The role of innovative monetary policies in supporting a Green New Deal and a more sustainable future for Europe and the world

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1. Introduction

This topic of a Green New Deal is one close to my heart. When I ran as a Green Party European Parliament election candidate in Dublin in 2009, a central plank of my election manifesto was to call for a Green New Deal, (*or a green stimulus/investment programme*) for Europe.[1] This would have been a regional response to the global financial and ultimately broader economic crisis of that time. I was influenced to adopt a Green New Deal as part of my European Election manifesto at the time by the European Green Group which was publicly promoting it during the 2009 European Parliament elections. In this paper I return to the question of a Green New Deal to discuss the politics and substance of such a Deal before tackling some of monetary and financial issues relating to its implementation.

2. Origins of a Green New Deal

The original "New Deal" was a series of programs, public work projects, financial reforms, and regulations enacted by President Franklin D. Roosevelt in the United States between 1933 and 1936. The New Deal responded to needs for relief, reform, and recovery from the Great Depression. President Roosevelt's plan was heavily influenced by British economist John Maynard Keynes. A more contemporary version of Roosevelt's New Deal is referred to as a "Green New Deal". This combines Roosevelt's economic approach with significant investment in areas such as renewable energy and resource efficiency. A focus on government leadership distinguishes Green New Deals from neoliberal approaches such as creating markets or voluntary industry standards which have formed the dominant response to the ecological crisis in most countries for the past 30 years.

3. Promoting a Green New Deal

My personal experience of promoting the concept of a Green New Deal in Ireland during the EP elections of 2009, was that the Irish political class, media and Irish electorate were largely unfamiliar with, and generally unresponsive to the proposal. Following the near- collapse of the Irish banking sector in September 2008, the European Commission and the European Central Bank had begun to assume a hard-line position on the need to implement austerity policies in European Member States such as Ireland whose banking systems – as a result their own high-risk behaviour and general misconduct - were in deep financial difficulties. At the time, it appeared that a Green stimulus programme was widely regarded by many commentators and political parties as wishful thinking and a distraction from the necessary discipline of financial austerity.

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* This paper is based on a speech I was invited to give at the Public Meeting on Money organized as part of Basic Income Week in Dublin on September 18, 2019. The ideas contained in the speech are drawn from multiple sources, including papers I have read, websites and blogs. While I have endeavoured to cite to all of the relevant materials on which I drew, I may have inadvertently omitted some, and hence I would like to acknowledge the inspiration I have drawn from the work of many others in putting together this paper. I would also like to thank FEASTA member Caroline Whyte for her invaluable advice and guidance in the writing of this article.

[1] https://www.youtube.com/watch?v=HhCZYVAvDhw

In 2010 the Green Economist Richard Douthwaite (now deceased), and leading member of FEASTA,[2] produced an interesting policy paper called "*Deficit easing – an alternative to severe austerity programmes in the eurozone*".[3] A core proposal of this paper was that : "*a limited, targeted injection of non-debt-based euros could provide a neat and swift solution to a debt problem the whole eurozone shares*" . Later that year and following my resignation from Government, Richard enlisted my help to try to organise meetings with the finance spokespersons of various political parties. The purpose of the meetings was to promote his deficit easing proposal, which in effect amounted to a Green stimulus or investment programme. We had little success in securing meetings with most party finance spokespersons! In the two cases where we succeeded in securing such a meeting, the deficit easing proposal fell on deaf ears to say the least!

4. EU politics and a Green New Deal

Let me move on to describe the political context that now exists at an EU level as far as a Green New Deal is concerned. A full ten years after the concept of a Green New Deal was originally promoted by the European Greens and others, and following a grim decade of austerity across many parts of Europe giving rise to widespread public anger and an increase in support for populist and anti-EU parties, the planned implementation of a Green New Deal in Europe has finally moved centre-stage at EU political level following the appointment of a new European Commission.

A Green New Deal is now one of the six headline ambitions of the political guidelines for the next European Commission (2019-2024) published by the new Commission President Ursula Von Der Leyen.[4] Von Der Leyen describes the Green New Deal as

> "*my plan for a future-ready economy, our new industrial strategy. We will be a world leader in circular economy and clean technologies. We will work to decarbonise energy-intensive industries.*"

Her political guidelines for the new Commission state:

> "*We need to tap into private investment by putting green and sustainable financing at the heart of our investment chain and financial system*."

Later the document states:

> "*To achieve this, I intend to put forward a strategy for green financing and a Sustainable Europe Investment Plan. As part of this, I will also propose to turn parts of the European Investment Bank into Europe's climate bank. The bank is already the largest multilateral provider of climate finance worldwide, with 25% of its total financing dedicated to climate investment. I want to at least double this figure by 2025. The Sustainable Europe Investment Plan will support €1 trillion of investment over the next decade in every corner of the EU*".

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[2] www.feasta.org

[3] See https://www.feasta.org/wp-content/uploads/2011/07/Deficit_easing_RD.pdf

[4] https://ec.europa.eu/commission/sites/beta-political/files/political-guidelines-next-commission_en.pdf

5. **Converging political crises facing Europe**

While in principle the implementation of a Green New Deal by the European Union is a potentially positive development, opinion is sharply divided across civil society about how appropriate, adequate and effective the GND proposals of the Commission are as a response to the convergent and - in many cases accelerating - crises affecting Europe at present. These include the climate emergency, the biodiversity crisis, Europe's debt crisis & the likely impacts of a wider global economic growth crisis, and the crisis of European democracy, amongst others. Much will depend on the strategic aims, objectives and related content of the Green New Deal that will be developed by the Commission (not yet published), and whether it will tackle the root causes of the converging crises outlined above or not.

