Reshuffling the monetary and financial system: lessons from the social and solidarity economy

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Introduction

Current monetary and financial system has some systemic faults which should be addressed properly in order to achieve a sustainable and fair economic system. Money creation as bank credit = debt which is prone to be pro-cyclical (more credits are given during the economic boom, quite often ending up with churning out bubble economies, while credits are crunched during the recession, making it even harder for debtors to service what is due. The compound interest, which grows exponentially rather than linearly, forces economies to grow more and more just in order to avoid bankruptcies, similar to the musical chair in which somebody is to fail to get a seat and there lose the game, on top of discounting future assets and making them less attractive for investors.

It is worth paying attention to the emergence of social and solidarity economy (SSE), a series of non-capitalist and non-communist economic activities which aim at building sustainable and human-friendly economy. Initiatives pertaining to this economy thrive all over the world and some countries (Ecuador, France, Mexico, Portugal and Spain) have approved a law on this economy to reflect such socioeconomic, cultural and environmental values into their own policies, although the grade of involvement varies significantly from country to country. SSE includes some experiences in the financial (such as ethical bank and microcredit) and monetary fields (social and complementary currencies) as well, suggesting how the current money system can be altered to help us accomplish sustainable development.

This article begins with showing how poorly our current system is designed on achieving the sustainable development. Then SSE's vision is studied on the basis of different sources to determine what its goals are, followed by examinations on how its philosophy is reflected on

its financial and monetary practices. Islamic banks are also studied briefly from their anti-interest viewpoint, which can be shared with SSE, although differences with SSE are highlighted too. Last but not least, an analysis will be conducted from the SSE's viewpoint on the proposal of Chicago Plan / Positive Money, which is to allow governments to restore monetary sovereignty by forbidding private banks to issue money and the governmental institution (either the central bank or a monetary institute) to do so, highlighting the commonalities as well as discrepancies.

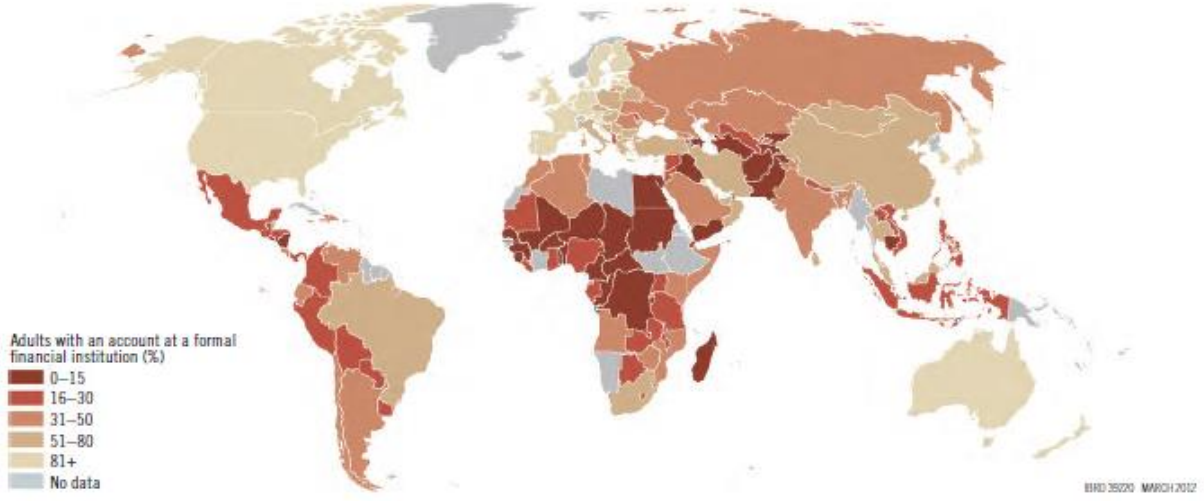
1: Our monetary system against the sustainable development

A good starting point for this paper would be the definition of sustainable development: "development that meets the needs of the present without compromising the ability of future generations to meet their own needs" (United Nations: 1987). This concept was later incorporated into the Millennium Development Goals, sanctioned in 2000, and has evolved into the Sustainable Development Goals[1] which were adopted in 2015. The recent one has 17 pillars and different specific goals, and 1.4, 2.3, 5a and 9.3 mention the universal access to financial services from the viewpoints of Zero poverty, farming, gender equality and small businesses while 8.10 refers to the importance to empower financial institutions to improve their financial services for such sectors.

We can see that all these goals are against the financial exclusion, defined by the European Commission (2008) as "a process whereby people encounter difficulties accessing and/or using financial services and products in the mainstream market that are appropriate to their needs and enable them to lead a normal social life in the society in which they belong." Though the percentage of people without bank account tends to be higher in the developing countries, EU is not foreign to this phenomenon, as only 78% of adult population in Greece, 74% in Lithuania, 73% in Hungary, 71% in Italy, 70% in Poland, 53% in Bulgaria and 45% has a bank account (Demirguc-Kunt and Klapper: 2012). Graphic 1 shows how many people are financially included per country.

