

# Budapest – lectures 2003 - 2004

1. Finance meets sustainability
2. Problem - solvings
3. Towards a global Reference standard
4. Evolutionary Economy
5. Behavioral Finance
6. Some References used

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## 1. Finance meets sustainability

### 1. Sustainability issues:

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

2. Our money-system is not neutral

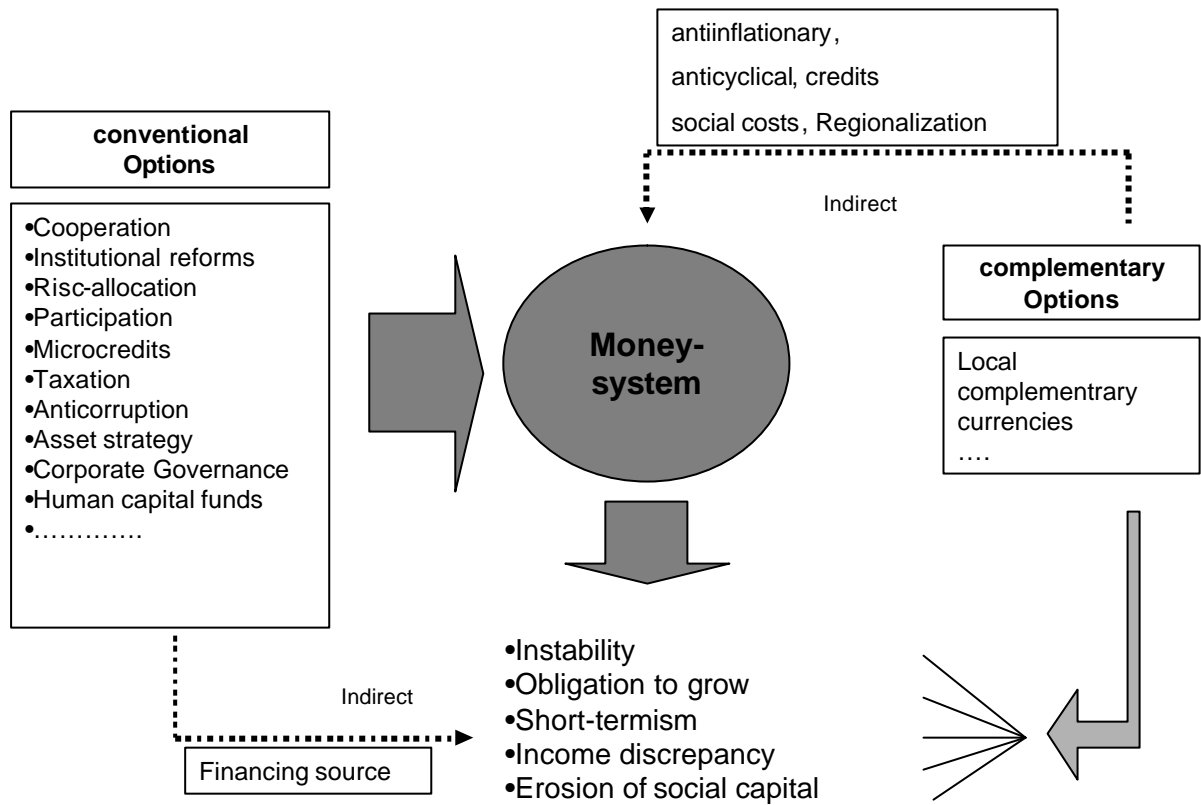
3. Our money-system is a convention

4. Five direct impacts:

- Immanent instability
- Force to grow
- Income disparity
- Short-term thinking
- Erosion of social capital

