New economy series
Booklet 4

# Money, banks and finance in the new economy

Savings accounts, investments and loans: the financial sector provides essential services at the heart of any modern economy. Some people view it as the oil that allows the wheels of the economy to turn effectively. Yet, as most recently shown by the 2007/8 financial crash, the system is also highly volatile and when it goes wrong can wreak havoc across society. This booklet explores the financial system and money creation, asking how they could be reformed to help create a more stable, equal and just economy.

This booklet, the fourth in QPSW's new economy series, is not for passive consumption! Full of questions to aid reflection and discussion, it asks you to imagine for yourself what a different type of economic system could look like. We hope you will contemplate these questions on your own or explore them in reading groups in your meeting. For more information about reading groups, or to sign up to the programme, visit www.quaker.org.uk/new-economy.

We'd also like to hear what you think and invite you to share your feedback, questions and reflections with us directly or by posting them on the Quakernomics blog at www.quakerweb.org.uk/blog.

**The Quaker Peace & Social Witness (QPSW) new economy project** responds to minutes made by Britain Yearly Meeting between 2011 and 2015. These present a strong critique of our current economic system and commit Friends to working towards building a different type of economic system - "an economic system in which Quaker testimony can flourish". Throughout these booklets we refer to this as the 'new economy'.

QPSW believes that while Friends are, for the most part, in unity about what's wrong with the current system, we are still corporately discerning both what a better economic system might look like and how we might get there. The new economy project exists to support that discernment.

The new economy series is intended to stimulate debate and reflection. The ideas here do not necessarily reflect the policy or positions of Quaker Peace & Social Witness or Britain Yearly Meeting. Find out more at www.quaker.org.uk/neweconomy.

## Introduction

The British economy is highly dependent on the financial sector. Yet bankers have not been popular in recent years, with only four per cent of the British public saying that they believe that banks observe high ethical and moral standards[1]. Perhaps this is hardly surprising – the financial crisis exposed all kinds of misconduct at the heart of British finance, and yet since then the sector seems to have continued with business as usual – largely unreformed and unchecked, with many senior bankers still enjoying huge annual bonuses.

Quakers have already spoken out against aspects of our financial system. Britain Yearly Meeting's 2012 Statement on Equality reads: "We challenge the culture and ethos that enable the leaders of finance and industry to take salaries and bonuses that are many hundreds of times larger than those of their employees. Deepening economic inequality cannot continue indefinitely without a risk of violence and oppression."

This booklet goes further in its analysis of how finance is failing us. It argues that our current banking and monetary system not only fuels inequality, but is inherently unstable and ties us into an unsustainable economic model dependent on endless economic growth. Put simply, without transforming finance we cannot transform our economic system. This is why our Quaker commitment to building a more equal, stable and sustainable society leads us to consider how we can reorganise banking and money creation.

In 2015, following conversations with Friends across Britain Yearly Meeting, Quaker Peace & Social Witness created *Principles for a new economy*, which offers ideas for how an economic system in line with Quaker testimony might work. Principle number six suggests that, in the new economy, money could be created "under democratic control, for positive social benefit" and that debt will be "less needed, less prevalent, and often remitted".

This booklet will unpick what this means and some of the ways it could work in practice. No expertise in finance is needed to read these pages or engage with the questions and suggestions they offer. Indeed, those readers from outside the financial sector may offer fresh perspective and solutions on its systemic problems. After all, we should not judge the success of our financial sector only on its own terms, but also in relation to its effect on wider society and our natural environment. With this in mind, it is vital that we ground our consideration of banking and money in relation to our spiritual values, Quaker testimony and our recognition that equality, integrity, sustainability, community, simplicity and peace must be embodied in our economic system.

To begin this endeavour, let us turn to banking, money and finance as it currently operates.

## Banking and money today



Money is one of the fundamental building blocks of our financial system. But what is money? This is a fundamental question worthy of a paper of its own and one which it is important for us to consider.

