

Our Future Economy

**A new financial architecture for
the wealth of people**

Presentation to the 1. Report of the
European Academy of Science and Arts
(EASA)

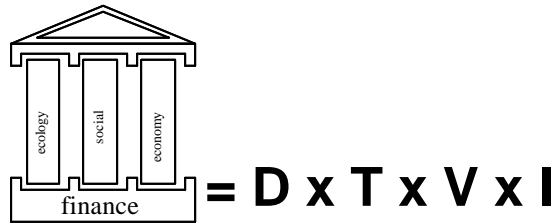
brunnhuber.cor@gmxpro.de

1. Sustainability
2. Systemstheory
3. Finance from a systemic view
4. Method used
5. Proposed solutions
6. Time for a change

Sustainability „...is a development, which fulfills the present needs without risking that future generations cannot fulfill their own needs...“.

Brundlandt-Report, UN, 1986

$$S = D \times T \times V \times I$$



Sustainability

Demography

Technology

Values

Institutions

$$S = D \times T \times V \times I$$

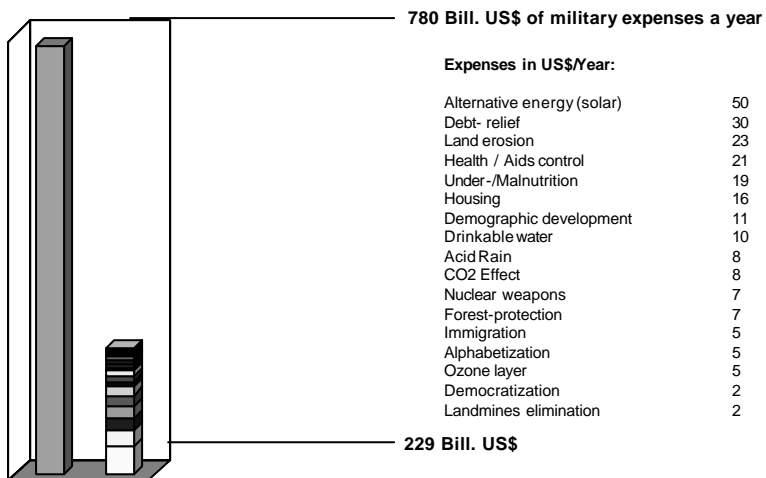


Money is not a natural law,
but a convention, like a marriage contract or
club rules...

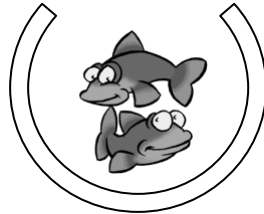
Indicators:

Ecological footprint (Wackernagel and Rees , 1996)	Area that is needed for resources / emmissions of a country
Index of ecological sustainability (World economic forum)	21 key factors
Index of human development (UNDP, 1999)	Considers life expectancy, education and income
Index for sustainable economic welfare (ISEW)	Corrected by positive and negative factors (homework, defensive costs).
Human Development Index (HDI, 1997)	Life span, knowledge, standards of living

Costs for a better world:



„The last beings to comprehend the nature of water, are fish“



B. Lietaer, 2000

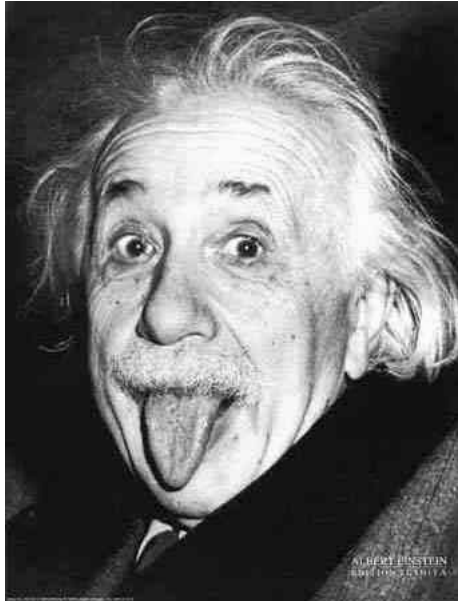
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Two ways to understand the „nature of water“:

- Specialist perspectives
- Integrative systemic view

What is a systemic view and why is it important?

