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Urban Money Beats Global Money

Some considerations about distances and values

For milleniums cooperation within cities and within networks of cities guaranteed cultural, social and economical progress. Of course, this was powered by local investment – either public or at least publicly subsidized. Nowadays apparently some ideas tend to deny this for the future: Instead they rely on bigger national or global scale, responsibility, economy and politics. And they rather rely on free market private or corporate investment. We should consider some facts that may reveal these strategies as imperial and unproductive. And we should think about how to regain productivity through nearness.

Cities: stage, experience and memory of trust and confidence

The citizens of Marseilles have been cultivating cooperation for two and a half thousand years. This cooperation included all aspects of human existence: knowledge and religion, growth and decline, production and destruction, loving and betraying, tyranny and democracy. It has been watched, suffered, and stored in their common memory to feed the trust and confidence necessary for successful future cooperation. The economic aspect of future cooperation – money –depends on trust and confidence. There is no better base for money than urban cohesion. And there is no better, or maybe even no other, base for politics than cities – "politics"is Greek and means "Cities´ Affairs"!

No doubt occidental cultural and economic success was also based on extreme individualism. But in fact individualism was only successful when cooperating in independent cities: Of course, Germany´s "Freie Reichsstadt" like Ulm or Regensburg had fiscal sovereignity, refused draft of soldiers from central governements, printed its own money, and was very successful in cultivating global relations. And, of course, they built highly efficient urban networks: Around the Ionian coast in ancient Greece, along the medieval Baltic Hanseatic cities, in Northern Italy´s Renaissance, and at the nodes of Europe´s modern railway system.

But this always included only a very small minority of the population. So the rise of broad emancipation in developed countries did not destroy people´s 90% rural cultural background and their deep mistrust and fear in neighbors too close – which would mean cities (not to mention the harmful constraints of 19th century´s urbanization forced by industrialization for half of the world´s population). This fear is one of the factors that strongly fed and still feeds dreams of technical tricks to enable people to get together without getting together: private motor cars and electronic telecommunication.

The global consequence is settlements in low density sprawl, partly as an attempt to urbanize, partly as an attitude of de-urbanization. The loss of urbanity produces high dependence on giant energy supply. It is associated with strong central imperial governments, strong and colonizing central currencies and money markets, it fosters and professes the uniqueness of private yield, and in the long run destroys political and democratic structures. And it cannibalizes and vandalizes the still existing cities. But remember: Even the Vandals in the people´s migration period did not kill Marseilles, but only marked an episode in the city´s history. So vandalistic destruction of urbanity by the private motor car will be nothing but an atavistic episode. Most countries, empires and political systems come and go, but cities often remain constant for much longer periods.

No private money without public money

Private money and public money have some common qualities: For example, both are usually managed by large cooperations like companies or states. The bigger these are, the more likely it is that they turn bureaucratic and unefficient. Both private and public money is susceptable to legal or illegal corruption and fraud. And don´t think, that shareholders of the third generation are more rational or economically efficient than voters.

But anyway there are some important differences. Public money is determined by (democratic) governments “one man, one vote”, whereas private money is a bit (“one share, one vote”) less democratic. Public money is very old, because the average population is old – minus the non-voters under 18 years old – on the other hand private money is much older: Most owners are heirs between 60 and 85, the majority of them female. Public money sometimes aims at non-monetary or at least very long term return. Unlike with private profits, in public profits parasitism usually is not rewarded, because they are under public surveillance. Furthermore, all investment and revenue, that is bound to a certain place or a certain area or territory, that cannot be moved away, and that is a territorial monopoly, in some way is public in the sense, that in the very end it is totally dependent on territorial political decisions, even if private money or subsidies may be involved. And finally, whereas private money tends to accumulate in a few hands, public money shares usually have a slightly better chance to be distributed according to social criteria: Basic social security cannot be private.

Public subsidies connected with political influence are necessarily found in infrastructure for transportation and energy, in institutions of culture and education like schools and opera houses, in social activities like welfare and pensions, and, of course, in the common human capital and consciousness of a city accumulated in centuries. Under these criteria, also with governments far away from the suspicion of socialism, the amount of public assets, especially urban capital stock probably exceeds the amount of private capital stock.

And furthermore, without the existence of governments, no money would be able to keep its value. Money value needs law, police and jurisdiction. It needs education, rules and continuity. And it probably also needs some financial policy instruments in order to keep confidence in money in short term crises, even if it is trustworthy in the long run.

So public spending, public investment, public subsidies and public wealth are the most important precondition for private spending, private investment, private subsidies and private wealth. There is no private money without public money, there is no money without trust and confidence, no trust and confidence without politics, and there is no politics without cities.

