# The new financiers

A venture capitalist friend of mine asked me in a recent discussion about the financial meltdown, “who will be the new financiers?”

I answered immediately, “the new financiers will be the high-level information and knowledge brokers – and they will aggregate the new research on global change processes and lead in structuring the deals now creating the growing green economy.” Today information and media drive markets.

These new financiers are already operating unseen by traditional Wall Streeters and asset managers. They are largely invisible to current financial players and governments because information is their prime currency; rather than money. The new deal-makers value the role of honest, well-managed currencies that remain dependable stores of value and mediums of exchange. Money is a special kind of information, not a commodity in itself, but rather a brilliant invention of the human mind. When backed by real-world goods and service, as well as strong contracts, money can accurately track and score human ingenuity, productivity and transactions interacting with the natural wealth of resources of our home: Planet Earth.

The problem with money is keeping it honest and keeping its “promise to pay” firm. From the goldsmiths who over-lent against their piles of gold held in storage for their customers, to the kings who shaved of the edges of coins and today’s bankers who create our money out of thin air, we humans have found many ways to debase our currencies.

Human activities grew from traditional barter, mutual aid and gifting to the invention of money back around 3,000 BC. Our money evolved from clay tablets, shells and cows to metal tokens, gold, silver, today’s paper money and electronic currencies that are blips on millions of financial trading screens.

As we expanded worldwide with the advent of the Industrial Revolution in Europe 300 years ago, our need to trade and exchange grew exponentially. This required expanding our money systems of exchange. Gold, which backed most currencies in growing international trade, became too constricting – there just wasn’t enough of if. Many traders turned to silver and other precious metals. Soon, the lack of gold led governments to issue paper “fiat” currencies backed only by promises and a fraction of actual gold. Some countries shut their "gold windows," including the USA in 1971, and restricted their citizens from owning gold.

Our current financial crises go beyond those earlier contractions, panics and recessions caused by the lack of gold or sufficient supplies of credible paper money. Central bankers have learned the lessons of the Great Depression. The money supply must keep up with, not surpass, the expansion of production and trading as a country grows and its real economy progresses. Today, the interlinking of all countries' economies due to the globalization of finance and technology caused money-creation to go wild, leading to a credit bubble and mountains of debt.

Computerization of finance and markets speeded up trading to seconds; satellite inter-linkage of round-the-clock stock and commodity exchanges led to the explosion of derivatives contracts, ever more exotic "securitization" of packages of mortgages, student loans and credit card debts. Risk-analysis was relegated to ivory-tower mathematicians' algorithms which ignored real-world conditions. All this multiplied the creation of money and credit exponentially.

Reckless, poorly regulated financial firms on Wall Street sold their dubious, toxic "securities" to gullible investors and pension funds (which should have known better) around the world. For example, the bets on who might default, called credit default swaps, grew unregulated to now comprise $683 trillion of contracts (Bank for International Settlements December 2008) – while real global production measures only the $62 trillion of global GDP (IMF October 2008).

The resulting crises were predicted by me and others over the past decades. All that money and debt creation led to illusory gains and today's inevitable losses and "de-leveraging." The bubble in finance and money itself has popped. Central bankers and financiers, schooled in the world's leading business schools and economics departments focus on money and global monetary circuitry. They were rarely taught that money was simply one form of information – now deeply devalued as all the new forms of money-creation went wild.

Today, we see central bankers printing money on TV. No amount of ink and paper can print enough new money to close the hole between that $683 trillion of false promises and the world's real GDP of $62 trillion. The only issue is who will take the hit. Up to now, the political influence of financial sectors has forced taxpayers to bail out financiers. The blatant unfairness and stupidity of this has caused huge outcries from outraged citizens. Those billions given to irresponsible bankers could have financed universal healthcare and college education. This is the end of finance based only on money and fiat currencies. We now know it's about priorities and values.

Enter the new financiers: those high-level information and knowledge brokers who understand our Information Age and the great transition from the fossil-fueled Industrial Age to our new Solar Age. Overloaded money-circuits have broken down and the huge new volume of transactions in the past decade have migrated to the internet. Pure information-based exchange and sharing has led to the new hybrid economic model described by experts, including Lawrence Lessig's Remix (2008), Yoichi Benkler's The Wealth of Networks (2007), Don Tapscott's Wikinomics (2008), Verna Allee's Knowledge Evolution (1997) and my own work (www.ethicalmarkets.com). This hybrid economy is half the old money-based competition and half information-based sharing, cooperation and exchange. From electronic stock exchanges, Instinet, Archipelago, NASDAQ, Knight and Entrex to Google, e-Bay, Craigslist, Amazon, Facebook and Wikipedia, we are seeing how money-obsessed financiers are trailing behind. The new financiers: those high-level information brokers go beyond economics to understanding whole systems and the human family on planet Earth.

Money may return to its honest base, reflecting real world values of Main Street productivity but may never again be the dominant medium of exchange. Just as gold remains valuable but can no longer support the new volume of human transactions. Money will be superseded by all the new digital currencies already circulating from local exchange trading systems (LETS) and complementary currencies like "Berkshares" and "Wirs" in Switzerland to Freecycle and many other barter sites, cell phone networks and radio shows. Incumbent money-circuit players will try to get regulators to shut down these upstart, disruptive technologies and competitors. The US Securities and Exchange Commission (SEC), for example, shut down the website Prosper.com which boomed by facilitating local residents and businesses in lending to each other.

The new financiers are operating these new digital trading platforms in many countries. Many designs for global digital currencies are on the way. They will complement the IMF's Special Drawing Rights, another pure information-based currency for international development which is still conceptually tied to gold. The new financiers will show why the old financiers and central bankers can no longer have a monopoly on money and its creation. Information-based currencies and trading platforms will operate wherever necessary for evolving human communities so as to match needs with resources and create jobs – from local and regional to national and international exchange.

Today's financial "crisis" is facilitating the evolutionary jump to the next stage of human development – shifting from faulty, money-measured GDP growth to the cleaner, greener sustainable economies. Governments are realizing that they must now also correct those money-based indicators and GDP national accounts to adopt the new Quality of Life Indicators. Pension funds have realized their errors in chasing only short-term money returns and are demanding that companies report their performance beyond the old single bottom line of money to the triple bottom line, including progress on social, environmental and governance performance. Welcome to the Information Age.

Hazel Henderson, one of the new financiers, is also author of Ethical Markets: Growing the Green Economy (2006), co-created the Calvert-Henderson Quality of Life Indicators, updated regularly at www.calvert-hendeson.com, and co-organized the BEYOND GDP conference in the European Parliament, Nov. 2007 (www.beyond-gdp.eu).

For full disclosure, LONG: ORMAT, CREE, SUNTECH, CLIPPER, Google, US Geothermal, Nevada Power, World Water & Solar, Western Wind and pre-IPO companies, including Solaria, EnVision Solar, and Stirling Energy Systems.

From Ethical Markets