6. **The US model of a Green New Deal**

A greater level of transparency exists around the Green New Deal resolution launched by Democratic Congressowman Alexandria Ocasio Cortez and her colleagues in the Unitesd States.[5] Ocasio-Cortez deserves much of the credit for making the Green New Deal both politically attractive and accessible, as well as promoting important shift in the scope of Green New Deal proposals, which may account for some of their increased popularity.[6] AOC's Green New Deal has been described by its authors as a *'detailed national, industrial, economic mobilization plan' capable of making the U.S. economy 'carbon neutral' while promoting 'economic and environmental justice and equality*'. It aims to eliminate US carbon emissions and is a sweeping policy plan setting out ambitious objectives across a range of areas. Key elements of the plan include the development of: **(1)** a Low-Carbon Electricity Grid, **(2)** a Net Zero Emissions Transportation System, **(3)** Guaranteed Jobs, **(4)** Universal Health Care **(5)** Guaranteed Green Housing, and **(6)** Food Security. The proposal has a strong social dimension and requires that the transition to clean energy be done in a way that is sensitive to vulnerable populations, and includes other large-scale goals, such as providing all Americans with health care, housing and economic security. High profile individuals who have endorsed AOC's plan for a Green New Deal include economists Joseph Stiglitz & Paul Krugman, former UN Secretary Ban Ki Moon, former US Vice President Al Gore, and author Naomi Klein.

The likely total cost of this Green New Deal over the next ten-year period has been estimated by different commentators at reaching anything between $52 trillion at the lower end and $93 trillion dollars at the higher end. The bulk of the estimated cost is in the New Deal or social programs and not for the strictly Green initiatives - $80 trillion is the estimate for universal health care and guaranteed jobs. Critics and supporters of the Green New Deal have admitted that it is difficult to be precise about its exact cost of implementing it because a lot of its proposals are broad brush and not sufficiently specific At the annual Conservative Political Action Conference in March this year, US President Trump said that the Democrats would "completely takeover American energy and completely destroy America's economy through their new $100 trillion Green New Deal". As Republicans have attacked the Green New Deal because of its potential price tag, Democrats have hit back, arguing that the costs of climate

[5] H.Res.109 – 116th Congress (2019–2020): Recognizing the duty of the Federal Government to create a Green New Deal (PDF), archived from the original (PDF) on May 19, 2019.

[6] https://www.thestar.com/politics/federal/2019/04/17/majority-of-canadians-support-a-green-new-deal-poll-finds.html

change and of inaction are also extremely high. They point out that the Trump Admin's National Climate Assessment, estimated that with no action, climate change will result in 10% GDP loss by 2090.

7. Different models of a Green New Deal

The reality is that there are potentially many different models of and approaches to structuring a Green New Deal. In fact, a November 2018 article in US Vogue magazine stated,

> "*There isn't just one Green New Deal yet. For now, it's a platform position that some candidates are taking to indicate that they want the American government to devote the country to preparing for climate change as fully as Franklin Delano Roosevelt once did to reinvigorating the economy after the Great Depression"*.

Other definitions of a Green New Deal present it as a range of economic planning and industrial policy measures specifically designed to mobilize for climate and the environment, similar to the economic mobilization for World War II.

It is clear however that certain models of the Green New Deal have little to do with promoting an effective economic, ecological and social transition to a more sustainable future but merely amount to the green-washing of "business as usual", growth-oriented capitalism. These versions of the Green New Deal appear to be exclusively preoccupied with narrow investment in, and development of "green infrastructure" and have little to say about the social or ecological dimensions of a sustainability transition.

Although the European Commission has not yet produced a concrete and comprehensive policy plan for its Green New Deal, a new European civil society platform called Green New Deal for Europe has strongly criticised the broad outlines that have been presented by Commission President to date as they claim it lacks a focus on social justice. The platform has been developing a joint strategy paper in cooperation with climate activists, scientists, climate and economic research institutes, trade unions and think tanks, since June 2019 called "Blueprint for Europe's just transition".[7] The platform claims that this is the first plan which sets out how Europe can achieve the 1.5° target on carbon emissions while remaining socially equitable.[8] They are encouraging all interested parties to get involved in commenting on this draft document.

8. Costing a Green New Deal

Estimating the overall cost of a Green New Deal is problematic. The Green New Deal proposed by Ocasio Cortez and colleagues in effect comprises two separate proposals. One set of objectives is about climate and clean energy — a national electricity grid powered by renewable fuels, a zero-emissions transportation network, and complete retrofitting of US buildings to a high standard of energy efficiency. The other portion- or what some call the "New Deal portion"- is a set of social programs that includes universal health care coverage, a federally guaranteed jobs program, guaranteed housing, and a food security program. It also includes free college education. When Democratic Party Senator Dianne Feinstein was confronted by

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[7] https://report.gndforeurope.com..

[8] Their report is available here: https://report.gndforeurope.com..

youth associated with the Sunrise Movement on why she did not support the Green New Deal, she told them "there's no way to pay for it" and that it could not pass a Republican-controlled Senate. The inclusion of a strong, and necessary social dimension in a European Green New Deal, focusing on job creation and social protection, will clearly significantly increase the estimated cost of implementation of the plan.

9. The Scope of a Green New Deal

Critics of a narrow infrastructural approach to the European Green New Deal argue correctly that it should not just focus on energy and climate policy but should be a plan whose aim is to fundamentally transform the economy. A Green New Deal programme could potentially be a blueprint for a genuine transformation to a social, fair, sustainable economy and society. On the other hand, it could also allow rich countries continue to strive for growth and pursue economic policies that have caused our existing sustainability problems, only this time with so-called 'clean' technologies. This latter approach ignores, amongst other issues, all of the environmental and pollution problems linked to the global extraction of diminishing supplies of minerals and other natural resources, especially in the Global South where rich countries have already had more than their share of minerals and metals, at the expense of local populations.

It is notable that very few of the commentaries or critiques of the proposed European Green New Deal currently being developed by the Commission make the case for extending its scope to prioritise reform of European economic, monetary and financial systems. This is despite the fact that such reforms must be a central feature of any planned European transition to real sustainability. I will try to summarise as succinctly as possible- in the time remaining- why these reforms should be prioritised.

