Greece as special economic area of the European Union?

Stabilising Greece with “flowing money” and saving the euro as “flowing money”

by Wolfgang Berger

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“If member states leave the Economic and Monetary Union,
what is the best way for the economic process to be managed
to provide the soundest foundation for the future growth and prosperity
of the current membership?”

Table of contents

Summary

In the first part of this essay I will show, based on a short review of the neoclassical economic theory of Nobel Prize laureate Milton Friedman, that this economic model causes the impoverishment of human societies on earth and ruins the environment. Furthermore, I will show that the neoclassical model privatises the gains, socialises the losses and makes the national states vulnerable to blackmail. In addition, I will show to the reader the apparently absurd discrepancy between the speculative sphere of money and the needs of the poor on this planet: in a global economy, this aspect has to be included in the examination of globalisation. And, if you pardon me saying so, I will have to give room to the sheer cynicism of some of the main actors of the speculative sphere of money – for my own peace of mind.

In the second part I will address the fact that the neoclassical conclusions of "pure economics" are the result of a mathematical derivation error, which has already been proven by several scientists but is still ignored by the economic textbooks. Furthermore, I will illustrate with a clear example the effect of exponential functions, the exponential growth of assets and liabilities, and the resulting "investment plights". I will also explain how the ruling economic scientists use the doctrine TINA – There Is No Alternative – to keep the politicians in a kind of creativity-free condition preventing them from thinking about new economic models. Since the collapse of communism, hardly anybody thinks about alternatives to our monetary and financial order.

In the third part of my essay I will present an intelligent possibility to stabilise the Greek economy with "flowing money", create full employment within a short period of time and enable Greece to start with the redemption of its debts. After that, Greece could leave the European Monetary Union without causing harm to the population. My model is also applicable to other countries of the European Monetary Union and could in the long run replace the euro or establish it as world reserve currency. With my model, a currency space can be kept free of inflation and deflation easily. Furthermore, the money flow can be stabilised by the central bank without difficulty and the money supply can effortlessly be regulated by means of a continuously adjustable fee – even if there are economic influences from outside the country.

To reach this goal, a few extra measures have to be implemented: Greece is declared a European Special Economic Zone for three years. In this zone, the Hellas euro (H€) is introduced with the attributes of flowing money: bank notes are identical, but have only Greek characters and are outfitted with a chip. Greek deposits in the European Union (owned by citizens and legal entities) and all deposits within Greece are converted to Hellas euro. The European Central Bank charges a monthly demurrage of half a percent on all deposits in Hellas euro. The demurrage is collected by the commercial banks and transferred to the Greek national budget by the central bank. The movement of capital in Hellas euro will be regulated, transfers outside of the euro zone will be subject to authorisation for three years. The Greek national debt will be frozen for three years and neither bear interest nor be redeemed. The current programme for privatisation of public property in Greece will be stopped for three years. Greece commits itself to profound reforms of its public administration and in doing so submits to the control of the European Union and European Central Bank.

Biography

Wolfgang Berger, born 1941 in Kassel, Germany, brings to his work doctorates in philosophy and in economics, plus 20 years of management experience from around the world. He has been a tenured professor at one of the leading Business Schools of Europe. And he is the author of the best selling management book “Erfolg durch Resonanz” (Management by Resonance, 4th edition 2012) and many other publications on business and public finance. He is currently working for a management consulting firm specializing in the design and implementation of corporate cultures. Together with other colleagues he engages in the reform of the world’s financial and monetary system, and organizes pertinent public events.

Preamble

Nobody can make politics against the markets. The doctrine that free financial markets channel investments efficiently is a statement of faith. The financial sector has become a parasite not stabilising the real economy, but strangling it with structural irresponsibility. The nations that have saved it have been taken hostage by it. The conditions of detention are created by the over-indebtedness and are a necessary by-product of our system. The alternative is simple, but hardly anybody considers it.

Introduction

Everybody – including those who have wonderful memories of Santorini, Crete or Rhodes – is talking about Greece. And even if they do not talk, they are worried. How can we do it right?

