



Avoiding financial and climate meltdown

Recent months have seen the chilling failure of current global governance methods. The so-called Development Round of the World Trade Organisation negotiations ended in failure. The 'credit crunch' - resulting from the excesses of a poorly-regulated financial sector - has brought the global financial system to the verge of collapse, ironically prompting the UK Prime Minister, Gordon Brown, to declare: "Global problems require global solutions". And a coalition of campaigning organisations has declared that there are 100 months before the world climate tips into positive feedback cycles that will be catastrophic - if action is not taken. A claim for dramatic effect, but with a science base.

Solutions to these and other global problems have already been proposed for inclusion in the Simultaneous Policy. Voting on them is running until the 1 November. Top ideas are given space in this newsletter. Last year one of the top three was for an **International Clearing Union**, along the lines proposed by John Maynard Keynes and more recently by writers George Monbiot and Susan George. This was put forward by Adopter David Smith. Here we reproduce an article by Susan George, a longer version of which first appeared in *Le Monde*. Susan George said, as far as the Simultaneous Policy is concerned, the proposals provide: "one base from which we can work to make new rules for international commerce."

Climate Change was the top issue for Adopters last year. There are various proposals that address this directly (e.g. Contraction and Convergence) and indirectly (e.g. Disarmament policies - see the Spring 2008 policy supplement 'Turning Weapons into Windmills') Inside, the 100 months campaign explains why they believe action is so urgent.

Top ten issues - voted by SP Adopters

1. Climate change
2. Environment
3. The power of transnational corporations
4. Conflict resolution
5. The system of international trade
6. Human Rights
7. International financial markets and other financial issues
8. Disarmament
9. Governance (global and national)
10. Understanding between peoples

Informing the debate on policy suggestions:

Susan George on the International Clearing Union



The Doha agenda, launched at the World Trade Organisation (WTO) ministerial meeting in the Qatari capital in 2001, has collapsed, and a good thing too. The round was destined to benefit the largest farmers, to destroy nascent or fragile industries throughout the South

and to open public services everywhere to corporate takeover through the General Agreement on Trade in Services (GATS).

The failure of the round causes many people to ask: "What should we put in the place of Doha?" You could respond that this is like asking "What should we put in the place of cancer?", the instinctive answer to which is "nothing"; however in the case of trade it would be unwise to answer so. The absence of cancer is to be

International Clearing Union: 63% support in 2007 vote

Proposer: David Smith

Summary: This proposal was made by John Maynard Keynes in 1942 and was featured in George Monbiot's book: 'Age of Consent'. The object is to provide a mechanism to ensure every nation maintains what Monbiot calls a 'balance of trade', but is more correctly called a balance of payments. Experience has shown that once a small to medium nation gets seriously into deficit it can never climb out. Also the mad scramble to try to run a surplus encourages destructive trade. Keynes' key innovation was to give creditor nations an incentive to come back into balance as well as debtor nations. The US was determined to run a surplus after the second world war, and so Keynes' proposal was rejected at Bretton Woods.

desired but the absence of an international trade regime just leaves the field open to bilateral and multilateral deals which are always even more invasive and dangerous for weaker partners than is the WTO.

Susan George - Political Scientist. Photo: Raimond Spekking/Wikipedia http://commons.wikimedia.org/wiki/Image:Susan_George_(political_scientist)_-_Kirchentag_Cologne_2007.jpg

Rather than allowing the usual suspects – the most powerful governments following the lead of their transnational corporations – to chart the future of trade relations, it is time to return to the era after the second world war when there was a major restructuring of international relations. Even the World Bank and the International Monetary Fund were welcome institutions then and for a while played a useful role in the South as well as in the war-devastated North: only in the past 25 years did they change their missions drastically.

The economist John Maynard Keynes came to the postwar table with an innovative project for the future of world trade, which he called the International Trade Organisation (ITO), supported by an international central bank, the International Clearing Union (ICU). The ICU was meant to issue a world currency for trade, the *bancor*. Why the ITO and the ICU never materialised, and what would have changed if they had, forms a sobering story from which we can learn. It tells us that, in a rational world, it would be possible to construct a trading system serving the needs of people in both North and South.

