

Christian Felber

# Money – The New Rules of the Game

 Springer

# Contents

<b>1</b>	<b>Introduction: A Coercitive and Intransparent Financial System . . .</b>	<b>1</b>
1.1	The Non-Holistic Evolution of the Monetary System . . . . .	1
1.2	The Multi-Dysfunctionality of Our Current Monetary System. . .	4
1.3	Regulators Wanted. . . . .	7
	References . . . . .	7
	<b>Part I: The Process towards a New Monetary Order . . . . .</b>	<b>9</b>
<b>2</b>	<b>Tamer Wanted: Who Will Restrain the Global Monetary and Finance System? . . . . .</b>	<b>11</b>
2.1	G20 and the Financial Stability Board (FSB) . . . . .	11
2.2	International Monetary Fund (IMF) . . . . .	13
2.3	World Trade Organization (WTO) . . . . .	14
2.4	Basel Committee on Banking Supervision . . . . .	15
2.5	European Union. . . . .	16
2.6	United Nations (UNO). . . . .	18
2.7	Independent Experts . . . . .	18
2.7.1	Who then? . . . . .	19
	References . . . . .	19
<b>3</b>	<b>Rewriting the Rules of the Game: The Democratic Monetary Convention . . . . .</b>	<b>21</b>
3.1	Legitimation and Contextualization of the Convention . . . . .	22
3.2	From Municipal to National Economic Convention . . . . .	23
3.3	From Local to EU to Global Level . . . . .	23
3.4	Local Matters. . . . .	24
3.5	Core Subject Matters . . . . .	24
3.6	Decision-Making Procedure . . . . .	25
3.7	Utilization of Results . . . . .	27
3.8	Initiated Prototypes . . . . .	27
3.9	Ten Reasons for a Monetary Convention . . . . .	28
	Reference . . . . .	28

<b>4</b>	<b>The Basis: Money as a Public Good</b> .....	29
	4.1 Extended Meaning of “Public Good” .....	30
	4.2 Values of the Monetary System .....	33
	References .....	33
<b>Part II: The Content – Cornerstones of a Democratic Monetary System</b> .....		35
<b>5</b>	<b>Who Creates Money?</b> .....	37
	5.1 The National Central Bank. ....	38
	5.2 Commercial Banks. ....	38
	5.3 Companies. ....	39
	5.4 Private Individuals. ....	39
	5.5 Political Regional Authorities. ....	39
	References .....	40
<b>6</b>	<b>Sovereign Money Reform</b> .....	41
	6.1 Creation of Bank Money by Private Commercial Banks .....	41
	6.2 Sovereign Money Reform .....	45
	6.3 Benefits of the Reform. ....	47
	6.4 Side Note: Sovereign Money and Hundred-Percent Money. ....	50
	6.5 Amendment of Legislative Texts .....	51
	References .....	52
<b>7</b>	<b>Democratic Central Banks</b> .....	53
	7.1 Who Does the Central Bank Belong to? .....	54
	7.2 Democratic Organization of the Central Bank. ....	56
	7.3 Objectives and Tasks of a Central Bank .....	57
	7.3.1 The ECB Model .....	58
	7.3.2 The Fed Model .....	59
	7.3.3 The Alternative Model. ....	60
	7.4 Monetary Authority .....	63
	References .....	64
<b>8</b>	<b>Solving the Problem of Sovereign Debt.</b> .....	65
	8.1 Proposal for the Reform of Sovereign Debt Financing .....	66
	8.2 Benefits of the Reform for the Public .....	69
	References .....	70
<b>9</b>	<b>Bank Lending Regulations</b> .....	71
	9.1 Loans for What and for What Not? .....	74
	9.1.1 Ethical Creditworthiness Appraisal .....	74
	9.1.2 Speculative Financial Credit? .....	76
	9.1.3 Regional Priority .....	79
	References .....	81
<b>10</b>	<b>Common Good Oriented Banks</b> .....	83
	10.1 Banks Are Historically Common-Good Oriented .....	83

