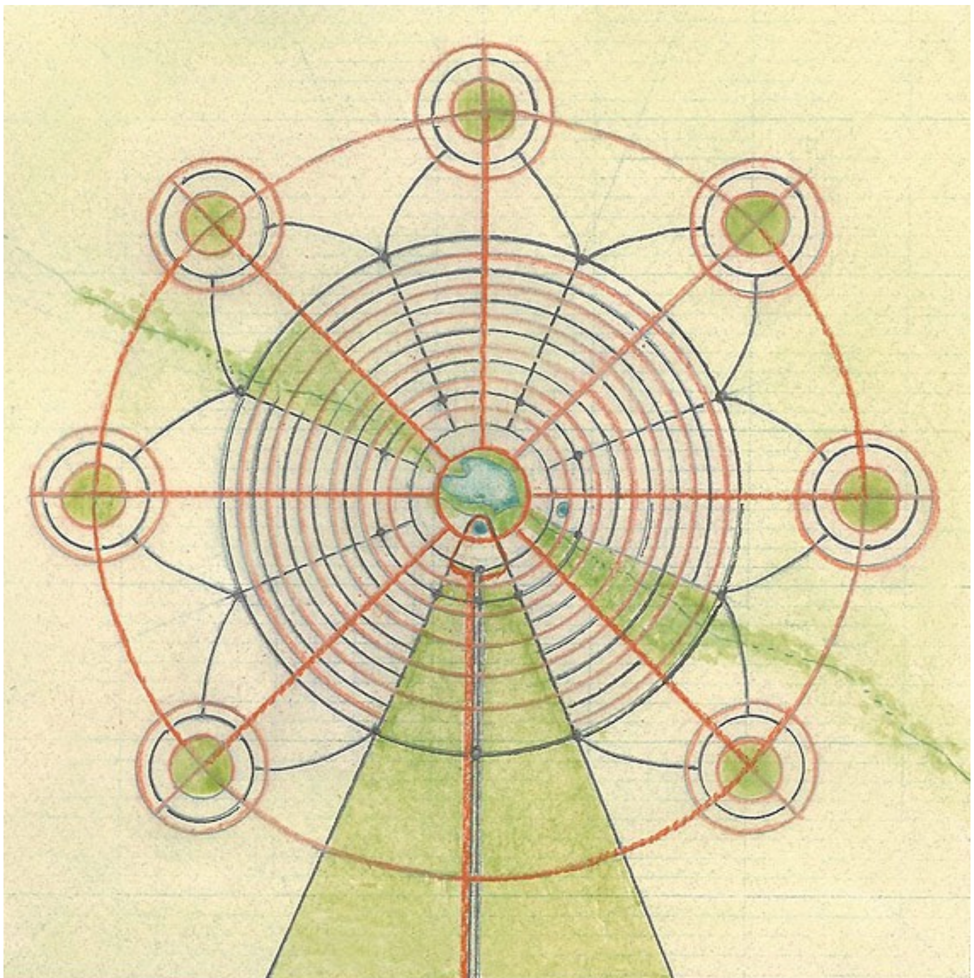
The Eco-Initiative

An Eco-Economic Solution for Africa, Asia, and the World

(Excerpt from **Where I'm Coming From**)

By Michael E. Arth



KISIMA KAYA, A PROPOSED PEDESTRIAN, ECO-VILLAGE IN KENYA by MICHAEL E. ARTH, 2006

One example of a scalable African eco-village, financed by the eco, a proposed global currency for developing countries backed by the global North. The pedestrian villages, which separates roads for vehicles and bicycles (shown in red) from (blue) pedestrian lanes into separate networks, would be a carbon neutral nexus for health clinics, family planning, banking, education, housing, courts and resource extraction mediation. On the periphery would be factories for the manufacture of solar panels and other sustainable products for domestic and foreign use.

Open Letter to the African Union
P.O. Box 3243, Roosevelt Street
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Re: The Eco-Initiative, A positive-sum solution for Africa and the world.

Dear 55 members of the African Union:

As a public policy analyst, urban designer and 2020 United States Presidential candidate, I propose to the African Union that we begin a dialogue about a better relationship between the African countries and the global North. The United States and other rich countries could use their economic strength to implement a money-financed fiscal program, which would allow a newly-created, pan-African currency (the eco) to be spent into existence at a measured rate, backed by a basket of Western currencies. Such a plan would help the African Union realize and surpass its goals as outlined in its charter, and support a positive-sum outcome for the entire planet. Here are the key points of the plan:

1. Liquidity would be injected into the economies of participating African countries, consisting of incentives, development, sustainable energy, manufacturing, and job creation, that could double Africa's $2.45 trillion nominal GDP within a few years in an ecologically responsible manner. This money would not consist of loans, the sale of resources, or shared ownership, so there is nothing to pay back. The benefit to the rest of the world is that it would contribute substantially to the reduction of carbon emissions through alternative energy manufacturing, and the reduction of birth rates to sustainable levels.

