress of his indecision came tumbling down. He looked at his watch, counted his money and calculated that if he delayed any longer he would lose a penny. Forthwith his doubts were resolved, he paid and went off happy. I lost the penny, but the time gained was worth a thousand times as much.

Next a wealthy customer bought some goods but said he had forgotten his purse and asked me to charge the amount to his account. Upon my remarking that as it was Saturday it would pay him to fetch the money and thus avoid the depreciation, he thanked me for my attention, went home, and within a few minutes I had received the money. This enabled me to pay a craftsman who happened to deliver some goods at the same time. Omission to pay ready money would in this case have been simply a piece of indolence on the part of my customer, and this indolence would have prevented me from paying the craftsman. How much labour, risk and worry are saved by Free-Money ! I now employ only one book-keeper instead of ten. It is remarkable that the great problem of cash payment has been solved, as it were accidentally, by the money reform. It was not poverty that kept buyers from paying cash, but self-interest, and immediately any advantage was to be gained by paying cash, cash payment became general. It is well known that under the old system the merchant was not paid more promptly by the rich than by the poor, the reason for the delay being that during the term of respite the debtor was the recipient of interest.

About the depreciation itself I have no reason to complain. Personally, as a merchant, I should welcome an increase of the rate of depreciation from 5% to 10% a year, for that would make buyers still more amenable and book entries would cease entirely, so I could dismiss my last book-keeper. I now see that the more despised money is, the more highly esteemed are goods and their makers, and the simpler is commerce. Workers can be respected only in a country where money is not superior to them and their products. This desirable result, though not quite attained by the present rate would certainly be realised by a rate of depreciation of 10%, so possibly the rate may be raised in favour of the workers.

And what is even 10% on my average cash balance of \$1000 ? A hundred dollars a year! A mere trifle, compared to my other expenses. I can moreover contrive to reduce this amount considerably by getting rid of my money still more speedily, that is, by paying not only cash but in advance.

To pay in advance may seem at first sight a ridiculous proposal, but it is really only an inversion of the former custom, when the goods had to make advances, money following. Money now makes the advances and the goods follow. Pre-payment binds the debtor to supply goods and work, things at his immediate disposal; post-payment obliged him to supply money, a thing he can only obtain indirectly. It is therefore more advantageous and safer for both parties when the money precedes and the goods follow, than vice versa, as formerly.

Payment in advance is all that is needed to satisfy craftsmen and to provide them with the money necessary for carrying on their business. If craftsmen were not forced to deliver their product on credit, they could successfully compete with the trusts.

B. The Cashier

Upon the introduction of Free-Money we cashiers were pitied. Prophecies were made that we should be overwhelmed with work and worry, that we should always be short in our accounts, and so forth. But what has actually happened ? To begin with, office hours were reduced, as there was not enough work. Instead of ten hours I now work six. Next, the number of employees was gradually reduced, the older clerks being pensioned and the younger ones dismissed. But not even that was enough; most banking establishments have now been closed.

This development might indeed have been foreseen, but the banks were too firmly convinced of their indispensability! Bills of exchange and cheques, which used to be the cashier's daily bread, have almost disappeared. According to the returns of the National Currency Office, the currency now in circulation does not amount to one-third of our previous issue. That is because our present money circulates three times as rapidly as the old money. Scarcely a hundredth part of the former sums now passes through the hands of the banker. Money remains on the move, in the market, in the hands of buyers, merchants, manufacturers. It passes uninterruptedly from hand to hand, it has no time to accumulate in the banks. Money is no longer a bench on which the producer may repose after the fatigue of selling his goods and wait indolently until

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personal needs admonish him to turn over his money. The resting point in exchange is now the commodity itself - not of course the commodity one produces, but that produced by others. The holder of money is hunted and worried by his possession, just as formerly the producer was hunted and worried by his goods until he had passed them on to someone else. From what is the word "bank" or "banker" derived ? It comes from the benches on which the holders of money sat at ease, while the holders of goods ran about and fretted. With Free-Money, it is the holders of money who run about and fret, and the sellers of goods who sit on the benches.

Again, the circulation of money having become so rapid, and everyone being in a hurry to pay, bills of exchange are no longer required and have been replaced by ready money. Neither does anyone need reserves of money, the regularity of the monetary circulation making these reserves unnecessary. The living, perpetually-welling spring has taken the place of the stagnant reservoir.

These money reserves had seduced men into the greatest folly of the century, namely the cheque. Yes, it is I, the cashier, who proclaim that the cheque was rank folly! The use of money is to make a payment, and gold was supposed to be the most convenient means of payment conceivable, so why, then, was it not used as such ? Why let the cheque take the place of ready money, if ready money meets all requirements, as gold was vaunted for doing ? Compared with ready money the cheque is an exceedingly unwieldy instrument of payment. It is bound up with the observance of various formalities; it must be cashed at a certain place, and the security of payment depends on the solvency of the drawer and of the bank. Yet cheques were supposed to denote progress. It was even hoped to carry matters as far as the English have done, and to pay cab fares with a cheque. As if that were an honour and an advantage for the cabman ! The model cheque, for the recipient at least, is hard cash, for this cheque can be cashed in any shop or public house, it is bound by no formalities, and its security is never in question. We were so proud of our golden money and so convinced that we had reached the acme of perfection with it, that we were blind to the contradiction that lay in the use of cheques. Gold was too good for common use; therefore we looked for a substitute, the cheque. We resembled the man who went for a walk with an old coat and a new umbrella and could not bear to open the new umbrella lest it should become wet. So he hid it under his coat. No one scrupled to thrust whole parcels of cheques upon us cashiers, and we were able to find the total amount only by noting down the separate sums in long columns and adding them up. Disgusting work, compared to which the counting of money is child's play. Only the pieces of money have to be counted, since they are all equal in amount.

Moreover the cheques had to be cleared among the various banks, every single cheque charged to its drawer. And then the calculation of interest! At the end of every quarter an account had to be handed in with every cheque specifically entered. Thus every cheque was entered ten times over. And that was called progress ! What an absurdity ! The unwieldiness of the gold currency and the irregularity of the circulation made bank accounts necessary, and these in their turn gave rise to the cheque, but this circumstance, instead of being considered a serious drawback of the gold currency, was regarded as something to be proud of !

And besides the cheques those heavy bags of gold, silver, copper and nickel, and paper money into the bargain! Eleven different kinds of coins: 1, 2, 5, 10, 20 marks, 1, 2, 5, 10, 20, 50 pfennigs ! For small change under one mark alone six different coins of three different metals ! Hundreds of cheques, eleven different coins and ten different kinds of paper money !

With Free-Money I have only a few denominations and no cheques. And everything is light and clean, and always new. My cash account which formerly took me an hour is now finished in a few minutes!

I am asked how I deal with the depreciation on my cash balance. The matter is simple enough. At the close of the week, on Saturday at four o'clock, I count my cash, calculate the depreciation for the week, and enter it among expenses. With private banks this sum is charged to general expenses, which are covered by a reduction of the rate of interest on deposits. With public treasuries the loss is only nominal, since the State profits by the depreciation of the total circulation.

Considered from the standpoint of cash-keeping technique there is nothing disadvantageous in Free-Money. The best proof of this is the fact that nine out of every ten cashiers have become superfluous. A machine that saves labour must be doing good work.

C. The Exporter

The gold standard was introduced on the plea that it would facilitate international trade. No sooner, however, had the introduction of the gold standard, in conformity with the quantity theory of money, resulted in a sharp general fall of prices than a great clamour was raised for protection. Barriers in the shape of protective tariffs were then erected in order to hamper trade with foreign countries. Is not that sacrificing the end to the means ?

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But granted that the gold standard could have been introduced without a depression of prices, without an economic disturbance, it would still have been little help to foreign trade. It is indeed sometimes asserted that the increase of our foreign trade since the establishment of the gold standard has been caused by it. But foreign trade increased because the population increased, and it did not even increase proportionately to the increase of the population. Besides this, the increase occurred especially in the trade with countries which had a paper currency (Russia, Austria, Asia, South-America), whereas the trade with the countries on the gold standard (France, North America) developed slowly. (England being a transit country cannot here be used as an illustration).

The gold standard would have some justification if it could be universally adopted without protective tariffs, without economic disturbances and without sudden fluctuations of prices. To lead the way in this would be a reasonable policy for a State which had the power to force the gold standard upon all the other States. But as no State has this power, and as we can only hope that other States will follow our lead, why not lead the way towards an international paper standard ? The German who buys his goods with gold while he is forced to sell them for paper roubles, paper gulden, paper pesetas, paper liras, paper pesos, paper reis and so on, is surely no better off than if he also bought his goods for paper marks. If the selling price has to be calculated in a currency different from that of the purchase price, it does not matter whether the purchase is made in a paper, or a silver, or a gold currency.

But even if the gold standard were universally adopted for international trade, its advantages are small. It was thought that the gold standard would facilitate commercial calculations, that it would suffice to name a sum of money for anyone to know its full significance for every country. But this is an illusion! In the first place the gold standard does not obviate fluctuations in the rates of exchange. Gold imports and gold exports alternate in every country. The quantities may be trifling enough, but they suffice to bring about considerable fluctuations in the rates of exchange. The rate of exchange fluctuates between the cost of import and export of gold, which may amount to as much as 3% in freight, insurance, loss of interest and minor expenses. And in addition to this there is the cost of re-coinage. For, as Bamberger rightly remarks, a journey abroad means for gold a journey to the melting-pot. Such expenses must be considered even in small transactions. But if a merchant is forced to take into account the fluctuating rates of exchange, what is the advantage of the gold standard for his calculations ?

The other supposed advantage of a universal gold standard is even more deceptive. The significance of a sum of money in a country can be understood only when commodity-prices, wage-rates, and so forth in that country are known. If, for instance, I inherit debts, I shall not remain in Germany but go where money is easiest to earn. If I emigrate, the amount of the debt is not decreased, but my power of paying it increases. A man with a debt of \$1000 is a poor devil in Germany, whereas in America this debt is a trifle. The reverse is true when instead of a debt I inherit a fortune. In this case what use is the gold standard ? Or take another instance, an emigrant is promised a large amount of gold but at once inquires about the prices of the commodities produced and consumed by him. Not until he knows these prices can he form a conception of the sum of money named. From gold his thoughts immediately fly to the prices of commodities; these, not the gold, are the foundation he can build upon. But if, in order to estimate the meaning of a sum of money, it is first necessary to know the prices of commodities, it surely makes no difference whether the sum of money is stated in gold or in paper. And as a matter of fact nobody knows even approximately the meaning of a given sum of money, no matter whether the money is a gold dollar or a paper rouble.

But in practice all this is of very little importance to the merchant. What are all these small arithmetical problems compared to the thousand imponderable factors on which the merchant's theory of probabilities is based ? The estimate of the demand for a commodity, the determination of its quality, its chances in competition with a hundred other commodities, changes of fashion, the likelihood of new import-duties, the rate of profit that this or that kind of commodity may be expected to yield - these are the things that the merchant must take into account. The conversion of prices from one currency into another is a job for the office boy.

Far more important than the currencies of the different countries with which a merchant is doing business are the protective tariffs and their alterations. To protect the gold standard, many countries have broken away from free-trade. But an exporter would prefer any kind of currency, even the cowry-shell currency of Central Africa, and free-trade, to a gold currency coupled with protective-duties. And there is no denying the fact that wherever the gold standard has appeared, protection has followed.

In international commerce, goods are paid for with goods, and if a deficit occurs it can only to a very limited extent be paid in currency. Prolongation of credit, bills of exchange, loans and transfers of securities are here employed. For the balance of payments the policy of the Banks of Issue is far more important than the existence of a form of money suitable for export. Here, as elsewhere, prevention is better than cure. The Bank of Issue must learn to consider a fall in the rate of exchange as a sign that it is issuing too much money and thus raising prices, hindering export, and encouraging import. In this case it must promptly work for a

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reduction of prices by limiting the supply of money. And in the opposite case it must increase the supply of money. If it proceeds in this manner payments must always tend to cancel each other, leaving no balance to be paid by the export of money. It is therefore, to say the least, unnecessary to provide a national currency that can be exported. Indeed the export and import of the national currency can become a grave danger to a country. If the currency can be exported, the Bank of Issue loses the monopoly of the money supply and the home market becomes exposed to the control of foreign, often hostile, influences. French money invested in German banks was, for example, withdrawn during the Moroccan crisis with the purpose of injuring Germany, a purpose which was attained. Every blunder in currency control abroad reacts on the currency at home and cannot be counteracted - except by tariffs. When foreign countries introduce a paper currency and thus drive out gold, this gold seeks employment elsewhere and comes pouring into our country, forcing up prices, perhaps at a time when they are already too high. And when foreign countries substitute the gold standard for a silver or paper currency, gold flows away from our country, not infrequently at a time when there is already a shortage of it. Such blunders in the management of the currency have again and again brought our debt-ridden German farmers into difficulties.

All this was proved theoretically long ago (* Gesell: Anpassung des Geldes an die Bedürfnisse des modernen Verkehrs, Buenos-Aires, 1897. Frankfurth and Gesell: Aktive Währungspolitik, Berlin, 1909.) but has been demonstrated in practice only since the introduction of Free-Money. For we have now a form of paper-money completely detached from gold. With Free-Money there is not even the promise of redemption in gold, but nevertheless the rate of exchange with foreign countries is more stable than before. At first the National Currency Office concentrated all its efforts on the stabilisation of the general level of prices. The effect was, that while prices remained stable, the foreign exchanges fluctuated. The reason of this was that prices in other countries, where the gold standard remained in force, fluctuated in the usual fashion. The other countries refused however to admit this explanation, maintaining that our paper money was to blame. Our Currency Office then decided to prove that the fluctuations were due to gold, and gave up the policy of stabilising home prices, in order to stabilise the rate of exchange. When the rate of exchange of the mark rose, it increased the stock of money, and when the rate fell, it withdrew money. And since with Free-Money the stock of money is the demand for goods, the effect on the prices of goods, as well as on the foreign exchanges, was exactly as foreseen by the Currency Office: the exchanges were stabilised and prices fluctuated. Thus we demonstrated to the world that a stable rate of exchange together with a stable level of prices cannot possibly be expected from the gold standard, and that the two aims can be combined only when the stability of prices is universal. The aim in every country must therefore be the stabilisation of home prices in order to obtain a stable rate of exchange. Only through national currencies managed on the same principle in all countries can stable rates of exchange for international commerce be combined with a sound national standard. The other countries seem now at last to have grasped this fact, for an international conference has been summoned for the purpose of establishing an international paper currency and an International Currency Office.

Something must be done. We want free-trade, stable foreign exchanges and stable prices in the home market. With national institutions alone we cannot fully realise these three aims, so we must come to an agreement with the rest of the world. And Free-Money seems destined to furnish the basis for such an agreement. For Free-Money is submissive, adaptable, plastic. It lends itself readily to the realisation of any aim.

D. The Manufacturer

Sales, sales, that is what we manufacturers want; steady, assured sales, with long-term orders in advance. For industry is dependent on regular disposal of the product; we cannot dismiss our skilled hands the moment sales begin to slacken, only to engage new, unskilled labour shortly afterwards. Nor can we go on producing at random for stock, when regular orders are not forthcoming. Give us then sales, steady sales and efficient public institutions to facilitate the exchange of our products (medium of exchange, post, telegraph etc.); the difficulties of technical execution can be left to us. Regular sales. cash payment, and a stabilised price-level - the rest we can contrive for ourselves.

Such were our wishes when the introduction of Free-Money was being discussed, and our wishes have been fulfilled.

For what is a sale ? It is the exchange of goods for money. And whence the money? From the sale of goods, the movement is circular.

Free-Money forces its holder to buy: it constantly reminds him of his duty as a buyer through the losses it causes him if he neglects to buy. Purchase therefore at all times and under all possible circumstances follows on the heels of sale. And when everyone is obliged to buy as much as he has sold, how can sales slacken ? Free-Money, then, closes the monetary circuit.

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Just as the wares represent supply, so money now represents demand. Demand is no longer a straw to be blown about by any breeze of rumour or politics. Demand no longer depends on the will of buyers, bankers, speculators; for money has now become the very embodiment of demand. The possessors of money are now kept under discipline; money holds the possessor of money like a dog on a lead.

And this is only fair. For we producers or possessors of wares are no better off. We do not control the supply of our products, we are forced by their nature to offer them for sale. The nature of our products - the stench they emit, the room they take up, the risk of their catching fire, the decay they are subject to, their fragility, the change of fashions and a thousand other circumstances - imposes upon us the necessity of selling them immediately after their production. The supply of wares is under an inherent material constraint, so is it not just that the demand for wares, the supply of money, should be under a similar constraint ?

It was a courageous act to answer this question in the affirmative by the introduction of Free-Money. Up to then the buyer alone had been considered, now at last it has come to be understood that sellers, also, have certain wishes and that buyers' wishes can be fulfilled only at the expense of sellers. What a time it took to arrive at this simple truth !

Under Free-Money, when sales slacken and prices decline, the explanation is no longer given that too much work has been done, that there has been overproduction. We now say that there is a shortage of money, of demand. Whereupon the National Currency Office puts more money in circulation: and since money is now simply embodied demand, this forces prices up to their proper level. We work and bring our wares to market - that is supply. The National Currency Office then considers this supply and puts a corresponding quantity of money on the market - that is demand. Demand and supply are now products of labour. There is now no trace of arbitrary action, of desires, hopes, changing prospects, speculation, left in demand. We order just the amount of demand that we require, and just this amount is created. Our production, the supply of goods, is the order for demand, and the National Currency Office executes the order.

And Heaven help the controller of the Currency office if he neglects to do his duty! He cannot now, like the administration of the old Banks of Issue, entrench himself behind platitudes about having to satisfy "the needs of commerce". The duties imposed on the National Currency Office are sharply defined and the weapons with which we have equipped it are powerful. The German mark, formerly a vague, indefinite thing, has now become a fixed quantity, and for this quantity the officials of the Currency Office are held responsible.

We are no longer the sport of financiers, bankers, and adventurers; we are no longer reduced to wait in helpless resignation, until, as the phrase used to be, "the state of the market" has the creation and improved. We now control demand; for money, supply of which is in our power, is demand - a fact which cannot be too often repeated or too strongly emphasised. We can now see, grasp and measure demand - just as we can see, grasp and measure supply. Much produce - much money; less produce - less money. That is the rule of the National Currency Office, an astonishingly simple one!

With the money reform, fixed orders have become so plentiful that full employment is assured for months in advance. Merchants tell me that buyers now prefer possession of goods to possession of money; they do not now postpone a purchase up to the moment the thing is needed, but give their orders whenever they happen to possess money. In every house there is a special store-room, and the purchase of Christmas presents, for example, is not deferred till Christmas Eve, but made whenever an opportunity occurs. That is why Christmas goods are now bought throughout the year, and why my toy factory receives orders all the year round. The former rush and scramble at Christmas has been replaced by a steady sale of Christmas articles from January to December. And it is the same with every industry. A man needing a winter coat does not wait for the first snowfall, but orders it whenever he has the money, even though the temperature may be a hundred in the shade. For the money in the purchaser's pocket, just like the cloth on the tailor's shelves, is something that must be got rid of. The new money gives its possessor no peace: it makes him smart and itch and tingle, reminding him incessantly that the tailor has nothing to do and would be pleased to receive orders for the coming winter even though the suit should be paid for in money still worse than Free-Money. For there is no money so bad that it is not better than unsaleable cloth.

This remarkable change in the behaviour of buyers has made commercial establishments to a large extent superfluous; for when buyers provide themselves with goods for some time ahead and no longer insist on immediate delivery, the merchant does not need to stock the goods. He keeps a sample collection and his customers give him their orders. The merchant collects orders and delivers the goods direct from the railway station when they arrive. In this way he can of course sell them cheaper.

The disappearance of shops, where formerly everything could be obtained for immediate use, forces even the most dilatory buyers to consider in advance what goods they may need, so as to secure them at the right time by an early order. Thus Free-Money has brought us at length to the point where the estimate of the need for goods is not made by merchants but by the buyers themselves - to the very great advantage of all concerned. Curiously enough, it was the merchant who formerly estimated the consumers' needs in

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advance, so as to be able to give his orders; and it is clear that he often miscalculated. The consumer now estimates his own needs, and as he obviously knows his own needs and means better than the merchant knows them, errors are less frequent.

Thus the merchant has become a mere exhibitor of samples, and the manufacturer is sure that the orders which the dealer hands him reflect not merely the latter's personal opinion about the demand for goods, but the immediate demand of the consumers, their real need of commodities. The orders now provide him with an unmistakable expression of the changes taking place in the taste and needs of the people, so he is able to adapt his factory to these changes. Formerly, when orders reflected merely the dealer's personal opinions, sudden new departures, so-called changes of fashion, were an ordinary occurrence.

In this respect, again, free-money has solved many of my difficulties.

But if the manufacturer's work is so greatly facilitated, if he need only be a technical expert and not at the same time a merchant, surely his profits must be unfavourably affected. There is no lack of able technicians and if the commercial management of an industrial enterprise presents so few difficulties, every able technician will become an able manufacturer. By the laws of free competition the manufacturer's profit must be reduced to the level of a technician's salary - an unpleasant result for many manufacturers whose success was mainly due to their commercial ability. With Free-Money, creative power has become unnecessary in commerce, for the difficulties which called for the comparatively rare and therefore richly rewarded commercial talent have disappeared. And someone must benefit by the reduction of the manufacturer's profit. Either goods must become cheaper, or, to put it the other way about, wages must rise. There is no other possibility.

E. The Usurer

It was never considered dishonourable to borrow an umbrella or a book. Even if you forgot to give these objects back the offence was condoned, the loser himself being anxious to find some excuse for the defaulter. Nobody kept a record of objects lent.

But how very different it used to be when someone wanted to borrow money, even if the amount was only a dollar! Both parties were embarrassed, and the loan-giver looked as if he were having a tooth extracted, or as if he were confronted with a grave moral offence.

Need of money was considered a disgrace, a moral stain, and you had to be very sure of a man's friendship before appealing to him when in need of money. Money! Why is the fellow in straits for money? An umbrella, a shot-gun or even a horse I will lend you - but money? You evidently lead a loose life!

And yet it was very easy to be in straits for money. Business stagnation, unemployment, suspensions of payment and a thousand other causes brought everyone except those with a brilliant financial position at some time or other into straits for money. And those who were not blessed with a thick skin, those who shrank from exposing themselves on such occasions to a possible rebuff, came to me, the usurer; so I made my haul.

Those good times are now a thing of the past. With the introduction of Free-Money, money has been reduced to the rank of umbrellas; friends and acquaintances assist each other mutually as a matter of course with loans of money. No one keeps, or can keep, reserves of money, since money is under compulsion to circulate. But just because no one can form reserves of money, no reserves are needed. For the circulation of money is regular and uninterrupted.

When, however, an unexpected call for money does occur, you apply to an acquaintance, just as you apply to him for an umbrella when you are surprised by a thunderstorm. Thunderstorms and money embarrassment are, morally speaking, on the same level. And the person applied to will forthwith comply with the request without making a wry face. Indeed, he welcomes the opportunity, first because in a similar emergency he can apply to you, and secondly because it is to his immediate advantage. For the money in his possession loses value, whereas he will receive back the full amount of the loan from his friend. Hence his altered behaviour.