With an ITO and an ICU, we could have had a world order in which no country could run a huge trade deficit (the United States deficit stood at \$716bn in 2005) or the huge trade surplus of contemporary China. Under such a system, crushing third world debt and the devastating structural adjustment policies applied by the World Bank and the IMF would have been unthinkable, although the system would not have abolished capitalism. If we could resurrect Keynes's concept, another world really might be possible: he figured out how to make it work more than 60 years ago. His plan would have to be dusted off and tinkered with, but its core remains relevant.

The International Clearing Union proposal

These attempts to establish a new order for trade were undertaken in the context of a world still struggling to emerge from the ruins of war. Nobody except the US had any money. The Marshall Plan was one part charity to nine parts self-interest – the best way to kick-start trade between the US and Europe – otherwise the US would have been doomed to produce more than it could consume and would have had no one to whom it could sell its products.

In these circumstances, how could everyone get off their knees and begin to produce and trade again? Keynes formulated his solution in the early 1940s. Since the war was partly the result of beggar-my-neighbour trade policies, with everyone engaging in cut-throat competition for the same markets, he wanted to make sure no one could hog all the markets and accumulate huge trade surpluses. His solution was the ICU, a new central bank of central banks, which would issue the *bancor* currency to be used for trade.

Under this system, exports earned *bancors* and imports spent them. The point was to keep the two in balance so that at the end of the year a country's accounts with the ICU would be neither in surplus nor in deficit but "cleared" – close to zero. Every country's currency would be assigned a fixed but adjustable exchange rate relative to the *bancor*. Keynes's original thinking perceived that nations with too many *bancors* would disrupt the system just as much as those with too few – that creditors were just as dangerous to stability and prosperity as debtors.

How could countries be forced to conform and maintain a near-zero balance? The method was ingenious. The ICU, in its role as central bank and issuer of *bancors*, would allow each country an overdraft facility, just as ordinary banks do for customers. The authorised overdraft would equal half the average value of the country's trade over the preceding five years. Any country exceeding its overdraft would be charged interest on the difference. Debtors would be charged on their deficits, but the real novelty was that creditors – countries with trade surpluses – would be charged interest on their surpluses. The greater the deficit or surplus, the higher would be the interest rate.

Countries in deficit would be obliged to devalue their currencies to make their exports cheaper and more attractive. Countries in surplus would have to revalue their currencies to make their exports more expensive and less attractive. If a trade-surplus country did not reduce its surplus, the ICU would confiscate everything above the allowed overdraft amount and put it in a reserve fund. Keynes wanted to use this fund to finance a global police force, disaster relief and other measures of interest to all members.

A neat arrangement

It was a neat arrangement. To avoid paying interest or submit to outright confiscation; countries in surplus would race to buy more exports from those in deficit. Those in deficit could sell more and would find it easier to return to equilibrium. Everyone would benefit. Trade would expand, the world would be more prosperous and peaceful, underdeveloped countries would have more funds to invest in development, and it would be impossible to accumulate the debts they have today.

As we know, Keynes did not prevail and the postwar vision was never realised. The World Bank and the IMF have wreaked havoc through their structural adjustment policies, third world debts can never be repaid, and Wall Street now decides the policies of democratically elected governments (as can be attested by Brazil's president, Luiz "Lula" Inácio da Silva, along with many other leaders of indebted countries). World trade rules do not benefit the poorer members of the WTO and the rich ones have grown more selfish as they have become richer.

In these circumstances, how could the global justice movement help to make fair trade a reality, since the WTO and its disastrous rules already exist? The writer George Monbiot believes that the South could use its \$26,000 billion of debt as a "nuclear threat" against the world financial system unless it consents to establish an ICU. The South could begin by creating its own, smaller clearing union: perhaps Latin America could launch such a plan. Perhaps a new government in France could put it on the agenda; stranger things have happened. But it is important to realise that we need not reinvent the trade wheel: Keynes did all the work 60 years ago.

