
GP EU FIRST INTERIM REPORT

Executive Summary

1. The prevailing monoculture financial system is the key driver of both the Climate Change and youth unemployment crisis.
2. A systemic approach required to diversify the monetary system with the development of Complementary (Eco-civics and ECOs) currencies that have a tremendous leverage for finding solutions to climate change and youth unemployment based on a sustainable financial system. Such solutions are definitively “out of the box” from a conventional economist perspective. But there is strong evidence that the first Eco-civics through the Buckaroo pilot is well working in practice. Regarding, the ECOs it will be a challenge because no pilot has been yet in place.
3. The power of taxation by government, which coercing imposes an obligation to everybody, is the key mechanism used to give value to a currency without intrinsic value (as is the case for all conventional moneys today). If it is desirable to have a complementary currency that is as influential as conventional money, the same power of coercion by government would be the most effective tool.
4. Instead of reinventing the wheel and after seeing different ongoing projects and reading many of papers, books on the subject, the present report proposes to retain two models (Eco-civics and ECOs). They are the results of the long experience of Bernard Lietaer and are well developed in the last Club of Rome Report.
5. This leverage is connected to the fact that Eco-civics currencies (can) valorize **all actions and behaviors** that contribute to social and wellbeing. It could follow the Buckaroo experience to provide full employment. This includes initiatives such as reducing energy needs by collaborative and local/seasonal consumption, reforestation, etc ...
6. The ECOs would be an obligation to the big enterprises to earn ECOs by providing quantitatively verifiable evidence of investment and activities reducing the risk of climate change. This changes the mechanisms of "push" through subsidies and carbon taxes into a more powerful "pull" operation .
7. Scaling up Eco-civic and Ecos behavior and action requires political and juridical leverage (statute, legislation, cooperative corporate law, ...). Today there are ‘grey zones’ in the legislation that allow co-creation or collaborative consumption to be developed, but this knowledge is not mainstream. Such a grey zone in the law may not be sufficient to upscale or guarantee cooperative economic behavior adequately.
8. Legal and Compliance: Eco-civics will not required new legislation, Ecos well. The current legal framework is not suitable for the establishment of a complementary currency system, and such systems have ramifications that go well beyond the competence of the National Bank (tax issues, employment law, social security, economic regulation, legislation on human volunteers, etc..). This could be seen as an opportunity on the short run. However, long-term viability and success of complementary and, in particular, community currencies depend on adapted regulations. The NEF research on this topic will be key to go further.
9. Develop a strategy based on:
 - Campaign fighting against the monoculture of the financial system and the monopoly of the banks .
 - Campaign to support “out of the box” solutions such as the ECOs and Ecocivics or any another Complementary Currency.

December 8, 2013.

- Developing a network of MEPs supporting the paradigm shift of complementary currencies.
- Developing the design of a new legislation supporting the ECO's
- Developing a join cc campaign with the Green 10
- Getting the support of the public through an Avaaz campaign against the bank monopoly and favorable to complementary currencies.

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GP REQUEST

Relying on a document to **prepare a political campaign at the European level to promote a monetary ecosystem** after the European elections of 2014. This could include proposals to amend existing laws and promoting new ones to **create a legal framework that stimulates and promotes complementary currencies schemes bearing both social and ecological objectives.**

Exploring what could be another policy instrument available to obtain rapid, large-scale investments into renewable energy infrastructure and energy efficiency without increasing the budgetary burdens on public authorities.

- Boost youth employment linked with the environment
- Boost a green economy based on renewable energy

PURPOSE OF THE STUDY

Ultimately, Greenpeace and its partners' plea for a monetary ecosystem is a call for a new mode of economic governance. The aim is to allow regions, cities, neighborhoods, NGOs and grassroots citizens' organizations develop the full potential of their projects without needing to depend exclusively on the supply of bank-debt currency.

Climate change has been identified as "The biggest market failure the World has ever seen".¹

European states are now facing what has been coined as the "Graph of Doom"² where the expenditure curve meets and exceeds the one of budget. States have lost the capability to invest in vital sectors such as the environment, energy efficiency or renewable energy. Subsidies become scarce during recessions and, in periods of budget reductions, they tend to shrink. We believe it is time to explore another policy instrument to obtain rapid, large-scale investments into renewable energy infrastructure and energy efficiency without increasing the budgetary burdens on public authorities.

The research and resulting report will focus on two aspects relating to EU and complementary currencies:

- Focus on "Complementary currencies" at the European level to boost:
 - Youth work linked with environmental solutions or restorations and
 - A "Green economy" (in particular: renewable energy).
- Focus on "Using the EU to remove current obstacles and detect opportunities for the implementation of "Complementary currencies".

¹ 2006 Stern Review on the Economics of Climate Change.

² Over a 20-year period, unless there was really radical corrective action, adult social care and children's services would need to take up the totality of local government's existing budget.

THE MONETARY BUG AND CONSEQUENCES ON ENVIRONMENT AND UNEMPLOYMENT

We are at a turning point in history. Climate change induced by human activity is now recognized as a most significant threat to the entire biosphere of this planet. In addition, rising inequalities between rich and poor are growing rapidly almost everywhere, threatening social stability. Finally, the global economy has failed in its promise to produce and deliver basic goods in a sustainable manner for an expanding population, leaving increasing numbers in abject poverty.

The environmental crisis, the equity crisis, and the crisis of sustainable production all have their roots in the current economic paradigm, with implications for our culture, for our society, for our health and well-being, even for the survival of our species on this planet.³ At the root of that paradigm lies the nature and the creation process of our money. Today, all "national" moneys are created as "fiat" currencies (i.e. created out of nothing) through bank-debt, with a monopoly guaranteed to the (mostly private) banking system. Please see Appendix A for a short story ("*The Honest Banker*") that explains that process.

"This crisis has already left a legacy of debt to the next generation. We must not leave them the legacy of a fragile banking system too".
Mervyn A. King, Governor of the Bank of England, 2010.

