

Money, GDP, Alternative Indicators and Practice

Leiden, 11-10-2012

Martijn Jeroen van der Linden

Platform Duurzame en Solidaire Economie



Agenda

Background mjevdl

Money creation

Link between money, GDP and alternative indicators

Two concrete projects:

- Macro Economische Verkenning+ 2013
- Energetic City 2050

What could be a next step?



Background mjvdl

Past

- Business Administration (Tilburg, 2004)
- Management trainee, project and portfolio manager @ ING, day trader @ Amplify Trading, lived and worked in 5 European countries.

Now

- Different courses philosophy. Art. Ardvanderlinden.com
- Zzp'er, member and coördinator Platform Duurzame en Solidaire Economie, advisor Duurzaamheidsoverleg Politieke Partijen, lectures, writing, mjvdl.com.

Personal experience

- It's all about money.
- A lot of people think it is impossible to change big systems.



Interdependent

Economic growth,
money creation,
return on investment
and interest.

Interdependency makes it difficult to change.

We need a system change.



Money

Money = an agreement

Functions of money: medium of exchange, unit of account and store of value.

Money = medium

Money \neq goal



Money creation

Money = debt

By commercial banks

On the basis of trust that the borrower repays

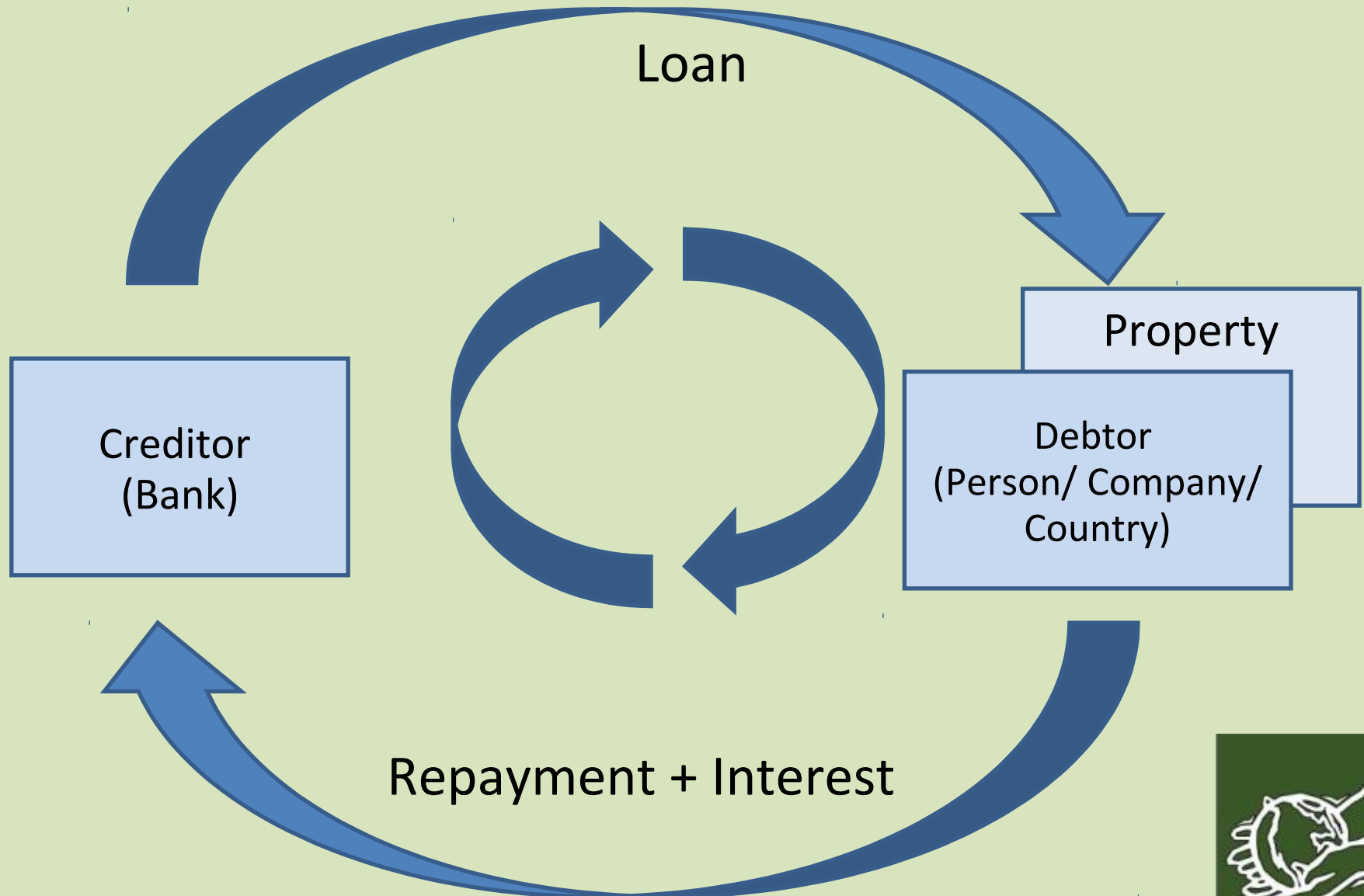
“By far the largest role in creating broad money is played by the banking sector... When banks make loans they create additional deposits for those that have borrowed.”