10. The urgent need for economic transformation

The real cause of the climate emergency, and of the wider sustainability crisis being experienced around the world is the continued pursuit of unending growth and consumption inherent in the economic model of capitalism. Unfortunately, many of those wedded to the capitalist model labour under the illusion that countries around the world, and particularly rich countries, can continue to increase GDP and to consume as usual under a Green New Deal, but in ways that are 'decoupled' from fossil-fuel use. This would amount to a "business as usual" approach but using green technologies. Unfortunately, maximised, subsidised growth, pushed by ever larger scale and more dangerous technologies' currently 'threatens the capacity of the earth to support life, certainly healthy life. A real transition to a sustainable future requires embracing a 'steady state economy'.[9] A steady state economy, according to a good working definition provided by FEASTA member Anne Ryan "values longevity along with sufficiency and seeks qualitative improvement rather than quantitative increase".[10] It is based on the recognition that the resources on which we draw are finite, as are the sinks where we put our waste. Practical policies that will help societies to achieve steady state economies in-

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[9] https://steadystate.org/wp-content/uploads/EnoughIsEnough_FullReport.pdf

[10] Anne Ryan "Cultivating sustainable and ethical prosperity with basic income" (2012)

clude a fossil fuel Cap and Share, money as a public resource, land value taxes and a guaranteed basic income.

According to Ryan, this idea of planning for steady state or ‘post growth sustainability’ can sound as if certain uniform ways of life would be imposed on people by government planners. She has responded as follows:

> “*Design is a better way to think of it. Certainly, states, acting in cooperation, must set and enforce safe ecological limits, using the best scientific knowledge. Equally important, they must ensure that within those limits, the system is designed so that people have autonomy to be creative and diverse in how they live. People on the ground are often experts in what needs to be done locally and they should be enabled to put that knowledge in to practice. There is much to re-discover and respond to with design appropriate to each unique place.”*[11]

She goes on to quote Brian Davey:

> **“***This precludes blanket solutions decreed at national or international level made in a deal between a politician and a multi-national company and requires tens of thousands or millions of designs to match each place – an intrinsically democratic kind of regeneration that big politics cannot order from above – although it can destroy from above*”.[12]

Steady state or post growth economics channels technical progress in the socially benign directions of small scale, decentralization, increased durability of products, and increased long-run efficiency in the use of scarce resources. If this transition is not planned for ecological constraints and disasters will cause an economic contraction to take place, but in the form of a severe depression. This will greatly increase the likelihood that movements based on prejudice and fear will take a hold across societies

11. Planning for transition to steady state economics

Ideally, in the context of implementing a Green New Deal, the state would work with civil society and business and in partnership with other states to design, plan and activate the systemic transition to steady state sustainability. A culture and mindset that value sufficiency, limits, sharing, justice and care should be encouraged. It is essential that activists continue to push the conversation about these principles and participate in democratic deliberative forums, and in consciousness-raising and i popular education.

Unfortunately, the dogma of “growth at all costs “is dominant in today’s world; and is even uncritically included in the otherwise progressive Sustainable Development Goals (SDGs). Steady state economics, which is the alternative to growth economics, is about a planned contraction, reducing economic demands to sustainable levels. This is often referred to in the literature as “Degrowth” or – a term which I prefer: “Post-Growth Economics”.

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[11] Anne Ryan “Basic income now: a high-leverage system intervention for sanity, humanity and ecology” (2019):
http://www.feasta.org/wp-content/uploads/2019/07/basic-income-leverage-anne-ryan.pdf

[12] Brian Davey ‘Anticipating the coming of troubles – envisaging a lifeboat economy’ (2019)
http://www.feasta.org/2019/02/23/anticipating-the-coming-of-troubles-envisaging-a-lifeboat-economy/

A European Green New Deal will not promote the transition to sustainability that is urgently needed in Europe and globally unless it introduces new economic and monetary policies that are consistent with a Post Growth future. Unfortunately, the current growth dogma has effectively brainwashed societies into thinking that economic growth is a necessary condition to provide the resources needed to address society's social and environmental problems. The role that economic growth plays in creating these social and environmental problems in the first place is rarely acknowledged. The dominance of a growth discourse also means that there is an absence of a widespread public knowledge of a steady state approach to the economy or consent for the introduction of related policies.

12. **The growth imperative of our debt-based money system**

Our current debt-based money system is a major causal factor of the "growth imperative" which characterises the dominant global economic model.[13] Like pollution and global warming, debt is a systemic by-product of a global political economy locked into the search for rates of return on capital of fifteen per cent annually or more. As a society we rarely ask questions about our money system itself. The way that we issue and use money seems so ingrained and taken for granted that it's hard to question why, for example, we issue money as interest-bearing debt. The reality is that almost all the money in circulation originates in loans that must be paid back with interest. Compound interest means that in theory many times the amount of money that was originally borrowed needs to be repaid. The total amount of public and private debt in the world at present is between two and three times the amount of broad money in circulation. . This makes it virtually impossible to repay all debt. The exponentially increasing debt in society can only be serviced as long as the rate of economic growth exceeds the interest rate. This creates an imperative for perpetual growth in production and consumption which directly links to the global sustainability crisis the planet faces.

Our debt-based money system therefore subjects the economy to more powerful "money-must-grow" pressures than it would be if all new money put into circulation were debt-free. Because extra money must be earned to pay the interest and repay the debt created, at the same time has the money required to finance the processes of production and distribution, more goods and services must be produced and sold, involving higher levels of resource use and pollution, than would otherwise be necessary. So, creating new money as debt is clearly a contributory factor to unsustainable development.

