

# MASTERARBEIT

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“Die Gründung einer Bank am Beispiel der  
“Demokratischen Bank“ (Genossenschaft) /  
The foundation of a bank - the example of  
Demokratische Bank (cooperative society)“

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# 1. Introduction

The series of financial crisis changed and are still changing many people's life and environments. Through the financial globalisation, the effect is visible everywhere on the earth, regardless if the country or region is wealthy or poor.

The fact that banks play a very important role in the financial world instigates people to start criticising the current system relevant banks and thinking about the change of their mechanism.

According to the cofounder of Attac Österreich, Christian Felber, the current banks as well as the economy system have problems. Furthermore, he wants to build a new type of bank, so-called Demokratische Bank, and introduce an alternative economy system besides the capitalism.

In this paper, various aspects of the project "Demokratische Bank" will be shown. It is a big question how this project looks like and what difference it has, in compare to other alternative banks which already exist or existed. The central point is, however, if this project would survive in the existing capitalist system and how much influence it will have on the banking industry and whole economy.

In order to understand why and how the new bank project began, Attac Österreich and Christian Felber that stand behind the project will be introduced, at first.

Then, the project "Demokratische Bank" will be discussed based on its objective, services, and strategy. It is certainly necessary to follow the process of its foundation which was possible through media reports, numerous interviews and books of Christian Felber, and newsletters of the project "Demokratische Bank".

Therefore, this paper would give a chance to rethink the role and influence of a bank.

The "common welfare economy" which Attac Österreich and Christian Felber propose as a new alternative economy system will be also approached in this paper as well.

It is interesting to see if this economy model of the future is really practical, or it seems only theoretically perfect. Would this model become reality? Would it change the world? Would everybody follow it? These questions will be discussed and then answered on the basis of the introduction of the concept, and critics of experts in the final chapter.

## 2. Foundation idea of a new bank

81 percent of Austrians think that the current system has reached its limits. They call for a new economic order that would take more into account the protection of the environment and social equity in the company.<sup>1</sup>

General critics about current banks refer to risky speculative investments, high wage and bonuses for the managers. Therefore, investors think more and more about which banks they should trust and choose.<sup>2</sup> In this sense, it is interesting to see that socially and ecologically oriented banks achieve success lately.<sup>3</sup>

For example, GLS (Gemeinschaftsbank für Leihen und Schenken) in Germany could nearly double its number of members from 62,000 in 2008 to more than 116,000 in 2011.<sup>4</sup> Also Umweltbank has increased its members from 69,046 in 2008 to 92,042 in 2011.<sup>5</sup>

According to Desrues, these two alternative banks have three common principles. At first, they promise customers to give a loan to companies which promote ecological or social projects.<sup>6</sup> Secondly, they claim to ascertain absolute transparency in placing of money. Finally, they follow a very conservative banking concept.<sup>7</sup>

However, there is still no bank alternative for customers in Austria.<sup>8</sup> It means that Austrian banking market is dominated only by system relevant banks and its population has no choice to select a non system relevant bank.

Therefore, Attac Österreich and its co-founder Christian Felber have decided to establish a private cooperative bank themselves, so called Demokratische Bank for the first stage which should comprise all the characteristics of an ideal typical democratic bank.<sup>9</sup>

Demokratische Bank will take cooperative as the company form because this form allows the maximum of participation and corporate law flexibility in the current legal framework.<sup>10</sup>

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<sup>1</sup> See Die Presse (2012): Wunsch nach neuer Wirtschaftsordnung

<sup>2</sup> See Desrues, Georges (2010): p. 1

<sup>3</sup> *Ibid.*

<sup>4</sup> See GLS Bank (2009): GLS Bank zieht Erfolgsbilanz 2008 and GLS Bank (2012): GLS Bank: Dreifacher Gewinn für Mitglieder und Kunden

<sup>5</sup> See Umweltbank (2012): Unsere Aktie/Geschäftsbericht 2011

<sup>6</sup> See Desrues, Georges (2010): p. 1

<sup>7</sup> See Desrues, Georges (2010): p. 1f.

<sup>8</sup> See Schwäbische Zeitung (2011): Fair: "Die neue Bank ist ein Kind der Finanzkrise"

<sup>9</sup> See Felber, Christian (2011): Eine Bank fürs Gemeinwohl



In general, factors as the income treatment in the view of tax, liability, required minimum capital, duties of audit or disclosure, codetermination and funding opportunities are regarded by selecting the corporate form.<sup>11</sup>

In Austria, there are more than 1860 cooperatives and about three million cooperative members.<sup>12</sup> At the same time, only 15 companies per year were founded as a cooperative per year in Austria. These figures suggest a dying tradition.<sup>13</sup>

In Germany, the situation looks different. In 2005, there were just 11 founded cooperatives, but in 2011, this amount increased to over 250. This fact means an increase of 2,000 percent in six years.<sup>14</sup>

This development is one of many reasons why the Financial Times has described the cooperative form as a “success story”. Even the UN had recognized this trend and called the year 2012 as the “year of cooperatives”.<sup>15</sup>

In the aftermath of the crisis, the model of a cooperative has become a great and increasingly popular alternative to traditional corporations. The fact “the growth at any price” is seen as one of the causes for the crisis, therefore the corporate form is relevant for the corporate success.<sup>16</sup>

In a cooperative firm, profits are distributed equally among all cooperative members. The main goal of the cooperative is safeguarding, preserving the value of assets of all parties and the maximum yield.<sup>17</sup>

Hence, it is no wonder that this idea had its origins in a crisis. The cooperative was and is always a symptom of a time in which you can achieve as an individual little and allies to communities. Cooperatives thereby allow a large number of supporters with little capital by following the motto of Raiffeisen: What the individual cannot do is able by many.<sup>18</sup>

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<sup>10</sup> See Vision der Demokratischen Bank (2012): p. 1

<sup>11</sup> See Meyer-Scharenberg, D. E. (2003): p. 32

<sup>12</sup> See Brazda, Johann and Blisse, Holger (2012): Thema: Genossenschaften and OE1.ORF.at Wissen (2012): Radiokolleg - Zwischen Selbsthilfe und Marktlogik \*

<sup>13</sup> See Thurm, Michael (2012): p. 9

<sup>14</sup> *Ibid.*

<sup>15</sup> *Ibid.*

<sup>16</sup> *Ibid.*

<sup>17</sup> *Ibid.*

<sup>18</sup> *Ibid.*

It draws the cooperative in its classical form out, even today. Corporate earnings are beneficial for all members and only so much profit stays in the business as it is necessary for the investment and capital security. Cooperatives prevent the growth for its own sake and ensure an equal distribution of profit and liability among the cooperative members. For this reason, the democratic leadership of such a company is necessary and each member has one vote, according to most statutes.<sup>19</sup>

## **2.1. Attac**

Attac (Association pour une Taxation des Transactions financiers pour l'Aide aux Citoyens) is a non-partisan organisation which is active in 50 countries on all five continents today.<sup>20</sup>

The organisation was founded after the 1997 Asian financial crisis which made millions of people suffer. The editor in chief of "Le Monde diplomatique" proposed to supervise the financial markets by using the so-called Tobin Tax. It refers to imposing a small tax on international financial transactions so that financial markets can be stabilised and money can be raised for the worldwide fight against poverty.<sup>21</sup>

### **2.1.1. Objective**

The main aim of Attac is to inform the public about economic and political connections. For this object, Attac organises several congresses, talks, discussions and annual summer academy or it publishes books containing information about some seldom discussed topics regarding global political issues.<sup>22</sup>

In addition, "Attac manages to communicate its claims and issues to a broad audience by means of campaigns, press releases and newspaper commentaries."<sup>23</sup>

### **2.1.2. Activities**

Since the foundation, Attac has exposed the negative consequences of deregulated financial markets, neo-liberal trade policies and privatisation of public services. It has clarified the roles, powers and vested interests of those who profit from it, too. The suggestions of Attac

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<sup>19</sup> See Thurm, Michael (2012): p. 9

<sup>20</sup> *Ibid.*

<sup>21</sup> *Ibid.*

<sup>22</sup> See Attac Österreich (2010): Network for democratic supervision of the financial markets p. 1

<sup>23</sup> Attac Österreich (2010): Network for democratic supervision of the financial markets p. 1

for the democratic control of the financial markets and the taxation on financial transactions are now being discussed and demanded throughout the world.<sup>24</sup>

However, it is not enough to deal with individual problems in isolation as the negative effects of the present economic system are becoming increasingly visible. Attac tries to question this entire system and to find new answers.<sup>25</sup>

“Attac campaigns for more fair, social and ecologically sustainable economic system on various activities inclusive:

- Monitoring financial markets more closely
- Fair trade instead of free trade
- A legal framework for transnational enterprises
- Comprehensive debt relief for the poorest countries
- A fair tax/taxation system
- Democratisation of public service providers instead of privatisation”<sup>26</sup>

## 2.2. Attac Österreich

Attac Österreich promotes to change the actual neoliberal finance system to an alternative one since it has been founded.<sup>27</sup> Their aim is an entire new organisation of the finance sector in order to solve the economical and environmental problems.<sup>28</sup>

The alternative finance system which Attac Österreich proposes includes four elements as following:<sup>29</sup>

- A democratic and common good oriented bank system. Banks will be transformed into non-profit-oriented company right forms.
- The elimination of non-profit-oriented finance instruments as derivate, funds, securitisation and the credit trade as well as rating agencies. The finance casino will be closed.

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<sup>24</sup> See Attac Österreich (2010): Creating another world – enabling a “good life” for all. p. 1

<sup>25</sup> *Ibid.*

<sup>26</sup> Attac Österreich (2010): Network for democratic supervision of the financial markets p. 1

<sup>27</sup> See Attac Österreich (2010): Geld ist ein öffentliches Gut – Für ein alternatives Finanzsystem!. p. 1

<sup>28</sup> *Ibid.*

<sup>29</sup> *Ibid.*

- The creation of a world currency system with stabile and a real indicators linked foreign exchange rates as alternative to the actual dollar hegemony.
- Global tax cooperation and more fair distribution of the tax burden.

The organisation also stresses on enlarging political scope in the EU and subjecting the European central bank to democratic control.<sup>30</sup>

### 2.2.1. Project: Demokratische Bank

The idea to establish Demokratische Bank lies on the critics that profit oriented banks nowadays do not perform core business tasks as conversation of savings deposits in order to give beneficial loans to regional firms and households anymore.<sup>31</sup>

Attac Österreich gives examples as:<sup>32</sup>

- The banks cannot guarantee savings account.
- They do not sell money at all or if yes, at a high price.
- They raise the account-keeping costs and as well as the cheque account, in the case that customers refuse to buy shares, for example in the United Kingdom.
- They reduce the branch network and the basic services while conducting business making the finance system insecure such as investment banking, issuing of derivatives, trading in debt instruments and currency speculation.
- They also do businesses which redistribute the wealth from the community to the rich in forms as high return funds, excessive incentive, dividends and aid for tax avoidance.
- Finally, those banks can squeeze money from the state while letting themselves saving from the crisis through taxes, instead of holding their shareholders responsible.

Attac finds the term “global financial markets” a contradictory. In the deregulated market, banks focus on reaching a global competitive size of the company. Thereby, they become system-relevant in a compulsory way so that their bankruptcy can have a massive influence on the whole economy.<sup>33</sup>

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<sup>30</sup> See Huber, Heidi (2010): p. 10

<sup>31</sup> See Attac Österreich (2010): Die Demokratische Bank, Begründung. p. 1

<sup>32</sup> *Ibid.*

<sup>33</sup> *Ibid.*

According to the opinion of Attac, the market on a regular basis does not exist for the banking area. The reasons are following: <sup>34</sup>

- The saving funds are guaranteed by the state.
- Refinancing supplies the national central bank.
- In insolvency of system-relevant banks, the tax-payers are responsible, instead of the shareholders.

Additionally, the power of those banks has been increased so much that they can defend against such measures as the taxation, regulation and division of banking industry. <sup>35</sup>

Attac believes that the global player banks want neither a fair market nor democracy. Furthermore, such banks damage the economy and commonwealth more than they are of use. <sup>36</sup>

In order to change this situation, Attac sees the solution as the win of the democratic control over the financial markets again and the conversion of an alternative finance system. The tools for this goal include a global, egalitarian currency system, closing of the global finance casino, global tax fairness and a democratic banking system. <sup>37</sup>

### **2.2.2. Common welfare oriented and democratic bank system**

Later, there should be only complementary small private banks for special needs, for example, “Vereinssparkassen”. Also such banks may be organized only in non-profit-oriented legal status as cooperative. The savings accounts of private banks will not be guaranteed by the state and they will not have the merit of refinancing through the central bank anymore, except they exhibit the same character as the Demokratische Bank. <sup>38</sup> Attac Österreich has the opinion that those measures would enable to regulate the banking sector more strictly and to make it to a public property. <sup>39</sup>

This economy transformation depends on the public pressure, political willingness and political balances of power. Demokratische Bank will be the solution for Attac Österreich to

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<sup>34</sup> See Attac Österreich (2010): Die Demokratische Bank, Begründung. p. 1

<sup>35</sup> *Ibid.*

<sup>36</sup> *Ibid.*

<sup>37</sup> *Ibid.*

<sup>38</sup> *Ibid.*

<sup>39</sup> *Ibid.*

support its movement. It will be a private cooperative forerunner bank which begins within the present system and offers a meaningful alternative to people who do not want to put their money in the actual banking conditions. It will campaign for the regulation of the whole banking sector, advertise for the visionary Demokratische Bank and transform to the future Demokratische Bank long-term.<sup>40</sup>

## 2.3. Christian Felber

Christian Felber is a co-founder of Attac Österreich and the leading person for the project “Demokratische Bank” in Austria.<sup>41</sup> He was born on December 9, 1972 in Salzburg. He spent his childhood between Mattsee and Wallersee near Salzburg by collecting raspberry and trout breeding.<sup>42</sup>

He studied Romance studies with an emphasis on Spanish as major subject and Political Science, Psychology and Sociology as minor subjects in Vienna and Madrid from 1990 until 1996 and received the title of Mag. Phil.<sup>43</sup> Between 1994 and 1996 he lived in Madrid and wrote his diploma thesis. Since 1996, he is active as free publicist and author whereby he writes comments and critics about the current economy system in a lot of newspapers.<sup>44</sup>

In 2000, Felber cofounded Attac Österreich. In this organisation, he was active in the executive board until 2003 and now he is its spokesman.<sup>45</sup>

Since 2008, he is also a lecturer at the Wirtschaftsuniversität Wien.<sup>46</sup> He is a contemporary dancer and performer since 2004, too.<sup>47</sup>

In the newspaper of Schleswig-Holstein am Sonntag, he mentions that he was a track athlete but stopped it and started to dance because he prefers intrinsic motivation to extrinsic one. For him, intrinsic motivation means to act in cooperation with somebody else, whereby

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<sup>40</sup> See Attac Österreich (2010): Die Demokratische Bank, Begründung. p. 1

<sup>41</sup> See Vorarlberg Online (2011): Christian Felber zu Gemeinwohl-Ökonomie und Demokratischer Bank

<sup>42</sup> See Felber, Christian (2010): CV

<sup>43</sup> *Ibid.*

<sup>44</sup> *Ibid.*

<sup>45</sup> *Ibid.*

<sup>46</sup> *Ibid.*

<sup>47</sup> *Ibid.*

extrinsic motivation occurs through the competition with others. Also he says that the motivation through competition mainly comes from fear.<sup>48</sup>

### **2.3.1. Opinion about problem of current banks**

Felber believes that the growing crisis offers a historic opportunity to reorganize the financial markets and to reform the banking and monetary system thoroughly. Banks worked best when they did not work for profit like in the post-war decades.<sup>49</sup>

The primary objective of banks was to supply the small and medium business with favourable credit money. Banks change this priority by liberalization through EU, WTO and privatization on the state levels. Their current primary objective is profit. This new strategic goal results into almost all the ingredients of the current crisis as following:<sup>50</sup>

- Negligent granting risky loans
- Excessive credit trade
- Hiding bad loans outside the balance sheet
- Invention of credit derivatives while arguing to “spread” the risk
- Establishment of subsidiaries in tax havens for evasion purposes of tax and regulation (Raiffeisen in Jersey, Bank Austria and Erste Bank in Cayman Islands, and Bawag in Malta)
- Pressure on the government, supervision and control of the financial markets intensively.

For Felber, the root of the crisis lies in the system.<sup>51</sup> In the present system, the gain of somebody comes from the expense of his neighbour and all value is equated with money.<sup>52</sup>

The current economic market system requires profits and rewards the profit maximization by itself that companies with the highest profit win the competition.<sup>53</sup> The related causes are the right to constantly retract gains and the failure of governments to restrict it. If the increase of

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<sup>48</sup> See Schleswig-Holstein am Sonntag (2012): Bessere Welt: Auf der Suche

<sup>49</sup> See derStandard.at (2009): Eine Bank des Vertrauens: Geld als öffentliches Gut

<sup>50</sup> *Ibid.*

<sup>51</sup> See WEGE (2009): Gier ist der Motor. p. 26

<sup>52</sup> See WEGE (2009): Gier ist der Motor. p. 27

<sup>53</sup> *Ibid.*

the capital becomes the foremost goal of the economy which is capitalism, economic actors would do everything for this goal.<sup>54</sup>

This also means that these actors would prevent environmental protection laws, tax laws or the financial regulation that are not beneficial to them. From this perspective, the conversion of non-profit cooperative banks into profit-oriented corporations was a fatal mistake. Since then, the profit is more important than anything. Capitalism is just for the profit and not for the common good.<sup>55</sup>

The undemocratic lobbying would continue and prevent necessary adjustments or dissolve again. There is also the risk that the states pour taxpayers' money into bottomless barrels and even go bankruptcy on the national level.<sup>56</sup> Furthermore, Felber believes that the series of sovereign defaults will result into a global banking crash. The main reason is the unresolved issue of system-relevant banks. As long as they exist, states and system banks are attached to each other and they will break down sooner or later.<sup>57</sup>

In each local cooperative bank, customers can buy shares of commodity funds as wheat, corn, rice which leads to the increase of the food prices and world hunger as the result.<sup>58</sup>

Even, if the regional and local cooperative banks only participate on it partly and stand relatively stable in the financial and banking crisis, this practice is diametrically opposed to the founding ideals of the banks and the common welfare principle.<sup>59</sup>

An important fact is that not only financial managers of banks made the casinos, but governments have built the global casino which is the present existing unregulated and unsupervised global financial markets.<sup>60</sup> Also new “products” are being invented daily without any control that make the system increasingly unstable, but bring also new profit opportunities.<sup>61</sup> Hence, Felber proposes that banks should become socialized and brought under a democratic control.<sup>62</sup>

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<sup>54</sup> See WEGE (2009): Gier ist der Motor. p. 27

<sup>55</sup> *Ibid.*

<sup>56</sup> See derStandard.at (2009): Eine Bank des Vertrauens: Geld als öffentliches Gut

<sup>57</sup> See Felber, Christian (2011): Christian Felber: Auf bestem Weg in den globalen Bankencrash

<sup>58</sup> See Häufig gestellte Fragen (FAQ) an das Projekt Demokratische Bank (2012): p. 9

<sup>59</sup> *Ibid.*

<sup>60</sup> See WEGE (2009): Gier ist der Motor. p. 26

<sup>61</sup> *Ibid.*

<sup>62</sup> See derStandard.at (2009): Eine Bank des Vertrauens: Geld als öffentliches Gut



They should not be saved with taxpayers' money free. The state should secure a say so that the rescued banks cannot speculate anymore.<sup>63</sup>

Also system-relevant Austrian banks make taxpayers responsible for their own losses instead of remarging capital.<sup>64</sup> Additionally, management salaries must be limited, for example, to the 20 times of the minimum wage and the banks should close their branches in tax havens. Then, there would be money for the payment of the rescue costs again. Also large banks should be split up so much that there is not much risk, even they go bankrupt.<sup>65</sup>

The banks must bear the responsibility now. The easiest ways would be the general progressive property taxes and retroactive liability of owners. This is not only about the responsibility and justice, it is also necessary to avert national bankruptcy which becomes more probable through increasing socialization of the losses.<sup>66</sup>

### **2.3.2. Opinion about Euro financial crisis**

Felber thinks the EURO currency cannot be rescued through such measurements as tax-financed bailouts, ESM (European Stability Mechanism), austerity measures, debt brakes, Euro Bonds, Bankruptcy of indebted euro zone countries, or even the expulsion of Greece. The situation will be even worse, if we remain with this strategy.<sup>67</sup>

In his view, debts can decline, if assets also sink. However, the states debts rise with the ESM continuously as well as the assets. Therefore, assets should go down so that debts would be also lower. The direct method for this goal is to impose a tax on the highest, greatest and most concentrated assets moderately.<sup>68</sup>

But exactly this point is very complex. According to Felber, politicians do not try to touch the assets of the rich investors. Instead of that, they try to delay the climax of the crisis with public means, funded through drastic austerity programs.<sup>69</sup>

There will be certainly a multi-year recession and depression, if the last possible buyers and demanders, namely the government, also begin to save in a difficult economic situation like

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<sup>63</sup> See WEGE (2009): Gier ist der Motor. p. 27

<sup>64</sup> See Häufig gestellte Fragen (FAQ) an das Projekt Demokratische Bank (2012): p. 9

<sup>65</sup> *Ibid.*

<sup>66</sup> See derStandard.at (2009): Eine Bank des Vertrauens: Geld als öffentliches Gut

<sup>67</sup> See Klas, Gerhard (2012): Patentrezept gegen die Eurokrise

<sup>68</sup> *Ibid.*

<sup>69</sup> *Ibid.*

now. Additionally, the sum of net debt and assets is always zero due to mathematical laws. Therefore, either the debt must be reduced just about the simultaneous dismantling of the assets, or there will be state insolvency.<sup>70</sup>

Christian Felber does not want that the debt will be just removed, but he calls for their eradication. His propose is that the extreme highly concentrated private wealth which makes up the four to six times of the national debt in the average of the Euro member states should be subject to taxation and then the debts will be repaid from the level of taxation.<sup>71</sup>

Above all, he counts on capital and corporate taxes which undermine economic growth according to the prevailing doctrine. Furthermore, he suggests four Europe-wide taxes:<sup>72</sup>

- Financial transaction tax of 0.1 percent
- Tax on capital assets of more than one million Euros
- Reversal of the current practice in case of the taxes on capital income: In his view, the taxes on capital income should be significantly higher than the taxes on labour income.
- European coordination of corporate tax because publicly traded companies pay hardly taxes despite billions in profits in the current arrangements.