Bank of England 2007



Money creation

Pay back time > time pressure



Money creation

Figure 9: Loan by Barclays Bank.

BARCLAYS BANK BALANCE SHEET (Step 1)	
Assets	Liabilities
(What the borrowers owe to bank + bank's money)	(What the bank owes to the depositors + bank's net worth)
Loan to Robert: £10,000	

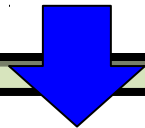
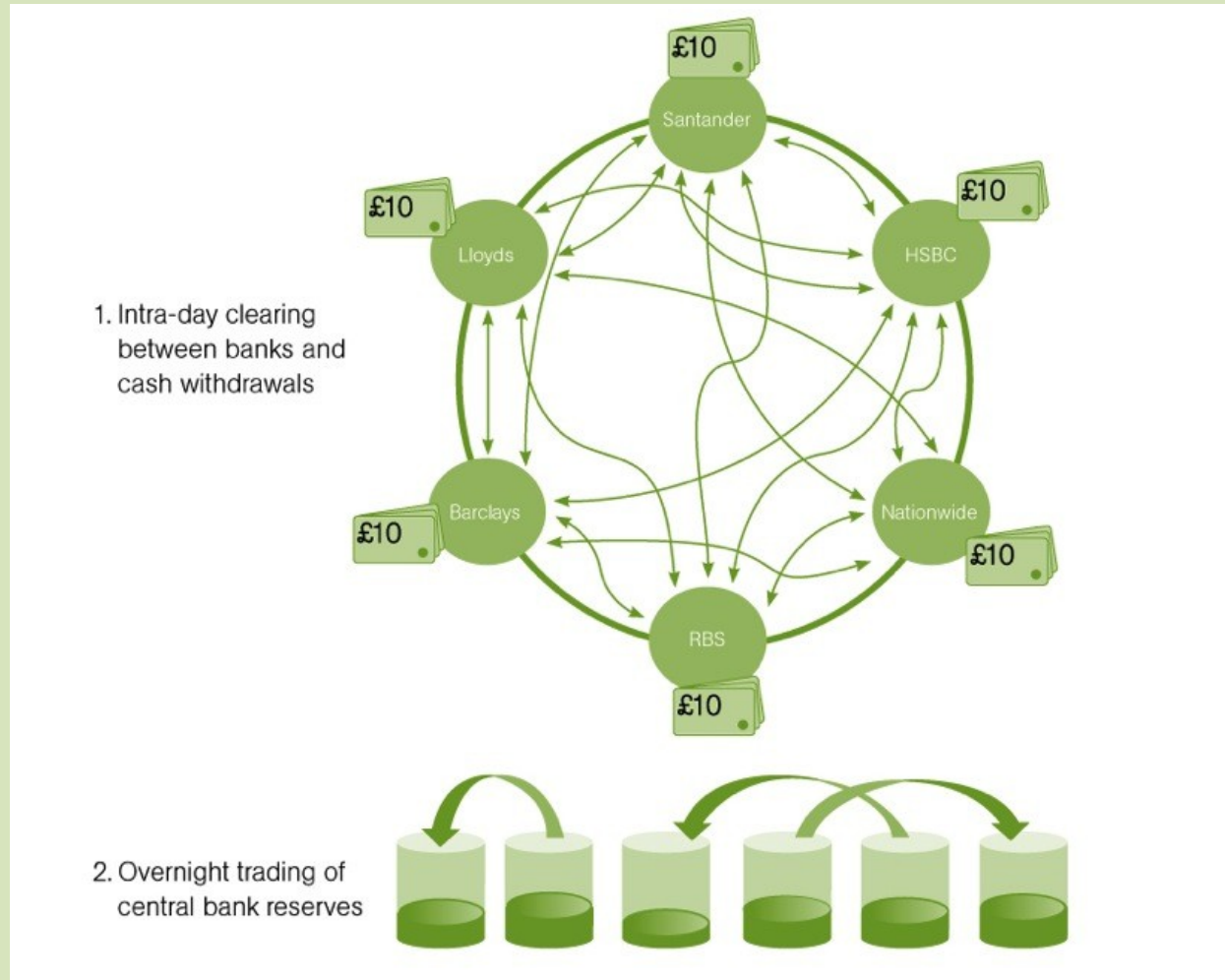


Figure 10: Bank simultaneously creates a loan (asset) and a deposit (liability).

BARCLAYS BANK BALANCE SHEET (Step 2)	
Assets	Liabilities
(What the borrowers owe to bank + bank's money)	(What the bank owes to the depositors + bank's net worth)
Loan to Robert: £10,000	Robert's new account: £10,000



Money creation



Money creation

Figure 4: 'Balloon' of commercial bank money.