Still it cannot be said that people have become careless with their money, though money is not nearly so shy and retiring as it used to be. Money is, of course, highly esteemed, for it has cost work to earn. But it is not more highly esteemed than work, or than the worker. As a commodity it is no better than any other commodity, since the possession of money brings the same losses as the possession of a stock of goods. Commodities and labour are equivalent to ready money, and that means an end of my business.

The pawnbroker is in the same plight as myself. Anyone possessing some money for which he has no immediate use is now willing to lend it, without interest, against a pledge. For money has become inferior to the usual pledges. If you want ten dollars in a hurry, you need not slink through back streets to the pawnbroker's. You go to your neighbour to have the money advanced to you on a pledge. And any

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commodity that you happened to buy when you had a supply of money is as good as, or better than, ready money. Goods are money and money is goods, for the very simple reason that both are equally bad. Both are ordinary, perishable things in this valley of tears ! All the bad qualities of goods have their counterpart in the loss to which money is subjected, so nobody prefers money to goods.

But for this reason labour is always in demand; and because it is in good demand, every man able and willing to work has, through his power to work, ready money in his pocket.

I tell you, the death-knell of usury has sounded !

But I am not yet going to admit defeat. I am going to sue the State for compensation. Money used to be, as it is now, a State institution, and I batted on it. I was therefore a kind of State official. By reforming money, that is, by forcible interference, the State has now ruined my trade and deprived me of my income, so I am entitled to compensation.

When the German landowners got into difficulties the State came to their rescue with the duty on wheat, which was introduced to relieve so-called agricultural distress. Why should not I also appeal to the State in my hour of need ? Is bread-usury any better than money-usury ? Both of us, I the Jew, and you, the Prussian Junker are usurers - the one as base as the other. Nay, it seems to me that you are even somewhat baser and more avaricious than I. For it is bread-usury that very frequently creates the distress that drives people to the money-usurer. So if the distressed bread-usurers were relieved by a State subsidy, usury being thus placed under State protection, it is only fair to protect the money-usurer as well. For usury is usury, whether it is for land or for money. What difference does it make to the farmer whether he is fleeced in renting land or in borrowing money ? Both the money-usurer and the land-usurer will take exactly as much as they can get - neither will rebate one jot. If the landowners have a legal claim to rent, the moneylenders have a legal claim to interest. There is no escaping this logic by the assertion that there is a difference between money and land, between interest and rent, for there was nothing to prevent me from exchanging my money for land and so converting a usurer's grievance into that of a landowner.

So I shall base my appeal on the wheat-duties, and the usurer's cry of distress will not Pass unheeded by a justice-loving land.

F. The Speculator

By the Free-Land reform we were prevented from speculating in building sites, mines and farming land, and now by the Free-Money reform our business in securities and produce has also been snatched away. Wherever I plant my foot, I am on quicksand. And that is called progress and justice ! To deprive honest citizens of their livelihood by invoking the assistance of the State - the State that I have served so faithfully, witness my decorations and titles I call it simply spoliation.

I recently launched at my own expense news of serious trouble between two South-American republics (their names I have forgotten) and of possible complications with foreign powers. Do you imagine that the news made any impression on the Stock-Exchange? Not the slightest! The Stock-Exchange has grown incredibly thick-skinned. Why, not even the news of the occupation of Carthage by the Japanese has been able to rouse it; the general indifference is simply appalling. It may be explicable but it is so altogether out of keeping with the former ways of the Stock-Exchange that it comes as a shock.

Since the introduction of Free-Money, money has ceased to be the stronghold of the investing classes into which they retreated at the slightest alarm. When danger threatened, they used to "realise" (*Nothing demonstrates more strikingly the monstrous illusion under which humanity is living than this universally current expression. For everyone the only real thing is money.) their securities, that is, they sold them for money and then considered themselves completely protected against every kind of loss.

These sales were of course accompanied by a fall in the price of securities. which was proportionate to the extent of the sales.

After a while, when I believed that nothing more could be gained, I used to circulate reassuring news. The frightened public thereupon ventured out of their stronghold and were soon busily forcing up, with their own money, the price of the securities which they had sold cheap to my agents. That was something like business !

And now this wretched Free-Money ! Before parting with his securities the investor must ask himself what he is going to do with the money he obtains for them. For this money no longer allows him to pause and consider; he cannot take it home with him and tranquilly wait. Money has become a mere halt by the wayside. So people ask: "What will become of the yield of these securities ? You say the outlook for them is bad, and we believe you, but is the outlook any better for the money you give us in exchange ? What are we to buy with the money? We do not care to purchase Government securities, since others have forestalled us and forced up their price. Are we to sell our securities at a loss, simply to buy others at an exorbitant price,

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that is, again as a loss ? If we lose in buying Government securities, we may as well lose on our own securities. We prefer to wait a while before we sell".

That is the new attitude of the public, and it ruins our business. This confounded waiting ! Through it the first impression of our news wears off, the bewilderment passes away and another party has time to spread reassuring news, exposing our exaggerations and lies; and so the game is up. For it is the first impression that tells and must be exploited. Duping the public has become a difficult business.

My working capital, moreover, is invested in this carrion money and rots away in my safe. To carry out my stroke at the right moment I am forced to keep a reserve of money. If I count this reserve after a lapse of time, I find that it has already suffered a considerable depreciation. A regular and certain loss in return for a very uncertain chance of profit!

At the beginning of the year I had a cash account of ten millions. Thinking that I should need it, as formerly, at a moment's notice, I let it lie idle in the form of ready money. We are now at the end of June but I have not yet been able to move the Stock-Exchange to sales on any appreciable scale, so the money is lying there untouched. What did I say ? Untouched ? A quarter of a million of it has already melted away! I have lost, irrecoverably, this large sum, and the outlook for the future has not improved. On the contrary, the Stock-Exchange is becoming more and more thick-skinned. In the long run experience teaches even the most timorous investor that when nobody sells, prices, in spite of gloomy prospects, cannot decline, and that not alone rumours and prospects, but also facts are required to justify a fall of quotations.

How different it was in former times ? Before me lies a cutting from the financial column of a newspaper, a model of the reports which I myself used to circulate:

"A Black Tuesday. A panic broke out on the Stock-Exchange today upon receipt of the news that the Sultan was suffering from stomach-ache. Considerable selling orders from provincial customers coincided with great eagerness to sell on the part of local speculators, and under this pressure the market opened in a demoralised and panicky mood. 'Sauve qui peut' was the watchword."

And now ? Eternally the same stupid question: "What am I to do with my money ? What am I to buy if I sell my securities ?" This abominable money! How different it was with the gold standard! Then nobody asked: What am I to do with the money I receive ? Those beautiful securities were sold at the bidding of speculators, for gold. since gold was still more beautiful; investors were happy to see the money again, to count it and let it run through their fingers. When you had gold you were safe; gold could not possibly involve you in a loss, either in buying or in selling, for it had, as the economists put it, its "fixed intrinsic value". This wonderful gold money with its fixed intrinsic value in terms of which all other goods and stocks rose and fell like the mercury of the barometer, how easy it made speculation.

Investors now sit on their stocks as if they were glued to them, and before they sell they always put the same query: "Please tell me first what I am to do with the abominable money I should receive for my securities ?" The merry old Stock-Exchange days are no more, when gold vanished the sun set in the heavens of speculation.

There is however one comfort: I am not the only sufferer. My colleagues of the produce exchanges have fared equally badly. Their business also has been ruined by Free-Money. Formerly, the whole production of a country remained on sale up to the moment of its consumption; it was in the hands of the dealers. No consumer ever thought of laying in stores. Gold with its "fixed intrinsic value" was a substitute for all provisions and could never involve us in loss, so anyone who had a reserve of gold had everything that he might need, at his disposal. Why, then, lay in stores for the moth to eat ?

But the fact that everything was always on sale made speculation profitable. Here were the consumers with not enough provisions for 24 hours, and there was the whole of supply lying ready for sale in the hands of the merchants, so speculation was simplicity itself: you just bought the existing stock and then waited for demand to come forward. Generally you were sure of your profit.

And now ? The goods which were formerly held for sale in the warehouses are now held for use in millions of store rooms, so how can they be brought back to the market ? And with what can these stores be bought ? Not with Free-Money, for it was to get rid of Free-Money that the consumers bought the stores. These stores are no longer wares for sale: they have become unsaleable property. And even if the speculator could succeed in cornering the new output, prices, because of these private stores, would not rise immediately. For people no longer live from hand to mouth. Before these stores are used up, the news spreads that the speculators have got hold of certain stocks of merchandise, so producers are on the alert and have made up the deficiency before the speculators have been able to dispose of their goods. It must be further kept in mind that the working capital of the speculators in produce is, like mine, ready money subject to the monetary depreciation. Loss of interest, loss by depreciation, storage costs, and no profit - in short we speculators are faced with ruin !

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How was it possible to introduce an innovation so injurious to the State ? For I, Rockefeller, am the State, and my friend Morgan and I together are the United States. Whoever injures me, injures the State.

According to our experts and professors, gold had a "fixed intrinsic value". In exchanging gold for goods the public could never lose anything. For according to the professors, exchanging is equivalent to measuring (*Measure of value. Medium for transporting value, store of value - and illusion of value.), and as the result of measuring a piece of linen is the same whether you begin at one end or the other, so in buying and selling goods for gold the quantity of gold must always be the same. For gold has, it cannot be too strongly emphasised, a "fixed intrinsic value" ! As long as we had gold, therefore, the public was protected by the fixed intrinsic value of gold from any possible cheating. We speculators who enriched ourselves, cannot have done so at the expense of the public. Where our fortunes came from I cannot explain, but perhaps they were a gift from Heaven.

Alas, that such heavenly gifts should have been abolished by Free-Money !

G. The Saver

Free-Money disproves all predictions; none of the dismal prophecies of its opponents have been fulfilled. It was said that nobody would be able to save, and that interest would rise to unprecedented heights; but the contrary has happened.

When I have saved a sum of money I now do exactly what I did formerly - I take it to the savings bank which enters the amount in my savings book. In this respect nothing has changed. It was said that the sum of money entered in the savings book would be subject to the same rate of depreciation as Free-Money, but that is nonsense. The savings bank owes me so many dollars, American Standard, but not the notes that I handed in. And the standard dollar stands above the notes. If I lend somebody a sack of potatoes for a year, he will not give me back the same potatoes, which have meanwhile rotted, but a sack of new potatoes. It is the same with the savings bank. I lend it \$100 and it agrees to give me back \$100. The savings bank is in a position to do so, since it lends the money on the same terms, while the businessmen and farmers who obtain money at the savings bank for their enterprises do not keep the money at home. They buy goods for use with it, and in this way the depreciation loss is distributed among all the persons through whose hands the money has passed in the course of the year.

Nothing has changed, then, with regard to the sum to be repaid by the bank. But I now find that I can save a great deal more than formerly.

A socialist attributed my increased power of saving to a general reduction of "surplus value" which, keeping pace with the decline of the rate of interest, has affected all capital (tenements, railways, factories, etc.). The manager of a consumers' co-operative society explained that with Free-Money commercial costs have fallen from an average of 40% to barely 10%, so that for this reason alone I economise 30% on my purchases. And a social reformer attributed my increased saving capacity to the removal of economic disturbances. They may all three be right. The fact is that instead of \$100 I now save over \$1000 and live more comfortably than before. And for many people Free-Money has made saving for the first time possible.

How was it formerly with my savings book? At every political rumour there was a slump in trade, accompanied by unemployment which forced me to withdraw some of my money from the savings bank. That was a setback, and it was sometimes years before I had filled the gaps in my savings book caused by an industrial crisis. Saving resembled the labour of Sisyphus. I have now regular employment and am no longer periodically obliged to have recourse to the money saved with so many privations.

I now carry my monthly surplus to the bank with astonishing regularity. And what is happening to me seems to be happening to everybody, for there is always a throng at the counters. The savings bank has already repeatedly reduced the rate of interest, and a new cut is announced for next month. It justifies its action by stating that the sums coming in are in excess of those going out. From 4% the rate of interest has in this short period fallen to 3%, and it is said that with the universal introduction of Free-Money it will fall to zero ! And so it will, in my opinion, if present conditions continue.

For while the influx of money into the savings banks is continually increasing, requests for loans are decreasing, since businessmen, farmers and manufacturers, for the same reasons that make saving easier for me, are now able to enlarge their businesses with their own surplus.

The demand for loan-money is shrinking, and the supply is growing, so the rate of interest is bound to fall. For interest expresses the ratio of demand and supply of money loans.

For the filled pages of my savings book the fall of the rate of interest is, no doubt, regrettable, but it is all to the good for the unfilled pages which are far more numerous. For what is interest ? Who pays it ? What I save today is what remains of my wages after I have paid, in my personal outlay, my share of the interest-tribute exacted by the creditors of the State and municipalities, and my share of the interest-tribute

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*demanding by capitalists for the use of houses, plant, provisions, raw material, railways, canals, gas and water-works and so forth. If the rate of interest falls, everything becomes cheaper and my power of saving increases proportionately. My loss on the sums already saved will be compensated ten-fold by my increased savings. My house-rent, for example, amounts to 25% of my wages, and two-thirds of it is interest on the building capital. If, now, the rate of interest is reduced from 4 to 3, 2, 1, or finally 0%, I save and so on of my house-rent, that is 4 - 16% of my wages on house-rent alone! But house capital is barely one fourth of all capital, the interest on which I pay out of my wages. (*Industrial, commercial and agricultural capital, National Debt, capital sunk in means of transport.) If the rate of interest fell to zero I could therefore save a much larger proportion of my wages.*

*Out of my income of \$1000 I was able to save \$100 a year. At 4% compound interest that would produce \$1236 in ten years. Since the elimination of interest my wages have doubled, so instead of \$100 I can now save \$1100 a year, or \$11,000 in ten years. (*This is on the assumption that the prices of commodities are kept at the same level by the Currency Office. Elimination of the interest that now goes into price, will, in this case be expressed, not by lower prices, but by higher wages. On the opposite assumption, that the prices of goods fell with the rate of interest, wages would remain at the same level. Savings would then increase because of the fall in the cost of living. But the sum thus saved is not immediately comparable with the savings formerly, since commodity prices were then higher.) Should I not therefore rejoice at the abolition of interest ?*

So far from injuring me, therefore, the complete elimination of interest would enormously facilitate my saving. For example, if I work and economise for twenty years and then retire I shall possess:

<i>With compound interest at 4%</i>	<i>\$3,024</i>
<i>With interest at 0%</i>	<i>\$22,000</i>

My income from the former sum with interest at 4% would be \$120 a year. If I exceed this sum and touch the capital, an annual expenditure of \$360 would in ten years exhaust my savings, whereas with \$22,000 I can for ten years spend \$2,200 a year.

The old notion that gold and interest facilitate saving was a fallacy. Interest renders saving impossible for the majority of mankind; with interest at zero everyone will be able to save, whereas formerly only exceptionally efficient workers or those possessing exceptional courage to face privations were able to practice this bourgeois virtue.

For rentiers the conditions are reversed, if the rate of interest falls to zero. Since their property no longer yields interest, and since, as non-workers, they gain no advantage from the rise of wages resulting from the elimination of interest, they are forced to live on their capital until it is exhausted. The contrast between a saver and a rentier is great. When the workers save, the interest must be found out of their work. Savers and rentiers are not colleagues, but adversaries.

In return for the privilege of drawing interest on my \$3,024 savings I must pay \$18,976 (\$22,000 less \$3,024) interest to the rentiers !

Rentiers may deplore the decline of interest, but we savers or saving workers, on the contrary, have every reason to rejoice. We shall never be able to live on interest, but we can live comfortably to the end of our days on our savings. We shall leave our heirs no perpetually-welling source of income, but is it not provision enough to bequeath economic conditions that will secure them the full proceeds of their labour ? Free-Land and Free-Money double the income of the worker, so by the mere act of voting for the introduction of these two reforms I have bequeathed my offspring the equivalent of a capital bearing interest equal to my former wages.

And again, let us not forget that if saving is a virtue that should be preached, unreservedly, to all men, it ought to be possible for all men to practice this virtue without injury to anyone and without destroying the harmony of economic life as a whole.

Now, in the economic life of the individual, to save means to do much work, to produce and sell much, and to buy little. The money taken to the savings bank is the difference between the money received from the sale of our own produce and the money we paid in purchasing the produce of others.

But what must happen if everyone brings produce worth \$100 to market, and buys produce for only \$90 - that is, if everyone wishes to save \$10. How can this contradiction be resolved, how can all men be enabled to save ? The answer is given, the contradiction is resolved, by Free-Money. Free-Money applies the Christian maxim: whatsoever ye would that men should do to you, do ye even so to them. It says: If you wish to sell your produce, buy the produce your neighbour wishes to sell. If you sold for 100, buy for 100 in return. When everyone acts in this manner, everyone will be able to sell his whole produce and to save. Otherwise savers mutually deprive one another of the possibility of carrying out their purpose.

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Further statements made by: H. The Co-operator
I. The Creditor
J. The Debtor
K. The Unemployment Insurance Office
L. The Disciple of Proudhon
M. The Theorist on Interest
N. The Theorist on Economic Crises
O. The Theorist on Wages

6. The International Exchanges

1. Mechanism of the exchanges
2. Stabilisation of the exchanges: Theory
3. Stabilisation of the exchanges: Practice

PART V. THE FREE-MONEY THEORY OF INTEREST

1. A story of Robinson Crusoe
2. Basic Interest
3. Transfer of Basic Interest to the wares
4. Transfer of Basic Interest to so-called real capital
5. Completion of the Free-Money theory of interest
6. Former attempts at explaining Capital-Interest
7. The components of gross interest
8. Pure Capital-Interest a fixed magnitude

<http://www.silvio-gesell.de/en/neo/index.htm>

A Market Economy without Capitalism

An overview of the basic concept, its historical origins and present state of development; Information about organisations promoting "Free Economy" and suggestions for further reading on the topic.

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Money: From the Ruler of Markets ...

In 1891 Silvio Gesell (1862-1930) a German-born entrepreneur living in Buenos Aires published a short booklet entitled *Die Reformation im Münzwesen als Brücke zum sozialen Staat* (Currency Reform as a Bridge to the Social State), the first of a series of pamphlets presenting a critical examination of the monetary system. It laid the foundation for an extensive body of writing inquiring into the causes of social problems and suggesting practical reform measures. His experiences during an economic crisis at that time in Argentina led Gesell to a viewpoint substantially at odds with the Marxist analysis of the social question: the exploitation of human labour does not have its origins in the private ownership of the means of production, but rather occurs primarily in the sphere of distribution due to structural defects in the monetary system. Like the ancient Greek philosopher Aristoteles, Gesell recognised money's contradictory dual role as a medium of exchange for facilitating economic activity on the one hand and as an instrument of power capable of dominating the market on the other hand. The starting point for Gesell's investigations was the following question: How could money's characteristics as a usurious instrument of power be overcome, without eliminating its positive qualities as a neutral medium of exchange ?

He attributed this market-dominating power to two fundamental characteristics of conventional money:

Firstly, money as a medium of demand is capable of being hoarded in contrast to human labor or goods and services on the supply side of the economic equation. It can be temporarily withheld from the market for speculative purposes without its holder being exposed to significant losses.

Secondly, money enjoys the advantage of superior liquidity to goods and services. In other words, it can be put into use at almost any time or place and so enjoys a flexibility of deployment similar to that of a joker in a card game.

These two characteristics of money give its holders a privileged position over the suppliers of goods and services. This is especially true for those who hold or control large amounts of money.

They can disrupt the dynamic flow of economic activity, of purchases and sales, savings and investment. This power enables the holders of money to demand the payment of interest as a reward for agreeing to refrain from speculative hoarding thereby allowing money to circulate in the economy.

This intrinsic power of money is not dependent on its actual hoarding, but rather on its potential to disrupt economic activity which enables it to extract a tribute in the form of interest in return for allowing the "metabolic exchange" of goods and services in the "social organism". The "return on capital" is accorded priority over broader economic considerations and production becomes attuned more to the monetary interest rate than to the real needs of human beings. Long-term positive interest rates of interest disturb the balance of profit and loss necessary for the decentralized self-regulation of markets. Gesell was of the opinion that this led to a dysfunction of the social system exhibiting very complex symptoms: the non-neutrality of interest-bearing money results in an inequitable distribution of income which no longer reflects actual differences in productivity. This in turn leads to a concentration of monetary as well as of non-monetary capital and therefore to the predominance of monopolistic structures in the economy.

Since it is the holders of money who ultimately decide whether it circulates or stands still, money can't flow "automatically" like blood in the human body. The circulation and the correct dosage of the monetary supply can't be brought under effective public control; deflationary and inflationary fluctuations of the general price level are inevitable. In the course of the business cycle when declining interest rates cause large amounts of money to be withheld from the market until the outlook for profitable investments improves, the result is economic stagnation and unemployment.

... to a Neutral Servant of Economic Activity

In order to deprive money of its power, Gesell did not advocate recourse to measures aimed at outlawing the taking of interest such as the canonical prohibition of medieval. On the contrary, he envisaged structural changes in the monetary system involving the imposition of carrying costs on the medium of exchange, thereby counteracting the tendency to hoard and neutralising the liquidity advantage of conventional money. The imposition of such carrying costs on liquid monetary assets - comparable to a demurrage fee for freight

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containers in the field of transport economics - would deprive money of its power to dominate the market while allowing it to fulfil its designated function as a medium of exchange facilitating economic activity. Counteracting disruptions in the circulation of the medium of exchange due to speculative hoarding would allow the quantity and velocity of the monetary supply to be periodically adjusted to match the volume of production and the overall level of economic activity in such a way that the purchasing power of the monetary unit could be made to possess the same long-term stability as other weights and measures.

In his earliest works Gesell referred in particular to "rusting bank notes" as a method for implementing an "organic reform" of the monetary system. Money which had hitherto been "dead foreign matter" with respect to both the social system and the natural world, would thus be integrated into the eternal cycle of life and death, becoming transitory and losing its characteristic of limitless self-multiplication by means of simple and compound interest. Such a reform of the monetary system would constitute a regulative holistic therapy; by removing the cause of disruptions in monetary circulation Gesell envisaged that the self-healing powers of the dysfunctional social "organism" would gradually increase allowing it to recover from the diverse economic and structural symptoms of crisis, ultimately reaching a state of equilibrium, in harmony with the rest of the natural order.

In his main work, *Die Natürliche Wirtschaftsordnung durch Freiland und Freigeld* (The Natural Economic Order through Free Land and Free Money), published in Berlin and Bern in 1916, Gesell explained in detail how the supply and demand of capital would be balanced in the case of uninterrupted currency circulation so that a reduction of the real rate of interest below the presently existing barrier of around 3-4% would become possible. Gesell used the term "basic interest" (Urzins) to denote this pure monetary interest rate of around 3-4% which is found to vary little historically. It represents the tribute of the working people to the power of money and gives rise to levels of unearned income far in excess of that suggested by its magnitude. Gesell predicted that his proposed currency reform would gradually cause the "basic interest" component to disappear from the monetary loan rate leaving only a risk premium and an administrative charge to allow lending institutions to cover their costs. Fluctuations of the market rate of interest around a new equilibrium point close to zero would allow a more effectively decentralised channeling of savings into appropriate investments. Free Money (Freigeld), a medium of exchange liberated from the historical tribute of "basic interest", would be neutral in its impact on distribution and could no longer influence the nature and extent of production to the disadvantage of producers and consumers. Gesell envisaged that access to the complete proceeds of labour brought about by the elimination of "basic interest" would enable large sections of the population to give up wage- and salary-oriented employment and to work in a more autonomous manner in private and cooperative business organisations.

