

DEMOCRATIC MONEY AND CAPITAL FOR THE COMMONS

Strategies for Transforming Neoliberal Finance Through Commons-Based Alternatives

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Executive Summary

The logic of neoliberal capitalism is responsible for at least three interrelated, systemic problems that urgently need to be addressed – the destruction of ecosystems, market enclosures of commons, and assaults on equality, social justice and the capacity of society to provide social care to its citizens. None of these problems is likely to be overcome unless we can find ways to develop innovative co-operative finance and money systems that can address all three problems in integrated ways.

A key driver of these pathologies is debt-driven growth and deregulated finance, which are central elements of the neoliberal economics introduced by Thatcher and Reagan in the early 1980s as the successor to the Keynesian paradigm. This shift was marked by the abolition or relaxation of legal interest rate caps in most countries, which has resulted in usurious rates for many conventional loans and rates as high as 5,000% for payday loans. While such predation was once mostly directed at the poor, precarious workers and the global South, it spread under other forms to middle-class Europeans and Americans in the 1990s and in the 2000s. Over-indebtedness has become a ubiquitous condition that has, deepened since the 2008 crisis, strangling economies all over the world and inflicting great social injustice. Yet business-as-usual continues and mainstream politics has no interest in fundamental reforms.

Fortunately, new opportunities to pursue systemic change are arising. As the internal contradictions of capitalist finance become more evident and more damaging, insurgent critiques of the money system are gaining ground as is the development of practical alternatives. Near-forgotten historical models of cooperative finance are being rediscovered as new technologies enable novel DIY credit systems, alternative currencies and cooperative organizational models. One might say that a post-capitalist vision for finance and money is fitfully emerging.

But can the eclectic jumble of piecemeal solutions – alternative banks, currencies, lending systems, cooperative digital platforms, policy proposals, and more – be synthesized into a coherent new vision? Can the various projects and players in this sprawling realm find each other, initiate deeper collaborations, and attract wider support? To explore the possibilities, the Commons Strategies Group, working in cooperation with the Heinrich Böll Foundation, convened twenty-four leading thinkers, activists, policy innovators and funders for a two-day “Deep Dive” strategy workshop.

I. Why A Transformation of Money, Banking and Finance Is Essential

Neoliberal capitalism, especially in the aftermath of the 2008 meltdown, is demonstrably unable to meet basic human needs in socially fair, ecologically responsible ways. Its obsession with economic growth and private wealth accumulation has become predatory and socially parasitic, and the overall system is wired to produce recurrent, catastrophic booms and busts. But it is not widely appreciated that money and the money system are social creations that act as invisible instruments of social engineering and order. To many, they seem a kind of natural economic order. But it is entirely possible to recapture public (government) control of the ability to create money from the private sector so that money can be used to serve public, democratically determined needs rather than the narrow profit-making goals of private banks and financial institutions.

The general public is not aware that money is created by private banks through the creation of new debt, repayable by governments and households with interest. However, instead of seeing money as something that government must borrow from banks, we might also see it as a common good – a public supply of currency that could prioritize socially necessary expenditures, including investments in the private economy, without first raising revenues through taxes. There need be no “deficit” resulting from public borrowing from banks. Money would simply represent a public source of new currency, a function that private banks already perform by generating money as debt. The difference would be that public currencies would be interest-free and support democratically determined needs; they would not need to meet the commercial, profit-driven priorities of private lenders. Money for the common good could be democratically created as a public service and allocated for the public interest.

II. How Can We Finance Commons and Commoning?

The conventional financial system is dedicated to an economy of exploitation and extraction. It amounts to a pyramid scheme with a built-in growth imperative because in order to repay interest – an addition to the initial sum of money created by banks – the general population must take on ever more debt, and at a faster rate than the economy grows. This debt treadmill driven – by compound interest – invariably leads to speculation and boom-and-bust economic crises. Unlike 1929, which led to Keynesian reforms and a New Deal in the US and the emergence of the modern welfare state, the global banking and money system since 2008 has been shored up without any fundamental reform. Our money and banking system is now based on rent extraction that uses privatization, the division of labor, and the enclosure of common resources to create a surplus.

This process is supported by a diversity of financial instruments that create a variety of constraints and claims on the privatized resources and labor. These financial realities prohibit the generation of new capital for public and common uses and frustrate the capacity of commoners to create their own value and capital for common purposes. Instead the existing production and financial system is designed to siphon all value creation into private pockets. Thus, the only hope for commoners and those committed to finance as a tool for promoting the public good lies in dismantling the existing rentier system and reintegrating the realms of nature and social value into a reconceptualized whole in which capital serves the collective aims of societies.