'In the real world, banks extend credit, creating deposits in the process, and look for the reserves later.'

Alan R. Holmes, Federal Reserve Bank of New York (1969)

'In reality the sequence works more in the opposite direction with banks taking first their credit decisions and then looking for the necessary funding and reserves of central bank money.'

Bron: Ryan-Collins et al. (2011) *Where does Money Come From?*, nef (the new economics foundation), p23

Vitor Constancio,
vice president of the
European Central Bank
(2011)



Money creation

No control on the amount of money and qualitative allocation.

State as insurance.

Lots of money spent to restore 'trust' in markets, not to solve concrete problems.

Control over money is a social and political issue.

Big influence on GDP!!



More money, more debt

National debt G20 advanced economies:

In 2007: 78% of GDP

In 2009: 97% of GDP

In 2015: 115% of GDP

(Source: IMF 2010)



By 1990 the total debt of consumers, businesses, government and the financial sector in western economies was between 120% and 200% of GDP.

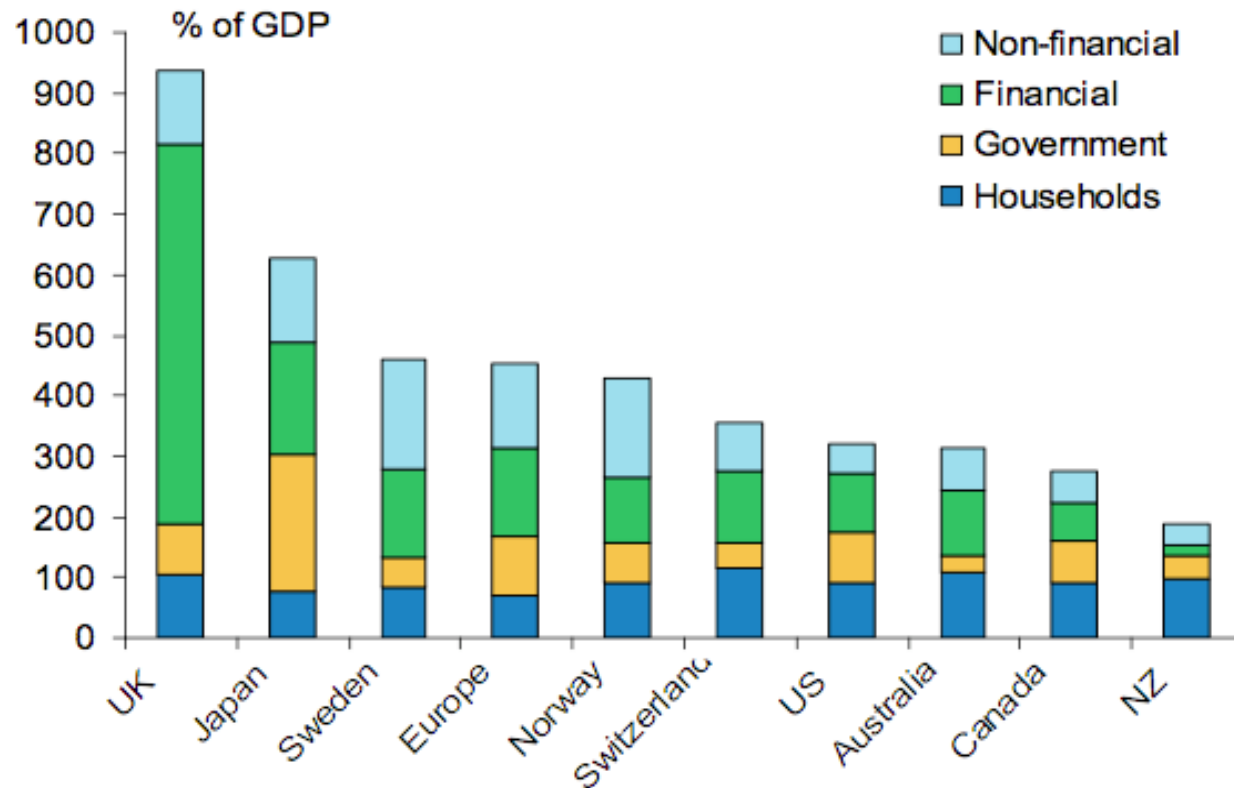
In 2010, total debt has grown to between 240% and 450% of GDP.

(Source: McKinsey Global Institute 2010)



More money, more debt

G10 Debt Distribution



Source: Haver Analytics, Morgan Stanley Research

Reproduced from Business Insider

http://articles.businessinsider.com/2011-12-04/markets/30473957_1_household-debt-uk-safe-haven



Problem current system

Loan = Principal + Interest

Banks create principal, not interest.

There is never enough money to pay back all principals and all interest.