> *"Let me issue and control a Nation's money and I care not who makes its laws".*
>
> Popular quote attributed to Mayer Rothschild, an influential banker in 19th-century United States.

One important feature of money is that it can make it easier for us to exchange or trade in goods and services without having to directly barter and swap. With money, you can exchange an hour of specialised labour (as a hairdresser, let's say) for cash and then use that cash to buy any number of things. Shops and sellers wouldn't accept payment in your haircuts, but they will readily swap their products for your cash. So a haircut can be traded for a train ticket, a meal in a café or even a jumper made and shipped from China, using cash as an intermediary. As long as trust in the value of money remains, money facilitates exchange between people who don't know or trust each other, and makes long-distance trade possible.

Money also acts as a 'store of value': cash earned from a haircut given today can be saved and used


*In Zimbabwe in 2009, money lost so much of its value that one hundred trillion dollar notes were issued.*

to get a meal in two years' time. Thirdly, money is used as a 'unit of account', allowing us to compare, in a common currency, seemingly disparate things like haircuts, meals, train tickets, piano lessons or rent.

The value of money depends on the faith that it will be accepted by others. When that faith in a currency is lost, as has happened on numerous occasions in history (most recently in Zimbabwe, but notoriously in Weimar Germany), then hyperinflation results, with devastating consequences. Clearly we should tamper with our money supply only with great caution.

## Where does money come from?

Although money plays such an important role in our economy, few people understand how it is created. In Britain it is often thought that the Bank of England creates money. It does create *physical* money, the coins and notes that we use, but this only amounts to about three per cent of the total money supply.[†]

### Glossary

*Deposits* – a sum of money paid into a bank or building society.

*Assets* – an item of property (like a house, shares or a gold bar) owned by a person or company (e.g. a bank), regarded as having value and available to meet debts or commitment.

*Capital* – wealth in the form of money or other assets owned by a person or organisation (e.g. a bank), usually used for production.

*Bank reserves* – the deposits and the physical cash banks hold in their vaults plus deposits they hold with the Bank of England.

> *"It is well enough that people of the nation do not understand our banking and money system, for if they did, I believe there would be a revolution before tomorrow morning."*
>
> Henry Ford

The vast majority of our money (97 per cent in fact) exists only in digital form – the figures you see on screen when you check your bank balance[2]. This money is created by commercial banks issuing loans.

† In recent years, it has also created money through quantitative easing (more on this later) but this is an exceptional response to recession, rather than normal practice.

In the words of Sir Mervyn King, the Governor of the Bank of England from 2003 to 2013: “Commercial [i.e. high-street] banks create money […] by making new loans. When a bank makes a loan, for example to someone taking out a mortgage to buy a house, it does not typically do so by giving them thousands of pounds worth of banknotes. Instead, it credits their bank account with a bank deposit of the size of the mortgage. At that moment, new money is created.”

## Questions for discussion

- Do you think it’s right that commercial banks have the power to create money?
- How do you feel about the topic of money? Does it interest you? Does it perplex you?
- Why do you think money creation is so rarely mentioned in public debate?

## Bank loans

It is often thought that banks wait for savers to deposit money and then, when the bank has enough money in its saving accounts, issues loans to borrowers.

In fact, banks make loans to anyone they think is likely to repay the loan. In this way they create money and expand the money supply since the money they issue as loans doesn’t correspond to money that savers have deposited in the banks. The banks do need *some* deposits to be able to make loans, but not much. Since the so-called ‘big bang’ banking deregulation of the early


*Queues outside building society Northern Rock in 2007 as trust in the bank plummeted and savers attempted to withdraw their deposits.*

1980s, the regulations on how much money they can lend (compared to the value of the deposits and cash they hold) are highly flexible.

Since loans aren't backed up by real money, what happens if too many people then want to withdraw cash on the same day? The bank will normally turn to other banks to lend them enough to meet their obligations. If that fails, the bank can turn to the Bank of England, who as "lender of last resort" will lend it to them.