Land: A vital natural resource to be held in trust rather than as a tradeable commodity and object of speculation.

Towards the end of the last century Gesell extended his vision of socio-economic reform to include reform of the system of land tenure. He derived inspiration in this respect from the work of the North-American land reformer Henry George (1839-1897), author of *Progress and Poverty*, whose ideas about a Single Tax on the rental value of land became known in Germany through the activity of land reformers like Michael Flurscheim (1844-1912) and Adolf Damaschke (1865-1935). In contrast to Damaschke, who only advocated taxing the increase in values for the benefit of the community while retaining the principle of private ownership of land, Gesell's reform proposals followed those of Flurscheim who called for the transfer of land into public ownership, compensating the former owners and thereafter leasing the land for private use to the highest bidder. Gesell argued that as long as land remains a tradeable commodity and an object of speculative profit, the organic connection of human beings with the earth is disturbed. In contrast to the proponents of nationalist or racially-oriented Blut und Boden ideologies, Gesell rejected the association of "blood" with "land". As a widely travelled citizen of the world he viewed the whole earth as an integral organ of every individual. All people should be free to travel over the surface of the earth without hinderance and settle anywhere regardless of their place of birth, color or religion.

Economic Equality of Women and Men

Like the Single-Tax reformers of the Henry George school, Gesell was of the opinion that the rental revenue from the land would enable the state to finance itself without the necessity to impose further taxes. In attempting to trace the rightful owners of these rental revenues in accordance with the principle of causality, he was led to the consideration that the amount of rental revenue depends on the population density and therefore ultimately on the willingness of women to bear and raise children. For this reason Gesell proposed to distribute the revenues from land rent in the form of monthly payments to compensate mothers for the work of rearing children in proportion to the number of their children under the age of majority. He advocated the extension of the scheme to include mothers of children born out of wedlock and foreign mothers living in Germany because his intention was that all mothers should be released from economic dependence upon working fathers and that the relationship between the sexes ought to be based on a love freed from

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considerations of power and economic dependency. In an essay entitled *Der Aufstieg des Abendlandes* (The Ascent of the West), written to challenge the cultural pessimism of Oswald Spengler's *Der Untergang des Abendlandes* (The Decline of the West), Gesell expressed the hope that the human race which had been physically, mentally and spiritually degraded under capitalism would gradually be able to regenerate itself under a reformed economic order and experience a new cultural renaissance.

Other Pioneers of a Market Economy without Capitalism

Gesell's theory of a Free Economy based on land and monetary reform may be understood a reaction both to the *laissez-faire* principle of classical liberalism as well as to Marxist visions of a centrally planned economy. It should not be thought of as a third way between capitalism or communism in the sense of subsequent "convergence theories" or so-called "mixed economy" models, i.e. capitalist market economies with global state supervision, but rather as an alternative beyond hitherto realized economic systems. In political terms it may be characterised as "a market economy without capitalism". In this sense as he later came to realise and acknowledge, Gesell had independently developed and extended the critique of capitalism formulated by Pierre Joseph Proudhon (1809- 1865), the French social reformer and contemporary of Marx who in the mid-19th century had cited the private appropriation of land and the power of interest-bearing money as being primarily responsible for the fact that a more egalitarian society had failed to evolve following the demise of feudal absolutism. Proudhon condemned privately appropriated ground-rent as robbery and denounced interest on money as cancerous usury. These forms of unearned income based on exploitation led to the emergence of the *haute bourgeoisie* as a new ruling class, which moulded the state and church into instruments of domination over the *petit bourgeoisie* and the working-class. Gesell's alternative economic model is related to the liberal socialism of the cultural philosopher Gustav Landauer (1870-1919) who was also influenced by Proudhon and who for his part strongly influenced Martin Buber (1878-1965). There are intellectual parallels to the liberal socialism of the physician and sociologist Franz Oppenheimer (1861-1943) and to the social philosophy of Rudolf Steiner (1861-1925), the founder of the anthroposophic movement.

Free Economy Organisations in Germany and in Switzerland during the First World War

Gesell's first co-worker, Georg Blumenthal (1879-1929), combined proposals for land and monetary reform with the concept of a *droit naturel* or natural social order, with which Francois Quesnay (1694-1774) and his fellow-Physiocrats had opposed feudal absolutism at the time of the French Enlightenment. In 1909 he founded the *Physiokratische Vereinigung* (Physiocratic Association) the first formal organisation of supporters of Gesell's Free Economy theory which drew its members from the ranks of land reformers, individual-anarchists and syndicalists in Berlin and Hamburg. As soon as the association's journal, *Der Physiokrat* (The Physiocrat), fell victim to censorship during the First World War, Gesell moved to Switzerland, where he found supporters among the local land reformers, educational reformers and other progressive circles. They organised themselves into the *Schweizer Freiland-Freigeld-Bund* (Swiss Free Land - Free Money - Federation). In two lectures entitled *Gold oder Frieden?* (Gold or Peace?) and *Freiland die eherne Forderung des Friedens* (Free Land - the Essential Condition of Peace), Gesell expounded in detail on the significance of his reform proposals as a way to social justice and peace among the nations.

Between the two World Wars

After the end of the First World War and the subsequent November Revolution in Germany, Gesell's connections with Gustav Landauer led to his short-lived appointment as People's Commissioner for Finance in the first Bavarian *Räterepublik*. Following the overthrow of the *Räterepublik* he was indicted for high treason but was acquitted of all charges. Afterwards Gesell took up residence near Berlin from where he observed and commented on the development of the Weimar Republic in numerous tracts and pamphlets. He suggested that by means of a graduated wealth tax of up to 75% an appropriate contribution to the economic consequences of the war should be extracted from the large landed estates and big business interests. At the same time he proposed to initiate the domestic accumulation of capital by means of his land and monetary reform program in order to enable Germany to fulfill the reparation demands of the victorious Allied powers. He criticised what he perceived to be the disastrous errors in the economic policies of the rapid succession of unstable governments. These errors included the effective expropriation of large sections of the lower and middle classes by massive inflation instead of introducing effective currency reform, protraction of reparation payments, making Germany dependent upon an influx of foreign capital and abandoning the stable *Rentenmark* in favour of the crisis-prone gold standard.

From his earliest writings onwards Gesell distanced himself from racist ideologies, aiming to develop an objective critique of structural defects in the economic order free from the subjective racial prejudice of anti-Semitic demagogues whose diatribes against so-called "Jewish" usurers he criticised as a "colossal injustice". Like many of his contemporaries he was greatly influenced by Darwin's Theory of Evolution and viewed his program of reform as a means for encouraging a more healthy evolution of human society. However, Gesell should not be classified as a "Social Darwinist" because he believed that extremes of

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wealth and poverty reflect structural defects in the economic order rather than real differences in aptitude and productivity. Opposed to ultra-nationalist triumphalism he advocated the promotion of mutual understanding between Germany and its eastern and western neighbours. He called for the abandonment of expansionist politics and the formation of a voluntary confederation of European states to promote international cooperation. Gesell also drew up proposals for an international post-capitalist monetary order, advocating an open world market without capitalist monopolies, customs frontiers, trade protectionism and colonial conquest. In contrast to subsequently established institutions such as the International Monetary Fund and World Bank, which act on behalf of the powerful within the existing framework of unjust structures, or the present preparations for European Monetary Union, Gesell called for the establishment of an International Valuta Association, which would issue and manage a neutral international monetary unit freely convertible into the national currency units of the member states, operating in such a way that equitable international economic relations could be established on the basis of global free trade. Although the precise degree of influence cannot be established reliably, it is interesting to note that echoes of Gesell's ideas concerning the International Valuta Association can be found in J.M. Keynes' original Proposals for an International Clearing Union submitted on behalf of the British delegation but rejected by their American counterparts at the Bretton Woods conference.

The massive inflation of the early post-war years led to a rapid growth of interest in and support for Gesell's reform proposals, with the membership of Free Economy organisations reaching an estimated 15 000 persons. In 1924 a split occurred among Gesell's followers leading to the formation of the moderate liberal (Free Economy Federation) and the more radical individualist-anarchistic and militant-sounding Fysiokratische Kampfbund (Physiocratic Task Force). The split was caused in part by a heated controversy which had been sparked off by Gesell's treatise *Der Abgebaute Staat*, a wide-ranging polemic in favour of the "dismantled state". Internal power struggles weakened the Free Economy movement which failed to transform itself into a mass movement, but made continuous efforts to canvass support among the Social Democratic Party and the Trade Union movement as well as among the various peace, youth and female emancipation movements which flourished in the Weimar Republic. During the Great Depression the *Freiwirtschaftsbund* addressed memoranda to all parties represented in the parliament, warning of the terrible consequences of the deflationary policy being adopted that time, and submitting proposals for overcoming the crisis. These memoranda generated little or no response. As soon as the success of practical experiments with Free Money organised by the Fysiokratische Kampfbund, such as the reopening of a disused mine at Schwanenkirchen, began to attract public attention they were outlawed by the German Finance Ministry under the terms of the Emergency Decrees of the Brüning government in 1931.

A Free Economy party contested the 1932 Reichstag elections without success. After the Nazi Party's seizure of power by the in 1933 many Free Economy supporters suppressed their misgivings about the true character of the Nazi ideology and succumbed to the illusory hope, that Hitler might in fact act on the earlier rhetoric of Gottfried Feder concerning "the smashing of interest-slavery". They tried to exert influence on leading functionaries of the Nazi Party hierarchy in the hope of bringing about a change of course on economic matters. Despite rather dubious tactical efforts to conform to the requirements of the new order, in the spring of 1934 the various Free Economy organisations and publications which had not already voluntarily disbanded were finally outlawed.

Initial misjudgements concerning the totalitarian regime had been encouraged not only by the painful memories of rejection by the political parties of the Weimar era, but also by uncertainty about the most appropriate way to realize land and monetary reform. Free Economy associations in Austria (until 1938) and Switzerland continued their work. English, French and Spanish translations of Gesell's main work were published. Introductory brochures were produced in a wide range of languages including Dutch, Portuguese, Czech, Romanian and Serbo-Croat as well as Esperanto, reflecting the work of smaller groups in England, France, the Netherlands, Belgium, Czechoslovakia, Romania and Yugoslavia. In North and South America, Australia and New Zealand, Free Economy associations were established by German emigrants.

After 1945: New Beginning, Neglect and Renewal of Interest Towards the End of the 1970s

Free Economy organisations were reestablished throughout post-war Germany. In the Soviet occupation zone they were outlawed in 1948; the Soviet authorities regarded Gesell either as "an apologist of the monopoly bourgeoisie" or, in the same way that Marx had dismissed Proudhon, as "a socialist of the petit bourgeoisie" whose aims were incompatible with "scientific socialism". In Western Germany the majority of the surviving followers of Gesell voted to form their own political party to contest elections because of their negative experiences with the established political parties of the Weimar era. They founded the *Radikalsoziale Freiheitspartei* (Radical Social Liberal Party), which received just under 1 % of the votes at the first election to the Lower House of the German Parliament in 1949. The party's name was later changed to the *Freisoziale Union* (Free Social Union) but its support remained at a negligible level in subsequent elections.

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A Silvio-Gesell-Haus was established as a meeting center between Wuppertal and Neviges, where seminars and conferences on Free Economy and related topics are still held on a regular basis.

In spite of the fact that prominent economists like Irving Fisher and John Maynard Keynes had recognized the significance of Gesell's work in the inter-war period, the West German economic miracle of the 1950's and 60's largely extinguished public interest in discussion of alternative economic models. It was only towards the end of the 1970's that mass unemployment, environmental destruction and the growing international debt crisis led to a gradual revival interest in Gesell's ideas which had suffered almost complete oblivion. In this way it became possible to pass the insights of the Free Economy school onto a new generation.

In Switzerland, a significant collection of Free Economy literature is to be found in the Free Economy Library of the National Economic Archive in Basel. In Germany the Stiftung für Reform der Geld- und Bodenordnung, a foundation promoting the reform of the monetary and land order began to establish a German Free Economy Library in 1983. To provide a basis for academic research into Gesell's life and work it also commissioned an 18-volume edition of his collected works in 1988. In addition to this, a series of secondary literature entitled Studien zur natürlichen Wirtschaftsordnung (Studies on a Natural Economic Order) is under development; the first two volumes published were a centenary review of the history of the Free Economy movement and an edition of selected writings by Karl Walker, Gesell's most important student. The foundation also promotes other publications relating to land and monetary reform and in collaboration with the Sozialwissenschaftliche Gesellschaft (Social Sciences Society) publishes a quarterly periodical, Zeitschrift für Sozialökonomie, commenting on social and economic issues. It has awarded a Karl Walker Prize for academic papers dealing with the problems arising from the increased decoupling of financial markets from the real economy (1988) and with proposals for overcoming unemployment (1995). The Seminar für freiheitliche Ordnung (Seminar for a Liberal Order) is responsible for the issue of a series of publications entitled Fragen der Freiheit (Questions of Liberty). The Initiative für eine Natürliche Wirtschaftsordnung (Initiative for a Natural Economic Order) endeavours to promote popular awareness of Gesell's ideas in cooperation with associated organisations in Switzerland and Austria. An association called Christen für gerechte Wirtschaftsordnung (Christians for a Just Economic Order) promotes the study of land and monetary reform theories in the light of Jewish, Christian and Islamic religious doctrines critical of land speculation and the taking of interest. Margrit Kennedy, Helmut Creutz and other authors have examined the contemporary relevance of Gesell's economic model and tried to bring his ideas up to date. Of particular importance in this respect have been the various efforts to examine the correlation between the exponential growth of financial assets and debts and the environmentally-destructive "growth imperative" driving the real economy along with suggestions for overcoming the growth imperative and efforts to combine land and monetary reform ideas with proposals for an ecologically-based tax system. The book entitled Gerechtes Geld - Gerechte Welt (Just Money - Just World) offers a survey of the present state of theoretical developments. It is a compilation of essays and discussion papers examining the socio-economic implications of the monetary order presented at a congress commemorating the centenary of Gesell's first monetary reform publications held in 1991 in Konstanz under the title: 100 Jahre Gedanken zu einer natürlichen Wirtschaftsordnung - Auswege aus Wachstumszwang und Schuldenkatastrophe (100 Years of Thought related to a Natural Economic Order - Solutions to the Growth Imperative and Debt Crisis).

The collapse of state socialism in Central and Eastern Europe has led to the temporary triumph of Western capitalism in the ideological struggle between competing economic models. However, as long as the disparity between rich and poor continues to increase, as long as exponential economic growth continues to cause accelerating environmental destruction and as long as the "developed" nations of the Northern hemisphere continue to ruthlessly exploit their "undeveloped" Southern neighbours, it remains necessary to search for alternatives to the prevailing economic order. Under these circumstances Silvio Gesell's Free Economy model retains its relevance and may yet begin to receive the wider recognition which it deserves.

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International Association for a Natural Economic Order (Ed.)

- Biographic Note on Silvio Gesell
- A Dogmatic History of Economies through the Eyes of Silvio Gesell
- Gesell's Contribution to the Development of a Basic Economic Theory for the Future
- Appendix

Ladies and Gentlemen:

During the "golden" years of the fifties and sixties Professor Paul A. Samuelson, the famous American colleague of yours, the author of the most successful textbook in economics produced after the war as well as a bearer of the Nobel Prize in economics, sustained with great self-confidence that the modern "mixed economy" had gained firm control over the problems posed by business cycles and crises. According to him, it was totally impossible for a great world-wide economic crisis to recur.

The economic developments of only a few years were sufficient, however, to destroy this faith in the power of economic science and in the feasibility of an economy free of crisis-prone fluctuations. Long-term mass unemployment has shaken the experts' self-confidence and hurt their prestige in the public eye. The havoc wreaked on the environment, the armament race, and the unresolved conflict between the industrialized northern world and the nations of the underdeveloped South also did their bit.

In public as well as among your own ranks, dismay has been voiced frequently about the present state of economics, which was not able to prevent these problems. Professor Joan Robinson, your famous English colleague, recently deceased, even went to the extreme of diagnosing an "obvious bankruptcy of economic theory". Although this diagnosis may be slightly exaggerated, it cannot be denied that the economic sciences are experiencing a severe crisis and offering an image of helplessness and discord to the rest of the world.

These unexpected challenges have resulted in a process of reconsideration and reorientation in your field, as is shown by the sudden appearance of a relatively large number of theoretical novelties, such as the "new political economy", "new microeconomics", "new macroeconomics", and the notion of an "alternative economy". This process can also be observed at the specialized congresses, where the existing theoretical positions are critically reviewed and solutions to the present crisis looked for.

We share this alarm about the pressing issues of our times and have followed your search of possible solutions with great interest and respect. Nevertheless, we have noted that the reconsideration process has as yet to encompass the general organic foundations of existing economic systems. Over and above the frozen confrontation between the economic systems of the East and the West, between the North and the South, no conception capable of balancing the contradictions and satisfying the demands of personal freedom and social justice, environmental conservation and peace, has so far taken shape. Therefore we would like to appeal to you, as competent experts in the field, to focus your research in greater measure on the development of an organic model transcending the different economic systems.

Our specific concern in addressing this memoir to you is, moreover, to urge you to take into special consideration, as you search for new roads in economics, the suggestions that were already made several decades ago by the social reformer Silvio Gesell as to a review of the present notions and strategic connections in the scientific structure of economics.

In the past, unfortunately, a deeper exchange of ideas between university-bred economists and the disciples of Gesell, as outsiders to these circles, has hardly ever taken place. Economists may have formerly found their access to the work of Silvio Gesell rendered more difficult by the often too messianic bearing of his followers. Those engaged in developing the neoclassical school of thought therefore either neglected it completely or - as often occurs with new and unconventional theories - failed to take it seriously.

Nevertheless, several renowned economists have called attention to Gesell's significance over the years, despite the reservations of the experts. Their remarks about Silvio Gesell, which we have included in the appendix, encourage us to call up his memory and to appeal to you, Ladies and Gentlemen, to critically review his thoughts as to their possible contribution to surmounting the social, environmental, and political tensions that are evermore coming to a head in individual and international terms.

At present, an analysis of Gesell's work may be hindered not only by incidental prejudices but also by the time elapsed since its creation and by its time-bound, unscientific form of expression. In order to remove such potential barriers to understanding we would like to offer you the following brief introduction to Gesell's life and work.

INTERNATIONAL ASSOCIATION FOR A NATURAL ECONOMIC ORDER

Biographic Note on Silvio Gesell

Silvio Gesell was born in 1862 in St. Vith, a town of eastern Belgium, as the son of a Vallonian mother and a German father. In 1887 he emigrated to Argentina, where he attained success as a trader, importer, and manufacturer and where severe economic crises spurred him to theoretical deliberation.

In 1900 Gesell retired from his business activities and emigrated to Switzerland. On a farm near Neuchatel he turned to agriculture and pursued extensive independent economic studies, unfolding his practical experiences and theoretical insights in numerous publications. In 1916 his chief work "A Natural Economic Order Through Free Land and Free Money" was published in Bern. To date ten editions have appeared in German, as well as translations into English, French, and Spanish.

In April of 1919 Gesell almost had the opportunity of putting his theories to a practical test. By recommendation of the cultural philosopher Gustav Landauer he was elected Minister of Finance of the First Republic of Councillors of Bavaria. His term of office lasted only one week, however; after that the first, liberal administration of councillors was overthrown by the second, a communist one. Afterwards Gesell was charged with high treason, but in the end he was acquitted.

On account of his participation in the revolution of Munich, the Swiss authorities denied him the right to return to his farm in the Jura of Neuchatel. Gesell temporarily moved to the Potsdam area and later to the cooperative settlement of Eden-Oranienburg, located to the north of Berlin and co-founded by Franz Oppenheimer. There he continued writing until his death in 1930.

A Dogmatic History of Economies through the Eyes of Silvio Gesell

The fundamental organic core of Silvio Gesell's work comes to light when it is examined in relation to the three great periods of modern economy and the doctrines prevailing during each: laissez-faire capitalism and classical and neoclassical economics; the Keynesian revolution and the age of state interference introduced by it; Friedman's counter-revolution and the present renaissance of the market.

Without any doubt, a great step was taken forward in history when classical liberalism managed to overcome medieval feudalism and mercantilism and smoothed the way for an economy characterized by decentralized self-regulation. The classical and later the neoclassical economists developed a theoretical structure to prove the superiority of a liberal economy based on free enterprise, as opposed to the mercantile system of an economy resting on individual minority of age and directed from above. The idea of a natural and freely developing order of economy and society served as their point of theoretical departure.

The classical and neoclassical school was founded on the conviction that the "wealth of nations" (Adam Smith) grows when not the government but free and responsible individuals determine the course taken by an economy. The power of economic decision-making could therefore be passed on from the government to the individuals, because the free market economy balances the individuals' selfinterests through its "invisible hand" and promotes public weal better than the state can. According to this principle of laissez faire, the manufacture and distribution of goods is directed automatically by a succession of profits and losses regulated in a decentralized fashion on the markets. Since any supply produced will create its own demand and be sold without difficulty, as is stated by Say's law, the free market economy, even without interference by a superior entity, will always automatically achieve a stable (dynamic) balance.

As we all know, reality did not live up to the expectations of the classical and neoclassical economists. It became evident that certain structural flaws had found their way into the theoretical foundations, because soon the rule of men over their fellows celebrated a comeback in the power structures erected by private enterprise, such as monopolies and oligopolies. As they grew ever stronger signs of discord appeared which did not fit into the classical or neoclassical picture of a natural and harmonic economic order.

The ideal of a free market economy in fact degenerated into a capitalist market economy in which production was not cut out exclusively to meet human needs, but primarily according to the self-interests of private power structures. In other words, the capacity of the economy for decentralized self-regulation declined and the allocation of resources consequently remained under the optimum level, with no opportunity of ever achieving it. As far as distribution of the national income was concerned, money turned out to be not a neutral medium of exchange at the service of the economy, but an extremely biased instrument of power. Instead of enabling a just exchange of services, it allowed income and wealth to be concentrated to a degree not justified any more by individual differences in productivity and aptitude. The internal confusion thus produced in the capitalist market economy, through the existence of private concentrations of power, ultimately evidenced itself through a chronic instability marked by alternate deflationary or inflationary fluctuations in the purchasing power of money and by the periodic recurrence of involuntary unemployment.

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In view of the gross contradiction between classical and neoclassical theory and economic reality, it is not surprising that doubts about the theory should have surfaced. John Maynard Keynes took it upon himself to deny the existence of an "invisible hand" and thus initiate the "end of laissez faire".

It was also Keynes who laid the theoretical groundwork for a - as he once called

it - "judicious management of capitalism by the state". To be sure, his chief work did not constitute a general theory, in the sense that it excluded the essential theoretical problem posed by prices and distribution given a less-than-optimum allocation of resources, as well as ignoring the unequal distribution of income and wealth. Keynes concentrated mainly on the problem of involuntary unemployment and believed in its possible solution through government interference in the market, while at the same time maintaining non-neutral money and the private structures of economic power.