In case of degrowth and no system change > constant crisis



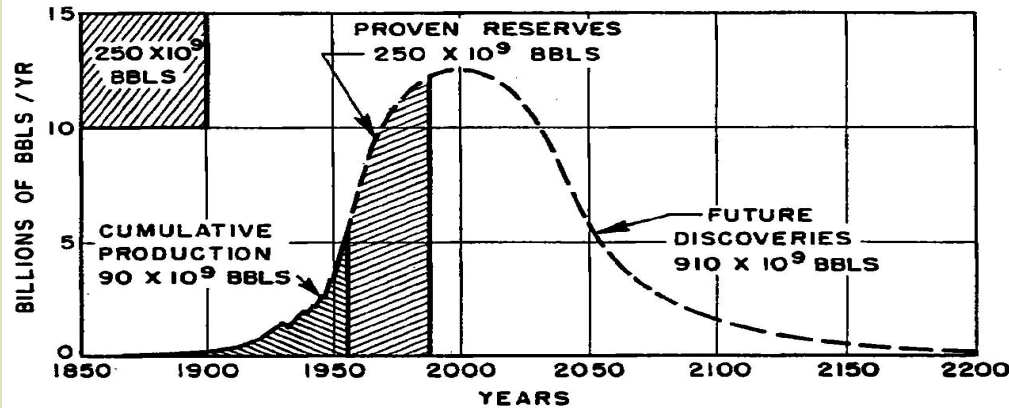
Matter-energy and monetary culture

“The world's present industrial civilization is handicapped by the coexistence of two universal, overlapping, and incompatible intellectual systems: the accumulated knowledge of the last four centuries of the properties and interrelationships of matter and energy; and the associated monetary culture which has evolved from folkways of prehistoric origin.”

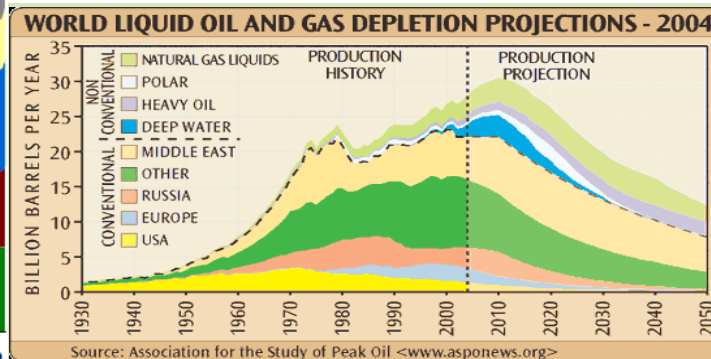
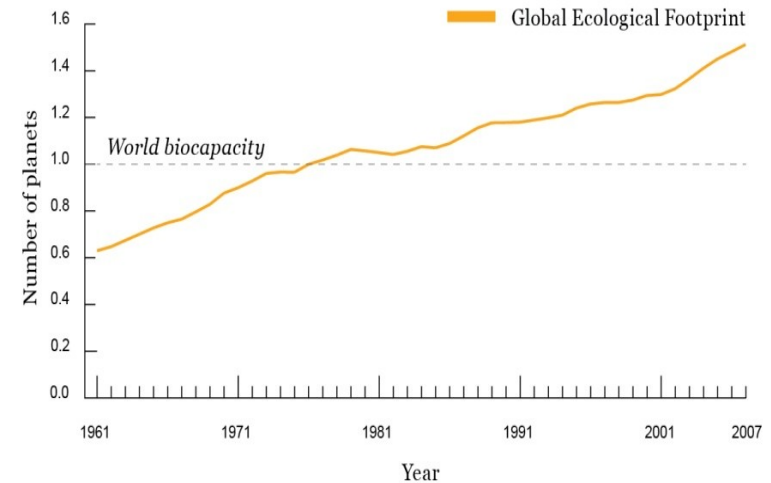
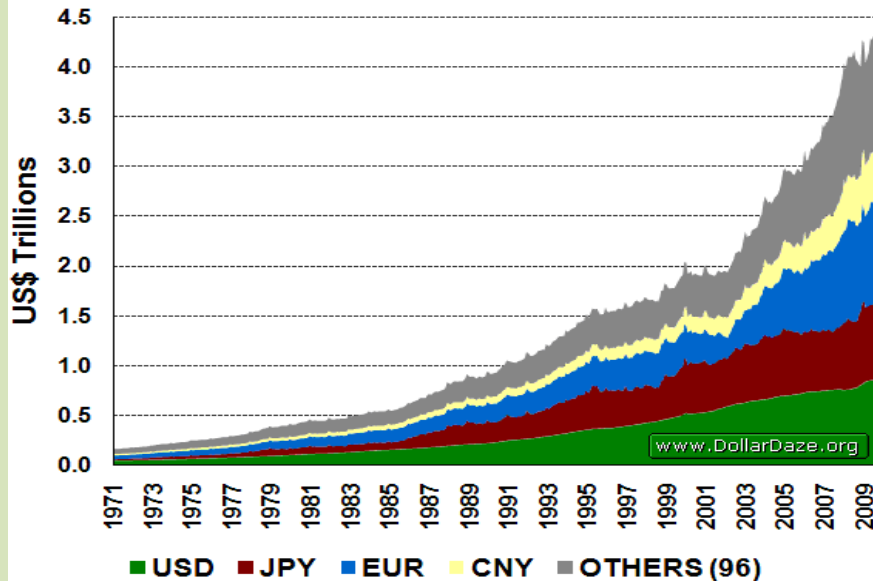
Hubbert, 1988