The 2008 global financial crisis and on-going uncertainties about the Euro provide evidence that the financial system is neither self-correcting nor capable of being reliably regulated. For the first time, even some official monetary authorities are now recognizing fundamental problems in the financial system. The governor of the Bank of England and International Monetary Fund experts⁴ have questioned why private banks can create fiat money out of nothing, or refuse to create it for the real economy as is taking place right now. In 2010, Mervyn King, the Governor of the Bank of England stated, "*of all the many ways of organizing banking, the worst is the one we have today*".⁵

SOME DEFINITIONS AND SOME FACTS

→ A '**Green economy**' can be understood as an economic niche that aims at reducing the consumption of natural resources (e.g. fossil fuels), while keeping the existing industrial economic infrastructure intact. This infrastructure, however, keeps leading for instance to deforestation or the occupation of indigenous land for the production of bio-fuels. This

³ Source: [The New Economic Institute](#)

⁴ Jaromir Benes and Michael Kumhof *The Chicago Plan Revisited* IMF
<http://www.imf.org/external/pubs/ft/wp/2012/wp12202.pdf>

⁵ Can Democratic Money with Environmental Values Reduce Market Failures, Ref?
<https://docs.google.com/document/d/1umNHMFiyYObRv0wWZ7kUcIFZ42tvWz1V2wJmUfT766E/edit#>

mainstream infrastructure remains therefore destructive for the planet, and still does not serve the needs of all people. It should already have been made obsolete by social and technological innovations (e.g. biomimetics, 3D-printing, cloud-based co-creative design and production on demand in connection with collaborative consumption). What is needed is not just the development of a green niche in the economy, but the notion of economy itself must be redefined with a view to sustainability. (To be discussed)

→ **Employment (or "jobs")** today is the way by which people's competencies and capacities are valued by the conventional economy. People (or machines) are 'employed' (i.e. 'used') with a view to increasing private profit. Defining the answer to youth unemployment solely as 'employment' - even in the 'green' economy - would keep us locked into the old economic paradigm. 'Youth unemployment', due to the scarcity of work payable in conventional money, becomes in fact forced inactivity imposed through the artificial scarcity of bank-debt money. The solution is therefore not simply 'employment' (more of the same old paradigm), but **"youth activities/work"** that serve the systemic goal of human and planetary wellbeing in a "Green economy", while giving people access to a decent and meaningful life.

→ The **systemic role of taxes** is to give value to whatever is required in payment of taxes.⁶ Governments by requiring a tax payment in a specific currency obliges everybody to do whatever it takes to obtain that currency. For a historical example, when governments required precious metals in payment of taxes, it gave a tremendous importance to those specific metals. That is why finding gold and silver was the objective of Christopher Columbus' search and conquest of the New World. Today, governments require exclusively bank-debt money in payment of taxes, which gives tremendous power to those that enjoy a monopoly in creating that currency. Furthermore, notice that bank-debt money has no intrinsic value whatsoever. Taxes are therefore necessary to maintain demand for bank-debt money.

→ A **monetary ecosystem** is *the* alternative to a monetary monopoly. It includes the circulation - in parallel with conventional bank-debt money - of specialized media of exchange issued by governments at various levels, by NGOs or by specialized institutions. Such specialized media of exchange are called "complementary currencies", because they complement conventional money by fulfilling roles that official money can't or doesn't fulfill sufficiently now.

- **Complementary Currencies** (CCs) are media of exchange that have different designs and serve different purposes than our conventional money. Their generic purpose is to *link unmet needs with otherwise unused resources*. Such an idea is not new: commercial applications such as Frequent Flyer Miles have been proliferating in many fields for the past forty years. In the *Miles* case, airline companies are linking a desirable commercial need (customer loyalty) with an unused resource (an empty chair on a flight). _ Such commercial **"loyalty currencies"** have proven two important points:
 - that the emerging Information Age of cheap computers and communication devices make it possible to operate very large scale payment systems at very low costs.
 - and that complementary currencies can motivate people to change their behaviors on a large scale and for long time periods. Otherwise, airline companies would have stopped issuing them...

⁶ See Randall Wray, *Understanding Modern Money: The Key to Full Employment and Price Stability* (Cheltenham: Edward Elgar, 1998) ; Warren Mosler, *Seven Deadly Innocent Frauds of Economic Policy and Soft Currency Economics*, available on www.warrenmosler.com. Charles E. Goodhart, *Money, Information and Uncertainty* (Cambridge: MIT Press, 1996). Wynne Godley and Marc Lavoie, *Monetary Economics: An Integrated Approach to Credit, Money, Income, Production and Wealth* (London: Palgrave-MacMillan, 2007)

- However, commercial loyalty currencies have no social, ecological or economic benefit -except of course for the company that issues them.
- What this study proposes is to use similar information age technology available almost everywhere today, to address issues such as tackling youth unemployment and the transition to a post-carbon economy. Thereby changing these problems into opportunities.
- Prototypes of what we are talking about are the thousands of small scale **social purpose currencies** that have been emerging, typically in the form of **local currencies**. More than 5000 were operational in a dozen countries by 2005, and the 2008 crisis has accelerated the acceleration of that process in all countries that were affected.
- Historically, several civilizations have been using monetary ecosystems instead of a monetary monopoly very successfully for centuries: Dynastic Egypt did that for several millennia. In Western Europe a "First Renaissance" was operating as a monetary ecosystem during the Central Middle Ages (from the 10th to the 13th century).⁷ It has also been shown that these civilizations were thinking more long-term than us today. They were also making it possible for the lower economic strata to live at a much higher quality of life than in patriarchal societies that always imposed the more familiar geographical monopolies of a single currency.⁸

→ A recent breakthrough has been achieved in terms of quantitatively measure the conditions of stability for any **Complex Flow Network**. Examples of such networks include all natural ecosystems through which biomass circulates; electrical distribution systems through which electrons circulate; human immune systems in which information circulates; andeconomies through which money circulates. One of the key findings is that stability requires a minimum level of diversity in the network: i.e. a monoculture will *never* be sustainable! A synthesis of this research and conclusions is available in Appendix B. What this proves is that artificially keeping a monopoly of a single type of currency, created through institutions that are all behaving the same way at the same time, Therefore when we are proposing a monetary ecosystem, that is more than a simple metaphor. We are dealing with genuine *systemic biomimicry*.

A SYSTEMIC APPROACH TO COMPLEMENTARY CURRENCIES

"The sound made by a falling tree is louder than the one made by a growing forest".

In the light of the above definitions and facts, the following approach is proposed to tackle the challenges of climate change and youth unemployment.

As Keynes famously claimed "there are only two certainties: death and taxes". The key question is: to whose or what benefit should the currency - *or currencies* - be issued? Two pragmatic examples are provided next.

PROPOSED MODELS

⁷ Fantacci, L. *La moneta. Storia di un'istituzione mancata*. (Venezia: Marsilio Editore, 2005).

⁸ Lietaer, B. *Au Coeur de la Monnaie* (Paris: Editions Yves Michel, 2012)

Currencies are to be invented in order to promote “biopolitical production, where labor is more and more responsible for the creation of cooperation [and] becomes more and more autonomous from the commands of capital”.
Negri and Hardt, 2010

Instead of reinventing the wheel and after seeing different ongoing projects and reading many of papers, books on the subject, the present report proposes to retain two models. They are the two examples from the last Club of Rome Report EU Chapter.⁹

However any currency design will have strengths and weaknesses. So, other designs than these two examples are possible. They could be targeted to specific requirements, or as answers to different issues or target populations. than the ones proposed here.