5. Systemic view: conventional and complementary reforms

## 5. Proposed solutions

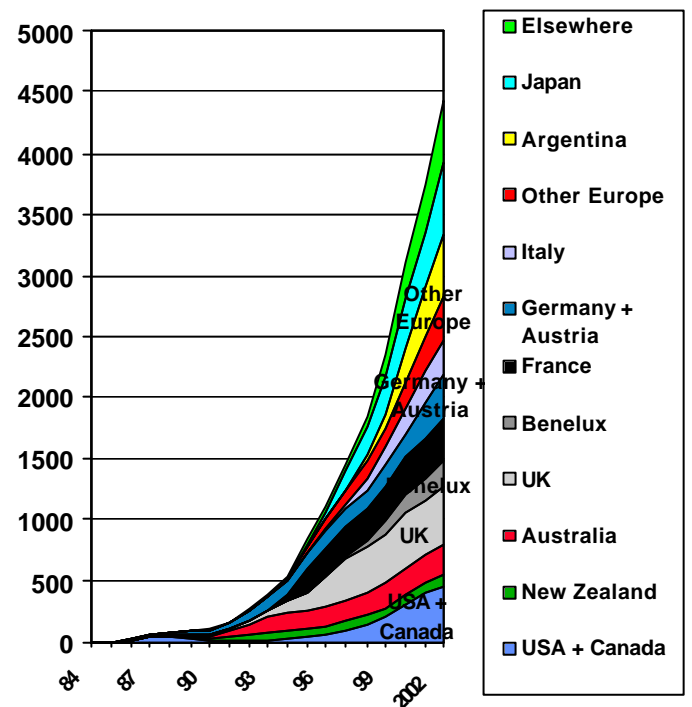


## 2. Problem- solvings

1. Mega-trends and tangible problems

2. Conventional solutions

3. Complementary approach



- General characteristics
- Historical and empirical findings
- Basic goals
- The wealth effect
- Systematics

4. Why do we need both?

## Mapping some currencies:

	Objective	Unit of Account	Support Medium	Issuing Process	Time Relationship
Conventional Currency	Legal Tender	Conventional Currency	Mixed	Borrowing with Collateral	Interest
LETS	Social (unemployment, community)	Mostly Conventional Currency	Electronic (PC)	Mutual Credit	No interest
Time Dollar	Social (elderly, retired, students, community)	Time	Electronic (PC)	Mutual Credit	No interest
Ithaca Hours	General	Time	Paper	Purchased	No interest
Chiemgauer	Commercial, Social	Conventional Currency	Paper	Purchased	Demurrage
Airline Miles	Commercial B2C	Physical Unit (Miles)	Electronic	Purchased	No interest
WAT	Commercial B2B, C2C	Physical Unit (Watt)	Paper	Mutual Credit	No interest

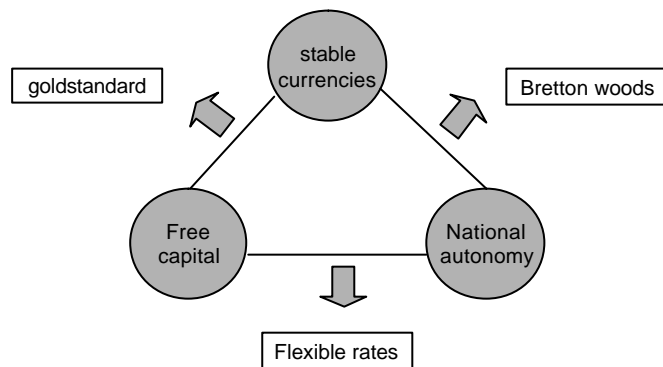
### 3. Towards a global Reference standard

#### 1. Empirical and theoretical findings

1. Empirical theoretical findings

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##### „Impossible Trinity“ of a global financial architecture



(Mundell, Fleming, 1962  
Frenkel, Menkhoff, 2000)

