

Economic and Financial Law & Policy –
Shifting Insights & Values 1

Koen Bytтеbier

Towards a New International Monetary Order

 Springer

Economic and Financial Law & Policy – Shifting Insights & Values

Volume 1

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It has nevertheless become clear in the recent past that said free market tools and mechanisms – such as private money creation by banks, next to the way huge corporations in general function and determine the outcome of economic processes – result in disastrous consequences, especially when remaining uncorrected by law and when not being submitted to clear public policy intervention measures.

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Towards a New International Monetary Order

 Springer

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Cover illustration, by Beatriz Acevedo: The bark of the White Mulberry (*Morus alba*) was historically one of the first sources for the creation of paper money. Ever since, money and its role in monetary systems world wide have both facilitated and complicated human lives all over the world. The time is more than ripe to embark on a journey of re-exploring this role and its impact on socioeconomic relations and developments. This journey is symbolized by an illustration representing the White Mulberry, the ‘tree where it all began’.

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*“Because someone has made up the word ‘wave’,
do I have to distinguish it from ‘water’?”*

– KABIR (1398–1448 or 1440–1518) –

Preface

Since the eruption of the 2008 financial crisis, I have focused my research to finding out why the monetary and financial system, so periodically, entails serious financial crises, going back as far as the Middle Ages during which the currently prevailing financial and monetary system took form.

One of the conclusions of my research has been that many of the monetary and financial problems still gripping the world economy up to the present date can to a large extent be blamed on the basic choice of values on which Western socioeconomic policies have been based since the late Middle Ages.

It is generally known that the decline of the Western Roman Empire in the fifth century all but stopped trade in the Western European territories and that its resuscitation in the Middle Ages has gone hand in hand with an historical choice for “egoism” and “greed” as driving forces for human behavior, in particular in the socioeconomic context.

Initially more a practical than a theoretical choice, the choice for greed and egoism as central socioeconomic values would gradually evolve into an elaborated economic doctrine, the so-called economic liberalism, which itself, during the past decades, has reappeared under its modern-day form of “economic neoliberalism.”

Especially in the twentieth century, several attempts have been made to offer “alternatives” or “correctional methods” to the capitalist society shaped by economic liberalism, which since then, in the 1980s and 1990s, have been heavily opposed by the doctrine of economic neoliberalism. The latter would especially and more fiercely than ever in history put forward the idea that all theoretical and practical socioeconomic policies should be based on egoism and greed.

One of the conclusions of my research has been that said basically ethical choice may very well be one of the main causes of the numerous financial and economic problems that have poignantly manifested in the recent past.

This insight inevitably prompts the question what might be a possible alternative to the domination of economic neoliberalism and the unjust society it entails, especially within the scope of the monetary and financial system.

Furthermore, also on a more personal level, I have been able to witness the effects of the doctrine of economic neoliberalism myself. Having grown up in the 1970s and 1980s in a relatively poor laborer's family in "West Flanders," a rural part of Belgium, I personally experienced many of the detrimental consequences of the capitalist economy as reshaped by the philosophy of economic neoliberalism, not the least the striking contrast between the opportunities available to the middle and upper classes and those available to the poor classes of society.

Regretfully, I have to observe that society has in this regard rather retrogressed than progressed, an observation which, for instance, has been corroborated by relatively recent OECD findings (2014) on the access to higher education in Belgium.

It may hence be very clear that the theoretical models of economic neoliberalism which try to justify the several injustices characterizing the socioeconomic dynamics of the capitalist system by means of artificial doctrines, such as the theory of *voluntary association*, are irrelevant to those facing the severe oppression of capitalism.

It is therefore with an incomprehensibly cold cynicism that fervent "neoliberal" authors such as Ayn Rand dare to state that the numerous social injustices caused by capitalism, such as child slavery which still is present in many countries up to this very date, are not due to the forces of capitalism or the free market but to personal choices of parents who force their children to perform child labor (see further at marg. 123 of Chap. 3 of this book).

Also the doctrine of the *survival of the fittest* (in its neoliberal interpretation, not in the meaning Charles Darwin gave to the concept) does not make any sense in a society riddled with unequal opportunities as those prevailing in the present-day world being shaped by the ideas of economic neoliberalism.

It may furthermore be as appropriate to ban the idea of the *invisible hand* equally resolutely to the realm of mythology where it belongs (for instance, according to Joseph Stiglitz who rightfully has suggested that Adam Smith's doctrine is based on a mythical worldview).