Felber calculates that 1.2 trillion Euros would be flushed into the European Union budget annually. Nevertheless, he does not believe in a rapid introduction of such pan-European taxes since the EU market has been built according to the templates of leading European economic concerns. Therefore, there is free movement of capital and goods, however, no approximation of the welfare and tax policy. The competition promoted in this way has led to an outright plunder of the public purse.<sup>73</sup>

He believes that the Euro crisis is, on the one hand, a symptom of this system and, on the other hand, a chance that the European Union could be constructed more democratically.<sup>74</sup>

The author sees himself as a strong supporter of a participative democracy and therefore, he wants more referendums and an elected constitutional convention that can restructure the European Union.<sup>75</sup>

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<sup>70</sup> See Klas, Gerhard (2012): Patentrezept gegen die Eurokrise

<sup>71</sup> *Ibid.*

<sup>72</sup> *Ibid.*

<sup>73</sup> *Ibid.*

<sup>74</sup> *Ibid.*

### 3. Bank foundation in Austria

For the readers of this paper, it is necessary to get knowledge about the bank foundation regulations in Austria in several aspects.

In Austria, there are three institutions that are responsible for the supervision of the financial markets.<sup>76</sup>

- “Bundesministerium für Finanzen” (BMF) develops and defines the legislative framework which is afterwards adopted by the Austrian parliament in the legislative process.
- “Oesterreichische Nationalbank” (OeNB) monitors the stability of the financial market at the macro level. It is responsible for the supervision of payment systems, and is also involved in the supervision of banks.
- The Financial Market Authority (FMA) monitors and checks the individual financial institutions and participants in the markets at the micro level.

All these three institutions work together closely and form the Austrian system of the financial market supervision.

First of all, I will introduce the FMA (Financial Market Authority) which relates to the most relevant topics for the foundation of a new bank. Then, I want to show the bank foundation regulations at the legal level “Bankwesengesetz” in Austria.

The most interesting points are the acquisition of a concession and fit & proper test in the topic “FMA”. Several points as required initial capital, existence of business leaders, business plan and the ability of business leaders will be respected.

Then, we will look at the international regulation of Basel II which we also have to bear in mind because it has enormous influence on the bank circumstances in Austria.

Finally, since the coordination team of Demokratische Bank has decided to build their bank in a cooperative form, the foundation rules of a cooperative in Austria in the legal view of Genossenschaftsgesetz are prepared in this paper as well as how the foundation process of a cooperative looks like based on a sample example.

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<sup>75</sup> See Klas, Gerhard (2012): Patentrezept gegen die Eurokrise

<sup>76</sup> See About the FMA

### 3.1. FMA (Financial Market Authority)

The Financial Market Authority is the organization which supervises the financial market in Austria so that a stable, competitive and financial system is secured since its foundation in 2002.<sup>77</sup> It supervises “banks, insurance undertakings, “Pensionskassen”, corporate provision funds, investment firms and investment service providers, investment funds, financial conglomerates and exchange operating companies.”<sup>78</sup>

“It also monitors activities to ensure that trading in listed securities complies with legal requirements and the principles of fairness and transparency.”<sup>79</sup> “It acts to ensure that the principles of sound company management and advice are upheld (supervision of compliance and rules of conduct), that the unauthorised trading and offering of financial services is prevented and punished, and that all financial institutions have the necessary systems in place to take preventive action against money laundering and terrorist financing.”<sup>80</sup>

#### 3.1.1. Concession

In Austria, the foundation of a bank requires a bank license, so-called concession from the FMA according to “Bankwesengesetz”.<sup>81</sup>

By the application for a license, following information and documents must be included:”

1. Den Sitz und die Rechtsform;
2. die Satzung;
3. den Geschäftsplan, aus dem die Art der geplanten Geschäfte, der organisatorische Aufbau des Kreditinstitutes, die geplanten Strategien und Verfahren zur Überwachung, Steuerung und Begrenzung der bankgeschäftlichen und bankbetrieblichen Risiken gemäß § 39 und die Verfahren und Pläne gemäß § 39a hervorgehen; weiters hat der Geschäftsplan eine Budgetrechnung für die ersten drei Geschäftsjahre zu enthalten;
4. die Höhe des den Geschäftsleitern im Inland unbeschränkt und ohne Belastung zur freien Verfügung stehenden Anfangskapitals;

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<sup>77</sup> See About the FMA

<sup>78</sup> About the FMA

<sup>79</sup> *Ibid.*

<sup>80</sup> *Ibid.*

<sup>81</sup> See Konzessionierung

5. die Identität und die Höhe des Beteiligungsbetrages der Eigentümer, die eine qualifizierte Beteiligung am Kreditinstitut halten, sowie die Angabe der Konzernstruktur, sofern diese Eigentümer einem Konzern angehören, sowie die für die Beurteilung der Zuverlässigkeit dieser Eigentümer, der gesetzlichen Vertreter und der allenfalls persönlich haftenden Gesellschafter dieser Eigentümer erforderlichen Angaben;
6. die Namen der vorgesehenen Geschäftsleiter und deren Qualifikation zum Betrieb des Unternehmens;
7. Die Identität und Adresse oder Sitz aller jener natürlichen oder juristischen Personen, derer sich das Kreditinstitut außerhalb seines Sitzes bei der Durchführung des Finanztransfergeschäftes bedient (Agenten).“<sup>82</sup>

The concession will be only given under certain conditions that Austrian Bankwesengesetz § 5 regulates as:”

- das Unternehmen als Kreditinstitut in der Rechtsform einer Kapitalgesellschaft, einer Genossenschaft oder einer Sparkasse geführt werden soll;
- die Satzung keine Bestimmungen enthält, die die Sicherheit der dem Kreditinstitut anvertrauten Vermögenswerte und die ordnungsgemäße Durchführung der Geschäfte gemäß § 1 Abs. 1 nicht gewährleisten;
- das Anfangskapital oder die Anfangsdotation mindestens 5 Millionen Euro beträgt und den Geschäftsleitern unbeschränkt und ohne Belastung im Inland zur freien Verfügung steht;
- die Geschäftsleiter über geordnete wirtschaftliche Verhältnisse verfügen und keine Tatsachen vorliegen, aus denen sich Zweifel an ihrer persönlichen für den Betrieb der Geschäfte gemäß § 1 Abs. 1 erforderlichen Zuverlässigkeit ergeben; liegen derartige Tatsachen vor, dann darf die Konzession nur erteilt werden, wenn die Unbegründetheit der Zweifel bescheinigt wurde;
- die Geschäftsleiter auf Grund ihrer Vorbildung fachlich geeignet sind und für den Betrieb des Kreditinstitutes erforderlichen Erfahrungen haben. Die fachliche Eignung eines Geschäftsleiters setzt voraus, dass dieser in ausreichendem Maße theoretische und praktische Kenntnisse in den beantragten Geschäften gemäß § 1 Abs. 1 sowie

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<sup>82</sup> Bankwesengesetz § 4 (3)

Leitungserfahrung hat; die fachliche Eignung für die Leitung eines Kreditinstitutes ist anzunehmen, wenn eine zumindest dreijährige leitende Tätigkeit bei einem Unternehmen vergleichbarer Größe und Geschäftsart nachgewiesen wird;

- mindestens ein Geschäftsleiter den Mittelpunkt seiner Lebensinteressen in Österreich hat;
- mindestens ein Geschäftsleiter die deutsche Sprache beherrscht;
- das Kreditinstitut mindestens zwei Geschäftsleiter hat und in der Satzung die Einzelvertretungsmacht, eine Einzelprokura oder eine Einzelhandlungsvollmacht für den gesamten Geschäftsbetrieb ausgeschlossen und bei Kreditgenossenschaften die Führung der Geschäfte auf die Geschäftsleiter eingeschränkt ist;
- kein Geschäftsleiter einen anderen Hauptberuf außerhalb des Bankwesens oder außerhalb von Versicherungsunternehmen oder Pensionskassen ausübt;
- der Sitz und die Hauptverwaltung im Inland liegen.“<sup>83</sup>

An already issued license may be withdrawn by the FMA due to § 6 (1) BWG again, if the registered business activity is not recorded within 12 months from the licensing issuance, or it is not practiced longer than 6 months. However, the FMA must revoke a license, in accordance with § 6 (2) BWG, if it was obtained through a misrepresentation, or the bankruptcy proceedings over the assets of the bank is opened.<sup>84</sup>

According to § 7 BWG, a concession expires automatically, if the bank puts it back voluntarily. In this case, a confirmation of the auditor should be adduced that all transactions were handled.<sup>85</sup>

Additionally, some practical extra information is also useful to know as:

- In practice, two business leaders are needed and their quality is considered as proven if they have a banking license. The company should be able to draw a business plan as well.<sup>86</sup>
- The business plan must be submitted to the FMA (Financial Market Authority) before the initial capital collection starts.<sup>87</sup>

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<sup>83</sup> Bankwesengesetz § 5

<sup>84</sup> See Konzessionierung

<sup>85</sup> *Ibid.*

<sup>86</sup> See Handelsblatt (2012): p. 36

<sup>87</sup> See Häufig gestellte Fragen (FAQ) an das Projekt Demokratische Bank (2012): p. 1

- Each credit institution must have a legal form of a corporation, an association, or a savings bank. Furthermore, a budget bill for the first three years must be proven.<sup>88</sup>

### **3.1.2. Deposit guarantee and banking association inclusion**

In Austria, the legal deposit guarantee scheme is established by law for the protection of customers' deposits in banks in the possible events as bankruptcy or arrangement of receivership.<sup>89</sup>

Following § 93 (1) BWG, “credit institutions which accept deposits subject to guarantee obligations or provide investment services subject to guarantee obligations must belong to the protection scheme of their trade association.”<sup>90</sup>

By the regulation of the Federal Minister for Economy that governs the establishment of the trade associations, specialised groups, and credit institutions accepting deposits subject to guarantee obligations or provide investment services subject to guarantee obligations must enter into one of the five banking associations below:<sup>91</sup>

- „Fachverband der Banken und Bankiers“
- „Fachverband der Landes-Hypothekenbanken“
- “Fachverband der Raiffeisenbanken”
- “Fachverband der Sparkassen”
- „Fachverband der Kreditgenossenschaften nach dem System Schulze-Delitzsch (Volksbankenverband)“

Each banking association is obliged to maintain an assurance scheme that all member institutions entitled to accept deposits subject to guarantee obligations or provide investment services subject to guarantee obligations may join.<sup>92</sup> Moreover, it ensures that credit institutions holding the relevant licenses for the deposit business and custody business have to join a protection scheme to build the necessary confidence of the depositors and investors on the one side.<sup>93</sup>

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<sup>88</sup> See Bankenaufsicht: Rechtliche Grundlagen

<sup>89</sup> See Gesetzliche Regelungen zur Einlagensicherung

<sup>90</sup> Bankwesengesetz § 93 (1)

<sup>91</sup> See How is the Deposit Guarantee Scheme regulated by law?

<sup>92</sup> *Ibid*

<sup>93</sup> *Ibid.*

On the other side, it makes sure that these protection schemes always exist and are obliged to accept a credit institution seeking membership.<sup>94</sup>

In the case that credit institution is no longer a member of a protection scheme, it will lose its license to accept deposits subject to guarantee obligations or provide investment services subject to guarantee obligations. The FMA shall state the expiry of the license by means of an administrative decision.<sup>95</sup>

According to § 93 (2) BWG, “ Sicherungspflichtige Einlagen“ are „Guthaben auf

- Konten oder Sparbüchern (z.B. Gehalts- und Pensionskonten),
- sonstigen Girokonten,
- Festgeldern oder
- Kapitalertrags-Sparbüchern
- Bauspargeschäfte“<sup>96</sup>

Since the year of 2010, the deposits of natural persons are secured per bank up to an amount of EUR 100,000 following § 103h BWG.<sup>97</sup> Since the year of 2011, also the deposits of non-natural persons are secured per bank up to an amount of EUR 100,000 following § 103k BWG.<sup>98</sup>

### **3.1.3. Fit & proper test**

Furthermore, the FMA examines the reliability of the bank's business leader and the chairman of the supervisory board. Thereby, the personal reliability will be reviewed based on the submitted documents including criminal record, CV, state statutory declaration as well as professional competence.<sup>99</sup>

In terms of professional competence, the FMA considers it as essential if every member of the Executive Board and the Supervisory Board of a regulated company has the knowledge

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<sup>94</sup> See How is the Deposit Guarantee Scheme regulated by law?.

<sup>95</sup> *Ibid.*

<sup>96</sup> See Gesetzliche Regelungen zur Einlagensicherung

<sup>97</sup> See Bankwesengesetz § 103h

<sup>98</sup> See Bankwesengesetz § 103k

<sup>99</sup> See Konzessionierung and Voraussetzungen "fit & proper"



about the relevant regulations so that they can perceive the overall responsibility in the management or enough responsibility as chairman.<sup>100</sup>

To verify the theoretical knowledge, an appointment for a fit and proper test with questions about regulatory issues and standards as well as business-related topics is agreed following the announcement of the appointment of a business leader or the election of the chairman.<sup>101</sup>

The contents of the fit and proper tests include the key provisions of the Austrian Banking Act “Bankwesengesetz”, in particular, the general provisions, licensing requirements, ownership provisions and approvals, regulatory provisions, provisions for banking group, banking secrecy and protection of deposits as well as the essential contents of the FMA-Minimum Standards, particularly, the FMA-MS for the lending business, the internal audit and on foreign currency loans.<sup>102</sup>

If the person does not pass the fit & proper test, there will be a further test with a higher number of questions. If the person does not pass this test, the company will be briefed by the FMA.<sup>103</sup> For the managers who did not pass the test twice, there will be a third and final opportunity. If they also fail the test, the FMA assumes that they do not have a professional competence and there will be appropriate supervisory measures.<sup>104</sup>

## **3.2. Bank foundation according to Basel II**

Basel II has been designed by central banks’ governors and heads of bank supervisory authorities in the Group of Ten (G10) countries in June 2004, firstly named as “International Convergence of Capital Management and Capital Standards: A Revised Framework”.<sup>105</sup> It is viewed as the outcome of an upgraded version of Basel I.<sup>106</sup>

Since January 2007, banks in the European Union are subject to minimum standards of Basel II which are binding over all member countries including Austria.<sup>107</sup>

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<sup>100</sup> See Voraussetzungen "fit & proper"

<sup>101</sup> *Ibid.*

<sup>102</sup> *Ibid.*

<sup>103</sup> *Ibid.*

<sup>104</sup> *Ibid.*

<sup>105</sup> See Greenbaum, Stuart I. and Thakor, Anjan V. (2007): p. 506

<sup>106</sup> *Ibid.*

<sup>107</sup> See Jorion, Philippe (2009): p. 681 and Patzak, Michael (2008): p. 73

This new rule of the equity agreement was to convert in national law in member states of the EU.<sup>108</sup>

### **3.2.1. Objectives of Basel II**

The objectives of Basel II are following:”

- Ensure that capital adequacy regulation is not a source of competitive disadvantage.
- Adopt more risk-sensitive capital requirements.
- Make greater use of banks’ own internal risk assessments.
- Bring market discipline and regulatory monitoring to bear as part of regulation to ensure prudent risk-taking rather than relying solely on capital requirements.
- Cover a more comprehensive set of risks, including credit risk, interest rate risk and operational risk.
- Account for the risk mitigation efforts of banks.
- Adopt a more forward-looking approach that can evolve with time.”<sup>109</sup>

### **3.2.2. Three pillars of Basel II**

Basel II rests basically on three pillars as:”

- Minimum capital requirements: For covering credit risk, market risk and operational risks.
- Supervisory review process: Even if banks are expected to perform their own risk analysis, the supervisor can impose additional capital requirements in some cases.
- Market discipline: In regard to transparency, banks are obliged to publish information on a regular basis on their risk profiles and levels of capitalization, in order to make the assessment of the risk profile and the quality of the risk management systems of banks easier.”<sup>110</sup>

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<sup>108</sup> See Kohtamäki, Natalia (2012): p. 58

<sup>109</sup> Greenbaum, Stuart I. and Thakor, Anjan V. (2007): p. 506

<sup>110</sup> de Vries Robbé, Jan Job (2008): p. 408f.