[1] Source: http://www.un.org/ga/search/view_doc.asp?symbol=A/70/L.1 (Last accessed: 08th October 2016)

Graphic 1: Adults with an account at a formal financial institution[2]



On top of that, Lietaer et al (2012) shows five structural problems of our current money system which are unsustainable:

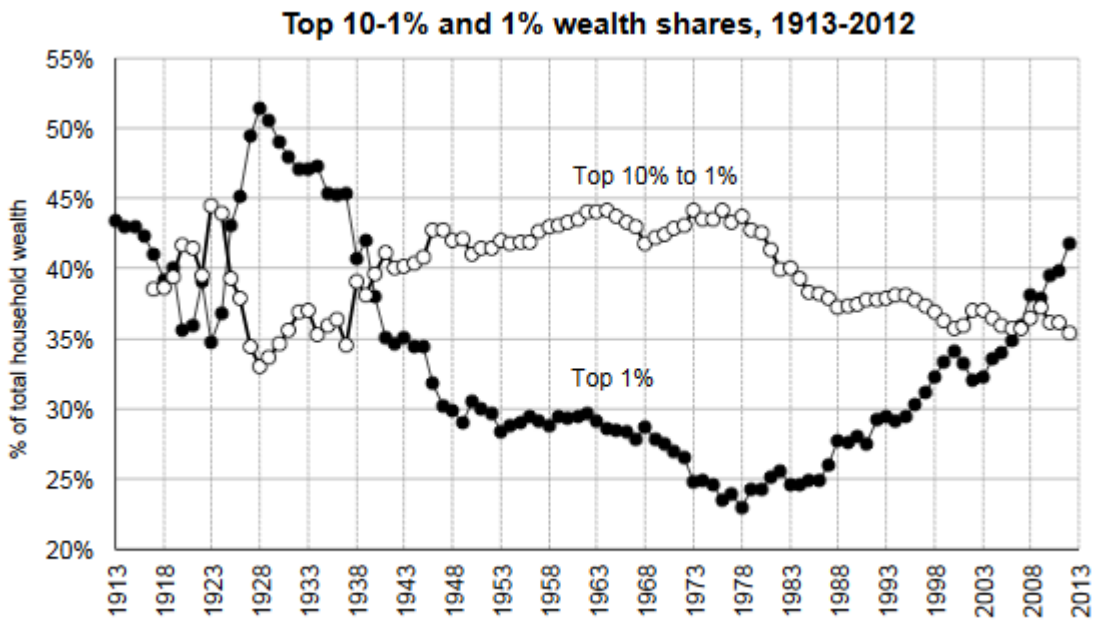
1) **The pro-cyclical tendency of money creation and flow**: Most money is currently created as credit when private banks provide loans (Greco: 1990, Douthwaite: 1999, Lietaer and Belgin: 2012, Jackson y Dyson: 2012). This fact is admitted by Bank of England as a bank "*credits their bank account with a bank deposit of the size of the mortgage.* ***At that moment, new money is created***" (McLeay et al: 2014) and this process is accelerated during the boom, quite often for speculative purposes, while it is slowed down once the economy gets into a recession. The overheated speculation creates manias with "*a reversal between the objective and the process*" whereby "*(t)he lenders became so enthusiastic about the process that they failed to appreciate the end game and provide an answer to the question of where the borrowers would get the cash to pay the interest if the lenders stopped providing them with the cash in the form of new loans*" (Kindleberger and Aliber: 2005).
2) **Short-termism**: The compound interest increases future assets, for instance, with 5%/annum interest rate, 10,000 € in 2016 will be 10,500 € in 2017 and about 16,289 € (10,000 x 1.05^{10}) in 2026. This fact, however, also means that an asset to be valued as 10,000 € in 2026 is discounted exponentially to about 9,523 € (10,000 / 1,05) in 2025 and about 6,139 € (10,000 / 1.05^{10}) in 2016. Therefore, long-term investments are unlikely to be profitable while more money is poured into short-term ones.

[2] Source: Demirguc-Kunt and Klapper, 2012

3) **Compulsory growth pressures**: As money creation is conditioned with interest repayment, there is always more debt than money supply. Douthwaite (1999) shows three scenarios (deflation, inflation and expansion) and the only desirable one is expansion. Kennedy (1995) compares this growth to that of cancer to highlight its programmed unsustainability, and both the Old Testament (Exodus, 22:25, Leviticus, 25:36, 25: 37 and Deuteronomy, 23:19) and Quran (2:275, 2:276, 2:278, 3:130, 4:161, 30:39) forbid to charge usury / interest ("*riba*" in Arabic).

4) **An unrelenting concentration of wealth**: The compound interest is levied almost whenever goods and/or services are purchased, because their producers and/or suppliers need to repay it. Kennedy (1995) calculated that bottom 80% of West-Germans in 1982 lost money while only the top 10% earned it by way of this system. Graphic 2 shows that the pie has been enlarged only for the top 1% since 1970s while even those at top 10% to 1% have lost their share.