- From outside to inside
- Feedback loops
- Growth-independant
- Interconnections
- Fuzzy Logic



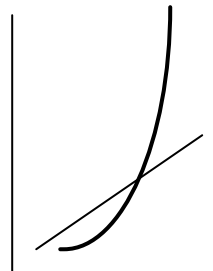
T.R. Malthus

**An Essay on
the Principle
of Population**

as it affects the future
Improvement of society

1789

Oxford University Press

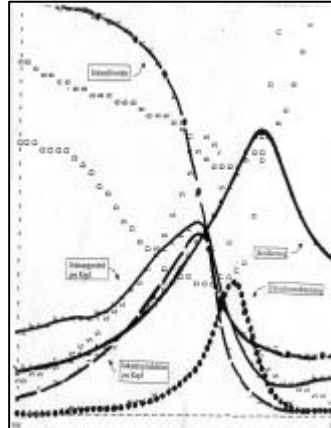


D. L. Meadows et al.

The Limits of Growth

1973

New York,
Universe Books



1. Sustainability

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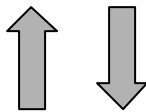
6. Time for a change

The money-system is also a (sub-) system:

- From outside to inside
- Feedback loops
- Growth-independant
- Interconnections
- Fuzzy Logic

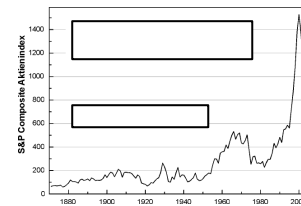
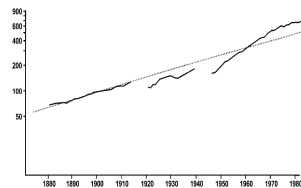
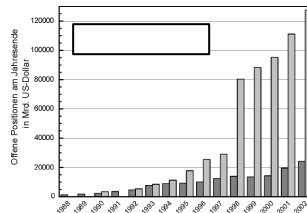
Money-system is also a (sub-)system:

- Services and goods



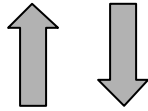
Dissociation

- Capital market
- Derivatives
- Currency-market
- Stocks



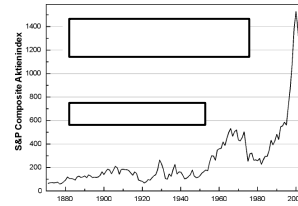
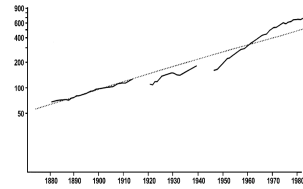
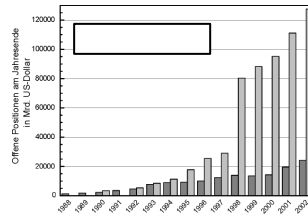
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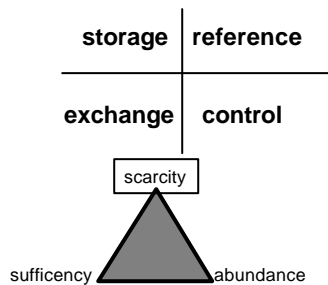
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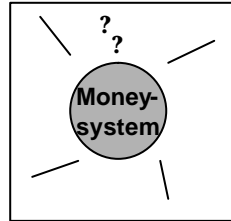


Money-system is also a (sub-)system:

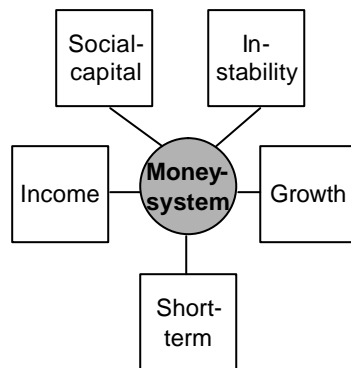
- Functions of money
- National Monopoly
- Fiat-currency
- interest
- Supply-profil:
- Non-neutral



3.Finance from a systemic view



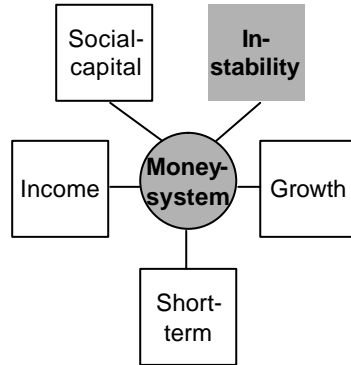
3.Finance from a systemic view



3.Finance from a systemic view

Instability:

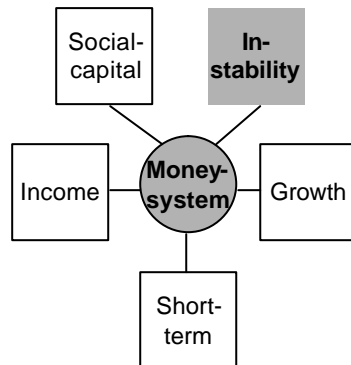
- Lack of international standard
- Creditsystem is procyclical



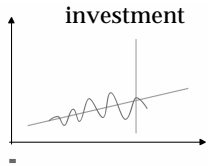
3.Finance from a systemic view

What would happen, if we trade with 1 Meter and link it to the weather condition?