### 3.3. Cooperative foundation in Austria

There are four legal foundation requirements in Austria as the adoption of a cooperative company, a written drafting of the statute “Genossenschaftsvertrag”, the submission of a hosting assurance of competent auditors association and registration of statute in the commercial register.<sup>111</sup>

According to § 5 GenG, “Genossenschaftsvertrag” must contain such contents below:”

- die Firma und den Sitz der Genossenschaft;
- den Gegenstand des Unternehmens;
- die Zeitdauer der Genossenschaft, im Falle dieselbe auf eine bestimmte Zeit beschränkt sein soll;
- die Bedingungen des Eintrittes der Genossenschafter, sowie die allfälligen besonderen Bestimmungen über das Ausscheiden (Austritt, Tod oder Ausschließung) derselben;
- den Betrag der Geschäftsanteile der einzelnen Genossenschafter und die Art der Bildung dieser Anteile;
- die Grundsätze, nach welchen die Bilanz aufzunehmen und der Gewinn zu berechnen ist, die Art und Weise, wie die Prüfung der Bilanz erfolgt, sowie die Bestimmung über die Vertheilung des Gewinnes und Verlustes unter die einzelnen Genossenschafter;
- die Art der Wahl und Zusammensetzung des Vorstandes und die Formen für die Legitimation der Mitglieder des Vorstandes, sowie der Stellvertreter derselben und der Beamten der Genossenschaft;
- die Form, in welcher die Zusammenberufung der Genossenschafter geschieht;
- die Bedingungen des Stimmrechtes der Genossenschafter und die Form, in welcher dasselbe ausgeübt wird;
- die Gegenstände, über welche nicht schon durch einfache Stimmenmehrheit der auf Zusammenberufung erschienenen Genossenschafter, sondern nur durch eine größere Stimmenmehrheit oder nach anderen Erfordernissen Beschluß gefaßt werden kann;
- die Art und Weise, in welcher die von der Genossenschaft ausgehenden Bekanntmachungen erfolgen;

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<sup>111</sup> See 15 Fragen zur Genossenschaft

- Die Angabe, ob die Haftung der Genossenschafter für die Verbindlichkeiten der Genossenschaft unbeschränkt, beschränkt oder auf den Geschäftsanteil eingeschränkt (§ 2, Absatz 3) ist, und im Falle der beschränkten Haftung, wenn die Haftung über das im § 76 bestimmte Maß ausgedehnt wird, die Angabe des Umfangs dieser Haftung.
- die Benennung der Mitglieder des ersten Vorstandes oder derjenigen Personen, welche die Registrierung der Genossenschaft zu erwirken haben.“<sup>112</sup>

A Genossenschaftsvertrag being registered in the commercial register must be published in extracts. These extracts must contain important information as:”

- das Datum des Genossenschaftsvertrages;
- die Firma, den Sitz und die für Zustellungen maßgebliche Geschäftsanschrift der Genossenschaft;
- die Zeitdauer der Genossenschaft, im Falle dieselbe auf eine bestimmte Zeit beschränkt sein soll;
- Namen und Geburtsdaten der Mitglieder des Vorstandes, falls ein solcher schon in dem Genossenschaftsvertrag bestellt ist;
- die Art und Weise, in welcher die von der Genossenschaft ausgehenden Bekanntmachungen erfolgen;
- Die Angabe, ob die Haftung der Genossenschafter für die Verbindlichkeiten der Genossenschaft unbeschränkt, beschränkt oder auf den Geschäftsanteil eingeschränkt (§ 2, Absatz 3) ist, und im Falle der beschränkten Haftung, wenn die Haftung über das im § 76 bestimmte Maß ausgedehnt wird, die Angabe des Umfanges dieser Haftung.“<sup>113</sup>

It is important to know that the cooperative does not exist yet before succeeded registration in the commercial register. If there is activity before succeeded registration in the name of the cooperative, the agent are liable personally and solidary. <sup>114</sup>

Regarding regulation of the required amount of persons for the creation of a cooperative, it is tolerant since a minimum number of founding members is not provided in the Austrian cooperative law. It means that two founding members suffice in any case. <sup>115</sup>

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<sup>112</sup> Genossenschaftsgesetz § 5

<sup>113</sup> Genossenschaftsgesetz § 6

<sup>114</sup> See Genossenschaftsgesetz § 8

Furthermore, there is no required minimum capital for the creation of a cooperative.<sup>116</sup>

The capital's composition and amount are based on the size, the power spectrum of the cooperative and its member structure.<sup>117</sup>

Normally, the start-up costs are incurred from the juridical expenses of dates, registration and publication and cost of signature certification of elected board members.<sup>118</sup> The most widespread voting right is the 1 vote per member.<sup>119</sup>

The organs of a cooperative should include a board as managing body, a supervisory board as control body and General Assembly as supreme body whereas the board leads business in a cooperative.<sup>120</sup>

The amount of the liability of a cooperative member is governed by the statutes. Mostly, it is a simple additional liability. A cooperative shall only be liable in the event of liquidation or bankruptcy of the cooperative.<sup>121</sup>

Principally, a cooperative can achieve profit. The peculiarity of the cooperative over other legal forms is that it passes the generated benefits to its members in order to support them. But also making profits is a necessary condition for the cooperative. The pursuit of profit does not collide with the promotional mission as long as the profits are sought not for its own sake but as a means of fulfilling the mission.<sup>122</sup>

A cooperative is characterized by the flexible membership structure and possibility of non-bureaucratic entrance and exit at any time. In this legal form, the liability is generally limited to the double of the own investments in the business.<sup>123</sup> But, the accession of each cooperative member occurs through a notice in writing.<sup>124</sup>

For the foundation, a notarial deed is not required. The cooperative comes into existence with the registration in the commercial register. The registration of a business can be made only

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<sup>115</sup> See 15 Fragen zur Genossenschaft

<sup>116</sup> *Ibid.*

<sup>117</sup> *Ibid.*

<sup>118</sup> *Ibid.*

<sup>119</sup> *Ibid.*

<sup>120</sup> *Ibid.*

<sup>121</sup> *Ibid.*

<sup>122</sup> *Ibid.*

<sup>123</sup> See Rechtsformen für Kooperationen

<sup>124</sup> See Genossenschaftsgesetz § 3 (2)

after the registration in the commercial register by the industrial authority which leads to the fact that the cooperative has to name a manager under the trade law.<sup>125</sup>

The costs for the foundation and business would be middle between a low-cost GesbR or club and a high-cost limited company. These costs would include legal fees for contract establishment, possible promotion of cost for the first company register as well as minimum corporate tax of 1750 Euro per year. In addition, every entrance and exit of a cooperative member would cost.<sup>126</sup>

A middle level of administrative burden is expected as there are regular sessions, protocols and required communication with company registration.<sup>127</sup>

### **3.3.1. Example: Foundation process of a cooperative in Austria**

On the website of <http://www.kooperieren.at/gruendungsablauf.php>, it is available to see an example of the foundation process of a cooperative in Austria:<sup>128</sup>

1. Getting in touch with a contact person for founding the cooperative by the Raiffeisen-Revisionsverband in the region. Thereby, it's better to make an appointment for a free first information conversation.
2. Drafting of a constitution as so-called cooperative agreement including a suitable company name. In the statute, special rules about the site, purpose, line of business, members and membership and organs of the cooperative (chief, general assembly, if appropriate, the supervisory board) are included.
3. If necessary, advisory opinion concerning the planned company name from the relevant advocacy, for example as Wirtschaftskammer and Landwirtschaftskammer.
4. Creating a business plan: The economic evaluation whereas at least first three to five years will be reviewed by Raiffeisen-Revisionsverband. If necessary, also a support for the creation of the business case will be provided.
5. The application for admission to the Raiffeisen-Revisionsverband. Under the statutory provisions of Raiffeisen-Revisionsverband, an inclusion assurance will be only given

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<sup>125</sup> See Genossenschaftsgesetz § 3 (2)

<sup>126</sup> *Ibid.*

<sup>127</sup> *Ibid.*

<sup>128</sup> See Gründungsablauf

when there is a positive business plan with high probability of cooperative's successful business.

6. Invitation to the foundation meeting
7. Holding of the foundation meeting. At the inaugural meeting, one representative of the Raiffeisen-Revisionsverband attends. Also following agenda items are discussed there as:
  - Establishment of the cooperative under the selected company
  - Resolution of the statutes of the cooperative
  - Election of directors and supervisory board
  - Accession to the competent Raiffeisen-Revisionsverband as statutory Revisionsverband.
  - Those cooperative members who are present at the inaugural meeting are founding members.
8. Company registration documents will be prepared by the Raiffeisen-Revisionsverband and explained. Following company registration documents are at least required:
  - Company registration application
  - Protocol transcript statute in excerpts
  - Firm design explanation
  - Inclusion assurance
  - Application under the Neugründungsförderungsgesetz (NeuFöG) for saving cost of registration fees at the Commercial Court
  - The companies register records are to be prepared and submitted to the commercial registry supported by the Raiffeisen-Revisionsverband electronically.
9. Registration of the cooperative in the company register
10. If required, there are sample bylaws for the board, management and the Supervisory Board as well as a sample of a formal obligation to comply with the business and industrial secrecy.

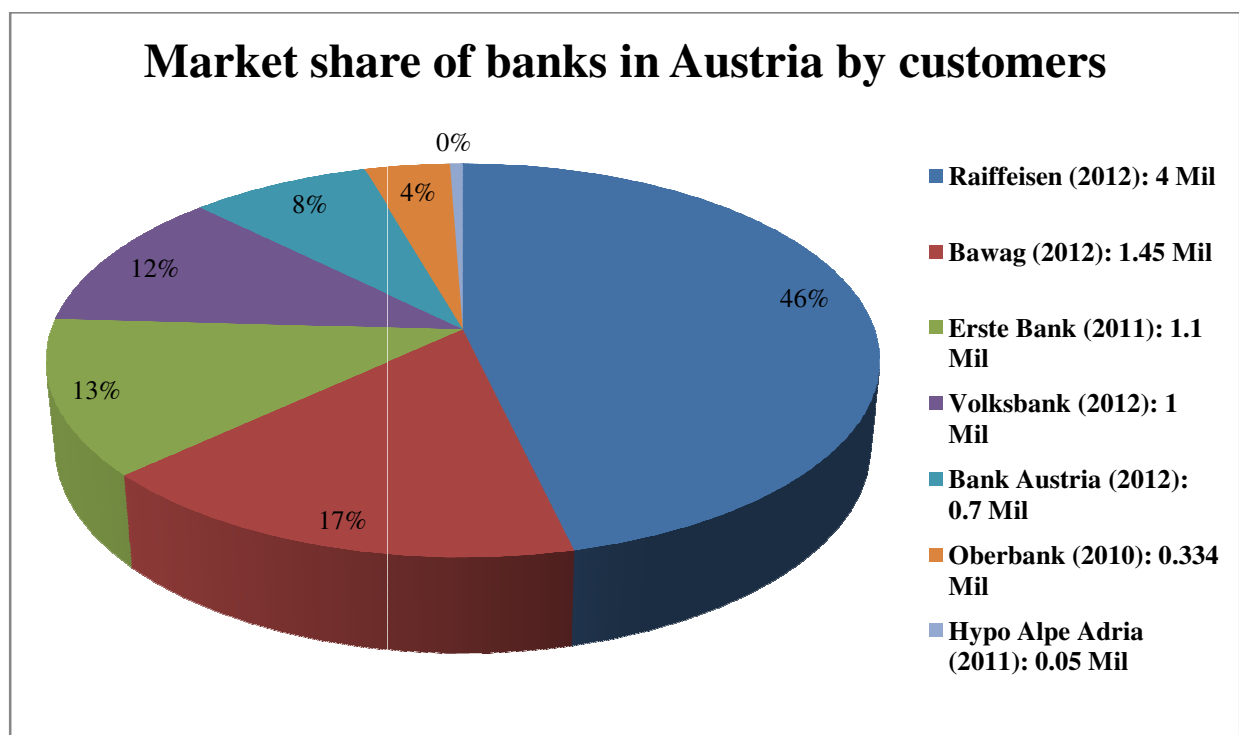
## 4. Banking industry in Austria

After looking at the bank foundation regulations in Austria, the current banking industry in Austria will be reviewed in this chapter.

Generally, it is necessary to know about the general market circumstances as competition, possible gap in the market and other specific information before the market entry decision.

I researched the data from each bank's annual report and news and made the graphic below.

Figure 1: Market share of banks in Austria by amount of both private and business customers



Source: Own illustration based on reports from each bank <sup>129</sup>

As we see above, Raiffeisenbank has most clients and, therefore, the highest market shares in Austria besides four other big banks as Bawag, Erste Bank, Volksbank and Bank Austria.

It is interesting to know that all these banks are joint-stock companies (AG).

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<sup>129</sup> See Bawag PSK (2012), Erste Group (2011), Format (2012), Hypo Alpe Adria (2011), Oberbank (2010), Raiffeisen (2012) and Volksbank (2012)



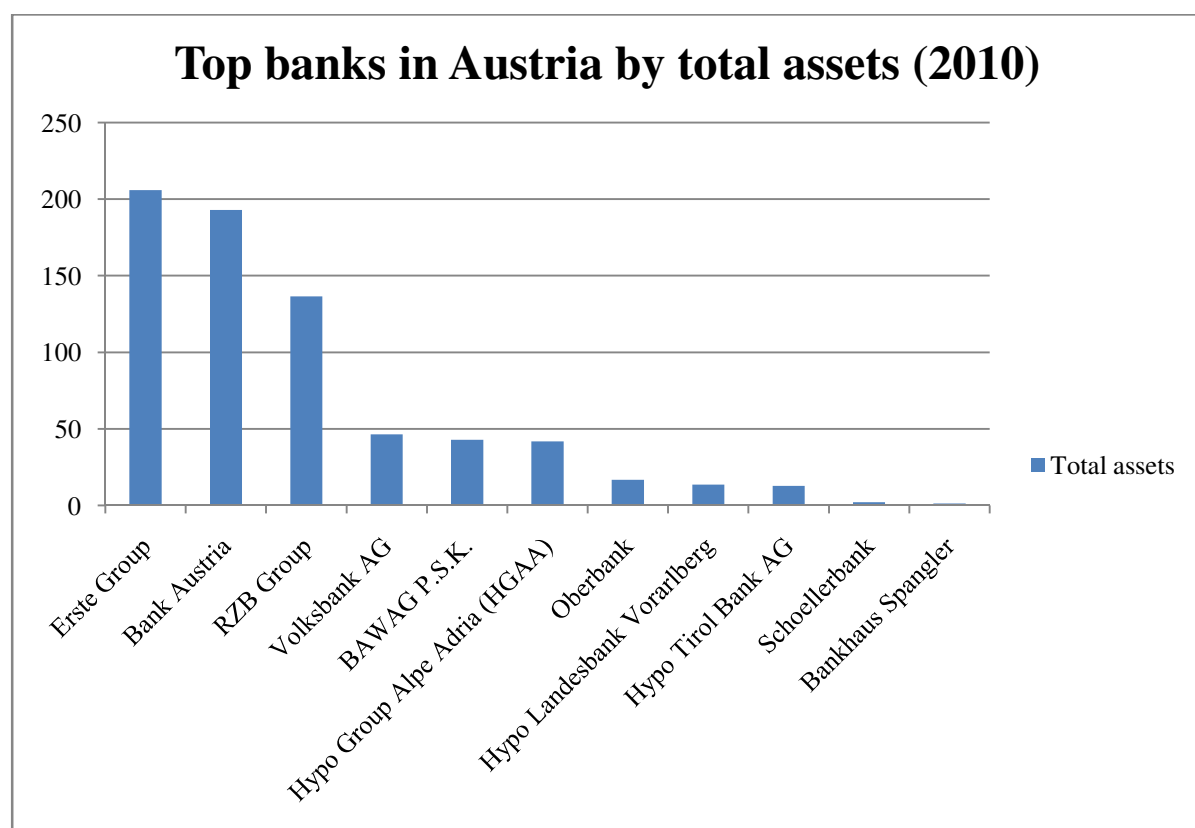
Most Austrian banks are characterized by their high engagement in Eastern and South-Eastern Europe. It has two sides since it results in the achievement of a high profit, but at the same time, in the increase of the credit risk.<sup>130</sup>

Hypo Group Alpe Adria is the good example that too high credit risk can lead to the danger for a bank. This Austrian bank had been active in Balkan countries and its corrupt credits almost brought the company to an insolvency case in 2009 which was rescued by the government at the end.<sup>131</sup>

Hence, Demokratische Bank would provide a new business type on the present market.

I prepared the diagram “top banks in Austria by total assets” to see the possible market power and influence of the existing competitive companies in Austrian banking industry below.

Figure 2: Top banks in Austria by total assets (2010)<sup>132</sup>



Source: Own illustration based on <http://www.relbanks.com/europe/austria>

<sup>130</sup> See Facts on Austria and its banks (2012)

<sup>131</sup> See HGAA wird österreichische Staatsbank (2009)

<sup>132</sup> Top banks in Austria by total assets (2010)

Here, we can see the huge difference of the total assets of top three banks (Erste Group, Bank Austria and RZB Group) from smaller banks as Schoellerbank and Bankhaus Spangler.

It may be a very difficult start for Demokratische Bank since they have to survive in the market with enormously big competitors with a lot of capital.

In the capitalistic market, it is assumed that other banks would not only watch the success of the new one. They would think some strategies out, in order to prevent the success of the new ethically oriented and democratic bank after its foundation.

It is clear as well that the existing banking institutions have more power, at least, at the beginning because they have much more capital, personals, income, influences and experiences. In addition, it is predictable that they would even work some regulations out together, in order to prevent the growing power of the new socio-ecological bank.

Austrian banking industry is seen as “overbanked” by many experts as OeNB President Ewald Nowotny, the chairman of UniCredit Bank Austria AG Willibald Cernko and Hypo-OÖ- general director Andreas Mitterlehner.<sup>133</sup>

Following the newspaper Süddeutsche, the Austrian banking industry is already full so that there is no place for a new universal bank.<sup>134</sup>

It is also confirmed because the bank site density in Austria is higher than in other EU states according to the statistics of OeNB. There are 828 main offices of different credit institutions with their 4.432 branches in Austria. In total, 5.255 bank branches service Austrian population and only about 1,600 inhabitants come to a bank branch.<sup>135</sup>

Additionally, it is even expected that less and less customers would come to a bank branch. Therefore, some banks as Bank Austria plan to close a lot of its branches because of the profitability.<sup>136</sup>

Also, the total amount of bank accounts of Austrian clients (8.634 millions) exceeds the amount of population (8.414 millions<sup>137</sup>) which means that some persons have more than one bank account.

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<sup>133</sup> See Austrianimes (2009), Krone (2013) and meinbezirk.at (2011)

<sup>134</sup> See Süddeutsche (2011)

<sup>135</sup> See Handbuch der OeNB zu Geld und Geldpolitik (2012)

<sup>136</sup> See Krone (2013)

All these facts make to think, if there is any need for another new bank.

Also regarding the concession acquisition, the “overbank” problem is relevant.

The FMA considers this issue seriously as well as OeNB President Ewald Nowotny, as already mentioned, before. Therefore, the allowance of the concession to a new bank will not be very loose.

Moreover, the fact that last full banking license in Austria was issued over 20 years ago does not make the situation look easier.<sup>138</sup>

Stefan Pichler, professor for finance economy at Wirtschaftsuniversität Vienna, adds that Austrian bank law is very strict so that many big foreign institutions did not succeed to receive a license and doubts if Demokratische Bank would get a bank license.<sup>139</sup>

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<sup>137</sup> Bevölkerungsstand und –veränderung

<sup>138</sup> See Häufig gestellte Fragen (FAQ) an das Projekt Demokratische Bank (2012): p. 6

<sup>139</sup> See Desrues, Georges (2010): p. 4

## 5. Demokratische Bank

Demokratische Bank is a new bank type that was purposed by Attac Österreich in the year of 2010.<sup>140</sup>

Demokratische Bank regards itself as a pioneer for the steady development of democracy in the society, on the one hand as a model for a democratic corporate organization and on the other hand, by the provision of the access to financial basic services for all people.<sup>141</sup>

There have been some democratic banks in Austria already before as Raiffeisenbank and Volksbank when we regard their founding idea.<sup>142</sup>

Raiffeisenbank was founded around 150 years ago for farmers who did not receive any type of loans from the dominant banks.<sup>143</sup> Volksbank fulfilled the same function as self-help and self-organization for the handcraft.<sup>144</sup>

For Friedrich Wilhelm Raiffeisen, the bank was a project of charity and he said that its supreme director is Lord Jesus Christ.<sup>145</sup>

Felber criticises these two banks that they have already adapted more or less the capitalist environment since their existence and are operating as corporations under the premise of profit maximization today.<sup>146</sup>

### 5.1. Objectives

Demokratische Bank and its bank branches are obligated to serve the society and thus common welfare.<sup>147</sup>

The objectives of the bank are the promotion of social and ecological sustainable development, distributive justice, democratic co-determination, gender equality and regional and cultural diversity. Especially, regional business cycles, small companies and households

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<sup>140</sup> See Die Presse (2010): Globalisierungskritiker planen "Demokratische Bank"

<sup>141</sup> See Vision der Demokratischen Bank (2012): p. 1

<sup>142</sup> See Häufig gestellte Fragen (FAQ) an das Projekt Demokratische Bank (2012): p. 9

<sup>143</sup> See Attac Österreich (2010): Die Demokratische Bank, Begründung. p. 5

<sup>144</sup> *Ibid.*

<sup>145</sup> See Häufig gestellte Fragen (FAQ) an das Projekt Demokratische Bank (2012): p. 9

<sup>146</sup> *Ibid.*

<sup>147</sup> See Attac Österreich (2010): Die Demokratische Bank, Begründung. p. 2

should be promoted.<sup>148</sup> Demokratische Bank is non-profit-oriented. Money and particularly credits would turn through the bank to the public property by trend.<sup>149</sup>

## 5.2. Services

In general, Demokratische Bank is going to provide such services as:<sup>150</sup>

- Free savings account for all local people
- Unlimited guarantee of savings deposits
- Low-cost credits for private households and companies with good economical credit rating or ecological and social value added possibility through investment
- Nationwide branch network in cooperation with Demokratische post office, Demokratische rail and public internet docks.
- Low-cost credits for the state (compensation of inflation and transaction costs)

These objectives and services should be stipulated in the constitution so that they cannot be changed through a government with a simple majority. At the best, Demokratische Bank should be legitimate per referendum and its objectives might be only changed through referendum. In addition, it should be ascertained that no EU or WTO legislation can have any influence on it.<sup>151</sup>

## 5.3. Concept of Demokratische Bank

After knowing the basic objectives and services of Demokratische Bank, I want to list its principle concept and policy in order to understand in a more exact way what kind of a bank it will be, and finally to imagine if it would survive or have even success in the current market.