Over the 20th century, government debt in all countries has risen, up to 50–60% of GDP in the UK, the USA, France or Germany, 85% in Japan, and 115–130% in Greece, Italy, or Belgium. As a result, a growing proportion of the annual tax revenue is now being used to pay interest on and redeem the public debt. At present this proportion accounts for about 10–15% of national government expenditure in most of the industrialised countries.[14]

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13 See *The Growth Illusion* by green economist Richard Douthwaite, https://www.lilliputpress.ie/product/the-growth-illusion-how-economic-growth-has-enriched-the-few-impoverished-the-many-and-endangered-the-planet

14 https://data.oecd.org/gga/general-government-debt.htm?flip=true

Finally, when debts are paid down, the money that leaves bank accounts doesn't go to anyone else – it just disappears. This is because loan repayments involve an opposite process to money creation - banks create money when they make new loans, and effectively 'destroy' money when they repay loans. So, when many people try to pay down their debts at the same time, money disappears from the economy. As a result of there being less money and less new lending, spending slows down. When this happens, it's almost impossible to reduce society's debts without causing a recession In addition, individuals can only pay off their debts using money that was created when someone else went into debt. This creates a debt trap, where over time the level of personal debt in the economy must keep growing

13. Generating public revenue to finance a major sustainability transition

Given that a, economy-wide sustainability transition which is unprecedented in scale will necessitate massive amounts of spending, governments and not commercial banks must be the prime generators and drivers of this expenditure. The only alternative to generating sufficient public revenue to lead the financing of a Green New Deal is an over-reliance on private sector finance. The latter option is fraught will all kinds of risks including the possibility that the Green New Deal will be hijacked by private interests in pursuit of their commercial and other interests.

There are several different monetary reform options that would generate public revenue to support the implementation of a Green New Deal. In her forthcoming book "The case for the Green New Deal", UK author Ann Pettifor points out that during the second world war commercial banks provided credit to the government in the form of Treasury deposit receipts and that they could do so again to fund a Green New Deal .[15] She says that the British government also has its own bank, the Bank of England, which issues credit, (currently known as quantitative easing, or QE), and could use this to purchase government bonds to fund a Green New Deal.

Pettifor argues that to appeal to savers, the government could issue bonds to be repaid over different time periods – short, medium or long-term. These would attract pension funds and insurance companies, but also different kinds of individual savers. They would be able to invest their money in transforming the economy away from fossil fuels, while receiving a regular income in the form of interest. For this to happen, governments would have to be "in the driving seat" when it comes to issuing bonds. Pettifor claims that governments are currently much more passive and are relying almost entirely on demand from private capital markets. She believes that this system of financing is entirely doable. However, to succeed, the approach she proposes would demand what she describes as "a decisive rupture from the neoliberal consensus of pairing expansionary monetary policy (QE) with contractionary fiscal policy (austerity)

However, it is important to note that Pettifor's proposal appears to advocate for the creation of money as debt by the central bank in order to purchase bonds. This would continue to lock

[15] http://nymag.com/intelligencer/2019/09/ann-pettifor-makes-the-case-for-the-green-new-deal.html)

society into the growth imperative, and clearly this would undermine attempts to promote a more sustainable approach to financing a Green New Deal.

14. Capturing the value of new money creation

Many monetary reform activists argue that in modern democratic societies, the value created by issuing new money should be a common, not a private, resource.[16] They also advocate for new money to be put into circulation as public spending, not as profit-making loans by commercial banks. They point out that the benefits of the money system are being captured by the financial services industry rather than shared democratically. Allowing banks to create new money out of nothing enables them to cream off a special profit. They lend the money to their customers at the full rate of interest, without having to pay any interest on it themselves.

They make a strong case for ensuring that these resources should are shared among all citizens; and not ‘enclosed’ by private interests. In practice this would mean that monetary values arising from the activities and demands of society at large, or created by the processes of Nature, should be a source of public revenue; whereas monetary values created by the work and skill and enterprise of individuals and businesses should be respected as legitimate private earnings and commercial profit. They argue that this principle clearly applies to the value of the new money created and put into circulation as official currency in accordance with the needs of the economy and the objectives of monetary policy. This would remove distortions caused by channelling 95% of new money created into the investment and spending priorities of banks and their customers.

The Issue of new money in the form of public expenditure would enable the public purse to go further – whether for public transport, environment or regeneration. Activists claim that the restoration of democratic control over how new money is issued is also an important step towards a global economy in which unpayable debts are reduced and resources can be freed up for sustainable development. This point is particularly pertinent where a Green New Deal is concerned. Given that this massive, economy-wide transition will necessitate massive amounts of spending, it is clearly in the interests of society and of sustainable development generally, that governments are the prime drivers of this transition.

Authors James Robertson and Joseph Huber have called for the prerogative of the state to issue legal tender to be restored, and for the “seigniorage” income that arises from issuing it to be captured as public revenue.[17] Seigniorage is commonly defined as the difference between the face value of money and the cost to produce it. Originally, seigniorage arose from the minting and issuing of coins by monarchs and local rulers. The authors point out that since then, an anomaly that has grown up, resulting in 95% of new money today being issued, not by governments as cash (coins and banknotes), but by commercial banks printing credit

[16] www.positivemoney.org, www.feasta.org

[17] See James Robertson and Joseph Huber "Creating New Money" https://neweconomics.org/2000/05/creating-new-money

entries into the bank accounts of their customers in the form of interest-bearing loans. This also means that 95% of new money is being channelled into the investment and spending priorities of banks and their customers, rather than to meet broader public policy objectives.

This also costs the public large sums of money in seigniorage revenue foregone. In the UK, for example, the seigniorage revenue forgone is estimated to be in the order of £47bn a year. The authors argue that today's monetary and banking system is, in essence, still based on the 500 year old fractional reserve system suited to metal money and that it still has to catch up with the new payment practices and the accelerating circulation of non-cash money,based on modern information and telecommunication technology.

15. "Seigniorage" and Central Bank Reform

In their publication, Robertson & Huber outline the arrangements that seigniorage reform would introduce for creating new non-cash money and putting it into circulation. They envisage it as a two-stage process. First, central banks will issue the new money as public revenue by entering it into the current accounts they hold for their governments. Second, governments will spend it into circulation. The authors propose that it should become infeasible and be made illegal for anyone else to create new money denominated in an official currency. Commercial banks would thus be excluded from creating new credit as they do now and would be limited to credit-broking as financial intermediaries. The authors also propose that it should be for central banks to decide at regular intervals how much new money to issue.