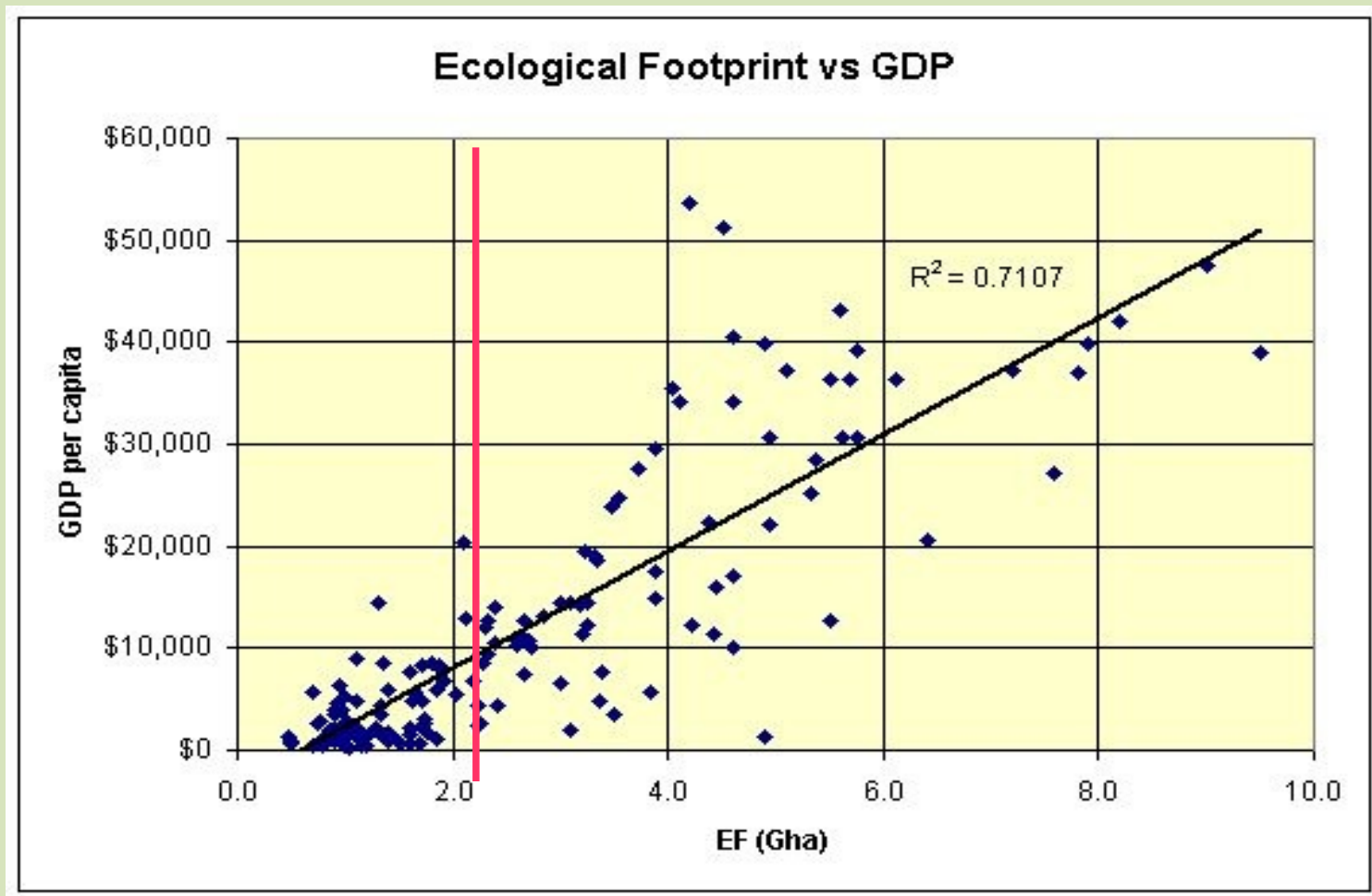
Matter-energy and monetary culture