I have asked Zeus, Father of Gods: Pandora, the first woman on earth according to Greek mythology, is of ravishing beauty and fine grace. Zeus has given her a big, earthen storage jug for wine, oil, and grain. This „píthos" (πίθος, Latin: dōlium) has been mistranslated as „pyxís" (πυξίς, Latin: vāsculum) – box – by Erasmus of Rotterdam when he translated the myth into Latin. Since then, we speak of Pandora's Box, while actually it was a jar.

Pandora was supposed to give this jar to mankind with the order not to open it under any circumstances. But, as is so often the case with curiosity, even before Pandora became the seductive Eve of the Old Testament, the people open the jar and all evils come into the world.

In our days, the subjects of despots do not tolerate their imprisonment any longer and also the citizens of allegedly democratic nations rebel against heteronomy. Power is crumbling everywhere. Deceits and lies are exposed. Secrets are revealed. More and more people look behind the scenes. This worldwide process will soon dwarf what we have witnessed in 1989 with the Fall of the Berlin Wall.

In this context, I would like to present my view on three questions:

1. **Which of the evils from Pandora's jar has contaminated our financial system?**
2. **What can we do to get this evil back into Pandora's jar?**
3. **How does a system without evil look like – a system that serves life?**

All of these discussions are chapters in a coherent line of argument, followed by a conclusion.

1. Which of the evils from Pandora's jar has contaminated our financial system?

In the last three years we have witnessed that the profits of banks are private affairs and, for example, enable John Paulson to earn a personal annual income of 5 billion dollar – he makes more on a day than Josef Ackermann, chief executive officer of the Deutsche Bank, earns in one year. The number of billionaires worldwide has quintupled over the last decade from 200 to 1.000. For losses and side effects, however, we are all liable, because the states have to compensate for them. In the last decade, the net wages in Germany have declined. The employees in the United States of America have not received a raise in real income in the last thirty years.

This is no coincidence and no physical necessity, but the logical result of the ideology governing our times. For this, mainly a since deceased Nobel Prize laureate is responsible. In his acceptance speech for the Nobel Memorial Prize in Economic Science in 1976, Milton Friedman called his discipline a precise science, just like natural sciences, and argued that the conclusions of this *pure economics*, as he called it, could be drawn with the same mathematical precision form a target function.

There was a stable and comfortable condition – a “macroeconomic equilibrium” – if a given distribution cannot be changed without leaving one of the involved parties in a worse situation. And this equilibrium was the “social optimum”.

Neoclassical economics, which have been influenced significantly by Friedman, proves with a sophisticated mathematical theory that the optimum distribution of available factors of production leads to this general equilibrium and that this optimisation requires the consequent pursuit of three different economic-political strategic approaches:

(a) Privatisation:
Only private owners operate efficiently and create prosperity.
This leads to the political mandate: “pure capitalism”.

(b) Deregulation:
Only uncontrolled markets balance demand and supply.
This leads to the political mandate: “pure market economy”.

(c) Retreat of the state:
Only personal responsibility and initiative lead to progress.
This leads to the political mandate: “pure competition”

According to Friedman's teaching, entrepreneurs fulfil their social responsibility by making profit. The higher the profit, the bigger the contribution to the “social optimum”. Those who consequently pursue their self-interest automatically help the general public the most.

And if something is not like it should be – e.g. recessions, unemployment, weak economic growth, inflation – this is only due to the fact that not all capital is privatised or the market is not really free or there are still people riding the gravy train.

After the collapse of communism, this economic credo was used synonymously for “freedom” and taught at 90% of the universities worldwide. The University of Chicago, Department of Economics, where Friedman taught, became a place of pilgrimage for students of economy from all continents.

Friedman's students hold the best-paid chairs, are ministers and advisers of governments all over the world, executive managers at the World Bank and the International Monetary Fund. Friedman himself impressed and advised many presidents and heads of government – among them Ronald Reagan, Margaret Thatcher, and Augusto José Ramón Pinochet. The goal of his crusade for the free market was to “*create irresistible pressure* *for change*” worldwide in order to enforce complete privatisation and radical deregulation, and to cut down governmental functions at least so much that no social policy could be pursued any more. He corroborated his demands with a multitude of brilliant scientific publications.