**Did you know?**
Seven of every ten MPs polled in 2014 believed (wrongly) that only the government can create money[3].

## The 2007/8 financial crash

In the run-up to the financial crisis, some banks found themselves with too many bad loans that couldn't be repaid. Banks stopped lending to each other to meet shortfalls, because no-one knew how exposed everyone was to the financial meltdown caused by these bad loans.

What happened next? To stop the whole system collapsing, the government had to perform a 'bailout' and step in to transfer more capital into banks. It borrowed money to pay for this capital injection and in doing so greatly increased the UK's national debt. The banks were saved – but the toxic debts were transferred from the banks into the public sector. The alternative, it seemed, as in the 1930s, was to allow banks and businesses to fall like dominoes at the cost of people's jobs and savings.

'Bailouts' of this kind exemplify a 'moral hazard' at the heart of our banking system. Most commentators agree that the larger high-street banks, those considered 'too big to fail', can count on the government to shore them up. They can therefore continue to make risky loans, and earn higher profits, because they know they will not have to bear the costs in a crisis.

## Risk and deregulation of banking and finance

There are other issues that have arisen from the deregulation of our banking system.

Since the 1980s, there has been a blurring of the boundaries between retail banking and the risky businesses of speculative investment banking. Retail banking describes the activities associated with the bank branches we see on our high street, the kind that provide services such as mortgages, debit and credit cards and loans to individual customers. It is low risk and not very profitable. Speculative investment banking involves large and complex financial transactions, often for corporate or institutional clients. It has higher risks but can bring in higher profits.

The problem with this 'blurring of boundaries' is that bankruptcy of one section of a bank inevitably endangers the other parts, especially when so much of banking relies on faith and trust. Thus the savings of low-risk retail customers are placed in jeopardy by more risky investment bank operations, without retail savers receiving any of the rewards or necessarily knowing what they have let themselves in for†.

## Finance and ethics

Now let us turn to consider other facets and consequences of our financial system in light of our commitment to integrity, equality and sustainability.

### Integrity

The financial crisis drew attention to widespread systemic fraud and deception within the financial sector. This was enabled by the 'smoke and mirrors' of increasingly complex, novel financial products that even rigorous regulators had a hard time accurately assessing for risk[5]. On top of this, price-fixing and other fraudulent practices took place that

† Savers' money is guaranteed up to the value of £75,000 per financial institution so savings under that amount are not directly at risk. By making the entire financial system more volatile, however, the high-risk operations of investment banks put retail bank customers at risk in a broader sense. Savers also may not realise that their money is inadvertently being used to enable speculation and trading that they may not approve of.


*The 2007/8 financial crisis sparked protests across the globe.*

> *"A typical education in the west leaves you with more insight into ancient Rome or Egypt than into our financial system"*
>
> Joris Luyendijk, a former writer on the *Guardian*'s Banking Blog[4]

implicated not only bankers, but a raft of supposedly independent regulators and government officials across the world. Books like *The big short* point to the toxic culture within financial trading, where unethical behaviour was normalised and rewarded[6]. As discussed at the start of this booklet, little has been done in the UK since to hold individuals to account, or to restructure financial


*After the 2007/8 financial crash Icelanders forced their government to resign, held referenda on how to deal with their national debt, jailed many senior finance executives and eventually took their Prime Minister to court for the part he played in the crisis[7].*

organisations away from the perverse incentives that contribute to unethical behaviour.

## Sustainability

Throughout this series, we have considered how we could equip our economy to transition away from economic growth. But because our current system involves so many loans and so much debt, it relies on ever-continuing growth to stay viable. Loans must be repaid to banks with interest (or there would be an economic crisis) and for this to happen there must be growth in the GDP or growth in the price of the assets acting as security for the loans. As we discussed in the first booklet in this series, *What's the economy for?*, growth in GDP inevitably means a growth in consumption. Expansion in consumption means more demands on the scarce resources of the planet, when we as a species are already using up resources at a faster rate than is being replenished.† This all means that ecological unsustainability is built into today's money creation and banking system.

