

RETHINKING INTERNATIONAL TRADE:
The Case for Frugal Trade through Monetary Transformation
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The PBS Newshour on January 30 included a chilling glance at the lack of work for longshoremen at the Long Beach, California harbor. Most of the huge cranes were idle. Seventy percent of Long Beach's international trade has disappeared. The same situation, heavy reduction of shipping, is seen all over the globe and the same in air cargo. And worse is still to come, with all the human pain and suffering that comes with this recessionary reduction in international trade. One of the beneficial consequences of this recessionary reduction is a substantial reduction of GHGs on account of the reduction of surface and air transportation.

What should be done about this recessionary reduction in international trade? Is it something to be supported because it reduces GHGs?

- ❖ Should we bring back international trade as it was a couple of years ago before the recession came in?
- ❖ Should we rethink international trade given that it has almost ground to a standstill?
- ❖ What should the World Trade Organization (WTO) do? Should it wait out the time while nations are supporting/bailing out banks, their automotive and other industries in clear violation of its laws?
- ❖ Should nations engage in protectionist measures of all sorts to protect the production of their own goods and services?

I would like to make the case that not only should international trade be rethought, but also the global economy of which, in this globalized world, it is an integral part. The global economy, in its turn, must be rethought, and ditto for the financial system that holds the economy both locally and globally together. Finally, the present monetary system has to be rethought.

After making the case for rethinking and restructuring of these four interconnected systems, starting with the international monetary system, I

will introduce the new concept and strategy of frugal trade that should take place within the context of a bioregional economic approach.

I will start off by arguing that the most basic of these four systems, the international monetary system, is the one that glues together the financial system, which, in its turn, glues together the international economic system, which, again, determines the structure and process of international trade. Secondly, the international monetary system should be not only reformed, but transformed. Thirdly, this monetary transformation is to take place in the context of the present economic and climatological crises. Fourthly, the present economic crisis can be resolved through resolving the climate crisis. Fifthly, having rethought those three connected systems, international trade can be rethought in terms of frugal trade.

A most interesting essay was presented during the same Newshour broadcast by Ann Taylor Fleming entitled “Funny Money.” She, with well-chosen video support, pointed to the lack of realism in the financial services sector by the creation of credit in all sorts of derivatives, called by some bankers, including Governor Corzine of New Jersey, “creative.” She also pointed to the realism of the reality show, *Survivors*, who have to fight for their food while the catering truck is neatly parked nearby. So, funny money is not only not real money, it has degraded, corrupted the concept and reality of money.

So the big question is: What is money? One might think that economists and particularly monetary economists would know what the essence of money is. Unfortunately, their profession is too narrowly focused. Liverpool University sociologist Nigel Dodd stated in the early nineties: “Existing monetary theories tend to be derived from a set of assumptions about the nature of money and the types of social action with which its use is associated which is untenably narrow.” He goes on in his *Sociology of Money* to show that “any object could in principle be used as money as long as it is designated as such.” We all know about pre-modern societies using cowries, nails or other goods as means of exchange and about modern societies using silver or gold as the basis for their legal tender. In earlier times of the modern era, the gold standard made all national currencies fixed, and thus exchange rates with other currencies were not floating as they are today.

In the transformed international monetary system that the International Institute of Monetary Transformation (IIMT) is proposing the anchor of all national currencies will be not gold, silver or a basket of major currencies or commodities or the Consumer Price Index, but something bad that all humans have to reduce as much as possible. Generally, taxing bads is far better than taxing goods according to the US Society of Ecological Economics. What is the proposed anchor for a transformed international monetary system? Carbon emissions permits.

Targets would be set and capped based upon the findings of the Intergovernmental Panel on Climate Change which, unfortunately, are still too low." James Hansen and many others have shown that humanity has to go down to 350 ppm of CO₂ if major irreversible changes in the climate are to be avoided. Presently, humanity is at 385 ppm and the trend is up rather than down. Having set the target in a new and far stronger Kyoto Protocol, all adults in the global North and South would be given carbon emissions permits (CEPs) on an equal basis. Consequently, fellow citizens in the South become ecological creditors to their ecological debtors in the global North.

Nations agreeing to base the new international reserve currency which I have named Terra (Latin for Earth) upon the CEPs will do the following. They will provide, among many other things, "Funding for Development," one of the major contentious issue at the United Nations. Capital flows of Official Development Assistance (ODA), a miserly .7% of GNP and of direct investment the benefits of which mostly accrue to transnational corporations in this corporately globalized world, are replaced by Terras which represent real money, if it is "designated as such" by the world community, i.e. government, business and civil society of all 192 nations that are members of the United Nations.