And this is what happened:
Pure capitalism has led to worldwide privatisation of state property.
Pure market economy has opened the borders for imports and is currently pushing domestic earned incomes down to “world wage level”.
Pure competition has disabled the state, so that it can hardly intervene and adjust social imbalances any more.

Prevailing ideas always have very tangible impacts:

The **Physiocrats** considered land to be the only productive factor and assign all the profit to it. Clergy and gentry were satisfied, serfdom was not only legal, but “scientifically” justified.

The **Marxists** considered labour to be the only productive factor, assigned all the profit to it and dispossessed the wealthy. The communist functionaries or labour leaders were satisfied because now they could distribute the profit with “scientific” absolution.

The **Neo-liberals** considered capital to be the decisive productive factor. And because it is limited, free financial markets have to direct it to where it can be of maximum avail. This requires worldwide unregulated capital movement without any restriction. There shall be no borders for capital and investments. That the borders then have to be closed for the victims – the people – is natural selection.

Ten years ago, the major German banks threatened the government at that time (Social Democratic Party and Green Party) to move their head offices to London if the financial market in Germany was not liberalised. The government bowed to the pressure. We can think back to this time and imagine what would have happened if the government had resisted the pressure and the banks had moved. The media would have raised a storm of protest against Berlin that would have overthrown the government and the decision would have been withdrawn.

After the crisis in 2008, the Swiss government considers a stronger regulation of the financial market now. Following the example of the major German banks, the biggest bank of Switzerland, UBS, has threatened to move to London should the plans of the government be realised.

Since the abolition of controls of the capital flows, the capital has the possibility to take flight – and to blackmail if a state refuses to fulfil its demands. Since then, the financial “industry” conquers whole nations and the financial markets rule the world. Our real industry develops and produces technical progress. The financial “industry”, however, does not develop or produce anything that facilitates anybody's life, on the contrary: it destroys jobs, savings, pensions, hope for education, chances in live, live itself and increases poverty, despair and hunger in the world.

The worldwide trade in strange bonds that are of no use to the real economy has reached a volume of more than 600.000 billion dollar a year by now – this is ten times as much as the global gross domestic product.

As long as the rules of the game stay as they are, the financial institutions that issue these bonds and trade in them, are almighty: they can push the world into the abyss or at least threaten to do so in order to enforce whatever they want.

In the summer of 2007, it was perceptible in the financial markets that the present business models are driving into the ground. At this time, the banking house Goldman Sachs had introduced agricultural commodities as objects of speculation and thereby caused an explosion of prices for food from 2008 onward. The price for rice has tripled, the price for wheat quintupled – and this in 2008, the year with the best yield of wheat in the history of mankind.

People who have to live on two dollars a day spend 60 to 80 percent of their income for food. Price increases like that are a death sentence for many. Jean Ziegler calls it a “silent mass murder”. If wheat is more weapon than good, it seems rather accidental if, after many complicated transactions, something edible remains in the end.

In every hour, our global financial system claims approximately 1.500 human sacrifices – victims of starvation! This is de-personalised warfare: the technician that sends unmanned aerial vehicles on their way or the pilot that drops bombs from a height of 45.000 feet does not have to witness the destruction he causes. The bond manager who dissolves sound enterprises by hostile acquisition (the latest major example in Germany is Hochtief), cuts customer and supplier relationships that have grown over years, and destroys the means of existence of thousands of people, does not see the misery he causes either.

Lloyd Blankfein, chief executive officer of Goldman-Sachs, has said about himself: “I am a banker doing God's work”. He sold impaired mortgage loans for 40 billion dollars - mainly to the world's biggest insurance company, AIG – while at the same time insuring himself against the bankruptcy of AIG and betting on the collapse of the mortgage market. When congressmen reproached him with that and called it felonious in a hearing, he just said: “In connection with marketing optimisation, this is not a crime.” His colleague of the Citybank seconded him by saying: “As long as the music is playing, you’ve got to get up and dance”.[1]

The reality of our society has moved far from what we understand to be democracy. Our parliaments write blank cheques for the Grey Gentlemen in Brussels and our regents consider the people to be, as Heinrich Heine called it, “the giant fool”.[2]

The reality has also moved far from the theoretical model fixation of economists. When one of the recent laureates of the Nobel Memorial Prize in Economic Science was asked why the economic models were obviously wrong, he answered: The models are right, the reality is wrong.