### 5.3.1. Security rules

The role of Demokratische Bank is limited on the money intermediation between savers and borrower.<sup>152</sup>

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<sup>148</sup> See Attac Österreich (2010): Die Demokratische Bank, Begründung. p. 2

<sup>149</sup> *Ibid.*

<sup>150</sup> *Ibid.*

<sup>151</sup> *Ibid.*

<sup>152</sup> See Attac Österreich (2010): Die Demokratische Bank, Begründung. p. 3

All the businesses of the company will appear in the bank balance sheet. The establishment of firms with a special purpose as non-balanced subsidiary enterprises in tax shelter is forbidden.<sup>153</sup>

The bank will follow the risk minimizing legal instructions of equity capital. This will work according to the principle of reliance of the house bank system. In time of crisis, it is possible to conduct countercyclical credit granting policy.<sup>154</sup>

### **5.3.2. Guarantee for deposits**

There is a double statutory deposit insurance mechanism as any other banks:<sup>155</sup>

- First security level: guarantee for deposits within the selected banking association
- Second security level: governmental guarantee for deposits of € 100,000 -. per person per bank.

### **5.3.3. Bankruptcy**

The coordination team believes that the bankruptcy of a branch of Demokratische Bank is very improbable because:<sup>156</sup>

- bank is non-profit-oriented that leads to the low risk orientation
- businesses are limited to the conservative credit transaction
- legal security rules are in force for credit giving
- board of managers is personally liable for bankruptcy when they do not keep the rules
- direct democratically elected supervisory board checks and controls operations of board of managers
- board of managers must give account to the sovereign and it can be deselected anytime

Even in some heavy bankruptcy cases, for example, when a great amount of credits fails at the same time, the central bank would hinder the bankruptcy through a recapitalisation.<sup>157</sup>

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<sup>153</sup> See Attac Österreich (2010): Die Demokratische Bank, Begründung. p. 3

<sup>154</sup> *Ibid.*

<sup>155</sup> See Häufig gestellte Fragen (FAQ) an das Projekt Demokratische Bank (2012): p. 7

<sup>156</sup> See Attac Österreich (2010): Die Demokratische Bank, Begründung. p. 3

<sup>157</sup> *Ibid.*

The coordination team believes that Demokratische Bank is too essential to fail as school, universities, rail or hospitals.<sup>158</sup>

#### **5.3.4. Refinancing**

Demokratische Bank will provide credits from the deposits of private persons, companies and the state. Since the financial assets increase continually in relation to the real economic performance, the coordination team assumes that there would be sufficient credit capital. In the case that savings deposits do not suffice in a municipality, region or provinces for covering all socially and ecologically meaningful credit demands, other branches in which savings exceed principal would redistribute theirs to the ones which miss it.<sup>159</sup>

The coordination team expects that depreciation can be discharged to all savings deposits more easily without increasing the credit costs unnecessarily as the consequence. Furthermore, the liability for the redistribute risk should be taken over by the central bank. It functions as last credit grantor like in the global crisis 2008.<sup>160</sup>

#### **5.3.5. Social and ecological screening**

For Demokratische Bank, the most decisive point by granting of credit is the knowledge of the local situation and local agents instead of the current anonym rating of credit rating agencies.<sup>161</sup>

When companies ask for credit, their social and ecological value added will be checked besides their economical profitability. For this examination, there are legal regulations as for the economical credit assessment, too.<sup>162</sup>

Demokratische Bank will be applied as control mechanism as well. Companies whose investment plans with especially high social and ecological value added get credits free or even with “negative interest rate” which means that they do not have to pay the whole credit sums back.<sup>163</sup>

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<sup>158</sup> See Attac Österreich (2010): Die Demokratische Bank, Begründung. p. 3

<sup>159</sup> *Ibid.*

<sup>160</sup> *Ibid.*

<sup>161</sup> *Ibid.*

<sup>162</sup> *Ibid.*

<sup>163</sup> See Attac Österreich (2010): Die Demokratische Bank, Begründung. p. 3f.

By contrast, borrowers whose projects fulfil only the legal minimal requirements pay high credit fees. As consequence of this, the finance system operates finally as control mechanism for the social and ecological sustainable development. The “ethically investment” will be the legal standard. Projects which create social and ecological depreciation do not receive credit anymore, even they could be economically profitable.<sup>164</sup>

Demokratische Bank must implement this compulsory ecological and social credit assessment immediately and all other banks should follow it in a transition period of 10 years.<sup>165</sup>

### **5.3.6. Eco-social risk capital**

There is always a hope on the stock market and other segments of the risk capital market that projects whose profitability is still unknown can enjoy financing. The stock market and other segments of the risk capital market do not regard the social and ecological aspects. The risk department of Demokratische Bank takes over this function exclusively for innovations with social and ecological value added. Every Demokratische Bank can give a small percentage of its savings deposits or assets as eco-social risk capital.<sup>166</sup>

The democratic election of an ethic and future commission is the first possible option to decide which projects will be invested through the risk capital.<sup>167</sup> The second possibility is that successful companies which used the eco-social risk credits pay higher credit fees, in order to co-finance less successful projects.<sup>168</sup> Finally, companies can provide participations to local citizens directly for acquiring capital. The financiers, however, do not receive any voting right.<sup>169</sup>

### **5.3.7. Promotion of solidary economy**

Demokratische Bank promotes solidary economy and regional economy cycles. One or more Demokratische Banks can issue complementary currencies on the local and regional level.<sup>170</sup>

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<sup>164</sup> See Attac Österreich (2010): Die Demokratische Bank, Begründung. p. 4

<sup>165</sup> *Ibid.*

<sup>166</sup> *Ibid.*

<sup>167</sup> *Ibid.*

<sup>168</sup> *Ibid.*

<sup>169</sup> *Ibid.*

<sup>170</sup> *Ibid.*



### 5.3.8. Subsidiary, democracy and control

Demokratische Bank is subsidiary constructed. The majority of all credits should be given on the level 1, namely municipal level. Demokratische Banks decide autonomously.<sup>171</sup>

On the level 1, the board of managers will be elected direct democratically as well as the “Demokratische Bankenrat” which exercises the role of supervisory board of common banks.

<sup>172</sup>

It is composed of representatives of employees, consumers, debtors, small and medium-sized companies, a gender delegate and an advocate for environment and future section. In all committees, there should be at least 50 percent of women.<sup>173</sup>

For greater investments and state credits, there are other 2 and 3 level, namely the state and federal level. These levels will be co-financed through the regional level proportionally.<sup>174</sup>

Local bank managements elect the board from their midst. The level 2 and 3 do not stand hierarchically on the level 1. Only for the purpose of task division, they take over greater financings. They are also autonomous. Also in these committees, the quota of women is at least 50 percent.<sup>175</sup>

All decision sessions of all committees of Demokratische Bank are public. All elected representatives are accountable to each resident population and they can be deselected by the resident population anytime. Moreover, rules will be developed which hinder the concentration of power by particular persons.<sup>176</sup>

### 5.3.9. Transparency

The transparency is one of the most substantial characters of Demokratische Bank besides the codetermination.<sup>177</sup> By the transparency, trust will rise. The balance sheet and all credit businesses will be accessible publicly at anytime.<sup>178</sup>

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<sup>171</sup> See Attac Österreich (2010): Die Demokratische Bank, Begründung. p. 4

<sup>172</sup> *Ibid.*

<sup>173</sup> *Ibid.*

<sup>174</sup> *Ibid.*

<sup>175</sup> *Ibid.*

<sup>176</sup> *Ibid.*

<sup>177</sup> See Attac Österreich (2010): Die Demokratische Bank, Begründung. p. 5

<sup>178</sup> *Ibid.*

Basically, the private accounts and depository transfers will underlie the data protection. The tax relevant data will be however informed to the tax offices like the income nowadays. This regulation must be valid for all banks so that Demokratische Bank suffers no competitive disadvantage.<sup>179</sup>

All credits and welfare-oriented projects which need a financing will be published on the website of the Demokratische Bank and in the media with the consent of borrowers.<sup>180</sup> This will enable, on the one hand, to inform the population about upcoming and ongoing investments in the region and, on the other hand, to motivate people for investments in the region.<sup>181</sup>

A special fund from profits of the bank is as a security for common welfare projects.<sup>182</sup> This fund and its placing as “credit security” will also be released on the website.<sup>183</sup>

In addition, all balance sheet information will be regularly published, but not the private account information.<sup>184</sup> Also the aggregated sum and annual development of the willingness to volunteer interest waiver will be transparent.<sup>185</sup>

Additionally, all strategic and policy decisions, the amount of salaries and any lobbying activities to the members and / or to the public will be communicated.<sup>186</sup>

Internally, all protocols of the management and supervisory board meetings are accessible to all employees.<sup>187</sup>

### **5.3.10. Common welfare orientation**

Demokratische Bank follows the common welfare maximization and not the profit maximization.<sup>188</sup>

The common welfare orientation will be annually documented in the common good balance and will be also tested by all members of Demokratische Bank.<sup>189</sup>

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<sup>179</sup> See Häufig gestellte Fragen (FAQ) an das Projekt Demokratische Bank (2012): p. 5

<sup>180</sup> *Ibid.*

<sup>181</sup> *Ibid.*

<sup>182</sup> *Ibid.*

<sup>183</sup> *Ibid.*

<sup>184</sup> *Ibid.*

<sup>185</sup> *Ibid.*

<sup>186</sup> *Ibid.*

<sup>187</sup> *Ibid.*

<sup>188</sup> See Vision der Demokratischen Bank (2012): p. 2

All credits are subject to a common welfare test of which results will impact the credit decision and credit conditions.<sup>190</sup>

Demokratische Bank will maintain dialogues with all civil society activists who promote the common welfare and who want to develop the democracy.<sup>191</sup>

The ideals and vision will appear at the entrance door of Demokratische Bank, at the counters or other visible places so that the original idea will not be out of sight. The best guarantee for value loyalty is democratic structures.<sup>192</sup>

## 5.4. Strategy

The bank will operate economically as its priority to cover their costs and to avoid losses. This, in turn implies that the bank will measure both the savings and lending rates so that it generates no loss.<sup>193</sup>

A balance of deposits and loans is prescribed daily which means that the degree of the common welfare orientation in the interest rate policy depends on of the readiness of bank customers.<sup>194</sup>

The team of project Demokratische Bank expects that many people will support this foundation motive.<sup>195</sup>

### 5.4.1. Interest rate, financing and inflation compensation

The policy of Demokratische Bank for interest rates on credit or on savings deposit is different from other customarily banks. The interest rates on credit will be calculated so that they cover the costs of the bank including loan defaults and compensate the inflation for the savers. Additionally, these interests provide the bank neither profits nor the savers' income.

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<sup>189</sup> See Vision der Demokratischen Bank (2012): p. 2

<sup>190</sup> *Ibid.*

<sup>191</sup> *Ibid.*

<sup>192</sup> See Häufig gestellte Fragen (FAQ) an das Projekt Demokratische Bank (2011): p. 2

<sup>193</sup> See Häufig gestellte Fragen (FAQ) an das Projekt Demokratische Bank (2012): p. 5

<sup>194</sup> *Ibid.*

<sup>195</sup> *Ibid.*

<sup>196</sup> *Ibid.*

The bank will explain what consequences the interest rates and yield claims of the capital on the system and economy will have. The slogan of Demokratische Bank will be “Look and take over the responsibility for how your money will be invested” instead of “Let your money work for itself”.<sup>197</sup>

Also Demokratische Bank will visualize the systemic, social and environmental effects of interest and, furthermore persuade its customers to give up their interest claim.<sup>198</sup> The coordination team of Demokratische Bank believes that a part of the population is evidentially ready to refrain from capital income for the benefit of meaningful and sustainable economy.<sup>199</sup>

Also they predict that the more convincing the welfare-oriented projects are, which Demokratische Bank finances, the larger the share of interest-free savers there will be.<sup>200</sup> In addition, they think the general consciousness towards free interest then can be changed in step by step. Money should rather serve than rule and not boost the sense of entitlement without achievement.<sup>201</sup>

Felber declares that giving interest rates is systemically not possible. When private financial assets earn interest, the assets of the individuals would grow faster than the real economy soon. This is why the interest yield is only possible, if the finance capital is invested in the real economy and thereof, interest is created.<sup>202</sup>

The world's financial assets accounts to three and half times of the world GDP already now. In order to fulfil the interest claim, a lot of global economic performance must be spent so that there is no real money for income and taxes anymore.<sup>203</sup>

The author also thinks that interest rate boosts the unfair distribution. There are “hidden costs“ in interest on credits in the form of consummation of products and services. This works profitable for people with many assets since they can consume in a larger amount and the interests on credits flow to them more.<sup>204</sup> Therefore, while all consume, savings interest

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<sup>197</sup> See Attac Österreich (2010): Die Demokratische Bank, Begründung. p. 3

<sup>198</sup> See Vision der Demokratischen Bank (2012): p. 1

<sup>199</sup> See Häufig gestellte Fragen (FAQ) an das Projekt Demokratische Bank (2012): p. 8

<sup>200</sup> *Ibid.*

<sup>201</sup> *Ibid.*

<sup>202</sup> See Felber, Christian (2011): Eine Bank fürs Gemeinwohl

<sup>203</sup> *Ibid.*

<sup>204</sup> *Ibid.*

flows to those who possess the wealth.<sup>205</sup> Here, Felber cites Helmut Creutz that 80 to 90 percent of households pay more invisible interests on credits by the consummation than they receive visible interests on savings deposits.<sup>206</sup>

Finally, interests on savings deposits also have a negative influence on the economy because they increase the price of credits.<sup>207</sup>

Therefore, Felber would prefer interests on savings deposits and on credits because companies can invest more so that there will be more jobs and higher wages for workers.<sup>208</sup>

As the inflation is unpredictable, Demokratische Bank cannot guarantee an interest in a certain degree or over the inflation.<sup>209</sup> For example, inflation could rise to 10% which would mean at least 10% higher savings rates. It could lead Demokratische Bank to insolvency. Therefore, the savings rates will be based on the loan interest, and not directly on the inflation.<sup>210</sup>

### **5.4.2. Profitability and equity endowment**

The central income source of every bank is the interest on credits.<sup>211</sup>

On the one hand, Demokratische Bank must cover its costs for salaries and infrastructure and generate surpluses for a sufficiently high equity ratio.<sup>212</sup> On the other hand, it is important to cover costs and to form sufficient reserves for ensuring its long-term development and stability.<sup>213</sup>

In the long-term average, the bank aims an equity ratio which lies over the minimum legal requirements. This is being viewed as a prerequisite for the comprehensive security of the managed funds.<sup>214</sup>

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<sup>205</sup> See Häufig gestellte Fragen (FAQ) an das Projekt Demokratische Bank (2012): p. 8

<sup>206</sup> See Felber, Christian (2011): Eine Bank fürs Gemeinwohl

<sup>207</sup> *Ibid.*

<sup>208</sup> *Ibid.*

<sup>209</sup> See Häufig gestellte Fragen (FAQ) an das Projekt Demokratische Bank (2012): p. 8

<sup>210</sup> *Ibid.*

<sup>211</sup> See Häufig gestellte Fragen (FAQ) an das Projekt Demokratische Bank (2012): p. 4

<sup>212</sup> *Ibid.*

<sup>213</sup> See Vision der Demokratischen Bank (2012): p. 2

<sup>214</sup> *Ibid.*

However, Demokratische Bank can demand lower interest on credits in average in contrast to conventional banks because it does not distribute profits to the cooperative members and also it is expecting that some savers would waive their interest rate.<sup>215</sup>

### **5.4.3. Cooperation**

Demokratische Bank is no isolated entrepreneurial initiative on the market.<sup>216</sup>

The bank wants to learn from other banks and it is therefore open to the intensive cooperation under the common welfare spirit. The early foundation forms of Raiffeisen and Volksbank, as well as other alternative, ethical and socio-ecological banks in Germany, Italy and Switzerland are the models for Demokratische Bank.<sup>217</sup>

However, it is important to do a new start because the existing institutions cannot escape their linkages anymore. These current banks can avoid the error when they do not sell speculative banking products anymore, operate only the core business of the bank, and promote educational activities about money.<sup>218</sup>

Demokratische Bank campaigns as a socio-political and educational actor together with many other actors as welfare companies, NGOs as ATTAC, Amnesty International, Transparency International, Tax Justice Network, Mehr Demokratie and civil rights movements for the change of capitalist economy toward the common welfare economy.<sup>219</sup>

### **5.4.4. Profit**

Basically, it is envisaged that no profit will be distributed to the owners or cooperative members in the form of a dividend, even this would require an amendment of the statutes at the General Assembly.<sup>220</sup>

The earned income from the bank will be used in the agreed business model for lending credits cheaper in order to implement the common welfare plan or for the direct promotion of social, ecologically or culturally important projects.<sup>221</sup> For members of the cooperative, there

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<sup>215</sup> See Häufig gestellte Fragen (FAQ) an das Projekt Demokratische Bank (2012): p. 4

<sup>216</sup> See Häufig gestellte Fragen (FAQ) an das Projekt Demokratische Bank (2012): p. 9

<sup>217</sup> See Häufig gestellte Fragen (FAQ) an das Projekt Demokratische Bank (2012): p. 6

<sup>218</sup> See Häufig gestellte Fragen (FAQ) an das Projekt Demokratische Bank (2012): p. 9

<sup>219</sup> *Ibid.*

<sup>220</sup> See Häufig gestellte Fragen (FAQ) an das Projekt Demokratische Bank (2012): p. 4

<sup>221</sup> *Ibid.*

may be other compensating measures such as field trips to projects funded by the bank, educational services of Demba Academy or Regiogeld.<sup>222</sup>

#### **5.4.5. Use of surplus**

After the formation of legally required reserves, surpluses will be used for the allocation of reserves for the further development of the bank and for the support of charitable projects.<sup>223</sup>

#### **5.4.6. Shares**

For shares in the cooperative, there is no upper limit. However, there is the principle of one vote per capita regardless of how much share capital somebody has.<sup>224</sup>

For Demokratische Bank, more cooperative capital shares mean more equity with which the bank can work for the common welfare.<sup>225</sup>

However, Demokratische Bank must fulfil the legal minimum conditions as well as any other banks.<sup>226</sup> The reform package of banking regulation Basel III prescribes a minimum equity ratio in the rate of 9%. But Demokratische Bank aims a higher equity ratio for security reasons.<sup>227</sup>

The equity which is beyond the specified minimum limit can be used for lending.<sup>228</sup>

The General Assembly decides about the adjustment of the business plan and voluntarily higher equity ratio.<sup>229</sup>

#### **5.4.7. Employees**

Demokratische Bank will build sustainable and long-term relationships with its employees due to the principles of human dignity, respect, trust and transparency. In total, it respects and promotes making complete human rights.<sup>230</sup> It will also create secure and sustainable jobs

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<sup>222</sup> See Häufig gestellte Fragen (FAQ) an das Projekt Demokratische Bank (2012): p. 4

<sup>223</sup> Vision der Demokratischen Bank (2012): p. 2

<sup>224</sup> See Häufig gestellte Fragen (FAQ) an das Projekt Demokratische Bank (2012): p. 4

<sup>225</sup> *Ibid.*

<sup>226</sup> *Ibid.*

<sup>227</sup> *Ibid.*

<sup>228</sup> *Ibid.*

<sup>229</sup> *Ibid.*

<sup>230</sup> See Vision der Demokratischen Bank (2012): p. 1

with flexible working hours. Irrespective of the origin and belief, the employee will receive a fair, just and gender-related salary which will be determined in democratic processes.<sup>231</sup>