## Inequality: the rich get richer

Growing economic inequality is of huge concern to Quakers and non-Quakers alike. And the way banks currently create money makes economic inequality worse. Firstly, banks create money and issue loans to maximise their own profits, rather than to create positive social outcomes. This means that they have been unwilling in recent years to give long-term loans to businesses and industry, because these loans are usually seen as risky. Loans to industry generally put more money into the 'real economy' – in other words, into the pockets of ordinary people to be spent on goods and services. Instead, the bulk of banks' lending has been to enable people and companies to buy assets, such as property and shares. The result? UK house prices and the value of financial assets have risen sharply.

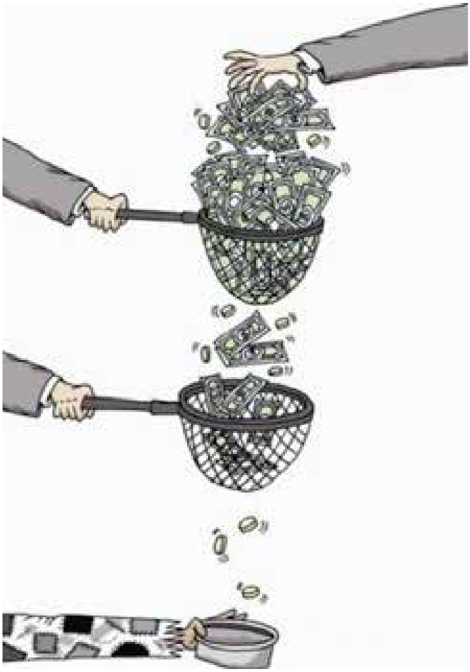
† Global Footprint calculations show that we already need 1.5 planets to meet the demands we as a species place on the earth. If the whole world used resources at the rate of the UK, three planets would be needed.

These so-called ‘asset booms’ are bad news for equality. Why? Because those who own these financial assets are likely to be amongst the richest in society already. For example, 40 per cent of the stocks and shares quoted on the London Stock Exchange are owned by the richest five per cent of the population[8]. House price rises benefit landlords, but make life harder for renters and first-time buyers. In other words, as share and property prices rise, the rich get relatively richer.

There are other ways in which debt-created money ends up funnelling wealth towards those who are already wealthy. Interest paid to banks is transferred to shareholders (both direct shareholders and via corporate institutions like pension funds) and top managers through super high salaries and bonuses.

Inequality has also been given a boost in the UK by the Bank of England’s quantitative easing (QE).

*Rising property prices mean the rich get relatively richer.*



*How the ‘trickle down economics’ of quantitative easing played out in practice.*

Through QE, the Bank of England creates significant quantities of new money. Between 2009 and 2012 it created £375bn – more money than the UK government spends in six months. This money was supposed to stimulate the economy after the financial crash but it was spent on buying up government debt that was being sold ‘second hand’, mainly by commercial banks and insurance institutions. It was hoped that this would eventually encourage banks to lend to businesses, but instead they continued investing in financial assets like property, which were seen as less risky.

What was the effect? Share prices rose by 20 per cent, further enriching those who already had wealth. This top five per cent of the population earned an average of £128,000 per household from this round of QE. Very little of the money created made it to the 'real economy' or enriched the majority of the population[9].