2. What can we do to put this evil back into Pandora's jar?

If a machine does not work, engineers improve its construction. If our monetary and

1 http://blogs.reuters.com/great-debate/2009/11/17/while-the-music-plays-funds-gotta-dance/
2 Heine, Heinrich: Germany. A Winter’s Tale, Caput 1, 7. verse, http://www.heinrich-heine.net/winter/wintereng1.htm

financial system produces results we do not like, one would expect the economists to re-construct it.

However, as Max Planck has already pointed out: “A new scientific truth does not triumph by convincing its opponents and making them see the light, but rather because its opponents eventually die”.[3] Maybe non-economists read this text as well and to those I want to disclose a secret that no prominent representative of my discipline knows:

The Nobel Prize laureate George Joseph Stigler, the economist Steve Keen and the mathematician Jürgen Kremer proved that the neoclassical conclusions of pure economics, which are described in chapter 1, are the result of a mathematical derivation error. The educational books of microeconomics teach that pure competition leads to maximum prosperity and that optimum production output is given if marginal costs equal market prices.

This textbook wisdom is wrong. Pure competition does not maximise prosperity. After correction of the mathematical derivation error, the conclusions of the theory are inverted. With that, nothing really remains of the neo-liberal theory. This fact is taught to students of mathematics.

The economics textbooks just ignore this mistake. If they would acknowledge it, nearly all economic policy advisers around the world would have to quit their job. They would probably not be burnt at the stake like Giordano Bruno, but maybe they would have to revoke before the inquisition in order for the power relations to remain as they are.

A specialised sector of philosophy is the philosophy of science that is occupied with the rules and laws of the production of knowledge. A renowned philosopher of science of the last century was Thomas Kuhn. He has proven, with the instruments of formal logic, that every science is based on paradigms – basic assumptions and convictions that everybody wanting to practice this science has to believe for a start.

The paradigm of economics, which they suggest to politicians all over the world, is

3 Planck, Max: Scientific Autobiography and Other Papers, trans. F. Gaynor (New York, 1949), pp.33-34 (as cited in T.S. Kuhn, The Structure of Scientific Revolutions)

appealing: TINA - there is no alternative. Since the collapse of communism, hardly anybody thinks about alternatives to our monetary and financial order.

Before the time of communism, there have been alternatives, though, which the representatives of economics ignore or consider only relevant with regard to the history of dogmas. Many examples show their relevance for us today.

For instance, the Hanseatic League in Lübeck ruled in 1417: “Nobody shall sell herring before it has been fished, corn before it has grown, and clothes before they have been made.” And the Amsterdam Stock Exchange has forbidden by a decree dated the 26th February 1610 to sell bonds that are not in ones own possession. This prohibition has been skirted even then.

In 1949, Alfred Winslow Jones sold bonds that he did not own yet. It was the first reported bear sale in modern times. The game was brought to perfection and allows making profit both with falling and rising market prices.

Funds that are specialised on such speculative transactions are called “hedge funds”. This name has been chosen with care and refers to the privatisation command of the neo-liberal doctrine: In earlier centuries, land, water and natural resources, heathlands and moors, forest and roads had been used by all members of the community collectively – it was “common”. A first wave of privatisation swept across Europe half a millennium ago. Secular and clerical rulers took possession of the commons and marked their claims with hedges. The awful misery and impoverishment of the victims have led to the Peasant Wars.

The circumstances have changed little since then. According to an article in the British newspaper *The Guardian*, futures trader Ann Berg from London recently said: “What for a poor man is a crust, for a rich man is a securitised asset class”.[4] How do those asset classes work?

At school we were taught what an exponential function is, but still most people do not

4 http://www.guardian.co.uk/global-development/2011/jan/23/food-speculation-banks-hunger-poverty?INTCMP=SRCH

know what that means in practice: the doubling within a certain amount of time, with the duration depending on the level of interest. To make it easier to imagine: If you fold a page of your newspaper, you get two layers. With every folding, the amount of paper layers doubles: after two times there are four layers, after six times 64, after ten times 1.024 and after 42 times, the hight of the stack of paper has reached 350.000 kilometres, which equals the distance from the earth to the moon. Instead of folding your newspaper, you could just double a stack of 500 euro bills. This stack would reach to the moon, too. This is one side of the coin.