1. YOUTH WORK LINKED TO THE ENVIRONMENT: ECO-CIVIC

A. ECO-CIVICS IN A NUTSHELL

The main aim of Eco-Civics is to **promote youth activities linked to sustainable development and/or climate change adaptation or other environmental practices** e.

In fact, Eco-Civics would give the non-profit sector its own valuable currency.¹⁰

B. OBJECTIVES OF THE CIVIC SYSTEM

A **first objective** is to give opportunities to build a stronger sense of community. Modern societies suffer high levels of isolation and fractured social networks and family systems. Shared work in a local community is an effective way to counteract this loss of social capital while generating economic and environmental resilience.

The **second objective** of the Civic system is to fund the labour/activity/... component of desirable civic projects. Because manpower is often the largest component of a budget, a Civic system makes the funding of otherwise unaffordable projects possible. With Civics, a city could dream big and accomplish big goals, even in times of economic downturn. It is actually in bad economic times that labour is automatically more available and eager to earn an alternative income stream via Eco-Civics. With conventional “jobs” currently in short supply, this would have a beneficial effect on individuals and the community.

The Civic system could operate at any scale: local, city, region, national or even supranational. Engagement by the population in the decision-making process about which projects get implemented is essential for success. The most important principle should be that such systems should not be designed for, but *with* the people involved.

C. OPERATION OF THE ECO-CIVIC SYSTEM

⁹ Lietaer, Arnsperger, Goerner, Brunnhuber *Money and Sustainability*

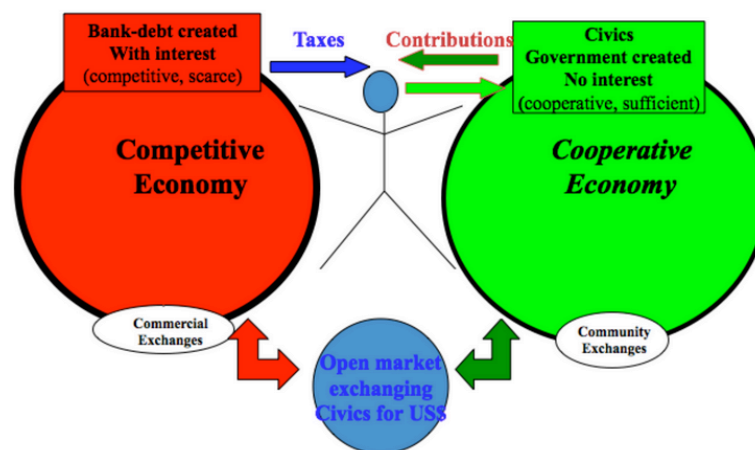
¹⁰ “Money and Sustainability, The Missing Link”, Report of The Club of Rome.

An Eco-Civic is an electronic unit issued by the government/region/municipality that is earned by residents through activities that contribute to the publicly agreed upon aim.

- The unit of account is one hour of time valued at the same rate for everybody.
- NGOs and nonprofits play a key role in the Eco-Civic economy by initiating projects, coordinating and motivating people, organizing the associated activities and verifying the quality and quantity of the contributions.
- To ensure transparency and trust in the system, a specially-created new type of nonprofit would be in charge of the audit.
- NGOs and nonprofits benefit from a powerful new way to reach their objectives through a “currency” that sustains them as it would provide a big increase in their volunteer base.

The advantages are multi-fold:

- NGOs and non-profits in this cooperative economy would play the same role as businesses do in the competitive economy: motivating and organizing people in their respective domains.¹¹
- **Nonprofits and civic volunteers would gain an income stream in conventional currency from the sale of excess Eco-Civics** to those preferring to purchase rather than earn them.
- **NGOs are often in fierce competition among each other particularly for financing their own structures. The ECO-Civic could be a way to address this issue systemically, by providing access to a currency that is in sufficiency to meet their purpose.**
- More people volunteer and volunteer turnover is reduced when a complementary currency is used as reward. This is the case even when there is no obligation to earn that currency.
- These two effects would lead to the emergence of a greater number of non-profit organizations focusing on civic needs.



¹¹ Activities may include growing food on terraces or rooftops, or taking responsibility for plants and trees in the neighborhood and parks or by training people in energy efficiency and so on.

Fig.2. The government requires payment of taxes on the commercial activity, as well as a contribution payable only in Civics that the government itself issues. People who earn extra Civics can exchange them freely on a local e-Bay type market.

D. THE ECO-CIVIC AT WORK: BUCKAROO – KANSAS CITY

It's been more than 10 years since the economics department at UMKC (University of Missouri at Kansas City) introduced its own currency. It's called the Buckaroo, referring to the school mascot, the kangaroo.

It all began when the department indicated a desire to have students contribute their time to community service. It has been done by introducing a new currency, which would both, for the most part, accomplish the intended purpose and give the students and up close and personal knowledge of currency dynamics.

The Buckaroo is a "tax driven" currency: students demand Buckaroos to pay "tax or obligation" so that they might pass their courses. The US dollar is also tax driven: the US government imposes taxes in dollars and will attach income or property to enforce the liability. It spends dollars into circulation, through its purchases and social spending; it also can lend them into circulation. **The purpose of the Buckaroo "tax or obligation" is to move "private" resources (student labor) to the "public" sector (of community service providers)**—as it is the case with all tax systems.¹²

It works as follow:

- All students are required to submit 20 buckaroos by the end of the semester to get their grades. Buckaroos can be earned by doing designated community service jobs.
- There is no limit to how many buckaroos a student may earn.
- Buckaroos are freely transferable.

There has always been 'full employment' in that any student can work for and be paid in buckaroo at the designated community organizations without limit. There has been a zero interest rate policy since inception, in that the UMKC does not offer interest bearing buckaroo deposits.

The UMKC has run a continuous fiscal buckaroo deficit in that, from inception, it has always spent more buckaroos than it has collected. The value of the buckaroo has been 'internally stable' from inception, in that one buckaroo has always been able to purchase one hour of student labor. (Deficit = Buckaroo saved by the students)

The buckaroo has been operating continuously in a small, open economy, with multiple other currencies trading around it simultaneously. There has been continuous full employment with no capital controls, no trade restrictions, and no banking arrangements.

Furthermore, it has been obvious to the students that:

- The buckaroo is a (simple) case of a public monopoly;
- The UMCK's buckaroo fiscal deficit is exactly equal to the buckaroos saved by the students and their associates;

¹² The Buckaroo and the Demand for Money: <http://www.cnbc.com/id/46314208>

- The value of the buckaroo is a function of what the students have to do to earn a buckaroo from the UMKC work doing one hour of community service;
- The buckaroo functions first to move student labor from private to public domain and
- The buckaroo has operated and sustained its public purpose independently of foreign central bank policies.