Those who thoroughly study the ideas of economic neoliberalism and their practical consequences in daily life can but reach the conclusion that these ideas are diametrically opposed to the civilization model aspired to by law, religion, philosophy, and ethics ever since the Age of Enlightenment, especially the aim for more justice and equality in "interhuman" relations.

In my opinion, it is therefore mainly the unrestricted egoism promoted by neoliberal thinking itself that has resulted in the prevailing manifestly unjust world, which, above all and especially in a socioeconomic context, functions according to "the law of the jungle" and increasingly manifests itself as "a war of all against all."

An extremely worrying example of how economic neoliberalism, a.o., through techniques of liberalization and deregulation, is reshaping societies is the recent erosion of the systems formerly established in some Western countries to establish more justice and equality, such as social security and public services, as a result of

which the modern welfare state model is being abandoned by more and more Western countries.

As worrisome are the findings by several researches that, in the prevailing neoliberal world order, the gaps between the poor and the rich are getting wider and deeper worldwide. The injustice this implies even adheres to the most classic Aristotelean meaning of a world where one group has monopolized “much too much” of what is good, leaving “way too little” of what is good for others (and one group of people has to experience too much of what is bad, while others hardly experience anything of what is bad). (See further under Sect. 3.6.2.2 of Chap. 3 of this book.)

More than ever, it is time for some serious reflection on the principles shaping our socioeconomic life to which the present book wants to add its own contribution.

An earlier Dutch version of this book was finished at the end of 2014 and was published under the title *Nu het gouden kalf verdronken is. Van hebzucht naar altruïsme als hoeksteen voor een Nieuwe Monetaire Wereldorde*¹, after which the book has been translated during the course of 2015 and the first half of 2016.

Based upon this Dutch version, the here introduced English version of the book has been prepared thanks to the efforts of Koen Vanbrabant (who prepared the translation of Chaps. 1 and 2 of the book) and Jan Willems (who prepared the translation of the next Chaps. 3–6 of the book); be it that, in light of further own insights and evolutions on a socioeconomic level, the text has at the same time further been adapted and deepened out.

The material has been updated until April 15, 2016.

Finally, I want to express my gratitude to the following people for their material and/or moral support: Armondo Linus Acosta, Francine Bernard, Julie Borgerhoff, Anne Claeys, Eduardo Fialho, Saurav Ghimire, Serge Gutwirth, Kristina Loguinova, Ann Maertens, Wilfried Rauws, Kim Van der Borght, Anne Marie Van der Eecken, and Tom Wera, next to my mother and sisters.

Ghent, Belgium

Koen Byttebier

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¹See Byttebier (2015).

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Chapter 1

Introduction

For over two centuries capitalism has reigned supreme.¹

Especially the writings of the Scottish moral philosopher Adam Smith (1723–1790), who was inspired by the philosophical schools of the Enlightenment, provided capitalism with the necessary ideological basis, which is probably one of the reasons why it has managed to develop into the dominant economic ideology on earth.

¹An exact date on which capitalism originated can, of course, not be given (see Bernstein 2004, p. 19).

It has even been held that pinning down an exact date on which capitalism originated is more often than not a political exercise which always results in different outcomes. (See Heller 2011, p. 3.)

Some authors have argued that the first pre-capitalist practices already manifested in the Middle Ages, especially from the ninth century on, when interregional and international trade re-emerged in the Western world and the striving for more possessions became a life goal for many people. On and on, new ways of by-passing the interest-rules of the Catholic Church (which until then had posed an important barrier against such practices) hereby emerged. (See Vandewalle 1976, p. 7; see also Ripert 1951, p. 13, speaking of “*un capitalisme naissant*”.)

In the world of ideas, one could argue that the founding fathers of Protestantism (Luther and Calvin), can also be considered as forerunners of the capitalist ideas as, due to their teachings, for instance the applying of interest to loans became an acceptable practice. Their ideas moreover caused a secession of the classic teachings of ancient philosophers, such as Plato and Aristotle, but also of those of important teachers of the Christian belief, such as Jesus Christ Himself, in addition to the church fathers of early Christianity and, later on, the so-called “scholastics”, such as Thomas Aquinas, who have been among the last to oppose the application of unbridled money craving as the guiding principle of economics. (See furthermore Sect. 3.3.3.6.2 of Chap. 3 of this book.)

It is therefore hardly a coincidence that capitalism started its advance in the territories which were the first to adopt protestant doctrines, for instance the German territories (already in the sixteenth century) and later on Holland and the United Kingdom (especially in the seventeenth and eighteenth century). Capitalism became the most important economic system from the eighteenth century on and especially in the nineteenth and twentieth century. (Ripert 1951, p. 14; Fromm 1955, pp. 80 a.f.; Galbraith 1983, pp. 89 a.f.; Galbraith 1994, pp. 1 a.f.)