Graphic 2: Top 10-1 % to 1% wealth shares in the US, 1913 - 2012[3]



5) **The devaluation of social capital**: As we have already seen, money supply is by definition scarce, forcing economic players to vie each other for this means of exchange, similar to the musical chairs whereby the lack of chairs in comparison with players forces somebody to be ousted from the game so others can survive. Such a

[3] Source: Saez and Zucman (2014).

picture rather harms than nurtures the social capital, defined as "*connections among individuals - social networks and the norms of reciprocity and trustworthiness that arise from them*" (Putnam: 2000) as competition instead of cooperation is the prevailing force.

An important remark is that 2), 3) and 4) are triggered by the compound interest system: it discounts future assets, making long-term investments less attractive than short-term ones, while forcing the whole economy to grow more and more to pay this exponentially-growing interest. It also redistributes the wealth in favour of the rich at the cost of the majority of the population, increasing the income gap.

These systemic faults undermine different Sustainable Development Goals as follows:

- **1.2 By 2030, reduce at least by half the proportion of men, women and children of all ages living in poverty in all its dimensions according to national definitions**: the current monetary system is designed to increase the income gap, making it harder for this goal to be achieved.
- **2.c Adopt measures to ensure the proper functioning of food commodity markets and their derivatives and facilitate timely access to market information, including on food reserves, in order to help limit extreme food price volatility**: It is possible that speculations, with funds from commercial banks, undermine the stability of commodity prices.
- **10. 1 By 2030, progressively achieve and sustain income growth of the bottom 40 per cent of the population at a rate higher than the national average**: Graphic 2 shows a counter-evidence to this goal.

2: Social and Solidarity Economy (SSE)'s principles, values and visions

SSE combines two similar but different concepts: Social economy which includes all forms of non-capitalist economies (co-ops, non-profits, foundations and benefit societies), and solidarity economy which emerged in Latin America as alternative to the neoliberalism which was sweeping over that continent. The second one tends to include different economic practices which surged in the last few decades, such as fair trade, Community-Supported Agriculture (CSA), ethical finance and social and complementary currencies (local currencies), among others, while the first one rather deals with those decades-old experiences.

The Co-operative Principles, to be shown below, are frequently cited as guidelines not only for co-ops but also for SSE players in general:

1) Voluntary and Open Membership
2) Democratic Member Control
3) Member Economic Participation
4) Autonomy and Independence
5) Education, Training and Information
6) Co-operation among Co-operatives
7) Concern for Community

RIPESS (Réseau Intercontinental de Promotion de l'Économie Sociale et Solidaire)[4] is the global network of SSE players which organises the global conference every four years, and its regional (continental) networks realise their own activities. Its current chapter[5], adopted in 2008 in Montevideo (Uruguay), sets the values of "*humanism*", "*democracy*", "*solidarity*", "*inclusiveness*", "*subsidiarity*", "*diversity*", "*creativity*", "*sustainable development*", "*equality, equity and justice for all*", "*respecting the integration of countries and people*" and "*a plural and solidarity-based economy*" and defines its mission as "*producing, exchanging and consuming goods and services that correspond to the economic and social needs of the local and international community, and the establishment of harmonious relations between competitors in economic sphere*."

Up to today, five countries (Ecuador[6], France[7], Mexico[8], Portugal[9] and Spain[10], on the alphabetical order) have approved and implemented laws on social (and solidarity) economy. Though each law defines SSE on its own way, similarities are easily found among these five laws, such as supremacy of human being over the capital, voluntary membership, democratic

[4] http://www.ripess.org/

[5] http://www.ripess.org/wp-content/uploads/2011/07/RIPESS_charter_EN.pdf (Last accessed: 08th October 2016)

[6] http://www.desarrollosocial.gob.ec/wp-content/uploads/downloads/2012/07/1_ley_y_reglamento_EPS.pdf (in Spanish: last accessed on 08th October 2016)

[7] https://www.legifrance.gouv.fr/affichTexte.do?cidTexte=JORFTEXT000029313296&dateTexte=&categorieLien=id (in French: Last accessed on 08th October 2016)

[8] http://www.diputados.gob.mx/LeyesBiblio/pdf/LESS_301215.pdf (in Spanish: last accessed on 08th October 2016)

[9] http://www.cases.pt/0_content/sobre_nos/Lei_de_Bases_da_Economia_Social.pdf (in Portuguese: last accessed on 08th October 2016)

[10] https://www.boe.es/boe/dias/2011/03/30/pdfs/BOE-A-2011-5708.pdf (in Spanish: last accessed on 08th October 2016)

self-management and internal and external solidarity. The Ecuadorean concept of "*buen vivir*" merits further explanation, as this term, translation of "*sumak kawsay*" in Quechua which was incorporated into this Andean country's current Constitution, is used to represent people's decent life standard in harmony with the Mother Nature (sometimes referred to in Latin America as Pachamama).

3: Financial practices within the domain of SSE

SSE has developed different financial initiatives all over its own history. In this section we will focus with different experiences to show their relevance.