In general, the buckaroo has been a fully functioning currency that has directed student labor to community service, and at the same time, provided an invaluable educational experience to the students. It's also has made it obvious that the world's leaders and their economists are necessarily subversive and/or ignorant.¹³

2. DECLARING WAR ON CLIMATE CHANGE: ECOS

"If governments are unwilling to lead when leadership is required, people must. Despite these encouraging initiatives, citizens need to press their governments to come up with ambitious sustainable solutions, not just makeshift ones. Climate change must inform any new policy, whether in the development or the energy sector. It must determine the way we build our houses and the way we structure our economy. Green thinking cannot be the sole responsibility of a few environmentally minded activists, while the rest of us go on living as if there were no tomorrow".
Kofi Annan – November 24, 2013.

So, this is the right time for Greenpeace and the Green 10 to act with alternative and sustainable solutions to this unprecedented challenge.

The scale of destruction caused by the most-likely climate change scenarios is worse than any war ever fought on this planet. Because the devastation will unfold over decades, and reducing its likelihood will require collective action by humanity as a whole, this challenge may also be more difficult to wage than any previous one. It may not have to be so hard if governments require ECOs to win a war against climate change.

Such an approach will **undoubtedly be unpopular in many business** circles. But if we want to reverse humanity's collective suicidal rush towards irreversible climate change, governments may have to take their responsibility, show their ability to give an appropriate response and literally declare war on it.

A. ECOS IN A NUTSHELL

The ECO system is conceptually similar to the Eco-Civic, as illustrated in Figure 1. It would start with a governmental authority such as a national government or at the EU level, requiring an annual contribution of ECOs proportional to the total sales volume of each individual corporation. For instance, **all corporations would have to contribute 1 ECO for every €1 million of global sales to the government of the country where their headquarters were located.**

B. OBJECTIVES OF THE ECOS

¹³ http://www.huffingtonpost.com/warren-mosler/the-umkc-buckaroo-a-curre_b_970447.html

Corporations would earn ECOs by providing quantitatively verifiable evidence of investment and activities reducing the risk of climate change.

C. OPERATION OF THE ECOS SYSTEM

The ECOs would be created by governments electronically and bear no interest. There would be a clear description of how many ECOs a business would earn for each type of activity. An independently verifiable audit trail would be required before any ECO payment could be obtained. Qualifying activities could include: reductions in carbon emissions (e.g., 1 ECO for each 1000 tons of verified carbon reductions), investments in natural carbon sinks (e.g., 1 ECO for each 1000 tons of carbon sequestration in new, sustainably managed forests) or in other sequestration technologies.

Corporations unable to earn ECOs would need to obtain them by buying them using conventional money from corporations earning more than their requirement. A specialized electronic e-Bay type market would be set up, as in the case of the Eco-Civic.

While the ECO shares many similarities with the Civic previously described, it differs from it in the following ways:

- The Eco-Civic works best on a decentralized basis (e.g., cities and neighborhoods) whereas the ECO must be implemented on a much larger scale such as on a national or better a EU-wide scale. It would best work on a global scale.
- The Eco-Civic mobilizes manpower for a variety of civil activities chosen by the population itself. **The ECO focuses exclusively on mobilizing material resources that contribute to the reduction of climate change.**
- The Eco-Civic applies to households and citizens; **the ECO applies only to medium and large corporations with for example, more than €1 million sales per year.**
- The Eco-Civic is on the fringe of what is currently legal; **the ECO would definitely require new legislation. (to be defined)**
- The Eco-Civic could be started on a small local scale and would thus be easy to implement; **the ECO would have to start on a larger scale and might initially encounter resistance from corporate lobbies. It would therefore be a greater challenge to implement it.**

Is it necessary to remind that a wide consensus exists in both the scientific and the business world that the development of technologies to switch to a post-carbon world is possible but **will require strong governmental leadership.** Because many governments will experience a budget squeeze over the next decade, and because government subsidies are the usual way to fund environment conservation and protection measures, **many corporations will be left passively waiting for funding to become available before deciding to tackle these issues on their own. The ECO changes this dynamic.** In order to wage a war against climate change, governments could require contributions payable only in ECOs, thus giving value to the ECO. The ECO would also spur serious innovations to reduce climate change.

SWOT ANALYSIS

<p>Threats: lack of resilience of the current socio-economic & civil system</p> <ol style="list-style-type: none"> 1. Youth unemployment is taken as an argument for stimulating economic growth (creating jobs as a presumed solution for a social problem) which increases ecological problems and aggravates climate change. 2. Youth unemployment is taken as an argument for stimulating green growth, leaving the growth paradigm (necessitated by Debt-money) intact or leading to incremental change only. 3. Climate change is taken as an argument for promoting nuclear energy, leaving both the current (economic, building and transportation) infrastructure and the dominant (industrial age based) centralized models of production and government unquestioned. 4. Climate change actions are limited to efforts at 'restricting' the (industrial age based) regime, without proposing (the upscale of) concrete alternatives, leading to a lack of public support and impact. 5. The cost of Climate Change measures is huge for Government after the financial crisis of 2008 6. The collapse of the last Climate Change COP Meeting at Warsaw. 	<p>Opportunities</p> <ol style="list-style-type: none"> 1. The combination of youth unemployment and climate change can be a leverage point for the advancement of a more systemic and sustainable approach to work and economics. 2. "Closed loop systems" without interfaces with legal tender and Central Banks haven't yet blocked the CC process in France, Belgium, UK and Germany. 3. EU vision of 'Social Europe' leading to innovation for systemic sustainability; European Innovation programs on complementary currencies (e.g. Interreg); EU focus on cooperation... 4. The Interreg/CCIA/NEF ongoing project. 5. Positive feedback from the S&D EP Group.
<p>Strength : innovative capacity and creativity in EU</p> <ol style="list-style-type: none"> 1. Recent scientific insights on innovation for sustainability: Trans-disciplinary research, Systems Theory, Neurosciences ... 2. There is an abundance of innovative models & practices Social: PICCA (Public Innovation through Complementary Co-creative Actions); Design for sustainability; Collaborative consumption Economic: e.g. P2P-economy, Business Ecosystems, B-Corp, ... Technological: transition to post-industrial phase is happening (3-D printing, on-demand production, C2C, energy-positive buildings, Biomimetics/Blue economy, harvesting free energy...) 3. Eco-civic currencies are similar to Buckaroo currency which has been tested (leverage with large impact at the disposal of citizens, governments and enterprises). 4. The ECO seems a promising inverted Co2 Obligation. 	<p>Weakness : lack of up-scaling capacity (efficiency and political leverage)</p> <ol style="list-style-type: none"> 1. Government centralization in the wake of the industrial economy; weak models of subsidiarity; top-down and (a bit of) bottom up models are predominant. Co-creative and cooperative paradigm are not recognized, let alone supported (often even obstructed). 2. Current focus on unity of Euro-zone may blind EU-politics for importance of monetary ecosystem (complementary to Euro). 3. Power position & monopoly of bank issued money leads to lack of resilience; balancing feedback loops (via eco-civic currencies) are blocked, governments keep bailing out banks at large social costs, and consider financial growth as a goal rather than a means. 4. Systemic lock-ins at all political levels due to tax and social security systems solely

5. Internet gives momentum to the empathic society and to the giving/sharing economy (Jeremy Rifkin).	depending on bank money, in line with a narrow definition of 'work' as 'employment'.
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LEGALITY AND COMPLIANCE

"What one law created, another law can undo".