2. Money matters

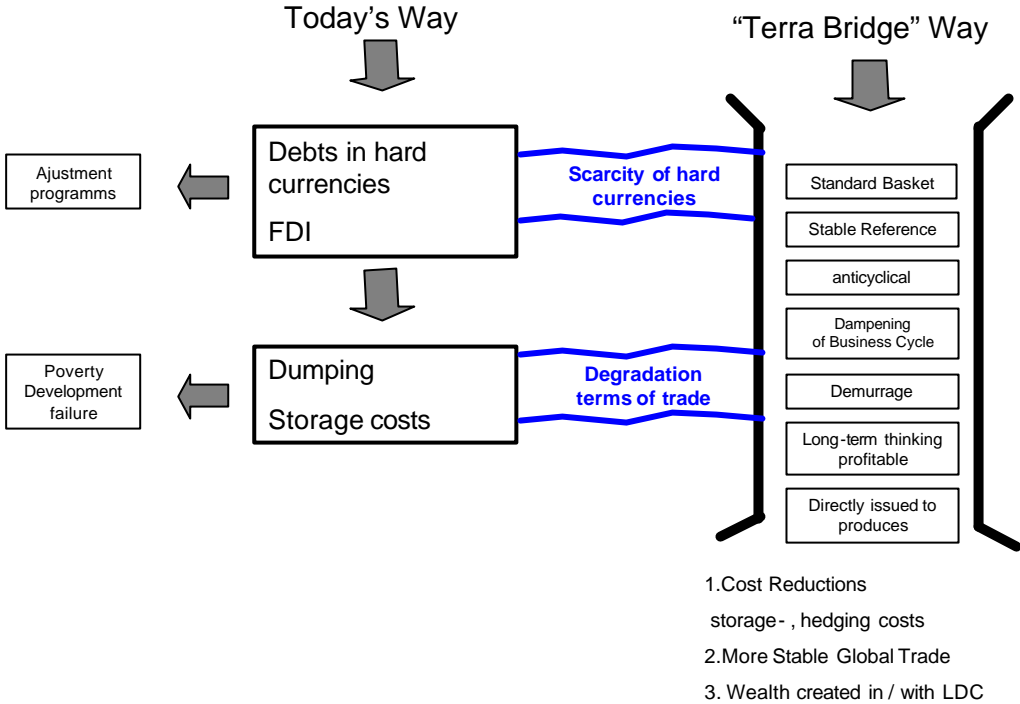
3. A new construct: The TERRA-mechanism

4. How does it work?

5. „Win – win“ is the best business

anticyclical - inflationresistant – long-term-thinking

**developing countries:**



## 4. Evolutionary Economy

1. Some preliminaries

2. What is a development?

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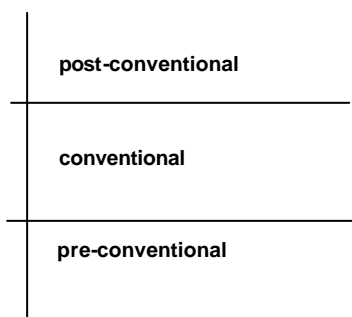
development

<b>Genuine Development Criteria</b>	<b>Potential Pathologies</b>
<b>1. Differentiation</b>	<b>Fusion</b>
<b>2. Integration and Transcendence</b>	<b>Dissociation</b>
<b>3. Internal Hierarchy</b>	<b>Anarchy, Chaos</b>
<b>4. Critical self assessments</b>	<b>Recursive Loops</b>

3. Evolutionary psychology

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Evolutionary psychology



## 4. Implications for the money-system

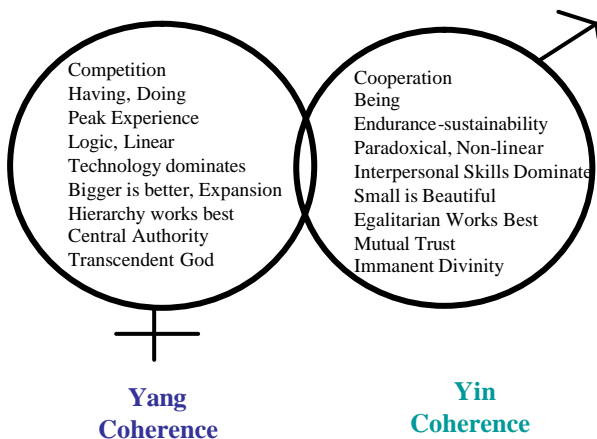
Appendix 1

Evolutionary Stage	Economic System	Currency System	Organizing Framework	Time Perception	Human type
<b>Pre-conventional</b>	Primitive barter, Agrarian societies	<b>Commodity-based</b> No currency Commodity Currencies	Religions – Mythologies Local/Regional traditions	Cyclical Here/Now priorities	<i>Homo Ritualis</i>
<b>Conventional</b>	Industrial Age Competitive Markets	<b>Paper-based</b> "Gold Standard" Bretton-Woods Treaty	National: Legal systems International: Treaty systems	Linear Short-term priorities	<i>Homo Economicus</i>
<b>Post-conventional</b>	Post-industrial, Knowledge society.	<b>Electronic</b> Complementary Currency Systems	Global/Local Complementary Systems Multiple organizing frameworks Conscious choice in transactional effects	Simultaneous Multiple Time perceptions Conscious choice in time priorities	<i>Homo Universalis</i>

## 5. Conclusion

Conclusion

What are the psychological pattern behind?



## 5. Behavioral Finance

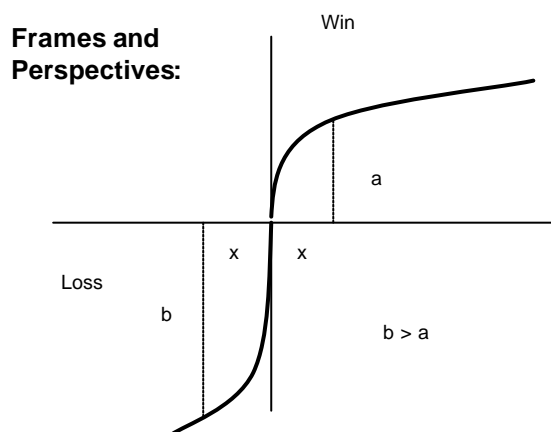
1. Heuristics and Biases

2. Behavioral Finance

3. D.Kahnemans` prize-lecture

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Behavioral Finance



4. Some Conclusions :

- multiple heuristics apart from the homo economicus
- unconscious, automatic schemas and short-cuts dominate our decision-makings
- Frames make the difference
- far away to integrate: group-phenomena, altruism, cooperation, universal perspectives

## 6. Some References used:

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