2 The current manifestation of capitalism is heavily supported by the underlying neo-liberal axiom that, in the economic domain, each individual must behave in the most egoistical way possible in order to enrich one's self as much as possible, thus feeding the economy with sufficient stimuli for productivity (and other types of activity)².

In this manner, capitalism primarily appeals to one of the lower values in human nature, namely the absolute assertion of the personal, individualistic (i.e. egoistic) interests, disregarding the impact of one's behavior on others or the environment.

One of the important (sub) doctrines of neo-liberalism is that the labor force of others may and even should be deployed to pursue the aforementioned goal: an unbridled expansion of personal fortune. As a consequence, a system which to a large extent functions according to the law of the jungle (in which the strong exploit the weak) has come to determine the socioeconomic relations.³

It has become sufficiently clear that this so-called "neo-liberal" doctrine, which, together with its predecessor, the "liberal" doctrine, has been implemented for more than two centuries, has managed to shape a world where a small financial "Power Elite" controls the economic power—and hence a substantial part of the planet's resources—in such a way that the rest of mankind has become subservient to them. This elite manages to do so by, *inter alia*, controlling a number of big and medium-sized enterprises, including private banks and other financial institutions, as well as through the democratically unjustifiable influence these enterprises exert on governments and parliaments (for instance to shape fiscal policy).

As a consequence, even though slavery in the sense of legally owning other human beings has throughout the ages been formally abolished in most countries, a great number of people still work within the (post-)modern capitalist societies as socioeconomic slaves, evidencing in a cynical way the classical (neo)liberal

²See e.g. Brook and Watkins (2012), pp. 75–77.

The principle of productiveness says: Use your mind to create wealth. "Wealth" in this context refers to the creation of any material value – from a meal to a truck, to a medical operation, to a stock analysis, to a symphony. Productivity doesn't assume any particular level of ability. It says only: Do the best your mind is capable of. (Brook and Watkins 2012, p. 75.)

See also Rand (1992), p. 27; Stiglitz (2012), p. 78.

³Fromm (1955), pp. 84–85.

principle, generally known as Ricardo's "Iron Law of the Wages" which holds that labor should be remunerated as little as possible.⁴

Capital can in essence be considered as a savings surplus that is invested. It forms the basis of the term "capitalism" and constitutes one of the major mechanisms of unbridled enrichment within the capitalist system.⁵

Massive business empires may be built by gathering capital, for instance by starting a company which aims to generate as much profit as possible by employing other people's labor at the lowest possible price and selling products and/or services on the market at the highest possible price. By applying this method to its fullest extent possible, capital suppliers may succeed in extracting gigantic fortunes from the business empires they thus create.

In particular, since the twentieth century, this effect has been enforced by all sorts of financial mechanisms, whereby providers of financial services and others, such as consultancy offices, law firms and capital planners, do not use their evident financial ingenuity to solve the problems created by capitalism (for instance the poverty we find in many countries and among large parts of the population), but rather to develop new fortune expansion techniques for large entrepreneurs.⁶

In this evolution, the classical dichotomy between "capital" and "labor" has according to some evolved into a new dichotomy simply dividing global societies into "the rich" and "the poor".

As no other as (John Kenneth) Galbraith has put it bluntly⁷:

⁴See the findings in Oxfam (2016), p. 4:

One of the key trends underlying [the] huge concentration of wealth and incomes is the increasing return to capital versus labour. In almost all rich countries and in most developing countries, the share of national income going to workers has been falling. This means workers are capturing less and less of the gains from growth. In contrast, the owners of capital have seen their capital consistently grow (through interest payments, dividends, or retained profits) faster than the rate the economy has been growing. Tax avoidance by the owners of capital, and governments reducing taxes on capital gains have further added to these returns.

⁵Graff et al. (2014), p. 30.

⁶According to Stiglitz, they hereby also look for ways to keep their clients out of jail (see Stiglitz 2012, p. 42).

See also Oxfam (2014), p. 16:

Large corporations can employ armies of specialist accountants to minimize their taxes and give them an unfair advantage over small businesses. Multinational corporations (MNCs), like Apple and Starbucks have been exposed for dodging billions in taxes, leading to unprecedented public pressure for reform.

See further Sachs (2011), p. 118.

Below in this book, some examples of how for instance the four major consultancy offices ("Price Waterhouse Coopers", "EY"—formally "Ernst and Young"—"Deloitte" and "KMPG"), in addition to numerous law firms, have supported methods of tax evasion will be further developed.