*"A virtual currency can be defined as a type of unregulated, digital money ... used and accepted among the members of a specific virtual community." **"The absence of a distinct legal framework leads to other important differences as well. Firstly, traditional financial actors, including central banks, are not involved ... This implies that typical financial sector regulation and supervision arrangements are not applicable."** [European Central Bank - Virtual Currency Schemes - 2012](#)*

The meeting with the two central banks (see below) suggests that currently no complementary currency schemes in Belgium and France have been put to an end. Current national legislation that is a translation of the European Monetary and Financial Law legislates about payment methods regarding the legal tender. The law does not define a competent authority to assess the emission of other currencies. The people we met have marked a strong interest in social or complementary currencies as a valid response to the Fiscal and budgetary crisis the states are facing.

The first question usually raised is whether such a system is legal. Article 104 of the Maastricht treaty and article 128 of the Lisbon treaty specifies, *"The European Central Bank shall have the exclusive right to authorize the issue of euro banknotes within the Union. The European Central Bank (ECB) and the national central banks may issue such notes. The banknotes issued by the European Central Bank and the national central banks shall be the only such notes to have the status of legal tender within the Union"*.

When describing the Eco-Civics system, the words "money", "currency" or "legal tender" were never needed or used. The EU treaty refers to 'euro banknotes' and "legal tender". The Eco-Civics does not need the status of 'legal tender' in order to function. It is more cost-effective for the Eco-Civics to exist only in electronic form with a mobile device system as the platform rather than be issued as notes. We will use the word 'contributions' when referring to Eco-Civics. and reserve the label "taxes" for levies that can only be paid in national currency.

Some countries, such as the Netherlands, have already defined a special legal status for what is called 'civil service'. Even more familiar is the concept of a 'ticket' that is required to participate in a particular event. The Eco-Civics can be seen as tickets needed to live in a particular city. If legal difficulties were to arise, a full consideration of the overall benefits of the Civic system could lead to a change in some laws.

Report contact with Banque de France (to be translated)

Rencontre téléphonique de Sophie FERNANDEZ (ACPR – Service juridique)

Globalement une appréciation positive du mouvement français des monnaies complémentaires. Elle distingue les différents formes d'émission de monnaie et souligne que l'exemption est actuellement la règle.

Émetteur de monnaie locale sur **support papier**: Lorsque les monnaies locales sont remboursables, fractionnables ou permettent un rendu de monnaie, elles relèvent du champ

d'application de la réglementation bancaire et financière. L'émetteur doit être agréé en qualité d'établissement de crédit.

Émetteur de monnaie locale **scripturale** : Les monnaies locales émises sous une forme scripturale relèvent de la fourniture de services de paiement qui est réservée aux prestataires de services de paiement, c'est-à-dire aux établissements monnaie électronique ou aux établissements de paiement habilités à intervenir en France en application de l'article L512-2 du code monétaire et financier.

Émetteur de monnaie locale sous forme de **monnaie électronique** : Conformément à l'article L525-3 du code monétaire et financier, l'émission et la gestion de monnaie électronique, sont réservées aux émetteurs de monnaie électronique, c'est-à-dire établissements de crédit et établissements de monnaies électronique.

Les **exemptions** : Le code monétaire et financier prévoit des possibilités d'exemption d'agrément pour les entreprises qui proposent des services bancaires de paiements, des services de paiement ou de la monnaie électronique lorsque leurs opérations sont réalisées au sein d'un "**réseau limité d'accepteurs**" ou qu'elles portent sur "un éventail limité de biens et services". L'exemption est accordée (par l'autorité de contrôle prudentiel) à l'émetteur de l'instrument de paiement. Actuellement, 52 projets sont acceptés et aucun projet n'a été rejeté ou refusés par l'autorité de contrôle prudentiel.

Report Banque Nationale de Belgique

Meeting with : Kristof Van Huffel (Service Juridique) et Jan Vermeulen (contrôle prudentiel oversides - système de paiement). Même positionnement que celui de la Banque de France, avec les remarques spécifiques suivantes :

L'article 178bis du Code Pénal stipule comme suit: "Quiconque aura émis un signe monétaire destiné à circuler dans le public comme moyen de paiement sans y avoir été habilité par l'autorité compétente, sera puni d'un emprisonnement d'un mois à un an et d'une amende de 50 à 10 000 EUR, ou d'une de ces peines seulement." Premièrement, la loi ne détermine pas qui est "l'autorité compétente". Sans doute la Banque nationale a un rôle à jouer, mais il n'est pas exclu que d'autres autorités ou instances peuvent jouer un rôle (tel que le SPF Economie pour ce qui est des bons d'achat, ou même la Banque centrale européenne).

Ensuite, les travaux préparatoires à cet article (Sénat, 499-1, 1988-89, p.7) , contiennent le passage suivant: "Ne tombent évidemment pas dans le champ d'application de l'article [178bis], l'émission de chèques, de lettres de change, de cartes de paiement ou l'ouverture de comptes à vue dont on peut disposer au moyen de chèques ou d'ordres de virement pour effectuer des paiements, ainsi que l'émission de jetons, de bons ou tickets dont l'utilisation est limitée à des usagers bien définis, tels le personnel d'une entreprise, la population d'une école, les membres d'une association, et dont la valeur est limitée en fonction du prix des biens et services qui peuvent être consommés par ces usagers."

Ceci nous donne une indication du "réseau limité de prestataires de service", mais il faudra juger au cas par cas si l'émission locale des signes monétaires est licite. Il est à noter que l'établissement d'un système de monnaies complémentaires sous forme électronique peut être soumis à la loi du 10 décembre 2009 relative aux services de paiement. Dans ce cas, un agrément préalable de la Banque pourrait être requis.

