



Forum for Stable Currencies

Advocating Economic Democracy through Freedom from National Debt

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‘GREEN CREDIT’ FOR ‘GREEN GROWTH’

Financing Adaptation to Climate Change on Local, Regional and National Levels in the Post-Kyoto Context

A. INTRODUCTION

1. This document is a response to the inquiry of the *Environmental Audit Committee* regarding ‘Post-Kyoto: The International Context for Progress on Climate Change’ – published on January 8, 2008.
2. [Limits to Growth](#) was published by the Club of Rome in 1972 and examined five variables: world population, industrialization, pollution, food production and resource depletion. [Beyond the Limits](#) was published in 1993 and [Limits to Growth: The 30-Year Update](#) came out in 2004.
3. *The Growth Dilemma* is one of the chapters in the latest book [Creating a World without Poverty – Social Business and the Future of Capitalism](#) by economics professor Dr. Muhammad Yunus. He received the Nobel Peace prize in 2006 for creating the [Grameen Bank](#) which has reversed conventional banking practice by removing the need for collateral.
4. Along this line of thinking, the *Forum for Stable Currencies* responded to a [Call for Concepts](#) by UNDP with [Green Credit for Green Growth](#). This contribution was input to the debate at the Bali conference in December 2007.
5. At home, *Green Credit for Green Growth* was tabled as [EDM 265](#) by Austin Mitchell MP on Nov. 11, 2007.
6. It is our proposition that the challenge of funding national needs for the adaptation to climate change can be met at all institutional levels if only there was an attitude of ‘we have the money’ and ‘we want to fund initiatives to stop and adapt to climate change’.
7. This attitude should start with the Treasury at the top of the pyramid of credit pr. [The Role of the Treasury](#) was therefore a document sent to the Rt Hon Alistair Darling MP after [his speech](#) at the [RSA](#) on January 15, 2008 on the Role of the Treasury in 21st Century Britain. It summarises how the *Forum* has advocated the use of ‘public’ or ‘green’ credit since 2002. One of its eight EDMs was tabled by David Chaytor MP. The mechanisms are set out in detail under ‘description of concept’.

B. THE ISSUES ADDRESSED BY THE INQUIRY

8. Ad **5**: There is no adequate support to adapt to climate change in any country. Binding targets for funding such support would be a beginning, but more efficient approaches to actually solving the problem and not just talking about it could easily be developed. However, this may require approaches that arise from outside our current institutional framework. As an example, our proposal for a ‘Climate Monitoring Project’ to DEFRA was rejected for lack of funding.

*A Voluntary Initiative of Parliamentarians and Concerned Citizens
across the full political spectrum and from all religious persuasions*

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9. Ad **6**: There is always enough money for war, but never enough for health, education and the environment. Dr. Yunus points out in Chapter 1 of this book that our institutions have failed us on all social issues, whether it is aid, development, reducing poverty, protecting the environment or providing adequate healthcare and nutrition. As soon as it is recognised that funding determines the quality of the activities that take place, it should be obvious that green funds for green activities would be the most effective mechanism for funding R&D as well as environmental businesses at all levels: local, regional, national and international.
10. Ad **8**: There is no country without an army and without unemployment. Tackling emissions from deforestation should therefore be tackled by using either armies or the unemployed or both to plant trees. Funding for this is to be generated by Governments as 'green credit' – thus creating 'green growth' in their economies.
11. Ad **10**: Anybody who is using the internet will appreciate that the transition from paper to screen is similar to the transition from paying by cash or by cheque. Emission schemes are 'virtual screen transactions' that do not physically reduce any emission. It would be wiser to generate money for 'really green projects' that employ people rather than more 'virtual trading schemes'.
12. [Contraction & Convergence](#) establishes a constitutional, global equal-rights-based framework for the arrest of greenhouse gas emissions. Logically, it is based on per capita measurements. Applying the same logic, per person figures for income and national indebtedness should be used to address and monitor the imbalances between North and South or developed and developing countries.

