

The TIERRA World Central Bank

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The idea of World Central Bank has been around since the middle of the 19th century when liberal economist John Stuart Mill wrote about it and when the Paris International Monetary Conference in 1967 hotly debated about it. Among its proponents in the 20th century we find a chairman of the US Fed, William McChesney Martin, the influential journal *The Economist* and numerous other supporters, mostly economists. Details can be found in Benjamin Cohen's *The Future of Money's* last chapter entitled *Governing the New Geography*.

The present economic meltdown has raised the need for a global super-regulatory authority and both the G20 and the UN GA President's Commission on Monetary and Financial Crises are considering ways to deal with this need. Jeffrey Garten, the Juan Trippe Professor of international trade and finance at the Yale School of Management deftly summarizes that need in his *Newsweek* article of November 3 entitled "We Need a Bank of the World."

So, the need or even the clamor for a global central bank is clearly articulated by its supporters with articulate opposition by some and a silent majority in the middle for whom monetary matters are too arcane to spend time on.

Advocating the need for a Tierra World Central Bank is still a very uphill matter. It may become less so, if properly

understood and if enough political wisdom and will is engendered among government, business and civil society.

The Tierra World Central Bank is a central bank that has roughly the same functions as those banks advocated earlier. It is different because it is based on the new international reserve currency of the Tierra which would not only replace present national currencies reserves of the dollar, euro and yen, but also those proposed non-national currencies that are based upon a basket of commodities, currencies on the consumer price index. The Tierra World Central Bank's currency of the Tierra is based upon carbon emission permits that are allocated on an equal basis to all adults in both the global North and South. This carbon-based reserve currency becomes part of a nation's balance of payments, resulting in a carbon account that has to be balanced like a nation's financial current account.

The consequence of having to balance this ecological account is that an institutional mechanism is being created where ecological debts in ecological debtor countries in the global North are paid to the ecological creditor countries in the global South. As funding for development and climate mitigation and adjustment measures is going to be kingpin for resolving the climate crisis in the December 09 Copenhagen meeting of the UNFCCC the acceptance of the Tierra as an international reserve currency, its incorporation into a nation's balance of payments and its administration by the Tierra World Central Bank is an option of crucial importance. It would constitute a roadmap that would resolve the economic crisis by resolving the climate crisis.