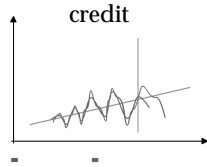
- Volatility
- Bank- and currency-crisis
- Social adaptation-costs
- Decline of investments



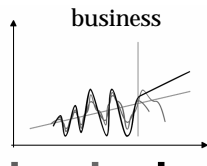
3.Finance from a systemic view



External factors:
technology,
demographic
Internal factors:
asymmetric information,
self destructiveness
Inventory cycle

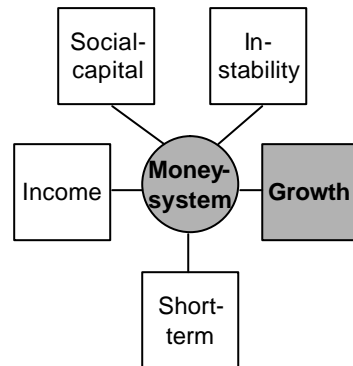
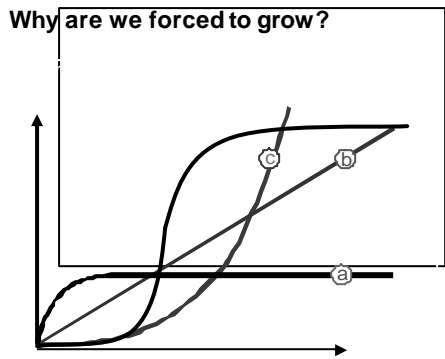


Money-system
is procyclical



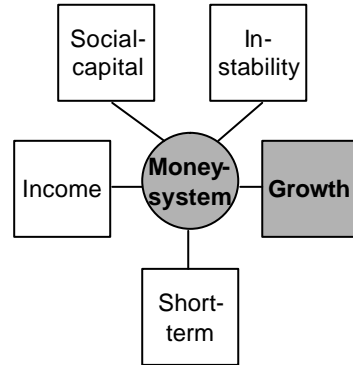
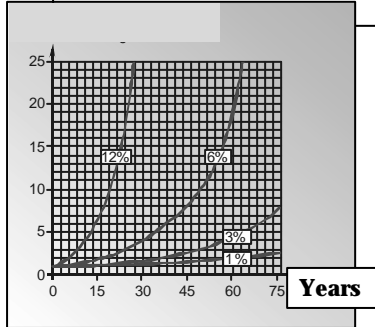
Money-system
is not stabil

3.Finance from a systemic view



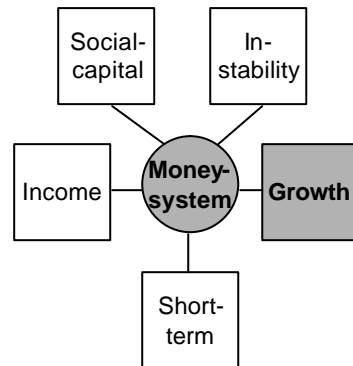
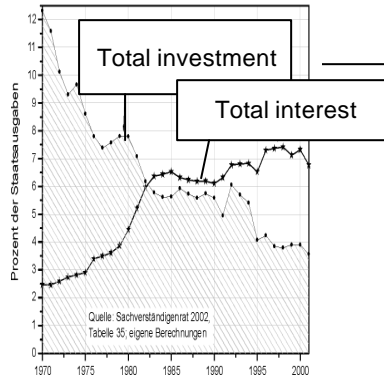
Why are we forced to grow ?

- Capital, Labour, Energy
- Credit-creation



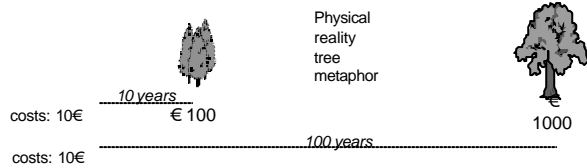
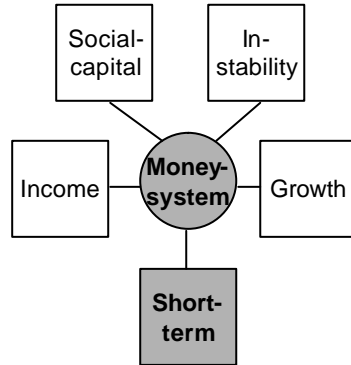
Why are we forced to grow ?