⁷Galbraith (1996), p. 7.

On one side, there are now the rich, the comfortably endowed and those so aspiring, and on the other the economically less fortunate and the poor, along with the considerable number who, out of social concern or sympathy, seek to speak for them or for a more compassionate world.

- 4 In particular, during the last few decades, this capitalist system based on unbridled egoism has been neatly packaged into a religious system (*e.g.* by academic institutes such as the “F.A. Hayek Mont Pelerin Society” and later the “School of Chicago”), namely “economic neo-liberalism”, which basically claims that the economy can only work efficiently by fully implementing the underlying premise of unbridled egoism.⁸

This has further increased the inherently disastrous effect of capitalism on our society in general.

It is probably hardly possible to put it any clearer than the Israeli historian Yuval Harari of the University of Jerusalem⁹:

The new ethic promises paradise on condition that the rich remain greedy and spend their time making more money, and that the masses give free rein to their cravings and passions – and buy more and more. This is the first religion in history whose followers actually do what they are asked to do. How though, do we know that we’ll really get paradise in return? We’ve seen it on television.

It could hereby even be held that the new religion of economic neo-liberalism even has its own credo (“Greed is good”)¹⁰ and its own prophets (modern bankers)¹¹.

- 5 The consequences of neo-liberal capitalism should by now be clear to everyone: the rich keep getting richer, at the cost of (*i*) the exploitation of the rest of the world population, (*ii*) grinding poverty for a major part of this population and (*iii*) an ever increasing threat to both the ecological balance and the safety of the planet.

- 6 In the absence of a unitary global fiscal policy, the fiscal and “parafiscal” system in most countries tends to increase these detrimental effects of capitalism.

In view of the mobility of capital, which during the past decades was enhanced by several (neo-)liberal treaties, the fiscal authorities of most (Western and Western inspired) countries do not manage to draw the main share of their income by taxing the proceeds of capital, hence primarily and heavily relying on taxing income from

⁸Steger (2013), p. 117.

Emmanuel Todd rightly pointed out that said neoliberal doctrine has lied at the basis of the European unification project. Todd argues that the success of this doctrine may be explained by the decline of traditional religious systems (especially Catholicism) in Europe which was replaced by a new ideology, namely the ideology worshipping the pursuit of money (see Todd 2015, pp. 53–54).

See also the observations of Mark Carney, Governor of the Bank of England, in Oxfam (2014), p. 55. See further Galbraith (1992), pp. 82 a.f.

⁹Harari (2014), p. 391.

¹⁰Tyler (2013), p. 36; Peterson (2011), p. 96; Krugman (2004), p. 110.

¹¹Ferguson (1998), p. 17.

labor, which is intrinsically far less mobile and therefore much more vulnerable to taxation (and similar retribution systems implemented by government, such as mandatory social security contributions).

Also outside the scope of taxation policy, to a large extent under the impulse of the ruling financial “Power Elite”, legislators and administrators of capitalist countries have globally chosen to team up with capital.

The spirit of (economic) neo-liberalism which for instance, has shaped the European Union and its policies on two legal pillars which support the interests of big business, is a clear illustration of this.¹² The first of these pillars is the so-called “free movement of capital” which makes it possible to smoothly move production units to those areas where they can be organized in the cheapest way possible (i.e. where the laborers are available at the lowest price). The other pillar is the “free movement of persons” which, in turn, makes it possible to attract cheap laborers to one’s own territory, in particular when it is difficult to move production itself.¹³

At present, the spirit of unbridled (neo)liberalism has globally affected all layers of society, measuring virtually any human activity merely in terms of either “cost price” or “profitability” (which happen to be the opposite sides of the same coin), and often a combination of both.

It has even been argued that we live in “a financialized world”, where the importance of anyone or anything is solely measured by the quantity of money he or it produces.¹⁴

One does not need to have a degree in economics to realize that implementing such an extreme profitability principle (instead of a solidarity principle), especially in sectors where this is not at all appropriate, for instance institutions for social services such as hospitals, homes for senior citizens, universities and other educational facilities, only has resulted in a situation where the cost of these services more and more has to be paid by their end users (i.e. patients, retired persons or their family, youngsters aspiring for an education,...), instead of through mechanisms of mutual solidarity.¹⁵

The underlying principle of solidarity, which historically formed the basis for this type of social services, is hereby more and more discarded in such a profitability approach. It need not surprise that, as a result, “neo-liberalized” capitalism has even further resulted in an ever-increasing economic inequality between the rich and the poor (see further, at marg. 145 a.f. of Chap. 3 of this book).

