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Roland Benedikter

Social Banking and Social Finance

Answers to the Economic Crisis

 Springer

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For Ariane and Judith

Foreword

In this intellectually provocative volume, Roland Benedikter provides a lucid, cutting-edge treatment of the present-day process of banking and financing in the global economy. The description of the anatomy of the crisis of 2007–2010 is followed by a disquieting analysis of the many pathologies involved, which, if not cured, might jeopardize the stability of our model of Western democratic social order. The sense of omnipotence, fostered over the last three decades by an ambivalent economic theory that insisted on the self-referential nature of finance, came to dominate the mental habitus not only of traders and financial institutions, but also of political authorities and educational agencies.

Against such a picture, Benedikter advances the proposal of social banking and social finance as new, progressive approaches to money and finance, capable of re-orienting the present situation. The author not only provides a most useful array of information about social banks, but successfully endeavors to make explicit the philosophical background underneath this specific mode of exercising the banking and finance activity.

All the great economists, from Adam Smith onward, have recognized that economic institutions – such as the banking and finance system – do not emerge in a cultural vacuum, as if they were given by nature. They have also recognized that market institutions generate and induce desirable as well as undesirable social traits. It follows that we cannot simply exonerate ourselves from the duty of considering the feedbacks of specific economic arrangements on human character. The main point advanced by the author of this volume is that there is not a unique route to economic progress. On the contrary, there is a variety of models of market economy, each one of them in tune with a particular cultural matrix.

According to Roland Benedikter, finance can once again become a humane – and humanistic – activity in the form of social banking and social finance, where interpersonal relations (not to be confused with mere social interactions) and ethical values occupy the center of the stage.

In this sense, this volume represents an important addition to the literature groping for a new “financial humanism” in our time. Benedikter has rendered us a great service by contributing so much to this urgently needed area of inquiry. The closely

knit narrative tells a fascinating story, so much so that the reader feels that one cannot leave it aside too lightly.

I would strongly recommend the reading of this volume.

Cambridge, Massachusetts
December 2010

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Introduction

The global financial and economic crisis, which began in 2007 and is still having repercussions in 2010, instigated the re-evaluation of the way we do business in many parts of the world. Coming under renewed scrutiny are particularly our financial institutions and the political will to regulate them in ways that will protect the assets of those who have trusted their fiduciary commitments, perhaps too easily.

The emerging fields of social banking and social finance represent fairly recent attempts to include broader considerations of fairness, social value, and justice in our models of economic well-being. They are approaches to the financial industry that have surfaced and gained public attention mainly during the most recent economic crisis. In the wake of this crisis, they may provide useful lessons concerning how to improve local and global financial systems by serving as “best practice” examples.

Why, how, and where?

Social banks were among the most successful economic endeavors worldwide during the 2007–2010 period with annual growth rates of up to 30%, whereas most mainstream banks suffered during the global crisis. Social banking is not about fundamentally changing the capitalistic system, but rather about improving some of its core features by putting into practical use the *triple bottom line* principle which identifies *three areas of focus*: profit, people, and the planet – instead of profit alone. To be useful for the greater task of improving the global financial system, a comparison between social banks in Europe and the United States, such as the one contained in this volume, proves to be particularly fertile – because most of the existing social banks are currently found on the two sides of the Atlantic, and because their differences and similarities are instructive.

While this brief volume is not restricted to the most recent economic crisis, it uses it as the starting point to explore the general approach of social banking and social finance now being practiced in Europe and in the United States. It has been written in cooperation and exchange with some of the most important leaders of social banks of the world.

The main audience for this volume are students and teachers in colleges and universities, members of the civil society as well as “average” citizens who want to know more about how to concretely improve the current management of money and

finance. Thus, the primary goal of this volume is to enhance the “financial literacy” of the general population, among them first and foremost the future generations of “world citizens.” It attempts to explain some perspectives of the unprecedented global financial crisis of 2007–2010 in an easily accessible way in the hope that new approaches can be developed to ensure innovation as a feasible alternative to our past focus.

I hope this volume succeeds in its task.

Stanford, California
December 2010

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This text has been written in cooperation with Julian Kühn, director of the Institute for Social Banking Bochum, Germany, and executive board member of the GLS Treuhand Foundation. Julian has been a chief executive and board member in the international social banking sector for more than two decades. His direct experience in the field was of inestimable value for this text.

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Stanford University
December 2010

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