

WHAT would our economic behavior look like if we adopted a more “Earth-friendly” view of money and learned how to better use our money to create a better world?

Earning

SHOULD WE REDUCE OUR INCOME?

In his book, *Deep Economy*, environmental writer and activist Bill McKibben cites recent studies that found only a low positive correlation between happiness and income above what most of us would consider a modest wage. Following the examples of 18th century Quaker John Woolman and many others in our own time, we can gain inward peace and outward integrity, by shifting to livelihoods that require fewer hours of paid work while generating sufficient income for basic needs. We can join programs that help us take back control of our lives through financial discipline, freeing up time to devote our life energy to good work. We can learn from books, join simple living support groups, or take lessons from elders who learned to live with less during the Great Depression.

Spending

CAN WE MAKE GREENER PURCHASES?

If we pay slightly more to buy from local businesses and farmers, or if we participate in local barter or alternate currency systems, we keep money circulating in the local economy, supporting local jobs and community services. If we buy marginally more expensive products made from recycled materials, we reduce net waste and extraction of nonrenewable resources. If we buy goods that are durable, repairable, and reusable, or if we shop at thrift stores, we reduce our total throughput of energy and materials. If we buy from businesses that we know have good social and environmental track records, we influence how people and the earth are treated in the production of goods and services.

Giving

CAN WE GIVE MORE MINDFULLY? Those of us who are fortunate to have enough income for discretionary spending can donate generously to socially and ecologically progressive causes. There is a wide range of options, but we can consider regular financial support to Quaker organizations—including Quaker Earthcare Witness, Friends Committee on National Legislation, Right Sharing of World Resources, Friends World Committee for Consultation, and American Friends Service Committee—that are carrying a unified concern for peace, justice, and the integrity of Creation. Automatic monthly withdrawals are particularly helpful, and we can remember them in our wills.

Investing

SHOULD WE SHIFT OUR INVESTMENTS?

Using “socially responsible” funds to steer capital toward renewable energy, for instance, can make us part of a powerful “voting bloc” for the kind of world we want to leave to our children. (By 2007, assets in socially screened portfolios had grown to more than \$2.7 trillion!) Guidance on such choices can be found in many books and websites. See <www.greenmoneyjournal.com/>.

Learning

SHOULD WE SEEK MONETARY REFORM?

Financial markets need appropriate regulation. But how money is created and gets into circulation also may play a crucial role in the social, economic, and ecological problems facing the world today. Read more inside this pamphlet about why some Friends believe the monetary system needs to be changed to be more consistent with their witness for peace, justice, and Earthcare. ❖

Further Reading

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Quaker Earthcare Witness
173-b N. Prospect St.
Burlington VT 05401-1607
802/658-0308
info@quakerearthcare.org
www.quakerearthcare.org

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Friends MONEY and the Earth



Quaker Earthcare Witness

Friends, MONEY, and the Earth

MINDFUL earning, spending, giving, and investing can lower our ecological footprints and promote peace and social justice. But going beyond our personal relationship with money:

- ❖ *Why is there enough money for war, but not for education or protecting the environment?*
- ❖ *Why is there enough money for real estate and financial market speculation but not for everyone to afford health care?*
- ❖ *What if the schools had all the money they needed and the Air Force had to hold a bake sale to buy a bomber?*

There are reports of a growing “wealth gap.” The average American worker has been earning less (adjusted for inflation) while working longer hours, and an increasing percentage of American households have been going deeper into debt to maintain living standards and keep up with college costs. While the standard Gross Domestic Product has risen, the *Genuine Progress Indicator* from Redefining Progress <www.rprogress.org> suggests that the overall quality of life has not been improving. Meanwhile, the top one percent of U.S. households control more than 40 percent of the nation’s wealth, which is more than all the wealth of the bottom 95 percent!

Such discrepancies suggest there are powerful forces directing financial resources in a different direction than the general public believes it ought to be going. This is like a ship with sails and rudder set for a certain course that is actually drifting away from its destination because the wind isn’t strong enough to overcome hidden ocean currents that are moving in the opposite direction.

