
From: Joi Ito <[REDACTED]>
Sent: Saturday, September 27, 2014 1:28 PM
To: Jeffrey Epstein
Subject: Fwd: Monetary Systems Reform
Attachments: signature.asc

An =nteresting guy I'm talking to. Wonder what you think scanning this. =hould I read all of these things?

- =oi

Begin forwarded message:

From: Michael Mainelli <michael_mainelli@zyen.com>=

Subject: =/b>Monetary Systems =eform

Date: =/b>September 9, 2014 at =2:05:51 -0400

To: =/b>"[REDACTED]"

<=iv lang="EN-GB" link="blue" vlink="purple" style="font-family: =elvetica; font-size: 12px; font-style: normal; font-variant: normal; =ont-weight: normal; letter-spacing: normal; line-height: normal; =rphans: auto; text-align: start; text-indent: 0px; text-transform: =one; white-space: normal; widows: auto; word-spacing: 0px; =webkit-text-stroke-width: 0px;">

Joi,

On money ... ='ve pulled together a lot of our wider thoughts so you can see why I =eel that the theoretical foundations of macro-economics need to expand =o define money, let alone figure out where financial services fit into =economic theory. First article you have - (hint: search for the =ord 'element') ...

Building Bit – What's A Poor Government To =o About AltCoins?

Michael Mainelli and Bob =cDowall

2014

Banking Technology, Informa plc (April 2014), pages =0-33.

For some =ecture background on monies (hint: find "Pecunium" in the first =ecture), gave the second lecture with Ed Nell, the third is quite =un:

26 September 2013

The Currency of Management: What Managing Money Teaches Us About =anaging People Lecture

13 June 2013

Taking Modern Money =part

Lecture

07 February 2011

Long Commerce: Transactions Across Time Lecture

Our UK interest

We at Z/Yen have been proposing that some of the support for small businesses could come from their own monetary system, a UK WIR, as has been working for 20 years among 60,000 small businesses in Switzerland. I happen to think that the WIR might be a wider aid & development tool as well.

On what might the Swiss WIR mean for the UK, Z/Yen brought out a report on Capacity, Trade & Credit with the City of London Corporation in December 2011:

Summary Findings - Capacity, Trade and Credit: Emerging Architectures for Commerce and Money Michael Mainelli, Stephanie Rochford and Chiara von Gunten
2011
City of London Corporation, 21 pages

The full report was 200 pages and had numerous recommendations about using new currencies and exchanges to increase economic growth. Lord Sassoon participated in the launch and a number of other senior officials are exploring the implications of the report. For the City of London, this has been their most commented-upon report since the Global Financial Centre Indices – www.globalfinancialcentres.net <<http://www.globalfinancialcentres.net>> - began in 2007. They've encouraged me to promote some more discussion, via Long Finance – www.longfinance.net <<http://www.longfinance.net>> , write a few editorials, convene a Forum last year, etc. All that said, perhaps the most important thought was trying to introduce a UK WIR. To the Swiss, it's a clear success comprising a quarter of Swiss firms and about A\$3.2 billion of trading (an average trade is half CHF and half £).

Capacity, Trade and Credit: Emerging Architectures for Commerce and Money Michael Mainelli, Stephanie Rochford and Chiara von Gunten
2011
City of London Corporation, 203 pages

In summary though, all the Swiss did in 1934 was to push their regulator to regulate two currencies rather than one. They removed the "monopoly" on money that most nations believe fiat currency requires. From there the system does its thing or not. The national currency retains its supremacy based on the universality of tax and its monopoly on the use of force, but also in competition for credit. It bypasses the crazy and unstated assumption among far too many, that fiat tax scrip plus leveraged banking will magically equal the trust and credit of the national economy. The monopolies do fight back. The Bundesbank produces reports from time to time asserting that German alternative currencies detract from the economy though these reports (a) fail to cite Swiss reports on a substantial system modulating cycles and extending credit, and (b) frankly aren't that good). The Federal Reserve stamps on scrip issue (see US history of the 1930s when there were some 400+ scrips in issue). The Bank of England is more subtle, but is based too on a monopoly on the sovereign's debt and might interpret this vigorously (and erroneously in a way) if any scrip or outside credit system becomes significant.

There are a few more modern, though perhaps problematic, examples in the report, including a recent large international player, Ormita –www.ormita.com; and the WIR history is not without its twists and turns (the Swiss feel no need to promote the system – pretty much maxed out recently and they don't seek non-Swiss members or international expansion – as you'll gather from their website #6 <http://www.wir.ch/de/wir-kunden/>). Lots to ponder in my opinion. Current UK thinking is hardly innovative and do concerned with the art of the practical (i.e. what the "in" community of UK thinkers might accept that other UK people might accept) that London is in serious danger of being sidelined.