Local money return for global transportation subsidies

Other than public spending in justice or culture, science or fun, there is a special effect of subsidies put into transportation systems. Transportation systems connect locations, so people can undertake more activities further away. This can mean, that they bring new opportunities back; but it also can mean, that they prefer to leave their place to find a better one rather than to improve it locally. Whoever is able to transfer persons, goods, energy, information or values to somewhere else also may be able to build supralocal coalitions or supranational empires and thus for a while to play around with and disempower local and urban authorities. Mankind´s history is full of examples: Moses took his people somewhere else to the Promised Land crossing the Red Sea by a technique very close to religion. Dhinghis Khan in Europe as well as Pizarro in South America were successful using centuries of cavalry training. The British always had the faster ships. And today´s “globalization” depends on the military based publicly financed development of digital telecommunications and jet aircraft systems. All these never have been developed private rational economic enterprise and investment. Rather did they all resemble state religions.

Right now, communities all over the world more and more lose their self confidence in their urban capacities of being close together. They try hard to be part of the global empire, eager to earn the title of a so called “global city”. For this purpose the governments feed their citizen´s money into giant transportation systems. These subsidies, that pay for up to 80% of the systems expenses, are accounted as taxes, insurances, or environmental damage. Users do not notice, that they are transportation costs. So everybody believes in amazing technical progress and overwhelmingly low cost of transportation. So transport is used more often for longer distances with more expensive and inefficient systems, than it would be if...yes, but where is the right measure of transportation?

Some rational parts of free market economic science may lead to an answer. For existing transportation systems simply try to get the highest profit you can get in the market: You will get highest prices from road pricing in congestion hours and areas. Lonely country roads will not be that profitable. And decisions about new investment are bound to a money return that especially covers construction and social and environmental cost, but also real estate prices as well as depreciation and interest according to money market, the latter usually turning out to be more venture capital than government backed.

Public money sunk in transportation systems is not a subsidy in the sense that it is forgotten the moment it is spent - like a subsidy for medical aid after an earthquake or on an archeological research project of some importance for historical science. Transportation systems are material investment, that should have a direct money return for the owners. And the owners of course are not the aircraft or rail companies, they are not the car drivers or the road construction industries. The owners are the governments of territories: states, provinces, counties. And finally the only real important owners, the urban communities, whose citizens have been paying the investment by their taxes and who are source and aim of all transportation.

The solution suggested is to free transportation economy from socialist unaccounted government spending, from a state religion, and turn it into a material good, that may be produced and distributed according to the rational parts of market economy, but still owned and managed by territorial governments, who get the profit out of their investment for whatever purpose they want to spend it.

Alliances for competing urban currencies

This leads to another technique to cover distances, to transport values: money itself. We all know that money connects goods balancing differences of values in a market of prices. Money also connects times, balanced by a sophisticated market of inflation and interest. But there is no balancing system for money connecting distances, for close or distant money. Fed and ECB backed by law watch Dollar and Euro as the one and only Dollar or Euro to be the same throughout their territory. Here is the religion again: In German, the word for currency is

“Währung”, etymologically somewhere between “Truth” and “Eternity”. And as in the beginning of the ten commandments the most crucial law is “Thou shalt not have any other currencies beside me”.

In fact, trust and confidence in the local community is far greater than that in distant people.. People from your own city, for decades and centuries organized in local companies, political parties, corporations, families, can be judged or evaluated, trusted or mistrusted more predictable. Distant people are known much less, access is much more difficult, information, commitments, loans, credits, and maybe even prosecution are much more uncertain. Distances always need an additional risk supplement. In money terms, the statement is: Close money is much more valuable than distant money. There is no reason, why it should be stipulated by law that the advantages of near business should cover the risks and losses of distant business.

Probably the relationship between money and distance is even more complicated. Also the connections between locations via car, train, airplane, high voltage lines or the internet are much more complicated than mere distance. But the moment we are sure that there are differences, we should not pretend there are none. We should stop flat rates, lump sums and subsidized distances. We should make all cost, damage and benefit of distance transparent and make prices for distance according to cost and demand. Let the users of distance decide, which distance and which tool they want to buy, and for which price. We are pretty sure that this will not kill useful globalization. But it will take away some of its glamour and threat. We will decide by ourselves in which case distance is better than nearness. Some global will turn continental, some continental will turn national, some national will turn provincial or regional, some regional will turn local, and some suburban will turn urban.

So let´s introduce urban money, secured by the confidence in a big city. Let´s introduce urban network money, secured by the confidence in alliances of cities. Let´s introduce three, four, many currencies. And let them compete in a free market of confidence.

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