¹²Todd (2015), pp. 50 a.f. and pp. 85 a.f. (also: Todd 2015, pp. 45 a.f. and pp. 67 a.f.), having pointed out that: “*le langage de Maastricht était libéral, égalitaire, universaliste*”, but that the result of its implementation has been the opposite and that “*Maastricht aboutit à celui de l’inégalité sous l’autorité transcendante d’une divinité cruelle, la monnaie*”.

¹³An example of the latter are the cheap laborers from Eastern European countries being employed in Western European countries in difficult to relocate sectors such as retail, construction and agriculture.

¹⁴Huet (2010), p. 29. See also Harvey (2010), p. 29.

¹⁵Pinxten (2014); Pinxten and De Munter (2006), p. 15.

In a world shaped by this neo-liberal ideology, it hardly comes as a surprise that global society is headed—much like the Titanic on its collision course—for a social climate where quasi-paradoxically only the rich elite of society still has sufficient access to “social” services such as education, medical services and geriatric care.

9 Hence, there is some strong doubt about the validity of the thesis forwarded by neo-liberal schools holding that mankind has fundamentally benefited from a unitary implementation of unbridled egoism principle in all sectors of society.

It therefore does not come as a surprise that numerous prominent thinkers (among whom even some policy-makers, (former) bankers, etc.) have, in general, raised serious questions about the working premises of the capitalist economy and the correctness of the doctrine(s) of economic (neo-)liberalism, and in particular wonder how much longer mankind and the planet it inhabits can support this system with its many disastrous effects.

Some of these authors have expressed a fierce verdict on neo-liberal capitalism, referring to it as “the Capitalist Hell”¹⁶ or “the neo-liberal madness,”¹⁷ while another author has a somewhat milder verdict and merely compares it with “purgatory.”¹⁸

10 Nonetheless, it is remarkable—although quite incomprehensible—how the neo-liberal way of thinking has won over the spirit of a major part of mankind since the 1980s (especially in Western and Western inspired countries).¹⁹

In present-day societies, for instance, this is quite apparent in the debate on reorganizing (European) government finances, where the major consensus is that austerity measures must primarily be implemented in social care (in its broad sense), and where there is hardly any resistance against the neo-Smithian arguments that “*everyone must tighten his belts*” and “*nobody may profit from other people’s efforts.*” Meanwhile, (“corporatist”) policymakers hardly raise any question about the fact that big business and its profits are highly protected from any noteworthy taxation, being safely housed in fiscal tax havens and refuge countries.²⁰

In the meantime, the principle of “solidarity” remains still being preached by, for instance, (Catholic) church authorities. In those places where it can still be found, it is, however, mostly turned into a system of mandatory solidarity among the poor (in addition to the middle classes) that is imposed by state authorities through

¹⁶See Harari (2014), p. 368.

¹⁷Verhaeghe (2011).

¹⁸Bruckner (2002), p. 37.

¹⁹For an explanation, see Marcuse (1962), p. 85, a.o. holding that

the manipulation of consciousness which has occurred throughout the orbit of contemporary industrial civilization has been described in the various interpretations of totalitarian and “popular cultures”: co-ordination of the private and public existence of spontaneous and required reactions. The promotion of thoughtless leisure activities, the triumph of anti-intellectual ideologies, exemplify the trend.

²⁰Sachs (2011), p. 118.

complicated fiscal and other regulations which to a large extent exempt the rich elite.²¹

As a result, the fact that government finances of an increasing number of countries are mainly supported by the poorer part of the population is incomprehensibly validated by policy-makers. It is moreover all the more astounding that the rich, when confronted with this paradox, claim they don't have to pay taxes since they are investing in employment and prosperity.

The neo-liberal doctrine has in this way even a ready explanation for the fact that, throughout the world and to an increasing degree, it is the poorer layers of the population who have to part with the biggest percentage of their income in order to finance their governments, while in contrast the rich(er) are mostly exempt from paying taxes, purportedly to allow them to re-invest their riches unhindered, but in reality: in order to become ever more rich (see further, at Sect. 3.4.6 of Chap. 3 of this book). 11

When comparing the pros and the cons of exempting large fortunes and wages from taxation, governments worldwide seem to bear little or no consideration for the fact that accumulating wealth relies to a considerable degree on the use of collective services (*e.g.* roads, administrative services, education, health care, . . .), organized and paid by society at large (and, hence, out of money obtained through taxing especially the middle and lower classes of society).