In short, we need to reimagine and reconstruct the role of money and credit if we are to create a commons-based society that is both democratic and equitable. This means using finance to enable people to engage in commoning and the promotion of economic and social co-operation through a process of envisioning, articulating, and creating shared resources as common goods. This is a very different mentality than the feverish buying and creating of private assets which is the primary aim of conventional lending. It's about funding a *process* for mutualization. This requires a wholly different set of institutions, legal regimes and social practices for managing (and mutualizing) money, credit and risk.

III. Nine Institutional Forms to Transform Finance

But we need not start from zero. The good news is that credit and risk can be reconceptualized to serve the commons. It has been done before in various limited ways. There are a wide variety of historically proven and promising examples that have already emerged to address these issues. The Deep Dive explored nine innovative models of finance.

1. Social and Ethical Lending.

Ethical social banks such as Fiare in Spain and Banca Etica in Italy are actively concerned with the social and environmental impact of their loans. They therefore focus on borrowers associated with the fair trade movement, corporate social responsibility, local businesses generating local good work, and other co-operative and social concerns. With its linkage to over 400 local government administrations, Banca Etica has a strong public sector and community component. The co-operative bank's equity, currently 52 million euros, is owned by over 35,000 shareholders and 90 local groups, which actively help develop the bank's products and services and hold it accountable to its social mandate.

2. Community Development Finance Institutions.

CDFIs are a species of cooperative and mutual lending institutions that have proliferated in the U.S. as a way to democratize access to credit, especially in the face of racial discrimination. Thanks to strong support from Presidents Clinton and Obama, there are now more than 1,000 mission-driven organizations officially recognized as CDFIs, and another two or three times as many institutions doing similar work but without official certification. Their collective assets amount to tens of billions of US dollars. CDFIs have also been developed in the UK and are growing in similar ways.

3. Public Banks.

An attractive alternative to the boom-and-bust economy spurred by the commercial banking system is public banks. Public banks can immediately lower public borrowing costs; provide capital to address social needs in ways that are not extractive; and lower the cost of infrastructure investments by half by reducing the interests costs of such projects. One example is the Bank of North Dakota which provides low-interest loans for small businesses, students, and farmers while generating over \$300 million in dividends over ten years for North Dakota's 600,000 residents. Between 1938 and 1974 the Bank of Canada operated in this way through a public banking arm and on a national scale. Some of Canada's largest infrastructure projects – like the St. Lawrence Seaway – were financed in this way. There are many good examples of public banking internationally, including municipal banks.

4. Transition-Oriented Credit.

One key problem with traditional banks is that they struggle in circumstances of non-growth, or when the market rate of interest is low. Some ecologically minded communities are therefore trying to devise a credit or finance model that can work well in circumstances of no growth that can still support a resilient local economy. The Sambruket community in Sweden has concluded that it needs to establish both a natural resource commons and a complementary financial commons to work sustainably. As a co-operative, it is experimenting with a crowd-equity nonprofit mechanism as a way to support local sustainable development.

5. The Blockchain Ledger as a Community Infrastructure.

Despite controversy about its role in speculation, Bitcoin is a significant financial advance because of its innovative “distributed ledger” or “blockchain” technology. This breakthrough system allows people on open networks to validate the authenticity of an individual bitcoin (or digital certificate or document) without the need for a third-party guarantor such as a bank or government body. This has far-reaching ramifications because blockchain technology can be used reliably to manage social relationships on network platforms, such as the establishment of “distributed collaborative organizations” based on digital networks, or frameworks for collective governance of a group. If users can avoid the usual need to verify the reliability or trustworthiness of other users, it allows an indefinitely large number of participants to engage in exchange relations on open network systems.

6. Complementary Currencies.

Community Forge – communityforge.net – is a social networking platform that lets communities create their own local currency, manage exchanges and member accounts, and advertise individual and collective needs. More than 400 communities use the Drupal-based platform to manage their complementary currencies. By the end of 2014, Community Forge supported 550 LETS projects in France, 113 in Belgium, 63 in Switzerland, and 150 timebanks. One interesting alternative currency is uCoin, a project in France that seeks to implement a basic income through the use of cryptocurrency.

7. Crowdfunding for the Commons.

One of the most innovative crowdfunding enterprises is Goteo, a Spain-based open-source platform dedicated to advancing commons projects and principles. Goteo differs from standard crowdfunding sites in that it invites public participation in improving projects and greater accountability to donors. To date, Goteo has funded more than 400 projects, with a 60-70% success rate in meeting fundraising goals. It has more than 50,000 users and has raised more than 2 million euros since its founding in 2011.

8. Enspiral and Commons-based Virtual Banking.

Enspiral is a New Zealand-based network of entrepreneurs, professionals and hackers who are “using the tools of business and technology to make positive social change.” The enterprise uses software platforms to create novel organizational structures for hosting new types of collective self-provisioning and financing. One such platform, my.enspiral, allows the members of the Enspiral Services freelancer and contractor collective to use an internal banking system within a walled garden of autonomy and flexibility.