- Capital, Labour, Energy
- Credit-creation
- Limited options

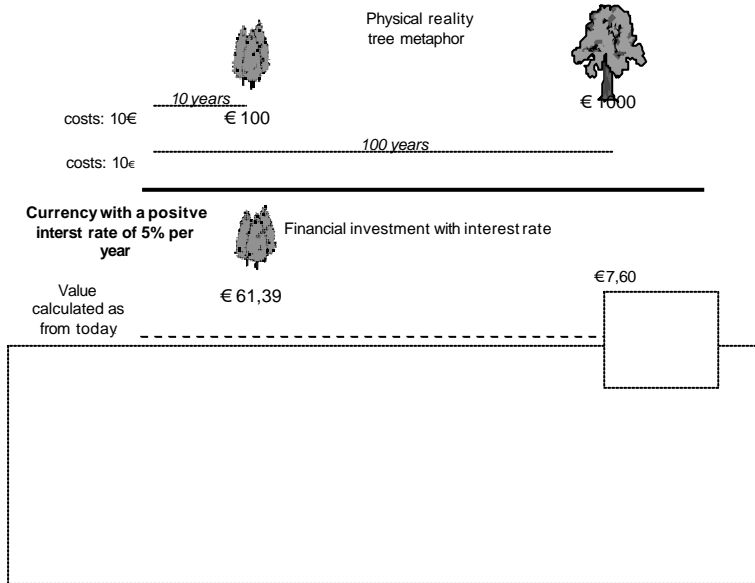


How does a tree perceive time?

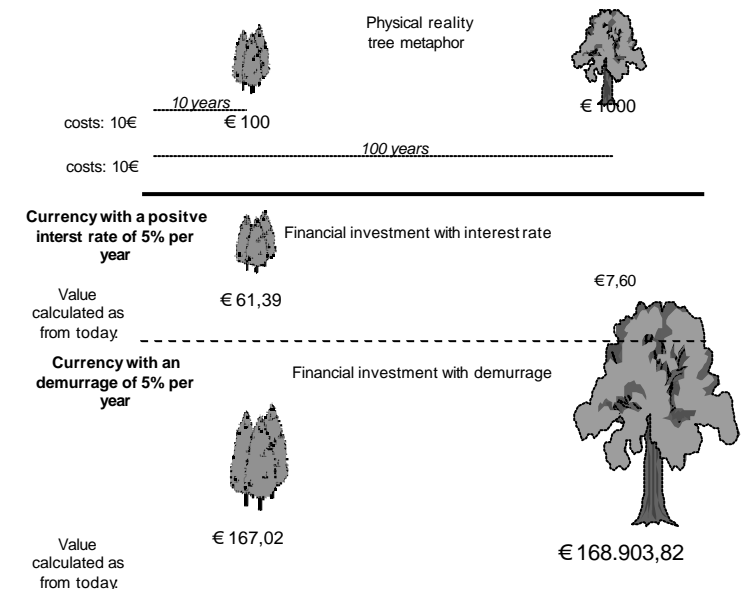
- linear, irreversible, short < long-term
- share-holder debate (interest-rate, DCF)



3.Finance from a systemic view

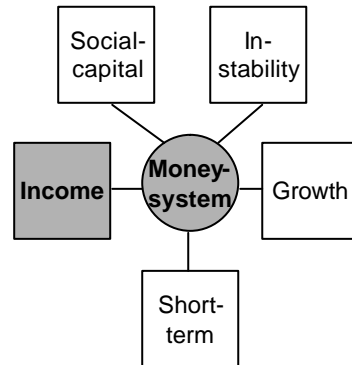


3.Finance from a systemic view



3.Finance from a systemic view

Why do those, who have enough do get more and more?



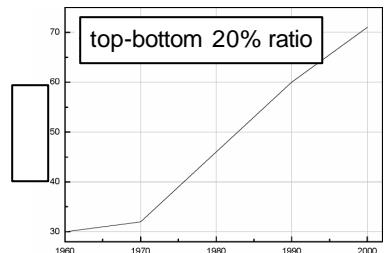
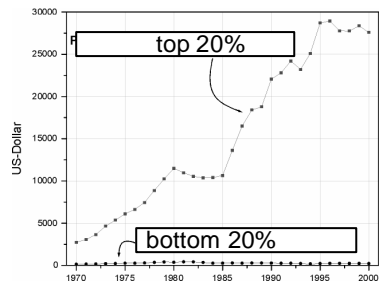
3.Finance from a systemic view

Why do those, who have enough do get more and more?

