

A BOLD NEXUS PROPOSAL: A fully integrated system of first order and second order linkages

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THE BOLD NEXUS PROPOSAL

An important paragraph in the NEXUS DECLARATION DRAFT of 2/18/14 reads: “Ideally a more integrated approach will identify policies, measures and investment programs that will be beneficial for all the sectors and for the integrity and resilience of natural systems as well as for human development and wellbeing.” This “*more integrated approach*” is a valuable contribution to the nexus narrative. However, I propose that we go one step further and explore the additional step of “*fully integrated approach*.”

Such approach would entail linking the first order nexus issues of food, water, energy and climate to a second order of government linkages to the third order of linking both orders to the global monetary, financial, economic and commercial systems, because making those linkages a reality in this globalizing world is the real challenge.

In order to make those three order linkages a decision has to be made which of the four nexus issues should function as the organizing issue of the other three. Each of the four nexus issues could function in that way because each issue is very basic for the life of people, species and planet. I propose that climate with its various deep linkages to water, energy and food be taken as the organizing issue, because the looming climate catastrophe affects all other issues, people and regions, particularly the weaker ones.

Thus, the question becomes how can climate be the organizing principle of the most basic global system. That system is the international monetary system because it, as glue, binds together the monetary, financial, economic and commercial systems. Changing or transforming the international monetary system means changing or transforming the other three.

Taking the looming climate catastrophe as organizing principle or departing point the international monetary system is proposed to be based on a carbon standard of a specific tonnage of CO₂e per person. Pursuing a carbon-based international monetary system means that decarbonization becomes the operational principle of the strength of a society and its currency. The more a society pursues a renewable energy structure, the stronger its economy and its currency. The conceptual, institutional, ethical and strategic dimensions of such system are fully presented in the 2012 book entitled *The Tierra Solution: Resolving the climate crisis through monetary transformation*, published by Cosimo Books in New York City.

Presently, first and second order linkages are not tied systemically to the monetary, financial, economic and commercial systems. Linking them to a carbon-based international monetary system as a third order link, they become more real, actionable and pursuable. The links of energy/decarbonization and of climate are direct links to the Tierra monetary system while the food and water issues have indirect links, mostly via agriculture and industry.

The Tierra monetary system is also called the Tierra Fee and Dividend (TFD) system because its carbon reduction method is the Fee and Dividend system which is fundamentally different from the present cap and trade method. Major proponents of the FD system (not yet the TFD) are James Hansen, Bill McKibben, various members of Congress including democratic leader Chris Van Hollen.

COMPONENTS OF THE TFD SYSTEM

The TFD is like *a three-legged stool*. Its three components cannot function separately one from the other. The first component, its carbon-based international monetary system, is aimed to combat climate change by advancing green economies. Its second component, the Fee and Dividend carbon reduction method, is used to reduce GHG emissions; it is selected over cap-and-trade because Fee & Dividend is faster, fairer, more formidable and more global than cap-and-trade. Its third component, activist governments, is needed to support the other two legs of this tri-partite global monetary governance system by having the public sector reclaim the sole right of creating credit and liquidity, thus changing privately-owned banking systems into utilities of deposit and not of issue, i.e. they will not engage in money creation by the use of the fractional reserve system.

Given that the TFD rests upon a transformed international monetary system the *six elements of its monetary architecture* are a carbon-based standard, convertible national currencies or a world currency, fixed but flexible exchange rates, a modified balance of payments, a global monetary authority and a global monetary court.

The TFD's monetary architecture rests upon a *carbon-based monetary standard* of which the Tierra is its unit of account or numeraire. It is set to a specific ton of CO₂e per person, determined by the GHG emission targets of the IPCC and negotiated by the member-states of the United Nations.

Accepting a carbon-based monetary standard would lead to the *convertibility of national currencies* as they would be pegged to the Tierra standard. Nations can also decide to apply the Tierra standard to a world currency. Should the Tierra standard become the basis of a world currency, the Tierra would not only remain its unit of account, but also become the means of international exchange between government, business and civil society and a store of value that can be banked. In either case nations would not need to maintain hard currencies such as the US dollar or even the SDRs as reserves. There would be no longer any need for the *costly global reserve system*, thus saving billions of dollars annually that can be invested domestically, regionally or internationally.

Under the TFD monetary regimen, nations have to settle their carbon accounts as part of their *balance of payments*. Thus, besides the challenges of resolving financial imbalances, nations have to address the challenges of resolving ecological/climate imbalances. The reduction of both the financial and ecological imbalances would take place through the transfer of convertible currencies from CO₂ debtor countries in the North to CO₂ creditor countries in the South and from financial debtor countries in the South to financial creditor countries in the North. Bilateral negotiations could substitute the resolution of one type of imbalance for the other.

The TFD's monetary architecture would be managed by a *federal Global Central Bank*, which would be part of the UN system. Its Board of Governors or Governing Council made up representatives of regional monetary associations (RMAs) would administer this carbon-based international monetary system, monitor and regulate global financial flows and engage in the provision of credit and liquidity.