10.2	Criticism of Bank Bailouts and the EU Banking Union. . . . .	86
10.3	State Support Only for Common Good Banks . . . . .	89
10.4	Common Good Orientation of Banks . . . . .	90
10.5	Prototypes Everywhere . . . . .	94
10.6	Systemic Consideration: From the Investment Bank to the Depository Bank . . . . .	95
10.7	Adieu, Return on Investment . . . . .	97
10.8	From the Risk Premium/Capital Tax to a Meaningful Return on Investment. . . . .	99
10.8.1	A Hoarding Ban for Cash Millions . . . . .	100
	References . . . . .	100
<b>11</b>	<b>EU and Global Financial Supervision. . . . .</b>	<b>103</b>
11.1	EU Financial Supervision with an Edge . . . . .	105
11.1.1	Splitting up System Relevant Banks . . . . .	105
11.1.2	Closing or Strict Regulation of Shadow Banking Activities. . . . .	106
11.1.3	Market Admission Approval for New Financial Products . .	108
11.1.4	Stricter Equity Capital Requirements . . . . .	110
11.1.5	Rules for Funds and Capital Investment Companies. . . . .	113
11.2	Global Financial Supervision . . . . .	115
	References . . . . .	117
<b>12</b>	<b>Derivatives—Close the Casino . . . . .</b>	<b>119</b>
12.1	General Regulation Proposals. . . . .	123
12.2	Shares—Regional Common Good Exchanges . . . . .	124
12.2.1	Regional Common Good Exchanges and the “Triple Skyline” . . . . .	124
12.3	Close Securities Markets . . . . .	127
12.4	Government Bonds—The Use of the Central Bank. . . . .	128
12.5	Foreign Exchange—A New Global Currency System. . . . .	129
12.6	Commodity Markets—Global Commodity Agreement . . . . .	129
	References . . . . .	134
<b>13</b>	<b>Secure Pensions . . . . .</b>	<b>135</b>
13.1	The PAYG Pension is Easily Financed. . . . .	136
13.2	What Makes Private Provision Better? . . . . .	140
13.2.1	Are Private Pensions Less Vulnerable with Regard to Demographic Factors? . . . . .	141
13.2.2	Are the Premiums in Private Pensions Paid More Interest than Social Security Contributions? . . . . .	142
13.2.3	Are Private Schemes Cheaper? . . . . .	143
13.2.4	Is the Private Pension System Distributively Fairer? . . . .	143
13.2.5	The Methuselah Conspiracy. . . . .	144
13.2.6	Do Favorable Framework Conditions for the Private Pension System Also have a Favorable Impact on the PYAG Pension System? . . . . .	144

13.3 Alternatives . . . . .	146
References . . . . .	146
<b>14 Global Tax Cooperation . . . . .</b>	<b>147</b>
14.1 Systemic Tax Evasion . . . . .	147
14.2 Step 1: Automatic Registration of All Domestic Income . . . . .	151
14.3 Step 2: Multilateral Agreement on Information Exchange . . . . .	152
14.4 Trust and Cooperation . . . . .	153
14.5 From the previous EU Interest Directive to the Sound Capital Income Directive . . . . .	154
14.6 World Financial Registry . . . . .	155
14.7 Technical Implementation . . . . .	155
14.8 Globally Just Corporation Tax—"Entire Group Taxation" . . . . .	156
14.8.1 Country of Residence Principle . . . . .	158
14.8.2 Unitary Taxation or Overall Group Tax . . . . .	158
14.9 A Go-It-Alone by the EU is Possible! . . . . .	160
References . . . . .	160
<b>15 Income and Ownership Caps—"Negative Feedback" . . . . .</b>	<b>161</b>
15.1 Excessive Inequality . . . . .	161
15.1.1 Liberal Argument . . . . .	163
15.1.2 System Theoretical Argument . . . . .	165
15.1.3 Performance Justice and Equal Opportunities . . . . .	166
15.1.4 The Financial Stability Argument . . . . .	167
15.1.5 The Health Argument . . . . .	167
15.1.6 The Happiness Argument . . . . .	168
15.2 Limiting Income Inequality . . . . .	169
15.3 Capping of Private Property . . . . .	170
15.4 Inheritance . . . . .	172
References . . . . .	174
<b>16 Currencies—Time for a Bretton Woods II . . . . .</b>	<b>175</b>
16.1 Failure of Bretton Woods I . . . . .	175
16.2 Shortcomings of the Current Monetary Order . . . . .	178
16.3 Pledge for a Bretton Woods II . . . . .	180
16.4 Global Monetary Cooperation . . . . .	182
16.5 Adjustment of Exchange Rates according to Purchasing Power Parity . . . . .	182
16.6 Epilogues . . . . .	184
16.6.1 Planned Economy in Peking und Zürich . . . . .	184
16.6.2 End of the Dollar Hegemony? . . . . .	185
16.6.3 Local and regional complementary currencies . . . . .	186
References . . . . .	187
<b>Part III: Kick Off . . . . .</b>	<b>189</b>
<b>17 The Path to the first Convention . . . . .</b>	<b>191</b>
17.1 Bottom-Up-Strategy . . . . .	192

17.2	The Process of a Democratic Monetary Convention . . . . .	193
17.2.1	Who Initiates a Convention? . . . . .	194
17.2.2	Who is in the Convention? . . . . .	194
17.2.3	How is the Convention Implemented? . . . . .	194
17.2.4	How does communication and decision making take place? . . . . .	195
17.3	Evolution of Contents . . . . .	197
17.4	International Cooperation . . . . .	198
17.5	From Monetary Convention to Constitutional Convention . . . . .	198
	References . . . . .	199
<b>18</b>	<b>Questionnaire for the Monetary Convention . . . . .</b>	<b>201</b>
18.1	Creation of Money . . . . .	201
18.2	Sovereign Money Reform. . . . .	202
18.3	Central Bank . . . . .	202
18.4	Sovereign Debt . . . . .	203
18.5	Banking System . . . . .	203
18.6	Commercial Banks . . . . .	204
18.7	Financial Supervision . . . . .	205
18.8	Derivatives . . . . .	206
18.9	Pensions . . . . .	208
18.10	Tax Justice . . . . .	209
18.11	Restriction of Inequality . . . . .	211
18.12	International Monetary Order . . . . .	213
	<b>Index . . . . .</b>	<b>215</b>