- **Income-disparity:**

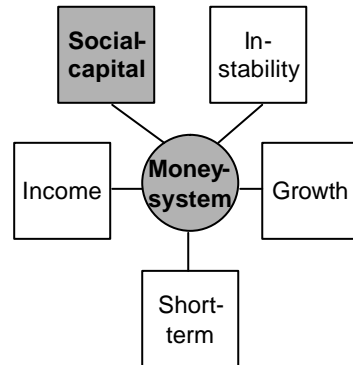
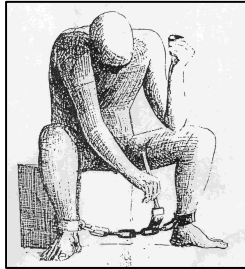
(Globalization, technology, „the winner takes all“, self serving CEO)

- **Dissoziation:** no empowering of development (K. Galbraith „vicious circle of masspoverty – „circle of richness“)



What keeps a society together?

- Solidarity, trust, responsibility, cooperation
- **However:** Selection of specific behaviors (greed, anxiety, envy, herd-, competitive behavior)



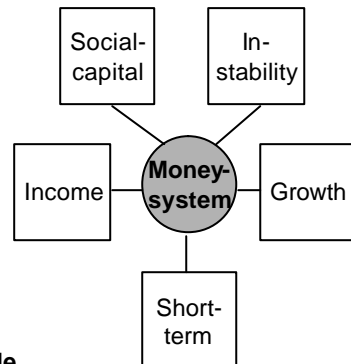
B. Lietaer, 2000

- Immanent instability
- Obligation to grow
- Short-termism
- income discrepancy
- Erosion of social capital

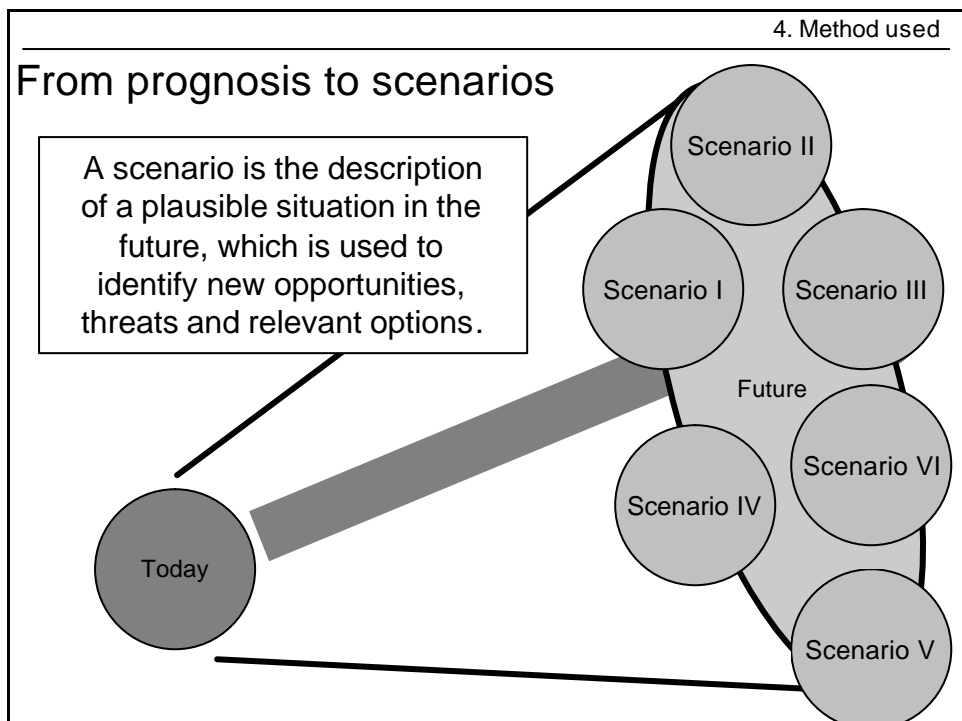
↓

• **The money-system is a non-neutral system**

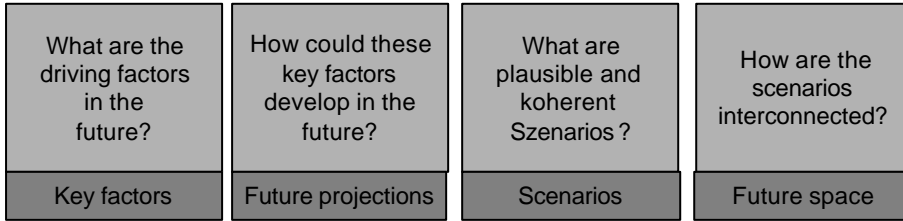
• **The money-system is not sustainable itself**