C. DESCRIPTION OF CONCEPT

13. *Green Credit for Green Growth* is generic and applies to high income as well as developing countries:
 - 13.1 The principle of SOVEREIGNTY and a Nation's MONEY SUPPLY
 - 13.1.1 As part of its sovereignty, any nation state should control its money supply. The total supply of money comprises interest-bearing *credit* from banks and financial institutions and interest-free *cash* (notes and coins) from governments. Interest-free cash can also be called '*public credit*'.
 - 13.1.2 Controlling and monitoring the money supply should include watching the ratio between cash and credit and between wholesale lending and retail lending.
 - 13.1.3 For example, in the UK, the cash share of the money supply has gone down from nearly 30% to less than 3% since the late 60s. Since 1996, credit has been split into wholesale and retail lending, with exceptional growth in wholesale lending.
 - 13.2 The principle of [SEIGNIORAGE](#) as a National Source of Income
 - 13.2.1 In addition to taxing and borrowing, any nation state should maximise its third source of income: seigniorage, the balance between the face value of a currency and the cost of printing money and minting coins.
 - 13.2.2 Instead of increasing national debts from one legislative period to the next, seigniorage can be used to leverage interest payments.
 - 13.3 National Financial Mechanisms for Adaptation to Climate Change
 - 13.3.1 Public or green *credit* would fuel the economy without causing inflation.
 - 13.3.2 Public *expenditure* should finance the five sectors identified in the framework of adaptation.

13.3.3 Public *grants* should finance voluntary and commercial activities in the five sectors.

13.4 Monitoring Growth under the auspices of UNDP

13.4.1 The current 'growth through credit' is measured by the national debt per person

13.4.2 The *Cash : Credit ratio* would signal that business as usual, i.e. growth through credit, is changing.

13.5 Defining, Measuring and Monitoring 'GREEN GROWTH'

13.5.1 To create the tens of billions of dollars necessary for adaptation requires growth not in interest-bearing investment from high income to developing countries, but in the money supply of all nation states.

13.5.2 Whilst economic growth is measured in GDP, 'green growth' would be measured by

13.5.2.1 The *Cash : Credit ratio* in the total annual money supply and per person

- On a national scale, this ratio consists of *cash* created by states versus *credit* created by banks and financial institutions
- On a per person level, according to "["Money Supply" in Wikipedia](#), the US cash : credit ratio is roughly \$4,5550 : \$23,320

13.5.2.2 The annual reduction of CO₂ emission per person.

D. CHALLENGES ADDRESSED: SCARCITY OF FINANCE AND DEMOCRATIC ACCOUNTABILITY

- 14 An overview of investment and financial flows needed for adaptation is published on http://unfccc.int/cooperation_and_support/financial_mechanism/items/4053.php Paragraph 485 says that "several tens of billions of dollars of additional investment and financial flows will be needed for adaptation to the adverse impacts of climate change."
- 15 By Governments assuming the power to issue *Green Credit*, the remaining challenge lies in promoting 'green funds' and prioritising among the five sectors that have been identified: Agriculture, forestry and fisheries; Water supply; Human health; Coastal zones; Infrastructure.
- 16 Instead of competing for chronically scarce money as credit, competition between nations could ensue to be the one that spends most money on adapting to climate change.
- 17 By issuing green funds as green credit, short-term political governments that are democratically accountable but have lost credibility would talk responsibility for the tasks at hand.
- 18 Democratically unaccountable financial institutions would influence the real economy with less destructive power. But in the ethical framework of 'social business' that Dr. Yunus provides, they could make their contribution to climate change, too.

E. GREEN CREDIT FOR HIGH INCOME AND DEVELOPING COUNTRIES

- 19 The public credit approach addresses parliamentary committees and statistical institutions that monitor and oversee the economics of a country. It also addresses the IMF, the World Bank and UN agencies that watch the financing of adaptation, prevention and monitoring climate change.
- 20 Furthermore, it addresses the principles of democratic governance and the legality of excessive debt and extortionate interest.