And now to the other side: the exponentially growing monetary assets are subject to interest. They can only earn interest if there are debtors who pay the interest. This is the reversed stack of 500 euro debt certificates that have to be packed into a hole in the earth that reaches through the whole planet.

The exponentially growing debt of somebody is necessary due to the system. If private persons and enterprises do not want to assume it or are not able to, the public budgets have to do it. If they refuse, the system collapses. Only a few are aware of that: an exponentially growing indebtedness is necessary for the continued existence of our monetary and financial system.

When Bill Clinton balanced the national budget of the United States, he was fiercely criticised by Alan Greenspan, then Chairman of the Federal Reserve. He asked to consider that big funds would not know where to invest their money if the state did not incur debts. Apart from Alan Greenspan, only few people see this simple connection.

John Perkins documents it precisely, with names and dates: heads of governments that defy the purposes of the global financial capital, which refuse to get their countries into debt, are killed in plane crashes of which the cause is never explained. Sometimes, bombs are dropped.

In every mature economy, supply exceeds demand. Every expansion of production intensifies the situation. The world rolls in money, there is investment plight, and the big assets are in need of lucrative utilisation.

If national budgets are no longer available for the absorption of more debt as well, the saturated markets allow only munitions to grow further. Wars do not increase the good supply of civil economic markets, they do not lead to fulfilment of demand, and therefore do not reduce the interest. A reduced production of civil goods only inadequately satisfies the need for consumer and capital goods. This deficit preserves the profitability of capital.

The customer newspaper “Sparkasse” of the German Savings Banks Association points to this connection in 1891: *“The reason for the decrease of the interest rate can be found primarily in the fact that the especially profitable large-scale capital investments are exhausted by now and only enterprises with low yield remain... Only a general European war could stop this development due to the massive destruction of capital it entails”.*

The German gross domestic product has grown constantly by approximately the same amount – i.e. linear – since 1950. This means that in a mature economy, the growth rate decreases. 15 of 100 are 15%, but 50 years later 15 of 1.000 are only 1,5%.

As long as the growth rate is higher than the interest rate, the gross domestic product that exceeds the interest could be distributed among the collective bargaining partners. As soon as the growth is below the interest rate, the deficit has to be taken from employers and employees – those who generate it. This is why the share of earned income in the gross domestic product *had to* decrease by ten percent in the last decade, in spite of constant economic growth.

Many dream of a stable world. But this is not possible within our current system. A system does not question itself; it rather enforces the death of people and the collapse of states. Between 1975 and 2005, the global production of real goods and services has quadrupled, while the global financial assets have grown twelvefold. One could say that the financial sector completely devours the economy that creates real goods.

Leaders without creativity constantly establish dead institutions supporting the system. But now, something is different. The world in which we live is currently turned inside out. Nothing remains as it was, everything is smashed to pieces. This offers huge prospects for anybody who personally develops in accord with the global change and lets himself be carried by it.

We can only put all these evils our monetary and financial order imposes on us back into Pandora's jar if we remodel our system. If we don't do that, a revolutionary social climate will develop. We have recently gotten a taste of this in England, Greece and Spain. However, revolutions have never improved the situation. Remodelling is more comfortable – especially for those who oppose it the most.

3. What does a system without evil look like – a system that serves life?

From commercial accounting we know the instrument of depreciation. After approximately 15 years we have to renew most of our facilities and our material property because perishability has consumed a part of it: it is out-dated, rusty, susceptible to failure, in need of renovation, obsolete. Depreciation distributes the wear and tear over time; it is budgeted into the prices and thus prepares financing of the replacement investments.

The owner of financial assets keeps this “most” of our material property in undiminished amounts and receives additional capital gain – dividend on equity, interests on borrowed capital. This way, he veers away from entrepreneurs and employees that create these assets with their work – with double speed.

In our current system, interest is absolutely necessary. If it is low, we need inflation as well to guarantee the desired velocity of money circulation. Nearly all central banks in the world produce inflation on purpose. Interest and inflation make the risk connected to every investment of monetary assets reasonable, because we have seen that banks can go bankrupt as well. Interest is part of the system and it has side effects that are part of the system as well – dreadful side effects.