- **Credit Unions**

The most traditional form of SSE financing are credit unions. Being themselves as co-operatives[11], they are owned by their own members instead of stockholders in case of other commercial banks, therefore allowing the management to be done in favour for their own members. Smith et al (1980) argue that Credit Union (CU) deal with members both as owners and clients, therefore "*models of a financial firm based on profit maximization cannot be directly translated to a CU environment*" and "*a CU cannot simultaneously maximize its dividend rate for saves and minimize its loan rate for borrowers*", showing the need to reconcile with its members' contradictory demands (affordable loans for borrowers and more dividend for savers). Melián Navarro et al (2010) demonstrate that most CUs are "*neighbourhood bank*", with "*an effective knowledge on the environment in which they are operational and on the sector(s) of entrepreneurial activity in which most of their members and clients are concentrated*." It is important to point out that many ethical banks also take this juridical form because it is the most appropriate one to achieve their own goals.

JAK Bank, operational in Denmark and Sweden, is very remarkable due to its interest-free business model. Depositors to this financial institution do not earn any interest but points to be spent on asking for interest-free loans, which are calculated on the basis of the amount and length of deposit. So, for instance, if somebody deposits 10,000 € for 5 years, (s)he is entitled to borrow 20,000 € for 2.5 years or 5,000 € for 10 years. Anielski (2004) qualifies this experience as "*international benchmark for 'sustainable banking'*", showing that it gets 90% of operating costs by "*charging just enough in loan fees and membership fees*".

[11] Actually the equivalent term in French and Spanish are "*banque coopérative*" and "*cooperative de (ahorro y) crédito*", respectively.

- **Microcredit / Microsaving**

Microcredit is a financial service targeted for the marginalised who only need a small amount of start-up funds to begin their own businesses. The most well-known experience is Grameen Bank in Bangladesh, founded by Muhammad Yunus who, together with his own institution, won the Nobel Peace Prize in 2006. Hashemi et al (1996) prove that this institution "*does empower women*" by increasing their *"mobility, their ability to make purchases and major household decisions, their ownership of productive assets, their legal and political awareness and participation in public campaigns and protests*" while making them less likely to suffer from domestic violence. Karim (2008), however, is critical to microcredit institutions in this South Asian country, creating "*economy of shame*" ("*furtherance of their capitalist goals)*" prevailing over "*local norms of cohesion and community*" based on the "*honor and shame*" culture, the relending practices (a woman who gets microcredit makes money by relending it to somebody else with higher interest rate) and NGOs' "*tremendous control over the lives of the poor*".

An alternative to microcredit is microsaving. NGOs still assist the poor, but instead of lending, they provide training courses to help such people set up and self-manage their own financial mutual aid groups. Usually a group will consist of between 10 to 30 people and Crespo Ubero (2013) enumerates the advantage of CAF (*Comunidades Autofinanciadas*), a microsaving practiced by immigrant worker groups in Catalonia (Spain), as "*it offers quick and simple access to small credits; it stimulates the saving; it generates profits to be shared among the members; it strengthens the community union; it provides financial education; it enables other services such as insurance, and housing, etc."*

- **Ethical Banks**

The new trend which has appeared in the last few decades are Ethical Banks as alternative banks which only finance money to those socially and/or environmental sound projects, such as organic farming, renewable energy while refusing to finance nuclear energy, weapon factory companies etc. While ordinary credit unions only evaluate projects in terms of profitability, ethical banks examine also their social and/or environmental aspects, thus guaranteeing depositors that their money is invested for such purposes. There is a global

network called INAISE (International Association of Investors in the Social Economy)[12] which holds annual meetings. Table 1 compares some well-known experiences in Europe:

Table 1: Comparison of different ethical banks in Europe as of 2015[13]

Name	Country(ies)	Founded in	Members	Deposits (Millions of €)	Loans (Millions of €)
GLS Bank	Germany	1974	41,982	3,618	2,129
Triodos Bank	Netherlands etc[14].	1980	707,057	7,283	5,216
La Nef	France	1978	37,131	125	120
Banca Etica	Italy / Spain	1998	38,910	1,058	865

- **Social and Complementary Currencies / local currencies**

Social and complementary currencies (alias local currencies or community currencies), are means of exchange to be issued and administered by the civil society in parallel with legal tenders. The very expression of "social and complementary currencies" is the combination of two terms, namely: "*social currency*" coined by Primavera (1999) who found out the "*social inclusion effects*" of barter clubs which were at that time a widespread practice in Argentina, and "*complementary currency*" which was first used by Bernard Lietaer who recognised the relevance of such exchange tools' roles to strengthen cooperative economy, community exchange and social capital (Rizzo: 2003). Lietaer (2001) defines money as "*an agreement within a community to use something as a means of exchange*", showing the possibility that anything can be regarded as money as far as there is a consensus among community members.