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How to develop scenarios? SCMI®



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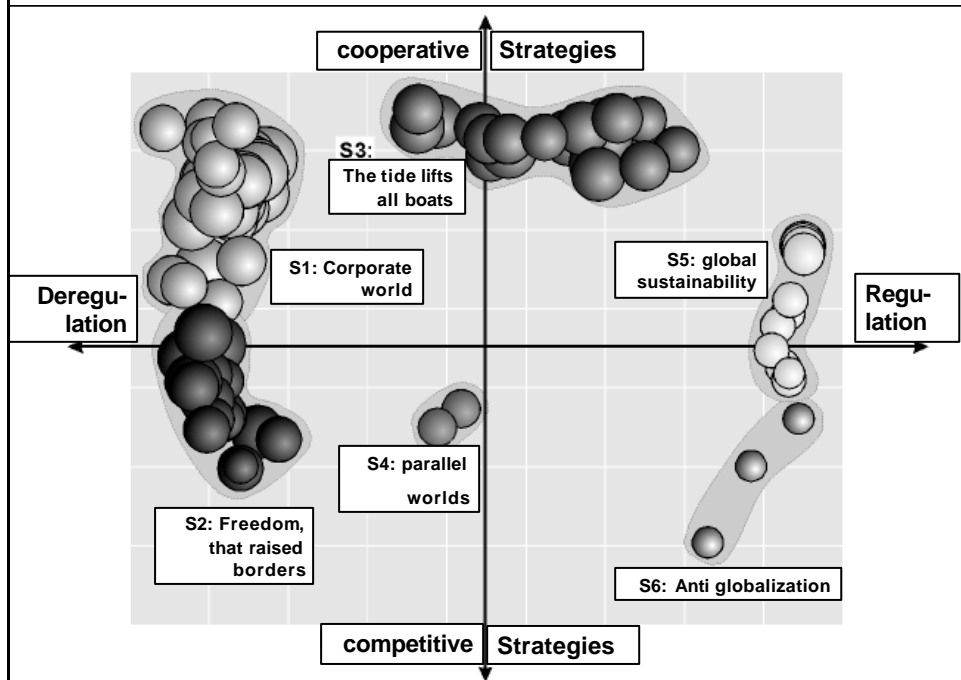
Cluster- and Coherence-analysis : 22

6 Szenarios

3 out of 6 meet sustainable standards

Influence Matrix

20 key-factors with 3 possible future projections make already 3.486.786.401 Combinations



Scenarioblock 1: Deregulation trend continues	Scenarioblock 2: Navigation in the rapids	Szenarioblock 3: Conscious steering
„more of the same“	„market dominant, some regulation“	„regulation dominant, some market“

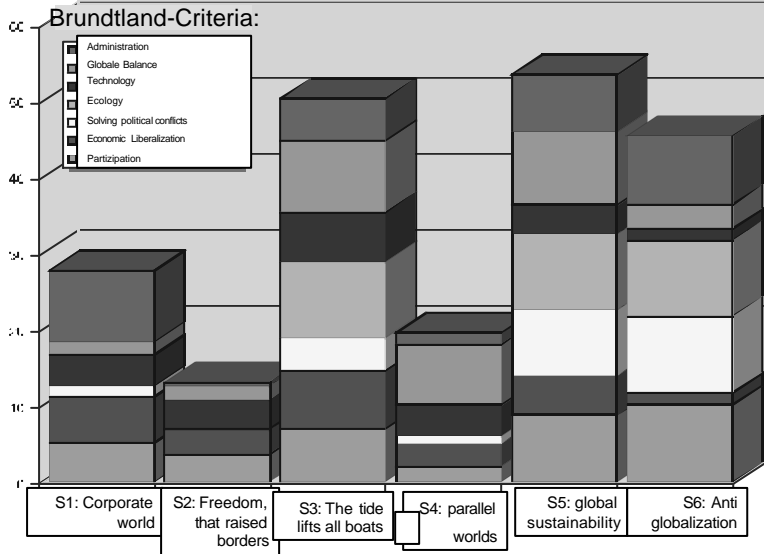
4. Method used

Scenarioblock 1: Deregulation trend continues	Scenarioblock 2: Navigation in the rapids	Scenarioblock 3: Conscious steering
TNC dominate and shape the economic development based on the global financial markets.	Open markets limited by international organisations	Selective regulation leading to network cooperations on all levels
Protectionism among internally deregulated trading blocks	Open markets limited by local civil organisations	Massive regulations leading to a slowdown of the global economy