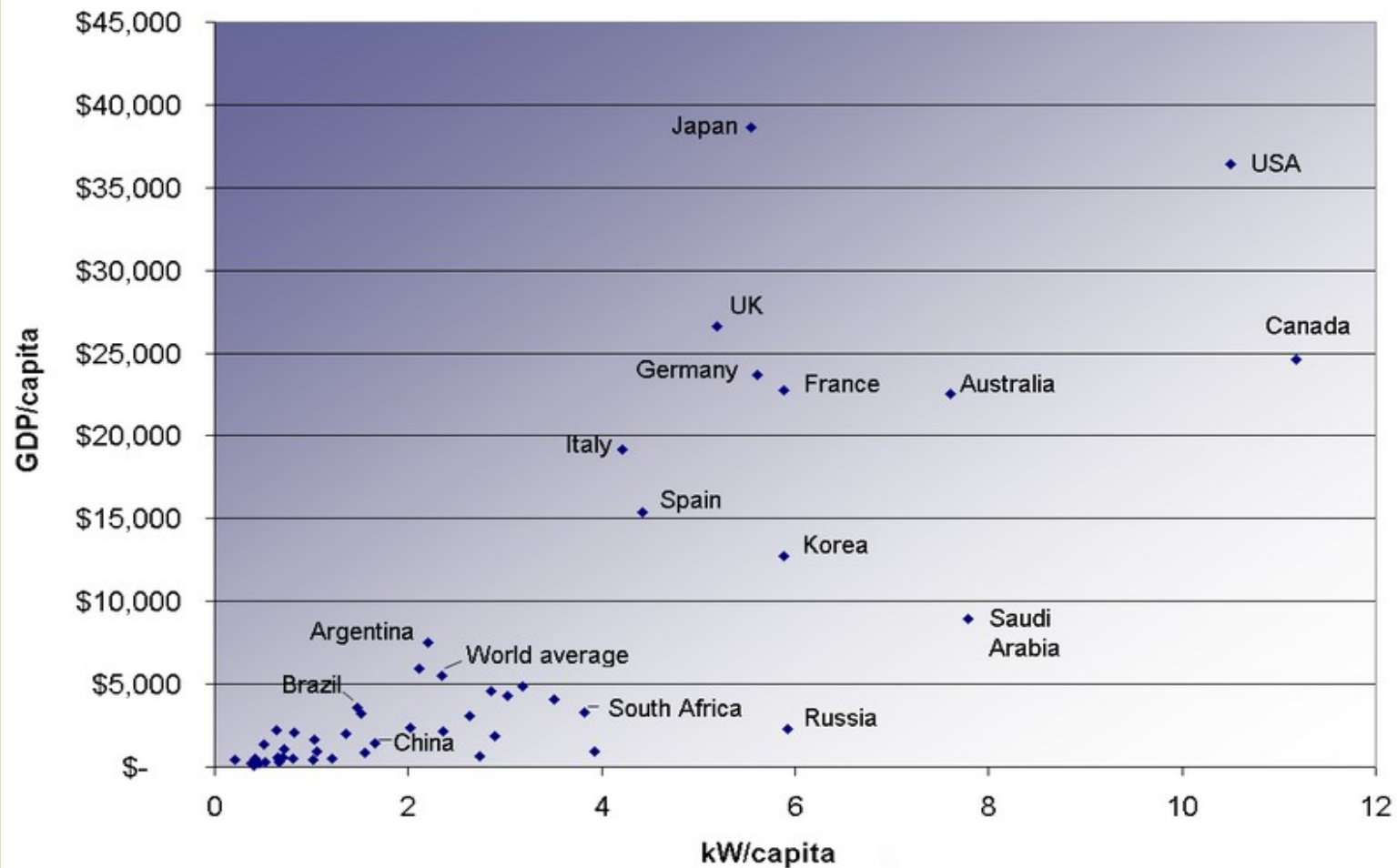
Estimated Global Currency in Circulation
(Jan 1971 - Sep 2009)