#### **5.4.8. Salaries**

People working in a Demokratische Bank enjoy high social security and comprehensive right of work and co-determination. They will gain a decent income which lies at least at 50 percent above the minimum wage. The maximal wage spread within the bank is 1:5.<sup>232</sup> Furthermore, the CEO compensation will be limited to around 5,000 Euros.<sup>233</sup>

#### **5.4.9. Customers**

The customers of Demokratische Bank are private individuals, companies, public corporations, and clubs. They make use of all products and services of Demokratische bank deliberately because they want to contribute to the common welfare.<sup>234</sup>

In dealing with customers, Demokratische Bank pays attention to human dignity and equivalence. Therefore, employees take the necessities of life, feelings and opinions of customers same seriously as their own.<sup>235</sup>

Demokratische Bank promotes the maximum of cooperation within their customer shaft.<sup>236</sup>

#### **5.4.10. Rights and Duty**

- Rights: Participation in the General Assembly including development of lending standards, use of profits, election of directors and the supervisory board, transparency of all lending, entitlement to a free giro account from € 1000 capital share.<sup>237</sup>
- Duty and risk: Previously, the legislation prescribed a liability at the double amount of the initial deposit. Therefore, cooperative had to remargin money in case of bank insolvency. This so-called Nachschusspflicht was however abolished in early 2012 by National Assembly.<sup>238</sup>

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<sup>231</sup> See Vision der Demokratischen Bank (2012): p. 1

<sup>232</sup> *Ibid.*

<sup>233</sup> See derStandard.at (2010): Globalisierungskritiker planen "Gute Bank"

<sup>234</sup> *Ibid.*

<sup>235</sup> See Vision der Demokratischen Bank (2012): p. 1

<sup>236</sup> *Ibid.*

<sup>237</sup> See Häufig gestellte Fragen (FAQ) an das Projekt Demokratische Bank (2012): p. 3

<sup>238</sup> *Ibid.*



### 5.4.11. Bank branches

In addition to a main office in Vienna, there will be local information places in the regions which especially undertake the communication and marketing tasks, and support customers in dealing with online services and prepare the opening of branches.<sup>239</sup>

The amount of branches in the regions depends on the available equity amount in the start-up phase. Some regional groups are so motivated that they arrange the cost of their branch through extra engagement so that they can form their own branch.<sup>240</sup>

The tentative business plan allows for the first stores in 4-5 years.<sup>241</sup>

### 5.4.12. Currency

Concerning main business, Demokratische Bank will be a classic bank which uses Euro currency because the most urgent need in the population is a complete, but a classic alternative bank.<sup>242</sup>

As soon as regional branches are created, they can become dispensaries of the new currency, so-called Regio following the schedule of the vision, additionally.<sup>243</sup>

### 5.4.13. Education

Demokratische Bank regards education as a comprehensive personal development and professional qualification.<sup>244</sup>

There will be open training rooms for staff, clients, partners and the interested public. The bank will operate activities to educate people about promoting the common welfare financial activities and create awareness about such important economic topics as money, interest rates, redistribution, and democratization.<sup>245</sup>

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<sup>239</sup> See Häufig gestellte Fragen (FAQ) an das Projekt Demokratische Bank (2012): p. 3

<sup>240</sup> *Ibid.*

<sup>241</sup> *Ibid.*

<sup>242</sup> *Ibid.*

<sup>243</sup> *Ibid.*

<sup>244</sup> *Ibid.*

<sup>245</sup> *Ibid.*

#### **5.4.14. Political activist**

Demokratische Bank supports equitable, sustainable, democratic, and transparent frameworks both for the banking itself and the entire social life.<sup>246</sup> The bank and its members would act as advocates of the common welfare and communicate their vision actively.<sup>247</sup> They will act nonpartisan, on their own initiative and in a global solidarity.<sup>248</sup>

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<sup>246</sup> See Häufig gestellte Fragen (FAQ) an das Projekt Demokratische Bank (2012): p. 3

<sup>247</sup> See Vision der Demokratischen Bank (2012): p. 2

<sup>248</sup> *Ibid.*

## 6. Common welfare economy

The common welfare is an economy model which Felber worked out with some entrepreneurs from Austria together between 2009 and 2010.<sup>249</sup>

In a discussion of Mostviertler Nachhaltigkeitstagen, he told that the first entrepreneurs joining the common welfare contacted him themselves at first after they had read his book “Neue Werte für die Wirtschaft” where he criticizes the current capitalistic system and proposes alternative economic way.<sup>250</sup> He also mentioned that those entrepreneurs consider themselves exactly in this way as entrepreneur and entrepreneurial persons and they do not want to contest in the present system, within the present rules where profit and competition are in first place, but in this alternative draft. Therefore, they want to contribute to make a concrete model from that draft.<sup>251</sup>

Furthermore, the cofounder of Attac Österreich reported that many people as his colleagues at Wirtschaftsuniversität Vienna say the market economy is the most productive economy form due to the competition. This fact has been proven by the history and there is no need to discuss about it anymore. The secret of the market economy is the competition.<sup>252</sup>

Continually, he criticizes Friedrich A. Hayek for his statement of “competition is the most efficient method that we know.” Felber thinks that people just believe this statement of Hayek only because this economist shared the Nobel Memorial Prize in Economic Sciences. But, in the view of Felber, this statement is not based on empirical studies.<sup>253</sup> According to Felber, the question “the most efficient method that we know” can be referred to ‘what motivates us, people, maximally’ and there are around 500 empirical studies since last 150 years. However, those studies exist mostly in social psychology, game theory and neurobiology instead of economic. 90% of the results of the 500 studies show that the competition is not the most efficient method that we know, but cooperation.<sup>254</sup>

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<sup>249</sup> See ECG in 3 Min.

<sup>250</sup> See Diskussion über Gemeinwohlwirtschaft und die Gründung der Demokratischen Bank bei den Mostviertler Nachhaltigkeitstagen (2010)

<sup>251</sup> *Ibid.*

<sup>252</sup> *Ibid.*

<sup>253</sup> *Ibid.*

<sup>254</sup> *Ibid.*

It is important to know why cooperation motivates people more than competition. It is clear for Felber that competition motivates and encourages us. The experts told that cooperation stimulates us more than competition. Cooperation motivates us differently than competition since it works within good relationships between people. People set a goal and follow it commonly by respecting each other.<sup>255</sup>

Felber presents that the strongest motivation factor in competition is the fear to lose. This result shows that the 'free market economy' is not a free system. Consequently, the market economy should be reconstructed under the most efficient motivation method, namely, cooperation.<sup>256</sup> The cofounder of Attac Österreich believes that people and the society should support and reward the human fundamental values which enable the human and common life in the future economical relationships.<sup>257</sup> In order to succeed this aim, he proposes people to change their present objective, namely profit motive and competition. The whole society must set the goal for trust, cooperation, solidarity and sharing.<sup>258</sup>

The new aim of all companies should be the contribution to common welfare.<sup>259</sup>

According to Felber, there are three approaches to the implementation of common welfare economy:<sup>260</sup> The first approach is the resolution of the contradiction between the values, purposes and spirit of our constitutions that create a different economic order than nowadays. Here, Felber quotes the Article 151 of Bavarian constitution: "The total economic activity serves the common good."<sup>261</sup> But for Felber, we do not observe it often in reality. He wants to resolve this contradiction by inserting an economic constitution part which connects the constitutional values with the reality.<sup>262</sup>

The second one is also the resolution of a values conflict.<sup>263</sup> On the capitalist markets today, antisocial values as selfishness, greed, avarice, ruthlessness and irresponsibility dominate

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<sup>255</sup> See Diskussion über Gemeinwohlwirtschaft und die Gründung der Demokratischen Bank bei den Mostviertler Nachhaltigkeitstagen (2010)

<sup>256</sup> *Ibid.*

<sup>257</sup> See Felber, Christian (2012): p. 35

<sup>258</sup> *Ibid.*

<sup>259</sup> *Ibid.*

<sup>260</sup> See Scheer, Nina (2012): p. 5

<sup>261</sup> *Ibid.*

<sup>262</sup> *Ibid.*

<sup>263</sup> *Ibid.*

more and more.<sup>264</sup> However, the relationships come off when people practice honesty, trust, respect, empathy, cooperation, and share. The reason for this contradiction lies on the fact that the present economic order rewards selfish values. To resolve this contradiction, the common welfare economic suggests reversing the two main rules of the game system as profit motive and competition to welfare efforts and cooperation. This would promote social and human values as the current economic order rewards selfishness and irresponsibility.<sup>265</sup>

Finally, Felber proposes a radical redefinition of the economic success of understanding.<sup>266</sup> Beyond that, he criticizes the present measurement of an economic success. He thinks that economic success is being measured nowadays according to Gross Domestic Product on the macroeconomic level and financial profits of each firm on the microeconomic level. This indicates that success is measured only in financial terms.<sup>267</sup>

However, money measures only the exchange value and no utility value. Exchange values cannot fulfil the basic human needs as food, house, clothes, intact ecological system or relationships.<sup>268</sup> Additionally, the main problem of these wrong success measurements is that the financial profits of a company show only how beneficial it is for the company itself but not how beneficial it is for the society.<sup>269</sup>

“The significance of financial profit is too limited with regards to the actual objectives of economic activity: utility optimization, need satisfaction, partaking of all, distributive justice, co-determination, gender democracy, ecological sustainability, etc.”<sup>270</sup>

For example, a corporate financial profit can be high, even the firm mistreats employees, produces its products by destroying the environment or it evades tax.<sup>271</sup>

He believes that the economy as whole should care for the welfare of all people. Therefore, the success measurement should be changed from the monetary view to direct measurement of human common welfare values.<sup>272</sup>

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<sup>264</sup> See Scheer, Nina (2012): p. 5

<sup>265</sup> *Ibid.*

<sup>266</sup> *Ibid.*

<sup>267</sup> See Felber, Christian (2011): Die Gemeinwohl-Ökonomie: Eine demokratische Alternative wächst, p. 1

<sup>268</sup> See Common Welfare Matrix Commentary (2011): p. 1

<sup>269</sup> See Handbuch zur Gemeinwohl-Bilanz (2012): p. 3

<sup>270</sup> Common Welfare Matrix Commentary (2011): p. 1

<sup>271</sup> See Common Welfare Matrix Commentary (2011): p. 1

<sup>272</sup> See Felber, Christian (2012): p. 36

“The common welfare economy translates standards for human relationships as well as constitutional values into an economic context and rewards economic stakeholders for behaving and organizing themselves in a humane, cooperative, ecological, democratic way, as well as for showing solidarity.”<sup>273</sup>

According to Felber, more than 500 companies in eight countries on three continents as Europe, Africa, and South America already support the initiative and 200 companies from 8 countries will implement the common welfare balance sheet voluntarily.<sup>274</sup>

## **6.1. Common welfare concept**

After explaining about what the common welfare economy is, I want to present how the common welfare functions in reality. First of all, the explanation of the common welfare balance sheet is necessary for understanding the concept.

## **6.2. Common welfare balance sheet**

The common welfare balance sheet is the suggested matrix of the Attac to measure the success more directly than monetary ways until now.<sup>275</sup> By the way, the success in the common welfare represents the same entrepreneurial goals as in the free market economy, namely corporate existence and aspiration. The difference of the common welfare economy from the free market stands by the measurement of the success, as already mentioned that the common welfare does not measure the success in financial terms but how much the company contributes to the common welfare.<sup>276</sup> The five basic values of the common welfare balance sheet are human dignity, solidarity, justice, environmental sustainability and democracy.<sup>277</sup>

The common welfare balance sheet covers all corporate stakeholders including suppliers, investors, employees, customers, cooperative firms, local communities and the environment.

<sup>278</sup>

The figure on the next page shows the detailed common welfare matrix.

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<sup>273</sup> Common Welfare Matrix Commentary (2011): p. 1

<sup>274</sup> See Common Welfare Economy - Christian Felber

<sup>275</sup> See Common Welfare Matrix Commentary (2011): p. 1

<sup>276</sup> *Ibid.*

<sup>277</sup> See Felber, Christian (2012): p. 39

<sup>278</sup> *Ibid.*

Figure 3: Common welfare matrix 3.0 <sup>279</sup>

Version: 30 June 2011. This version is valid for Common Welfare Balance Sheets generated in 2011.

COMMON WELFARE MATRIX 3.0

COMMON WELFARE ECONOMY

STAKEHOLDER	VALUE	Human dignity	Solidarity	Ecological Sustainability	Social Justice	Democratic Co-determination & Transparency
A) Suppliers	A1: Ethical Supply Management Thinking about risks of products / services, considering social and ecological aspects of suppliers and service partners					100
B) Investors	B1: Ethical Financial Management Considering social and ecological aspects when choosing financial services, common welfare oriented investments and fundings					20
C) Staff Incl. Owners	C1: Job quality Guaranteeing human work conditions, advancing physical health and mental well-being, well-organized and meaningful working environment, scope for personal development and family (Work-Life-Balance)	60	C2: Just distribution of labor Reduction of overtime working hours, making all-inclusive contracts, reduction of standardized working hours, contribution to the reduction of unemployment	40	C3: Advancing and demanding eco-friendly behavior and a sustainable lifestyle of staff members (mobility, food, training and awareness raising activities, sustainable organizational)	C4: Just distribution of incomes, low wage dispersion (ratio) within a company, compliance with minimum and maximum incomes 60 C5: Equal opportunities / Inclusion of disadvantaged persons (gender, migrants, persons with special needs) 40 C6: Transparency and co-determination Transparency of decisions and figures, co-determination of staff members on operative strategic decisions, election of executive managers, transferring ownership to staff members (e.g. sociocracy) 100
D) Customers / Products / Services / Business Partners	D1: Ethic sales Customer focus and co-determination, cooperation with consumer associations, training in ethic sales, ethical marketing, ethically adjusted bonus schemes	40	D2: Solidarity with business partners Dissemination of information, know-how, personnel, orders, interest-free loans, participation in cooperative marketing and crisis management	80	D3: Ecological design of products and services Offering of ecologically superior products/services, awareness raising programmes, consideration of ecological aspects when choosing customer target groups	D4: Social design of products/ services Social grading of prices, no barriers, special products for disadvantaged customers 20 D5: Raising social and ecological standards within the specific sector; role model effect, development of higher standards together with business 20
E) Social Environment: Region, sovereign, future generation, global fellow human beings, animals and plants	E1: Social effect and impact of products / services Meaningful products under consideration of sustainable lifestyles	100	E2: Contribution to the local community Mutual support and cooperation through financial resources, services, products, logistics, time, know-how, knowledge, contacts, influence	40	E3: Reduction of impact on the environment Reduction of business-specific environmental impact on a sustainable level: resources, energy & climate, emissions, waste etc.	E4: Minimizing distribution of profits to external persons No interest rates or at most inflationary adjustment of the capital of external owners 40 E5: Social transparency and co-determination, reporting in accordance with Global Reporting Initiative (GRI), Common Welfare Report, co-determination of stakeholders 40
Negative Criteria	Violation of ILO-norms and standards / human rights -200 Products not respecting human dignity, e.g. weapons, nuclear power, genetically modified food -200 Acquisition at / Cooperation with companies that violate human dignity -150	Hostile takeover -200	Massive environmental pollution -200 Gross violation of environmental standards (e.g. limiting values) -150 Planned obsolescence (short lifespan) -100	Unequal remuneration for women and men -200 Job cuts or off-shoring for profits -150 Subsidies in tax havens -200 Interest rates on equities > 10 % -200	Non-disclosure of shareholdings and subsidiaries -100 Prohibition of a works council -150	

Source: [http://www.gemeinwohl-oekonomie.org/wp-content/uploads/2011/01/Matrix\\_CWE\\_en.pdf](http://www.gemeinwohl-oekonomie.org/wp-content/uploads/2011/01/Matrix_CWE_en.pdf)

<sup>279</sup> Common welfare matrix 3.0 (2011): p. 1

The common welfare matrix should fulfil eight criteria: <sup>280</sup>

1. Liability is needed since it is known that voluntariness does not work really.
2. Holistic view of the matrix is required because good results of only some aspects may lead to a wrong analysis.
3. Measurability is required to measure the results both objectively and precisely.
4. Comparability of the matrix is important in order to match different companies in the same perspective and then reward them.
5. Comprehensibility is necessary for all interested people to understand easily.
6. Publicity should be given so that everybody can read it.
7. External audit is essential to prevent the self evaluation of companies.
8. Legal consequences enable the reward for people who achieve something good for the society according to the contribution fairness.

### **6.2.1. Award system of common welfare points**

There are common welfare points which will be only awarded for the measurable common welfare criteria. Thereby, companies can decide on a voluntary basis what criteria they try to realize and to what degree. <sup>281</sup>

“The points will be awarded only for voluntary services that lie above the minimum standards.”<sup>282</sup> The intention of this rule is to avoid the actual economy problems. <sup>283</sup>

Nowadays, most companies are far from the common welfare ideal, in terms of environmental protection, co-determination of all, distributive justice, and gender equality. <sup>284</sup> Against this trend, appropriate legal minimum standards could be formulated in order to obligate companies to follow the “ideal” corporate behaviour. However, in practice, it does not work because the self-interest of companies reaches so far that they combat higher binding standards with all their power. <sup>285</sup>

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<sup>280</sup> See Felber, Christian (2012): p. 45

<sup>281</sup> See Common Welfare Matrix Commentary (2011): p.2

<sup>282</sup> Common Welfare Matrix Commentary (2011): p.2

<sup>283</sup> See Common Welfare Matrix Commentary (2011): p.2

<sup>284</sup> *Ibid.*

<sup>285</sup> *Ibid.*



Besides keeping higher standards as an option of voluntary adherence, rewarding the companies which reach the standards can solve this impasse.<sup>286</sup>

Consequently, more and more companies would stick up for this new system of entrepreneurial aspiration towards common welfare. The common welfare balance would induce a process in which companies will be picked up in their current status and directed and allured into the target way, without force, in accordance with market conditions.<sup>287</sup>

The common welfare balance acts as the trigger in this process. The more companies apply common welfare criteria in their economic activities or the closer companies get to the common welfare goals, the more criteria of the common welfare balance can be put into legal minimum standards. Finally, it can lead to the whole entrepreneurial landscape change for the common welfare.<sup>288</sup> As consequence of it, companies remaining within the “old” set of values have more risk of going bankrupt. Yet, the pioneer companies, the so-called “common welfare maximizers” would have a walk-over.<sup>289</sup>

### **6.2.2. Maximum 1000 points**

“The Matrix/Balance is composed of maximum 50 criteria segmented into the five main values (human dignity, solidarity, ecological sustainability, social justice, democratic co-determination and transparency) that can add up to the maximum of 1000 points in total. Per criteria 50 common welfare points can be awarded maximally.”<sup>290</sup>

There are maximal 200 points for each of the five values. The important point is that there is no possibility that the neglect of one value can be compensated through gaining more points in the category of another value.<sup>291</sup>

### **6.2.3. Gradation and monthly factoring**

In some common welfare criteria, it is possible to get either the maximum amount of points or none at all, for example, by incorporating the devise of the company to the employees in

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<sup>286</sup> See Common Welfare Matrix Commentary (2011): p.2.

<sup>287</sup> *Ibid.*

<sup>288</sup> *Ibid.*

<sup>289</sup> *Ibid.*

<sup>290</sup> Common Welfare Matrix Commentary (2011): p. 2

<sup>291</sup> See Common Welfare Matrix Commentary (2011): p. 2

the company statutes.<sup>292</sup> “Other criteria can be met in stages; for instance, the hours invested into advanced training during working hours are valued higher and advanced training outside working hours are valued lower. Further criteria can be gradually met and awarded 1-50 points, depending on the grade of satisfaction of the particular criterion. When dealing with partial compliance monthly factoring can be applied: e.g. if a company opens an in-house kindergarten on the 1st July or 1st December, it is awarded 6/12 or 1/12 of the respective Common Welfare Points.”<sup>293</sup>

“The goal is to create as many Common Welfare criteria as possible that allow for gradation in order to be able to also measure small achievements.”<sup>294</sup>

#### **6.2.4. Knock-out criteria**

The contemporary situation that present extremely harmful behaviour to the common welfare is legal can be corrected through the knock-out criteria.<sup>295</sup>

It will lead to intimidate companies which, for example, exercise hostile takeovers, generate electricity by nuclear power, genetically modify seeds or construct large-scale power plants in ecologically sensitive regions receive 0 points in a whole category of values, independently of the other achievements within this category.<sup>296</sup>

#### **6.2.5. Different company types**

“For all types of companies as sole proprietors, farms, services or manufacturing enterprises, the Balance consists of two parts: a) a general part that is the same for all companies, and b) a sector specific part that addresses the specifics.”<sup>297</sup>

The number of the common welfare criteria is not the same for all types of companies, but it is possible to reach the maximum of 1000 points for every company type.<sup>298</sup>

Through a calculation program, possible differences in the number of common welfare criteria will be adjusted.<sup>299</sup>

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<sup>292</sup> See Common Welfare Matrix Commentary (2011): p. 2

<sup>293</sup> Common Welfare Matrix Commentary (2011): p. 2f.