*Restructuring the financial industry so that money is less able to earn money would help to make for a more equal society.*

## Booms, bubbles and instability

So far we have discussed a range of problems with the financial system. But perhaps the biggest problem, the bottom line, is that it is inherently unstable, structured in such a way that means that economic crises are almost inevitable. The system can only keep going without crashes if there is a steady increase in the amount of debt outstanding. The problem is, if people's debt is increasing at a faster rate than their incomes, there comes a point at which it becomes seen as unpayable. There is a loss of confidence, investment falls, spending declines, banks start to call in loans, the money supply contracts and we get a crash. If some of those debts take the form of mortgages, as is the case in our economy, then houses prices also fall, because banks are less willing to give out mortgages and people default on their mortgages and are forced to sell their homes, increasing supply of housing just as there is a decline in demand. In response, banks get more nervous and more likely to restrict lending and call in loans. The cycle then gets worse.

## New economy vision

The scale of the problems with our financial system may seem daunting, but there are many practical (and even exciting) ideas for how banking and money creation could be transformed. As discussed, *Principles for a new economy* calls for money to be "created under democratic control, and used for positive social benefit rather than private profit". It envisages an economy where "debt is less needed, less prevalent and often remitted". We argue that to achieve this, three things should happen:

- money should be created in a different way, one that doesn't depend on increasing debt
- the banking industry should be re-structured with improved regulation in order to encourage several new kinds of banks
- we should support new and different kinds of exchange, for example by alternative currencies and LETS schemes, and grow the gift economy rather than expanding the money sector at the expense of the voluntary, caring and community sector.

> *"The Government should create, issue, and circulate all the currency and credits needed to satisfy the spending power of the Government and the buying power of consumers. By the adoption of these principles, the taxpayers will be saved immense sums of interest. Money will cease to be master and become the servant of humanity."*
>
> The former US President Abraham Lincoln

## Money creation for public benefit

Let's start with money. How can it be created for public benefit, in a way that doesn't create endless debt?

The Positive Money campaign envisages a situation where all new money is created by the Bank of England, and then spent into existence by the government. Just as with quantitative easing, this could be done in various ways, but a democratically accountable central or local government could use this newly created money to boost employment and income, reducing people's need for loans to finance consumption. The money could be used to invest in renewable energy infrastructure (see booklet 3, *Energy in the new economy*) or be distributed as a Universal Basic Income to everybody, to do with it what they will (see booklet 2, *Good work in the new economy*). In either event the money would directly create more jobs and domestic demand than quantitative easing as it is presently implemented.

Credibility is vital and it would not contribute to confidence if government were in direct control of money creation, since governmental 'money printing' has been blamed for many instances of hyperinflation in the past[10]. Instead, the Bank of England or another independent committee could control money creation, judging the level needed by the economy in any one period, and the pace at which this should happen. But this independent committee should, in turn, be accountable to Parliament and have no influence over how the money is spent into existence by the Treasury.

How would we get there? We could transition to this new system of money creation by gradually increasing the amount of reserves

*The Bank of England.*

> *"Our responsibility for the benefit of future generations and for all life on earth takes precedence over economic growth."*
>
> Principle 2,
> *Principles for a new economy*

banks have to hold in order to make loans. By gradually increasing the ratio of reserves to loans until it was 1:1, we would gradually reduce the amount of money banks could lend, until they could only lend money equivalent to what they held. In other words, this would reduce their ability to create money through lending until they couldn't create any money at all. Meanwhile, the Bank of England could gradually increase the amount of money that it was creating to make sure the money supply didn't suddenly contract[11].

Money could also be created locally by trusted institutions, just as the Government of Guernsey issued notes during the 1930s to finance much-needed improvements to roads, harbours and bridges, creating employment in the process. There are 73 local currencies in Spain, some of which are not pegged to the Euro. They can therefore 'print money' and use it to provide livelihoods for some of the 20 per cent (and 45 per cent of those under 25) who are unemployed.

Once money creation is not dependent on debt we can envisage an economy where economic growth is not required in order to keep the whole edifice afloat. Ending economic growth is key if we are to move away from our current unsustainable use of the planet's resources.