If you're still reading this far, some related reading...

On financial reform and =hatalism:

Modern =onetary Theory and its relationship to Chartalism - <http://en.wikipedia.org/wiki/Chartalism>. A =ich topic, intertwined with Austrian, Keynesian, Monetarist Schools =tc. You might find this quick "Are You An Austrian?" quiz =ather interesting - <http://mises.org/quiz.aspx>. I do =uggest taking the long version as the explanations they send back to =ou are very good. Everyone who takes it learns something and =ew are pure "Austrian", but...

Charles Holt =arroll is an =ften overlooked but penetrating 19th century writer on the =ubject who provides a solid underpinning for Chartalism -<http://mises.org/etexts/currency.pdf> I have a few =elated articles, though can hardly claim to be a =hatalist:

Short Monetary =ystems: Take A Risk, Create =oney Michael =ainelli

2012

Journal of =isk Finance, Volume 13, Number 4, Emerald Group Publishing Limited =July 2012), pages 280-284.

Money In A Time Of =holeric: Basel Blows The =ubbles Michael Mainelli

2011

Journal of Risk Finance, Volume 12, Number 4, Emerald =roup Publishing (August 2011), pages =48-350.

Let There Be Tax =isk: Currencies, Interest Rates and Tax =ates Michael Mainelli

2011

Journal of Risk Finance, Volume 12, Number 3, Emerald =roup Publishing (June 2011), pages =42-245.

On reform, =hese articles may interest:

Four years into a succession of crises and still no reform; Time =or some Long Finance Michael =ainelli
2011

City AM (4 November 2011), page =4

Small Enough To Fail: A Systems Approach To Financial Systems =eform Michael Mainelli and Bernard =anson
2011

Journal of Risk Finance, Volume 12, Number 5, Emerald =roup Publishing (October 2011), pages 435-444. [received an
Emerald =iterati award] Banking on =onfidence: Rethinking Audits of Financial =nstitutions Professor Michael =ainelli
2011

Securities & Investment Review, Securities & =nvestment Institute (September 2011), pages =2-23.

This =conomist article spends a lot of time warming up to alternative =conomists, but however grudging they are they got there, sort of, in =he end -

<http://www.economist.com/node/21542174</=iv>>

I cover Silvio Gesell briefly in this lecture –

<http://www.zyen.com/Articles/Transactions%20Across%20Time.pdf<=a>> -<http://www.gresham.ac.uk/lectures-and-events/long-commerce-tra=sactions-across-time> - whose Freiwirtschaft =hinking is rather penetrating about the nature of money. Gesell's=Freiwirtschaft mantra was "free trade, free land, free money" – =nd I would add to make my own, "free information". The Wörgl =xperiment on some of his ideas - <http://en.wikipedia.org/wiki/W%C3%B6rgl> – which led to the Swiss =aking Freiwirtschaft seriously. Not to be too concise about his =ontroversial ideas, but he disputes the idea that money should be a =ong-term store of value. There are references to online materials =n him at the end of the lecture. I interestingly stumbled across =his excellent Keynes quote only a couple of years ago - "I =believe that the future will learn more from the spirit of Gesell then from that of Marx." - Book 6, =hapter 23, Section 6, p. 355.

Time Banks, e.g. Rushey Green, which is in turn covered in =his Gresham lecture -
<http://www.gresham.ac.uk/lectures-and-events/local-or-global-n=work-economics-and-the-new-economy>

As ever in =expressions, the mainstream press are trying to comprehend this -
<http://www.theatlantic.com/international/archive/2012/05/the-n=xt-money-as-the-big-economies-falter-micro-currencies-rise/257216/> or <http://www.spearswms.com/asset-management/36017/wir-bitcoins-b=ixton-pounds-does-funny-money-make-sense.thtml>

A lot was =ade of this recent Bank of England Q1 2014 bulletin – “Money In The =odern Economy – An Introduction”. A lot was =onspiracy-theory-style nonsense, but it does show that the Bank is =etting its own thinking in order and explaining things more clearly -
<http://www.bankofengland.co.uk/publications/Documents/quarterl=bulletin/2014/qb14q101.pdf>

I put a lot =f my wider thoughts down in this 2009 paper, The Road To Long =inance:

The Road To Long Finance: A =ystems View Of The Credit Scrunch Michael Mainelli and Bob =iffords 2009
Centre for the Study of Financial Innovation, ISBN: =78-0-9561904-4-4, 62 =ages.

One last Long =inance approach has been insured utility banking. For a start see =his -
<http://www.longfinance.net/lf-about/research/710-insured-utili=y-banking.html>

But this =aper sets things out theoretically:

Michael =ainelli and Bernard Manson, “Small Enough To Fail: A Systems Approach To Financial =ystems Reform”, Journal of Risk Finance, Volume 12, =umber 5, Emerald Group Publishing (October 2011), pages 435-444 [Highly =ommended Award 2012, Emerald Literati =lub].