Enfin, le cadre légal actuel est peu approprié à l'établissement d'un système de monnaie complémentaire, et que de tels systèmes ont des ramifications qui vont bien au-delà des compétences de la Banque nationale (questions de fiscalité, droit social, sécurité sociale,

réglementation économique, législation sur les droits de volontaires, etc.). Pour cette raison, et vu le nombre limité des demandes posées à la Banque, la Banque se limite à traiter les demandes reçues au cas par cas et à suivre les évolutions générales sur le terrain.

CONCLUSION:

The meetings with the two central banks suggest that currently no complementary currency schemes has been forcefully put to an end in Belgium and France. Current national legislation, which is a translation of the European Monetary and Financial Law, legislates about payment methods regarding the legal tender.¹⁴ The law does not define a competent authority to assess the emission of other currencies. The people we met have marked a strong interest in social or complementary currencies as a valid response to the Fiscal and budgetary crisis the states are facing. This doesn't means that it is the point of view of the institution but that inside institutions we will find allies.

OTHER ONGOING RESEARCH

The **New Economics Foundation**, as part of the Community Currency in Action Project (www.ccia.eu), is currently collecting and analyzing cases and information about the legal and compliance requirements and challenges that complementary currencies face.

The NEF is thinking that the current law does not appropriately reflect the nature and potential of monetary innovations and even fails to coherently distinguish what is currency, what is money and what is a payment system. This has downstream effects on concrete cases and regulations, which effect currency initiatives on the ground, often in a unfavorable way. Long term viability and success of complementary and, in particular, community currencies depends on such understanding. To engage policy makers and regulators in a substantial process, we first seek to collect a comprehensive overview of the status-quo.

Although every currency operator needs to ensure that fundamental legal and compliance requirements are met, there are few resources available that provide an overview of the issues and ways to comply or circumvent them. The results from their study will address this problem with 2 documents that will be freely available.

- One is covering the legal and compliance environment for different currency innovations, particularly in the countries of North West Europe, but also covering pertinent positions from further afield.

- The other report will be written for regulatory bodies, central bankers and policy makers to help them understand the nature and context of the various types of complementary currencies.

So, the report suggest that the ongoing GP EU consultation wait for the results of the NEF Study regarding Legal and Compliance. We have already contributed to the questionnaire and I suggest that we share with NEF the results of our research.¹⁵

¹⁴ [Electronic Money Directive \(2009/110/EC\) / By country Payment Services Directive \(2007/64/EC\) / EU payment committee](#)

¹⁵ Source: NEF- Leander Bindewald

POLITICAL STRATEGY

“The only way to learn is by doing. [The point is] to learn in order to realize goals that were previously considered as unimaginable”.

Michael Hardt and Antonio Negri.

(This part should be much more elaborated)

Which political strategy could be adopted by GP to go further with this proposal?

On one hand, campaign against bank monopoly or lobby, against lobby of a monetary economy that has its own growth at the expense of the higher system goal of planetary and social well-being, against governments that are manipulated by banks into believing that taxes can only be paid in bank debt- money, etc

On the other hand, Campaign with political and NGO's allies to support the development of the 2 currencies (or any other currency design) presented in this report at main big Cities for the Eco-civics and at EU level for the ECOs.

Avaaz could be used to receive a large public support for those initiatives.

Others:

- Use the ongoing strategy and pilot actions of the Interreg as a leverage. Contacts with Leander Bindewald (NEF° and Paula Mac Lachlan (Interreg)
- Organize the lobbying towards the EP with S&D et Green groups.

First contact done and positive with: Nicola Mazzaro (Unit Head S&D), Stine LARSEN (Economist advisor S&D), Kathleen Vanbrempt (S&D MEP and Vlaamse Minster introducing CC in Flanders), Jan de Zuter (Communication Officer, S&D), Philippe Lambert (Green, MEP)

- Introducing the proposal, which is to act with alternatives and sustainable solutions, at the Green 10 and developed a powerful lobbying at EU and EP levels. Promote an MoU :
 - a. To launch and circulation of ecocivic/ECOs currencies as a means to keep track of/stimulate those co-creative and cooperative, commons oriented transactions
 - b. To demand that taxes (corporate as well as individual) be based on consumption/pollution rather than on work/action, and that part of tax/obligation can be paid with ecocivic currencies. Instead of tax we could speak about “obligation”.
 - c. ... (other ideas???)
- Lobbying towards the DG Employment, Social Affairs and Inclusion (<http://ec.europa.eu/social/home.jsp?langId=en>) Contact already done with Egbert Huitbos could be support thanks to Anne Snick.

WITHIN GP EU

- To be discussed internally and developed with the consult/advisory group
- Should involve the political advisors of Climate Change and Energy
- Focused on : i.e. The monoculture of conventional money or the bank monopoly ... and the alternatives, ecology monetary system : Ecos and Eco-civics

AT THE EU LEVEL

- Develop a network of MEPs supporting the ideas.
- Create a working group that will define the process to develop the 2 above currencies, or any other currency design, in legal aspects.
- Involved the DG Employment and the DG Environment at the highest level.
- The Interreg IV has invested in the development of 10 CC projects with different scales and schemes. We suggest developing close contact with that institution to discuss our strategy and policy.

CCs are a strong tool for public players in reaching their policy objectives and in building new delivery models for public services. Local actors and users will be: more aware; activate unused qualities; get more self-esteem. This leads to social cohesion; energy reduction; waste separation and avoidance; changing buying behavior; increased sales of regional products; stronger neighborhood economies; increased sales at local SMEs. Expected scope:

- In **2015**: 6 running demonstrations > 200.000 involved citizens, > 1000 networked small and medium sized enterprises (SME's) > 1000 interested municipalities/governmental organizations, of which 60 will set up an CC.
- In **2020**: > 18 million citizens and > 500.000 micro-businesses and SME's in 10.000 communities in NWE.

(Source : CCIA Introduction – NEF)

- Develop and support a network of Mayors/Cities who supports the complementary currencies.
- Others to be developed

SYNTHESIS AND FIRST RECOMMENDATIONS (TO BE DEVELOPED)