<sup>294</sup> Common Welfare Matrix Commentary (2011): p. 3

<sup>295</sup> See Common Welfare Matrix Commentary (2011): p. 3

<sup>296</sup> *Ibid.*

<sup>297</sup> Common Welfare Matrix Commentary (2011): p. 4

<sup>298</sup> See Common Welfare Matrix Commentary (2011): p. 4

### **6.2.6. Common welfare color for customers**

“To enhance the visibility of the Common Welfare Success, five or ten Common Welfare Stages could be differentiated and marked with as many colors. This would particularly help customers, because the Common Welfare Balance would be printed on all products and services. Also the Common Welfare Number could be included in the color.”<sup>300</sup>

Customers who want to know more details will be able to scan the bar code with the cell phone and receive the complete common welfare balance online. The common welfare balance will be obligatory public.<sup>301</sup> Thus, consumers will be able to see where the products are manufactured or imported from as now as well as how ecologically sustainable the products are produced, how the work condition for the co-workers in the company is and how fairly the company competes on the market.<sup>302</sup>

### **6.2.7. Reward of common welfare points**

On the actual market, all firms operate within same conditions, independently on how much payment or social security they provide their co-workers as well as if they accept child labour, or move their profits to tax havens.<sup>303</sup>

This market situation makes it possible that less considerate and responsible market participants have more success because they can offer products at lower price than more careful ones.<sup>304</sup>

According to Felber, this market condition can be changed within the common welfare economy. It should be enhanced so that ethical, fairly produced, sustainable and local products are offered at a lower price to customers than unethical, unfairly produced and short-dated ones.<sup>305</sup>

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<sup>299</sup> See Common Welfare Matrix Commentary (2011): p. 4

<sup>300</sup> Common Welfare Matrix Commentary (2011): p. 4

<sup>301</sup> See Common Welfare Matrix Commentary (2011): p. 4

<sup>302</sup> See Felber, Christian (2012): p. 46f.

<sup>303</sup> *Ibid.*

<sup>304</sup> *Ibid.*

<sup>305</sup> *Ibid.*

The author believes that the reward of the pursuit of common welfare is one of the most decisive parts for its change.<sup>306</sup>

The basic concept for the reward is not complicated. The more common welfare points the company receives, the more legal advantages it will have.<sup>307</sup>

Already today, there are incentive items which can be used to lead companies to the goal of common welfare. Such advantages as the reduction of value added tax or tariff and costs for credits of bank, priority by public procurement, research cooperation with public universities and direct promotions can be attractive for companies to follow common welfare purposes.

<sup>308</sup> Finally, common welfare oriented companies with high costs will be supported which arise from the social responsibility, human work conditions, nature protection, more solidarity and co-determination.<sup>309</sup>

### **6.2.8. Common welfare audit and assessment**

The common welfare balance will be controlled by the so-called common welfare auditor as the present accountants check financial balances now.<sup>310</sup>

At the beginning, the balance will be generated and checked by the company internally and afterwards sent to the audit where the verification and the attestation take place. Only through this process, the balance is valid and becomes effective.<sup>311</sup>

“In contrast to the financial balance, the Common Welfare Balance offers a lot of advantages:

- It is easily comprehensible because the criteria are simple and humane.
- It is public and accessible to all.
- Many stakeholders have solid interest in the accuracy of the balance.
- Every attempt to falsify the results would fail promptly since the Common Welfare Auditors would lose their license when approving of a fake balance, the possibility for fraud and corruption would be minimized.

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<sup>306</sup> See Felber, Christian (2012): p. 46f.

<sup>307</sup> *Ibid.*

<sup>308</sup> *Ibid.*

<sup>309</sup> *Ibid.*

<sup>310</sup> See Common Welfare Matrix Commentary (2011): p. 4

<sup>311</sup> *Ibid.*

- Companies have an intrinsic interest to reach the best possible Common Welfare Score since a lot of legal advantages allure them. Nevertheless, everything is voluntary and this is why neither an examining board nor bureaucracy is needed. The Common Welfare Balance guides the behaviour of companies without causing additional regulation orgies.”<sup>312</sup>

“Analogous to the division of the consulting business and the examination with regards to the financial balance also the Common Welfare Audit Consulting and Assessment could be divided by law.”<sup>313</sup> “It would be also possible, too that due to the complexity of the subject matter audit teams could replace individual auditors. This would improve the test results by making them even more incorruptible.”<sup>314</sup>

### **6.2.9. Department for development assistance**

The department for development assistance of the Demokratische Bank system gives low-cost or even free credits within the framework of the development assistance, in order to promote sustainable development in the “global south”. The costs for it would be financed from the common tax or legally limited money creation.<sup>315</sup>

The department for development assistance takes over the contingency risk for profit risky exports which create social and ecological value added and encourage the sustainable development. Even though, those exports should also pass the relevant examination.<sup>316</sup>

### **6.2.10. Clearing**

The implementation of the cross-border payments takes place through clearing stations which will be established by the central bank. Private clearing stations will be prohibited because there is the possibility of illegal influencing activities as lobbying.<sup>317</sup>

On clearing stations, some finance transaction taxes will be collected.<sup>318</sup>

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<sup>312</sup> Common Welfare Matrix Commentary (2011): p. 4

<sup>313</sup> *Ibid.*

<sup>314</sup> *Ibid.*

<sup>315</sup> See Projektpapier (2010): p. 5

<sup>316</sup> *Ibid.*

<sup>317</sup> *Ibid.*

<sup>318</sup> *Ibid.*

## 6.3. Common welfare economy and aspect of future financial world

Strategically, Christian Felber plans to start the common welfare economy within the framework of smallest units of society as individuals, companies and municipalities.<sup>319</sup>

Any company can immediately create the common welfare balance and any person can contribute to the publication, advancement and implementation of common welfare economy.

<sup>320</sup> Each municipality can become a common welfare community which means that they create the common good balance, promote a pioneering group of record companies and align with other communities to a common welfare region themselves.<sup>321</sup>

The economic conventions would be in session, at first, on the municipality level and then on the federal level or even at the EU level. At the end, there will be a democratic economic order.<sup>322</sup>

### 6.3.1. Central bank and global cooperation

The central bank will function as a part of the Demokratische Bank system in the property of sovereign. It will be transparent and newly organized in a democratic way whereas it provides money on limited scale.<sup>323</sup>

The central bank will play an important role for the regulation of the banking sector. Felber thinks that government support services such as warranty of savings, refinancing by the central bank, borrowing to states and bank bailouts are granted only to general-interest banks.<sup>324</sup>

If profit-oriented banks cannot guarantee the deposits and have no access to the central bank, most people would change to Demokratische Bank or other comparable institutes.<sup>325</sup>

Also the central bank should be organized democratically. It would have such advantages as:<sup>326</sup>

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<sup>319</sup> See Scheer, Nina (2012): p. 5

<sup>320</sup> *Ibid.*

<sup>321</sup> *Ibid.*

<sup>322</sup> *Ibid.*

<sup>323</sup> See Projektpapier (2010): p. 5

<sup>324</sup> See Felber, Christian (2011): Eine Bank fürs Gemeinwohl

<sup>325</sup> *Ibid.*

- The decisions of the central bank fall democratically into committees of all social classes.
- Money does not circulate only as (interest-free) credit to the common good banks in circulation, but also as a 'gift of creation' to the state to a small extent, which it does not have to rent expensive at interest anymore. At the same time, any money creation will be prohibited for the commercial banks or lending will be regulated under the system stability and the common good orientation.
- The democratic central banks could take over the control of the cross-border movement of capital, the so-called clearing. That would be the end of tax evasion, interest arbitrage transactions or contamination with instability through financial toxic waste exports.
- In order to prevent speculation in foreign exchange, the central bank could enter into a global monetary cooperation with stable exchange rate, as John Maynard Keynes proposed in 1944 at Bretton Woods.

### 6.3.2. Global currency cooperation

The central bank will involve in global currency cooperation following the idea of John Maynard Keynes which was taken up as the solution for the global finance and economy crisis during the UN commission of experts presided over by Joseph Stiglitz.<sup>327</sup>

The most important elements of this global currency cooperation are following:<sup>328</sup>

- Creation of a neutral accounting unit for the international trade in the name of Globo or Terra
- It bases on a currency or raw material.
- The national currencies should still exist besides the global currency.
- The foreign exchange rates of the national currencies to global trade currency will be determined in a global committee of central banks and defended against possible speculation.
- The national currencies compared to world trade currency will be appropriately adapted by the change of the real economical data.

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<sup>326</sup> See Felber, Christian (2011): Eine Bank fürs Gemeinwohl

<sup>327</sup> *Ibid.*

<sup>328</sup> See Projektpapier (2010): p. 5

## 6.4. Current status of common welfare economy

Felber's model of common wealth is getting a strong resonance. It seems also practical.

The author told that almost 1000 companies from 15 countries support his common wealth model after 2 years from the beginning and every third of them wants to compile the common wealth balance sheet.<sup>329</sup>

## 6.5. Critics about common welfare economy

As the critics about his concepts from the view if it is a new version of the communism arises, Felber declares that it is an alternative to capitalism and communism. At first, companies would stay as private organised. Secondly, prices will be set on the market and finally, profits and assets can be differentiated. He also states that his model is liberal.<sup>330</sup>

Andreas Exner, an ecologist, is one of many who criticize the common welfare economy. For him, the common welfare point does not have any value economically itself. The incentive for the companies to orientate on the "common welfare matrix" lies in subsidies that the state would promote. It is also assumed that the firms contributing to the "common welfare" sell more products, and therefore, make more profit.<sup>331</sup>

This approach is potentially attractive for a certain milieu of companies. Above all, mainly relatively low competitive, small businesses and precarious micro entrepreneurs or entrepreneurs would hope for favourable government incentives through the "common welfare matrix". Moreover, a good image would be a business advantage for them. It is similar like the concept of "corporate social responsibility" (CSR), which the Chamber of Commerce propagated primarily in Austria, however, it appeals rather to corporations in the world view.<sup>332</sup>

Moreover, the "common welfare economy" opens a number of new opportunities for investment. The complicated and not easy to see through common welfare matrix requires a variety of advisory, consulting functions and audit mechanisms. It would be much more

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<sup>329</sup> See Ethikkoooperation (2013): Interview mit Christian Felber

<sup>330</sup> See Format (2010): p. 28

<sup>331</sup> See Exner, Andreas (2011): Solidarische Ökonomien statt "Gemeinwohl-Ökonomie"

<sup>332</sup> *Ibid.*



complicated than it appears in the book, in the real world, given the incredible variety of products, companies and stakeholders.<sup>333</sup>

The cost of control would be significant because the incentive of firms to adhere to the matrix of points does not lie on points in the matrix itself, but primarily in the money they want to receive from state pots. Therefore, first of all, they would seek to minimize costs and maximize revenue as now. The “abuse” of the point matrix and a growing bureaucracy to stem this lie in the common welfare economy for structural reasons.<sup>334</sup>

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<sup>333</sup> See Exner, Andreas (2011): Solidarische Ökonomien statt “Gemeinwohl-Ökonomie”

<sup>334</sup> *Ibid.*

## **7. Foundation progress of Demokratische Bank**

In this chapter, I want to present what steps have been done and are being done for the foundation of Demokratische Bank in different views.

After reading this chapter, we will be able to analyze the probability of the bank foundation, its success and influence better. Before going into the details of process steps, I would explain some important groups and capitals for the project Demokratische Bank.

### **7.1. List of groups and capitals for the project**

#### **Demokratische Bank**

- **Coordination team**

The coordination team plays one of the most significant roles at the project “Demokratische Bank”. It arrays most important tasks as the foundation of booster club, organization development, interested parties care, legal form clarification, license and business plan.<sup>335</sup>

1 Million Euros were needed for the building capital which is devoted to the payment for the coordination team members who work honorary.<sup>336</sup>

In September 2010, the core team members of Demokratische Bank accounted to 20 persons and the half of them has long-term bank experiences.<sup>337</sup> The coordination team makes decisions with the Plenum. It consists of each 2 persons from all working groups and they meet every 14 days.<sup>338</sup>

- **Work groups**

The work groups have been formed on the Kick-Off event in Vienna in October 2010.<sup>339</sup>

There are seven work groups as 1) planning and project management, 2) communication, 3) personal management, 4) business plan and legal aspects, 5) finance management and fund

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<sup>335</sup> See Newsletter 1: p. 1

<sup>336</sup> See Newsletter 1: p. 2

<sup>337</sup> See Newsletter 2: p. 3

<sup>338</sup> See KSOe (2012): Eine Good Bank für Österreich: p. 2

<sup>339</sup> See Newsletter 2: p. 3

raising, 6) organization and information technology and 7) regional coordination for the foundation process of Demokratische Bank.<sup>340</sup>

There is also a coordination work group, so-called, Plenum, which is composed of delegates of all work groups and prepares the Plenum decisions.<sup>341</sup> The Plenum is the highest governing body meeting and its meeting holds more times a month.<sup>342</sup>

The members of all work groups have done the vision process in order to create a common identification with the project of Demokratische Bank.<sup>343</sup>

The tasks of the work group FIM (finance management and fund raising) are further development, implementation of a fundraising strategy for donations and initial capital as well as construction and monitoring of the club budget.<sup>344</sup>

The main task of the work group BPR (business plan and legal aspects) is the construction of the business plan.<sup>345</sup>

It was important to find appropriate fundraiser and finance managers since both workgroups of FIM and BPR did not have the required number of motivated persons.<sup>346</sup>

There is also accompanying team that cares about communication culture, moderation and hosting.<sup>347</sup>

## • Donations to the foundation and promotion club

Donation is used for information leaflets, post postage, office supplies, and the gradual construction of a professional team.<sup>348</sup>

Donations of some 100,000 Euros are needed for the professional establishment of Demokratische Bank, especially for highly qualified workers who coordinate the foundation of the bank, infrastructure, communication costs and other costs.<sup>349</sup>

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<sup>340</sup> See Newsletter 2: p. 3

<sup>341</sup> *Ibid.*

<sup>342</sup> *Ibid.*

<sup>343</sup> *Ibid.*

<sup>344</sup> See Newsletter 3: p. 1

<sup>345</sup> *Ibid.*

<sup>346</sup> *Ibid.*

<sup>347</sup> See Newsletter 2: p. 3

<sup>348</sup> See Häufig gestellte Fragen (FAQ) an das Projekt Demokratische Bank (2012): p. 11

<sup>349</sup> See Newsletter 2: p. 2

Donations are available already with 1 Euro and its deposit account was the club account.<sup>350</sup>

By mid 2012, the donation was total around 50,000 Euros.<sup>351</sup>

- **Initial capital**

The funding of the initial capital is the basic requirement for the establishment of the bank.

<sup>352</sup> It will be used as the equity capital of the bank. At least, 10 to 20 million Euros are needed for the establishment of the bank.<sup>353</sup>

Demokratische Bank wants to provide it with around 10 million Euros, in order to give a high stability to the bank and therefore to get highest possible independency of the markets. Furthermore, the issuance of the concession would be easier through the Financial Market Authority, the more initial capital exists.<sup>354</sup>

This capital will be deposited with a trustee until the foundation through the banking supervision and then approved. If the bank will not be established within next 5 years, the contribution will be refunded.<sup>355</sup>

The outline of the initial capital begins after the clarification of the legal form.<sup>356</sup>

The initial capital collection will start when the business plan for the Financial Market Authority has been filed.<sup>357</sup>

In the case of effective establishment which means the registration of the bank into the commercial register, the paid initial capital flows into the bank and persons who paid in money become co-owner as cooperative member. The capital is devoted to the firm for the business operations, basically permanently. It can be recalled only under certain conditions according to the law and constitution. The cooperative law allows for the possibility of the dismissal and payout after at least one-year long cancelation period.<sup>358</sup>

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<sup>350</sup> See Häufig gestellte Fragen (FAQ) an das Projekt Demokratische Bank (2011): p. 1

<sup>351</sup> *Ibid.*

<sup>352</sup> See Newsletter 10

<sup>353</sup> See Newsletter 2: p. 2

<sup>354</sup> See Newsletter 10

<sup>355</sup> See Newsletter 2: p. 2

<sup>356</sup> See Newsletter 1: p. 2

<sup>357</sup> See Häufig gestellte Fragen (FAQ) an das Projekt Demokratische Bank (2012): p. 1

<sup>358</sup> See Newsletter 2: p. 2

The coordination team of Demokratische Bank asks interested persons to let them know how much money they want to participate on the start-up capital of the bank with so that they can estimate. The team proposes at least 1000 Euros for this participation.<sup>359</sup>

- **Escrow account**

An escrow account is an account administrated by notary or lawyer and its opening will be possible only through a validated club.<sup>360</sup> This account is insured against the infidelity. In the case that the bank will not be founded, the transferred share capital will be returned.<sup>361</sup>

In the case of bank foundation, the person who has deposited money becomes a cooperative of Demokratische Bank. Also the initial capital of bank becomes the equity.<sup>362</sup>

- **Deposits into the bank**

Deposits are assets of the customers which will be loaded as savings deposits or account balance in the founded bank. It is not related to the foundation process.<sup>363</sup>

## **7.2. Foundation steps of Demokratische Bank**

Now, it will be reviewed what steps the project “Demokratische Bank” has behind already.

First of all, the idea for Demokratische Bank was created in response to the financial and banking crisis in 2008, specifically to Josef Ackermann's call for a “bad bank”.<sup>364</sup> Hence, Attac Österreich wanted to bring the counter-proposal of the “good bank” and the organization developed the “Project Paper Demokratische Bank” in a one and a half years long discussion.<sup>365</sup>

Even though, Attac Österreich declared not to help the establishment of the bank because it should be a bank of people, and for people, independently on a single organization, party or church.<sup>366</sup>

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<sup>359</sup> See Newsletter 1: p. 2

<sup>360</sup> See Newsletter 2: p. 2

<sup>361</sup> See Häufig gestellte Fragen (FAQ) an das Projekt Demokratische Bank (2012): p. 2

<sup>362</sup> *Ibid.*

<sup>363</sup> See Newsletter 2: p. 2

<sup>364</sup> See Chronologie

<sup>365</sup> *Ibid.*

<sup>366</sup> See Newsletter 1: p. 1

Also Christian Felber has never planned to take a leader position at Demokratische Bank. However, he is active at the board of “Verein zur Förderung und Gründung einer Demokratischen Bank” in order to collaborate in the establishment of this bank.<sup>367</sup>

The project “Demokratische Bank” began from a meeting of 20 persons in the Café Meyer in Vienna on the 16<sup>th</sup>, June 2010.<sup>368</sup> Since then, a temporary coordination team has been evolved and begun to meet weekly. More than 200 people have showed their willingness to collaborate. At the workshop of the Attac Summer Academy, more than 40 persons participated at the Demokratische Bank workshop.<sup>369</sup>

Then, the ideas have been condensed into a 10-points vision paper, and there were first media reports on the “project Demokratische Bank” in June 2010.<sup>370</sup>

### **7.2.1. From idea to project begin**

As already mentioned before, the model for the project “Demokratische Bank” has been drawn up as alternative to “bad banks” from Attac Österreich since the beginning of 2009 and it has been accepted as a project paper in April 2010.<sup>371</sup>

In the start-up phase, all staffs have worked honorary for Demokratische Bank.<sup>372</sup> For the start-up phase which took two years, they expected 1 million Euros temporarily for the budget as start-up capital.<sup>373</sup>

#### **7.2.1.1. Kick-Off event**

The Kick-Off event in Vienna on the 3rd October 2010 was the first signal for the project “Demokratische Bank”. The event has been prepared by the core group of which some persons partly come from the organisation Attac Österreich. Around 110 highly motivated people appeared from all Austrian provinces, in total.<sup>374</sup>

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<sup>367</sup> See Interview with Ivoneta Diethart

<sup>368</sup> See Newsletter 8: p. 1

<sup>369</sup> See Newsletter 1: p. 1

<sup>370</sup> See Chronologie

<sup>371</sup> See Newsletter 1: p. 1

<sup>372</sup> See Newsletter 1: p. 2

<sup>373</sup> *Ibid.*

<sup>374</sup> See Chronologie

Several programs have been presented as information about the actually project status, participation in the vision process, integration into the work structure, and construction of the regional coordination.<sup>375</sup>

The participants of Attac Österreich have worked on the project paper “Die Demokratische Bank“ and it has been introduced at the Kick-off event.<sup>376</sup>

Eight work groups with competent and engaged members have been created together with the Plenum of activists.<sup>377</sup> Some of the work groups are composed of more than 20 highly motivated persons.<sup>378</sup>

### **7.2.1.2. Club foundation**

For the first step of the establishment of Demokratische Bank, the coordination team founded a club “Verein zur Förderung und Gründung einer Demokratischen Bank“.