This new international currency of Terras will become part of a World Central Bank that will not only administer the modified balance of payments schedules of nations where the debit or credit Terras will form the basis of national carbon accounts, but also will monitor the global financial sector and even engage in credit creation. The Terra International Monetary Union (TIMU) architecture also includes fixed exchange rates of course, and, not of course, but necessarily, a new way of looking at the connected economic system. This is where international trade comes in by way of bioregional economics and frugal trade. A sixth component of the TIMU Architecture are the national Terra Administrative Boards. They will administer the CEPs structure and process in the nations that have signed and ratified the TIMU Treaty. These Boards are independent from the local government, though they work closely with it. A Board consists of representatives of government, business and civil society. Through the Boards' deliberative process where the three sectors are institutionally represented TIMU can work on the national level without corruption and waste and with accountability and transparency.

By transforming the international monetary system, both the international financing system and the international economic system will be transformed, in a process in which humanity is realistically coping with the climate crisis.

The transition to this new international monetary system or TIMU system could take place soon, even during this axial year 2009. It is

realistically to assume that the recession will get worse and that the climate crisis will deepen. It is during such time of great tumult and crisis a transformations such as proffered in the Terra International Monetary Union or TIMU system becomes possible.

Thus, my proposal is that government, business and civil society decide that a beginning be made at the G20 Summit in London on April 2. The representatives of the G20 (who by no means, represent the G192), should decide to establish a Commission to evaluate the pros and cons of the Terra Solution and its TIMU Architecture. The Commission is to produce its report that can advise the UN General Assembly President's Commission on Monetary and Financial Crises, which, in turn, can advise the member states in their negotiations in the beginning of June. It was on January 15 during the first NGO briefing of the year, where the DPI was introducing its new feature "Can I ask a Question?" its senior advisor, Dr. Michael Clark, in response to my question whether it would be a good idea to base a new international currency on CEPS and make it part of each nation's carbon account in a modified balance of payments, reacted, after thinking a moment, "That's brilliant." Several other Civil Society Organizations (CSOs) reps expressed the same opinion. (It was fortuitous that the questioner immediately in front of me queried Dr. Clark and Ambassador Sofia Clark by asking how the President's Commission was dealing with the climate crisis. No real solution was given to that question, so that my TIMU proposal could not have been launched in a better context.)

The day after this affirmation of my efforts to solve the economic and climatological crises by way of the TIMU architecture I contacted the president of COSIMO Publishing and we came quickly to an agreement to publish TIMU: The Transformative Approach to Resolving the Global Economic Crisis Through Resolving the Climatological Crisis.

The recessionary crisis in international trade can be resolved by rethinking its place in the global monetary, financial and economic systems. With a vision of an integration of social and ecological values such as presented in the Earth Charter which can be considered the successor of the Universal Declaration of Human Rights, the situation can be approached with an emphasis on (bio) regional economic activity where exports and imports take a secondary place and where free and fair trade first of all becomes frugal trade: trading where food, goods and services miles are reduced as much as is practicable in these times of a deepening climate crisis. In such rethinking the WTO will have to transform itself in order to be relevant in a transformed global monetary, financial and economic system. These steps may also lead to the evolution of transnational corporations into smaller organizations.

What can the reader of this essay which is the summary position statement of International Institute of Monetary Transformation on international trade do after reading this? S/he can share this essay with friends in their social networks, their colleagues at work, their fellow religionists, so that a conversation takes place that may raise the issue of monetary transformation to the political level, particularly at the G20 Summit in London. Each one can sign the international petition on www.timun.net and consider becoming part of the Yahoo TIMU working group that is located at <http://groups.yahoo.com/group/TIMUgroup/?yguid=72581814>. Readers can also support the purposes of the International Institute of Monetary Transformation by not only considering financial support, but also considering applying to become an associate or fellow of the Institute.

In conclusion, though the recession is painful for all those involved in both the USA and abroad, this crisis is too precious to be wasted. A crisis, derived from the Greek word *krinein*, to discern, is a moment in time which leads to discernment and the rethinking of past structures and processes in the largest of frames. If we want sustainability and stability in international trade we have to consider its place in the global monetary, financial and economic systems. As a matter of fact we have to place this global system in the context of the challenges of the third revolution that humanity is evolving into. It is in this largest historical context of the sustainability revolution that the Summiteers have to view the challenges of the London Summit, the June negotiations at the UN and the UNFCCC conference in Copenhagen. These challenges were well expressed by former US EPA Administrator Ruckelshaus when he posed the following question in the early seventies:

“Can we move nations and people in the direction of sustainability? Such a move would be a modification of society comparable in scale to only two other changes: the Agricultural Revolution of the late Neolithic, and the Industrial Revolution of the past two centuries. These revolutions were gradual, spontaneous, and largely unconscious. This one will have to be a fully conscious operation, guided by the foresight that science can provide. If we actually do it, the undertaking will be absolutely unique in humanity’s stay on Earth.”

Real Change. Yes, we can.