During the past three decades the population at large in the Western world has endured in a rather stoic way how the implementation of neo-liberal doctrines has led to an increasing economic inequality, which now threatens mankind with a global destruction of public and social care mechanisms.²² 12

However, in various countries there have been occasional short outbursts of anger, mainly from the poorest layers of the population, which were hit most heavily by the 2008 financial crisis. These outbursts so far have manifested as riots, marches and manifestations in big cities such as London, Paris and various American cities, whereby the establishment and its capitalist economic system has severely been contested. One may also wonder to what extent acts of terrorism by people of the lower layers of society should also be considered as a form of protest against the prevailing, manifestly unjust social and economic world order.

In a world where the ghost image of poverty has reached a large part of the population in many countries, especially since the 2008 financial crisis²³, one can but question how long mankind will continue to cling to the credo of neo-liberal thinking, which constitutes the breeding ground for present-day capitalism in its many pernicious emanations.

²¹This raises the rhetorical question as to whether this really is what has been described in the teachings of Jesus Christ on which the said solidarity principle is historically based (see further, at marg. 31 a.f. of Chap. 3 of this book).

²²Engelen et al. (2011), p. 49.

²³By Emmanuel Todd referred to as "less painful" than the crisis of 1929, but however with far more enduring effects in the long run (see Todd 2015, pp. 33–34; also Todd 2015, p. 35).

In view of the ever-increasing poverty and the ever-increasing gap between rich and poor, one of the main priorities of authorities worldwide should, hence, become to avoid that the Marxian concepts of “impoverishment resulting in catastrophe” (partly endorsed by, for instance, John Kenneth Galbraith²⁴) would turn into reality.

13 In spite of a lot of criticism, so far, very few truly alternative systems have been proposed to the capitalist system that is currently in force.

From an historical point of view, it was primarily Communism²⁵ that provided a certain counterbalance to capitalism for some time; yet it all but died during the last two decades of the twentieth century²⁶, presumably because of the major lack of freedom which has been typical in many former communist countries. Within capitalism, on the other hand, freedom as a value has been preserved, albeit primarily in a theoretical way, and not so much within socioeconomic life.

Currently there are still a few countries that continue to call themselves “communist”, even though most of these appear to behave as ace students of the capitalist schools on the global markets.²⁷

14 It should be clear that society should at the very least no longer intellectually accept the justification, more precisely the contrivance that defends the prevailing capitalist system.²⁸

On the contrary, serious thought should be given to searching for (an) alternative system(s).

In view of the fact that the monetary system forms one of the bases of capitalism, further in the Chaps. 4 and 5 of this book, an attempt will be made to give a description of what an altruistically inspired monetary (and financial) system might look like. In contrast to the economic ethical vision of the neo-liberal schools, the aforementioned proposal will be based on the underlying observation that an unbridled egoism is not (or should not be) the only impulse determining human behavior, especially in social economic relationships. On the contrary, people may just as well behave altruistically, or at least strive to behave in an altruistic manner.

Hence, this reflection on a new monetary (and financial) system will be based upon reversing the goal that was set within the (neo)liberal doctrine (going back to Adam Smith): what if we were to sustain that even in his economic behavior man is also perfectly capable of being “altruistic”. And if we were indeed to act in such an altruistic way, would this not result in a world much more just than the one which is the result of centuries of economic behavior based on the conviction that everyone needs to behave themselves as egoistically as possible in order to end up with a just economic order?

²⁴Galbraith (1992), p. 53.

²⁵Lloyd (2012), p. 359.

²⁶See Berend (2006), p. 189, stating that

the centrally planned economy, though transitorily rather successful, terminally failed at the end of the century.

²⁷Yueh (2010), p. 26.

²⁸Compare Galbraith (1996), pp. 60–61.

As said, the tentative reflections developed in the present book will mainly focus on a domain of legal science with which the author of this book is most familiar, namely that of monetary and financial law. 15

The implementation of a monetary system based on altruistic principles, as proposed in Chaps. 4 and 5 of this book, will hereby obviously have to cross the boundaries of the mere monetary and financial domain. 16

Hence, the proposals expressed in Chaps. 4 and 5 describe a *possible* framework for a new monetary and financial system based on altruism, which will also have to touch other economic domains (among which fiscality).

In other words, the system will have to be more than merely “monetary” in the traditional sense of the word. While hereafter “New Monetary World Order” as a working title for this new monetary system will be proposed, the working title might also be “New Economic and Monetary World Order” (or even “New Economic, Tax and Monetary World Order”).

