Forum for Stable Currencies

Advocating Economic Democracy through Freedom from National Debt

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I. Title: 'Green Credit' for 'Green Growth'

II. A Response to a Call for Concepts from the United Nations Development Program (UNDP) to Access new Resources for Adaptation to Climate Change

III. Description of Concept

1 *Green Credit for Green Growth* is generic and applies to high income as well as developing countries:

1.1 The principle of Sovereignty and a Nation's Money Supply

1.1.1 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'*.

1.1.2 Controlling and monitoring the money supply should include watching the ratio between cash and credit and between wholesale lending and retail lending.

1.1.3 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.

1.2 The principle of Seignorage as a National Source of Income

1.2.1 In addition to taxing and borrowing, any nation state should maximise its third source of income: seignorage, the balance between the face value of a currency and the cost of printing money and minting coins.

1.2.2 Instead of increasing national debts from one legislative period to the next, seignorage can be used to leverage interest payments.

1.3 National Financial Mechanisms for Adaptation to Climate Change

1.3.1 Public or green *credit* would fuel the economy without causing inflation.

1.3.2 Public *expenditure* should finance the five sectors identified in the framework of adaptation.

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

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1.4 Monitoring Growth under the auspices of UNDP

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

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

1.5 Defining, Measuring and Monitoring 'GREEN GROWTH'

1.5.1 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.

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

1.5.2.1 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

1.5.2.2 The annual reduction of CO_2 emission per person.

1.6 Defining, Measuring and Monitoring INFLATION

1.6.1 Inflation is measured as an increase in prices, but generally rather short-term.

1.6.2 However, when including an increase in the money supply or when looking over longer terms, inflation is never as low as the figures produced monthly or quarterly.

1.6.3 Measuring 'green inflation', would mean

1.6.3.1 Using the same time intervals for price increases, the money supply and GDP.

1.6.3.2 Comparing the increase of wholesale and retail lending with the increase of cash.

III A. CHALLENGES ADDRESSED: SCARCITY OF FINANCE AND DEMOCRATIC ACCOUNTABILITY

2 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."

3 By Governments assuming the power to issue *Green Credit*, the remaining challenge lies in prioritising regionally among the five sectors that have been identified: Agriculture, forestry and fisheries; Water supply; Human health; Coastal zones; Infrastructure.

4 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.

5 The imbalance between short-term political governments and long-term central banks and other financial institutions that are democratically unaccountable.

III B. Scope of the approach: Generic for High Income and Developing Countries

6 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.

7 Furthermore, it addresses the principles of democratic governance and the legality of excessive debt and extortionate interest.

8 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.

III C. Proposed function, design and/or structure: Software and Web

9 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.

10 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.

III D. Estimated value or influence

11 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.

III E. Remaining gaps and questions

12 A global understanding of 'money', its origins and the measures used to describe, measure and monitor national economies.

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

14 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.

IV. Key points for discussion

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

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

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

18 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?

V. Local Action for Appropriate Scaling

19 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, 06, 07 and 27 Feb 2007.

20 A supplementary memo highlighting the ethical dimensions of climate change was submitted on May 10, 2007. See www.greencredit.org.uk

21 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.

22 Seven Early Day Motions regarding the general principle of 'public credit for public purposes' have been tabled since June 2002. The next one entitled *Green Credit for Green Growth* is in preparation for the next Parliamentary session starting Nov 6th 2007.

23 Contraction & Convergence illustrate the *processes* necessary for the whole world to adapt to climate change.

24 Sovereignty & Seignorage are the *legal principle* and *financial mechanism* for individual nation states to finance adaptation to climate change.

25 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.

26 As a small company, 3D Metrics is collaborating with the London Metropolitan University on a Climate Monitoring Project to measure CO_2 emissions in a novel way.

27 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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