Enspiral also has a Cobudget platform that lets participants allocate money in the collective budget in proportion to how much they contributed to it.

9. New Organizational Forms for Cooperative Accumulation.

Some organizational forms are showing great promise in fostering new types of “cooperative accumulation” – i.e., the collective accumulation of financial resources for mutual benefit. One notable example is the “solidarity economy” and multi-stakeholder cooperative models, especially as developed in Italy, Quebec, Canada, and more recently in New York City (Solidarity NYC). The issuing of Co-operative Shares, developed in the 1990s by the Fair Trade movement in the UK, has been revived since 2008 to raise capital for a wide diversity of local and community needs, including the development of renewable energy, saving rural shops, the community buy-outs of pubs, land acquisition for local food production, and other purposes. The UK community shares movement, which has spread to Canada, highlights how co-operative forms of equity capital can be raised to help meet common needs.

IV. Strategies for Moving Forward

Participants identified five key strategies for moving forward:

1. *Democratize Money.* Commoners must re-capture the money-creation system for public purposes and replace debt-based money. The government of Iceland has produced a 2015 report showing how to do this.

2. *Get Beyond Money (As We Know It).* Since money tends to promote social relationships that require the exchange of equivalents (agreed upon prices for the purchase of goods) and behaviors that exclude those with no money, many commoners wish to move “beyond money” by honoring the *indirect* reciprocity of commons and to welcome different types of money in different contexts as ways to give communities greater self-determination.

3. *Back to the Future: Blending the Old and the New.* The historical experiences and wisdom of the older co-operative models associated with the labor movement and left politics should be blended with new models based on digital technologies that are being developed by a younger generation. Many time-tested models such as JAK fee-based banking, demurrage (negative interest) currency and the WIR currency developed during the Great Depression to stimulate local economies, are inspiring innovative forms of money.

4. *Engineer Systems for Cooperative Accumulation.* It is essential to devise new organizational forms (not just financial systems) that have the capacity to enable “cooperative accumulation” – i.e., to accumulate financial reserves or assets that can be mutualized, democratically managed, and mobilized to develop and sustain forms of capital that create commonwealth. Multi-stakeholder co-operatives like in Italy, Quebec and Japan can provide guidance on how to develop convivial legal structures for commoners, co-operators, and sustainable community development.

5. Macro-Map the New Monetary System as a Commons. We must differentiate between the “Real Economy” that meets people’s everyday needs and the “Unreal Economy” that is dominated by parasitic “rentier-finance.” A macro-mapping of a commons-based credit and finance system can help us visualize the relationships for structuring and operationalizing the new economy.

Next Steps

A number of specific action steps were identified for moving the above goals forward. They include: Theoretical and conceptual research; policy development and outreach; the development of a richer, broader discourse about finance and the commons; the creation of new venues for collaboration and activism; the intensification of experiments in new currencies; and funding for project development and commons institutions. One immediate proposal was to advise and support Syriza and the people of Greece as they struggle to develop effective responses to the social and economic crisis ravaging that country.

Conclusion

The Deep Dive discussions showed that a commons-based system of money and capital based on democratic and equitable principles is entirely feasible. Many existing and emerging models can overcome the prevailing system of debt and interest, and bring about the transformation that our societies need. The challenge is in achieving root-and-branch change and the creation of transition institutions within a system that has so many complicated and seemingly disconnected facets. It is therefore difficult, both practically and strategically, to transform the current system so that it can be made inclusive, democratically accountable, socially constructive, and ecologically benign.

However, it is also clear from the discussions that there are many options to pursue and that they should not be seen as either/or choices, but as both/and challenges. We can find inspiration and guidance from many historic and current examples of interest-free money, public sector money not based on debt, and forms of public, social and co-operative banking. Each of these innovations serve different needs and functions, but all are complementary and can be integrated in a convivial money system that can provide equitable capital and other ethical and useful financial services for commoners and their communities. The evident problem with developing the available options today is the disjointed and weakly organized character of existing reform initiatives. There is not yet a shared meta-narrative to galvanize and unite a monetary reform movement that is both democratic and devoted to sustainable and humane forms of development.

Commons principles and practices can help establish a dynamic and integrated agenda for change, and draw upon many robust tools and policy proposals. A unifying narrative is also essential for both resisting and offering concrete alternatives to the unaccountable private-sector power of banks to create debt-based money out of thin air. The state and the people need to strip bankers of this sovereign power. Co-operative and democratically accountable forms of organization can provide a feasible alternative social architecture that can protect, maintain, and steward these practices in service to the common good.

But immense popular pressure is necessary to achieve these changes. Money needs to be democratized. Debt bondage needs to be abolished. New systems of co-operative finance, banking, and publicly generated currency need to be established. Only in this way will the commons be protected, promoted, and placed at the service of all – not enclosed and expropriated for the benefit of the privileged few.