However, this is mainly a matter of semantics, and the reader is therefore beseeched to read the current book with an ample set of pragmatism concerning the regulatory role to be held by the world authorities to be instituted, as described further on in said in Chaps. 4 and 5.

As indicated by the proposed terminology, the new altruistically based monetary system will furthermore have to rely heavily on the basic principles of global collaboration and solidarity. 17

It has become completely illusory to believe that at this point in history any single country would be able to seriously oppose the battering ram of globalized capitalism which currently dominates the global socioeconomic relations.

A global altruistic monetary system (and hence also a global economy) will moreover necessarily have to choose labor over capital. 18

In the end, it is through labor that human beings develop themselves and may build themselves a worthy existence.²⁹

²⁹Compare Fromm (2013), p. 29 and pp. 33 a.f.

Erich Fromm has phrased this as follows:

Labor is the self-expression of man, an expression of his individual, physical and mental powers. In this process of genuine activity, man develops himself, becomes himself; work is not only a means to an end – the product – but an end in itself, the meaningful expression of human energy. (See Fromm 2013, p. 34.)

Similar ideas have been brought forward by the Catholic Church:

Work must not be understood only in the objective and material sense, but one must keep in mind its subjective dimension, insofar as it is always an expression of the person. Besides being a decisive paradigm for social life, work has all the dignity of being a context in which the person’s natural and supernatural vocation must find fulfilment. (See Pontifical Council for Justice and Peace 2005, p. 101.)

In present-day neoliberal societies where the labor of the masses has been completely degraded as a means to make the rich of the planet ever the more rich and powerful, the question arises if, except maybe for artists, this truth still applies to anyone else.

An “altruistically” inspired economy and global monetary system (as opposed to the neo-Smithian “egoistic” one) will have to take this as one of the starting points and base its underlying monetary-economic goals on it.

In this approach, trying to gather fortune from capital (investments) is by definition evidence of a spirit of egoism, since capital by itself does not “work.” On the contrary, it can only produce fortune by having others work (as cheaply as possible), while the capital backer (who works a lot less or at least is exempt of most of the “hard” labor) by definition takes an egoistic position towards the people he employs for his own profit, which is one of the basic premises of capitalism (as one can observe already by merely reading or rereading Adam Smith on this point).

It is self-evident that within the “New (Economic and) Monetary World Order”, the system focus will have to shift drastically towards protecting labor (as opposed to protecting capital).³⁰

19 In any case, such a fundamental re-orientation will suppose a landslide in economic and monetary thinking and behavior. At the very least, it will require an active choice in favor of “radical altruism” diametrically opposed to the ideal of “unbridled egoism” that lies at the base of the current economic and monetary thinking and behavior.

Such a landslide will also necessarily be required at the level of the national government machinery of the countries participating in the “New (Economic and) Monetary World Order,” for instance at the level of fiscal and parafiscal policy.

The emphasis of fiscal and parafiscal systems will hereby have to shift from taxing mainly income from labor (plus common goods and services transactions) to taxing mainly income from capital (and large fortunes).

20 Before outlining such a blueprint for a more altruistic “New Monetary World Order”, Chap. 2 of this book will first briefly outline the creation history of the monetary system and describe the major mechanisms of money creation and money use, in particular to the benefit of the reader who is less familiar with the workings of the monetary and financial mechanisms.

Chapter 3 of this book will then give an overview of a number of some (mainly Western) “schools of thought”, which to various degrees focused in particular on the issue of fortune gathering and/or other financial issues, including the impact they had on the further development of the monetary system.³¹

These Chaps. 2 and 3 of this book hereby primarily aim to show that (i) money and the monetary system are essentially merely conventional systems adopted by mankind itself, while during the most recent centuries, (ii) the monetary system has been very strongly influenced by an ideology which has presented an (unbridled) egoism as determining value, namely “economic (neo)liberalism” which the whole of mankind seems to have endorsed.

21 However, the above choices have in no way resulted in new laws of nature “chiseled in imperishable stone”, so that one may question these past choices

³⁰Harribey et al. (2011), pp. 63–88, especially p. 79; Askenazy and Méhaut (2011), pp. 173–187.

³¹As to the relevance of this approach, see Galbraith (1987), p. 1.

(especially given their numerous disastrous effects) and, hopefully, might consider potential new choices, which would not lead to the end of the world as we know it.

Everyone hereby should thereby fully realize that money is nothing more than a figment of the human imagination and that any real transaction of goods and/or services could just as easily take place without any money involved, since money itself does not add any intrinsic value to the transactions of goods and services taking place in the real economy.