Instead of searching for the causes of the capitalist market's instability in the existence of power structures alien to the system, Keynes merely stated the fact that the automatic healing powers of the market, deformed by capitalism, were functioning very inadequately. As unions successfully opposed wage reductions, the mechanism of wages on the labor market did not achieve the results that would have been necessary in order to stabilize it in a state of total employment. Furthermore, the automatic adjustment of interest rates did not suffice to channel total savings toward investment whenever the profit margin of real capital - Keynes' "marginal efficiency of capital" - , after a period of constant increase, dropped in favor of the wages. Money did not then find enough profitable options for investment and temporarily disappeared from the (investment) markets as effective demand. Say's law, according to which total supply creates an equivalent demand, was deemed false. The breaches in private demand translated into a stagnation of sales, which in turn triggered dismissals and involuntary unemployment.

At first glance Keynes' recipe against unemployment seemed to be very simple. It consisted mainly in the idea of closing any gaps in private demand through a supplementary demand implemented by the state and financed by credits, without any consideration for allocation and distribution, that is to say, for microeconomic factors. Thus supply and demand would be reconciled again on a macroeconomic level and it would be possible to return to a stable balance of full employment.

Many nations followed these suggestions in their economic policies after the Second World War. They established an extensive statistical apparatus in order to analyze the economic cycle and aid in their decisions about applying the principle of supplementary demand created by the state. They tried to control the instability of the capitalist market economy with "shots" meant to activate the economy and employment programs.

On the whole, however, the results of these experiments have not been convincing. Apart from certain operational problems, such as determining the scope of the programs, the time of their implementation, unforeseeable side-effects, and delays in their taking effect, shortly after their introduction it became obvious that in an economy supported in this fashion the marginal efficiency of real capital did not increase to the desired degree and even tended to decline. Under Keynes' followers, therefore, the state policy for employment evolved into a policy of state promotion of economic growth, with the goal of creating new and profitable possibilities of investment for the private money supply through big projects subsidized by the state, civilian as well as military in nature, and of thus luring it out on the market as effective demand.

In this way it was indeed possible to temporarily lessen social contradictions, since the lower and middle strata of society could also share in the "fruits" of growth. Nevertheless, weighty reasons deny that Keynes' and his disciples' answer to the first great challenge posed to the economy by the until then greatest crisis of laissez-faire capitalism can be considered a permanent solution to the problems of our times.

As far as the economy is concerned, government interference cannot satisfy the expectations placed in it nor do away with unemployment. It has triggered the inflationary deceit and immense national debts, which have pushed the interest rates up and therefore made financial investments in many cases more attractive than real investments, which stands in direct opposition to labor policies. The faulty allocation of resources and inappropriate structures inherent to the confusion of the capitalist market economy are augmented by the results of deficient state planning in different sectors, such as energy production.

In relation to social matters, state interference can only reach seeming solutions because it is limited to covering up the differences in income and wealth by redistribution, instead of truly diminishing them. As far as there even exists an awareness of the problems posed by the market's being taken over by private enterprise, it is mistaken in the expectation of the state's ability to control private power. Instead of neutralizing each other, the two blocks of power form a coalition.

This false social solution places an ever greater burden on the environment. Since the inequality in property remains taboo, a lessening of social strain requires raw materials and energy to be constantly transformed

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into a production increase for distribution. Natural resources are increasingly spent and environmental balance is upset.

Irrespective of the economic growth promoted by the state, which is based on post-Keynesian thought, the capitalist market economy - as the neoclassical theory of growth stresses - also tends to intrinsic growth, which does not mean to say that human needs are infinite or that technical progress falls from heaven like manna. Rather, biased money or monetary capital, as a dysfunctional instrument of control and distribution, contains a tendency to exponential self-multiplication through simple and compound interest. Since monetary capital is furthermore tied into the commercial economy in many ways and cannot grow outside these limits, it exerts a circumstantial pressure on real capital to grow at the same rate as simple and compound interest.

This typical tendency toward exponential growth shown by the capitalist market only begins to stall when the possibilities for the profitable investment of monetary capital start to decline. When in such an - environmentally healthy - situation the diminishing tendency to grow is boosted through reinforcement by state interference, it means that the market's central error - its dysfunctional money - has been left alone and that its unavoidable consequences, such as instability and the tendency to grow, are being 'fought' by magnifying those same consequences, that is to say, by making a new mistake to 'correct' an existing one.

Since an exponential economic growth inevitably clashes with its environmental limits, the pursuit of this fundamentally abortive economic strategy cannot be justified.

The urge of the money, in its quest of investment possibilities, into the armament industry, where profitability is guaranteed by the state, promotes the armament race. This year the unbelievable sum of a trillion dollars will be invested in armament around the globe, threatening the peace of the world and all life forms with nuclear destruction.

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The disillusionment caused by the failure of government interference in the economy has led to a rebirth of the market economy. Professor Milton Friedman, in his restatement of the quantity theory of money, lent it a theoretical basis which was expanded by the consideration that an improvement in the conditions for profitable investments required reforming the state of supplies for enterprise through tax reductions, dismantling bureaucratic obstacles, etc.

The market's own forces of regulation and remedy were called upon again, not by philosophically resorting to the "invisible hand" but in the conviction that the government should dictate the general rules of the game by establishing its legal framework and taking care, as an impartial judge, that it is complied with, without interfering directly in the course of the economy. It was definitely not mistaken to reconsider the market's capacities and recognize that they had to be tied into a legal framework created by the state. However, until now this has only lead to a return of a modified form of laissez-faire capitalism. Friedman's conception of the government's legal framework remained very incomplete, since he did not touch the distortion of the free market as a market taken over by private capitalism through dysfunctional money.

Thus the old problem of a loss of private demand - the unforeseeable alternation between effectiveness and ineffectiveness of large parts of the money in circulation - still exists today. It was recognized but not solved by Keynes, and neither recognized nor solved by Friedman. The so-called velocity of circulation of money with regard to short and medium-length periods of time is not as constant as was originally assumed by Friedman and the monetarists. Its fluctuations, which no theory of probabilities can predict, thwart any effort to constantly regulate the amount of money and lead as before to a loss of balance in the whole economy because of involuntary unemployment and variations in the value of currency.

The time to pass a final judgement on the most recent turn in economic policy may not yet have come. Nevertheless it already seems very probable that monetarists and supply-side economists will not manage to stabilize the economy and create a permanently crisis-free system. They have also failed to recognize the constructional flaw embedded in the foundation of the market economy in the form of dysfunctional and biased money, as well as the allocation and distribution disturbances it produces and the resulting compulsion of the system toward exponential growth. While even they consider quantitative exponential growth to be the main ground for achieving a stabilization of the economy, it in truth is already a result of the internal disorder of the capitalist market economy.

Monetarism is cut out completely to assure a permanent increase in the amount of money in circulation and the production potential. The possibility of a nonexpanding economy does not fit into its theoretical scope. It is notable to specify the conditions for stability in case such a situation should occur. The pressure for growth exerted by money on real capital has found its most striking theoretical expression in the annual targets set for expanding the "money mantle" that the potential for production shall 'grow into'.

And a supply-side economy is basically nothing else than the attempt, also

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motivated by the idea of economic growth, to improve the secondary economic conditions for correlative growth of the real capital and to see that the money supply regains the prospect of an "adequate service" through labor, among other ways by a so-called "reasonable labor policy", thus becoming automatically available again as effective demand. This theory is also the exact opposite of the constitutional framework necessary for an automatic regulation of the market, which would guarantee the availability of money to those who work, as a useful and neutral means of exchange. Exaggerating slightly, supply-side economics is therefore a policy that serves the capitalist interests hidden behind the "market economy" label.

Gesell's Contribution to the Development of a Basic Economic Theory for the Future

Our short review of dogmatic and economic history probably did not reveal any substantially new information, since the facts as such are well-known. It is possible, however, that both Silvio Gesell's interpretation of the causal connections and the suggestions he made in his time to overcome social and political differences and create a stable economic order may seem unusual. The environmental question was not as yet relevant, but Gesell's theories can be expanded with it in mind.

The above retrospective view of the three great eras in modern economics has already shown that Gesell perceived the deeper causes of social and political differences as well as economic instability to lie in the position of power occupied by money, which restricts competition in the market economy. In other words he did not, as Marx had done before him, ascribe the degeneration of the market economy into laissez-faire capitalism to the market itself (in environmental terms, the principle of decentralized self-regulation of an intertwining system of regulatory cycles encompassing the whole of nature). He was far from proposing the abolishment of the market and its substitution by centralized government planning. Rather Gesell wanted to create a legal government framework, more consistent than the one advocated by Friedman, in order to surmount the structural power of money over the market by assuring its availability at all times as private demand. The legal framework was meant to guarantee money to serve the economy as a truly neutral means of exchange, so that as such it might not independently influence the allocation of resources, the distribution of income and assets, and the dynamics of economic development.

By eliminating the monetary defect of the market economy Gesell intended to promote full development of the still restricted forces of self-regulation and healing of the market. Consequently unlike the ideas advocated by the school of laissez faire, government interference is by all means asked for in his theory, but not in the sense of compensating a reduction in private demand with a government demand substitute or indeed in that of direct investment management by the government. The state should rather create a legal framework around the hub of a monetary order which on the one hand maintains the freedom of decision in private enterprise, but on the other indirectly guarantees that real investment of the existing monetary capital is not abstained from for reasons of profitability.

As is known, Keynes already studied Gesell in the twenty-third chapter, sixth section, of his *General Theory*, and defined his theory as "antimarxist socialism", which points out its potential significance as an alternative to capitalism and communism and a manner of overcoming the differences between the East and the West. Gesell's outlook could just as well be called "anticapitalist liberalism" and the economy structured accordingly a "postcapitalist market economy". These definitions point out its role as an alternative to the post-Keynesian and monetarist doctrines which predominate in the West. In the line of the considerations advanced here it is in fact possible that ways may be found to overcome the division of economics between the microeconomically founded neoclassical school and macroeconomic post-Keynesian theory.

Gesell's analysis of the power wielded by money of course contains several weak points due, perhaps, to the limitations of his times. In accordance with the gold standard still in use at the time he based his reasoning on the material superiority of money backed up by gold, over and above any naturally perishable goods. His analysis thus remained fragmentary and was not apt to muster any greater power of persuasion. Only very recently has Professor Dieter Suhr expanded it with regard to the theory of liquidity, thereby placing it on a sounder foundation.

Because of several "blatant shortcomings in his reasoning" - said Keynes about

Gesell and his theories - "I was totally at a loss to find any virtues." It was only after Keynes had developed his own concept of government interference that he recognized the significance of Gesell's "profoundly original endeavours" though this did not motivate him to correct his own course of economic thought. Therefore the matter concluded with Keynes' admission, without consequence for the time being, that Gesell's work, despite its analytical shortcomings, was "sufficiently developed to produce a practical conclusion that may contain the seed of what is necessary."

The "practical conclusion" consisted in the idea of eliminating the power wielded by money, based on its advantages of liquidity, by charging it, in case of being retired from circulation as effective demand, with so-called demurrage payments. The advantage in liquidity held until now by money, over the products of human

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labor and all kinds of commodities, would thus be offset by a disadvantage in liquidity. Thereby money, especially in the form of monetary capital, would be induced to create an effective demand (of investment properties) on the market, even if it did not any more receive an "adequate return" as soon as marginal efficiency of real capital started to diminish and, under extreme circumstances, to approach zero percent.

In the past money has been retired from real investment as soon as the expected return has fallen below about 3 %. By introducing demurrage charges on money the economic cycle would remain closed. The marginal efficiency of real capital and the market rate of interest would gradually fall to around zero percent and the capitalist market economy would pass over to a post-capitalist market economy. Such a development would produce several positive effects.

The market's forces of self-regulation and healing, which until now have lost their effectiveness near a low point of about 3 % interest, where money is withdrawn from demand, could take effect even below this limit. Interest would not be done away with but would waver between certain limits around a point of equilibrium at zero. As a scarcity indicator it would also provide for the optimum channeling of money flow into the investments most in tune with demand. The channeling function of interest would be preserved not by a fixed minimum rate of about 3 %, but solely by the dynamics of the movement of interest rates.

Under these circumstances money becomes a means of exchange of complete neutrality in allocation, allowing the just exchange of services on the individual markets. Since the positive and negative deviations of the interest rate from the point of zero offset one another, money also becomes neutral in distribution. In other words, the existing differences in income and assets cannot increase even more. Thus an elementary condition toward mastering and reducing social contrasts is created. Furthermore, such a reduction in the cost of credit results in the opportunity for many of the at present dependently employed or unemployed to find independent enterprises, so that the introduction of demurrage charges on money also promotes decentralization of business. To be sure it would not automatically lead to the dissolution of all existing power structures of private enterprise; such a goal requires additional collateral measures that have still to be designed.

The post-capitalist market economy that has only been sketchily described here creates a stable order also with respect to employment and the purchasing power of money. Once the rate of interest is leveled at 0 %, total savings flow back into investments under the pressure of the demurrage charges on money and stagnations of trade and involuntary unemployment become things of the past. The conditions advanced by Say's law of markets are thus fulfilled: supply and demand create a constant state of balance, both on the individual markets as on the whole. This balance remains stable not only from a macroeconomic, but also from a microeconomic point of view.

As soon as the velocity of circulation of money is no longer, as until now, subject to unpredictable fluctuations but becomes stable under the influence of the demurrage charges on money, it will be more feasible for the central banks to successfully adjust the amount of money in circulation to the potential of production, in such a manner that inflationary and deflationary variations in the purchasing power of money are avoided.

As a parallel development to the transition to such a postcapitalist market economy, a transition from exponential and quantitative growth to qualitative growth also takes place, thus easing the conflict between the economy and the ecology.

The declining rate of interest, finally settling around 0 %, also makes it possible to control and eliminate the pernicious urge toward an unchecked exponential growth of monetary capital and consequently also of real capital. Therefore money in the end also attains neutrality in growth.

The demurrage charges on money make it possible to stabilize an economy without post-Keynesian or supply-side stimuli for growth, even in a situation in which the marginal efficiency of real capital declines. Instead, they support the selfrestraining tendency of quantitative growth that has been observed in previous crises. By forestalling the retreat of monetary capital from effective demand, demurrage simultaneously assures that after satiating one investment market after the other, savings flow into social and cultural fields, producing qualitative growth where for reasons of profitability it has thus far been lacking.

Nevertheless, in this case it also holds true that additional measures, such as the application of environmental policies conforming to market conditions, are indispensable.

In a post-capitalist market economy that uses a form of money remaining neutral as to economic growth, the impulse toward growth or decline can only be inspired by human desires and not by monetary capital's self-interests. On condition that the money supply put in circulation is also constantly present as effective demand, the economy can be stabilized by the appropriate adjustments in the said money supply, irrespective of whether it grows or not.

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Ultimately, a decline in the rate of interest and in the marginal efficiency of real capital also requires complementary political decisions to prevent monetary capital from switching over from the field of civilian production to the armament industry.

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None of the positive effects of demurrage charges on money, which we have only hinted at here, could take place, however, if they were introduced in the form originally suggested by Gesell (fixing a payable stamp on the banknotes or machine-stamping them for a charge). These methods cannot be put into practice. In this sense Keynes was justified in his reservations about demurrage payments: "The idea behind the stamped money is sound, ... although it cannot be carried out in the way suggested." In the meantime Gesell's followers have developed better methods of carrying out this "sound idea".

It should not remain unsaid, finally, that as a result of such a change in the nature of money Gesell feared its flight into material assets, especially land property, as has already been seen during inflationary periods. Nevertheless, in order to prevent any speculation whatsoever with the land he suggested that it be gradually reacquired by the general public from private hands and leased to the highest bidder in hereditary tenure for his personal use by usufruct. In this case it also holds true that other ways of putting this fundamentally "sound idea" in practice must be found. In addition, a solution is required not only for the problem of surface speculation, but also for that of the exploitation of mineral resources below it.

There can be no doubt that Silvio Gesell's theories, as briefly summarized here, do not address a great number of questions that have not as yet been answered by Gesell and his followers. This is not, however, reason enough to turn away from them without closer consideration and to again tread the beaten paths of neoclassical or post-Keynesian thought, but rather a challenge for economic science to clarify whether the unanswered questions can be solved on the ground of Gesell's thoughts.

The declarations made by renowned economists about Gesell which are included in the following appendix confirm the premise that his proposition may contain the seed for a new basic economic theory. It is a possibility which justifies the employment of authorities in economic research to first of all translate Gesell's thoughts into modern terms, tie them up with the present stage of theoretical development, and finally expand them into a platform for an economic order in accordance with which the many particular problems not mentioned here may also be solved.

Appendix

„Free money may turn out to be the best regulator of the velocity of circulation of money, which is the most confusing element in the stabilization of the price level. Applied correctly it could infact haul us out of the crisis in a few weeks ... I am a humble servant of the merchant Gesell."

Prof. Dr. Irving Fisher, economist at Yale University New Haven/USA
Stamp Scrip, New York: 1933, p. 67 and Mail and Empire, Toronto: 11/21/1932.

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"Gesell's chiefwork is written in cool and scientific terms, although it is run through by a more passionate and charged devotion to social justice than many think fit for a scholar. I believe that the future will learn more from Gesell's than from Marx's spirit."

John Maynard Keynes, Economist, Fellow of King's College, University of Cambridge/England
General Theory of Employment, Interest and Money, London (1957), p. 355 (whole text on Gesell p. 353-358 and 379).

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"Gesell's standpoint is both anticlassical and antimarxist. ... The uniqueness of Gesell's theory lies in his attitude to social reform. His theory can only be understood considering his general point of view as a reformer ... His analysis is not completely developed in several important points, but all in all his model shows no fault. "

Prof. Dr. Dudley Dillard, economist at the University of Maryland /USA
Gesell's Monetary Theory of Social Reform, American Economic Review (AER), Vol 32 (1942), p. 348-349.

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"We would especially like to certify our great esteem for pioneers such as Proudhon, Walras, and Silvio Gesell, who accomplished the great reconciliation of individualism and collectivism that the economic order we are striving for must rest upon. "

Prof. Dr. Maurice Allais, economist at the University of Paris/France
Economie et Intérêt, Paris 1947, p. 613.

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"Academic economists are ready to ignore the 'crackpots', especially the monetray reformers. Johannsen, Foster and Catchings, Hobson and Gesell all had brilliant contributions to make in our day, but could receive no audience. It is hoped, that in the future economists will give a sympathetic ear to those who possess great economic intuition."

Prof. Dr. Lawrence Klein, economist at the University of Pennsylvania/USA
The Keynesian Revolution (1949/1968), p. 152.

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"Economic science owes Silvio Gesell profound insights into the nature of money and interest, but Silvio Gesell has always been considered a queer fellow by economic circles. To be sure, he was no professor, which already raises suspicion. ... The decisive fact is that Silvio Gesell's fundamental ideas with regard to an economic order are correct and exemplary. Exemplary is furthermore, that in the creation of a functional monetary order he should see the 'nervus rerum' of a functional economic and social order."

Prof. Dr. Joachim Starbatty, economist at the University of Tübingen/Germany
Eine kritische Würdigung der Geldordnung in Silvio Gesells utopischem Barataria (cheapland). Fragen der Freiheit Nr. 129 / 1977, pp. 6 and 30-31.

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"Silvio Gesell managed to write clearly and make himself understood, a gift that most pure theorists and reformers as well as many practical experts of today lack. The Natural Economic Order makes worth-while reading even in our days. ... Gesell developed brilliant concepts and was forgotten, while his less brilliant contemporaries ... dazzled several generations before the realization of their falseness could break through."

Prof. Dr. Oswald Hahn, economist at the University of Erlangen-Nuremberg/Germany
In memoriam Silvio Gesell. Zeitschrift für das gesamte Kreditwesen, Vol. 33 (1980), No. 6, p. 5.

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"Gesell is a smart outsider, who ... treated the subjects of money and interest, the right to full proceeds from labor and suggestions for remedies, in a very original way. ... The ideas he conceived regarding his problems and what he deemed appropriate for the crises of his times are worth considering with respect to a fundamental improvement of monetary conditions in general."

Prof. Dr. Dieter Suhr, jurist at the University of Augsburg/Germany
Geld ohne Mehrwert – Entlastung der Marktwirtschaft von monetären Transaktionskosten. Frankfurt 1983, pp. 17 and 51.

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"Gesell is the founder of the free economy, an economic outsider who nevertheless was recognized by Keynes, in a certain sense, as his forerunner. He is therefore still considered to be above all a Keynesian economist, even a kind of hyper-Keynesian, that is to say, an advocate of a school that propagates the lowest (nominal) interest rate possible as a means of avoiding crises. Gesell, however, also recognized that the problem of a crisis cannot be solved solely by reducing the rates of interest. ... Gesell suggests, therefore, as the necessary correlative to the introduction of 'free money' ... the introduction of 'free land'. ... Gesell's chief work thus carries the title 'A Natural Economic Order Through Free Land (!) and Free Money'. It proves that the real aspects of an economy - that is to say, the claim on land or resources - must never be lost from view, even if primary importance is attached to monetary factors. This was recognized more clearly by Gesell than by Keynes."

Prof. Dr. Hans C. Binswanger, economist at the College of Economic and Social Sciences Academy at St. Gallen/Switzerland
Arbeit ohne Umweltzerstörung - Strategien einer neuen Wirtschaftspolitik. Frankfurt 1983, pp. 246 - 248.

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The Euro's Small Siblings

In Germany and Austria a rising number of complementary regional currencies supplement the legal tender

by Ralf Becker, Dipl.-Kaufmann

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Major lines of development

Since the introduction of the Euro on 1st January 2002, seventeen regions in Germany and Austria have introduced an additional currency intended to supplement the Euro in its respective area of circulation. Among them, and best known so far is the „Chiemgauer“, a complementary currency used in a small region in the southwest of Germany. It was first issued in 2003, exactly one year after the Euro's replacement of the Deutsche Mark, and the media quickly took notice: the almost exclusively positive coverage of leading TV and radio stations as well as most major German newspapers soon communicated the currency experiment to other parts of the country.

Now, three and a half years after it started, more than 430 small and medium-sized companies have accepted the Chiemgauer as a means of payment. In 2005 more than 1,200 people used it as additional medium of exchange. They generated a total annual turnover in Chiemgauer of approximately 720,000 Euro for the participating companies. The rapid rate of its circulation is seen as a major advantage in comparison to the Euro; each unit of the common currency, the Euro, is spent around 3,5 times a year on average, whereas a Chiemgauer note is used for transactions more than 15 times during the same period.

The public attention paid to the Chiemgauer and its high rate of uptake has quickly inspired the formation of a growing number of comparable initiatives in other regions of Germany and Austria, which have introduced similar exchange media or are planning to do so. In August 2003, the „Regionetzwerk“ was established as a countrywide network of complementary currency initiatives and recently transformed into a formally organised association, the Regiogeld-Verband, to support the introduction and to compare the experiences with these regional currencies.

Even before the Chiemgauer, in September 2001, another complementary currency was launched in the city of Bremen in northern Germany. Especially designed to support regional organic farming, the „Roland“ has lower growth rates and fewer users than the Chiemgauer. Nevertheless its initiators have developed a sophisticated system of savings and loan accounts for the users of the Roland and have been able to support a number of farmers in financing their investments.

In January 2004, the „KannWas“ was introduced in the German state of Schleswig-Holstein as the first complementary currency designed for a statewide use. Then, two month later the „Justus“ became the first complementary medium of exchange not based on and backed by the Euro.