Different sorts of practices exist to satisfy different unmet socioeconomic needs. Some remarkable initiatives are depicted below:

- **Labour Certificate (Austria)**: Implemented by City Council of Wörgl, Tyrol between July 1932 and September 1933 when it was forbidden by the National Bank of Austria. The City itself was in financial crisis due to the tax in arrears and it was on

[12] http://www.inaise.org

[13] Sources:

GLS: https://www.gls.de/privatkunden/ueber-die-gls-bank/transparenz/zahlen-und-fakten/,

Triodos : https://www.triodos.co.uk/downloads/annual-report-2015.pdf,

La Nef: https://www.lanef.com/wp-content/uploads/2016/03/Rapport_Annuel_2015.pdf,

Banca Etica: http://www.bancaetica.it/sites/bancaetica.it/files/web/la-banca/Chi-siamo/Assemblea%20dei%20soci/Assemblea%20dei%20soci%202016/ordine%20del%20giorno/bilancio%20integrato%202015_definitivo.pdf (All last accessed: 08th October 2016)

[14] It is currently operational in the Nettherlands, Belgium, German, Spain and the United Kingdom.

the verge of bankrupt, but it issued its own vouchers, backed with Austrian schilling but with the 1% demurrage per month (See Image 1: the spaces in the right are allocated for 12 stamps to be pasted to revalidate this bill). Demurrage is a monetary technique proposed by Gesell (1916) to expire each note periodically to force its bearer to pay a small amount of fee (such as 0.1% per week or 1% per month) and its quick circulation stimulated economic activities in the midst of the Great Depression (Schwarz: 1951).

Image 1: 10 schilling Labour Certificate[15]

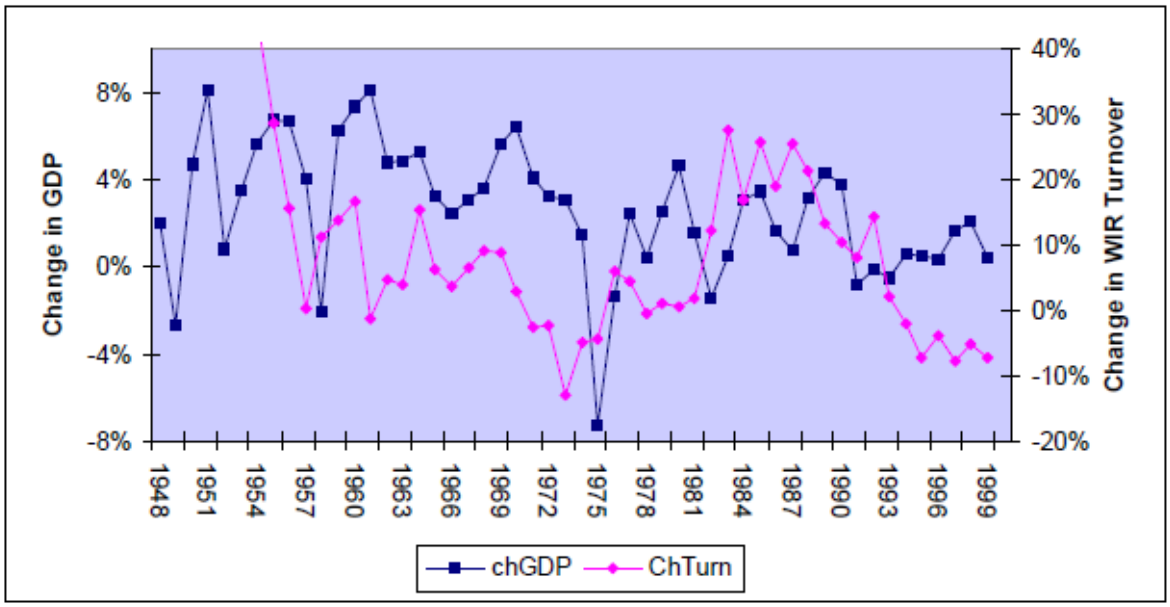
- **LETS (world)**: The most commonplace social and complementary currency model which started in Commox Valley, British Colombia (Canada) in 1982 and later spread into different countries (United Kingdom and Germany in 1986, Australia in 1987, France in 1994, South Korea in 1998 and Japan in 1999). Each member has his/her own account and trades with other members in this account unit which is usually tied with each country's official tender, although it is not convertible. The negative balance in the account is not regarded as debt which grows exponentially with interest rates but the accountholder's commitment to provide equivalent goods and/or services, though the maximum negative balance is usually set to prevent free riders who only buy and then leave the system.

[15] Source: http://www.complementarycurrency.org/ccGallery/worglfront10.jpg (Last accessed: 08th October 2016)

In South Korea and Hungary the word "*pumasi*" ("품앗이") and "*Kaláka*", both of which means "*mutual help in the farming*", is used as translation for LETS (Hirota: 2012, North: 2004) to remind people of its spirit in a simply language. Williams (1997) and Gran (1998) show that such experiences tend to attract women with higher education with left-wing and ecologist political tendency in Australia and Norway respectively, showing the difficulty for such tools to be shared with people with other profile.