Old proverbs tell us what is important: “The cash register has to keep ringing” or “The thaler has to move around from one hand to another”. Money can only fulfil its function if it stays in circulation – i.e. flows – and increases by the same rate as the real economy, which is linear and not exponentially.

Money creates prosperity as long as it flows without interest. It is notable that all religions ban interest. While the Roman Catholic Church has been quite flexible regarding the prohibition of killing, it was adamant concerning the ban on interest until the 1980s. But I am too much of an economist to believe in prohibitions. There is a more effective method:

The central bank can re-define the general conditions for the commercial banks and let them debit a monthly fee of, for example, half a percent from every current account. For time deposits, the rate can be reduced to a quarter percent and for long-term investments, it could be waived completely.

Cash money could either be limited to pay cards and we could accept credits via our mobile phones with online banking. Or the bank notes could be equipped with a chip that displays the due monthly fee every time the note is checked for its validity by testing devices of banks or tradespeople. Then, the fee has to be paid and the device updates the note. Or certain bank notes are declared invalid at predetermined due dates at random.

If there is still interest paid on the financial market, the central bank increases the fee slightly until the market interest is zero. If the market interest is negative, the central bank reduces the fee until the interest is zero again. In combination with this fine tuning, the central bank can keep the money value stable by regulating the money supply and keep inflation at exactly zero.

Monetary stability makes financial dispositions calculable in the long run and gives security for all kinds of provisions. Enterprises can get interest-free credits – backed by securities, just like today – and this will create an unprecedented boost in investments. The public budgets will in the long term avoid the currently second highest budgetary item – debt service – and can invest in infrastructure.

The most magnificent consequence of this flowing money is that our earned income will increase considerably: every product we buy has passed many processing stages in the value creation chain. In every stage, investments are necessary that have to be funded and these investments are always included in the calculation – and the price – with their interests.

If we add all the interest shares in the calculation of all the stages in the value creation chain, we get the interest share of the final product. This averages at approximately 40 percent of all final prices. For beverages, it is a little less (approximately 30 percent), for rents and purchase of real estate it is more (75 to 80 percent).

If we consider the fact as well that debt service is the second highest item in the federal budget and the highest in many municipal and provincial budgets, (and thus also of our tax burden), we have, including the value added tax, an average interest share in prices of approximately 50 percent. Even people that have no personal debt pay approximately half of every euro spent for interests. After a period of transition, enterprises finance their investments interest-free and the state takes out interest-free loans from his citizens – if he still wants to.

A major part of the adaptation to these new circumstances will probably take place by increasing wages and salaries. This means that the redistribution of wealth from bottom to top via the interest share in the prices is stopped and the population will have twice the buying power with the same price level.

Many people are satisfied with their current standard of living if it is secured by stable conditions in the long run. They do not need twice as much buying power and prefer to work half as long. If the number of those is equally high as the number of unemployed, the problem of involuntary unemployment and precarious employment is statistically solved.

Many of those who are satisfied with their current standard of living will want to work part-time. The offer of workforce decreases, so that enterprises have to pay their employees better to keep them. There will be no more income from unproductive increase of capital. Wealth can only be created by labour, money does not make money any more – and this always meant: by the work of others.

At the moment, somebody who earns 3.000 euro net and spends it pays approximately 1.500 euro interest. If he receives interest of 1.500 euro a month from earlier savings, he still has not gained anything, and to receive a monthly interest of 1.500 euro (18.000 euro annually), you would have to have investments of approximately one million euro at the current rate of German federal savings bonds.

Only very few have this kind of savings. The losers of our current system make up far more than 90 percent of the population and from those (from “below”) there is a constant redistribution “upwards” - to the few winners whose interest income is considerably higher than their interest spending.

All those whose interest income is lower than the earned income lose. Only the small minority of people who earn more through interest than through work are among the winners. The increasing wealth of these few is produced by the big majority of people who, for the last decade, receive an increasingly smaller share after taxes of the gross domestic product for it. But this big majority does not protest against this injustice and this has a simple reason: they do not know about it and do not understand the system.