A new wave of publicity was created by the introduction of the „Berliner“ in Berlin in February 2005. It is printed by the Bundesdruckerei the same printing firm that is responsible for printing Euro notes on behalf of the Deutsche Bundesbank. Prominent figures like Wolfgang Thierse, at that time president of the Bundestag (the Lower House of German Parliament), attended the kick-off event. The news agency dpa even reported, erroneously that the Berliner was meant to replace the Euro in the German capital, though it soon corrected this canard.

In Austria, the Arbeiterkammer, a government body, is supporting the complementary currency „Waldviertler“ by providing the money for the employment of seven people to support the Waldviertler system.

Further complementary currencies like the „Volmetaler“ in the German city of Hagen, the „Bürgerblüte“ in Kassel and the „Havelblüte“ in Potsdam have recently been launched. Several other complementary currencies exist or are planned in the nearer future.

The „BerchtesgardenerLand“ as model region

The Regiogeld e.V., the association of complementary currency issuers and initiatives that emanated from the Regionetzwerk, in February 2006 granted the Berchtesgardener Land, where the „Sterntaler“ is circulating, extra support and the status of „special model region“. The Sterntaler is a regional currency circulating on both sides of the German-Austrian border. The following goals of the initiative lead to the granting of this special status:

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- To experiment with options for the systematic combination of money- and time-based complementary means of payment
- To achieve a compatibility with the Chiemgauer, which does partly circulate in the same area
- To make the Sterntaler a well working cross-border complementary currency and
- To make it a self-financing system.

The hope is, that the Sterntaler-project—which is considered to be one of the most successful and best-managed systems for complementary currencies in Germany and Austria—will generate fundamental insights for the advancement of other regional currencies as well. It is highly regarded by most participating businesses, and so the chances of success and valuable results seem to be quite good.

The creation of current account systems for complementary currencies

Like the Roland in Bremen, several other initiatives are emphasising current account systems for their currencies: for example the „Urstromtaler“ system in the state of Sachsen-Anhalt and the Chiemgauer. In the Chiemgauer-region, facilities for withdrawing the local currency from some Automatic Teller Machines (ATMs) have been set up—a first step in making the voucher system a fully functional card-based and electronically accessible payment system. Together with GLS Bank, the Chiemgauer association has recently completed the final steps of setting up a system of current accounts in the town of Wasserburg on the river Inn; after its trial run, this will hopefully be transferable to other regions.

A local savings bank in Leipzig has also developed (but not yet set up) a purely electronic current account system similar to the one used by the WIR Bank in Switzerland.

A different approach is followed by initiatives in the cities of Karlsruhe and Stuttgart. Here the goal is to develop a system of accounts that does not require a banking licence.

Elsewhere, based on software for Local Exchange Trading Systems (LETS) and with the goal to create an interface with standard banking software, a diverse group is informally working to develop a program capable of handling large scale and numerous electronic transactions.

A student's company turns into a co-operative

The enormous speed with which the regional currency movement has developed in Germany can be exemplified best by again looking at the Chiemgauer. This currency was designed and brought into circulation by an experimental company set up within a school, primarily as a learning tool to give pupils the opportunity to develop a "hands-on" understanding of fundamental economic and business processes. They soon had to establish a registered association in order to meet the challenges resulting from the growth of their currency system. Meanwhile the system has outgrown the capabilities of the association and will be transformed into a co-operative by 2007. Completion of this transformation awaits a change in the co-operative law attached to the passage of an EU directive scheduled for autumn 2006. This directive will make it possible to set up co-operatives with a social or cultural instead of a purely economic purpose.

The reason for choosing the organisational form of a co-operative for managing the Chiemgauer lies in a close tie between the original idea that guided the establishment of co-operatives in the 19th century and the aspirations of regional currency systems today. Hermann Schultze-Delitzsch (1808-1883) and Friedrich Wilhelm Raiffeisen (1818-1888) founded the first co-operative banks in Germany. They intended to create a self-help system for the regional economy in and around their respective hometowns—an intention pursued again today by many complementary currency initiatives. It is interesting to notice that the hometowns of both Mr. Delitzsch and Mr. Raiffeisen are now also home to initiatives to establish regional currencies. In Delitzsch, for example, the savings bank uses the successful Swiss WIR system, a co-operative existing since 1934, as its model for a regional currency system.

Differences between Eastern and Western Germany

Initiatives in Eastern Germany are facing special challenges in trying to set up regional currencies. This has lead them to align with each other in a network called RIO (Regio Initiativen Ost – Eastern Regio Initiatives). The economic weakness of many regions in the east and the financially difficult situation of companies and citizens, both resulting from mistakes made during the process of transformation of the former socialist planned economy into a market economy, have left these regions with too few intra-regional business relationships to support small regional currency systems. In addition the financially strained situation of many businesses and people alike does not allow them to change scarce Euros into a regional currency, therefore making it very difficult or even impossible to adopt the successful Chiemgauer system - a Euro-backed system - for these regions.

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Realising this, the initiators of the Urstromtaler-currency (circulating in the state of Sachsen-Anhalt) have abandoned the idea of a Euro backing. Usually it is not possible to acquire Urstromtaler by exchanging Euros for it. Instead the participating companies simply declare their willingness to accept Urstromtaler as a means of payment for their goods and services, although they may set thresholds related to their turnover or accept a certain proportion of the full price. Citizens can join the Urstromtaler system by offering services for Urstromtaler or by accepting a small proportion of their wages in this currency. Members of this system get an Urstromtaler account in which they can accumulate their regional currency and which they can also overdraw to a certain degree. To make payments, people can withdraw money from their respective account or make a direct transfer to the account of another member.

A similar currency model is pursued in the city of Potsdam, where the Havelblüte recently began to circulate. Here the backbone of the currency is again a promise of participating companies to provide goods and services for the regional currency. As a special feature, the amount of Havelblüten a company is allowed to bring into circulation does not only depend on the scale on which it is willing to accept this currency as a means of payment, but also depends on the number of its employees. The future will show if hopes are justified—whether this design feature will result in the creation of jobs in the long run.

In order to meet the challenges of the relatively low degree of intra-regional economic activity and business relations in most Eastern German regions, the RIO-initiatives now consider setting up a clearing system capable of connecting different regional currencies. The goal is to strengthen the intra-regional circulation of goods and services. A similar system by the name of WÄRA existed in Germany between 1926 and 1931 and serves as an example for today's considerations.

Special challenges for the regional currency movement

So far the regional currency projects in Germany have started as grass-root initiatives, usually following a not-for-profit path and giving special weight to social and ecological values. As their umbrella association, the Regiogeld e.V. has developed a special organisational culture and has defined a set of norms and criteria in order to maintain these values and set a standard of quality.

An upcoming challenge lies in the intention of a profit-orientated local savings bank (Sparkasse) in Leipzig to introduce a professionally managed and commercially focused regional currency. Currently, the profit bias of this bank contradicts the values and criteria of the Regiogeld e.V. As a result, an integration of the bank and its currency into the umbrella association is currently not possible. If the bank does decide in favour of starting its currency, the Regiogeld e.V. will have to discuss how to deal with that situation, especially as the financial power, the professional experience and the technical infrastructure of the bank would probably make its complementary currency the largest and most significant in Germany.

Tensions may also arise in Austria where the Arbeiterkammer's financial commitment towards the Waldviertler has resulted in the intention to abandon the demurrage. This feature specially aims at producing certain social benefits and is a critical element from the point of view of the citizens and entrepreneurs who have started the system. While the manpower and financial assistance provided by the central government body significantly widens the scope for further developing and promoting the Waldviertler, the downside of this development lies in a risk of losing its social and ecological focus.

The fundamental question the Regiogeld e.V. is increasingly confronted with is how to set up commercially self-financing currencies without abandoning its foundation values.

With respect to using demurrage as a circulation incentive, after some deliberations the Regiogeld e.V. has decided not to insist on this feature for currencies issued by its member initiatives. However, in order to ensure the economic neutrality of these currencies, member initiatives are required to take measures that prevent the charge of a liquidity premium (interest) in association with a regional currency.

Competition and cooperation with card-based customer loyalty systems

In recent years numerous institutions have introduced card-based customer loyalty systems, which in many instances have some commonalities with complementary currencies but rarely generate the same benefits for society in total. In Germany's non-urban regions, publishers of local and regional newspapers have been at the forefront of this development. As such, in some cases they pose a competitive threat for the establishment of regional currencies. First of all, businesses participating in a loyalty system often show an unwillingness to join yet another system, such as a complementary currency system. Secondly, the operator of a loyalty system often has an influential position within the region and can significantly increase the difficulties for setting up another currency if he perceives it as unwelcome competition. This has already led to the abandonment of some of the regional currency projects in Germany.

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A solution for this problem may lie in merging loyalty-card-systems and complementary currencies on a regional level in order to generate synergies and combine the strengths of each of these approaches. Suggestions of how this can be done have been developed for the administrative districts Osnabrück and Emsland, but could also be deployed elsewhere. People are also working on options for combining these systems in other regions. Nonetheless, to date it remains unclear whether these efforts will be successful. The interests of loyalty-card-operators and regional-currency-advocates often diverge too much to bring them together easily.

Scientific monitoring of regional currency projects

On the subject of research, various graduate diploma theses have already been finished and PhD research projects are in process of completion. Several of these studies have been published on the Regio-website. Their aim is to make the field of complementary currencies more transparent and to investigate whether these new financial designs are able to fulfil their goals. To enable cooperation and coordination in this field, many researchers have joined a network called "MoNa" ("Netzwerk für Monetäre Nachhaltigkeit": network for research into monetary sustainability). This network regards itself as a platform for independent researchers and is not officially tied to the Regiogeld e.V. However, its members do welcome the Regiogeld e.V. as an important and necessary organisation and many have explicitly declared that they want to support the Regiogeld e.V. with their work.

Besides MoNa, a network called "Fachkompetenznetzwerk" (network of professional competence), abbreviated as FKN, has been established as advisory body for the Regiogeld e.V. Its members are experts and scientists with various professional and technical backgrounds. Members of the FKN are working on various projects and publications, among them the publication of a book bringing together the research results of different professionals.

A special study group of the FKN tries to examine the economic potential and the prospects of success of different models of complementary currencies. It also tries to answer the question of how best to deal with successful yet purely commercial complementary currencies, in case such models should emerge. How can the values and social goals currently associated with complementary currencies be preserved once these currencies gain ground and commercial banks start breaking into this domain?

Another focus of FKN members is on the relationship and mutual influence of regional complementary currencies and other complementary systems such as Miles-and-More. Besides regional currency systems, various other systems have the capacity to partly replace or supplement the use of money. A possible option to deal with this variety of systems is the foundation of an association or an institute that will deal with, and can serve as an umbrella organisation for, all kinds of complementary currencies and money substitutes. Such an institution could serve as organisational interface and communication platform between issuers of various kinds of complementary means of payment, universities and other research institutions, government and administrative bodies, commercial banks and the Bundesbank respectively European Central Bank. Concrete actions along these lines are still pending, yet the group supporting this idea in complete accordance with the research findings of a recently published report to the Club-of-Rome entitled "Money and Sustainability: The Missing Link".

General Future Perspectives

An important tendency within the regional currency movement is an increasing degree of networking and cooperation, as most activists understand that validating the assumptions that are fundamental for this movement is an enormous task, which nobody can carry alone. This trend will likely continue in coming years and affect evolution at both national and international levels. A possible future development within this context is the foundation of a European umbrella association and national associations.

An important opportunity, which might have relevance even beyond German borders, could arise from a public hearing in the Bundestag, the Lower House of German Parliament. Ulrich Kasparick, member of the German Parliament and former secretary of state in the federal ministry for education and research, has offered to support arranging such a hearing. In order to generate parliamentary backing for the complementary currency approach, the Regiogeld e.V. has begun to compile a list of members of the parliament who sympathise or are likely to sympathise with the idea of such supplementary means of exchange. The hope is to win support of members of all parliamentary parties before the hearing takes place in order to ensure a successful outcome.

A future problem for complementary paper currencies might arise from a classification of them as money. As the printing of money is an exclusive right of the Bundesbank, it cannot be excluded with absolute certainty that the issuance of complementary regional paper currencies might one day be assessed as illegal. Gerhard Rösl, research associate of the Bundesbank has already put existing complementary currencies in

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the category of money in an article published in "Wirtschaftsdienst", one of Germany's leading economic periodicals. However, he also states that these currencies do not currently amount to more than 0.00002% of the money aggregate M1, which makes them irrelevant from the point of view of the Bundesbank. As long as the Bundesbank does not consider these media of exchange a threat to the Euro stability, chances are that it will likely refrain from interventions and instead be satisfied with taking the role of a careful observer.

However, even in the event the Bundesbank changes its current attitude and makes a move to stop the issuance of complementary paper currencies, this would not necessarily mean that it will become completely impossible to issue such currencies. As the Bundesbank especially focuses Euro-backed systems, the bringing into circulation of money-like vouchers, backed by different means than the official currency, could remain a valid option even after such an intervention.

The Regiogeld e.V., and the Fachkompetenznetzwerk (FKN) as its advisory board, hope to be able to prevent interventions of the Bundesbank or the European Central Bank with pre-emptive justification that complementary means of payment do not pose a risk to the stability of the Euro, even if they should reach a size which makes them economically relevant on a broader level. Members of the FKN are working on scientific papers underpinning this argument. The 2006 report to the Club of Rome has already started paving the way by suggesting that regional currencies may play an important role in supporting sustainable development. Besides this research and advocacy work, the Regiogeld e.V. tries to win political support for complementary means of payment, recognising that political parties and members of parliament usually have a broader perspective than the Bundesbank and might acknowledge regional complementary currencies as an innovative instrument of sustainability policy.

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The Natural Economic Order

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ENGLISH 1:

Werner Onken: *A Market Economy without Capitalism*

ENGLISH 2:

INWO: *The Future of Economy - A Memoir for Economists* (1984)

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Helmut Creutz: *Globalisation and Welfare with Respect to the Money and Land Order* | V3_2007 [PDF]

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Comment on the Wörgl Experiment with Community Currency and Demurrage

by Thomas H. Greco, Jr.
May 9, 2002

It is not hard to demonstrate that, because of the intentional scarcity and mismanagement of official currencies, which has been generally prevalent in recent times, and which was particularly severe during the Depression years of the 1930's, a supplemental local currency can and does improve the general economic health of the community, and helps enable its most marginal members to acquire the necessities of living. Thus, I have argued, in all of my writings on the subject, for the freedom to issue such currencies. On the other hand, I have cautioned against the common errors and pitfalls associated with such initiatives, which have too often been repeated. If the cause of monetary freedom (or, more accurately, free exchange) is to be advanced, and not unduly hindered by government and the established monetary and financial authorities, it is imperative that private exchange initiatives be properly designed and carried out. It is necessary to distinguish the features which are essential from those which are either superfluous or downright harmful, and for the management of private exchange media to be beyond reproach.

The design feature, which is the object of inquiry here is that known as demurrage, which is the intentional depreciation of a currency over time, the main object being to prevent its being hoarded and to speed its circulation from hand to hand. Many of the stamp scrip issues of the Great Depression were based on this idea, which is generally credited to Silvio Gesell. Of all his great insights into money and economics, this idea of 'depreciating money' is the one item that his followers have seized upon with great passion. The most celebrated case in which a demurrage currency was issued was that of the Austrian town of Wörgl. The Wörgl experience has often been heralded by modern day Gesellians as proof of the effectiveness of demurrage in stimulating the circulation of currency, and thus, as the main feature that is necessary for the economic advantages of a community currency to be realized. But does the evidence support such a conclusion? **The fundamental question, in the Wörgl case is this: Would the Wörgl currency have been just as effective without the demurrage feature, as with it?**

While contemporary writers frequently refer to this case, few, if any, seem to know any of the details about it, and definitive accounts of the Wörgl experience are not easy to find. However, through T. Megalli, a good friend and colleague in Germany, I have acquired some useful commentaries, which were written at the time. These accompanying articles all appeared in one issue of the Annals of Collective Economy from the year 1934. They are:

1. The Wörgl Experiment With Depreciating Money. By Alex. Von Muralt
2. A French View of The Wörgl Experiment: A New Economic Mecca. By M. Claude Bourdet
3. The End Results of the Wörgl Experiment. By Michael Unterguggenberger, Burgomaster of Wörgl (Austria)

These articles all support the conclusion that the local currency did, indeed, improve the financial condition of the local (parish) government that issued it, and the general health of the local economy during the time it was allowed to circulate. As to whether the demurrage feature was an effective element in causing this result, the evidences far less compelling.

The first of these articles, is perhaps the most informative. Von Muralt appears to have been quite diligent in his investigation and gathered as much factual evidence as was likely available at the time. His account is certainly more detailed than any other I have seen. I will summarize a few of the more salient points and provide my interpretation of their meaning. But, of course, the reader can examine the original article and draw his/her own conclusions.

The town of Wörgl began to issue its currency, called 'labor certificates,' in July of 1932. Von Muralt's study, which included a visit to Wörgl, was apparently conducted in April of the following year. Let us begin by summarizing the features of the Wörgl notes, as he described them.

32,000schillings were printed (in denominations of 5 and 10 sch.), but only 12,000schillings were issued by the parish by paying its workers.

The local currency was redeemable, on demand, for official currency, but there was a 2% fee on such redemptions.

For each schilling of local currency issued, one schilling of official currency was deposited (at interest) in a bank account to cover demands for redemption.

The depreciation (demurrage) rate was 1% per month. This was called the 'Relief tax.'

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In order for a note to maintain its full face value, it was necessary to affix a stamp at the end of each month. these stamps could be purchased at the parish office.

The notes expired at the end of the year, but could be exchange, free of charge, for new ones, so long as all the necessary stamps had been affixed.

The author concludes that the parish (local government) was the 'principal beneficiary of the experiment' and describes both the direct gain and the indirect gain which it realized.

Among the direct gains, he catalogs the following:

1. 'the 12 % relief taxation derived from the circulating certificates,' which presumably derived from sale of the stamps which were supposed to be affixed to each note in order for it to not depreciate. He points out that this would not be collected on the entire note issue, since those notes in possession of the parish would need to be stamped by the parish without charge to anyone before being recirculated.

2. Revenue from the 2% redemption fee on notes turned in in exchange for official currency.

3. Interest income earned on the official currency redemption fund (at the rate of 6%).

Income from the first of these rereckons at 50 schillings per month, or 600 per year; from the second, at 690schillings over a nine month period (during which 34,500 schillings were redeemed), or 920 per year, from the third, 720 schillings per year (6% interest on the fund of 12,000 schillings). Failing to annualize the second figure, he computes a total of 'over 2,000 schillings,' which more precisely should be given as 2,240 schillings per year. In order to gain a sense of whether this is a large or small amount, he compares it to the burgomasters annual salary of 1,800 schillings.

Another major 'gain,' which von Muralt mentions in passing, is the windfall profit associated with the substantial amount of local currency which was never presented for redemption. He says, 'However, of the 12,000 schillings worth of relief money issued, only about two-thirds is in circulation. The remainder has disappeared, having been annexed by souvenir hunters and collectors. That such substantial amounts of depreciating money should vanish in this way, contradicts the theoretical intention which aims at accelerating the circulation and not at hoarding. For the parish, however, the disappearance of notes is not unwelcome, since this represents for it a net gain.' If the stated estimate is correct, this gain would amount to about 4,000 schillings.

This souvenir collecting (hoarding) is a phenomenon which Gesell seems to have overlooked, but it is one which can provide significant profits to a currency issuer, especially in the early stages while the currency remains a novelty. Still, so long as there are people who are disposed to 'collect' things, some profit from this source can be expected (just as stamp collectors provide a profit to the post office by buying stamps but never using them to claim the services due). Frequent changes in the design of the notes (as with postage stamps) should make collectors a continual source of profits for the issuer. A similar experience has been reported by the issuers of Ithaca HOURS, with the amount of currency 'lost' in this way being estimated at up to fifty percent.

Von Muralt also describes 'important indirect gain of the system' stating that 'during the first six months heavy tax arrears, 90 % of these in relief money, reached the parish treasury.' Such arrears were said to have risen from '26,000 schillings to 118,000 schillings between 1926 and the close of 1931,' and that 79,000 schillings of that had henceforth been paid, however von Muralt says that 'I was unable to obtain full confirmation at the offices of the Tyrolean Government.'

He further provides figures that show substantial increases in revenues from local taxes (From the numbers he cites, one can compute a combined increase in such local tax revenues of more than 61%), arguing that, 'These are increases which can only be accounted for by the payment of arrears; but they are not as substantial as those cited by the burgomaster.' He reports the burgomaster's observation that 'taxes were eagerly paid' and sometimes paid in advance. He concludes that, 'This eagerness to pay taxes may be, in my opinion, simply owing to the fact that the business man who finds at the close of the month that he holds a considerable amount in relief money, can dispose of it with the greatest ease and without loss by meeting his parish obligations. A change of attitude has manifestly taken place. If formerly the paying of taxes was deferred to the last, now it occupies first place. It would be therefore highly desirable to inquire whether, parallel to the increased tax payments there is not an increased indebtedness towards other creditors, e.g., towards the suppliers in Innsbruck and Vienna. I have no data bearing on this problem.' That last point is certainly an important one.

To round out the financial picture, von Muralt points out that, with regard to a pre-existing debt of 1,290,000 schillings, owed to the Innsbruck Savings Bank, the parish was still unable to 'to meet its obligations in cash. In addition, he points out that much of the improvement to the local economy may have resulted from the injection of funds from outside. He says that, 'Thanks to the various sources of revenue above indicated, and thanks also to subsidies from the Productive Unemployment Fund and a relief credit of 12,000 schillings from the Tyrol Government, the parish was enabled to carry out a far-reaching employment scheme.'

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So, the situation was a bit more complicated than we, today, might have thought. In light of all this, how much of the 'miracle of Wörgl' can be said to derive from the issuance and circulation of the local currency, and how much was contributed to that effect by the demurrage feature? I think the case is very strong for arguing that this supplemental medium of exchange had a very significant impact in improving, not only the financial condition of the local government (parish), but also the local business climate and general prosperity, although von Muralt gives us little information about the latter. Still, there can be no doubt that, being a local currency accepted only within the local economy, the Wörgl notes must have benefitted the local economy, because, unlike official currency, they could not be used to pay outsiders.

The fact that the local populace were, as a whole, substantially in arrears on their tax dues to the parish would certainly assure a high level of acceptance (locally) and a continuing demand for the local currency, at least until such time as those tax arrears had been paid. This 'tax foundation' is, after all, the primary reason for public acceptance of any government-issued currency. In light of this, I maintain that the demurrage feature had little to do with the success of the Wörgl experiment, and that the results would have been largely the same without it. The demurrage feature may have, however, as von Muralt, intimates, given the payment of local taxes priority over the payment of private bills by the populace, but the small savings derived from following that course make it doubtful. I would think that the threat of property seizure would provide a far stronger incentive for the payment of tax arrears than would the avoidance of a small percentage loss on the currency.

In my opinion, given the prevailing circumstances in Wörgl at the time and the particular design features of the Wörgl currency, its beneficial impact derived primarily from three fundamental effects:

1. the 'substitution effect,'
2. the 'supplementation effect,' and
3. the 'backlog effect.'