With all best =ishes,

Michael

WIR Bank and the WIR multilateral =xchange =/b>

WIR is a cooperative bank =acilitating multilateral trading between, and extending credit to, =ember SMEs. It has been operating for over 75 years and is based =n Switzerland. Founded by 16 entrepreneurs in 1934, the WIR Wirtschaftsring-Genossensc=aft (economic =ircle cooperative) was set up as a result of the adverse economic and =onetary conditions resulting from the Great Depression. It was =onceived as a way to stimulate trade and create purchasing power =between participants, primarily SMEs, thereby enabling local economic =rowth and reducing unemployment.

Since its inception, the WIR =conomic circle has undergone a number of reforms and structural changes =nd now resembles a commercial bank driven by cooperative =nterests (favouring SMEs and local/national economic growth and with =strong economic foundations). For example, it went from issuing =nterest-free credit to providing credit lines at advantageous rates =ompared to market rates (approximately 1.75% for members); and from =harging a “demurrage” (or penalty) fee to members holding on to =heir WIR francs (CHW) to simply not paying interest rates on CHW =deposits, thereby encouraging constant money circulation. The =organisation has also expanded the range of banking services to include =wiss franc-based services rather than WIR francs alone; and has evolved =rom a customer base comprising primarily SMEs to opening up to the =ublic in 2000.

WIR Bank performs different and complementary =unctions. First, it acts as a “central bank” issuing =ts own currency – the WIR franc (CHW), which is pegged to the Swiss =ranc (CHF) and released to members through loans and mortgages backed =y collateral. The WIR franc comes into being on the strength of =he contract with the borrower plus

the willingness of a community to accept the money as a payment for goods and services, rather than through state/central bank authorisation.[1] <x-msg://5/#_ftn1> The bank regulates the amount of WIR francs in circulation - WIR francs accounted for 0.2 % of CHF M1 in 2009[2] <x-msg://5/#_ftn2> ; it also defines the rules of participation and the usage of WIR credits - e.g. WIR credit cannot be redeemed for Swiss francs; and sanctions members for illegal behaviour through exclusion - e.g. such as discounted market trading of WIR francs for Swiss francs.[3] <x-msg://5/#_ftn3> [4] <x-msg://5/#_ftn4>

Second, it acts as a "commercial bank" and as such has been subject to relevant banking regulations in Switzerland since 1936 when it was first given the status of a bank. In this capacity, WIR bank provides a range of banking products (including business loans and mortgages) to its clients in Swiss francs, WIR credits or a combination of both. WIR francs are used by participants to exchange goods and services within the WIR exchange. Since every WIR credit is matched by an equal and opposite debit, the system as a whole must net to zero.[5]

Third, WIR bank acts as a "trade facilitator" by providing the WIR platform or system through which WIR members can exchange goods and services with each other using the WIR franc as a partial or full means of payment. In this context, WIR bank also provides a range of marketing and communication services (e.g. web listings, WIR fairs) and advisory services (e.g. workshop, advice on the set-up of a WIR budget) to members to enable them to trade within the system. The WIR system is also supported by independent local members' groups (e.g. Groupement WIR Suisse Romande) that act as local networking and discussion forums throughout Switzerland.

Today, circa one in five SMEs in Switzerland is a WIR member[6] <x-msg://5/#_ftn6> , resulting in over 60,000 SMEs trading with each other within the WIR system, of which one third are from the construction industry. The value of WIR franc-based transactions amounted to CHW 1.627 billion[7] in 2010, representing circa 0.3% of Swiss GDP for the same year[8] <x-msg://5/#_ftn8> . Prices are denominated in Swiss francs and can be paid using WIR credits, Swiss francs or a combination of both. While some participants accept WIR francs as 100% of the payment for their goods and services, the minimum rate of WIR francs for every transaction is 30% up to a value of 1,000 CHF; and subject to agreement between the parties beyond that threshold. The average rate of acceptance is usually between 30% and 40% of the total amount.[9] <x-msg://5/#_ftn9> Through partial acceptance, participants meet costs and liabilities that cannot be met through WIR credits such as salaries, tax and social contributions. As a result, trading within the WIR system results not only in an increase in turnover in WIR credits but also in Swiss francs. [10] <x-msg://5/#_ftn10> [11] <x-msg://5/#_ftn11>

The WIR multilateral exchange is underpinned by a strong feeling of community and trust. An obvious advantage lies in the mutual benefits arising from trading with someone that is part of the system rather than an outsider. Moreover, given its history, it is often seen as a trading mechanism sustaining local economic development and SME growth, especially as SMEs account for 98% of all companies in Switzerland.[12] <x-msg://5/#_ftn12>