However, acting in complete consequence with this realization (in a “moneyless” society) would require a fundamental thought reversal, which cannot be undertaken by the few alone.

On the contrary, even a partial reversal (to which the further reflections developed in this book aim to be an incentive) can only take place if based on a growing collective consciousness.

Consequently, the reflections following hereafter have been undertaken with the aim of contributing to the awareness that the economy could be based on a different belief system, i.e. on a radical altruism rather than on an unbridled egoism.

22

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Chapter 2

On the Conventional Nature of Money

2.1 Background

By now everyone is likely to be aware of the numerous worrisome events that have taken place on the monetary and financial markets during the past decade. **1**

Many refer to the combination of these worrisome events as “*the* financial crisis”, although it would probably be better to speak about a sequence of successive financial crises which according to some even have resulted in an “economic recession”. Recent research even seems to indicate that these events are evidence of a so-called “system failure” (that very well may be of a permanent nature).¹

It has not been the intention to hereafter give an umpteenth journalistic view on these events which evidence the failure of the current monetary and financial system. **2**

One can find myriad publications doing just that. Many of them entail excellent further reading which can be strongly recommended.²

The present book merely aims to outline a number of personal considerations about money and the monetary system, including thoughts on the underlying causes of the aforementioned system failure (see in particular this chapter and Chap. 3).

As already mentioned in its Chap. 1, the present book will also make an attempt to conceive an alternative approach for the current organization of the monetary system (see in particular Chaps. 4 and 5).

¹See especially Galbraith (1990).

²See *e.g.* Achterhuis (2011), p. 319; Engelen (2011); Boatright (2010), p. 592; Chérot and Frydman (2012), p. 302; de Bettignies and Lépineux (2009), p. 258; Harvey (2010), p. 296; Kerste et al. (2011); Giovanoli and Devos (2010), p. 610; Kerste et al. (2011), p. 225; Kirton et al. (2010), p. 345; Leader and David (2011), p. 519; Middelkoop (2009, 2014); Mishkin (2012), p. 832; Pagliari (2012), p. 274; Peil and Van Staveren (2009), p. 626; Piketty (2014), p. 696; Sedlacek (2011), p. 368; Shaxson (2012), p. 272.

3 The following quite revealing statement is attributed to Henry Ford (1863–1947)³:

It is well enough that people of the nation do not understand our banking and monetary system, for if they did, I believe there would be a revolution before tomorrow morning.

After reading the present book, every reader will hopefully understand this statement, albeit that the intent of this book is not to call for a (violent) revolution, but for a democratically conceived and fundamental revision of the monetary (and financial) system, for which some lines of thinking will be proposed in Chaps. 4 and 5.

Perhaps bankers, described by some as the “prophets” of the neo-liberal religion, truly have prophetic gifts (see marg. 4 of Chap. 1 of this book), as evidenced by the following extract from a letter (with a content quite similar to the aforementioned quote by Ford). Said letter is attributed to the Rothschild brothers and deals with the significance of the banking and monetary system. It was purportedly addressed to some of the employees of the Rothschild brothers (New York, 1863)⁴:

The few who understand the system will either be so interested in its profits or be so dependent upon its favors that there will be no opposition from that class, while on the other hand, the great body of people, mentally incapable of comprehending the tremendous advantage that capital derives from the system, will bear its burdens without complaint, and perhaps without even suspecting that the system is inimical to their interests.

4 The second chapter of this book therefore is necessarily one of “demystification”.

Often the monetary and banking system is considered to be very complex. This is undoubtedly the case for the many, highly specialized financial products and services that have been created during the past decades and that, generally, constitute complicated agreements which, in particular when things go awry, become the object of equally complex rules and regulations, being issued by legislators and/or supervisory authorities at a huge cost for society.⁵

³<http://www.brainyquote.com/quotes/quotes/h/henryford136294.html#MU7bvrjhhrdCGGBu.99/>; see also <http://www.themoneymasters.com/the-money-masters/famous-quotations-on-banking/>.

⁴<http://www.themoneymasters.com/the-money-masters/famous-quotations-on-banking/>.

⁵In the documentary “*Capitalism – a love story*” film maker Michael Moore goes looking for the underlying causes of the financial crisis of 2008. When interviewing several financial and financial law specialists, he asks them to explain certain complex financial products. This leads to embarrassing moments when the specialist cannot provide the answers to the said questions.

For a general overview of some of the numerous documentaries and movies on the subject of the financial crisis of 2008, see <http://documentaries.about.com/od/popularsubjects/tp/EconomicDocumentaries.htm>.