## Banking in the new economy

A first step towards a more stable and sustainable banking system would be greater regulation and reform, including making a complete separation between institutions undertaking risky investment banking on global markets and retail banks dealing with high street customers and local businesses.

Banking would also need to change to support the reform of money creation. As discussed, loans would need to be backed by banks retaining 100 per cent reserves against them. Current accounts would need to be paid for directly (rather than, as they are now, paid for by charges and fees for currency exchanges, unauthorised overdrafts, etc.). Longer term deposits would be lent to specified investments for a specified period during which the depositor would not have access to their money. In other words, the bank would act as a broker or intermediary – as many people think is currently the case. They wouldn't be very different from how credit unions operate today (see page 15), except they would have more powers to lend to businesses.

## Case study: Triodos Bank

Triodos is a Dutch bank that offers savings and investment accounts to UK customers and is hoping to introduce current accounts next year. Its mission is to create a 'triple bottom line' – bringing financial, environmental and social benefits to customers and wider society.

Triodos invests and makes loans to organisations that create a positive social or environmental impact, and is the only bank to publish a full list of all the organisations that it loans to. It avoids risk by using deposits to make loans, rather than borrowing from other banks. It also has a high ratio of capital to loans – far beyond Holland's regulatory requirements.

Triodos even offers a 'Quaker Social Housing Saver' account where the interest made on deposits is paid to Quaker Housing Trust! Quaker Housing Trust provides advice, support, loans or grants to social housing projects that would struggle to get help elsewhere. See bit.ly/Triodos-QHT for more information about the account.

Triodos Bank

## Local banking

Banks can provide useful services – a safe way for people to save, and a means to channel people's savings to productive uses in the economy. We could support banks that create social benefit, at a local, national and even global scale. The good news is there are already banks operating in this way. In the UK, in reaction to the risk-prone behaviour and bonus culture of major banks, the Move Your Money campaign resulted in 500,000 customers moving their money away from the main high street banks in 2012 alone[12]. Instead they took their accounts to banks with ethical lending criteria (e.g. Triodos, Co-op), to fully mutual building societies, credit unions where these are able to offer retail banking services, and to a number of other small banks and savings institutions, such as Burnley Savings and Loan Society, which works by transferring deposits from savers to borrowers including small businesses. In Salford and Preston local authorities have also set up local community finance institutions along these lines.

It has been suggested that the Royal Bank of Scotland (RBS), which remains 73 per cent owned by the taxpayer after its bailout in 2008, should, instead of being sold back to private owners, be broken up into a network of publicly owned local

## Case study: German banking

There is much greater diversity in the German banking sector than in the UK, and this made Germany more resilient to the 2008 financial crash. The publicly owned Sparkassen and the co-operative banks kept up a much steadier rate of lending to small and medium-sized enterprises than other banks. Sparkassen are local banks, obliged to confine their investment to their geographic area. They have an intimate knowledge and a long-term relationship with their clients. Behind them stand the Landesbanks (regional banks), who undertake larger loans, and behind them the national banks. German banks were also less driven by the bonus culture and the sense of omnipotence that seems to have developed in banking circles elsewhere, that encouraged risky loans and speculation on various exchanges and over-the-counter trading.

banks to support local businesses and receive deposits in the manner of the German Sparkassen (see box above) and credit unions in Ireland and the USA (see box overleaf)[13].

# Alternative currencies

Local Exchange Trading Schemes (LETS) and timebanks provide a radical alternative to the present money system. These are local, community-based networks where people exchange goods and services without using money. People exchange indirectly, via the alternative currency of 'community credits' (in the case of LETS) or banked hours (in the case of timebanks).

## Local Exchange Trading Schemes

A LETS begins when a group of people comes together and chooses a name for its community credit – Exes in Exeter, Bricks in Brixton, Cobbles in Richmond, Yorkshire. These are used to value services and act as currency for LETS members. All members are listed in a directory that records members' offers and wants, and these often include items not sold on normal markets, such as house-sitting, occasional lifts, as well as more conventional goods and services including foodstuffs, household services, professional services, crafts, etc. Most transactions are made online, but paper cheques are also used. The seller states a price and buyers pay with their LETS currency. Members can trade straight away without being in credit as all accounts add up to zero. There is no interest, so debts don't pile up. At most, someone might have a gentle word to encourage members' offers.