NOTE: The full text of this article, originally entitled *Alternative finances: The World Trade Organisation we could have had* and published in *Le Monde*, 2007, also includes a discussion of Keynes' International Trade Organisation proposal (not yet submitted by any Adopter for inclusion). This can be found at: <http://tinyurl.com/45nqnk>

Guest article on an issue with substantial Adopter support: From the 100-months campaign: "100 months to climate 'tipping point': and what we should do about it"

Climate change has been voted as the top global issue that Simultaneous Policy Adopters wish to see addressed. The 100-month campaign suggests there is pressing need for progress in this area.

100 months to climate change 'tipping point'

If you shout "fire" in a crowded theatre when there is none, you accept that you might be arrested for irresponsible behaviour and disturbing the peace. On 1 August 2008, we shouted "fire" (using advertisements with messages such as this shown on the right), because, given the information we had, it was the only responsible thing we could do, and the result has been astonishing,

We shouted fire because, new, and conservative calculations by nef's (the new economics foundation) climate change and energy programme, found that 100 months from the beginning of August 2008, we could reach a concentration in the atmosphere where it becomes likely that we will reach a global temperature change that may result in a cascade of irreversible changes in the climate system - commonly referred to as runaway climate change. But, even just before that point, there is still a one third chance of crossing the line. In short, and based on a cautious range of estimates, perhaps too optimistic in some respects, we have 100 months. If we are lucky.

Having come to that conclusion, the only responsible thing to do was to tell people about it. As many people as possible. And, when we did the only responsible thing we could do and shouted "fire", people responded. In the first month, over 150,000 people from more than 130 countries signed up to take action each month, for the next 100 months, or were asked to do so by their friends.

From the Women's Institute in the UK to the Green Belt movement in Kenya and beyond, over 60 groups have already signed up to campaign for accelerated action over the next 100 months. Our call also came to the attention of one of the world's most important figures on climate change, the Nobel Prize-winning chairman of the Intergovernmental Panel on Climate Change, R K Pachauri. He wrote to us commenting that: *"It speaks highly of the effectiveness of this effort that so many people have signed themselves up for regular monthly campaigns over the next 100 months. This is most heartening, and it is efforts such as these that can make a difference to stabilize the earth's climate and in moving human society on the path of sustainable development."*

Why 100 months?

So, how exactly did we arrive at the ticking clock of 100 months? We combined current greenhouse gas concentrations with the best estimates for the rates at



which emissions are growing, the maximum concentration of greenhouse gases allowable to forestall potentially irreversible changes to the climate system, and the effect of so-called 'positive' carbon feedbacks. We followed the latest data and trends for carbon dioxide, and made allowances for all human interferences that influence temperatures, both those with warming and cooling effects to arrive at a concentration of carbon dioxide equivalent (CO_{2e}).

We followed the judgments of the mainstream climate science community, on what it will take to retain a good chance of not crossing the critical threshold of the Earth's average surface temperature rising by 2°C above pre-industrial levels. We were cautious in several ways, optimistic in some, and perhaps too much so. But the result is worrying enough. Although, rather than being a counsel of despair, as Dr Pachauri recognised, it tells us that everything we do from now matters. And, possibly more so than at any other time in recent history.

Governments need to wake up

It tells us, for example, that only a government asleep at the wheel would countenance a new generation of coal-fired power stations such as the proposed new plant at Kingsnorth in Kent in the UK. With the clock ticking, falling asleep at the wheel has serious long-term consequences. Infrastructure that is fossil-fuel-dependent locks in patterns of future greenhouse gas emissions, radically reducing our ability to make the short- to medium-term cuts that are necessary.

Deflecting blame and responsibility is a great skill of officialdom. The most common strategies used by government recently have been wringing their hands and blaming China's rising emissions, and telling individuals to, well, be a bit more careful. On the first get-out, it is

delusory to think that countries such as China, India and Brazil will fundamentally change until wealthy countries such as Britain, overwhelmingly responsible for the emissions that have caused the problem take a lead. It is also wildly unrealistic to think that individuals alone can re-engineer the nation's fossil-fuel-dependent energy, food and transport systems. The government must lead.