The substitution effect derives from this: A sum of official currency, which once spent into the local economy, can quickly flow out again, instead, was deposited at interest and used as the basis for issuing (spending) a local currency that would have a circulation limited to the local community economy. This assured recirculation within the community enabled the rapid clearing of local debts and gave local merchants preferred status over outsiders as sources of supply.

The supplementation effect is this: The official money deposited did not remain idle in the bank's vault, but as is the practice of banks, was used as the basis for making additional loans to its customers, so that money remained in circulation, while the new local money was also put into circulation.

The backlog effect is this: The general monetary stringency which existed throughout Austria at the time had caused debts to accumulate far beyond their normal levels and for peoples' material needs to go unmet. The infusion of new supplemental exchange media would likely be met by people eager to spend it.

We see in the Wörgl currency notes, many features which are also inherent in the Toronto Dollar model, which notably does not include demurrage. Such similarities invite performance comparisons, which I leave to others or for another time. One should be cautioned, however, to also take careful note of their differences, particularly the fact that Toronto Dollars are not issued by the municipal government and are not accepted in payment of taxes, so Toronto Dollars lack the impetus to circulate which derives from a tax obligation. Further, while both currencies provide for redemption in official currency, the Wörgl notes were issued as wage payments to municipal workers, so the amount issued was determined by local government action, not by volunteer purchasers. Lastly, the economic circumstances are different. The backlog effect in present-day Toronto is generally missing.

http://reinventingmoney.com/greco-comment_on_worgl/

The Wörgl Experiment with depreciating Money

By Alex VON MURALT (Zurich-Vienna).

*For good gold, then, in court and camp it passes, And for good gold, taken by the masses,
I must permit it, though it does seem odd. (GOETHE. Faust II.)*

The diminutive Tyrolese market town, Wörgl, which had hitherto passed a quiet and modest existence, has been much talked of in recent months, even abroad, in Switzerland and particularly in the United States where, I have been informed, the name Wörgl will soon be better known than that of Spengler and where a new currency policy is associated with that name. Wörgl owes its present fame to its stalwart burgomaster, Michael Unterguggenberger, who has been for many years an advocate of Silvio Gesell's free money theory. In December 1931, Unterguggenberger became burgomaster and was thus enabled to put into practice long-cherished and well-considered currency plans within his little empire.

Wörgl is one of the few Tyrolese communes which until recently lived largely by industry. It had cement and cellulose works, which today are shut down. By the Spring of 1932, the number of unemployed in the parish, which has over 4.000 inhabitants, had risen to 350. and if the neighbouring parishes be included, to 1.500. The tax revenues were falling. For instance, the federal part of the tax revenue had dropped from 63.000 schillings in 1928 to 43.800 schillings in 1932, and the provincial ones from 47.700 schillings in 1928 to 17.100 schillings in 1932. The Innsbruck savings bank to which Wörgl owes the enormous sum of 1.290.000 sch., raised in July 1931 its interest rate from 7 % to 10 %; the parish treasury was empty; and the Raiffeisen Bank at Wörgl had almost suspended operations, as all its assets, including those of the parish, were frozen. Urgent demands, such as road repairs, could no longer be postponed.

(1) This account, based on a personal visit, appeared in no. 6 (1933) of the Austrian periodical *Standisches Leben, Blätter für organische Gesellschafts- u. Wirtschaftslehre*, the editor of which is Othmar Spann (Erneuerungs-Verlag, Berlin-Vienna). It is written by Alex von Muralt, a Swiss publicist, and concerns an experiment which has aroused keen interest not only in Austria, but in a number of other countries. Our readers will appreciate the impartial nature of this competent report.

Finding itself in this desperate situation, the parish council accepted the burgomaster's proposal to issue depreciating money experimentally.

a) Form and Legal Status of the Money Issued

At the beginning of July 1932, the parish arranged for the printing of paper notes to the value of 32.000 schillings, which it called labour certificates. The notes are numbered and are for 5 or 10 schillings respectively. They become only valid after being stamped at the parish hall. These notes depreciate monthly by 1 % of their nominal value. (Relief tax.) To prevent this devaluation, the owner of the note must affix on the last day of the month a stamp to the value of the extent of the devaluation. These stamps are purchased at the parish hall. Thus the depreciation, or relief tax, amounts annually to 12 %, over double the proportion suggested by Silvio Gesell. At the close of each year the certificates must be exchanged for new ones. There is no charge for the transaction, provided that the required number of stamps have been affixed to the certificates. Subject to a deduction of 2 %, the parish also undertakes to convert the labour notes into ordinary schillings. (1)

b) Cover.

In order to be able to effect this conversion at any time and thereby to provide a cover for the relief certificates, the trustees (among whom is the parish priest) arranged to deposit at the Raiffeisen Bank an amount in legal currency equivalent to that issued in the form of depreciating money. As the director of the bank informs me, the money has been lent out to trustworthy wholesalers at 6 % interest in the form of sight-bills. The whole of this interest flows into the parish treasury, since the local savings bank gives its services gratis where a utility transaction is concerned.

(1) The reverse side of the note contains the following declaration : "To all whom it may concern ! Sluggishly circulating money has provoked an unprecedented trade depression and plunged millions into utter misery. Economically considered, the destruction of the world has started. - It is time, through determined and intelligent action, to endeavour to arrest the downward plunge of the trade machine and thereby to save mankind from fratricidal wars, chaos, and dissolution. Human beings live by exchanging their services. Sluggish circulation has largely stopped this exchange and thrown millions of willing workers out of employment. - We must therefore revive this exchange of services and by its means bring the unemployed back to the ranks of the producers. Such is the object of the labour certificate issued by the market town of Wörgl : it softens sufferings dread; it offers work and bread.

c) Circulation.

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The depreciating money was brought into circulation by the parish paying its clerical and manual workers, at first 50 % and later 75 % of their remuneration, in relief money. The recipients had previously agreed to accept this form of payment. The first issue of 1.800 schillings took place in July 1932, and the monthly pay-sheet, so far as depreciating money was in question, rose later to approximately 3.000 schillings. As the certificates always quickly returned to the parish treasury. It became unnecessary to issue more than 12.000 schillings altogether and, accordingly, only 12.000 normal schillings had to be deposited at the Raiffeisen Bank.

All business establishments at Wörgl accept the relief money in payment and at its face value, and the paper notes return to the parish treasury in the shape of dues and taxes. However, "of the 12.000 schillings worth of relief money issued, only about two-thirds is in circulation. The remainder has disappeared, having been annexed by souvenir hunters and collectors. That such substantial amounts of depreciating money should vanish in this way, contradicts the theoretical intention which aims at accelerating the circulation and not at hoarding. For the parish, however, the disappearance of notes is not unwelcome, since this represents for it a net gain.

d) Results.

Concerning the practical effect of the experiment I learnt the following this April. As already stated, all business establishments at Wörgl accept the relief money as if it were legal currency. Business men are, of course, not enamoured at the idea of losing 1 % at the end of the month. If they cannot pass on the relief money, or 2 % if they desire to convert it into banknotes. They prefer ordinary money: but most of them favour the experiment because they believe that it slightly raises the turnover or at least stems the anticipated decrease in business. A grocer complained that the wholesale merchant from whom he obtains his wares, would accept only 50 % of relief money in payment. The wholesaler concerned, confirmed this statement and added that at the end of the month he also deducted 1 %, as the wholesale business cannot afford such losses. Although the relief money is of no appreciable use to his firm, he upholds the system, as it has saved the parish from shipwreck and as he thinks that if the system were extended over a larger tract, say over Tyrol, it might prove even more decidedly useful economically by greatly accelerating the circulation of money. The owner of a brush establishment, a member of the Tyrolean Chamber of Industry and Commerce, expressed himself equally in an appreciative manner. He, too, was convinced that the extension of the experiment to the whole of Tyrol would contribute to the revival of trade. Nor should it be forgotten that the policy of issuing depreciating money has been able to escape the general fate of policies in Austria (where politics dominate everything), of becoming a bone of contention between parties. All decisions of the parish council concerning relief money were reached with the unanimous assent of all the parties represented. No rise in prices appears to have occurred, if we except the fact that the price of milk was 2 groschen cheaper in a small village near Wörgl, a fact probably due to purely local conditions. At Innsbruck and Kitzbühel I noted the same prices for the essential foodstuffs. There has been therefore no inflation.

The parish is the principal beneficiary of the experiment. The first direct gain resulting from the depreciating money is the 12 % relief taxation derived from the circulating certificates. It is true that the whole of this percentage is not collected, since a certain proportion of the certificates lie at the close of the month at the parish hall where they have also to be stamped, but, of course, free of cost. The monthly revenue from the relief tax amounts to about 50 schillings. According to the information furnished by the director of the Raiffeisen Bank, 34.500 schillings of relief money were handed in for conversion into banknotes during nine months, involving a profit of 690 schillings due to the 2 % deducted. To which should be added 6 % interest on the 12.000 schillings-equivalent to 720 schilling profit per annum-deposited as cover at the Raiffeisen Bank. Summing these three items, we have an increased annual revenue of over 2.000 schillings, an amount which, in view of the modest financial position of the parish, where the burgomaster has an annual salary of 1.800 schillings, is of some consequence. However, the important indirect gain of the system lies, according to the burgomaster, in that already during the first six months heavy tax arrears, 90 % of these in relief money, reached the parish treasury. The annual arrears in revenue payments, which are stated to have risen from 26.000 schillings to 118.000 schillings between 1926 and the close of 1931, are said to have diminished very considerably, inasmuch as 79.000 schillings thereof was paid. However, for this striking statement, - which has also recently been made in a pamphlet by Hans Burgstaller, editor of the Wörgler Anzeiger (Wörgl Gazette), entitled *Die Rettung Österreichs, das Wörgler Beispiel* (The Saving of Austria, the Example of Wörgl), - I was unable to obtain full confirmation at the offices of the Tyrolean Government.

A highly placed official, Hofrat Dr. B., whom I consulted, reached the conclusion, on the basis of the departmental documents at his disposal, that the revenue from taxation at Wörgl showed a remarkable rise from 1931 to 1932. Thus the income from the amusement, advertising, and dog taxes rose from 5.300 to 5.900 schillings; those from supplements to the ground tax from 16.500 to 28.570 schillings; those from supplements to the house tax from 14.170 to 23.560 schillings. These are increases which can only be accounted for by the payment of arrears; but they are not as substantial as those cited by the burgomaster.

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During the same period the portions relating to the federal taxes fell from 57.000 to 43.800 schillings and those relating to the provincial taxes from 31.900 to 17.100 schillings. A rise in the income from parish taxes has undoubtedly occurred; but its real extent could only be settled on the basis of an exhaustive examination of the parish accounts by an impartial accountant. Unterguggenberger declares that not only were the tax arrears discharged, but that the newly imposed taxes were rapidly paid, and that, indeed, tax dues have been sometimes paid in advance. This eagerness to pay taxes may be, in my opinion, simply owing to the fact that the business man who finds at the close of the month that he holds a considerable amount in relief money, can dispose of it with the greatest ease and without loss by meeting his parish obligations. A change of attitude has manifestly taken place. If formerly the paying of taxes was deferred to the last, now it occupies first place. It would be therefore highly desirable to inquire whether, parallel to the increased tax payments there is not an increased indebtedness towards other creditors, e. g., towards the suppliers in Innsbruck and Vienna. I have no data bearing on this problem. I only gathered at the Raiffeisen Bank that after a passing increase in August 1932, the savings deposits remained approximately at the former level, which is not a bad omen seeing the general downward trend in 'the economic situation. It is significant that the Raiffeisen Bank accepts in deposit relief notes at their face value, provided that the depositor agrees to accept relief notes in repayment.

e) Productive Relief Works.

Thanks to the various sources of revenue above indicated, and thanks also to subsidies from the Productive Unemployment Fund and a relief credit of 12.000 schillings from the Tyrol Government, the parish was enabled to carry out a far-reaching employment scheme. The drainage system in the main streets was improved; the streets were repaired and in great part asphalted. The Railway Street was lighted in an up-to-date way. On the most favourable site, to the south of Wörgl, a ski jumping platform was constructed, where already in January 1933 & well- attended jumping competition took place, jumps 60 metres long being reached. The parish mill was furnished with a new wash-house and timber shed, and a new public kitchen was built. The total expenditure on these relief works has been estimated at about 100.000 schillings. The wage payments involved here were exclusively made in labour certificates. That those works, apart from the employment they provided, are of permanent value to the parish, is certain. Special significance attaches to the asphaltting of the main street which was as well known as it was held in disrepute. An inscription on a house in Wörgl still recalls this sorry state: " Dah grosste aller Laster, ist, Wörgl, dein Strassenpflaster! " (Thy worst enemies, oh Wörgl, are thy ill-paved roads !) The removal of this drawback is said to have led to a marked increase in tourist traffic. (1)

According to the burgomaster, not only has the parish treasury benefited by the depreciating money, but the more rapid circulation of the Wörgl money has invigorated the local economic life generally and has acted as a thawing agent of all kinds of frozen debts, bringing work and bread everywhere. This conviction is shared by the whole population of Wörgl.

f) Payment of Parish Debts.

Wörgl appears in a less favourable light if we ask how far it is meeting its obligations towards the Innsbruck Savings Bank, of which it had borrowed in earlier years amounts totalling to the immense sum of 1.290.000 schillings, on which 9 % interest is payable to-day. Although at the close of 1931, the savings bank made a reduction of 50.000 schillings in interest arrears, Wörgl was not in a position to meet its obligations in cash. The astute burgomaster invented an original mode of settlement. He passed on to the savings bank diverse parish claims, primarily a claim for 50.000 schillings on the provincial authorities dating to 1927, arising out of roads constructed by the parish, a claim which, after including interest due, is raised to 70.000 schillings. Moreover, the savings bank was presented with a parish deposit book of the value of 37.000 schillings, a practically hard frozen asset. Whether this mode of payment appealed to the savings bank, is doubtful. But Unterguggenberger thinks, consistently with his free money views, that 9 to 10 % interest is a form of slavery which cannot be maintained indefinitely and which will have to be reduced even retrospectively. 5 % interest, he holds, would be tolerable. He believes therefore that he is justified in sinking any available funds in new investments.

(1) At the commencement of January Unterguggenberger furnished me with the following list of productive works undertaken : 1. Road repairs : Bohnhofstrasse, Brixentalerstrasse, 2 side streets = 6.404 sq. metres constructed or asphalted; Kirchenplatz, principal school entrance = 702 sq. m. constructed and asphalted. - 2. Drains : Jahnstrasse, Brixentalerstrasse, public school, parish hall, mill = 250 metres laid 4 metres deep, 350 metres laid 3 metres deep. - 3. Road construction, re-metalling of roads and streets, steam rolling: Alte Strasse in Lahntal : 1.200 sq. m.; roads to Egerndorf, 2.200 sq. m.; roads at Winkl, 1.300 sq. m.; other roads, 8.000 sq. m.; footpath, Sebastien Spring, Badl new open space, 800 sq. m. - 4. Obtaining and preparing of road metal : in Mullnertal and Winkl, about 2.400 sq. metres of different road metal. - 5. Making of concrete kerb stones ; in Mullnertal, 1.600 metres, - 6. Manufacture of drainage pipes : in Mullnertal, 1.600 metres. - 7 Construction of ski jumping platform : 300 labour shifts. - 8. Removal of the old avenue trees to widen the

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access to the railway station : 32 chestnut trees uprooted; 32 chestnut trees planted at wider intervals of space. - 9. Construction of a new water reservoir at Winkl. - 10. Making of fences. - 11. Enlargement of parish offices : cost of material and labour, 7.500 schillings. - 12. Enlargement of public kitchen, 800 schillings. - 13. Wash-house and wood-shed for mill : 600 schillings. - 14. 'A series of minor repairs : entrance to church, improvement of rooms at power station, etc., 2.000 schillings.

(1) At the instance of the district authorities, the further issue of relief money has had to be suspended, as from the beginning of May. The parish has, as a last hope, appealed against this order to the Administrative Tribunal.

g) Resistance from Without and Opposition of the Provincial Authorities.

Notwithstanding the popularity of the relief money at Wörgl, the experiment has met with opposition from without. Partly from the Social Democratic Party in Tyrol, of which Unterguggenberger is an old member, although he has always insisted that he is not a Marxist. The socialist leaders in Tyrol, as elsewhere will have nothing to do with free money and have often urged the burgomaster to desist from pursuing his dubious policy, for which there is no provision in the Party programme. But Unterguggenberger refuses to be dictated to. Far more serious, however, is the attitude of the Austrian State Bank, which has opposed the issue of relief money from the beginning. It looks upon the issue of this paper money as an infringement of its privilege and has urged the authorities to suppress it. Thanks to repeated petitions and appeals to the Tyrolean authorities, the parish has succeeded in averting the putting into force of the prohibition. (1) Juridically the State Bank is within its rights if the Wörgl certificates are regarded as money, although no creditor is bound to accept them in payment. Whether it is necessary or advisable to stop this experiment, is another question. A Tyrolean official of high standing, who is theoretically an opponent of the free money theory, doubts this. He describes the depreciating certificates as a kind of parish bonds bearing no interest and which are subject to a disguised 12 % turnover tax. As he has stated the matter in a memorandum to the authorities, he sees in the Wörgl self-help effort a welcome sign of the revival of the collective spirit and recognises its beneficial effects. He only criticises the cover, which he deems insecure. The deposit of 12.000 schillings should, in his opinion, be withdrawn from the Raiffeisen Bank whose assets are already three-fourths frozen, a state of affairs which endangers the deposit and thus the cover. The latter should be deposited in an Innsbruck bank or at the State Bank in a suspense account, where it could not be touched and, of course, would carry no interest. This would prevent a multiplication of the means of payment and exclude all inflation. If Wörgl agreed to this proposal, he could see no good reason for insisting on the suppression of the relief money. In any case, these certificates are decidedly more harmless than the expanded credits of numerous financial institutions which have by no means been so sternly dealt with. (1)

(1) See also an article on " The Wörgl Labour Certificates ", in the Innsbrucker Nachrichten (Innsbruck News) of 27 April 1932, contributed by a " competent authority ".

h) Further Successes.

A reason which may account for the unyielding attitude of the State Bank, is perhaps the fear of the experiment spreading. On 1 January the neighbouring parish of Kirchbichel, also an industrial commune of about 3.000 inhabitants, began, on its part, to issue depreciating money to the value of 3.000 schillings. The certificates of the two parishes are valid in both places. Four other Tyrolean communes-Hopfengarten-Markt u. Land, Brixen, and Westendorf, localities totalling about 16.000 inhabitants-have also decided on issuing depreciating money, but are awaiting the outcome of the struggle between Wörgl and the State Bank before taking action.

Wörgl has meanwhile become the Mecca of all believers in free money. From every part of Austria, and more particularly from Switzerland, they make their pilgrimage, in order to behold with their own eyes the first, partial, realisation of their theories. A gigantic correspondence, inquiries from all over the globe, lie piled on the writing table of the burgomaster who understands neither French nor English and who has had therefore to institute a special translation service. The well-known American economist, Irving Fisher, is evincing particular interest in the experiment and sent to Wörgl one of his collaborators at Geneva on a special mission. On the occasion of my stay at Wörgl in April, I met, among others, a lady lecturer in economics at Yale, with whom I visited many shops. Even astrologers take an interest in Wörgl. They desired to know the exact date of birth of the burgomaster, which falls on 15 August 1884. They drew his horoscope and declared that-having been, naturally, born in the sign of the lion-his strenuous efforts would be eventually crowned with success and that, owing to a special constellation of Neptune, he was destined to overcome metallism. Unterguggenberger is highly sceptical as regards these revelations.

i) Conclusions.

That the stream of inquirers is economically advantageous to Wörgl, is self-evident. But equally important is a purely psychological aspect. The inhabitants of Wörgl are conscious that steps are being taken in their parish to check the trade depression; that it is not simply a question of being resigned or hoping for help from

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the State (indeed, the State Bank appears here rather as the mischief maker); that, in fact, the world is watching Wörgl and that serious thinkers side with them. All this impart a moral strength to the population. Here is an irrational element which a purely economic inquiry is apt to ignore, but which yet has a decided bearing economically. An impartial investigation must therefore admit that the experiment has been advantageous for Wörgl. Who are the victims? One is tempted to say that it comes to this that the manual and clerical workers, and particularly the shopkeepers, gladly agreed to suffer small losses, losses which eventually proved to be gains for the parish treasury. But here we have only a half-truth. It overlooks the fact that the parish does not consist of a few officials only, but of the whole of its inhabitants, and that all would be victims if the parish became insolvent. It is therefore likely that the small sacrifices demanded were economically justifiable. In this connection consider the productive works discussed above and, more especially, that the asphaltting of the main street would have been impossible without the depreciating money, note also that the numerous improvements benefited all the inhabitants, particularly those who had shops in the main street.

It is more than doubtful whether the heavy debt owing to the savings bank at Innsbruck would have been more rapidly repaid if relief certificates had not been issued. A partial utilisation for this purpose of the larger income of the parish (due itself to the depreciating money)-which at first sight might seem reasonable - was impossible, it was contended, as the one object was to bring relief to the parish and its inhabitants. Relief money had to be spent on relief measures. Besides, the shopkeepers were presumably enabled to pay their tax arrears because, owing to the sinking of 100.000 schillings in new works, their economic position had improved. The immense indebtedness of the parish is to be deplored, but this is chargeable to earlier times and is unfortunately too common with Austrian local authorities. Wörgl does not stand alone in Tyrol in the matter of being in arrears with interest payments.

There has been undoubtedly an increase in notes. According to current views on finance inflationary effects were therefore inevitable, apart from whether these supplementary credits were spent on economically justifiable or unjustifiable undertakings. This is a conception which many challenge. But, in fact, a rise in prices has not taken place at Wörgl. That the new investments were economically sound, is also probable. And the theorists, who condemn all increase in money, might be told that the experiment at Wörgl could well have continued successfully even if the Innsbruck official's proposals as to cover had been accepted. It is therefore quite possible that the strictest scrutiny (which should also inquire into the extra-local indebtedness of the shopkeepers) would lead to the conclusion that there were no victims at Wörgl. Here we should have, then, the miracle that economic values may be created out of nothing. That appears impossible; but only if useful ideas, a good organisation, and a determined collective spirit are to be regarded as economically valueless, a conclusion which may not be the last word of economic wisdom.

Rash conclusions concerning the value of the free money theory, built on the Wörgl experiment, should be avoided. Wörgl operates at present with two currencies, one of which, the depreciating schilling, is, in the last resort, covered by the statutory schilling which, in turn, is based on the rapidly dwindling gold reserves of the State Bank. How things would shape if a community used only depreciating money, the Wörgl experiment, I think, does not reveal.

According to the universalistic teaching, money is graded in value. The highest grade would be represented by the banknotes of the State banks; the next, by bills, cheques, and the book entries of the leading banking and other firms. But the Wörgl labour certificates are a creation of money of the municipal grade, which is guaranteed by money of the higher and highest (banknote) grade. The Wörgl experiment proves that such a creation of money may in exceptional circumstances prove of considerable advantage to a given locality. (Translated by G. Spiller, London.)

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http://monetary-freedom.net/reinventingmoney/muralt-worgl_experiment_depreciating_money.html

The End Results of the Wörgl Experiment.

By Michael UNTERGUGGENBERGER, Burgomaster of Wörgl (Austria).