## Timebanking

This is a similar form of complementary currency that uses time (rather than the wider range of goods and services traded in LETS) as the medium of exchange. Every hour of service given earns a timebank member one credit and all hours earned are valued equally, meaning one hour of babysitting, for example, earns the same as one hour of legal help or gardening.

Complementary currencies like LETS and timebanks can build resilience against global financial crises and other shocks, as they are not dependent on sterling money or banks to operate. The organised network they provide also allows members to organise quickly and effectively in the wake of crises. After the earthquake in Christchurch, New Zealand, it was the timebank with its 400 or so members that was able to coordinate and direct help speedily to where it was needed because it already possessed the information and systems to do this[14].


*Lyttelton timebank members take part in a community seed-swapping event. Photograph: Lucie Ozanne*

## Transition local currencies

Schemes like the Brixton or Totnes pound create alternative local money. This is then used to trade with anyone who will accept it. Unlike LETS and timebanks, these

## Case study: Credit unions and Quaker action

In other countries credit unions are a much larger part of the financial sector. Owned by their users, credit unions encourage regular savings and give loans, including consumer loans, at interest rates much below payday lenders.

North Wales Quaker Area Meeting's Credit Union Group is working to help Quakers learn more about the benefits of credit unions. They are planning to survey Britain Yearly Meeting and provide guidance on credit unions to meetings in response to their survey submission.

Meanwhile, members of Ludlow Local Meeting decided to sign up to their local credit union together on a Saturday to draw attention to its benefits among the local community. Fifteen members of the meeting opened accounts and they garnered attention from the local press to help spread their message.

### Questions for discussion

Does your area have a local currency, timebank or LETS scheme? Do you have any direct experience of these alternative forms of exchange?

Barclays Bank and Lloyds were both founded by Quakers. What would a Quaker bank of the 21st century look like?

Think about the way you manage your financial affairs. In what ways do these support a sustainable, fair economy? In what ways do they support the status quo?

To what extent does your meeting include ethical considerations when dealing with its money?

currencies are backed one-to-one by pounds sterling, meaning their value is linked to the pound. However, their advantage over sterling is that they keep money circulating in the local economy, contribute to a sense of community and provide food for thought with every transaction on the nature of that local economy. Local currencies give an incentive for local traders to trade with each other, making the local economy more resilient and more sustainable. The Bristol Pound is the largest scheme with annual transactions of over 400,000 Bristol Pounds with accompanying projects for affordable local food and mutual credit for businesses.

All these exchange systems build resilience and encourage more social and equitable relationships alongside trading. Without traditional money, they help people meet their

## A new economy banking system: summary

- Issue of money through central government spending, local democratic bodies, e.g. local government or as a Universal Basic Income.
- The amounts issued to be determined by an independent and accountable expert body
- Better regulation of the banking sector to promote lower-risk, more ethical behaviour and 100 per cent reserves for current accounts
- More ethical local banks committed to their local economies and businesses
- The presence of local currencies and exchange systems able to create social value as well as facilitate exchange.

needs and wants and increase social contact and inclusion.

## Next steps

The changes and innovations suggested above would greatly increase the possibility of building an economy that was truly sustainable and just. But what can individuals, groups and meetings do to aid a transition in this direction?

One way to influence our banking system is to give your financial support to institutions that you think are ethical – that are trying to create the 'new economy' within our current system. This can be through your personal bank accounts and through the bank accounts of organisations you are part of, such as your local meeting. Customers do have influence – the Co-operative Bank has maintained a strong ethical policy despite being bought up by hedge funds because its customer base has threatened to move their money. Likewise, the growth of banks like Triodos signal to other banks that ethical operations can pay.