Thus, the statutes for the club “Verein zur Förderung und Gründung einer Demokratischen Bank“ have been concluded and submitted to the police department in charge of registered societies in Austria. Continuously, the entity has been created that can make a decision and prepare the bank foundation effectively.<sup>379</sup>

Between September and November 2010, “Verein zur Förderung und Gründung einer Demokratischen Bank“ has been allowed.<sup>380</sup>

The first big “meeting of the Regions” on the 19<sup>th</sup> and 20<sup>th</sup> March 2011 has been hold in Schloss Goldegg in Salzburg for information, networking, and coordination.<sup>381</sup> More than 60 from whole Austria participated on this meeting, and shared information about the project and activities together.<sup>382</sup> In addition, regional groups have been founded at this meeting so that there are regional contact persons everywhere except north Tirol in Austria.<sup>383</sup>

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<sup>375</sup> See Newsletter 2: p. 1

<sup>376</sup> See Newsletter 4: p. 1

<sup>377</sup> See Chronologie

<sup>378</sup> See Newsletter 3: p. 1

<sup>379</sup> See Newsletter 2: p. 3

<sup>380</sup> See Newsletter 3: p. 1

<sup>381</sup> See Newsletter 4: p. 2

<sup>382</sup> See Newsletter 6: p. 1

<sup>383</sup> *Ibid.*

### 7.2.1.3. Board of the club

At the first General Assembly on the 3rd December 2010, a board of 6 persons of “Verein zur Förderung und Gründung einer Demokratischen Bank” was elected unanimously as following:

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- Chairman: Christian Felber (Free journalist and University lecturer)
- Representative: Judith Puhlinger (Business economist and Manager of the Bundesdachverbands für Soziale Unternehmen)
- Secretary: Wilhelm Zwirner (Business economist and Manager of Attac Österreich)
- Representative: Rita Trattnigg (Political scientist)
- Cashier: Reinhard Mammerler (Human Resource Expert)
- Representative: Leo Spindelberger (Doctor)
- Accountants: Ingun Kluppenegger (Entrepreneur) and Leo Riebenbauer (Entrepreneur)

As one of the first formal activities, the foundation club for Demokratische Bank has opened an own club deposit. <sup>385</sup>

At the first General Assembly, the board was elected, and the vision underwent a further deepening. 60 people were involved in this process and also the organizational structure was developed by them. <sup>386</sup>

The board represents the project outside and keeps the vitality of the project. <sup>387</sup> Inwardly, it has primarily the monitoring role. It carries the liability, but it has no decision function since the decisions are taken by the Coordination committee and by the Plenum. <sup>388</sup>

### 7.2.1.4. Club organization

The club, so-called “Verein zur Förderung und Gründung einer Demokratischen Bank” is composed of: <sup>389</sup>

- Board of Directors: It has the formal decision-making power and is legally responsible for the liability. For better results, the Board of Directors delegates its

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<sup>384</sup> See Newsletter 4: p. 3

<sup>385</sup> *Ibid.*

<sup>386</sup> See Chronologie

<sup>387</sup> See KSOe (2012): Eine Good Bank für Österreich: p. 2

<sup>388</sup> *Ibid.*

<sup>389</sup> See Häufig gestellte Fragen (FAQ) an das Projekt Demokratische Bank (2012): p. 10



decision powers to the operational bodies of the active employees, but retains a veto, because it is legally responsible in the end.

- General Assembly: It selects the Board of Directors and includes all active regular club members.
- Plenum: It is the main decision-making body of all activities in the project. The fundamental decisions of the project Demokratische Bank will be made at the monthly meeting.
- Active employees are those individuals who work in a work group, sub-project or in the regional group regularly.
- Coordination committee: It is the operational steering committee and coordinates all work groups and sub-projects.

Each sub-projects and work groups send their coordinator to the Coordination committee and they decide on operational tasks in terms of project progress. If a decision is considered as too important, it can be delegated to the Plenum.

- Work groups and sub-projects: various tasks for the bank foundation will be done by the formation of working groups as Academy (BI), Business plan and legal (BPR), Financial Management (FIM), Fundraising, Human Resources Management and Interested parties (IPM), and Information Technology Security (ITS), Communication (COM), Organization Development and Democracy (ODE), Process Support, Facilitation and Hosting (PMH), Regional Coordination (RDC), and Science and Research (WIFO) and Knowledge Management (WIM)
- Overall project coordination: It is responsible for the project planning, project management, and coordination of sub-projects as website, member services, on boarding, databases, and strategy development. It serves as the interface between the Board, operative project work and Plenum.

### **7.2.2. From vision to strategy**

Now, as we know about the first steps for the establishment of the bank, let us see how the next steps as vision and strategy have been planned and processed.

### **7.2.2.1. Vision process**

This vision process is the most valuable basis for the derivation of a strategy and business plan for the foundation of Demokratische Bank.<sup>390</sup>

The vision process constitutes the basis for the business model, business plan and identity of the bank.<sup>391</sup>

The vision of Demokratische Bank has been finally approved in February 2011.<sup>392</sup>

In December 2010, about 40 persons have worked on the further concretization of the 10-points vision paper two days long. The result draft of December 2010 had been discussed by the coordination team in on the 13rd, January 2011 and then submitted to the Plenum for the vote.<sup>393</sup>

After the vision process has been finished, the next phase was the “strategy” where all the vision points should be transformed into concrete implementation steps as products, distribution structures, personal questions, rollout or cooperation. Afterwards, it is possible to make a business plan with these concrete key points. The team planned to complete the business plan until autumn 2011 and to submit it to the Financial Market Authority.<sup>394</sup>

The vision process took around 4 to 5 months.<sup>395</sup>

### **7.2.2.2. Logo process**

The coordination team organized a logo competition so that Demokratische Bank has a “face”, a club logo, finally. Every interested person, even an amateur, could participate on it until the 20<sup>th</sup> February 2011.<sup>396</sup>

In March 2011, the coordination team selected a logo for the project in a democratic vote system. The logo jury of 3 persons has chosen the best three from 14 logos and the Plenum voted for the logo design on the next page from the three models.<sup>397</sup>

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<sup>390</sup> See Newsletter 4: p. 1

<sup>391</sup> See Newsletter 2: p. 3

<sup>392</sup> See Newsletter 4: p. 1

<sup>393</sup> *Ibid.*

<sup>394</sup> See Newsletter 5: p. 1

<sup>395</sup> See KSOe (2012): Eine Good Bank für Österreich: p. 2

<sup>396</sup> See Newsletter 4: p. 3

<sup>397</sup> See Newsletter 5: p. 2

Figure 4: Logo of Demokratische Bank <sup>398</sup>



Source: [https://fbcdn-sphotos-h-a.akamaihd.net/hphotos-ak-prn1/29545\\_430880033646470\\_912748053\\_n.jpg](https://fbcdn-sphotos-h-a.akamaihd.net/hphotos-ak-prn1/29545_430880033646470_912748053_n.jpg)

### 7.2.2.3. Strategy process and business plan

A business plan generally works as instrument for structuring, implementing and communication. <sup>399</sup> It is about the planning of the company in a compressed form, therefore, includes all relevant information about the providing product or service, competitive firms, market environment, production process, marketing and distribution strategy and intended company growth in a realistic way. <sup>400</sup>

Internally, it is important because it acts as analysis and planning instrument and contributes to the search and achievement of the goals of company founders already in the pre-foundation phase. <sup>401</sup>

The business plan also functions for extern investors to get information. It can give financiers the possibility to imagine about the risks and success chances regarding company foundation more realistically. Therefore, it is necessary to outline all relevant information about the product, competitive firms, market environment, production process and planned company growth in a realistic way. <sup>402</sup> In short, a business plan puts the vision of the founder down in written form and depicts the fundamental key points of the strategic company concept. <sup>403</sup>

For Demokratische Bank, the strategy process started in parallel with the first market research activities in August 2011. <sup>404</sup>

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<sup>398</sup> Logo of Demokratische Bank

<sup>399</sup> See Christine, Volkmann and Kim, Tokarski (2006): p. 154

<sup>400</sup> See Pott, Oliver and Pott, Andre (2012): p. 192

<sup>401</sup> See Christine, Volkmann and Kim, Tokarski (2006): p. 154 and Pott, Oliver and Pott, Andre (2012): p. 192

<sup>402</sup> See Fischl, Bernd and Wagner, Stefan (2011): p. 17f.

<sup>403</sup> See Pott, Oliver and Pott, Andre (2012): p. 192

<sup>404</sup> See Newsletter 4: p. 4

The main question thereby was what the target groups need and wish and what Demokratische Bank as a bank firm can derive from it and transform. The coordination team asked the readers to send any available studies, link references, contact persons, as well as hard and soft facts about Austrian and international banking sector.<sup>405</sup>

The main goal of the strategy process was to finish the business plan until the end of year 2011.<sup>406</sup>

With repeated involvement of the Plenum, 18 people have developed the strategy and a projected 10-year business plan over 4 weekends.<sup>407</sup> During the process with four workshops, some questions about personal, distribution, product line and risk had been treated.<sup>408</sup> Finally, the strategy process resulted into the business plan which could be submitted to the Financial Market Authority. The business plan, then, was voted by the Plenum and hence legitimised democratically.<sup>409</sup>

In the first two workshops, some distinguishing features of Demokratische Bank from traditional bank world had been worked out as:

- Common wealth oriented granting of credit: Granting of credit and credit conditions orient itself on the result of common wealth review
- Common wealth oriented appropriation of earnings: Profits will not be distributed as dividends at Demokratische Bank. A part of profit will be rather added to the separate property from which social, ecological and cultural projects will be promoted besides the establishment of net assets.
- Common wealth oriented interest on deposit account: Demokratische Bank offers principally customary interest on deposit account, however asks customers for a partly or totally resignation of interest on voluntary basis.
- Responsible and transparent costs structure: Demokratische Bank obligates itself to greatest possible transparency of application of funds and cost.
- Abandonment of speculative business: Demokratische Bank returns to the roots of the bank business. It means that the business portfolio will be limited on money

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<sup>405</sup> See Newsletter 4: p. 4

<sup>406</sup> See Newsletter 8

<sup>407</sup> See Chronologie

<sup>408</sup> See Newsletter 9

<sup>409</sup> *Ibid.*

management, money transfer and credit. Demokratische Bank does not operate speculative proprietary transaction on the capital market.

- Educational mandate: Demokratische Bank cares of altruistic information of its customers, in order to make the autonomous dealing with money and capital possible. Consulting has priority over selling.
- Democracy: Every member of a cooperative has a vote right regardless of the quantity of the invested shares.<sup>410</sup>

In the second phase, the workshop participants engaged themselves in the credit and savings business, volume, bank structure and regional concept. As the result of it, the first business care has been worked out which extends over a period under observation of 10 years. In the frame of the business care, creation of a plan-balance, plan-profit and loss account was done on the basis of a volume.<sup>411</sup>

In mid-October, this process has been completed and the search has begun for an overall project coordinator simultaneously.<sup>412</sup>

#### **7.2.2.4. General Assemblies**

The General Assembly of “Verein zur Förderung und Gründung einer Demokratischen Bank” took place in Linz on the 27<sup>th</sup> and 28<sup>th</sup> January 2012. Many active members had travelled from all over Austria for working together. The day before the official General Assembly has been devoted to the contact and exchange among regional groups.<sup>413</sup>

The establishment of a “regional group suitcase” was initiated to make regional work even better.<sup>414</sup>

Moreover, the cooperative statute has been drafted by an expert group. The standard statute for the foundation of the cooperative has been modified so that it fits to the goals of the project “Demokratische Bank” and then there was a workshop for the Plenum where it has

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<sup>410</sup> See Newsletter 10

<sup>411</sup> *Ibid.*

<sup>412</sup> See Chronologie

<sup>413</sup> See Newsletter 12

<sup>414</sup> *Ibid.*

been clearly explained that everybody could understand. Finally, the first version of the statute has also been decided by the Plenum.<sup>415</sup>

In the course of the actual General Assembly on Sunday, 32 from total 42 members selected a new board.<sup>416</sup>

After the General Assembly and a further regions meeting in Linz in January 2012, the club started to search for a notary's office that will manage the escrow account for collecting the cooperative capital as future equity of the bank. To identify the optimum amount of a unit certificate, there was an online survey being answered by about 3000 people in a short period.<sup>417</sup>

There will be next General Assembly of “Verein zur Förderung und Gründung einer Demokratischen Bank” in Graz on the 26th, 27th January 2013.<sup>418</sup> Here, the Board of Directors will be newly elected and the exact plan for the year 2013 as well as new project structure will be also introduced.<sup>419</sup>

On the day before, the 26th January 2013, the final name of the future bank will be decided in a Plenum session, the highest ranking in the meeting of all project activists. All club members are personally invited to the General Assembly in early 2013.<sup>420</sup>

#### **7.2.2.5. Market research**

In February 2011, the coordination team started the market research, in order to establish the business plan and develop their business model.<sup>421</sup>

The coordination team of Demokratische Bank uploaded a questionnaire for a market research in order to collect data about the customer needs regarding banks in Austria. Their goal was to evaluate from 800 to 1000 questionnaires until the end of September 2011.<sup>422</sup>

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<sup>415</sup> See KSOe (2012): Eine Good Bank für Österreich: p. 2

<sup>416</sup> See Newsletter 12

<sup>417</sup> See Chronologie

<sup>418</sup> See Newsletter 13

<sup>419</sup> *Ibid.*

<sup>420</sup> *Ibid.*

<sup>421</sup> See Newsletter 4: p. 4

<sup>422</sup> See Newsletter 9

### 7.2.2.6. Staffs

For the project “Demokratische Bank”, several staffs were searched besides the honorary working persons.

- **Overall project coordinator**

In October 2011, an overall project coordinator was searched who supports work groups and project teams. This person should keep the track of the development process of the project and help the work groups in strategy and plan activities.<sup>423</sup>

Until End of the year 2012, the coordination team expected to hire an overall project coordinator for the budget of 80,000 Euros. They planned to finance it through “Ermöglichungsscheine” that are appropriated donations available each in 100, 200 and 500 Euros.<sup>424</sup>

On the 15<sup>th</sup> December, 2011, Elisabeth Polany was selected for the overall project coordinator with full confidence of all electorate persons in the Plenum with 0 opposition points. She is organization consultant with bank experiences. Also she is being active in the project “Demokratische Bank” since around one year and knows the co-workers as well as the development procedures.<sup>425</sup>

Before the vote, there had been 6 interviews with other qualified applicants. Elisabeth stood out during the interview due to her project knowledge, experience and problem solving ability.<sup>426</sup>

The team of Demokratische Bank asked the newsletter readers to invest money and donate for them since they can carry the costs for the overall project coordinator only so long as people guarantee them the support continuously.<sup>427</sup>

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<sup>423</sup> See Stellenausschreibung Gesamtprojektkoordination (hauptamtlich)

<sup>424</sup> See Newsletter 9

<sup>425</sup> See Newsletter 11

<sup>426</sup> *Ibid.*

<sup>427</sup> *Ibid.*

- **Business leaders**

In general, a business leader takes following tasks as an employee in the company: <sup>428</sup>

- Specification of the corporate objectives
- Organisation of the whole business process
- Decision of all business issues
- Control over the business progress
- Instruction of the employees to the transaction of their tasks

After a long and labour-intensive selection process, three people have been hired for the business leader position of the future cooperative bank. They are already collaborating on the foundation process. <sup>429</sup> This three-man team has been adopted with an overwhelming approval by the Plenum at which 45 people took part on the 12<sup>nd</sup>, December 2012. <sup>430</sup>

The business leader team consists of a woman and two men with different qualities, skills and practical experience for the future bank including operational customer contact and internal clearance. Two of the three candidates have also practical collaboration experiences in the ongoing project and therefore, they are known to most project activists. <sup>431</sup>

These business leaders will work from 1<sup>st</sup> January 2013 for 10 hours per week at first and then, another 10 hours a week additionally on a voluntary basis. <sup>432</sup>

The kick off for the cooperation with the Coordinating Committee and the Board of Directors took place on the 13<sup>rd</sup>, December. The three business leaders have taken over the role of overall project coordination in the project. Their names will be announced to the public after the successful conclusion of talks with the banking associations. <sup>433</sup>

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<sup>428</sup> See Volkelt, Lothar (2011): p. 16

<sup>429</sup> See Newsletter 13

<sup>430</sup> *Ibid.*

<sup>431</sup> *Ibid.*

<sup>432</sup> *Ibid.*

<sup>433</sup> *Ibid.*



- **Notary**

A notary for opening the escrow account was searched who should take over the transaction of the escrow deposit for Demokratische Bank.<sup>434</sup> This person will function as a trustee for the future members of cooperative.<sup>435</sup>

The detailed tasks of the notary are following:<sup>436</sup>

- Approval of the contract documents
- Reception of electronic subscription declarations
- Conduction of the register of future cooperative members
- Reception of payments
- Transaction of electronic lawyer's trust register of each chamber
- Account monitoring
- Correspondence about in-payment and application receipt
- Periodic reporting to the association
- Establishment formalities
- Reverse transaction or refund, if initial capital is not enough applied.