They believe the central banks should make their decisions in accordance with monetary policy objectives that have previously been laid down and published, and that they can be held accountable for their performance. It is worth noting that other monetary reform activists have called for the principal objectives of Central Banks to be broadened from the current almost exclusive focus on controlling inflation and maintaining price stability to include the promotion of full employment and climate/ecological stability. It was notable that during the recent hearings of the incoming President of the European Central Bank Christine Lagarde her responses to questions posed by MEPs indicated that all EU institutions, including the ECB, "*have climate change risk and protection of the environment at the core of their understanding of their mission*".[18] However, although this "understanding of their mission" in the case of the ECB is implicit rather than an explicit part of the Bank's mandate. This needs to change, and a new and broader ECB mandate agreed in future by EU Member States which will include a clear social and ecological dimension, as well as a focus on monetary policy.

Robertson & Huber insist that Central Banks should have a high degree of independence from government, giving governments no power to intervene in decisions about how much new money to create. They also insist that creating new money is expected to provide more effective safeguards against the risk of inflation than exist today, when commercial banks print almost all the new money. They suggest that there are many ways in which governments will be able to spend the new money into circulation, and discuss some of these, including paying off the National Debt, reducing taxation etc. Although the authors concede that

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18 .See https://www.positivemoney.eu/2019/09/lagarde-ecb-president/?fbclid=IwAR2GP3kdQ-Kq5lmjsbiSRo-Z-WFGV1nWZy36kf44zdq1KAW9X9nz6iuycB4)

seigniorage reform will not bring government borrowing to an end, it will have beneficial consequences for it. Specifically, it will mean that governments will no longer borrow and pay interest on money from the banks, which they have allowed the banks to print for the purpose of lending it to them.

In summary, central banks with reformed mandates will take over from the commercial banks function of issuing new non-cash money for public circulation. In doing so they will act in accordance with published policy objectives and be accountable for their performance, but they will have a high degree of independence. In democratic societies the objectives of monetary policy, as of other public policies, must be decided and implemented in a democratically accountable way. But political ministers and their officials should play no part in deciding how much new money should be created to meet those objectives. That should be decided at regular intervals by the central bank operating independently as the national (or Euro area) monetary authority.

Finally, some monetary reform advocates believe that central banks are too much embedded in the current system to be able to bring about the needed reforms, and that new institutions need to take on that role. There are a number of promising initiatives in existence that provide a form of government-issued debt-free money, and a suggested means to achieve the transition from the existing money system to a debt-free one In the Netherlands, the Onsgeld campaign, which is a member of the International Movement for Monetary Reform, has been promoting an idea called 'safe haven banking'.[19] Essentially this would entail enabling ordinary people to put money in a publicly-managed and government-owned account, and then gradually removing the protections and privileges that private banks enjoy at present, over a period of a decade or so. The effect of this would be that debt-based, privately-issued money would gradually be replaced with publicly-issued, debt-free money.

Unlike the Vollgeld campaign in Switzerland in 2018 which was promoting something fairly similar but which only got 25% of the vote in a referendum,[20] Onsgeld's idea has garnered a lot of political support, with a 100% vote in favour of it in the Dutch parliament (although the Minster for Finance is against it).

16. The role of the European Central Bank

Robertson & Huber further propose that in the Eurozone the European Central Bank (ECB) could make the payments of debt free money it issues into the accounts which it manages for the national governments of member states. They suggest that the ECB could distribute the total between member states in proportion to their national population, or in proportion to their national Gross Domestic Product (GDP), or according to a mixture of the two – this third possibility reflecting the formula that governs the proportions in which the share capital of the ECB is held by each national central bank.1 The basis for distribution could be decided

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[19] https://internationalmoneyreform.org/news/2019/07/public-depository-safe-haven-and-level-playing-field-for-book-money/

[20] http://www.24hgold.com/english/news-company-gold-silver-sovereign-money-referendum-a-swiss-awakening-to-fractional-reserve-banking-.aspx?articleid=2667276

by member states and the ECB as part of their decision to create new money debt-free as public revenue.

Decisions about how to use this revenue would l be for governments to take, according to their political principles. Left-of-centre governments are likely to prefer increases in public spending, whereas right-of-centre governments will tend to prefer tax reductions.

17. The amount of money in circulation and avoiding inflation

Robertson & Huber explain that after seigniorage reform, the official money in circulation in a national economy will all have been issued by its central bank. It will include all the non-cash money in the current accounts managed for people and organisations by banks and in those managed by the central bank for the banks and the government, together with the cash held by everyone. It will be easy to calculate how much of it there is. It will no longer be necessary to juggle with confusing aggregates called M0, M1, M2, M3, M3 extended, M4, and so on. There will be simply the one amount of plain money M. Everyone – and that includes politicians, officials, bankers and monetary experts, as well as a growing number of citizens, bank customers and taxpayers – will understand much better than today how the system works. As befits the citizens of a democracy, they will be better able to evaluate and discuss the monetary and financial policies and policy options presented to them

As concerns about inflation inevitably arise in the context of monetary reforms being proposed, Robertson and Huber also tackle this issue head on:

> "*The amount of new money created as a source of public revenue will have to be effectively controlled. Increases in the quantity of money in circulation will have to accord strictly and clearly with the amounts judged necessary to meet the objectives of monetary policy. At present the main objective of monetary policy is to keep inflation under control. It will therefore be essential to guard, and be seen to guard, against the risk of contributing to inflation by creating too much money. The solution is, in fact, straightforward. In order to insulate politicians from pressures to create too much new money, the amount to be created should be decided at regular intervals by a monetary authority with a high degree of independence. In the UK the natural candidate for the task will be the Bank of England's Monetary Policy Committee. In the Euro area it will be the European Central Bank; in the USA the Federal Reserve System; and in Japan the Bank of Japan. These bodies are now responsible for regulating the creation of new money by the commercial banks*. [21]

Later on in the publication the authors once again emphasise the key role that central banks will continue to play in controlling inflation even after monetary reforms are implemented:

> " *A central bank will find it easier, not more difficult to control inflation if it has the responsibility and power to decide how much new money to create at regular inter-*

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[21] See previous footnote

vals, rather than having to rely on variations in interest rates as its instrument of control. Moreover, as the present Governor of the Bank of England has stressed, monetary control in its present form "is a kind of art, not a science; itis an art which can be more or less carefully crafted but an art it is,nevertheless".4 There appears no reason why central monetary authorities should be unable to develop the carefully crafted art needed to decide what regular increases should be made to the quantity of money in circulation".