- **Timebank (world)**: Started in 1980s in the United States by the lawyer Edgar Cahn as Time Dollar and then spread into other countries, with the "*aim to benefit the socially excluded by involving them in mutual volunteering and community participation*" (Seyfang: 2002). While the system works similarly to LETS, the range of exchanges is limited to services and the exchange unit is time (ex.: 1 hour = 1 point).
- **Chiemgauer (Germany)**: Founded in 2003 as an extracurricular project of the Waldorf School in Prien am Chiemsee and later a non-profit and a credit co-op were founded to deal with the money issuance and credit provision, among others. Consumers choose a social project (usually a non-profit) on joining this system and change euro into Chiemgauer. 3% of the euro is donated to the social project while another 2% is levied to cover the running cost for this social currency project. Local businesses which accept Chiemgauer can either redeem euro after losing 5% of commission or spend it to another local business at face value. Chiemgauer adopts 3%/6 months demurrage (2%/3 months up to 2015) to discourage hoarding money but to stimulate its smooth circulation.
- **WIRBank (Switzerland)**: A co-operative bank since 1934 to provide loans in WIR, a complementary currency to be spent exclusively within the circuit of this bank's member businesses. More than 60,000 small and medium-sized enterprises and freelancers are members, therefore a wide range of goods and services are available in this network. It is allowed to use WIR together with Swiss Franc so providers can cover their costs in this official tender. Stodder (2005) proves that WIRBank plays a complementary role in the Swiss economy, increasing its turnover during the recession and restricting it during the book to balance the economic activities.

Graphic 3: Change in Swiss GDP (left axis), and Change in Total WIR Turnover (right axis), both in 1990 Swiss Francs, 1948-99[16]



- **Barter Clubs (Argentina)**: This experience, started with some 20 neighbours who exchanged redundant goods and services in the suburbs of Buenos Aires, grew into a huge network of thousands of nodes throughout the country, with millions of people who could ends meet with this system in 2001 – 2002 while this South American country was in the midst of the economic crisis. Each node held weekly barter fairs where only the internal currency, called "*crédito*", was allowed. However, the massive counterfeiting of *créditos*, sale of *créditos* in Argentinean pesos and the same person's participation into different nodes, among others lead to the hyperinflation in this complementary currency and most people left it (Louge: 2005).
- **Banco Palmas (Brazil)**: A community bank, defined as "*a financial solidarity-based service, in network, of associative and communitarian nature, targeted for the reorganisation of the local economies, in the perspective of the job and income creation and of the Solidarity Economy*" (Banco Palmas: 2010). It is located at Conjunto Palmeiras, in Fortaleza which was set up in 1998 by neighbours' association to self-organise microcredits. Since 2002 it issues its own currency Palma, backed with Brazilian Real (R$), on giving consumer loans to stimulate the trades within the neighbourhood. Nowadays more than 100 similar experiences are found all over Brazil.

[16] Source: Stodder (2005)

Wild (2011) classifies different currencies into 6 categories on the basis of their collateral (Table 2):

Table 2: Classification of collaterals for currencies[17]

Type of collateral	Subcategory	Examples
Goods and/or services	Backed with official currency	Chiemgauer, SOL-Violette, Banco Palmas
	Backed with other goods and/or services	Banco de horas comunitario, Terra
	Tax payment	National demurrage currency (Gesell: 1916), "*cuasimoneda*" in Argentina, currency by Money Creation Committee (Jackson and Dyson: 2012)
Transaction (mutual credit)	Mutual trust	LETS, Time Banks
Debt	Issued as bank credit	Euro, WIR, Chiemgauer
None	Fiat	Ithaca Hours, Club de trueque

And below are pros and cons of each category:

- **Backed with official currency**: They are the most stable one and are therefore the most likely to be accepted by local businesses as far as they can redeem, but their complete dependency on legal tender is the most important limiting factor, because communities suffering from the lack of official money cannot issue such currencies.
- **Backed with other goods and/or other services**: Banco de horas comunitario, practiced in Capilla del Monte, Argentina issues its currency when members deposit some goods (food, books, clothes…) and other members can redeem them (Caldano: 2007, Orzi: 2007, 2012) and Terra, still a mere proposal by Lietaer (2004), is designed similarly. The level of such currencies' acceptance is up to the convenience of such goods and/or services which back the currency.
- **Tax payment**: Any currency issued by the government itself has one of the most important collaterals and is therefore likely to circulate within a national economy: tax payment and other public fees (such as social security fee, university tuition and highway toll). Sbatella (2011) argues that such currencies, issued both by the national

[17] Source: Wild (2011)

and by provincial governments in Argentina during its crisis (2001 – 2002), were effective in complementing the lack of official currency's liquidity, as the currency board system between the Argentine peso and US dollar did not allow the central bank to provide enough amount of money supply. Obviously overissuing such a currency can lead to hyperinflation, so its money supply should be strictly controlled.