1. The ongoing monoculture financial system is at the root of the Climate change and youth unemployment crisis.
2. A systemic approach required to diversify the monetary system with the development of Complementary (Eco-civics and ECOs) currencies that have a tremendous leverage for finding solutions to climate change and youth unemployment based on a sustainable financial system. Solutions are definitively “out of the box”.
3. Tax and obligation are key if we want to scale up and bring a complementary currency out of marginality compared with the conventional money.
4. Instead of reinventing the wheel and after seeing different ongoing projects and reading many of papers, books on the subject, the present report proposes to retain two models (Eco-civics and ECOs). They are the results of the long experience of Bernard Lietaer and are well developed in the last Club of Rome Report.
5. This leverage is connected to the fact that Eco-civics currencies (can) valorize **all actions and behaviors** that contribute to social and wellbeing and could following the Buckaroo experience provide the full employment. This includes initiatives such as reducing energy needs by collaborative and local/seasonal consumption, reforestation, ...
6. The ECOs will be an obligation to the big enterprises to earn ECOs by providing quantitatively verifiable evidence of investment and activities reducing the risk of climate change. This will change the ongoing dynamics of CO2 carbon taxes and subsidies.
7. Up scaling Eco-civic and Ecos behavior and action requires political and juridical leverage (statute, legislation, cooperative corporate law, ...). Today there are ‘grey zones’ in the legislation that allow co-creation or collaborative consumption to be developed, but this knowledge is not mainstream. A grey zone in the law does not upscale or guarantee cooperative economic behavior adequately.
8. Legal and Compliance: Eco-civics will not required new legislation, Ecos well. The current legal framework is not suitable for the establishment of a complementary currency system, and that such systems have ramifications that go well beyond the competence of the National Bank (tax issues, employment law, social security, economic regulation, legislation on human volunteers, etc..). This could be seen as an opportunity on the short. However, long-term viability and success of complementary and, in particular, community currencies depend on adapted regulations. The NEF research on this topic will be key to go further.
9. Develop a strategy based on:
 - Campaign fighting against the monoculture of the financial system and the monopoly of the banks .
 - Campaign to support “out of the box” solutions such as the ECOs and Ecocivics or any another Complementary Currency.
 - Developing a network of MEPs supporting the paradigm shift of complementary currencies.
 - Developing the design of a new legislation supporting the ECO’s
 - Developing a join cc campaign with the Green 10
 - Getting the support of the public through an Avaaz campaign against the

bank monopoly and favorable to complementary currencies.

PARTNERS

NEF: [New Economics Foundation](#)

CCIA: [Community Currency In Action](#)

MEPs

G10: [Green 10](#)

Others

APPENDICES

Appendix A:

THE HONEST BANKER¹⁶

SCENARIO

Charlie owns a small hotel in town worth £2m with no mortgage. He wants to borrow £1m to refurbish and expand the facilities and goes to see his friend Jim – the honest banker. Jim is unusual in that he not only ‘tells it as it is’, no holds barred, but he is also quite rare in that he truly understands the banking system he works in (not many bankers do).

AT THE MEETING

Charlie: Jim, I want to borrow £1m to expand and improve my hotel. Can you help me?

Jim: Let’s see Charlie, firstly I need some good collateral – what can you offer me?

Charlie: Well, I have my hotel which is worth £2m and is unencumbered by any loans.

Jim: That’s good – it is worth twice what you want to borrow so that’s one obstacle down. Now I need to know whether you can make the repayments and clear the loan over the period. How do you plan to do that?

Charlie shows Jim his business plan which demonstrates ample ability to service the loan.

Jim: That’s great Charlie – we will have no problem lending you the money. All you need to do is sign this loan agreement and our lawyers can handle the rest.

Charlie: Whoa Jim! I’ve shown you my collateral – it’s real and you pass it every day coming in to work. I want you to show me the money you are about to lend me.

Jim: I’m sorry Charlie, I can’t do that.

Charlie: What do you mean – this is a bank. Don’t you have the money that I need?

Jim: Well Charlie not yet, it works like this: you sign the loan agreement and we as a bank can then create the money by making two entries into our computer system – the first being your £1m debt to the bank and the second a £1m balance in your deposit account.

Charlie: So, you create the money from thin air because I agree to become a creditor – and pledge a real asset!

Jim: Yes, that’s right.

Charlie: And I thought that the government and the Bank of England created all the money!

¹⁶ Courtesy of Robert Knowles, who has 20 years experience in the London financial system

Jim: They do create a little bit of it. About 2.6% of the total money supply is in notes and coins produced by the Royal Mint. The Treasury makes a profit on this through the difference between the cost of production and distribution and the face value of the currency – this is known as seigniorage. The rest – about 97.4% - is created by us commercial banks as credit.

Charlie: But hang on, all debt has interest requiring to be paid. If almost all the money supply is created through debt, where does all the money to repay the interest on the debt come from? My 20 year loan for example requires me to pay a further £1m in interest *in addition to* the £1m original loan I am borrowing.

Jim: This is why the government and the Central Bank are keen to see the economy keep growing *in real terms* on a steady basis – so us commercial banks can keep producing enough money in the system so that everything can be repaid. When the principal on your loan is repaid, it cancels money supply. It also helps to have a bit of inflation too – this reduces the value of the debt in relation to real things over time, making more room to create new money and keep the wheels turning.

Charlie: But the economy can't keep growing can it? I mean the real world is finite: we have finite resources and finite ability to create good quality collateral for you to secure your loans against.

Jim: True – but we've managed to monetise an increasing number of things over recent decades and we'll hopefully be able to continue to do this for a while longer.

Charlie: Ok – getting back to my situation. What happens if I cannot keep up the repayments?

Jim: Well, we'll have to foreclose and take possession of your hotel.

Charlie: But I've spent the last fifteen years building up my business – it's all I've got. What happens then?

Jim: Well, the primary creditor of a business is always the tax man. However, if he's sorted out, we will sell the hotel as quickly as we can at a knock down price, recover all costs and outstanding charges and if there's anything left we'll pass that on to the receiver. If there's anything left after they've paid off your other creditors (including the receiver paying themselves), you can have what's left.

Charlie: Ouch, that's pretty harsh – but if what about the other way round. I'll be drawing down gradually on my £1m deposit over the next six to twelve months. What happens if the bank goes bust and I've drawn nothing down?

Jim: Under the regulatory compensation scheme you are guaranteed £85k on your deposits.

Charlie: and what happens to my debt to the bank – does that get reduced too?

Jim: I'm afraid not. It is a key asset of the bank and will be passed on to another bank to administer.

Charlie: What about the charges and interest. You're charging me an initial set up fee of 2% plus 7.8% p.a. on my loan but on the other hand you are only giving me 0.8% interest on my deposit account. What happens to the 2% fee and 7% interest difference?

Jim: We keep it. It pays our running costs, gives the shareholders a good profit and our investment banking arm might do some clever things with some of it and increase those profits even further.

Charlie: So, let me summarise this:

- You create new money out of thin air because I've agreed to be indebted to you – even though you never had the money in the first place! Just a privilege to be able to create it.
- You then 'rent' this money to me over 20 years and I have to find twice the money I've borrowed to repay you.
- If I can't keep up the repayments you take my only real asset of substantial value where you don't care what price you get as long as you recover your outstanding loan and all costs and charges. I'm back of the queue and get the crumbs (if there are any).
- If you go bust, any substantial holding I have on deposit is almost entirely wiped out – but my loan remains fully in place.
- Furthermore, you charge a lot more in fees and interest against my debt than you give me if I keep my money on deposit.
- What's more – you commercial banks control almost all the money supply of the country! You decide where it gets allocated and therefore how the economy is shaped!

