

# **Greening the international monetary system: Towards a Green World Central Bank to finance sustainable and just transformation**

Proposal for a contribution at the Workshop  
**Justice in Finance for Climate Change Adaptation and Loss and Damage**

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## **Statement on policy relevance**

Global climate policy does not meet its goals. One of the major hurdles is the financing of necessary measures to mitigate and adapt to climate change. After decades of climate negotiations and internationally agreed upon sustainability goals, financing remains too little too late. The push to mobilize more private finance into sustainable objectives has hitherto lagged far behind the expected trillions of dollars. Furthermore, many of the existing schemes have contractionary effects on Global South economies and increase the debt burden of climate vulnerable countries. Our contribution depicts a bold proposal to address this situation with a new global mechanism, a Green World Central Bank, that provides more financial flexibility and allows the expansionary adjustment of financing in accordance with sustainable needs that arise, in sometimes unforeseen ways, as climate is changing. Making the claim for a new international, sustainable currency, the "ecor", managed by a Green World Central Bank, our proposal appeals to the many recent calls for reforming the international financial architecture and provides a theoretically grounded and monetarily feasible way forward. Depending on the specific implementation, it enhances agency of Global South central banks, governments and corporations, it would lead to more balanced global trade and incentivize green jobs and production worldwide.

## **Abstract**

Every country around the world is affected by the ecological crisis. The sustainable transition is an all-encompassing process requiring deep economic, political, social, cultural, and ecological transformations in the way our society is organized. One of the required dimensions of the transformation involves how to make financial flows available, which are necessary for sustainable investments. Despite diverse efforts to realize such, countries from the Global South face significant challenges to finance sustainable and just transformation. These challenges primarily stem from the hierarchical character of the current international monetary system, which requires Global South countries to obtain U.S. dollars to finance imports of goods, services, and technologies that they cannot yet produce but require to react to climate change. Neither mainstream proposals aimed at increasing private climate finance, nor more critical proposals such as debt-for-climate or debt-for-nature-swaps address this systemic problem. In fact, most contemporary climate finance practices increase debt-vulnerability and dollar dependency of Global South countries, while contributing little to climate mitigation and adaptation. To overcome this entrenched situation, we propose the foundation of a green international monetary system with a Green World Central Bank (GWCB) at its centre. Based on the principal recognition that money is created endogenously, the GWCB would be allowed to create its own unit of account, the ecor. The ecor would be a global special purpose money similar to Keynes' 'bancor'. Ecors would be created by the GWCB in the act of lending and credited to the GWCB accounts of countries to finance imports

needed to combat the ecological crisis and advance the process of sustainable and just transformation in their societies and economies. Deficit countries would transfer ecores to surplus countries, which they can only use within the system, leading to an expansionary adjustment of international imbalances. In this way, the amount of ecores would adjust to the real demands for socio-ecological change and would not be limited by reserves, or funding conditions from private finance. The GWCB creates an intertemporal and multilateral clearing of credit and debit postings, which would incentivize more balanced global trade, increase sustainable investments, allow Global South countries to procure interest-free loans and promote sustainable production and consumption worldwide. Taken together, it would lead to an international monetary system capable of responding appropriately and flexibly to the financing needs of countries around the world to effectively address the climate crisis on a globally just basis.