4. Method used

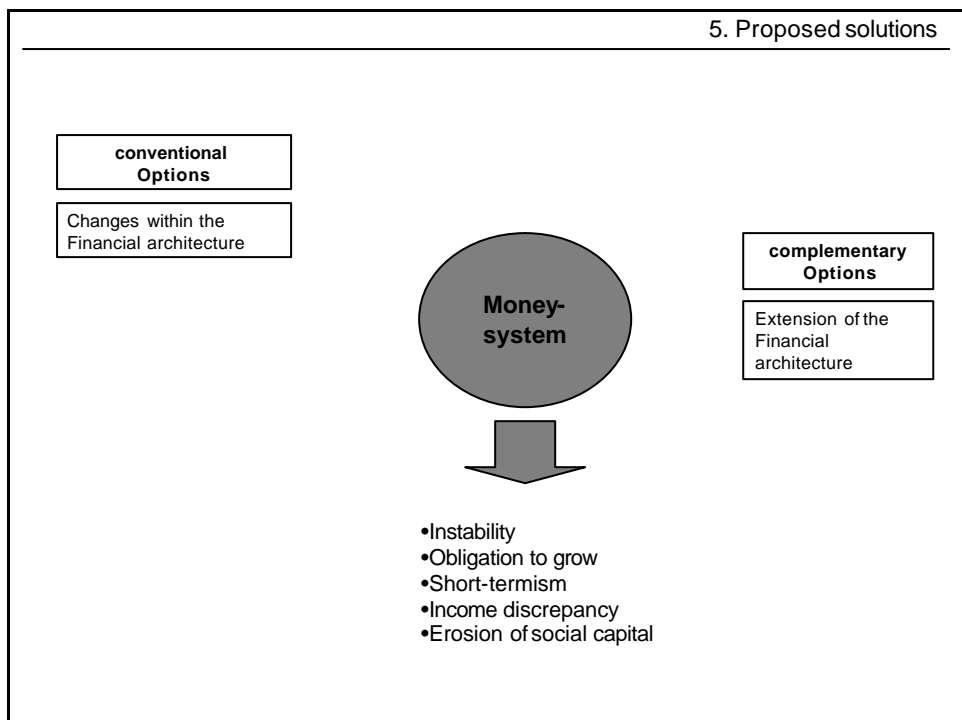
Scenarioblock 1: Deregulation trend continues	Scenarioblock 2: Navigation in the rapids	Scenarioblock 3: Conscious steering
Scenario 1: Corporate world	Scenario 3: The tide lifts all boats	Scenario 5: Global sustainability
Scenario 2: Freedom, that raised borders	Scenario 4: Parallel worlds	Scenario 6: Anti globalization

Sustainability ranking of Szenarios:

