



The future of Money; Value-based banking

Lars Hektoen

Cultura Bank

May 6. 2011

Copyright © 2011 Lars Hektoen

Available under a [Creative Commons BY-SA 3.0 License](https://creativecommons.org/licenses/by-sa/3.0/).





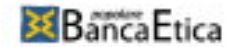
Main themes

- Banking and value based banking
- Banks
 - Origin
 - Development
 - Practice
- Money
 - Exchange
 - Storage
 - Measuring unit

Cultura is one of the GABV banks

- **The Global Alliance for Banking on Values is an independent network of banks using finance to deliver sustainable development for unserved people, communities and the environment.**
- The new partnership will develop new ways of working, build organizations better suited to long-term sustainable thinking, and new forms of ownership and economic cooperation.

In good company



A Call to Action

Having just suffered the shockwaves of the global financial crisis, the world is now on the brink of facing huge further crises: food shortages, depletion of critical natural resources, access to clean water, climate change, growing economic inequality, and further financial crises. Therefore today we commit to act upon and call for five immediate actions to be taken on critical issues facing the economy and society:

1. 'People-first' financial services

Banks and other financial institutions must create products that serve human needs before profits and address the critical issues of our time.

2. A new era of transparent banking

Clients and depositors of all banks need and deserve far more transparency on their banks' business models and how they use their clients' money.

3. Full Accountability throughout the global financial services industry

Society needs and deserves more than just gestures towards sustainability - banks need to take full accountability for the impact of all of their activities in the short and long term.

4. Public education and financial literacy

Society requires better support in understanding the implications and effects of financial transactions and how money can be used positively in ways that reflect their values.

5. Policy changes to support sustainable banking

Governments and regulators must reflect on how they can change the banking system to provide positive impacts on their societies - and act now to level the playing field for positive sustainable innovation in banking.

Essence of value-based banking

- Ethical standards
- Purpose driven
- Triple bottom line
 - People
 - Planet
 - Profit
- Transparency

What is banking about?

- Intermediary between owners of excess capital and people in need of funds
- Performs credit evaluation
- Places the money in various assets, mostly loans to private persons and companies
- Performs payment services
- Also other services, broker , trader etc.

Banking and money

- Banks have been around for a while.....
- If the system works, why change it?
- What do we want from banks
 - Take care of our financial needs
 - A service function in the society

Disintermediation

- Companies borrow directly in the market by issuing securities
- What if we as private citizens do the same, borrow from other than banks?
- Banks have been forced to find other sources of income, like proprietary trading and other services

Finance may be

- Asset based
 - Lending to finance a real asset
- Liability Based
 - Issuing debt (securities)
 - Asset backed or just on confidence in ability to repay.
 - Bank lending
- People based?
 - Lending against personal guarantees
 - Confident that the customer will earn sufficiently to repay the debts

Past and future

- Coming from barter and precious metals
- To paper money covered by gold or silver
- To paper money without backing in gold
- To money in bank accounts, checks
- Money in bank accounts...debit cards
- Credit cards, spend first pay later
 - Creating a new liability
- Other ways?
 - Use your cell phone

Prerequisites

- Money is based on trust
- A meaningful area
- Number of participants
- Demurrage or not?
 - The cost of keeping cash over time
 - Incentive to spend or invest
- Inflation

Complementary currency

- When their money system collapsed after WW 1 the Germans and Austrians did it
- Is the system dysfunctional now?
- Printing money itself does not create wealth
 - Only inflates nominal price of things

Der Stoteler Grafen Erstes war, ihr Volk zu
schützen vor Gefahr. 1219



Dieser Guttschein verliert seine Gültigkeit einen Monat nach
Aufkündigung in den Tageszeitungen der Unterweserorte.
Er wird eingelöst von der Spar- und Darlehnskasse Stotel
und der Landesgenossenschaftsbank in Geestemünde.

Stotel, 11. Februar 1921

Der Gemeindevorstand

Alternative (complementary) money



The future

- Several layers of money, depending on purpose
- International money= SDR based
- National money
- Local money
 - Issue of notes
 - Electronic

All types of money can circulate simultaneously

Development in finance

- Derivatives
 - From hedging instruments (commodity futures) to Financial Weapons of Mass Destruction (Warren Buffett)
- Information Technology drives the markets and makes trading more opaque (black box)
- Now: can IT also be used in a positive sense?
 - If knowledge (information) is power, use IT to give the (financial) power to the people!

Democracy

- Means rule by the people = "us"
- We sometimes feel we are ruled by "them"

- Debt as driver of economic growth and development.
- Increase in debt relative to income and assets
 - "leverage"
 - It takes more debt now to create a certain growth
 - Are we being deceived?
 - More interest payments per unit of growth?

Trust

- So I will maintain that if trust is there the means of exchange is only limited by our imagination
- Thank you for listening