21 And finally, it addresses the ethics of ‘business as usual’ while time is running out and tipping points in our earth system need to be adapted with utmost urgency.

F. PROPOSED FUNCTION, DESIGN AND/OR STRUCTURE: SOFTWARE AND WEB

22 The function of *Green Credit for Green Growth* is to provide public funds by States for governments, companies, NGOs, voluntary organisations and individuals who want to make a difference in whatever sphere of influence they may be operating.

23 Announcing that funds are available is the first step. Making them available in as attractive and effective a manner is another. The obvious mechanism would be accounting on-line by the respective *Green Credit* agencies and monitoring *Green Growth* on-line.

G. ESTIMATED VALUE OR INFLUENCE

24 The degree of influence depends on the fervour and commitment with which *Green Credit for Green Growth* would be implemented. It can become a small or large percentage of a nation’s GDP – depending on the number of industry leaders, the unemployed who could be mobilised, the NGOs that would participate and the support of national media.

H. REMAINING GAPS AND QUESTIONS

25 A global understanding of ‘money’, its origins and the measures used to describe, measure and monitor national economies.

26 An appreciation of ‘employment’ as a way of protecting either a military-industrial complex or our planet with its delicate atmosphere.

27 An understanding of ‘democracy’ as being

- *political* in terms of voting
- *economic* in terms of income per person
- and *ethical* in terms of environmental governance and our legacy to future generations.

I. KEY POINTS FOR DISCUSSION

28 Which governments are willing commit to *Green Credit for Green Growth*?

29 Which national agency makes *Green Credit* available and monitors *Green Growth* in their national economy?

30 Which UN agency builds and supervises globally accessible software mechanisms?

31 How do the [International Monetary Fund](#) and the [World Bank](#) respond to [Sir Nicholas Stern’s call](#) to take on a greater role in mitigating climate change?

J. LOCAL ACTION FOR APPROPRIATE SCALING

32 Following drafting advice regarding the economic and legal challenge of climate change, the *Forum for Stable Currencies* submitted *Green Credit for Green Purposes* to the *Treasury Select Committee* of the Parliament in the UK on January 16, 2007. This submission was a response to an enquiry into climate change and the Stern report.

See <http://www.publications.parliament.uk/pa/cm/cmtreasy.htm> for evidence given on 23 January 2007 and February 06, 07 and 27, 2007.

- 33 A supplementary memo highlighting the ethical dimensions of climate change was submitted on May 10, 2007. See www.greencredit.org.uk
- 34 Our submission is based on an in-depth analysis of the on-line data base of the [Bank of England](#) as well as the [Treasury](#) and the [National Office of Statistics](#). The publication of the Committee's report which should include our submission is supposed to take place before Christmas 2007.
- 35 Eight [Early Day Motions](#) regarding the general principle of 'public credit for public purposes' have been tabled since June 2002.
- 36 [Contraction & Convergence](#) illustrates the *processes* necessary for the whole world to adapt to climate change.
- 37 Echoing Contraction & Convergence, [Sovereignty & Seigniorage](#) are the *legal principle* and *financial mechanism* for individual nation states to finance adaptation to climate change.
- 38 As a non-funded NGO, the [Forum for Stable Currencies](#) continues to take legal advice for most effective participation in the law making process via Parliament.
- 39 As a small company, [3D Metrics](#) is collaborating with the [London Metropolitan University](#) on a [Climate Monitoring Project](#) to measure CO₂ emissions in a novel way.
- 40 Independently, [3D Metrics](#) will be putting software on-line to allow for comparing multi-dimensional data of complex systems and forecasting over short, medium and long-term time periods. This will allow anybody on the web to gain new perspectives on the economics of climate change.

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