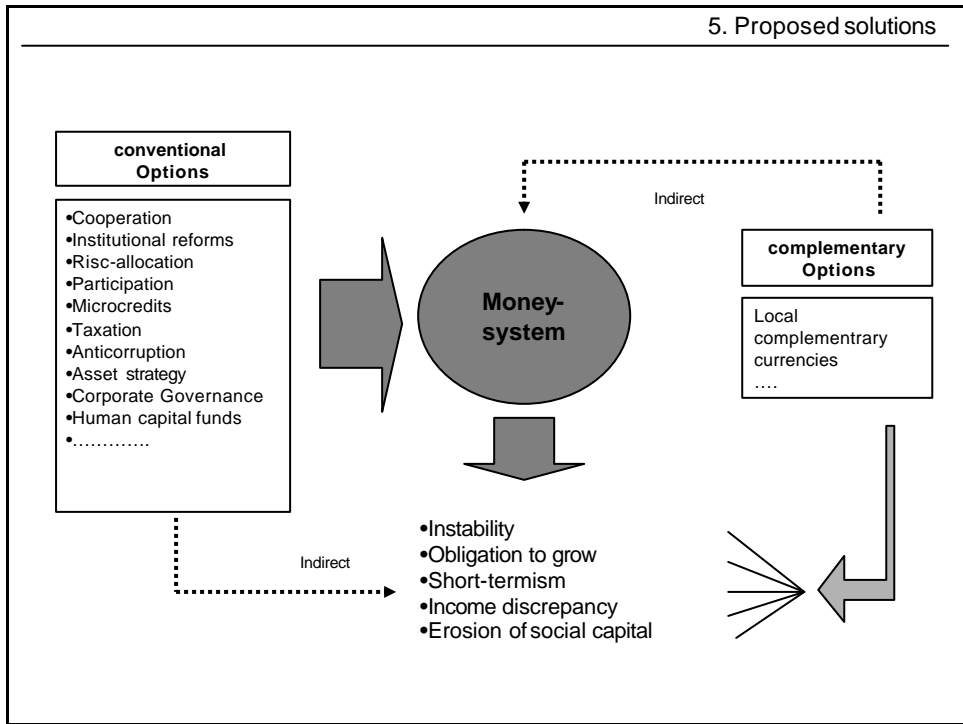


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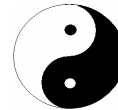


5. Proposed solutions



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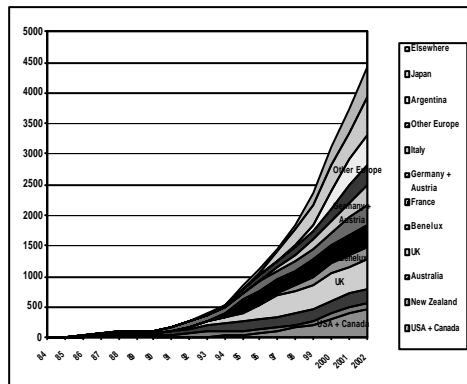
Complementary solutions:

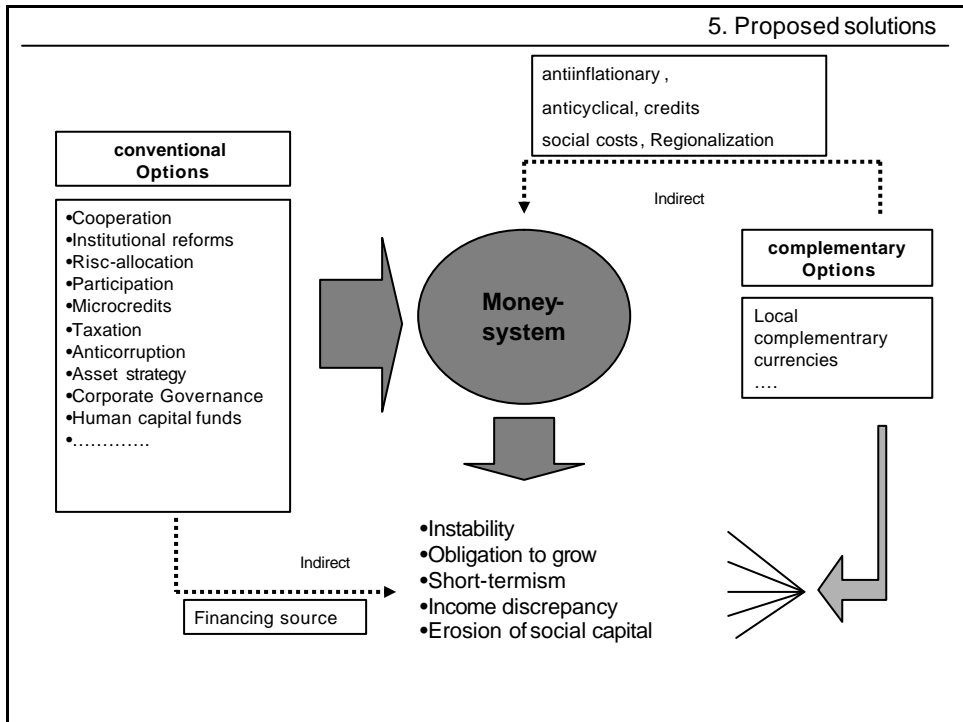


- Local complementary currencies

Principles:

- interest-free
- mutual credits
real goods and services
- cooperation and peer control
- Chaordic-Principle





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**„The debate on the future of money
is not about inflation or deflation, fixed or
flexible exchange rates, gold or paper
standards, but about the kind of society in
which money is to operate?“**

G. Simmel, 1901

$$\mathbf{S = D \times T \times V \times I}$$

sustainability

demography

technology

values

institutions

The money system is a mighty,
but the most neglected instrument
within the sustainability debate