On 1 September 1933, in consequence of the repeated orders of the supervisory authorities, the office of the burgomaster of Wörgl withdrew from circulation the depreciating money it had issued. After twelve months of trial, the results and experiences of the much discussed and debated experiment may be profitably examined. Here are the facts.

Depreciating money is adapted to fulfil the functions of money in every respect Just as well as - or, for the purpose of accelerating its circulation, much better than - unvarying legal tender. No difficulties have arisen in making payments in the new currency or in affixing stamps. Not a single complaint has been lodged on this score, and it may be definitely stated that after a brief period the money was accepted without demur in all shops. This is more than could be said respecting any of the well-meant relief measures of the higher authorities.

It may be further taken as proved that it is possible, regardless of existing circumstances or of locality, to introduce depreciating money in communities, districts, provinces, or the State. The effect on the circulation is the more salutary, the larger the territory involved.

The presence of a second currency (gold currency, for instance) is not inimical to the introduction of depreciating money. Experience has shown that the two systems may co-exist, peacefully, without friction, and without -inconvenience, and that one system does not prejudice the other, but rather aids it in fulfilling its social mission.

Its liquidation, as proved by the recent withdrawal, just like its introduction, may be carried out at any time and in all circumstances, within eight days. Properly organised, it is out of the question that those economically interested should suffer.

The anticipated accelerating effect of the use of depreciating money has been realised at Wörgl, and this to a far higher degree than might have been expected in view of the exceedingly limited scope of the experiment in the midst of an unprecedented local trade depression. The experiment has thus shown and proved that it is even possible to revive economic activity in a specially hard hit district such as Wörgl and its environs.

The following table, furnishing the current revenue figures of the local budget of 1931 and of 1932 (when depreciating money circulated), prove the preceding contention. To which may be added that it would be justifiable to state that private enterprise benefited by the experiment as much as collective enterprise.

	1931	1932	Increase
	in sch.	in sch.	in sch.
Canal dues			
Land tax ...	5.193,81	16.238,45	11.044,64
House tax	14.172,36	17.929,65	3.757,29
	9.381,81	11.574,03	2.192,22
Interest and accrued interest	5.084,04	7.684,29	2.600,25
	2.432,43	20.337,38	17.904,95

As regards the above figures, it should be expressly noted that they include only current income and exclude arrears paid. Of the heavy arrears accumulated by 1931 and amounting to 83.000 schillings, 77.327 schillings were paid during 1932.

This fact must be stressed in order to correct the frequently repeated statement that the above figures comprise also the arrears paid. Moreover, to judge fairly the results obtained, it should be remembered that during the period in question Wörgl was largely deprived of its economic basis. In the parish and its neighbourhood there were about 1.500 unemployed who had in part already become unemployed during 1930 and 1931 and were therefore no longer entitled to unemployment allowances. There was no tourist traffic, etc., at Wörgl.

If despite the encouraging results mentioned, the aggregate income of Wörgl in 1932 was about 4.000 schillings below that of 1931, this is explained by the fact that the federal tax portion fell from 57.755 to 43.872 schillings and the provincial tax portion from 34.295 to 19.326 schillings, and by the non-recurrence of an extraordinary payment, a Raiffeisen Bank collection of 76.424,60 schillings, which substantially raised the parish income for 1931.

It argues therefore a complete misapprehension of the facts and even an ostrich-like policy, for Court Counsellor Ernst Bundsmann, Professor at the University of Innsbruck, to say . "The total revenue of the

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parish of Wörgl in 1931 was 319.731 schillings, in 1932 315.356 schillings. This means that the income for 1932 was 4.375 schillings less than that for 1931.

The Wörgl experiment is therefore all bluff." The same holds when that writer states: "The increased receipts in 1932 are balanced by diminished receipts in other directions. There were consequently no funds available to finance relief works to the alleged value of 100.000 schillings. " The truth is that whilst in 1932 the depression at Wörgl was gravely aggravated by external influences, local improvements not only neutralised these influences, but lightened the burden to be borne. The increase in income from current dues and from arrears paid furnished the parish the indispensable means to pay the wages of those engaged on relief works, the lack of which means prevented the carrying out of relief works in most other parishes.

According to the figures of the provincial office of works which supervised the undertakings, the relief works started by the parish in 1932, cost 93.796 schillings. This sum did not include building operations at the parish hall nor the construction of the ski platform and of the water reservoir at Winkl, raising thus the amount spent on relief works to considerably above 100.000 schillings. One highly satisfactory consequence of the relief work undertaken was that in 1932, about 15.000 schillings less was absorbed by unemployment allowances than in 1931.

The amount expended on relief work in 1932 was derived from increased parish revenue, from subsidies out of the Productive Unemployment Fund (3,50 sch. per worker per day), and from a provincial grant of 12.000 schillings for the purchase of materials.

In March 1933 new relief works were started, for it was found that the depreciating money issued for wage payments would certainly be returned in the form of tax and arrear payments by the time that the next pay date arrived, and would be thus always available for fresh payments.

The reconditioning of the road leading to the railway station - its widening, cabling, including also the construction of sidewalks and the making and erection of 11 lamp standards with globe lighting; the covering in of the Wörgl brook at its issue from the Mullnertal; the construction of the reinforced concrete bridge across the Wildschonauerstrasse; the demolition of the inn in the new Strassenstrasse and its rebuilding in another road; the widening of a portion of the Wildschonauerstrasse and its extension; the concreting and construction of the water reservoir at the hamlet of Winkl; the construction of forest paths several thousand metres long altogether and the provision of about 300 seats in this connection; the repair and gravelling of farm roads, - all these works have already been carried out this year. The opening up of the hitherto inaccessible Aubach gorge by the construction of a new path, with the help of blasting operations and of the building of several bridges, is in progress and half completed.

The repairs to the square near Wörgl brook bridge close to the parish hall, the extension of the Silvio-Gesellstrasse, of the new Friedhofstrasse, of the Jahnstrasse, and the joining of the Jahnstrasse and the Salzburgerstrasse, are all in hand. The winter relief programme includes the covering in of the Wörgl brook in its upper reaches, the diversion and the covering in. of the small Latrein brook, and the laying out of a park along the Bahnhofzufahrtsstrasse. The execution of the winter programme is, however, not assured, inasmuch as the withdrawal of the depreciating money is bound to lead to a reduced parish revenue and as there is no certainty that the money required for paying wages will be available. Wörgl will no longer be able to secure the additional funds entitling it to assistance from the Unemployment Relief Fund and from the Voluntary Labour Service. Hence, owing to a deficiency in mobile, liquid money, the workers will have their tools struck out of their hands.

(Translated by G. Spiller, London.)

Reprinted by permission from Annals of Collective Economy, Geneva, Switzerland, 1934.

http://monetary-freedom.net/reinventingmoney/unterguggenberger-end_results_of_worgl_experiment.html

Interesting / important books to this topic

The Best Way to Rob a Bank Is to Own One: How Corporate Executives and Politicians Looted the S&L Industry Paperback

by William K. Black (Author)

<http://www.amazon.com/The-Best-Way-Rob-Bank/dp/0292721390/>

The biggest robbery in history: Why the hardest workers get poorer and the rich get richer!

(Der größte Raubzug der Geschichte: Warum die Fleißigen immer ärmer und die Reichen immer reicher werden)

<http://www.amazon.de/qr%C3%B6%C3%9Fte-Raubzug-Geschichte-Flei%C3%9Figen-ebook/dp/B008J48PV0/>

An empirical investigation into the pricing policies of banks with special regard on the Bundesbank policy

(Eine empirische Untersuchung zur Preispolitik der Banken unter besonderer Berücksichtigung bundesbankpolitischer Maßnahmen)

Johannes Jaenicke

V & R Unipress, 2003 - 246 Seiten

Kann sich eine Bank gegen unerwartete Impulse der Zentralbank schützen? Werden Impulse asymmetrisch weitergegeben? Lassen sich Kredit- und Einlagenpolitik voneinander trennen? Zu diesen zentralen Fragen werden ein einfaches mehrperiodiges Bankmodell mit (un)vollkommenen Hedgingmöglichkeiten vorgestellt und testbare Implikationen für die Wirksamkeit der Zentralbankpolitik sowie die Preispolitik der Bank entwickelt. Anhand von Mehrschritt-Granger-Kausalitätstests wird nachgewiesen: (1) Leitzinsimpulse der Bundesbank erreichten nicht immer die Bank-, Interbank- oder langfristigen Marktzinssätze. (2) Asymmetrische Reaktionen auf Änderungen des Tagesgeldsatzes sind für einzelne

<http://books.google.de/books?id=sn2QGWwgtBEC&pg=PA4&dq=fristentransformation&hl=de&sa=X&ei=ygAFU-P8FonTtAaopYDYBA&ved=0CEkQ6AEwBQ#v=onepage&q=fristentransformation&f=false>

Power Systems: Conversations on Global Democratic Uprisings and the New Challenges to U.S. Empire

by Noam Chomsky, David Barsamian

A compelling new set of interviews on our changing and turbulent times with Noam Chomsky, one of the world's foremost thinkers

In this new collection of conversations, conducted from 2010 to 2012, Noam Chomsky explores the most immediate and urgent concerns: the future of democracy in the Arab world, the implications of the Fukushima nuclear disaster, the European financial crisis, the breakdown of American mainstream political institutions, and the rise of the Occupy movement. As always, Chomsky presents his ideas vividly and accessibly, with uncompromising principle and clarifying insight.

The latest volume from a long-established, trusted partnership, this collection shows once again that no interlocutor engages with Chomsky more effectively than David Barsamian. These interviews will inspire a new generation of readers, as well as longtime Chomsky fans eager for his latest thinking on the many crises we now confront, both at home and abroad. They confirm that Chomsky is an unparalleled resource for anyone seeking to understand our world today. (less)

Paperback, 224 pages

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- <http://www.goodreads.com/book/show/13538352-power-systems>
- <http://us.macmillan.com/powersystems/NoamChomsky>
- <http://www.amazon.com/Power-Systems-Conversations-Democratic-Challenges-ebook/dp/B008FPVJMA>
- <http://www.americanempireproject.com/powersystems/index.html>

The Future of the Financial System: Or the End of the Alchemist Age

John Smith, Apr 7, 2013 - Business & Economics - 116 pages

The Future of the Financial System persuasively exposes the new social reality behind the old financial concepts that allows unexpected but inevitable conclusions about the direction in which finance evolves. It is clear now that the conventional financial system does not work. Governments, central banks, and international organizations are taking various steps to deal with financial instability and to stimulate their economies including unlimited quantitative easing; increase in banks' liquidity requirements; negative nominal and even real interest rates etc. Sometime these steps are contradictory, and sometimes they are inconsistent, but they give a general idea about the financial architecture which is beginning to emerge: - Government bonds are likely to become perpetual and non-redeemable, or, put simply the Treasury will have the right to issue money. - The banking system of the future will evolve into a full-reserve system. - Governments are likely to start imposing a direct tax on cash also known as demurrage fee. *The Future of the Financial System* explains the economic grounds behind these development trends which have been forcing authorities to implement these measures.

What people are saying – Write a review

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Sometimes these steps are contradictory, and sometimes they are inconsistent, but they give a general idea about the financial architecture which is beginning to emerge:

- Government bonds are likely to become perpetual and non-redeemable, or, put simply the Treasury will have the right to issue money.
- The banking system of the future will evolve into a full-reserve system.
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The Future of the Financial System explains the economic grounds behind these development trends which have been forcing authorities to implement these measures.

http://books.google.co.uk/books/about/The_Future_of_the_Financial_System.html?id=7Sy6DV3zrtgC&hl=en

February 14, 2010

Wall St. Helped to Mask Debt Fueling Europe's Crisis

By LOUISE STORY, LANDON THOMAS Jr. and NELSON D. SCHWARTZ

Wall Street tactics akin to the ones that fostered subprime mortgages in America have worsened the financial crisis shaking Greece and undermining the euro by enabling European governments to hide their mounting debts.

As worries over Greece rattle world markets, records and interviews show that with Wall Street's help, the nation engaged in a decade-long effort to skirt European debt limits. One deal created by Goldman Sachs helped obscure billions in debt from the budget overseers in Brussels.

Even as the crisis was nearing the flashpoint, banks were searching for ways to help Greece forestall the day of reckoning. In early November — three months before Athens became the epicenter of global financial anxiety — a team from Goldman Sachs arrived in the ancient city with a very modern proposition for a government struggling to pay its bills, according to two people who were briefed on the meeting.

The bankers, led by Goldman's president, Gary D. Cohn, held out a financing instrument that would have pushed debt from Greece's health care system far into the future, much as when strapped homeowners take out second mortgages to pay off their credit cards.

It had worked before. In 2001, just after Greece was admitted to Europe's monetary union, Goldman helped the government quietly borrow billions, people familiar with the transaction said. That deal, hidden from public view because it was treated as a currency trade rather than a loan, helped Athens to meet Europe's deficit rules while continuing to spend beyond its means.

Athens did not pursue the latest Goldman proposal, but with Greece groaning under the weight of its debts and with its richer neighbors vowing to come to its aid, the deals over the last decade are raising questions about Wall Street's role in the world's latest financial drama.

As in the American subprime crisis and the implosion of the American International Group, financial derivatives played a role in the run-up of Greek debt. Instruments developed by Goldman Sachs, JPMorgan Chase and a wide range of other banks enabled politicians to mask additional borrowing in Greece, Italy and possibly elsewhere.

In dozens of deals across the Continent, banks provided cash upfront in return for government payments in the future, with those liabilities then left off the books. Greece, for example, traded away the rights to airport fees and lottery proceeds in years to come.

Critics say that such deals, because they are not recorded as loans, mislead investors and regulators about the depth of a country's liabilities.

Some of the Greek deals were named after figures in Greek mythology. One of them, for instance, was called Aeolos, after the god of the winds.

The crisis in Greece poses the most significant challenge yet to Europe's common currency, the euro, and the Continent's goal of economic unity. The country is, in the argot of banking, too big to be allowed to fail. Greece owes the world \$300 billion, and major banks are on the hook for much of that debt. A default would reverberate around the globe.

A spokeswoman for the Greek finance ministry said the government had met with many banks in recent months and had not committed to any bank's offers. All debt financings "are conducted in an effort of transparency," she said. Goldman and JPMorgan declined to comment.

While Wall Street's handiwork in Europe has received little attention on this side of the Atlantic, it has been sharply criticized in Greece and in magazines like Der Spiegel in Germany.

"Politicians want to pass the ball forward, and if a banker can show them a way to pass a problem to the future, they will fall for it," said Gikas A. Hardouvelis, an economist and former government official who helped write a recent report on Greece's accounting policies.

Wall Street did not create Europe's debt problem. But bankers enabled Greece and others to borrow beyond their means, in deals that were perfectly legal. Few rules govern how nations can borrow the money they need for expenses like the military and health care. The market for sovereign debt — the Wall Street term for loans to governments — is as unfettered as it is vast.

"If a government wants to cheat, it can cheat," said Garry Schinasi, a veteran of the International Monetary Fund's capital markets surveillance unit, which monitors vulnerability in global capital markets.

Why working with / implementing regional currencies in a country?

Banks eagerly exploited what was, for them, a highly lucrative symbiosis with free-spending governments. While Greece did not take advantage of Goldman's proposal in November 2009, it had paid the bank about \$300 million in fees for arranging the 2001 transaction, according to several bankers familiar with the deal.

Such derivatives, which are not openly documented or disclosed, add to the uncertainty over how deep the troubles go in Greece and which other governments might have used similar off-balance sheet accounting.

The tide of fear is now washing over other economically troubled countries on the periphery of Europe, making it more expensive for Italy, Spain and Portugal to borrow.

For all the benefits of uniting Europe with one currency, the birth of the euro came with an original sin: countries like Italy and Greece entered the monetary union with bigger deficits than the ones permitted under the treaty that created the currency. Rather than raise taxes or reduce spending, however, these governments artificially reduced their deficits with derivatives.

Derivatives do not have to be sinister. The 2001 transaction involved a type of derivative known as a swap. One such instrument, called an interest-rate swap, can help companies and countries cope with swings in their borrowing costs by exchanging fixed-rate payments for floating-rate ones, or vice versa. Another kind, a currency swap, can minimize the impact of volatile foreign exchange rates.

But with the help of JPMorgan, Italy was able to do more than that. Despite persistently high deficits, a 1996 derivative helped bring Italy's budget into line by swapping currency with JPMorgan at a favorable exchange rate, effectively putting more money in the government's hands. In return, Italy committed to future payments that were not booked as liabilities.

"Derivatives are a very useful instrument," said Gustavo Piga, an economics professor who wrote a report for the Council on Foreign Relations on the Italian transaction. "They just become bad if they're used to window-dress accounts."

In Greece, the financial wizardry went even further. In what amounted to a garage sale on a national scale, Greek officials essentially mortgaged the country's airports and highways to raise much-needed money.

Aeolos, a legal entity created in 2001, helped Greece reduce the debt on its balance sheet that year. As part of the deal, Greece got cash upfront in return for pledging future landing fees at the country's airports. A similar deal in 2000 called Ariadne devoured the revenue that the government collected from its national lottery. Greece, however, classified those transactions as sales, not loans, despite doubts by many critics.

These kinds of deals have been controversial within government circles for years. As far back as 2000, European finance ministers fiercely debated whether derivative deals used for creative accounting should be disclosed.

The answer was no. But in 2002, accounting disclosure was required for many entities like Aeolos and Ariadne that did not appear on nations' balance sheets, prompting governments to restate such deals as loans rather than sales.

Still, as recently as 2008, Eurostat, the European Union's statistics agency, reported that "in a number of instances, the observed securitization operations seem to have been purportedly designed to achieve a given accounting result, irrespective of the economic merit of the operation."

While such accounting gimmicks may be beneficial in the short run, over time they can prove disastrous.

George Alogoskoufis, who became Greece's finance minister in a political party shift after the Goldman deal, criticized the transaction in the Parliament in 2005. The deal, Mr. Alogoskoufis argued, would saddle the government with big payments to Goldman until 2019.

Mr. Alogoskoufis, who stepped down a year ago, said in an e-mail message last week that Goldman later agreed to reconfigure the deal "to restore its good will with the republic." He said the new design was better for Greece than the old one.

In 2005, Goldman sold the interest rate swap to the National Bank of Greece, the country's largest bank, according to two people briefed on the transaction.

In 2008, Goldman helped the bank put the swap into a legal entity called Titlos. But the bank retained the bonds that Titlos issued, according to Dealogic, a financial research firm, for use as collateral to borrow even more from the European Central Bank.

Edward Manchester, a senior vice president at the Moody's credit rating agency, said the deal would ultimately be a money-loser for Greece because of its long-term payment obligations.

Referring to the Titlos swap with the government of Greece, he said: "This swap is always going to be unprofitable for the Greek government."

http://www.nytimes.com/2010/02/14/business/global/14debt.html?_r=3&pagewanted=&

Why working with / implementing regional currencies in a country?

and this is now an article – as a proof of the importance of being able to speak / read German – which I only found in German and which is worth to read – also while using a translator software – in total. It is very important to understand and take it into account when we think about the need of reform and changing the system

"The method of the pound of flesh":

Why fraudulent International Bankiers have no interest that borrowers pay back their loans

“Die Methode vom Pfund Fleisch”:

Warum betrügerische Internationale Bankster kein Interesse daran haben, dass Schuldner ihre Darlehen zurückzahlen
29/03/2012 von beim Honigmann zu lesen

Soeben hat ein ehemaliger Direktor von Goldman Sachs seine Stellung verlassen und erzählt von einer Kultur, in der man die Klienten “Muppets” nennt. Über fragliche Derivate frage man sich, “wie viel Geld haben wir aus dem Klienten herausgeholt?” Man spricht vom “Ausreissen der Augäpfel”. Der scheidende Direktor schreibt in The New York Times: “Jätet die moralisch bankrotten Menschen aus, egal wie viel Geld sie für die Firma machen. Der aktuelle Chef-Direktor, Lloyd C. Blankfein, und der Präsident, Gary D. Cohn, verloren auf ihrer Wache die Unternehmens-Kultur.”

Dies leitet die Gedanken auf den Juden, Shylock, in Shakespeares “**Der Kaufmann von Venedig**” hin, der sein vertragliches Pfand, ein Pfund Fleisch am Herzen des Kaufmanns, haben wollte, als er seine Schulden zum Wucherzinssatz nicht zurückzahlen konnte.

Vor wenigen Tagen haben die Grossbanken auf bis zu 75% der Schulden Griechenlands verzichtet, die weitgehend eben auf eine Falle, die Goldman Sachs und eine skrupellose griechische Regierung auf Kosten der EU-Steuerzahler stellten, zurückzuführen sind. Sogar applaudierten die Gläubiger-Vertreter diese Vereinbarung. **Warum?**

Adrian Salbucchi, Russia Today 1 März 2012, hat die Erklärung: “Die heutigen Bankster unterscheiden sich nicht von Shylock”. Shylock und seine talmudischen Bankster-Landsleute hassen die Goyim. Sie wollen ihr Geld nicht zurück, um bloss andere Schuldner zu finden, die sie durch Wucherzinssätze, die sie selbst festsetzen, bis in die Armut ausrauben können. Ihre Darlehen sind nur die Mittel, um die Schuldnerländer in den Griff zu bekommen und dann ihre Politik zu diktieren. **Diese Länder sind nun alle Länder der Welt – bis auf eine knappe handvoll “Schurkenstaaten”.**



Das stärkste Mittel für eine solche Räuberpolitik sind die Zentralbanken, die unter dem Kommando von Rothschilds Zentralbank der Zentralbanken, der BIZ in Basel, stehen. Das Musterbeispiel dessen, was sich da abspielt, ist die US Federal Reserve (FED). Trotz jahrhundertelangen Widerstands gelang es den Londoner Bankstern unter der Federführung von Sir Alfred Rothschild mittels seiner US Agenten und eines Stillen Staatsstreichs diese private FED einzurichten, die seitdem die Dollarscheine druckt und sie der US Regierung zu Zinssätzen, die sie selbst festlegt, verleiht – Geld das Laut der Verfassung nur von der US Regierung gedruckt werden darf!

In den nun verlaufenen 99 Jahren ist die Schuldenlast der US-Regierung so groß geworden, dass jeder Cent und noch mehr von der US-Einkommensteuer in die Taschen der FED Banks-Begründer und -Besitzer wandert. Die Hauptbesitzer der FED Hauptbank, der New York FED, sind Shylocks talmudische Landsleute – vor allen Dingen Rothschild. Rothschild ist auch der Besitzer der reichsten Bank der USA, Goldman Sachs. Sogar sagt deren Chef-Direktor, Blankfein, er tue Gottes (Rothschilds/Mammons) Arbeit, wenn er sich mit sehr fraglichen Methoden das Geld der Mitmenschen aneignet.

Die FED hat durch die Schuldenklemme auf die US und ihren Besitz von 96% der Medien die US-Politiker dermaßen im Würgegriff, dass sie nur die Politik der jüdischen Lobby führen können. Diese Politik ist letztendlich die **Weltregierung** der jüdischen Elite, die das Geld und die Unternehmen der Welt besitzt. Und zwar mit Lug und Trug und Unterwerfung der widerspenstigen Länder, die keine Nationalbanken haben, mit US-militärischer Gewalt.