- **Mutual trust**: LETS and Time Dollars work under this principle. The collateral for positive balance is other members' commitment to deliver the equivalent value of goods and services, so it is essential to include a wide range of commodities, especially those attractive ones for other members. Also this blur definition of collateral is quite often another limiting factor, as those with positive balance are sometimes not sure which goods and/or services can be redeemed with what they have earned.
- **Bank credit**: WIRBank in the Switzerland is operational under this principle. Actually each credit is provided with other collaterals, for example real estates, but it is safe to say that the reason other member businesses accept WIR is their need to repay debts in this unit. This experience shares the same disadvantage with the current banking system, i.e. no collateral, no loan, although the bank's trust on borrowers can stimulate lending.
- **Fiat**: The word means "let it be" in Latin and such currencies are issued without any collateral. Obviously the biggest advantage is to create money out of nothing, but they are accepted only so far as other people and/or businesses accept them, running the risk of being refused. Ithaca Hours in Tompkins County, New York were stagnated when too much bills were stocked at certain businesses which couldn't spend it (Papavasiliou: 2008) and Barter Clubs in Argentina lost most of its members when the hyperinflation in this currency, triggered by above-mentioned reasons, discouraged people from continuing to join barter fairs (Louge: 2005).

4. Relevance of Islamic Banks (from the anti-usury viewpoint)

Also, it is worth paying special attention to the Islamic Banks in different countries, from the viewpoint to question the current compound interest system, although they do not necessarily share the same philosophy with SSE. As stated above, Sharia (Islamic Law) forbids the usury (*riba*) while the modern banking system paved the way for the West to drive its industrialisation process, and different practices have emerged to enable financing services within this religious framework (Table 1):

Table 1: Techniques of the Islamic Banking

Name	Description (IFSB: 2016)
Bayʿ al-ʻĪnah	The sale of a commodity for a spot price and its repurchase for a deferred price higher than the spot price.
Muḍārabah	A partnership contract between the capital provider (*Rabb al-Māl*) and an entrepreneur (*Muḍārib*) whereby the capital provider would contribute capital to an enterprise or activity that is to be managed by the entrepreneur. Profits generated by that enterprise or activity are shared in accordance with the percentage specified in the contract, while losses are to be borne solely by the capital provider unless the losses are due to misconduct, negligence or breach of contracted terms.
Murābaḥah	A sale contract whereby the institution offering Islamic financial services sells to a customer a specified kind of asset that is already in its possession, whereby the selling price is the sum of the original price and an agreed profit margin. The *Murābaḥah* contract can be preceded by a promise to purchase from the customer.
Mushārakah (*Sharikat al-ʻAqd*)	A partnership contract in which the partners agree to contribute capital to an enterprise, whether existing or new. Profits generated by that enterprise are shared in accordance with the percentage specified in the *mushārakah* contract, while losses are shared in proportion to each partner's share of capital.

Such financial institutions are on the rise and go on increasing their deposits which amount to 1.88 trillion dollars in the middle of 2015 (IFSB: 2016).

What is inspiring of these practices is that these financial products are regarded as trades. For instance, *Bayʿ al-ʻĪnah* is quite similar to pawn shops, but the concept of "*riba*" is circumvented by selling and repurchasing the same product. *Muḍārabah* and *Mushārakaḥ* are similar to the relationship between stockholder(s) and the stock-issuing company, although the contract is rather temporary, reminding us of the first stock companies in the world in the 17th century. *Murābaḥah* is quite often used as substitute for housing loans whereby borrowers start living in the house as tenants and only start owing it after paying all the due amount. Such wisdom can be applied for SSE's practices too, especially on the basis to achieve interest-free financing, although some modifications might be necessary to fit better in its own context and philosophy.

Though Islamic banks' vision to enable *riba*-free financial services is innovative, their philosophy differs completely from SSE's one and following differences can be noted:

- Islamic banks do not have to be co-operatives while non-co-operative banks are usually ousted from SSE.

- What matters to Islamic banks are summarised as "*Allah has permitted trade and has forbidden interest*" (Quran: 2:275), therefore there is no limitation to financial gain as far as it is "trade" and therefore investors run the risk of losing it.
- **Examples of projects which are likely to be financed by Islamic Banks but not by SSE**: New oil extraction projects, multinational coffee brands.
- **Examples of projects which are likely to be financed by SSE but not by Islamic banks**: Wineries, ham factories, some gender-related projects (depending on each country's practice on Sharia), projects which are related to some non-Muslim communities.

These differences do not mean, nevertheless, that Islamic banks are incompatible with SSE. Obviously the Sharia is also ethical guidelines for Muslims, so it is possible to add SSE values into Islamic Banks' practices. Social and environmental impact studies can be added to put them closer to SSE.