2. The money to finance this would utilize a rarely-used principle in economics. Ordinarily, under fractional reserve banking, nearly all money is lent into existence by commercial banks. Under the Eco-Initiative plan, money would be spent into existence by an African Central Bank in cooperation with the countries backing the eco. To prevent inflation in the hard currencies of the developed countries, and prevent the unrestrained flight of capital, the eco would have currency controls utilizing a credit card system. Such oversight would be necessary to obtain the cooperation of the guarantors. Controls would not apply to small-scale currency exchanges, such as for Africans traveling or studying abroad. It would, however help prevent corrupt leadership, cronyism, money laundering, tax evasion, and other such commonplace improprieties.

3. The **2019 United Nations' medium-variant projection** is for Africa's population to increase to 4.3 billion in this century from 1.3 billion today, despite increasing family planning efforts. Most of this increase will be in Sub-Saharan Africa, where the population will soar from one billion today to 3.8 billion in 2100—a 380% increase! This is an unsustainable prescription for disaster. Those who argue that a rapidly growing and young population is a human resource are not taking into consideration the environment,

the economy, dwindling natural resources, the effect on other species, or the realities of an increasingly automated world. Even if families only had one or two children beginning immediately, Africa's population would still double because of population momentum (which is what happens in a young population where most women are still having children). By stark contrast, developed countries have older, stable populations, which is a critical element to their prosperity. Africa's median age is 20. In the U.S. and China, it is 36. In the European Union it is 43. With free family planning services, and direct payments and educational benefits to those willing to use birth control or forgo parenthood altogether, Africa might be able to stabilize its population within 25 years. Without drastic measures, efforts to eliminate dire poverty in Africa will be severely hampered. As the 2017 UN World Population Prospects report warns: "The concentration of population growth in the poorest countries will make it harder for those governments to eradicate poverty, reduce inequality, combat hunger and malnutrition, expand and update education and health systems, improve the provision of basic services and ensure that no-one is left behind."

4. Automation and a projected slowdown of the need for outsourced manufacturing (which is what created China's spectacular rise) is unlikely to create a similar boon for Africa's impoverished young. Nor should it, for the simple reason that global warming and other environmental issues in our Information Age require a paradigm shift in how to increase prosperity, health and education. Time is of the essence in recalibrating the world's economy to eliminate extreme poverty, reduce inequality, and solve the existential crisis related to climate change. Only by reining in population growth and implementing creative reforms like the Eco-Initiative will Africa's economy rise as China's economy has.

5. Despite the rhetoric of nationalistic demagogues, we do not live in a zero-sum world. What is good for Africans is good for the rest of the world. It will take us working together to solve the vast array of problems besetting our species. Solar panels manufactured in Africa could power the entire continent, with excess production going to the developed countries where their installation will create jobs, and reduce global emissions. Africa cannot be expected to tackle these problems alone. It is now a global responsibility to make sure all humans are cared for.

Respectfully,

Michael E. Arth

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(see below)

The Eco-Initiative

Eco is the name for a failed West African currency that never got off the ground because of intractable problems related to economics, governance and corruption. However, Eco would be a good name for a properly-structured global currency that would alleviate the ecological and economic problems of Africa, South Asia and Southeast Asia. It would also be a good name for an eco-financed initiative that could simultaneously tackle overpopulation, health care, environmental and resource issues, corruption, authoritarianism, global warming, sustainable energy, and poverty. I propose that the global North, possibly including China, in collaboration with the 55 African countries of the African Union, and possibly other developing countries throughout Asia, take a novel and expedited approach to all of these issues. The result would be positive sum benefits for everyone on the planet.

No matter the plan, the burning question is always how to pay for it. It may sound incredible, but one to two trillion dollars could be spent into circulation every year for a decade or more in Africa by the developed countries without costing them anything, while also tackling the biggest problems of our time. The solution lies in so-called "helicopter money," an expression that conservative economist Milton Friedman coined in 1969. The idea is that in an economic downturn money can be created out of thin air and spent into existence by a central bank and distributed directly to the people most likely to spend it. This should prime the pump and help the economy recover. This works best when the money is spent on productive activity which stimulates the economy. Former Federal Reserve Chair Ben Bernanke in 2016 called helicopter money by a more scholarly term, a "Money-Financed Fiscal Program" (MFFP) and described it as "an expansionary fiscal policy—an increase in public spending or a tax cut—financed by a permanent increase in the money stock." If MFFP had been done during the Great Depression, along with lowering the international trade barriers, the downturn would likely have been inconsequential. The danger is in printing too much money, thus leading to inflation, but there are situations where a MFFP could work and not be unduly inflationary. It seems reasonable that a form of MFFP, coupled with certain guidelines and backing by countries with strong currencies would pull Africa and Asia out of its semi-permanent economic malaise, while also accomplishing many other positive goals. Previous and ongoing attempts to create a common West African currency failed because no country but Ghana met the primary criteria set out by the West African Monetary Institute. Also, the International Monetary Fund, the European Union and the United States have punished institutionalized corruption with economic sanctions and only allowed loans with harsh conditions that often leave countries worse off than they were to begin with.