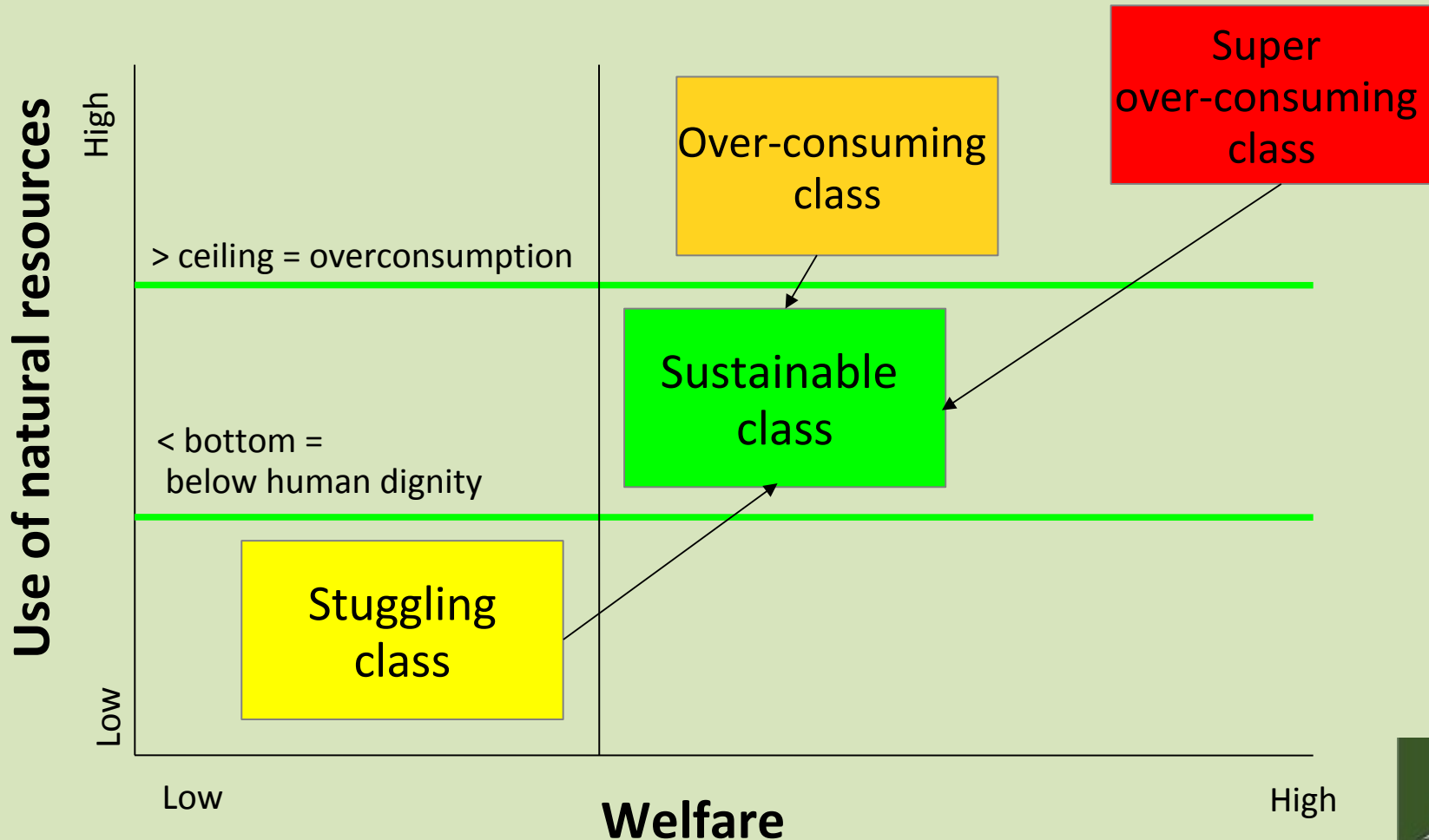
Ecological Footprint vs GDP



KW/capita – GDP/capita



Strategy per class



Business as usual: not an option for the future

SERI > Two main problems:

First, the current level of global resource use is not sustainable

At the same time, billions of people on the planet are still living in material poverty and rightly demand a substantial increase of their consumption and material welfare



3 questions: Sustainable Europe Research Institute

Is the current model of material intensive lifestyles desirable as a future vision ? And if not, what is an attractive and sustainable alternative?

Are we willing to implement a limited and equal distribution of material consumption globally ? If yes, at what level ? The current OECD-level, which would mean accepting a doubling of environmental pressures ? The current global average, accepting global distribution and current levels of ecological pressure? A level oriented on current best practices or maybe less ? If one of these options seems to be favourable, what kind of incentives and sanctions would humanity accept to enforce them?

If an equal distribution is not worthwhile, what would be an alternative approach to reach a globally sustainable level of resource use? Should inequalities of more than a factor of 50, as we observe currently, be maintained or would a minimum or maximum level of material consumption for each person be more attractive? What level of inequality could be acceptable in terms of global social justice?



Degrowth

Big difference between:

1) Undergoing degrowth

- Politicians panic. Business struggle. People lose jobs and homes.
- Crisis, starvation, riots, conflicts, increasing gap between rich and poor.
- A growth society without growth is terrible

2) Choosing degrowth

- Invent a new society
- Make the world a better place
- Replace current financial and monetary systems.
- Degrowth can only be considered in a degrowth society (another logic)

Barbarism or degrowth?



What should planned degrowth adress?

1) Change the way how we measure growth

Economy is more than financial

2) Change the logic behind economic growth

The results of the politics of economic growth are bad. The logic is wrong.

“Global economic growth is an extremely inefficient way of achieving poverty reduction and is becoming even less effective.” (source: NEF, 2006b)

Cultural change/ change in human behaviour.

3) Sustainability of growth

Economic growth = growth in the use of natural resources.

No factual support that a greater wealth leads to less polution.

Dilemma of growth: 'Growth is unsustainable' <> 'Degrowht is unstable'

Monitor complete economy. Holistic view.



What can we do?

Develop and implement alternative indicators

Develop and implement new value/ money systems

Experiment with new forms of democracy



Two concrete projects in NL

Macro Economische Verkenning + 2013

Energetic City 2050



MEV+ 2013



Why MEV+?