There were exploratory discussions with one notary and two lawyers for this position. Also another interview with a notary was planned. Until End of January, the Plenum should receive a suggestion with which partner the contract over the fiduciary receipt and administration of the business shares amounts of future cooperative members should be entered.<sup>437</sup>

The most important points are the organisational capabilities and the security of the system of the trustee, if it is assumed that 50,000 shares must be managed absolutely reputable and safe for each depositor.<sup>438</sup>

This step was expected to take some months. After the summer break, the message of the trust account opening can be announced. The initial capital will be held until the establishment of the cooperative on an escrow account under the supervision of notaries.<sup>439</sup>

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<sup>434</sup> See Newsletter 8

<sup>435</sup> See Newsletter 10

<sup>436</sup> *Ibid.*

<sup>437</sup> See Newsletter 11

<sup>438</sup> *Ibid.*

Dr. Harald Mezriczky and Dr. Martin Roch from Schwechat have been selected for the notary. Their task will lie on the matters of the escrow account.<sup>440</sup> After notaries have been found, a draft constitution and the subscription form have been prepared.<sup>441</sup>

- **Fund raising employee**

Also a voluntary fund raising employee was needed who cares of sponsors and donors in forms of visit, telephone and invitation to events.<sup>442</sup>

#### **7.2.2.7. Financing sources**

Financing is one of the major issues for the project “Demokratische Bank”. Therefore, the coordination introduced some projects. An example is “Finanzierung einer offenen Küche & Essraum sowie einer landwirtschaftlichen Remise für einen Bio-Gemüse Hof in Allhamin” that connected consumers to the livelihoods of the agriculture by supporting Demokratische Bank with 1% of the expenses of the consumers.<sup>443</sup>

### **7.3. Current status of Demokratische Bank**

Demokratische Bank should be able to operate the services in 2014 after finishing the majority of foundation activities.<sup>444</sup>

It is expected to give the starting signal in the 2nd Quarter of 2013. Then, the public launch of the “designated business leaders” will follow. The support of the campaign will be the first major task for the regional groups that wait partly for this comprehensive information pack so they can start to inform about the project in their region.<sup>445</sup>

Following steps are still necessary to found Demokratische Bank:

- Submission of a business plan to Financial Market Authority (FMA)
- Business plan compliance with the permit period of 6 to 12 months by the FMA
- The FMA concession
- Foundation process of the banking company as cooperative

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<sup>439</sup> See Newsletter 12

<sup>440</sup> *Ibid.*

<sup>441</sup> See Chronologie

<sup>442</sup> See Stellenausschreibung Fundraising (ehrenamtlich)

<sup>443</sup> See Newsletter 5: p. 2

<sup>444</sup> See Newsletter 13

<sup>445</sup> *Ibid.*

- Physical construction of Demokratische Bank as Website, IT infrastructure, and foundation of bank branches, then a few more months to first open an account.<sup>446</sup>

For the foundation of a bank, the assessment of the National Bank of Austria is also required. It reviews if there is a sustainable chance for profits.<sup>447</sup>

Furthermore, the FMA spokesperson Klaus Grubelnik told that there is still no concession application from Demokratische Bank side.<sup>448</sup>

The coordination team says the possibility of cooperation with a German or Swiss ethics bank is also open, if the FMA does not allow founding Demokratische Bank.<sup>449</sup>

In September 2012, about 100 people were participating actively in the foundation process.<sup>450</sup>

### 7.3.1. Mandatory inclusion in association

The inclusion in one of the four banking associations in Austria as Genossenschaftsverband, Raiffeisenverband, Sparkassenverband, and Bankenverband is the only missing element for starting with the campaign to collect the cooperative capital. All other requisite elements as vision, strategy, business plan, draft of statutes of the future cooperative, subscription form, and contact to notaries for the escrow account are already done.<sup>451</sup>

But, this step may be very difficult. It is even being thought about the foundation of an own banking association.<sup>452</sup>

For the coordination team, only two of those banking associations are eligible as Raiffeisenverband and Volksbankenverband.<sup>453</sup> Above all, the overall coordination team would try to become the member of Volksbankenverband.<sup>454</sup>

There is still the problem that all three overall coordination members do not really have banking knowledge.<sup>455</sup>

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<sup>446</sup> See Häufig gestellte Fragen (FAQ) an das Projekt Demokratische Bank (2012): p. 1

<sup>447</sup> See *Kleinezeitung* (2012)

<sup>448</sup> *Ibid.*

<sup>449</sup> See Häufig gestellte Fragen (FAQ) an das Projekt Demokratische Bank (2012): p. 2

<sup>450</sup> See KSOe (2012): Eine Good Bank für Österreich: p. 1

<sup>451</sup> See Newsletter 13

<sup>452</sup> See KSOe (2012): Eine Good Bank für Österreich: p. 2

<sup>453</sup> See KSOe (2012): Eine Good Bank für Österreich: p. 3

<sup>454</sup> *Ibid.*

### 7.3.2. Change of the name on the network performance

The coordination team had been requested by the Financial Market Authority to change the address of the online material including e-mail addresses and name of the fan page on Facebook (Demokratische Bank) because the term “bank” is protected by law. According to § 94 article 1 Bankengesetz (BWG), the word “bank” can be used only by companies which already have a banking license.<sup>456</sup> Therefore, they changed their name to “Demba” and there is now a forward on the website [www.demba.at](http://www.demba.at).<sup>457</sup>

The new Facebook page is now available at [www.facebook.com/demba.at](http://www.facebook.com/demba.at). Even though, the original domain is still reserved for the future bank.<sup>458</sup>

### 7.3.3. Open questions

Attac Österreich discusses still over some aspects as:<sup>459</sup>

- Creation of money
- Function and level of interest rate
- Structure of Demokratische Bank
- Guarantee of democratic functionality
- Direct democracy

## 7.4. Critics about Demokratische Bank

The idea to build a democratic oriented and alternative bank is not really new.

In the past, cooperative banks and savings banks have lied on the common good strongly, but left this way due to the profits.<sup>460</sup>

Cooperatives can be successful. It can be proved when we see the largest Styrian cooperative Raiffeisen that belongs to the customer.<sup>461</sup>

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<sup>455</sup> See KSOe (2012): Eine Good Bank für Österreich: p. 3

<sup>456</sup> See Newsletter 13 and BWG § 94 (1)

<sup>457</sup> See Newsletter 13

<sup>458</sup> *Ibid.*

<sup>459</sup> See Attac Österreich (2010): Die Demokratische Bank, Begründung. p. 5

<sup>460</sup> See Salzburg ORF.at (2012): Banken fürs Gemeinwohl eingefordert

<sup>461</sup> See Tandl, Johannes (2012): Wie viel Demokratie verträgt ein Unternehmen?

The prerequisite for this success is a strong and maximally balanced connection between the members and management. Too much direct democracy shows little compatibility with the objectives of sustainable and successful business like a structure in which the members have no say and the management controls virtually itself, without taking the owner risk. <sup>462</sup>

In Addition, the co-management is often little in practice. <sup>463</sup>

In theory, the cooperative concept seems very good but it would fail in the capitalist practice either economically or by dismissing the ideas of equality, democracy and non-profit orientation. <sup>464</sup>

For Tandl, the reason is not because people are “too corrupt” or “greedy” for this, but because non-profit islands cannot survive permanently in the capitalist sea. <sup>465</sup> Tandl explains further that the need for initial capital rises with technological advances. Hence, cooperatives are limited to small and medium enterprises due to the restricted access to capital (which is composed ideally from the contributions of members to not be dependent of banks). <sup>466</sup>

The consumption would change the target, too: the benefits for members will be cut for economic reasons, the working conditions will not be exemplary anymore, and participation hardly exists and will be further curtailed. <sup>467</sup>

To remain competitive, it would need certain flexibility in the workforce. If all employees are also cooperative members, there will be self-exploitation and loss of wages. But if wage labourers are hired to create flexibility, the principle of equality would be over. The economic necessity leads to the formation of a bureaucratic apparatus of experts who develop social self-interest. The workers’ self-management would not exist anymore and then the “educational factor” which was attributed to the co-operatives will also disappear. <sup>468</sup>

The coordination team of Demokratische Bank opines that the bank can start already in 2014. But this plan has been postponed many times so that it is not so trustable now. In the newsletter 5 of Demokratische Bank, it was mentioned that the start of the bank business will

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<sup>462</sup> See Tandl, Johannes (2012): Wie viel Demokratie verträgt ein Unternehmen?

<sup>463</sup> *Ibid.*

<sup>464</sup> *Ibid.*

<sup>465</sup> *Ibid.*

<sup>466</sup> *Ibid.*

<sup>467</sup> *Ibid.*

<sup>468</sup> *Ibid.*

be able already in the second half year of 2012 according to the time plan of March 2011.<sup>469</sup> In the newspaper of Tiroler Tageszeitung, Felber also spoke that the start of the bank will work out in 2013 even the FMA concession would take 6 months.<sup>470</sup>

Also the interest of people is questionable.

According to Newsletter 6, there were around 3000 Newsletter subscriptions and more than 1000 Facebook friends until April 2011.<sup>471</sup> Then, both interest measurements as Newsletter subscriptions, Facebook friends increased to 3200 and 1500 in July 2011.<sup>472</sup>

In the last Newsletter which was brought out on December 14<sup>th</sup>, 2012, there were nearly 5,000 newsletter receivers.<sup>473</sup> There are 1188 Facebook friends on the new page under the link <https://www.facebook.com/demba.at> on February 4<sup>th</sup>, 2013.<sup>474</sup>

On the one side, it is interesting to see that the amount of interested people on Facebook decreased after the name change of the fan page. Maybe this fact can be understood that people, who were interested in the project Demokratische Bank before the link change on Facebook, did not search for it after the link change through the FMA.

We can see more detail information about people who showed interests about Demokratische Bank on Facebook under the link <https://www.facebook.com/demba.at/likes> as most people are between 25 and 34 years old and situated in Vienna.<sup>475</sup>

On the other side, it is also important to consider that the Newsletter subscription amount increased continuously from 3000 to about 5000.

Even though, only Newsletter subscriptions and Facebook friends do not reflect the willingness of participation in the business of Demokratische Bank after its foundation.

Additionally, both statistics do not exhibit enough sum of people if we regard that the total population in Austria accounts to 8.4 Millions. This fact points the more pessimistic side, the more we think that Christian Felber, the leading person of the project “Demokratische Bank”, is presenting it very actively in most Austrian media since 2004 besides having already given

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<sup>469</sup> See Newsletter 5: p. 2

<sup>470</sup> See Tiroler Tageszeitung (2012): Demokratische Bank soll 2013 starten

<sup>471</sup> See Newsletter 6: p. 2

<sup>472</sup> See Newsletter 8

<sup>473</sup> See Newsletter 13

<sup>474</sup> See Likes and People Talking About This

<sup>475</sup> *Ibid.*

several interviews in ORF, ATV, Der Standard, Die Presse, Wirtschaftsblatt, Wiener Zeitung, OÖNachrichten, Salzburger Nachrichten, Tiroler Tageszeitung, Südtiroler Tageszeitung, Format, Profil, Kurier, Österreich, Kleine Zeitung, and Heute.

Stefan Pichler, a professor for finance economy at Wirtschaftsuniversität Vienna has a sceptic opinion about Demokratische Bank. He says that banks ask interest rates in order to deny their ongoing costs. These costs are the main part of the expenses and will also occur in Demokratische Bank. He discusses that it would be hardly possible to grant credits cheaper than most competitor banks.<sup>476</sup> Despite the success of eco-social banks in Germany, it is assumed that only 1 percent of all investments are ethically put. It is similar as the success of fair trade and bio foodstuffs. Even, their profit grows continually, their market share is very low so that it can be seen as recess circumstance.<sup>477</sup>

On the one hand, eco-social banks are winners only in crisis and thus their success is timely limited.<sup>478</sup> On the other hand, ethical attitude would be the decisive success factor for every banking institution. Furthermore, many conventional banks can make their image just more to be ethic.<sup>479</sup>

The fail case of Noa Bank is also important to mention. This bank was founded in November 2009 and announced to implement the financial democracy in Germany. Through good marketing and very high daily interest, the bank could reach 300 million Euros. However, there were not enough credit users who had allowed earning the interest rates. Experts explain the reason for the fail that Noa bank grew up too fast.<sup>480</sup>

The fact that most staffs of Demokratische Bank do not have the knowledge of bank business makes it also to doubt about the foundation, survival or success of the bank.

Also Christian Felber did not study economy or business, even for one semester. He spoke on a radio of WDR that he studied the economic knowledge himself.<sup>481</sup>

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<sup>476</sup> See Desrues, Georges (2010): p. 3

<sup>477</sup> See Desrues, Georges (2010): p. 4

<sup>478</sup> *Ibid.*

<sup>479</sup> *Ibid.*

<sup>480</sup> *Ibid.*

<sup>481</sup> See WDR 5 (2012): Neugier genügt

## 8. Conclusion and my opinion

I would devote this last chapter to think about the success of Demokratische Bank and its influence on the economy in Austria and even on the whole world.

The hardest challenge for the team of Demokratische Bank after its establishment would be the “competition” with the existing banks. I would say it is a competition, even the team of Demokratische Bank would prefer to use the word “cooperation”, because the banking industry in Austria is already highly concentrated and developed so that it is to assume that every adult person in Austria has already one or more bank accounts at those companies. Therefore, Demokratische Bank should “steal” customers from its competitors. It means that the bank must be able to provide some brilliant services with more benefits than the “old” banks so that people would decide to change their current accounts to the new alternative “good” bank.

In this point, it is questionable if people would support this common welfare project, as the team of Demokratische Bank hopes, without any merits that appear in the soon future.

The co-workers of “Verein zur Förderung und Gründung einer Demokratischen Bank“ announced to educate people about the “reality” of the economy, “real function” of money and to move them to obtain an “enlarged” world view in the financial, environmental and even moral perspective so that they would support the common welfare and Demokratische Bank.

However, I am curious about how many people really would give up their “right” of earning interest rate in the present system. The system did not change yet how Christian Felber wants, so I can imagine that people opening their bank account at a Demokratische Bank would have fewer advantages than customers of other banks. This problem will occur especially by rich people since some of them even do not have to work because of their high interest rate earning, as Felber criticises already.

Another point is that the banks in Austria are big and rich, as some experts also name this problem as “too big to fail”. It automatically means that they have a lot of influence on the economy, market as well as on customers.

It will be interesting to see what kind of strategies Austrian “system-relevant” banks will use, in order to prevent the success of the new ethically oriented and democratic bank after its



foundation as we know from the basic economy market principles that market competitors would not only watch when another one wins more and more success and influences.

It is clear that the existing banking institutions have more power, at least, at the beginning because they have much more capital, income, influences and experiences. In addition, it is predictable that they would even work some regulations out together, in order to prevent the growing power and movement of the new socio-ecological bank.

The final objective of the workers and supporters of Demokratische Bank, to change the existing capitalistic financial world to the common welfare oriented one, would be very challenging since they do not follow the profit-maximization, but the common welfare maximization. Despite their announced business way “common welfare maximization”, they have to raise their market power and influence besides the international multi-corporate enterprises, at first, because their goal “common welfare economy“ can be achieved when they win the control over the banking section in form as gaining the majority of customers or supporters on the market.

But there is no extraordinary marketing concept except calling for the ethic mind of people.

Maybe, for the majority of the population, there is no need for “Demokratische Bank” as other existing banks already provide good enough service.

As consequence, the success of Demokratische Bank would depend on how much people would appreciate those values as democratic and ecological orientation and the new “more fair” economy world so that they are willing to give up their economical profit.

Also, even if it would be successful at the beginning, the next question is, if this success will continue in the long-term. This question is especially interesting because, as already mentioned before, some part of socially and ecologically oriented banks could have success only in the crisis.

In such a “revolutionary” company as Demokratische Bank will be, the leaders are very important. The project “Demokratische Bank” still suffers by financing and it announced that the CEO compensation will be limited to around 5,000 Euros which is very little in compare to other banks on the market.

At first, the fact that the leading person of the project Christian Felber does not have really business knowledge and will not be active in the business in the future makes to doubt if the

company will be stable, even in some challenging situations. Secondly, it is questionable if highly qualified bank experts would take a leadership in the firm, since it has very different objectives and aspects as well as much less payment. Finally, there are too little persons with banking knowledge and experiences in the project “Demokratische Bank”.

Moreover, the Felber’s economy model “common welfare” seems still unpractical to me. It may work, maybe, in small or medium size companies or regions, but would show more problems in the long-term in a larger company or nation-wide economy.

As the ecologist Exner mentioned, the “new” economy model would bring also some systematic problems as the measurement difficulty used by the “common welfare balance sheets”, lobbying and misuse possibility in other forms and high supervision costs.

After all facts and critics I listed in this paper, I believe that Demokratische Bank would have some success in the beginning period, rather in the countryside, but it will be very hard that this revolutionary project would change the banking industry in Austria, whole economy culture in the long-term.

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# Appendix

## Abstract

In the framework of this thesis, the topic “bank foundation in Austria”, especially as a cooperative form should be introduced and analyzed. Thereby, the main focus lies on the example of Demokratische Bank that should start in the second half of the year 2013.

First of all, the foundation idea of Demokratische Bank is handled as it is important to know who stays behind this idea with what kind of plans and opinions. In this chapter, Attac Österreich and its cofounder Christian Felber are introduced in detail. In addition, the critics of Christian Felber about the current capitalist economy system and system-relevant banks are dealt with.

The next chapter discusses the general information about the bank foundation in Austria.

On the one hand, there are legal aspects as Bankwesengesetz, Genossenschaftsgesetz and Basel II. On the other hand, three important associations as Bundesministerium für Finanzen, Oesterreichische Nationalbank and the Financial Market Authority play a great role for the Austrian banking sector.

The following theme covers the banking industry in Austria. In Austria, some great banks as Raiffeisenbank, Bawag, Erste Bank, Volksbank and Bank Austria dominate the market. Also the fact that the Austrian banking industry is seen as “overbanked” is analyzed here.

Then, the main example of the thesis “Demokratische Bank” will be covered based on its aims, concepts, progress and strategies.

The common welfare economy is the final objective of the project “Demokratische Bank” and was proposed by Attac Österreich and Christian Felber as a new alternative economy model for the future. The detail ideas and several critic points of the common welfare economy are described in this thesis as well.

The thesis ends with the conclusion and opinions of the author how he estimates the influence and future success of Demokratische Bank as well as the common wealth economy on the market.

## **Zusammenfassung**

Im Rahmen der vorliegenden Forschungsarbeit soll das Thema „die Bankengründung in Österreich“ vor allem in der Körperschaftsform einer Genossenschaft vorgestellt und analysiert werden. Dabei liegt der Schwerpunkt auf dem Beispiel der Demokratischen Bank, die in der zweiten Hälfte vom Jahr 2013 beginnen sollte.

Zuerst wird die Gründungsidee der Demokratischen Bank behandelt, da es wichtig ist, zu wissen, wer hinter dieser Idee mit was für Plänen und Ansichten steht. In diesem Kapitel werden Attac Österreich und dessen Mitbegründer Christian Felber detailliert vorgestellt. Die Kritiken von Christian Felber über das aktuelle kapitalistische Wirtschaftssystem und die system-relevanten Banken werden auch hier behandelt.

Das nächste Kapitel zeigt die allgemeinen Informationen über die Bankengründung in Österreich.

Auf der einen Seite gibt es rechtliche Aspekte wie Bankwesengesetz, Genossenschaftsgesetz und Basel II zu beachten. Auf der anderen Seite spielen drei wichtige Verbände wie Bundesministerium für Finanzen, Oesterreichische Nationalbank und Finanzmarktaufsicht eine große Rolle für den österreichischen Bankensektoren.

Das folgende Thema deckt den Bankenmarkt in Österreich ab. In Österreich dominieren einige große Banken wie Raiffeisenbank, Bawag, Erste Bank, Volksbank und Bank Austria den Markt. Auch der Fakt, dass der österreichische Bankenmarkt als „overbanked“ gilt, wird hier analysiert.

Dann wird das Hauptbeispiel der Masterarbeit "Demokratische Bank" basierend auf dessen Ziele, Konzepte, Prozess und Strategien diskutiert.

Die Gemeinwohlökonomie ist das Endziel des Projekt „Demokratischen Bank“ und wurde von Attac Österreich und Christian Felber als neues alternative Wirtschaftsmodell für die Zukunft vorgeschlagen. Die detaillierten Ideen und mehrere Kritikpunkte der Gemeinwohlökonomie werden auch in dieser Forschungsarbeit beschrieben.

Die Masterarbeit endet mit der Zusammenfassung und den Meinungen des Autors wie er den Einfluss und den Erfolg der Demokratischen Bank und der Gemeinwohlökonomie auf dem Markt künftig schätzt.

# Lebenslauf

## Byung Sun Ahn

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### AUSBILDUNG

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**Studienrichtung:** Masterstudium Internationale Betriebswirtschaft

**Spezialisierung:** Internationales Management und Corporate Finance

**Thema der Masterarbeit:** Die Gründung einer Bank am Beispiel der “Demokratischen Bank“ (Genossenschaft) / The foundation of a bank - the example of Demokratische Bank (cooperative society)

**2006 – 2010:** **Studium an der Universität Wien**

**Studienrichtung:** Bachelorstudium Internationale Betriebswirtschaft

**Spezialisierung:** Internationales Management

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### **PRAXISERFAHRUNG**

**09.2011 – 03.2012:**

Praktikum bei der United Nations Office on Drugs and Crime in Wien

Diverse Berichte über den Einfluß der neuen Handelsverträge in Zentral- und Südasien auf den illegalen Drogenmarkt Recherchen und administrative Aufgaben

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### **SPRACHKENNTNISSE**

- |               |  |
|---------------|--|
| ➤ Koreanisch  | Muttersprache                          |
| ➤ Deutsch     | Verhandlungssicher in Wort und Schrift |
| ➤ Englisch    | Verhandlungssicher in Wort und Schrift |
| ➤ Französisch | Grundkenntnis                          |
| ➤ Italienisch | Grundkenntnis                          |

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### **EDV-KENNTNISSE**

- MS Office (Word, Excel, PowerPoint, Outlook, und Access)

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### **HOBBYS**

- Internationale Nachrichten lesen
  - Reisen
  - Fußball
  - Gute Bücher lesen
  - Unterhaltung mit Freunden
  - Fitness
-