What can government do to turn things around? As we stare the fallout from the credit crisis, high oil and rising food prices, and the massive added challenge of having to avert climate change in the face, there is not even the whimper of a plan from government. While government has sleepwalked into a crisis, others have been more vigilant. Meeting since early 2007, the Green New Deal Group - a group of finance, energy and environmental specialists - launched their first report in July 2008. Taking inspiration from President Roosevelt's famous 100-day programme implementing his New Deal in the face of the dust bowls and depression, they propose a Green New Deal to meet the greatest challenge we have faced in living memory, possibly in history.

The Green New Deal

Addressed at the triple crunch of the credit crisis, high oil prices and global warming, the plan is designed to rein in reckless financial institutions using a range of fiscal tools, and new measures and reforms to the tax system, such as a windfall tax on oil companies. The resources raised can then be invested in a massive environmental transformation programme that could insulate the economy from recession, create countless new jobs and allow Britain to play its part in meeting the climate challenge.

New airport runways and new coal-fired power stations are off the list. Next, as a precursor to enabling and building more sustainable systems for transport, energy, food and overhauling the nation's building stock, the government needs to brace itself to tackle the City.

On bank bail outs and windfall taxes

Currently, financial institutions are giving us the worst of all worlds. We have woken to find the foundations of our economy made up of unstable, exotic financial instruments. Instead of using vast sums of public money to bail out banks because they are considered "too big to fail", they should be reduced in size until they are small enough to fail without hurting anyone. It is only a climate system capable of supporting human civilisation that is too big to fail.

Oil companies made profits when oil was \$10 a barrel. With the price now wobbling at over ten times that amount, there is a huge amount of unearned profit ripe for a windfall tax, and a growing campaign to support it. Money raised - in this way and through other changes in taxation, new priorities for pension funds and innovative types of bonds - would go towards a long-overdue massive decarbonisation of our energy system. Decentralisation, renewables, efficiency, conservation and demand management will all play a part.

Next, a rolling programme to overhaul the nation's heat-leaking building stock. This will have the benefit of massively cutting emissions and at the same time tackling the sore of fuel poverty by creating better insulated

and designed homes. A transition from "one person, one car" on the roads, to a variety of clean reliable forms of public transport should be visible by the middle of our 100 months. Similarly, weaning agriculture off fossil-fuel dependency will be a phased process.

International leadership

The end result will be real international leadership, removing the excuses of other nations not to act. But it will also leave the people of Britain more secure in terms of the food and energy supplies, and with a more resilient economy capable of weathering whatever economic and environmental shocks the world has to throw at us. Each of these challenges will draw on things that we already know how to do, but have missed the political will for. As Winston Churchill said in parliament in November 1936, "The era of procrastination, of half measures, of soothing and baffling expedients, of delays, is coming to its close. In its place, we are entering a period of consequences ... I never would have believed that we should have been allowed to go on getting into this plight, month by month."

Now that we have shouted "fire", and people have responded, we can begin to build the pressure that will mean that month by month, we find an orderly and effective way out of the plight we are in. For all of us.

Immediate action in support of these policies can be taken via the following website. Simultaneous Policy Adopters may also wish to bring some of the proposals into the on-going policy development process:

www.onehundredmonths.org

www.greennewdealgroup.org

The one-hundred months campaign has offered to link to Simpol's website.

Virtual meetings - an open invitation



Second Life SP Adopters' Group has a space in this on-line virtual world that can be used by Adopters wishing to promote their policy suggestions to others. You can set up a free account at secondlife.com then make contact with group coordinator Luzo Orbit. The picture shows an international meeting on climate change.

Policy suggestions : It's time for the 2008 vote

Vote on line

The 2008 vote on policies submitted by Adopters is running until 1 November 2008. Voting is open to all Adopters - anyone who is not yet an Adopter can sign up as they vote. Voting is being conducted on line at the address: www.simpol.org/en/main/Policyvote08.htm

It's time to campaign!!