And a final contribution on this issue by the authors:
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"*In democratic societies the objectives of monetary policy, as of other public policies, must be decided and implemented in a democratically accountable way. But it should be emphasised again that political ministers and their officials should play no part in deciding how much new money should be created to meet those objectives. That should be decided at regular intervals by the central bank operating independently as the national (or Euro area) monetary authority*.

18 The IMF Chicago Plan

Another variation on Huber and Robertson's proposals for monetary reform is the Chicago plan which was a collection of banking reforms suggested by University of Chicago economists in the wake of the Great Depression. However, at that time, the suggested reforms, such as the abolition of the fractional reserve system and imposition of 100% reserves on demand deposits, were shelved and replaced by less drastic measures. The US Banking Act of 1935 institutionalized federal deposit insurance and the separation of commercial and investment banking. It successfully restored the public's confidence in the banking system and ended discussion of banking reform. The proposals were revisited by two IMF officials in a paper they published in 2012.[22] These proposals have been reviewed by other commentators, https://positivemoney.org/2012/08/imf-working-paper-offers-supports-full-reserve-banking/ and could also be included as part of any European discussions on a broad programme of monetary reform.

19. Challenging myths of money scarcity

.A particular school of monetary reformists – known as Modern Monetary Theorists- have questioned fundamental assumptions of contemporary economics.[23] The first of these assumptions is that governments must collect revenue (*eg through taxation*) before they can spend it, The second assumption challenged is that governments must maintain a strict discipline of "balancing their books" including the need to implement austerity policies when national accounts are in deficit. Modern Monetary Theorists argue that where a fiat currency

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22 https://www.imf.org/external/pubs/ft/wp/2012/wp12202.pdf

23 everything.explained.today/Modern_Monetary_Theory/

exists (ie a currency in which taxes must be paid), central banks can issue as much of that currency as deemed appropriate into circulation. They argue that governments can subsequently use fiscal policy to control the overall amount of money in circulation. This amounts to a "Spend & Tax" rather than a "Tax & Spend" approach.

Economist co-authored Stephanie Kelton, who is a leading proponent of Modern Monetary Policy, makes another interesting point-: she argues that natural resources, including a stable, livable climate, are limited resources, whereas money – following the abandonment of the gold standard – is really just a legal and social tool that should be marshaled to provide for sustainable public policies.[24] Kelton's observation is a particularly important one, as today's dominant economic model today gives us to understand that the supply of money is scarce and that despite the accelerating climate emergency we face, the international community cannot afford to tackle its root causes and mitigate its impacts – at least not without stimulating very high levels of economic growth and/or by borrowing and creating a massive debt burden that would cripple future generations.

20. The need for flexibility in monetary policy for implementing a Green New Deal

Where the implementation of a Green New Deal in the US is concerned, Kelton argues that the key to success is garnering enough political and public support for the concept rather than becoming fixated on specific "pay-fors". Although the non-specific nature of current GND proposals has become a concern for some commentators, others view the lack of specificity as a strength, noting that: "FDR's New Deal was a series of improvisations in response to specific problems that were stalling economic development. They claim that with the original New Deal there was no master plan, many ideas failed, and some were ended after a period of experimentation. But some, like social security and the Security and Exchange Commission's regulation of the stock market, became permanent American institutions."[25] Therefore, it is obvious that if a comprehensive European Green New Deal is to be successfully implemented by the EU, the European Central Bank will need to have sufficient monetary "firepower" to ensure that it can respond in a timely and flexible way to the needs that arise during the implementation of a European Green New Deal by issuing sufficient amounts of debt free money into circulation.

21. Seigniorage Reform at the International Level

Robertson & Huber also claim that any model of "seigniorage" reform at national level could be relevant to international monetary reform.[26] They point to the pressure that is likely to grow for the development of global arrangements to meet the monetary needs of a globalised

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[24] See https://www.cnbc.com/video/2019/03/01/stephanie-kelton-explains-modern-monetary-theory.html

[25] Steve Cohen "The Politics of a Green New Deal" , https://blogs.ei.columbia.edu/2019/01/14/politics-green-new-deal/

[26] See footnote 15 above.

economy. They refer to the independent international Commission on Global Governance's report, which states that "the IMF's reserve currency – Special Drawing Rights (SDRs) – currently accounts for only a very minor part of world liquidity".[27] The Commission suggested that the effectiveness and credibility of the IMF "would be enhanced by increasing the issue of SDRs. A growing world economy requires constant enlargement of international liquidity".[28] Among the weaknesses identified by that Commission Report in the current international monetary system are the following[29]:

- "the underlying asymmetry between countries that can maintain adequate liquidity (or solvency) only by borrowing from the IMF –since they have lost, or never gained, access to private capital markets – and countries that have no need of Fund financing";
- the United States' "unique luxury of being able to borrow in its own currency abroad and then devalue its repayment obligations"; and
- the fact that "the international monetary system's dependence on private capital markets exposes it to the risk of a collapse of confidence in the system as a whole".If and when the time comes to make arrangements for the more regular enlargement of international liquidity, SDRs might develop into a kind of global quasi-currency to meet that need. Initially it might supplement the US dollar and other national currencies in their global role. As time passed, it might increasingly replace them in that role .One possibility might be that, following the model of seigniorage reform, money denominated in SDRs would be issued – perhaps by a new international agency combining some of the functions of the IMF.