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Um die Länder ganz nach unten zu drücken, leisten diese Bankster erst Darlehen an leichtsinnige Politiker, die wissen, sie können nur eine Zeit lang in diesem Ponzi-Betrug existieren. Die Bankster wollen ihr Geld aber nicht wieder, sie wollen ihr Pfund Fleisch von jedem Land der Erde. Griechenland und Italien haben nun Bankster-Regierungschefs von Goldman Sachs (Monti, Papademos) sowie auch die EZB – Draghi – alle drei Brüderlein in Rockefellers **Trilateraler Kommission**, die nur einen einzigen Zweck hat: Die **Weltregierung** Rothschilds mit allen Mitteln im Namen des Friedens (lesen Sie: der totalen Versklavung der Menschheit durch Bestechung und unmenschliche Kriege) voranzutreiben. Sie wollen jedes Land in eine Finanzkolonie unter Aufhebung der Nationalstaaten umwandeln. Wahre nationale Souveränität, Unabhängigkeit und Freiheit sind die größten Feinde der globalen Geldmeister.

Wie Salbucchi den Geldmeistern in den Mund legt: "Wenn Sie etwas Dummes tun, wie die nationalen Interessen Ihres Volkes zu priorisieren, werden wir Sie von der globalen Finanz-Landkarte tilgen, unsere globalen Medien werden Sie zerstören, wir werden unsere Rating-Agenturen, S & P und Fitch, auf Sie hetzen! Aufpassen: wir können buchstäblich Ihr Land in Brand setzen!" Das heutige globale Finanzsystem funktioniert nach dem "Shylock Modell".

Einige der prominenten Handlanger der Bankster sind wegen Unterschlagung vor Gericht zu Gefängnisstrafen auf Bewährung verurteilt worden, z.B. der ehemalige französische Präsident, Jacques Chirac, und der ehemalige EU-Vize-Präsident, Jacques Barrot. **Soeben hatte der London Telegraph einen Bericht über Dokumente, die angeblich Bestechung von Präs Sarkozy mit 42 Mio britischen Pfund durch Libyens Gaddafi für seine Wahlkampagne 2007 belegen.** Es wird nun gemeldet, dass USA's jetziger Finanzminister, der damalige New York FED Chef, Timothy Geithner, alle Goldman Sachs' wertlose Derivate – subprime Hypotheken – für 100 Cent pro Dollar kaufte – natürlich auf Steuerzahlerkosten. Goldman Sachs' ehemaliger Chefdirektor, Henry Paulson, war Geithners Vorgänger als Finanzminister. Übrigens waren die Kongressmitglieder schweren Androhungen ausgesetzt, wenn sie die Rettungspakete an die betrügerischen Banken nicht auszahlen wollten.

Shylock ist der Prototyp der Bankster hinter der pharisäischen **Neuen Weltordnung**. Er war lange im Guss – wurde aber am 1. Mai 1776 durch Adam Weishaupts Werk in all seinem Gräuel flügge – jedoch von den meisten Menschen unbemerkt. Nur seine Taten merken sie immer mehr.

*

Micha 2: "1 Weh denen, die Schaden zu tun trachten und gehen mit bösen Tücken um auf ihrem Lager, daß sie es früh, wenn's licht wird, vollbringen, weil sie die Macht haben. 2 Sie reißen Äcker an sich und nehmen Häuser, welche sie gelüftet; also treiben sie Gewalt mit eines jeden Hause und mit eines jeden Erbe.

Micha 3: 1 Und ich sprach: Höret doch, ihr Häupter im Hause Jakob und ihr Fürsten im Hause Israel! Ihr solltet's billig sein, die das Recht wüßten. 2 Aber ihr hasset das Gute und liebet das Arge; ihr schindet ihnen die Haut ab und das Fleisch von ihren Gebeinen 3 und fresset das Fleisch meines Volkes; und wenn ihr ihnen die Haut abgezogen habt, zerbrecht ihr ihnen auch die Gebeine und zerlegt's wie in einen Topf und wie Fleisch in einen Kessel."

*

Die Personen, die die rücksichtslose korporative **Neue Weltordnung** mit einer **Weltregierung** verkünden und praktizieren, sind nicht die besten Kreaturen auf dem Planeten. Sie machen die Gesetze, die wir zu gehorchen haben – und überschreiten sie selbst – geschützt durch ihre mächtigen Meister, hohe Posten und Geld. Ihre Bankster schinden uns mit sadistischer Freude. Sie **planen und realisieren wirtschaftliche Krisen**. Sie rauben die Völker der Erde aus – unter verlogenen **Vorwänden wie der Bekämpfung** eines nicht-existenten vom Menschen verursachten Klimawandels sowie einem Krieg gegen den Terror, der **von ihnen selbst verübt** wird und **hier**, u.a., um die Menschheit unter einer kommunistischen **Agenda 21-Diktatur** zu **versklaven**. Doch zunächst werden sie **Chaos** schaffen. Mitunter werden sie durch die Gerichtshöfe selbst auf frischer Tat ertappt.

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Rechts: Lloyd Blankfein ist der CEO von Rothschilds Goldman Sachs Bank: "Ich tue Gottes (Rothschilds) Arbeit," sagt er. The New American 16 March 2012 bringt eine lange Liste mit Goldman Sachs' Verurteilungen wegen Betrugs und den daraus folgenden Schadenersätzen.

Links: Greg Smith. Zum Glück gibt es anständige Juden ohne Talmud-Mentalität, Juden, die Shylock verachten.



Wie ich in meiner vorigen Einlage schrieb: The New York Times 14 March 2012: **Greg Smith tritt heute als einer der Chef-Direktoren von Goldman Sachs zurück und schreibt über Goldman Sachs** (siehe Pkt. 3 unten): "Jätet die moralisch bankrotten Menschen aus, egal wie viel Geld sie für die Firma machen. Der aktuelle Chef-Direktor, Lloyd C. Blankfein, und der Präsident, Gary D. Cohn, verloren auf ihrer Wache die Unternehmens-Kultur. Es macht mich krank, wie herzlose Menschen davon reden, ihre Kunden zu zerfleischen. Während der letzten 12 Monate habe ich erlebt, wie fünf verschiedene Geschäftsführer sich auf ihre eigenen Kunden als "Muppets" beziehen. In diesen Tagen ist die häufigste Frage, die ich von Junior-Analysten über Derivate höre, "wie viel Geld haben wir aus dem Klienten gemacht?" Der Junior-Analyst, der ruhig in der Ecke des Raumes sitzt und über "Muppets", "Ausreissen der Augäpfel" und "bezahlt werden" hört, entwickelt sich nicht gerade zu einem vorbildlichen Bürger."

Dies zeigt wie die Illuminaten die Bevölkerungen der Welt sehen. Goldman Sachs und Blankfein gehören Rothschild mit Leib und Seele

CNN 9 March 2012: **Die Gläubiger stimmten einem Plan zu, um griechische Staatsanleihen zu restrukturieren.** Das monumentale Abkommen bedeutet, Griechenland hat seine endgültige Hürde genommen, um sich für das 130 Mrd. Rettungsprogramm von der EU und dem Internationalen Währungsfonds zu qualifizieren. Mehr als 85% der privaten Anleihegläubiger stimmten der Vereinbarung zu. Anleger, die griechische Anleihen besitzen, können nun **Verlusten von bis zu 75%** entgegensehen. Jedoch, nichts zu tun hätte dazu führen können, dass Griechenland sich nicht mehr für Rettungsgelder qualifizieren könnte und Pleite ginge. Das Institute of International Finance, Washington, DC, das die privaten Gläubiger vertritt, **begrüßt den Plan.**

Warum in aller Welt konnten die Anleger solche Verluste begrüßen?

Shylocks Pfund Fleisch-Methode

Adrian Salbucchi, Russia Today 1 march 2012: In Bezug auf die Schuldenkrise sehen wir seit mehr als einem Vierteljahrhundert immer wieder mit kleinen Variationen die gleiche Show inszeniert. Griechenland, Argentinien, Spanien, Italien, Portugal, Brasilien, Mexiko, Island, Irland, Russland, asiatische Tigerstaaten alle **borgten** "dummerweise" **zu viel** von Privatbankiers, nur um zu "entdecken", sie konnten die Darlehen nicht zurückzahlen.

Symmetrisch **vergab** die gleiche Gruppe von mächtigen globalen **Mega-Banken zu viel** an diese Länder, nur um zu "entdecken", sie konnten diese Darlehen nicht zurückbekommen. Eine Komödie der Irrungen, in dem Regierungen und Banker entweder sehr dumm sind oder haben sie sich diskret angezwinkert, wie sie ihr Pfund Fleisch ausschneiden?

Die Farce der "Demokratie" und "nationalen Souveränität" muss erhalten bleiben. Das bringt Banker-gesteuerte "öffentliche multilaterale Organisationen" auf die Bühne - die IWF, EZB, Weltbank - um das Schlagen (strenge Sparmassnahmen) zu tun!

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Markt-Analytiker und Ratingagenturen sind die heutigen finanziellen Medizinmänner, die uns mitteilen, warum Börsen wie das Fieber eines Patienten rauf und runter gehen. Währungen steigen, fallen in einer Casino-ähnlichen Achterbahn; Nationale Anleihen-Ratings werden aufgestuft oder herabgestuft, alles nach der Melodie der Rattenfänger bei S & P, Finch und Moody's, FT und The Wall Street Journal. Und, ja, diese Orakel von "Gut" und "Böse" werden **von Mega-Bankern entlohnt.**

In perfekter Synchronisierung stufen sie Griechenland und Argentinien, Spanien und Italien, Irland und Island herab und zwingt sie, höhere Zinsen an die Mega-Banker zu zahlen

Als sich der **Wucherer Shylock** (Shakespeares "Der Kaufmann von Venedig") vorbereitete, ein Pfund Fleisch nahe dem Herzen Antonios auszuschneiden, wiederholte er immer wieder, "Ich will mein Pfand!", indem er mit dem gesetzlichen Vertrag fuchtelte, formell durchsetzbar gemäß den Gesetzen von Venedig.

Man wird die Denkweise eines Wucherers nie verstehen, wenn man glaubt, dass Shylock Antonio das Geld lieh, um es zurückzubekommen. Oh, nein! Shylock wettete darauf, es nicht zurückzubekommen!

Was nützt ein souveräner Schuldner, der tatsächlich ein Darlehen zurückzahlen kann und will? Das untergräbt das Wesen des Wuchers! Wenn ein Land seine Schulden nicht bezahlen kann, dann **fordern unsere modernen Shylock Banksters ihr "Pfund Fleisch": volle Kontrolle über das Land, das sie in eine Finanz-Kolonie der Globalen Macht-Herren umwandeln** und ihre Brüder aus der Trilateralen Kommission in Schlüsselpositionen einsetzen: Papademos, Monti, Cavallo, Geithner

Der Betrug, der durch Goldman Sachs und Griechenland (sowie andere EU-Länder) begangen wurde, um das Land fähig zu machen, dem Euro beizutreten, wurde ausgiebig in der The New York Times 13. Febr. 2010 beschrieben.

Es war nie Shylocks Ziel, seine 3,000 Dukaten zurückzuholen. Er wollte nur sein Pfund Fleisch. **Das Darlehen und der Vertrag waren nur der Mechanismus, um zu diesem Fleisch zu kommen.**

Was ist das Schlimmste, was Goldman Sachs, JP Morgan, Rockefeller, Rothschild, die das Shylock Modell verwalten, passieren könnte? Wenn ein souveränes Land – Argentinien, Griechenland, Spanien, Brasilien, Italien – sich umdrehen und sagen sollte: "Hey! Wie viel haben Sie gesagt, das ich Ihnen schulde? 200 Milliarden? Kein Problem! Kommen Sie und holen Sie Ihren Scheck am Montagmorgen" "

Wenn das jemals passieren würde, wären die Banker mit zwei sehr ernstesten Problemen konfrontiert:

Problem eins: Wo würden sie eine andere Gruppe "Schlafschafe" finden, dem sie unnötige - sogar fiktive – 200 Milliarden Dollar-Schulden zu Wucherzinssätzen auferlegen könnten?

Problem zwei: Sie hätten die Kontrolle über Griechenland oder Argentinien oder Spanien oder Irland, Italien verloren, und zwar in dem Moment, als sie unter ihren Daumen hatten und die Kontrolle über ihre Ressourcen und Regierungen übernommen hatten. Sollte eine Regierung etwas "Dummes" tun – wie souverän zu werden, dann wäre alles, was die Banker tun müssten, zu sagen, "Nein, nein! Denken Sie daran: Sie schulden uns zig Milliarden in "Staatsverschuldung", die Sie nicht zurückzahlen können."

Wenn Sie etwas **Dummes tun, wie die nationalen Interessen Ihres Volkes zu priorisieren**, werden wir Sie **von der globalen Finanz-Landkarte tilgen**, unsere globalen Medien werden Sie zerstören, wir werden S & P und Fitch auf Sie hetzen! Aufpassen: wir können buchstäblich **Ihr Land in Brand setzen**!"

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Ja, wenn ein Land schließlich nichts mit den Bankern zu tun hat, dann ist das Land wirklich frei! Machen Sie keinen Fehler: **wahre nationale Souveränität, Unabhängigkeit und Freiheit sind die größten Feinde der globalen Geldmeister.** Das heutige globale Finanzsystem funktioniert nach dem **“Shylock Modell”**.

Die Federal Reserve gehört letztendlich Rothschild in London. Eustace Mullins “The Secrets of The Federal Reserve”: Der Kopf hinter dem Federal Reserve Act war Baron Alfred Rothschild in London (rechts). Die Aktionäre, die die Bestände der Federal Reserve Bank of New York besitzen, sind die Menschen, die seit 1914 unsere politischen und wirtschaftlichen Geschicke steuern. Hier ist eine Liste der Eigentümer – sie zeigt ausschließlich Landsleute von Shylock.

Kommentar: Nun ist das krasseste Beispiel für die “Pfund Fleisch-Methode” Rothschilds Zentralbank-System von der BIZ geführt

Dieses System wurde besonders deutlich bei der **US-Notenbank**, die durch einen stillen Staatsstreich im Jahr 1913 eingeführt wurde. Seitdem druckt diese Institution verfassungswidrig die Dollarscheine aus der blauen Luft und verleiht sie der US-Regierung (die allein das verfassungsmäßige Recht hat, Geld zu drucken) in einem Ausmaß, dass alle US-Einkommensteuern jetzt in die Taschen der FED-Bankster wandern, und zwar zu Zinssätzen, die durch die Federal Reserve selbst festgesetzt werden. Die Fed ist vor niemandem verantwortlich, ausser vor der Gruppe der Shylocks, die sie gründete und besitzt – und sie wollen ihre illegalen “Kredite” nicht zurückbezahlt sehen. Denn **diese Abhängigkeit ist der Griff, den die Jüdische Lobby um die US-Politik hat. Die Bankster dahinter beherrschen die Welt, weil sie die Medien und hier ..**

..und hier und hier sowie “unsere Politiker und hier besitzen.

Pechvögel der Handlanger der Fleischschneider

The Guardian 15 Dec. 2011: Der **ehemalige französische Präsident, Jacques Chirac, hat eine zweijährige Bewährungsstrafe bekommen**, nachdem er der **Unterschlagung** für schuldig befunden wurde, indem er öffentliche Gelder illegal für die Finanzierung der konservativen Partei, die er führte, übergeben hatte. Der Gerichtshof sagte, “seine Schuld resultiert aus langjährigen und bekräftigten Praktiken” der illegalen Parteienfinanzierung.

Wikipedia: **Jacques Barrot wurde EU-Vizepräsident** in der neuen EU-Kommission Barrosos – diente sogar als **Kommissar für Justiz** 2008-2010. Doch kurz nachdem er mit der Arbeit begann, hat der UKIP-Europaabgeordnete, Nigel Farage, Barrots frühere Verurteilung wegen Betrugs im Jahr 2000 offenbart – **8-monatige Haft auf Bewährung wegen Unterschlagung**. Der französische Präsident, Jacques Chirac, gewährte ihm die Amnestie des Präsidenten, eine Tatsache, die der Kommissar bei seiner Anhörung im Parlament nicht offen gelegt hatte. Trotz Aufforderung durch einige Abgeordnete, ihn zu suspendieren, blieb er im Amt, nachdem eine große Mehrheit akzeptierte, dass Barrot nicht gesetzlich verpflichtet sei, die Amnestie zu offenbaren.

Geithners krimineller geheimer Abkauf der giftigen Vermögenswerte der reichsten Wall-Street-Bank, Goldman Sachs, zu 100% für das Geld der Steuerzahler (Video).

The Telegraph 12 March 2012: **Nicolas Sarkozy erhielt £ 42.000.000 von Muammar Gaddafi für die Finanzierung seines Präsidentschaftswahlkampfes 2007, wurde es am Montag behauptet.** Die “Bedingungen” für die Übergabe des Geldes seien bei einem Treffen zwischen den beiden Männern in Libyen zwei Jahre vor der Wahl von Nicolas Sarkozy vereinbart worden, legen Dokumente einer französischen investigativen Website nahe. Ein Memo wurde von der Mediapart Website erhalten und an einen Richter mit der Behauptung übergeben, dass die Sitzung am 6. Oktober 2005 in “Wahlkampffinanzierung” von “NS [Nicolas Sarkozy]” resultierte. Seine Kampagne wurde “vollständig bezahlt”.

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Politische Finanzierungs-Gesetze verbieten Kandidaten den Empfang von Barzahlungen über 7.500 (£ 6.300), aber Mediapart behauptet, dass 50 Mio. in dem Memo erwähnt werden und über Bankkonten in Panama und der Schweiz gewaschen wurden. Das Memo behauptet, dass "ZT", vermutlich ein Waffenhändler namens Ziad Takieddine, der bekanntlich enge

Beziehungen zu mehreren der treuesten Helfer von Nicolas Sarkozy hat, für das Arrangement verantwortlich sei.

Das Memo erwähnt auch "mehrere frühere Treffen" zwischen Herrn Takieddine und Saif al-Islam Gaddafi, Gaddafis Sohn und ehemaligem Erben, der im vergangenen Jahr behauptete, dass Libyen Sarkozys Wahl finanziert habe. "Das erste, was wir wollen, dass diese Clowns tun, ist, dem libyschen Volk das Geld zurückzugeben. Er erhielt die Unterstützung, damit er dem Volk helfen könnte, aber er hat uns enttäuscht. Gebt uns unser Geld zurück." Herr Sarkozy wies die Vorwürfe, dass er von Gaddafi Geld erhalten hätte, ärgerlich zurück.

Herr Sarkozy provozierte Empörung unter Oppositionellen und einigen Mitgliedern seiner Regierung, als er in Paris Ende 2007 Gaddafi begrüßte, und dem libyschen Diktator erlaubt wurde, sein Zelt neben dem Elysée-Palast aufzuschlagen.

Links: Freimaurer-Handsschlag zwischen Moammar al-Gaddafi und Sarkozy – und zwischen Tony Blair und Sarkozy (rechts) – trotz des Lockerbie-Anschlags. Die BBC denkt der mutmaßliche Lockerbie-Attentäter würde freigelassen, um einen libyschen Öl-Vertrag für BP zu retten.



Kommentare

Shylock ist eine Figur aus Shakespeares "Der Kaufmann von Venedig". Er ist das Symbol des gekränkten, verfolgten Juden, der die Nicht-Juden hasst und gegen Wucherzinsen Geld leiht. Er ist immer noch eine unerwünschte Person – weil seine talmudische Herrenvolks-Ansichten in Bezug auf Nicht-Juden ihn unabdingbar von den Völkern, unter denen er lebt, isoliert. So auch die Tatsache, dass seine Nachfolger hinter dem größten Raub in der Geschichte sind: Wucher und Macht-Ergreifung mittels ihrer Zentral- und anderer Banken - sogar verfassungswidrig in den USA. Sie sind die Meister hinter der diktatorischen und pharisäischen Neuen Weltordnung, die "unsere" Politiker und Medien gekauft haben, um der ganzen Welt einer Gehirnwäsche zu unterziehen. Immer mehr Menschen sehen diesen Zusammenhang – ebenso wie die

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Tatsache, dass die jüdische Lobby die Politik Grossisraels (der USA) lenkt – sprechen sogar von USrael – hin zu immer mehr Kriegen, um die Welt für die Bankster hinter der Federal Reserve zu erobern.

Sie finanzierten die Bolschewistische Revolution, die Deutsche Demokratische Republic und Hitler – verdienten sogar Geld an Auschwitz und seinem Zyklon B Gas! Dies isoliert auch Israel – ein Produkt der Rothschilds (siehe ab 1895). Louis de Rothschild finanzierte 1924 durch seinen Agenten, Max Warburg, Coudenhove-Klergi's Pan-Europäische Bewegung – die zur EU führte.

Nun übernehmen diese Bankster die Welt, indem sie die Länder der Welt durch ihre Zentralbanken tief verschulden – und dann die Kontrolle über sie und ihre **“Wildnis”- Territorien mit ihren Boden-Schätzen** übernehmen, wenn sie die Schulden nicht zurückzahlen können – was die Staaten nie ermöglicht hätten, wäre es nicht für Shylock's völlig unnötige Zentral- und andere Banken, die nun ihr Pfund Fleisch als Pfand von z.B. den unverantwortlichen Griechen fordern. Wie lange werden sie die mitfolgende Verarmung noch aushalten?

Jedoch, noch Schlimmeres blüht den Ländern, die keine Rothschild-Zentralbank haben: Libyen, Iran, Irak, Nordkorea, Syrien. Sie sind “Schurkenstaaten”, die militärisch zu schikanieren sind, bis sie sich unterwerfen und eine Rothschild-Bank einrichten – was Libyen sofort getan hat, als die NATO eingriff.

Family Security Matters: Ein Thema, das eine Krise zwischen der EU und Ungarn schafft, ist, dass Ungarn vom Zentralbank-Gouverneur fordert, einen Eid auf der nationalen Verfassung zu schwören – ein Verstoß gegen EU-Normen (und gegen die Souveränität von Rothschilds Zentralbank).

EUObserver 14 March 2012: EU-Finanzminister billigten am Dienstag (13. März) ein umstrittenes Finanzierungs-Einfrieren für Ungarn im Rahmen der neuen Defizit-Regeln des Blocks, aber einige Länder, von Österreich angeführt, sagen, es sei ein bisschen hart, nachdem Spanien Konzessionen erhalten hatte. Die österreichische Finanzministerin, Maria Fekter, kritisierte auch, was sie “Doppelmoral” und “politische” Sanktionen gegen Ungarn nannte. Inzwischen hat Ungarn im vergangenen Jahr in Brüssel ein Gestank über Gesetze zu Hause verbreitet, die die freie Presse, die Unabhängigkeit der Zentralbank und die Justiz(?) zügeln.

Ihre Bemühungen, das Christentum und die europäische Kultur durch die Frankfurter Schule und hier zu zerstören, hat unter denjenigen, die diese Verbindung sehen, Ekel erweckt. <http://euro-med.dk/?p=26300>

mein Freund Anders schrieb: Ein jeder von uns wird eine letzte Möglichkeit haben, um zu entscheiden, ob das Leben einen spezifischen geistigen Sinn hat oder nicht – und um die Konsequenzen daraus zu ziehen.

<http://derhonigmannsagt.wordpress.com/2012/03/29/die-methode-vom-pfund-fleisch-warum-betrugerische-internationale-bankster-kein-interesse-daran-haben-dass-schuldner-ihre-darlehen-zuruckzahlen/>

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