In the early Middle Ages, around 1150 to 1450, the flowing money I suggest was found all over Central Europe. The coins of that time – they were called “bracteates” – were made of thin tin imprinted with a portrait of the ruler in power and the year of validity. At the end of the year they had to be exchanged with the coins valid in the next year. During this exchange the ruler got to keep 20 percent. That was the only tax which he used to finance his national budget, build his castles, and pay his servants and military

Rich middle class entrepreneurs of that time were master craftsmen who were not inclined to finance the ruler’s luxury life with the “impact rate” (which is what demurrage was called at that time). This is why they invested their money in their own luxury: splendid timbered houses which we still admire in today’s medieval towns.

After construction works on those houses was completed (I believe after around 10 years), they continued to earn a lot of money which they did not want to use to support the ruler. But what did they do with it? There were no tenement houses at that time, only houses for personal use. Therefore they donated it to church, counting on then having done everything for their salvation on earth and in heaven. The church became rich and used the wealth to construct impressive domes and cathedrals which we can marvel at in many places in Central Europe.

During these three centuries poor fishing villages all around the North and the Baltic Sea turned into rich Hanseatic Cities. And they were three centuries without war. The history lessons during my school time ignored those peaceful centuries. Nothing happened then and history lessons were war correspondence.

One could think that people had to work very hard to build all this. Of course they were diligent - just like we are today. But in addition to the free Sunday they also had the "blue Monday" off. Additionally, there were more than hundred church holidays a year. The riches of this epoch have been created with a weekly labour time of maybe thirty hours.

The cultural historian Egon Friedell described the life on those work-free days: dancing and singing, troubadours and story tellers, eating and drinking. His quotations on the lavish wine and food menus still sound mouth-watering to us today.

The phase of high culture came to an end because the rulers got greedy: they increased demurrage from 20 to 30 and more percent and issued coins for half a year instead of a whole one. This money became useless; people just didn't accept it and fell back to barter trade. This was complicated and the trading system collapsed.

People demanded "real money" - precious metal - and got it. The "Joachimsthaler" (later called "Thaler") was coined in the silver mines of the Bohemian Joachimsthal and was worth its metal value. There were also gold coins, the stamp embossed confirming their material value. Everybody was happy to keep this money, it was of value. People did not have to spend it and preferred to keep it on the upper beams of their timbered houses to save it for a rainy day – a safe hiding place.

This way, the economy collapsed completely. The subsequent famine caused wars in which rulers tried to conquer their neighbours' harvest. This was followed by the dark Middle Ages, coining our image of those times:

Red-haired women were considered witches, held responsible for the misery and burnt at the stake. The fact that God apparently revoked his protection was the heretics' fault, who were then "broken on the wheel" - locked in wooden barrels with long nails driven through them and rolled down a hill. Finally, there was an outbreak of the Black Death that killed off a large part of the population, and the Thirty Years' War during which everything was destroyed.

We can put the evils back into Pandora's jar and create a system with flowing money for today. The consequences are:

1. The difference between the rich and poor is no longer increased, but slowly reduced. Bit by bit we achieve a more balanced and fair distribution of income and wealth, reflecting people’s variable efficiency. That is fair.
2. At best, speculation is no more than a white crest on the ocean waves - an ocean of people actually trading and companies wanting to maintain and increase wealth that everybody wants to profit from. That is reasonable economizing (“oikos nomos” which is Greek for economy).
3. High income differentials no longer destabilize the demand. The ups and downs of cyclical fluctuations are a thing of the past. Economy is developing in a constant and even way.
4. The new monetary and financial order suddenly makes long-term investment profitable. This means that companies are no longer rewarded by the financial markets for destroying the environment (as it is the case at the moment). Sustainable economizing suddenly becomes worthwhile and therefore will win through.
5. Wars for keeping up the “system” are unnecessary and will disappear to a large extent. We can look forward to lasting peace in which mankind succeeds in turning this wonderful planet into what it was created for: paradise for ten billion people.

Conclusion: The nine-point programme to save Greece and the whole of Europe

The austerity measures forced on Greece by the international “troika” of European Commission, European Central Bank and International Monetary Fund will lead to the same results as the measures the Chancellor of the Republic Heinrich Brüning took in the Weimar Republic: total collapse.