Researchers have analysed the counter-cyclical nature of the HW. Using 56 years of WIR data on participants, CHW in circulation, turnover and credit, Stodder (2009) demonstrates the counter-cyclical nature of WIR credit, showing that WIR credits are most likely to be accepted when ordinary money is in short supply and suggesting that the purchasing power created through WIR could become an instrument of effective macroeconomic stabilisation.[13] <x-msg://5/#_ftn13> Recent media pieces[14] have explored the relevance of WIR exchange in the recent crisis and highlighted how participants' turnover in CHW in a variety of sectors has remained stable or increased relative to their turnover in CHF (which decreased as a result of the financial crisis).

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Professor Michael Mainelli's other interests:

Gresham College - all Michael's Gresham =eetures
Thames Sailing Barge Lady =aphne
United Kingdom Accreditation =ervice
Wishbone Gold =lc
Christ's Hospital - Charitable Boarding =chool
City of London =orporation
Alderman Broad Street =ard & Club
=span lang="EN-US" style="font-size: 10pt;">The Price Of Fish: A New =pproach To Wicked Economics & Better Decisions, Nicholas Brealey Publishing, =011 - www.priceoffish.info - winner of the 2012 Independent Publisher Book Awards =inance, Investment & Economics Gold Prize - Kindle
Clean Business Cuisine: Now =nd Z/Yen, Michael Mainelli and Ian Harris, Milet Publishing, 2000 - <http://www.zyen.com/publications/books.html?id=551> - Kindle

All articles: <http://www.zyen.com/publications/professional-articles.html?Au=hors=mainelli>
Personal blog: mainelli.org

[1] <x-msg://5/#_ftnref1> W. Wüthrich, "Cooperative Principles and =omplementary Currency," Current Issues (Zeit-Fragen), =rticle 1: topical questions # 30, August 9, 2004, 1, translated by =hilip Beard (Sonoma State University).

[2] <x-msg://5/#_ftnref2> In 2009, CHW =76.3 million were in circulation (WIR Bank, 2010). For the same =ear, the Swiss Central Bank reported M1 amounting to CHF 377,199 =illion in 2009.

[3] <x-msg://5/#_ftnref3> WIR Bank, "Bénéfice de la banque =IR en hausse a 11,9 millions," Wir Bank press release, March 11, =011, accessed August 18, 2011,

<http://www.wir.ch/index.cfm?CBD9201A3DBB11D6B9950001020761E5</=pan>>

[4] Wüthrich, "Cooperative Principles and Complementary =urrency", 1.

[5] <x-msg://5/#_ftnref5> James Stodder, =93Complementary credit networks and macroeconomic stability: =witzerland's Wirtschaftsring," Journal of Economic =ehavior & Organization 72 (2009): =2.

[6] <x-msg://5/#_ftnref6> Based on 60,000 SME WIR =embers (WIR Bank, 2011) out of 297,692 SMEs censored in 2005 in =witzerland (OFS, 2005).

[7] <x-msg://5/#_ftnref7> WIR Bank, "Bénéfice de la banque WIR en =ausse a 11,9 millions," Wir Bank press release, March 11, 2011, =ccessed August 18, 2011,

<http://www.wir.ch/index.cfm?CBD9201A3DBB11D6B9950001020761E5</=pan>>

[8] <x-msg://5/#_ftnref8> In 2010, Swiss GDP amounted =o CHF 546.619 billion according to OECD statistics, accessed August 19, =011, <http://stats.oecd.org/index.aspx?queryid=350> .

[9] <x-msg://5/#_ftnref9> Wüthrich, "Cooperative Principles and Complementary =urrency."

[10] WIR Bank, "Bénéfice =e la banque WIR en hausse a 11,9 millions."

[11] <x-msg://5/#_ftnref11> Stodder, "Complementary =redit networks and macroeconomic stability: Switzerland's =irtschaftsring," 82.

[12] Swiss Federal Office of Statistics (OFS), "Recensement fédéral des entreprises," accessed August 18, 2011, <http://www.bfs.admin.ch/bfs/portal/fr/index/dienstleistungen/g=ostat/datenbeschreibung/betriebszaehlung05.html>

[13] <x-msg://5/#_ftnref13> Stodder, "Complementary credit networks and macroeconomic stability: Switzerland's *Wirtschaftsring*," 82.

[14] <x-msg://5/#_ftnref14> RAI TV documentary, "WIR *ank*," broadcast May 30, 2010, accessed August 18, 2011, <http://www.rai.tv/dl/RaiTV/programmi/media/ContentItem-0302579=-2188-4a6f-a8c5-eac1f2078004.html>

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