
For Reason and Decency in Politics and Finance Economy

A Call by
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(an Austrian ThinkTank)

The current crisis in finance and economy has made it clear, that the financial economy has to be reformed fundamentally. But the necessary substantial reforms are being blocked by the finance lobby. We are convinced that sitting out the crisis and continuing with the current practice in finance is not going to solve the problem, but will exacerbate the already critical situation. The sustainability of our society is under threat. We therefore demand:

- 1. The truth must be put on the table:** We don't want to be subject to the lies of the finance industry any more. We need realistic projections of the future and fair accounting.
- 2. Politics must re-gain the primacy over the finance industry.** We do not accept any more that the banks lead politics at the nose ring after them, and that the particular interests of the finance industry are preferred to the public good.
- 3. The losses must be borne by the parties who caused them.** We do not accept any more that the costs of the financial crisis are not carried by those who caused them respectively profited from them, and not by the citizens.
- 4. The sustainability of our society must be secured.** This cannot be achieved through investments in ever new finance products, but only through investments into the real economy (like education, intelligent infrastructure, ...) which create added value.

5. **The activities of the finance industry must be transparent and subject to a democratic control by functioning media.** We do not accept constellations of power, which hinder an objective information by the media. It is intolerable and unbearable in a democracy that banks own public media, or that media are economically dependent on finance institutions.
6. **We need to think outside the box – there do exist alternatives! Wir müssen umdenken - es gibt Alternativen.** We do not agree that the critical voices of science are withheld and wrong solutions are being enforced with the argument: “There is no alternative!” “*You can never solve a problem on the level on which it was created* „(Albert Einstein)
7. **We need new ethical standards. Observing imperfect laws and regulations is not enough!** We don't accept the mud in politics and business any more. It is intolerable that the state knows of fraud and tax evasion in “tax havens”, but does not act against it.
8. **Regional prospects must be strengthened.** We are sure that our future prosperity depends heavily from a new regionalization. We are not willing anymore to sacrifice our future to the economical and financial globalization.

Measures: Basic rules

- Monetary claims and monetary liabilities occur always at the same time. Therefore in every society the **sum of Money Debt** (= liabilities) equals the **sum of Cash Capital** (=Claims)
- Because of the compound interest the cash capital grows exponentially. But therefore the debt also grows in the same amount. Such a growth would be only possible if the real economy (e.g. the GDP) would grow at the same speed. **But exponential growth of the real economy is neither economically nor ecologically possible.** Therefore the growth of the real economy must always fall behind the growth of the finance economy. **This is the core of our crisis.**
- The current crisis is **not only a debt crisis but also a crisis of the cash**
- A debt crisis can be only resolved through **debt relief**. Without a true debt relief debts can be only shifted between state, consumers and companies, but not reduced.
- A reduction of debt can be only achieved in total by the **immediate and equivalent reduction of cash capital.**

Five theses for immediate and essential financial measures



1. Radically exacerbate accounting rules, because the assets and profits reported there do not reflect reality any more.
2. Banks have to build equity through retained profits, not through questionable accounting policies.
3. The banking business must be separated into Basic Banking (Commercial Banks *for private and corporate Customers for real economy activities*) and Investment Banking (*dealing with currencies, securities, commodities and companies*), because otherwise in the case of problems the risk cannot be controlled anymore.
4. Tax havens have to be closed, but no additional taxes for banks.
5. Immediate and serious prosecution of breach of law (violation of due diligence, infidelity, fraud, ...) because otherwise a change of conduct won't happen

Seven Theses for long-term systemic measures. How can the state/international institutions take care of their responsibilities?

1. The Finance Economy **must not grow faster than the real economy.**
Steering through Taxes. Tax income from finance and corporate profits as much, that they cover GDP in linear fashion.

Tobin Tax to dampen the volumes of speculative derivatives

2. Redefine concepts of **auditing/rating agencies**, as they can't control and regulate themselves

3. Rigid **separation of governance responsibilities**: „Legislation“ – Control – „Jurisdiction“

4. Secure **transparency and competition** to avoid „Too-big-to-fail“, „too-connected-to-fail“ hubris among banks, where they can rely on state „Bail-Outs“

5. **New models to finance states** (and their infrastructure investments). Drawing rights? Zero-interest-bonds? Current models of state financing lead to sovereign default and hyperinflation.

6. The **interests of banks need to be strictly separated from those of the state.** Otherwise a “serving finance economy” is not possible

7. The megatrend of our era is not globalization, but regionalization. 66% of world-GDP is produced in 40 regions only, where only 17% of the world's population is living. More than 80% of inventions, patents, scientific citations originate there.

This is a must in an economy which is more and more determined by knowledge and service

- a) To optimize supply- and - demand- needs
- b) To cope responsibly with energy, climate, resources
- c) To improve the transmission of financial resources into the real economy
- d) To sustain the increasing fixed system costs in the supply chains, to control risk of shortage of supply components by force majeure
- e) To strengthen the social coherence, for which the civil society – and not the state – is more adept.