If there is a policy you have proposed, seconded or simply like, then now is the time to campaign for it.

Proposals that gain 50% or more approval will remain in the development process. Those with top votes will be given space in this newsletter and in public meetings organized by Simpol. Those receiving less than 50% go onto a keep/don't keep list for next time before finally dropping out of the process (though they can be re-submitted in the same or revised form in accordance with the current procedures).

So it's time to get the vote in!

Proposers and seconders are likely to be promoting their policies through other networks and discussing them on lists, blogs, public meetings, publications and so on in any case. Encourage supporters to go to the voting page to back your proposal - and any others they like. This will also help to bring more people to the Simultaneous Policy campaign and build the number of Adopters.

Remember to keep an eye on the discussion board created for each proposal to respond to any questions that may be raised. Unlike the current system of global governance, ideas need to be presented clearly and defended in an open and transparent way if they are to gain support. Democracy in action. See: www.simpol.org.uk/forum

Policy suggestions in the vote

In voting, you are first asked to rate the top issues to be addressed by the Simultaneous Policy. These issues may be addressed by one or more policy, directly or indirectly. The vote on issues guides the Policy Committee on who to invite to provide guest articles for this newsletter.

Then you can vote on the policies which have survived past voting rounds or been submitted since the last vote. Full details are on the website, titles are given here: www.simpol.org/en/main/Policyvote08.htm

- Contraction and Convergence
- The Oil Depletion Protocol
- International Clearing Union
- Remodelling Companies to Become Stakeholder-Governed Organisations
- Nuclear Disarmament
- The Tobin Tax
- Weapons spending excluded from GDP calculations
- A Defensive Defence Policy
- Monetary Reform
- Beyond GDP
- World Transnational Corporation Regulatory Authority
- ETI (Environmental Tax on Imports)

Policy Committee

After voting you will have the opportunity to stand for the Policy Committee, for which you will need someone as a seconder. The Policy Committee is responsible for over-seeing the policy development process. It accepts policy suggestions, organises voting rounds and suggests topics for articles and policy fora. It is also responsible for updating the process, in consultation with Adopters, to ensure it keeps pace with the growth of the campaign.

The Policy Committee is NOT a think tank. It does not develop policies itself. This possibility has been discussed in the past and rejected by Adopters. Its role is to protect the democratic rights of Adopters in the campaign.

Submitting a policy suggestion

Every Adopter has the right to submit proposals for consideration by other Adopters for inclusion in the Simultaneous Policy package. You don't have to be an expert yourself. If you have come across a good idea, or an organisation with proposals you like, you can submit those too. Visit the 'policy zone' at www.simpol.org.uk to give your views on other suggestions and to vote on them.

Provide the following information via the on-line form, in an email to policy@simpol.org.uk or in writing to Simpol, UK, PO Box 26547, London, SE3 7YT (Simpol-UK has offered to accept policy suggestions from Adopters in other countries for passing to ISPO).

- **Contact details:** Name (to be made public). Email address and other contact details (to be made public at the request of the proposer).
- **Title of your suggested policy.**
- **Seconders:** At present, you need to find 9 seconders to back your suggestion. Provide names and contact details (ideally an email address).
- **Can your suggestion be implemented by a government unilaterally?** SP is intended for policies that cannot be implemented by governments acting alone because they fear doing so would put them at a competitive disadvantage or because the scale of the problem is simply too large. Explain why your proposal cannot be implemented by governments unilaterally, or if it can, why you still believe it is relevant to SP.
- **Summarise your policy suggestion.** This is a concise summary to be publicised to Adopters. Include a primary link or reference if relevant.
- **Additional details:** Give a longer explanation and sources of supporting information if relevant.

To obtain help in developing your ideas you can post your suggestion yourself as a 'work in progress' in the on-line discussion forum - www.simpol.org.uk/forum - or approach your local Simultaneous Policy Adopter group (or set one up) to arrange a meeting on the topic.