

Zsuzsanna E. SZALAY

CORVINUS

UNIVERSITY of
B U D A P E S T

From Braudel's Triptych to the Closed Loop Economy

2nd International Conference on
Complementary Currency Systems
19 – 23 June 2013, Hague

Brief insight into the legislation of CCs in HU

- 2009-2011: first CC, called Kékfrank, huge media coverage, supporters and opponents
- Apr 2011: Bulletin of Hungarian National Bank: *On trade vouchers called „local money”*
- Authors' demning opinions → legislation needed
- Refer to the article, year 2006 from G. Rösl
- DBB: *welfare losses are negligibly small*
- Hungarian National Bank: *considerable welfare losses*
- Directive 2007/64/EC → Act LXXXV/2009 in HU
- 2013: law prop.T/10903 was approved: trade vouchers under the scope of supervision (huge costs for CCs!)

Regulation is needed

Good rules are not restrictive, they serve the wider community, the common good of a society

- „The trouble of the world is not if we do something poorly.
- The trouble is that we do wrong things.
- If finally we would do good things, even if poorly,
- the result would be good, maybe less good.
- But if we intend to do the wrong things in a good way,
- the result is even worse.” by J. Agócs

Fernand Braudel (1902-1985): Annales historians

- Annales School: everyday men's everyday life (instead of traditional event-based narrative)
- **Three levels of economic structure**
 - Ground level (the material life, or infra-economy)
Middle level (the market economy), Top level (capitalism)
- **Two types of market (A&B)**
 - Public market: transparent, short distance, collective market, barter in the spirit of value
 - Private market: Producer and consumer relationship is torn apart; dealer is dominant

Local money in Braudel's economic structure

- The field which is the home of the local money and consistent with Braudel's economic structure: **the level of infra-economy**,
- Organised, where it is needed: by **market type „A”**
- My term: Moneys in different levels of Braudel's structure

The characteristics of money in the infra-economy: the love-money

- ensures the unity of existence and being
- unifies the community
- measures the degree of love
- redistribution *between* and *within* generations
- a tool to reach a higher quality of life
- manages and maintains the other two levels, the market economy and the capitalism

The characteristics of money in the market-economy: the market-money

- information service
- division of time and space
- regulation of movement of the market-participant
- only in positive interest money system:
increasing the value added, measured in terms
of money
- accumulation and the distribution of goods, as
resources

The characteristics of money in the capitalism: the power-money

- increasing the power added, measured in terms of different market shares
- determination of flow direction between the financial systems
- commercial extermination tool
- non-legitimate power distribution
- integration of the narcissistic minimal self and the power, which effectuates the despoilment

Karl Polanyi (1886-1964): The Great Transformation

- Before: Europe was organized by reciprocity, redistribution, householding, or some combination of these
- The motive of gain wasn't prominent until the regulation was strict enough: custom and law, magic and religion determined the individual's behavior
- After: The market behavioural pattern became dominant building a society.
- Society-regulated system→self-regulated market

Social defence mechanism 1.

- Commodities are defined as objects produced for sales.
- **Labour, land and money** are fictitious commodities
- The commodity concept is an attribute in the market mechanism, but if only that would control the fate of human beings, **the society would fall apart.**
- “The market administration of purchasing power would periodically liquidate business enterprise, for shortages and surfeits of money would prove as disastrous to business as floods and droughts...”

Social defence mechanism 2.

Money is an infrastructural factor and ensures the division of the labour within the community.

- It enables the exchange of information and material between the participants of the activity trade.
- It serves the community; it is part of the common property.
- Not commodity but common property, which is not for sale.

Each argument is in vain?

- Garrett Hardin: The Tragedy of Commons
- It recommended the privatization:
- the abolition of common property
- Hardin: “An alternative to the commons need not be perfectly just to be preferable..... „Injustice is preferable to total ruin.” I ask: Preferable to whom? Could we talk about community and continuation of human life without any common property?

The substantive meaning of economy

- It has independent roots from the other meaning of economy, namely from the formal meaning.
- Formal derives from logic, the substantive from fact.
- “The formal meaning implies a set of rules referring to choice between the alternative uses of insufficient means.”
- “The substantive meaning of economic derives from man’s dependence for his living upon nature and his fellows.”

The interpretation of local money which could be accepted by Polanyi too

- Based of substantive meaning of economy
- Defends the social interest, sustainability of community
- But we are after an even bigger transformation, a global transformation!
- Money as fictitious commodity more fictive than the other two: land and labour
- New regulation: community-level resilience



CLOSED OR SEMI-CLOSED LOOP ECONOMY PRINCIPLES

To the resilience of complex systems: interconnectivity and diversity (B. Lietaer et al.)

Resilience requires communities' independence and self-sufficiency

CCs strengthens the sovereignty of community, **only** to the extent of self-service, if the material and financial circular flow remain within the boundaries of the community.

CLOSED OR SEMI-CLOSED LOOP ECONOMY FRAMEWORK

- It works as a biosphere imitator
- The human activity should also serve the needs of Biosphere
- The linear processes should be transformed to cyclic flows, the waste formation should be diminished
- The extent of the human activity should depend only on flow-type energy instead of stock-type

Summary

- a brief insight into the legislation of CCs in Hungary, obstacles
- the theoretical necessity of small-scale local economy: 1. infra-economy 2. public market
- definition of different moneys in Braudel's structure
- change in behavior: closed loop model

Thank you
for your attention!