The authors also suggest that the Bank for International Settlements could deposit funds into an operational account which it would hold for the United Nations. The UN would spend this money into circulation, partly as a contribution to financing its own operations, and partly – perhaps – as a distribution (based on the size of national populations) to national governments. They suggest that this new international agency, which might in due course come to be regarded as an embryonic world central bank, would have to combine accountability with a high degree of independence in its decisions about how much new international liquidity to create. It might perhaps agree the broad terms of its mission with a UN policy-making body accountable to member governments, as a published framework within which to carry out its responsibility for global monetary policy. It might report and be accountable for its performance either to that UN body or to another, such as a committee of the General Assembly.

This is a fascinating area of study. Given the growing political attention around the world being paid to the challenge of decarbonising the global economy and the possible creation of a global carbon market, it is entirely reasonable to assume that the enlargement of international liquidity will become a priority for governments and international institutions. Any efforts to do so should certainly include seniorage reform so that the value of the new global quasi cur-

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[27] Robertson and Huber cite The Commission on Global Governance Report, 1995: 180-188

[28] See previous footnote.

[29] http://clclibrary-org.tripod.com/cgg2.html

rency can be captured as public revenue and used to fund global public goods such as a stable climate, a global basic income etc.

23- Local and regional currencies

Robertson & Huber also address the issue of local and regional currencies as part of a programme of monetary reform. They explain that the development of alternative community currencies can sometimes be seen as temporary self-help initiatives in response to times of economic crisis, as in the 1930s and at present, when increasing numbers of people are unable to earn enough national money to support exchanges of goods and services among themselves in their own localities. They also present an alternative viewpoint which holds that in a globalised economy, there will be a permanent need for community currencies and other local currencies, which should therefore be encouraged. Sizeable nations and multinational currency unions are bound to contain areas that will suffer from the one-size-fits all monetary policy that goes with a single currency. The authors also explain that there is no need to object to private sector special-purpose currencies like *Wir* or voucher/quasi-currencies like Air Miles. They also state the opinion that even proprietary currencies issued into general circulation by commercial banks as proposed by Hayek might not necessarily have to be ruled out on principle, if there were a demand for them, if their users were informed of their risks, if it were clear that their value was not guaranteed by the state, and if they were subject to fair trading regulations.

The authors also emphasise the fact that alternative or complementary currencies will not reduce the ability of governments to control the amount of purchasing power in the economy. They insist that official currencies like the dollar, the euro, the pound and the yen will continue to play a dominant role in economic life for many years to come. In summary, policy measures and funding instruments to stimulate the development of local and regional currencies should be part of an overall programme of monetary reform and included in the implementation of a European Green New Deal. The primary aim of stimulating local and regional currencies should be to create diverse and more resilient monetary ecosystems within Europe and in other parts of the world. These authors have not commented on controversial proposals such as the proposed Facebook-owned international currency, the Libra, which does appear to have the potential to pose a threat to national currencies. Monetary reform activists such as Positive Money UK argue that in light of declining cash use and the likely introduction of Facebook's Libra currency, private interests may soon oversee all money generation. This raises many public concerns including privacy concerns.

24. The role of Public Banks in the transition to sustainability

Public banking is banking operated in the public interest, through institutions owned by the people through their representative governments.[30] Public banks can exist at all levels, from local to state to national or even international. Any governmental body which can meet local banking requirements may, theoretically, create such a financial institution. Public banks are

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[30] For the Irish Public Banking Forum, see http://republicirelandbank.com/

owned by the people of a state, city, community, or nation;, serve as the depository for local government funds (city or state taxes, fees, etc, are required to benefit the public by serving local community needs; and can save state and local governments millions or even billions of dollars, by cutting out middlemen and private shareholders, eliminating fees, and financing projects at lower interest rates;

Advocates of public banking point to the fact that: our current privatized monetary system redistributes wealth from the large majority to a small minority via interest**.** According to some commentator interest now composes 25%-40% of everything we buy (50% for government projects).They point out that It is Wall St. and the financial services industry that take this large cut. As Glen Edens, former HP executive, states: "a strong financial services industry is simply not good for society. Wall Street does not improve productivity, the model is parasitic, transferring huge resources out of the system…".[31] If the government owned the banks, the interest would return back to the people, thus providing for a more equitable and sustainable system.

US economist and well-known public bank advocate Ellen Brown says

> "*A government that owns its own bank can keep the interest and reinvest it locally, resulting in potential public savings of 35 percent to 40 percent. Costs can be reduced across the board; taxes can be cut or services increased; and market stability can be created for governments, borrowers and consumers. Banking and credit become public utilities, sustaining the economy rather than mining it for private gain. And banks again become safe places to store our monies, both our public revenues and our private savings".* [32]

Advocates of public banks argue that the current private banking system has presided over the greatest concentration of wealth in human history, while the vast majority of ordinary people have endured stagnant wages, declining wealth, and recurring recessions. In contrast, Public Banks empower small businesses, students, homeowners, city and state governments, and community banks to prosper and thrive by banking for the common good over the long term, and making low-cost credit available where it is needed in the real economy

Public banking is distinguished from private banking in that its mandate begins with the public's interest. Privately-owned banks, by contrast, have shareholders who generally seek short-term profits as their highest priority. Public banks are able to reduce taxes within their jurisdictions, because their profits are returned to the general fund of the public entity. The costs of public projects undertaken by governmental bodies are also greatly reduced, because public banks do not need to charge interest to themselves. Eliminating interest has been shown to reduce the cost of such projects, on average, by 50%Public banks can be the financial engine that lowers interest rates for local small business loans, allows for local control of our how taxes are spent, promotes investment in local communities, and provides ethical and transparent financial institutions to manage public funds..

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[31] https://www.publicbankinginstitute.org/the-problem-of-interest/

[32] See previous footnote.

