

Saving the planet from climate change by simplifying money

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Leading Australian [economists](#)¹ wanting a review of the Reserve Bank of Australia have ignored fundamental questions. These are: do central banks do more harm than good, and is the nature of modern money best fit for the purpose in providing a medium of exchange that does the least harm?

Both these questions will be discussed at a London based free online Round Table on July 7th hosted by the [Financial Services Club](#)². The discussion is being chaired by Alderman Professor Michael Mainelli who last year was a Sheriff of London. Included in the discussion are two former advisors to the Bank of England, Emeritus Professors [Charles Goodhart](#) and [Willem Buiter](#). The other speakers are Professor [Andrew Hilton](#), the founding director of the [Institute](#) for the Study of Financial Innovations, and me.

The Financial Services Club has posted my article "[Correcting Central Bank Failures](#)" to provide a context for the discussion, and for the audience to raise questions at the Round Table.

The question if the nature of money creates more harm than good was answered by Lord Stern in his 2006 report to the UK government. He concluded that Climate Change is "The biggest market failure the world has ever seen".³ This failure could be removed by a simplified form of "ecological" money⁴.

As envisaged by Keynes⁵, ecological money would *only* be a medium of exchange. It would not also be used as a store value because its negative interest makes the currency self-terminating like all forms of life⁶. Ecological money would be further simplified as it not being a unit of account. Its value would be defined be a Sustainability Index (SI). Without eternal sustainability of humanity economic value becomes meaningless⁷.

Negative interest self-terminating "Stamp Scrip" was privately issued by thousands of communities in North America and Europe during the Great Depression⁸. It has privately emerged again in Europe since 2003⁹.

Ecological money would remove the need for carbon taxing and/or trading to counter climate change. In addition, the cost of the financial system would be reduced. A century ago, the cost was less than 5% of GDP and now it is more than 20% of GDP. This is more than welfare payments in OECD countries. This indicates the potential for substantial cost savings and reduced inequality.

Inequality would be significantly reduced as poor home buyers pay more interest as the rich do not need to borrow. A simplified currency would introduce stability of a SI. With less uncertainty, trade and investment would flourish.

Market failure has arisen because the price of money is not pegged or defined to anything real. The International Accounting Standards Board has no definition for economic value¹⁰. Instead, economic value has become a toxic self-referential belief system subject to irrational volatile markets and even Presidential tweets. This has allowed crypto tokens to emerge as fake money. Instead of countering market failure by introducing ecological money Central Banks are proposing to [digitise](#) toxic money¹¹.

In discussing Bitcoin, the co-inventor of the block chain, Dr Scott Stornetta raised the question: "is it simply an internet version of the Dutch tulip craze, an emotional bubble to be avoided at all costs?"¹² Stornetta was cited three times in the eight references Satoshi Nakamoto included in his 2009 paper that introduced Bitcoins¹³. Stornetta, in turn, cited your author before they met during his visit to Australia in April 2018¹⁴.

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The price signals created by Central Bank money has no basis to recognise the environmental costs of burning carbon, nor the toxic degradation of the atmosphere, soils, oceans, and biodiversity. Toxic money also fails to allocate resources to promote democratically controlled and locally owned resilient circular economies. Nor can toxic money provide incentives to nurture non-renewable resources to sustain humanity for eternity¹⁵. Humanity is sleepwalking into a market driven oblivion.

Central Banks have failed to maintain financial system or price stability¹⁶. The US Federal Reserve System has dramatically failed three times that resulted in government interventions in 1932¹⁷, 1933¹⁸ and 2008¹⁹. *The Economist* cover story on 23rd April this year was “[The Fed that Failed](#)”. In 2019, [Mervyn King](#), the former Governor of the Bank of England stated: “The world economy is sleepwalking into a new financial crisis”²⁰.

Neither Central Banks nor their toxic forms of Climate change creating money are required to solve the problems they have created²¹. [King](#) made the following statements in 1999: “Will central banks exist at all? (p.1)” “Will future historians look back on central banks as a phenomenon largely of the twentieth century? (p. 25)” “Electronic transactions in real time hold out that possibility. There is no reason, in principle, why final settlements could not be carried out by the private sector without the need for clearing through the central bank. (p.26)” “Financial assets and real goods and services would be priced in terms of a unit of account. The choice of a unit of account (perhaps a commodity standard, which would produce broad stability in the price level) would be a matter for public choice and regulation, along the lines of existing weights and measures inspectors”. (p.26) “The successors to Bill Gates would have put the successors to Alan Greenspan out of business.” (p.27)²².

Establishing a stable index to tether the price for a medium of exchange would introduce highly democratic decentralised banking. Anyone could create self-liquidating ecological forms of money as and when required as a medium of exchange.

Money would become simplified like weights and measures. Savings and investments would require securities providing claims to definable property rights. This would massively shrink the financialization of the economy that inflates global financial assets who values cannot be defined or even represented by claims to any real property rights.

Trade and investments in circular self-reliant richly diverse wellbeing bioregional economies could thrive for eternity. Competition for survival in locally owned and controlled local bioregional communities would enrich democracy, the environment and human wellbeing. The concept of economic value would become redundant as it is for self-governing living things.

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¹ Economic Society of Australia online panel discussion: “Independent review of the RBA”, 10th May 2022, at: <https://www.youtube.com/watch?v=SW4FPCG7Ft0> and Opinion article: “The RBA’s failings are legion. It needs a truly independent review”, Andrew Mohl, 2022, *The Australian Financial Review*, p. 51 Thursday 9th June, <https://www.youtube.com/watch?v=SW4FPCG7Ft0>

² <https://fsclub.zyen.com/events/all-events/how-should-central-bank-conflicts-be-managed/>

³ Lord Stern 2006, *The Stern Review: The economics of climate change*, HM Treasury, Cabinet Office, https://webarchive.nationalarchives.gov.uk/ukgwa/+http://www.hm-treasury.gov.uk/sternreview_index.htm

⁴ Turnbull, S. 2016, Terminating currency options for distressed economies, *Athens Journal of Social Science*, 3(3): 195—214, <http://www.athensjournals.gr/social/2016-3-3-3-Turnbull.pdf>

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