5. SSE in terms of Chicago Plan / Positive Money

Chicago Plan, not to be confused with Chicago School, is a proposal to end the fractional reserve by obliging commercial banks to have 100% reserve and allowing the State to issue enough money to cancel all the existing debts (ex.: Soddy: 1933, Fisher: 1936). This economic thought has been recently seeing a revival after decades of oblivion, such as Huber and Robertson (2000), Zarlenga (2002), Jackson and Dyson (2012), Benes and Kumhof (2013) and Sigurjonsson (2015). The social movement Positive Money[18] in the United Kingdom evolved into the International Movement for Monetary Reform[19] and the governments of United Kingdom, Iceland, the Netherlands and the Switzerland so far have taken some steps towards this monetary reform. Dyson et al (2014) shows four options for the government to spend the newly-created money:

1) To finance additional government spending
2) To finance tax cuts (with newly created money substituting for the lost tax revenue)
3) To make direct payments to citizens, with each person able to spend the money as they see fit (or to invest or pay down existing debts)
4) To pay down the national debt

[18] http://positivemoney.org/

[19] http://internationalmoneyreform.org/

Another important standpoint with this reform is that such governments will not be required any more to pay interest on its own debts: Lietaer et al (2012) argue that, had France not approved the Article 25 of the Law on 03rd January 1973 which forbade the interest-free direct financing from the Bank of France to the French government, this country's public debt in 2009 would be merely 8.6% of GDP instead of 78%. Ryan-Collins (2015) refers to a similar policy which used to exist in Canada up to 1970s.

We can foresee that, once such a monetary reform is implemented, more funds will be available for the public sector, enabling it to increase budget for those SSE-related projects. On top of the above-mentioned goals, more money could be spent to achieve different goals (end poverty and hunger, improve nutrition, health service, education and gender equality, promote sustainable resource management), which are quite often SSE's goals too. This government-issued currency is backed with the possibility to pay tax, social security and other sorts of public services, so it is expected to be accepted widely within the country, just as *cuasimonedas* in Argentina did in the past.

It is important, however, to have certain processes that the government's new purchasing power should be spent for such purposes which help SSE's growth or, at least, what SSE aims to achieve. It would be necessary to implement some systems to ensure that certain percentage of the funds should be allocated for such fields. Something similar to United Nations' 0.7% ODA/GNI ratio might be required in the global level to make it happen.

Conclusion

Sustainable development is a popular concept which plays an important role on determining the global development plans, and financial inclusion is one of important goals, because even today a significant number of world population, including those who live in Europe, are not entitled to use financial services due to the fact that they have no bank accounts. On top of that, the money system itself has five structural problems, namely "*the pro-cyclical tendency of money creation and flow*", "*short-termism*", "*compulsory growth pressures*", "*an unrelenting concentration of wealth*" and "*the devaluation of social capital*", making harder for some Sustainable Development Goals to be achieved. It is worth noting that above these issues, "*short-termism*", "*compulsory growth pressures*" and "*an unrelenting concentration of wealth*" are triggered by the compound interest, proving the importance to tackle this issue to achieve the sustainable development.

Social and Solidarity Economy (SSE) has its own values to be declared as the Co-Operative Principles, RIPESS Charter and SSE laws in different countries, such as democratic management, supremacy of people over capital, inclusiveness, equality regardless of gender / ethnicity / sexual orientation etc., co-operation (external solidarity) and commitment for the community can be mentioned.

SSE has its own financial systems, such as credit unions, microcredit / microsaving, ethical banks and social and complementary currencies. Among other credit unions, JAK Bank is remarkable by abolishing the concept of interest, making itself sustainable by charging practically nothing but financial commissions on lending money. Microcredits also play an important role in different countries, but the lack of democracy allows moneylending institutions to control borrowers, and microsaving emerges as an alternative whereby the poor pool their own small saving and lend each other. Ethical banks have emerged as initiatives to ensure that depositors' money is invested exclusively in socially and/or environmental sound projects and different initiatives in Europe have been investing billions of euro to a number of projects. Different sorts of social and complementary currencies, alias local currencies or community currencies, are used as another consensus within a certain group of people and/or businesses in order to strengthen the internal exchanges, and they are classified into different categories (backed with official currency, backed with other goods and/or services, tax payment, mutual trust, issued as bank credit and fiat), with their own pros and cons.

Islamic banks have been growing in the last decades as institutions to provide Sharia-based financial services, such as *Bayʿ al-ʿĪnah*, *Muḍārabah*, *Murābaḥah* and *Mushārakah* (*Sharikat al-ʿAqd*) which proves how interest-free financing can be done. Although important differences are found between their current practices and SSE, it is possible to make them closer by incorporating SSE's values into their ethical guideline.

Chicago plan, a monetary proposal in 1930s to end the fractional reserve by obliging 100% reserve to any commercial bank and to allow the State to restore its power to create money, has been revived in recent years and different governments (namely: United Kingdom, Iceland, the Netherlands and the Switzerland) are studying the possibility to implement it. It will make the public finance healthier, as governments will be set free from the yoke of interest rates to pay on their bonds. It will stand for more funds for the public sector to spend, both to support the SSE sector and to help achieve different Sustainable Development Goals which will nurture favourable conditions for SSE too, although efforts should be made to make sure such policies are implemented, such as creating something similar to 0.7% ODA/GNI target.

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