Economics not only financial, also ecological and social

GDP dubious indicator

Netherlands still focuses on the problem: growth, not the solution

CPB frames discussion

Dashboard of indicators



Some MEV+ proposals

Democratize money creation

Split banks

Invest in green economy and sustainable energy

Develop circular economy with region as basis

Redistribute global wealth

Greening tax systems

International organizations (WTO, IMF, World Bank)
from neoliberal to sustainable and social.



Presentation to politicians



Next step >
motie in Tweede Kamer voor MEV+ 2014 door CPB



De Ecobalans

- Energetic City 2050
- Holistic view
- Introduce new value system based on ecological footprint
- Add new incentives
- Reward sustainable lifestyle and social commitment
- Focus on transition



[illegible]

ik verkoop
mijn voetafdruk
Victor
t: 0628546132

ik verkoop
mijn voetafdruk
Anita (ik heb 25,6 m2
beschikbaar)
t: 0653498432

€500



uit SPANJE 

uit RIJSBERGEN

**UIT
JE
EIGEN
STAD**

uit ELST

uit KENIA



Begin jaar:



Iedereen 13.000 Voetafdrukken



Daarnaast: iedereen euro's



Viktor
13.000 m2
Spaargeld: 3.000.000



Sol
13.000 m2
40.000 euro



Laila
13.000 m2
Spaargeld: 10.000 euro



Theo koopt
1.000 m2
van Laila voor
20.000 euro

Theo
13.000 m2
1.000.000 euro



Verschil:



Iedereen evenveel

Beperkte hoeveelheid



Datum

1 maart 2051

Ha = Ecologische voetafdruk
uitgedrukt in hectare

Nederlander gebruiken meer
aardoppervlakte dan de grootte van
Nederland. Nederland compenseert
haar tekort. Dus geen
ontwikkelingshulp, maar
compensatie van ons eigen gedrag.



Elke Nederlander
krijgt jaarlijks 1,3 ha
te besteden

INKOMSTEN

Gekregen van overheid
(jaarlijks quota) HaAangekocht HaGeruild Ha

UITGAVEN

Vervoer HaWonen HaConsumptie HaProductie HaVerkocht Ha

BALANS

BALANS

Totaal Inkomsten HaTotaal Uitgaven Ha

Negatieve balans

compenseren, ruilen of
aankopenBalans Ha

Compensatie

maatschappelijke bijdrage (zie omrekeningstabel voor equivalent in hectare)

algemeen: charitatieve instellingen Hazorg en onderwijs: zorg voor hulpbehoevenden Haomgeving: inzetten voor natuur en/of erfgoederen HaInvesterings in duurzame energie Ha

voorbeelden lokale
mogelijkheden ruilhandel

gebruik collectief
vervoervoedsel in lokale
markten

maaltijden op eetclub



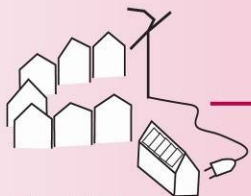
extra uren opvang



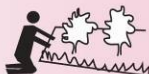
opleiding

voorbeelden mogelijkheden compensatie

+

aansluiten bij of vormen
van lokale energiecoöperatie

collectief vervoer

Arbeid, nuttig ingezet
voor de maatschappij en
de omgeving

verkoppen

als ruilmiddel

Datum

1 maart 2051

Vrijheid behouden



Ha = Ecologische voetafdruk
uitgedrukt in hectare

INKOMSTEN

UITGAVEN

Gekregen van overheid
(jaarlijks quota)

Ha

Vervoer

Ha

Aangekocht

Ha

Wonen

Ha

Geruild

Ha

Consumptie

Ha

Productie

Ha

Verkocht

Ha

BALANS

Duurzaam gedrag stimuleren

Totaal Inkomsten

Ha

Totaal Uitgaven

Ha

Negatieve balans
compenseren, ruilen of
aankopen

Balans

Ha

Compensatie

Maatschappelijke inzet belonen

algemeen: charitatieve instellingen

Ha

zorg en onderwijs: zorg voor hulpbehoevenden

Ha

omgeving: inzetten voor natuur en leefgebieden

Ha

Investerings in duurzame energie

Ha

Innovatie faciliteren

voorbeelden lokale
mogelijkheden ruilhandel



gebruik collectief vervoer



voedsel in lokale markten



maaltijden op eetclub



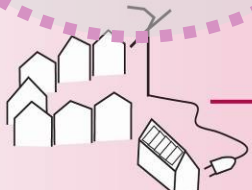
extra uren opvang



opleiding

Grenzen stellen

Elke Nederlander
krijgt jaarlijks 1,3 ha
te besteden



aansluiten bij of vormen
van lokale energiecoöperatie



collectief vervoer



Arbeid, nuttig ingezet
voor de maatschappij en
de omgeving

voorbeelden mogelijkheden compensatie

verkoppen
als ruilmiddel

€

+

De Ecobalans

2nd Place

Next step > find a city or region that wants to start. Thinking in a different direction offers possibilities for business, education, government and society....



Thank you!

Www.platformdse.org

Www.mjvdl.com

mvdlingen@platformdse.org