What are the hidden currents of money?

One factor is politics. For example, the huge influx of corporate donations into cam-

paign financing has paved the way for tax cuts that benefit only the wealthiest sector of society. The cuts are partly offset by budget cuts for a wide range of vital social and environmental programs, as well as increased national debt.

Some economists believe that the very structure of the nation’s monetary system contributes to and reinforces inequitable distribution of wealth, as well as pressure to liquidate natural resources. It is therefore incumbent on all Friends who are working for a just and ecologically viable world to learn more about how our monetary system works and what some people believe should be done to reform it.

Money and growth

The most urgent issue is the connection between money and *growth*, since our current system requires continuous economic growth, which cannot be sustained on a finite planet.

In the March-April 2007 issue of the *Quaker Eco-Bulletin* on “Money and Growth: Another Inconvenient Truth?” Ed Dreby notes that the global money supply has increased greatly in recent years. When this is combined with a growing population’s expectations of higher consumption due to accumulating wealth through growing investments, we have a perfect recipe for collapse due to overshoot of the planet’s physical carrying capacity. “If the supply of money increases, then the value of things people use money for—goods, services, and assets—must also increase, or there will be ‘too much money chasing too few goods’ and money will begin to lose its value [through inflation]. As debt increases so do the incentives to exploit land and labor or to engage in financial speculation to acquire the funds to cover the debt.”

Mainstream economists believe that money is an ethically neutral tool created by financial systems for markets to function efficiently. In this orthodox view, growth in the money supply is not a cause, but a reflection of growth in the economy as a whole.

Critics say the growth is due to features of the Federal Reserve System, the nation’s quasi-private central banking system. Under this system, about 95 percent of the money in circulation today consists of account entries made by banks when people take out loans.

Standard accounting practices allow banks to count all of the money that borrowers owe them as assets (known as “receivables”). Under Federal Reserve rules, however, banks are allowed to use a portion of those *paper assets* as reserves on which to base new loans. New debts owed to the bank are in turn counted as part of the bank’s paper assets, and so forth, until the total of outstanding loans can be as much as *ten times* the money held in reserve.

This “fractional reserve” rule, combined with the ability to create new “money” out of previous loans, allows more money to be put into circulation when the economy is growing. But some critics say this solution leads to a new problem: It doesn’t create any of the money that borrowers need to repay the substantial amount of interest that accumulates over the terms of their loans. Therefore, more and more money needs to be put into circulation—through even more loans!

It is only an expanding amount of debt and a lag between the time a loan is made and the time it is repaid that keeps the inherent shortage of money from bankrupting the system. This game of “musical dollars” seems to succeed as long as the economy is growing, but eventually it encounters periodic downturns in business cycles and—more im-

portant—runs up against Earth’s finite resources. This prospect is particularly alarming in light of the impending peak of global petroleum production, on which economic growth has become utterly dependent. Also, this rapid growth of economic activity is linked to accumulating greenhouse gases in the atmosphere, which the scientific community warns is destabilizing Earth’s climate.

Is a sustainable economy possible?

Can the current monetary system be used to create a prosperous economy that functions within Earth’s biophysical limits? Making this part of the public policy debate begins by understanding that money is the “lifeblood” of a living economy. This organic metaphor implies that economic activity must eventually reach a dynamic equilibrium, just as a living body eventually enters a steady state after it reaches maturity. In this view, the money is a commons that exists to serve the whole community. Thus, the power to issue and regulate money rests properly with elected government rather than private banks. The metaphor also suggests that if we are concerned about the future, our economic indicators and our use of money need to acknowledge our ultimate dependence on the living economy called Earth.

For background reading, we recommend the book, *Seeds of Violence, Seeds of Hope*, from the Friends Testimony on Economics, which can be downloaded from the QEW website. There are also several issues of the *Quaker Eco-Bulletin*, also available on the QEW website, that address economic and monetary issues. ❖ (See **Further Reading**, other side. >)

The QEW Steering Committee has not yet taken a position on monetary reform. This section is offered to encourage further reading and discussion among Friends on this very important topic.