> *"I have learned … that stewardship of our financial resources demands not only meticulous accounting skills but also knowledge of what our money does, and imagination in devising what it can do…."*
>
> Christine A M Davis, 2008, *Quaker faith & practice* 14.02

To transform money creation, the UK organisation Positive Money is a good place to start. It has comprehensive further reading and resources available on its website and coordinates a network of local voluntary groups who take action for monetary reform in a range of practical ways such as lobbying MPs and campaigning for more democratic forms of quantitative easing.

Friends in Ludlow, North Wales, and elsewhere, as well as other groups across the country involved in establishing and participating in LETS, timebanks and alternative currencies, show that there are many other creative steps we can


*A protester during the Occupy protests in the City of London in 2012* take to begin to transform our system. With these concerted steps, finance can be transformed from a system that enriches the rich into a set of tools and institutions that are democratically accountable and used to create significant social and environmental benefit. In fact, a 'new economy' financial system could invest and help us build the new economy more broadly.

Clearly there are very strong vested interests in the continuation of the status quo. The banks have successfully resisted serious reform in the last eight years. The complexity and esoteric nature of finance can make it difficult for 'outsiders' to advocate for specific alternatives. But unless we start to challenge the idea that only experts have the right to say anything about this sector we'll never see change. The greatest opportunity to move fast on this was in 2008, when the world was reeling from the financial crash, but a renewed opportunity arises from the fact that eight years on nothing much has improved and we are again vulnerable to a financial meltdown. There is much we can do now to build the networks, culture and apparatus of a new system within the old. And when our economy is again plunged into crisis, we must be ready to join with others and take decisive action to overhaul our financial system so that it provides stability and prosperity for all.

## Resource list

**On individual choices and ethical investment:**
Your Faith Your Finance website,
www.yourfaithyourfinance.org

Move Your Money: bit.ly/2hgebC7

**On alternative currencies, money and banking reform:**
'Argentina in the red: what can we learn from Argentina's banking crisis?', Molly Scott-Cato
http://bit.ly/2gjGy0L

Positive Money Campaign
www.positivemoney.org

*Money as Debt* (film)
Available at: www.moneyasdebt.net

Bank of England educational resources: bit.ly/2h295pX

Save Our Bank, A union of Co-op Bank customers, aiming to buy back the Co-op www.saveourbank.coop

New Economics Foundation
www.neweconomics.org

- 'People powered money'
bit.ly/people-powered-money

- 'Let's take control of our banks', p. 38, Chapter in 'Building a new economy where people really take control': bit.ly/nef-take-control

- 'Taking control of RBS'
http://bit.ly/2h5tYRg

The Common Weal
www.allofusfirst.org

*Private Eye* property ownership map
www.private-eye.co.uk/registry

BBC: 'Promises, promises: a history of debt'
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# Principles for a new economy, a summary

**1**

The purpose of the economy is the enhancement of all life, human and non-human.

**2**

We do not over-consume the earth's resources.

**3**

All (including future beings) have an equal right to access and make use of global commons such as land, soil, water, air, and the biosphere's capacity to process greenhouse gases, within the limits of what is sustainable.

**4**

Everyone needs time and resources to participate in community life.

**5**

The well-being of people and planet are not sacrificed to preserve profits or reduce national deficits.

**6**

Since money plays such a key role in the economy, it is created under democratic control, for positive social benefit rather than private profit.

**7**

A fundamental equality is recognised, not limited by race, gender or social origin.

**8**

The tax system redistributes from richer to poorer, with richer people paying a greater proportion of their income.

**9**

Businesses are structured and owned in a variety of ways. Cooperatives and community-owned enterprises form a large part of the economy as well as private and national ownership.

**10**

A revitalised, participative and more truly representative democracy is key to our peaceful and prosperous coexistence.

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