

EUROPE'S FATAL AFFAIR WITH VAT

(from page 11)

owned, community banks. These institutions control \$1.4 trillion in assets. That's 11 percent of all bank assets. They currently have \$257 billion in loans to small businesses and farms on their books.

On the other end, four giant banks—JP Morgan Chase, Bank of America, Citibank, and Wells Fargo—now command \$5.4 trillion in assets, or 40 percent of the total. Given that they are nearly four times as large as all local banks combined, one might expect that they would have made four times the small-business loans, or about \$1 trillion. In fact, these banks have a mere \$85 billion in small-business and farm loans on their balance sheets.

Why do giant banks make so few small-business loans? Automation is the short answer. The only way these sprawling institutions can function efficiently is by taking a mass production approach to lending: Plug credit score, income, and appraisal into the computer—out comes the loan. That's why the mortgage-business was supposed to be so safe. The economic meltdown of 2007 shows that it's actually very risky.

Small-business loans are not so easily mechanized. Each is a custom job, requiring human judgment to evaluate the risk associated with a particular entrepreneur, a particular business plan, and a particular market. Community banks excel at this. Their lending decisions are made locally, informed by face-to-face relationships with borrowers and an intimate understanding of their hometown economies. Big banks, whose decision-making is long-distance and dictated more by computer models than judgment, are pretty bad at it. So they don't make many small-business loans.

It's no wonder, then, that unemployment has been so persistent. Our financial system is top-heavy with big banks that are scaled to meet the needs of large multinational corporations. The Commerce Department estimates that U.S.-based multinationals have eliminated 3 million American jobs over the last decade. Meanwhile, small businesses, historically responsible for about two-thirds of new jobs, have found it harder and harder to obtain credit.

In short, we have a financial system that is mismatched to the economic needs of American communities. This mismatch will become more acute as we attempt to transition to a carbon-efficient economy, which, by its very nature, will be the domain of small-scale enterprises: local food producers, community-owned wind and solar electricity, neighborhood stores that provide goods within walking distance of homes, and so on. To take root, these businesses will need a robust array of community-based financial institutions capable of meeting their capital and credit needs.

(GroundSwell does not have room for footnotes, but they are available from Economics Professor Dr. Mason Gaffney, email m.gaffney@dslextre.me) <<

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URBAN LAND IS COMMON WEALTH (from pg. 4)

(Editor's note: On the Commons is a network of citizens and organizations working toward a commons-based society. The commons refers to the natural and socially-created commons belonging to all of us that - when used wisely and fairly - will benefit everyone, including future generations.

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COMMON GROUND MEMBERS TO SPEAK AT 2013 CGO CONFERENCE IN PITTS- BURGH

by Sue Walton, Evanston, IL

The following sessions are just a sampling of the many and varied workshops that compose the program of the 33rd Council of Georgist Organizations' Conference Centennial Celebration to be held August 6-10, 2013 in Pittsburgh, PA.

Common Ground members Ted Gwartney, Bill Batt and Mike Curtis will be speaking on "The Politics of Assessing on Wednesday, August 7th. Later that day CGUSA members Paul Justus, who will host the session "100 years of Georgist Music", and Alanna Hartzok, Cathy Orloff and Toby Lenihan will perform. Paul and some of his friends recently entered a contest on PBS regarding the anniversary of Woody Guthrie's "This Land is Your Land". More about the group in Eureka Springs can be accessed at <http://www.pbs.org/wnet/americanmasters/this-land/videos/this-land-is-your-land-project-share-the-earth-singers/>.

On Friday, August 9th, Canadian CGUSA member, Frank de Jong will speak on "Introducing our Vision to Average Communities".

For more information or to receive a conference brochure, if you have not already, please contact Sue & Scott Walton at: 847/475-0391 or at sns@swwalton.com. <<

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INTERNATIONAL CONFERENCE TO BE HELD IN LONDON.

The International Union for Land Value Taxation, of which Common Ground-USA is a member, has announced that its 28th conference will be held July 24-28, 2013 at The School of Economic Science in London, England. The theme is Economics for Conscious Evolution. For more information, please see their web page, <http://www.theiu.org/>.

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