Prominent among current public banking models are the Bank of North Dakota, the German public bank system, and many nations' postal bank systems. According to OECD studies, the German public banking system controls 40% of total banking assets in Germany.[33] According to the Association of German Public Banks (VOB), the total assets of public banks in Germany at the end of 2016 was 2,900 billion euros, and German public banks have 75,000 employees. The *Landesbanken* in Germany are a group of state-owned banks primarily engaging in wholesale banking. *Sparkassen* are public savings banks operated with a mandate of public service and local development.[34] Anyone can open a personal account in a *Sparkassen* bank, and they provide loans for small businesses and home buyers. Sparkasse executive vice president Wolfram Morales has pointed out that public banks played a major role in Germany's transition from centralized fossil fuel energy to diverse renewables, and that Germany's Sparkassen banks have been significant contributors to the renewables transition.[35]

Countries can vary considerably in the extent to which public banks are supported by the government. For example, Ireland provides very little support to public or community banks. (Credit unions, which are community-oriented, do exist in Ireland, but they are subject to many restrictions and are heavily dependent on the bigger banks). Ireland is dominated by a handful of big commercial banks, as is the UK.

Through public banks it should also be possible to lessen (though perhaps not completely eliminate) the role played by debt in financing community or local projects. The JAK banks in Scandinavia are an interesting example of this as they've been issuing debt-free loans for some time now. Public Banks will have an important role to play in the transition to a more sustainable future and should be part of any broader monetary reform programme linked to the implementation of a Green New Deal.

The 2015 Addis Ababa Financing for Development Action Agenda noted that public banks should have an important role in achieving the new Sustainable Development Goals. Increasingly, major international financial institutions are recognising the positive and catalytic role public banks can serve in the coming low carbon climate resilient transition. Further, international NGOs and critical scholars argue that public banks can play a significant role in financing a just and equitable energy transition.

25. Introducing a Guaranteed Basic Income for All

I would like to say a lot more about a European Green New Deal and how its successful implementation will be contingent upon political willingness to consider fundamental reforms to our monetary and banking systems. However, I am severely limited by time so can only address one other issue before I finish and that is the opportunity that will present itself l for

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[33] See https://www.oecd-ilibrary.org/economics/the-german-banking-system-lessons-from-the-financial-crisis_5kmbm80pjkd6-en

[34] See "The German Sparkassen" https://www.civitas.org.uk/content/files/SimpsonSparkassen.pdf

[35] Steve Pleich "Why I Support Public Banking" https://www.indybay.org/newsitems/2018/01/22/18806134.php

central banks to issue money to finance a Guaranteed Basic Income for all as part of the overall implementation of a Green New Deal. I very much agree with Anne Ryan of FEASTA when she says that "any design for a strongly sustainable, satisfying, sane, humane and ecological future, basic income is an integral part".[36]

What is an unconditional Basic income? It is a regular and unconditional direct money payment, distributed by the state to every member of society, whether they engage in paid work or not. Basic income is always tax-free, and it replaces tax credits, some core social welfare payments, child benefit and the state pension as we currently know them. Other state services are unaffected by basic income and nobody currently in receipt of social welfare payments would receive less than they do at present. Basic income also extends to all those who currently receive no income from the state. A basic income is set at a rate sufficient for each person to have a frugal but decent lifestyle without supplementary income from other sources. Because basic income is a universal payment, that is, it is paid to everyone, it reaches people in need without complicated conditions, means-testing or undignified and time-consuming application processes. People with special needs are eligible for top-up payments and a higher rate of basic income is paid to people of pension age. People with already high incomes get basic income too but they pay it back through the tax system. Basic income establishes basic financial security as a right to all members of society, whether they engage in paid work or

Basic income would increase everybody's capacity to cope with financial shocks and uncertainties and would improve general quality of life, while supporting many different kinds of socially and environmentally useful work, with or without pay. It weakens the link between work and money and in this lies much of its transformative potential, because it frees up people to do work that is of direct benefit to people and to society in general and it also gives people some element of choice in rejecting jobs that are harmful to society and environment.

It is increasingly recognised that humanity now stands on the cusp of an era of massive automation and the replacement of human labour by machines and automated processes on a vast scale, Basic income will certainly play an important role in a future where much less of our time is spent in paid employment. In conclusion, Basic income is not a panacea; it is one part of a progressive politics. Nevertheless, it provides the necessary floor of support for people working towards larger changes. It supports their right to do useful and necessary work and to avoid harmful work. People with already high incomes get basic income too but they pay it back through the tax system. Basic income establishes basic financial security as a right to all members of society, whether they engage in paid work or not Thinking even more ambitiously, a global basic income could help to create viable livelihoods in the Global South and support appropriate economic development there, alleviating migration flows to some extent.

How can basic income be funded? It could be funded right now from current tax revenues in Ireland and most rich countries, but political will is absent so far. However, there is also a need to work within Europe and globally towards creating more stable and ecologically and socially sound sources of revenue for basic incomes. A global Green New Deal involving monetary and banking reforms could conceivably support a truly universal basic income to become a reality.

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36 See footnote 9 above.

Conclusion

I will finish with a very apt quote from Machiavelli's the Prince which is highly relevant to any public or civil society campaign to promote a steady state economy and a range of necessary monetary & banking reforms as part of any Green New Deal that is to be implemented: :

> *"*There is nothing more difficult to execute, nor more dubious of success, nor more dangerous to administer, than to introduce a new order of things; for he who introduces it has all those who profit from the old order as his enemies, and he has only lukewarm allies in those who might profit from the new. This lukewarmness partly stems from fear of their adversaries, and partly from the scepticism of men, who do not truly believe in new things unless they have actually had a personal experience of them.*"*[37]

To conclude, civil society will need to be very proactive in advocating at national and EU levels to ensure that the development of the EU's Green New Deal will be comprehensive in scope and that it will include the monetary and banking reforms necessary to promote a real transition towards a much more socially fair and environmentally sustainable future for all.

[37] Niccolo Machiavelli, *The Prince*, 1515