All the odds are completely stacked in your favour!

Jim: Yes – great business model isn't it!!!

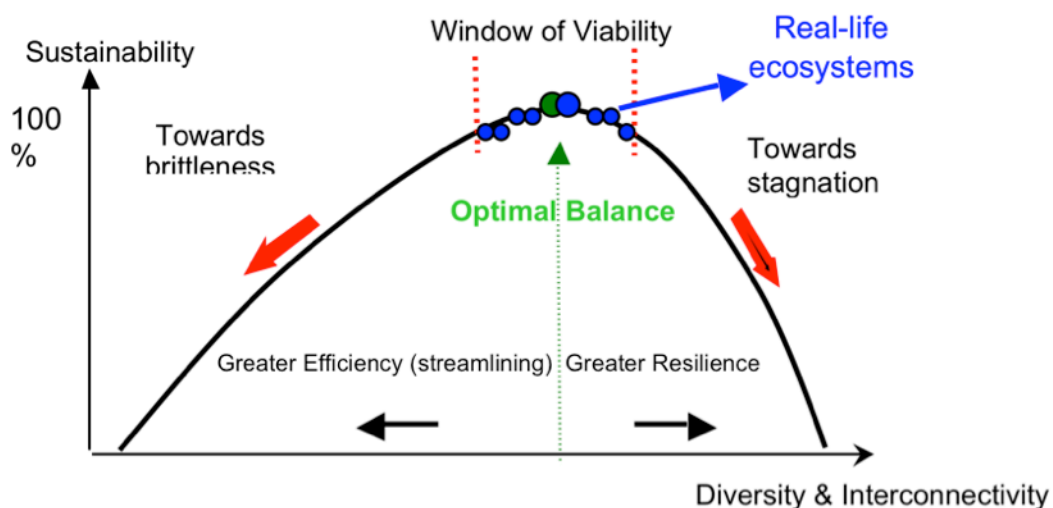
Charlie: Except for one thing: your business model isn't sustainable...

Appendix B

A Synthesis of the research about complex flow networks

Complex flow networks are networks that involve several tightly interlinked variables. The word "complex" refers to systems that are neither in a single linear causality relationship, nor with multiple variables that are only weakly interlined. Linear causality results when one single variable is so dominant that everything else is insignificant, as is assumed for example in Newtonian mechanics for the role of the sun in our solar system. Multiple variables that are connected only weakly, as is usually assumed in economics, is the field explored by statistics, It turns out that all real-life living systems, including all natural ecosystems are all of a complex nature as defined here.

- A breakthrough was realized by quantitative studies of a great variety of natural ecosystems.¹⁷ All natural ecosystems have in common to be sustainable, otherwise they simply wouldn't exist today. They are also all complex flow networks in which biomass circulates. It turns out that sustainability requires an appropriate balance between two emerging properties of that system: **Efficiency** (the capacity of a system to process volume of whatever flows through it) and **Resilience** (the capacity for a system to adapt to changes in the environment, an attack, or a disease, without losing its integrity). These two properties depend in turn only on 2 structural variables: **Diversity** and **interconnectivity**. Intuitively, one can see why a system which has several actors and strategies available (= diversity) and has access to several substitute resources (=interconnectivity) to realize a systemic purpose or function, will be more sustainable than a monoculture. What has been proven in these studies is that there are two ways for such a complex flow network to get in trouble. When one pushes efficiency too far, which is done typically by streamlining and reducing diversity, it becomes very brittle and will tend to suddenly collapse. When too much diversity is created, stagnation may be the result. In any case, a monoculture is never systemically stable. And all real-life ecosystems invariably cluster in a "window of viability" around an optimum (see graph 1).



- Because the sustainability of complex flow network depends only diversity and interconnectivity, which are both *structural* variables, two complex flow networks with the same structure will behave the same way. This means that the findings from natural

ecosystems also apply to any other complex flow network with the same structure. Therefore, these findings apply not only to all natural ecosystems which are complex flow networks in which biomass circulates. It also applies to, for instance electrical distribution systems which are complex flow networks in which electrons circulate (with the result of sudden total blackouts when efficiency is pushed too far). Finally, it also applies to economies which are complex flow networks through which money circulates.

- This explains why the monoculture of the official money systems (all based on bank-debt) are so unstable. Furthermore, the conventional economic & monetary system is too much oriented towards **efficiency**, which **makes it brittle** (cf. global banking crisis, centralized energy infrastructure, ...) (cf. **red dot on curve** in Figure 2)

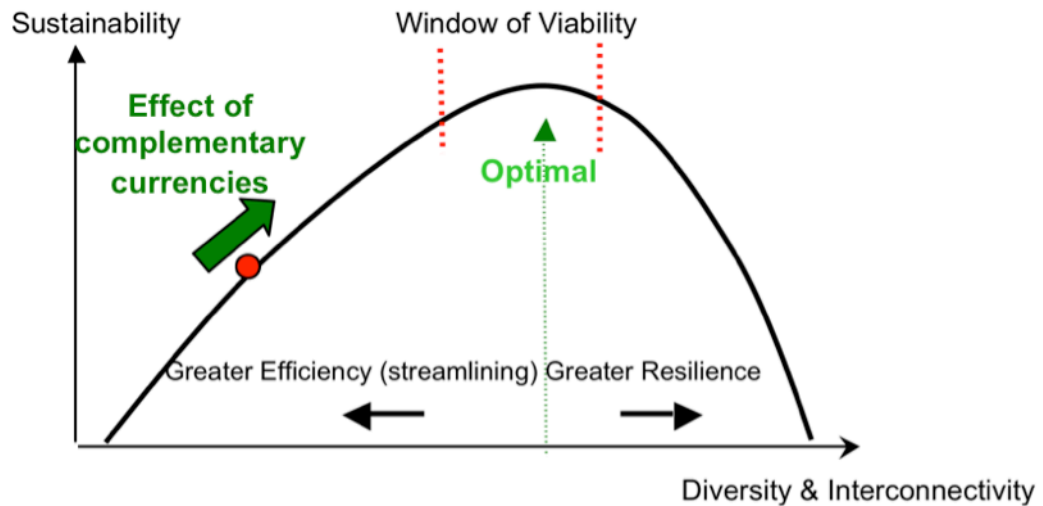


Fig. 12. Schema of sustainable complex flow networks applied to the money system

- This Figure also provides the answer to the usual criticism that conventional economists express about the emergence of complementary currencies: that it makes the economy less efficient. As shown by the green arrow in Figure 2, it is true that multiple currencies reduce efficiency. However, that reduction is a necessary condition to increase the resilience that is needed to make the system more sustainable!