The exclusion of Greece from the euro zone would demolish the euro. Because there are no sound alternatives for investment among the big currencies, the consequences of such a dramatic revaluation would be fatal for the other countries of the European Monetary Union.

The International Monetary Fund has raised an alarm: if our banks would have to include the loss in value of uncertain euro countries into their balances, their capital base would diminish by 300 billion euro, and that in spite of the fact that banks already have the possibility, with the “fair value balancing”, to legally deceive investors and public.

In spring 2010 German Chancellor Angela Merkel, out of domestic political considerations shortly before the elections in North Rhine-Westphalia, said the fatal sentence that Greece could just go ahead and go bankrupt. Since then, “the markets” lead politicians through the arena by their nose rings. Let us calculate objectively:

Greece is, economically speaking, as big as Saxony or Rhineland-Palatinate. We could have included it easily and much cheaper into the German interstate financial equalisation. The share of Greece in the gross domestic product of the euro zone is 2.5 percent. European bonds that are issued jointly by all nations of the euro zone instead of bonds issued by individual countries would have been an extremely favourable alternative – *then.*

The German interest burden would have increased by less than three percent. In relation to the interest burden of that time that was 2.4 percent (today it is only 1.8 percent) this would have in theory amounted to an interest burden of 2.46 percent. This surplus load is absolutely ridiculously small compared to the huge and ineffective “rescue measures” that threaten to demolish the euro now.

We should also consider that Goldman Sachs has smuggled Greece as an explosive device into the euro zone back then: for a consulting fee of 300.000 dollar and a credit worth billions they have helped the Greek government at the time to expertly forge statistics so that the criteria for the admission in the euro club were fulfilled. The eurocrats in Brussels did not see through this perfidious game.

Now Greece, with its public per-capita debt much lower than the per-capita debt of the United States of America, is used to demolish the euro and thus to maintain the dollar as world reserve currency. This way, the financial centres in the Wall Street of New York and the City of London can continue to buy the rest of the world with this green printed paper and can secure the exploit of this property with military omnipotence.

Apart from the USA, China, and maybe India, the individual countries must take up a subordinate role. The banking house Goldman Sachs, that pays an average annual wage of more than half a million dollar to its employees (including doorman, operator and typists) rules the world and also European politics. Our politicians have let themselves be demoted to its servants.

Greece – and all of Europe – could be saved with flowing money. Here is a nine-point programme for this purpose:

- Greece is declared a European Special Economic Zone for three years.
- In this zone, the Hellas euro (H€) is introduced with the attributes of flowing money: bank notes are identical, but have only Greek characters and are outfitted with a chip.
- Greek deposits in the European Union (owned by citizens and legal entities) and all deposits within Greece are converted to Hellas euro.
- The European Central Bank charges a monthly demurrage of half a percent on all deposits in Hellas euro.
- The demurrage is collected by the commercial banks and transferred to the Greek national budget by the central bank.
- The movement of capital in Hellas euro will be regulated, transfers outside of the euro zone will be subject to authorisation for three years.
- The Greek national debt will be frozen for three years and neither bear interest nor be redeemed.
- The current programme for privatisation of public property in Greece will be stopped for three years.
- Greece commits itself to profound reforms of its public administration and in doing so submits to the control of the European Union and European Central Bank.

The demurrage will stabilise the monetary circulation, stimulate demand and boost the economic development of Greece. After three years, the country will have stabilised and be able to fulfil its obligations.

Maybe the programme is so successful that it can be transferred to the whole euro zone. Then the euro could become a world reserve currency. Europe could give itself a creative and radical constitution following the example of Iceland. It could start like the draft for this small North Atlantic people: “We, the people who inhabit Europe, want to create a fair society.”

Profit seeking can take place in the real economy – just like the “Wirtschaftswunder” developed in Germany in the 1950s and 1960s – and disastrous financial acrobatics can just be outlawed.

“A minority is powerless while it conforms to the majority; it is not even a minority then; but it is irresistible when it clogs by its whole weight”[5] Henry David Thoreau wrote.
I invite you to join in.

5 Thoreau, Henry David: Civil Disobedience (Resistance to Civil Government), 1849, p. 22