Introduction

"MONEY RULES THE WORLD." THESE DAYS NOTHING could be more obvious. But even the experts disagree about who rules money—although the global economic crisis demonstrates that our very survival depends on the answer to this fundamental question.

The current banking and currency crisis is hardly the first we've experienced in recent times. The database of the International Monetary Fund (IMF) lists "124 banking crises, 326 currency crises and 64 public debt crises at the national level between 1970 and 2007."[1] Today's crisis, of course, is hitting us not just nationally but globally, making its impact greater and longer-lasting than before.

Shall we continue to allow the stock exchange players—the huge investment banks, the insurance companies, the rating agencies, the so-called free market—to decide what our money is worth? Or can we decide for ourselves what the "coin of our realm" should be, and whom it should benefit?

Thirty years ago I first became aware of a small but serious structural defect in our monetary system that has troubled me ever since: *compound interest*. It took me—an architect and ecologist—about twenty minutes to figure out that the present monetary regime gave me no chance of securing the funding I would need for large-scale ecological projects. No chance—although a practical solution to the interest problem has been available since the beginning of the 20th century. It took about another six months of study to convince myself that my intuition was accurate. And five years passed before I wrote a short book on the subject, since translated into 23 languages.[2]

In 2008, after almost three decades of lecturing and writing about this topic, I noticed that people, finally, were really listening to what I was proposing, and that they were willing to act. After Lehman Brothers had failed and the world financial crisis had broken out, I was invited to give a great many interviews. It seemed as if something was changing in people's heads. Growing numbers of economists were taking issue with neoliberalism and its axiom that "the market will right itself."[3] But still, hardly any talked about the structural defect in the monetary system itself—even as the debts and failed financial products kept piling up. Nobody knew exactly who owed how much, and to whom. Instead of billions, talk now was of trillions and quadrillions of euros or dollars. Current statistics place the figure for existing derivative investments at about $601 trillion — an unbelievable 601,000,000,000,000 US dollars.[4]

Our governments bought time by bailing out the mega-banks and postponing the crash. But regrettably no *systemic* change has been attempted.

For us taxpayers, the bailout was an expensive breather before the inevitable collapse — inevitable unless we change the system in fundamental ways. That final collapse will not be prevented by rescue packages, grudging concessions by threatened banks, or a handful of new regulations.

One thing that has become apparent to me over the years is the near impregnable "thought dungeon" we have built around the topic of money. The first economist I consulted when I was starting out was quite right when he told me, "Your critique of the system is on the mark. But we lack the power to change it." Only much later did I understand I was challenging the very foundations of economic doctrine.

Interest is a fundamental paradigm that all economists are forced to accept — from entering students to long-standing experts. All conventional economic models and calculations take it for granted. My naïve questioning of the system was possible only because I was not an economist but an architect with a PhD in Public and International Affairs. And the way I saw money was as a public and international affair. As with many other non-economist critics I have since met, my basic common sense and this different perspective allowed me to see the defects in the system.

Ask yourself: which do I want? A monetary system that guarantees stability and prevents others from getting rich at our expense? Or an established system that lets us get rich by speculating in the financial markets, at others' risk — but may end up divesting us of everything we own?

If you prefer the first option, this book is for you. I'm writing it for ordinary people, because I trust that they can bring about change. The Occupy Wall Street protests that have now become a global movement were the first much-needed acts of rebellion. These non-violent protesters are rallying against the professional speculators (including economists) and mega-bank CEOs who play the stock exchange and couldn't care less whether most people understand the game. On the contrary, for many years bankers and other insiders have hidden the facts from us by describing them in arcane terms and formulas that no layperson can understand. Why? Simply because as long as the game continues — they win. The more turbulent the chaos they create, the bigger their profit. They're not concerned with what life is like for the folks who foot the bill.

The Occupy demonstrations all over the world criticize the behaviour of some 200,000 "guys" (the stock exchange world is run mostly by men) aged 25 to 40 who sit glued to their computer screens, hoping via their clever trading programs to be the first to profit from minimal price fluctuations in the currencies market. Their stunning success at this game is evident from the bonuses they and their superiors pull down. They manage these currency trades to the tune of 4.5 trillion US dollars a day — chasing after profits with zero real value. Meanwhile entire countries are devastated by their targeted attacks on "victim currencies."[5]

My objective with this book is to present what I have learned in a way that everyone can understand. It is vital to spread this information as widely as possible, and thus to catalyze the changes we all need. Far too few of us are aware of how the structural defects in the monetary system undermine our lives.

Most people believe that only a committed majority can bring about changes. But that is not true. Recent research demonstrates that if only 10% of the population learn something that makes them change their behavior, others will follow.[6]

I will show that compound interest inevitably leads to long-term monetary collapse. Once we're all aware of this, we can finally knock conventional money off its pedestal, realizing that the system is not ordained by God. (Regardless of Goldman Sachs CEO Lloyd Blankfein, who claims that he and his firm do "God's work."[7] No symbol represents this hubris more clearly than the bank towers in the world's large cities — the cathedrals of modern society.) Bankers today have become all-powerful creators. They generate money and skim off a huge share of it in the process, in what Max Otte, a German economist, calls "social welfare for banks and financiers... an economic order that typically immunizes banks against the risks of speculating and creates free income, based neither on service nor performance, for banks, finance brokers, and the super-rich."[8]

But we humans, not God, created our monetary system. And we are the ones who can change it. We must go beyond blaming the greedy bankers and investors whom we hold responsible for the ongoing financial disaster. Our own ignorance, comfort, and insecurity are part of the problem. To awaken from our slumber, we must expand our knowledge and shake off our fears. And we must overcome the obsession with "multiplying" our money. Be honest: who among us doesn't want our bank or pension fund to give us the "best return" on our deposits?

When I give my lectures, I often encounter a mixture of fascination and resistance. To talk about money is still a taboo; changing the money system sounds like utopia to the majority. Since I have experienced twice a fundamental change of national currency in Germany—in 1948 from the reichsmark to the deutsche mark and in 2002 from the deutsche mark to the euro—to me this seems quite possible. And all the examples presented in this book coming from different historic and cultural traditions demonstrate that it is possible to create new and sustainable money systems.

This book is about finding solutions, not apportioning blame. It is about introducing new money concepts that benefit everyone. It is about creating a monetary system not pathologically obsessed with growth; one that does not constantly redistribute money from the working poor and middle classes to the small rich minority.

So let's get busy. What's wrong with the existing monetary system? What's keeping us from making it sustainable? How can its structural defects be remedied? And how can each one of us help the process along?