

## NESI Track 1 report

# "Rethinking Money: The future of Banking and Finance"

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*Málaga, April 2017*

### Workshop summaries

Monetary exchange, economic production and financial contracts presented a categorisation challenge for establishing workshops, due to their deeply interconnected nature. Within track 1, the four workshop themes created to discuss money and finance was:

- 1) Money creation: Money creation takes place through the banking system, involving interplay between central banks - which issue the base money supply - and the commercial banking sector, which issues a secondary form of money on top of that via lending processes.
- 2) Bank lending.
- 3) Broader finance: looking beyond financial institutions beyond commercial banks, to those such as investment banks and investment funds.
- 4) Philanthropy: the use of excess money made by individuals in the course of normal business and how it could be positively employed.

### Great stuff already happening / challenges

The challenges to reform the finance and banking sector are significant. First and foremost is the power of financial institutions to resist reform. However, headway is being made. Critiques of the current money creation system come from *monetary reform movements* and *structural banking system reform movements*. To some extent this complements the *alternative currency sector*, though such groups do not necessarily directly target the mainstream money system.

The existence of *alternative banking* (ethical banks etc.), while not necessarily critiquing the underlying money system, critique what sectors that money system is used to mobilise.

With regard to broader finance, successful examples of action include divestment movements that target pension funds, or campaigns that target investment bank speculation. It also includes the broad fields of *sustainable finance* and *social finance*. Their critique is not necessarily directed towards the underlying monetary system, or the commercial banking sector that upholds that money system, but rather the higher levels of finance that are built upon the underlying money system.

## Key themes/insights

Monetary reform, financial reform and social-environmental financial innovation are not new, and there are many existing attempts at change. These include alternative currencies and alternative banks as well as more mainstream banking reform initiatives. Additionally, efforts are also being made in the direction of more radical monetary reform policy proposals, sustainable and social finance initiatives, autonomous anarchist solidarity finance systems, P2P systems and technological projects.

The awareness of this complex patchwork of existing and new initiatives led to a range of impulses on the part of participant ranging from the desire to consolidate, to innovate, to scale, to educate, to make more accessible, to research and finally to coordinate and contextualise. Ultimately, all these impulses have a role in taking forward future actions, and the key ideas these impulses generated for future action are presented below.

## New ideas/possible actions

The following provides ideas of particular interest across the four workshops that might add to that list.

### Money creation and the banking system

- **Building a monetary constitution through local assemblies.** Groups like Positive Money have begun to create a network of monetary reform initiatives around the world - inspiring such groups as Onsgeld in Netherlands - but these groups have often already decided on solutions to the problems they present to people. Perhaps for a wider movement to form there needs to be a more inclusive process. Rather than people being told how they should respond to the knowledge about bank creation of money, the idea is that perhaps there needs to be structured debate through local assemblies in which people debate and grapple with the problem. Through this, local groups can begin to build out the elements of 'monetary constitutions' at a local level, which in turn can feed into a broader money reform agenda.
- **Disclosure on money creation processes, and credit allocation.** A promising idea is to push for much greater disclosure on bank credit creation and allocation processes. Are banks issuing credit (and therefore money) into real estate, financial assets and other non-productive sectors, or are they issuing it into the real economy of production? And, within the real economy, are they issuing it into sustainable projects? Levels of disclosure on lending are very low, and this could provide helpful data and impetus for reform.
- **The social impact of banking (and finance more generally).** Not a new idea, but one ripe for further development is to develop standardised KPIs for social impact of all banks, which in turn can then be used for lobbying for change. There already

are initiatives like the Equator Principles that attempt to set standards, but groups like Banktrack criticise these for being too lenient. There already has been much work done in measuring the social impact of investment, but it could benefit from a review of what already has been done, and how it could be extended or improved. One particular issue that was identified during the sessions was a need for greater measurement of worker exploitation.

- **Move your Money Campaign 2.0.** MoveYourMoney campaigns encourage people to close down their accounts in large, mainstream banks and to shift their support to smaller, alternative banks, such as social banks, co-operative banks and local banks. After a few years the campaign came to an end. There is a constant need to revive these campaigns, though, and to create them in new countries. They provide great vehicles to both critique existing banks, and to encourage alternatives.
- **Create a ‘financed by an ethical bank’ mark.** Businesses are normally very secretive about where they get their financing from, and traditionally we have looked to banks to provide disclosure on where they are lending. Imagine, though, that we created a ‘financed by an ethical bank’ mark to complement other such marks, like the FairTrade mark and Fair Tax mark.

### Consolidation of existing alternatives

There were a variety of calls for consolidation projects across the various streams. Here are two:

- **Alternative and complementary currencies:** Alternative currencies present a challenge to the standard money-banking complex, and many regions have multiple such projects underway. There were calls to establish, or build upon, or consolidate existing databases of alternative currencies, and strengthen information exchange networks. Groups like NEF and CCIA (Community Currencies in Action) have already been working on this, but there is space to support.
- **Ethical banking:** There were calls for consolidation and sharing of best practices in alternative banking, which in turn can serve as a platform from which to launch new initiatives. Groups like GABV and the Institute for Social Banking already have such projects, which can be complemented.

### Scaling

There were various proposals for how to replicate or extend existing ideas and take them to greater scale. This included:

- A proposal for the development of a ‘**money commons**’, a currency system that can be replicated and that ‘creates a global alliance of social currencies’. This remains a somewhat vague proposal, but could be investigated further.

- **Climate change finance:** Investigating how to boost finance for climate change mitigation and adaptation is a huge area, and could be a focus of work.

#### **Galvanising civic action: The Finance Watch Change Finance campaign**

- Creating a Global Change Finance campaign under the slogan #10YearsAfter. This would be a programme and platform to engage the public on what has changed, what hasn't changed, and what is still to be done 10 years after the financial crisis.

#### **Philanthropy**

- **Gift economy.** We could create a more horizontal conception of philanthropy which is more akin to a general *gift economy*. This can also include non-monetary forms of gifting, including volunteering. The gift economy, in a sense, could be described as the democratisation of philanthropy.
- **Find ways to channel philanthropy to reach smaller organisations and projects,** rather than to the large institutionalised NGOs and usual suspects. For example, one proposal was to revive old villages by turning them into centres of the circular economy. These in turn could then be used to show a vision of better society. Unlike mega-projects and model cities - which are entirely new cities built at scale - such a project would be concerned with regeneration of existing towns and an appreciation of localization.
- **An investigation into the social impact of philanthropy vs. the social impact of activities that earned the original money.** There is concern around how philanthropic money is being earned in the first place: is it coming from socially and environmentally destructive practices and then being channelled into socially and environmentally constructive projects?