Having a hard-currency-backed eco, structured in a way that fights corruption, eliminates debt and inflation, and establishes fair and reliable tax collection, could make a common currency possible. An eco, supported by a basket of major convertible currencies could function like currency substitution, but with currency controls to regulate conversion back into other hard currencies to prevent excessive inflation. Caution is advised, however, because creating fiat money without limit and a without a sound economy able to absorb the growth in the money supply could lead to hyperinflation such as occurred in Zimbabwe a decade ago. **Zimbabwe's hyperinflation** peaked at 89.7 sextillion (annual) percent in November 2008 prompting the government to abandon the Zimbabwean dollar and adopt currency substitution—primarily with the dollar, but also with other hard currencies. (By comparison, the 2019 US inflation rate is about 2%.) To prevent inflation from affecting the hard currencies, analysts and economists could monitor any inflationary effects as the eco is spent into existence in order to find the optimum level of spending. The money should also spent on productive things things that will lead to sustainable self-sufficiency. **World GDP** in 2019 is about $88 trillion. The GDP of the advanced countries in the G20 is 78% of the total, or $69 trillion. The growth of the money supply is related to inflation as well as the workings of the economy. For example, in the US the growth of the money supply is sometimes higher than inflation. Vast quantitative easing after the Great Recession seemed to have no affect on inflation. Adding an amount equivalent to two percent of G20 GDP to the annual money supply of emerging countries along with currency controls should not harm the economies of the advanced countries, but it could vastly improve conditions related to economics and the environment. It is reasonable, responsible, and ethical to test the premise.

Existing aid to Africa, even when well-intentioned, has been the subject of criticism for various reasons. A **2015 report** states that Africa receives $162 billion in remittances, loans, official aid and grants, but $203 billion was taken out in the form of multinational profits, debt repayments, capital flight including illicit financial flows into tax havens, corruption, and climate change adaptation and mitigation. In other words, the claim is that Africa loses more than it gains in its transactions with the global North, and this, along with a horrendous birth rate, contributes to Africa staying poor. The combined GDP of the African countries, with 1.3 billion people, was $2.33 trillion (nominal) in 2018, which was estimated at $6.74 trillion (Purchasing Power Parity with the US). The nominal per capita GDP is $1,890 compared to the US, which is $62,518 (both nominal and PPP).

China, with excess capital to invest, has also sought opportunities in Africa, as well in countries in varying levels of development. Since its launch in 2013, China's Belt and Road Initiative seeks to join 152 countries and international organizations on five continents together with infrastructure and investments to create a global supply chain with China at its center. China is no longer communist, but rather a highly-industrialized, state-capitalist enterprise, and is now the **top carbon polluter**--more than twice US levels. The Chinese Communist Party (communist only in the sense of being authoritarian and centrally controlled) lead by nationalist Xi Jinping, insists on the survival and monopoly of power by the party as its top goals, want to make China the center of the world, as it saw itself for 5,000 years. China has, with increasing confidence, been promoting its brand of police state authoritarianism while decrying the chaos, as exemplified by Donald Trump, of the western democracies. We should turn this around, not through coercive, mostly self-serving means, or military aggression, but through positive-sum actions that recall the Marshall Plan that helped rebuild Europe after WWII. Ideally, China would join the West in this venture and the Eco Initiative and the Belt and Road Initiative could be mutually complementary for the benefit of all.

Under the Eco Initiative, the nominal GDP of Africa could be doubled within five years, which would raise the PPP GDP from $5533 to $11,077, eliminating dire poverty and bringing population growth into balance by 2050. The ecos could be spent to replace slums with low-impact, pedestrian-oriented, eco-villages, based on local architecture, which can be scaled up as needed. Each village would have infrastructure that would handle sustainable energy production and waste processing. Educational centers consisting primarily of internet access and schools would provide education and work training. Amenities and markets could be at the center of every village. Neighborhood banks would issue credit cards to citizens, make micro-loans, and finance projects. There would also be a town hall where agreements concerning communal issues would be discussed and where contracts regarding the extraction of commonly owned resources can be deliberated in full transparency by all stakeholders. Housing would be provided with low-interest financing. Direct payments could function like a universal basic income scaled in proportion to one's commitment to temporary or permanent contraception. This should dis-incentivize those who are having children for their labor value.

With the cooperation of the African Union, the eco could initially be freely convertible with local currencies. The eco could be backed with a basket of hard currencies including the dollar, euro, pound, yen, and others—ideally also including the renminbi. The eco could be pegged to the dollar and any eco spent outside of Africa would be redeemed in any desired currency but debited on the ledger proportionally in relation to the backing currencies. Ecos could be created out of thin air, just as sovereign money consisting of notes and coins are now created by nearly all countries. Strict currency controls would be put in place to prevent corruption, capital flight and transfers to tax havens, but any African citizen going abroad for study or vacation, or spending money abroad for any other legitimate purpose, could be able to convert whatever they needed. All remittances coming into African countries could be converted into ecos, but transfer fees could be much less than is the case now. This plan essentially entails a form of currency substitution, but it would not be inflationary to the Western guarantors because repatriation of ecos into the currencies that back the eco would be reduced to a trickle, and the burgeoning economies of the African continent would have a stimulative effect on global trade that should counteract any inflationary effect. Thus, the vast majority of ecos would stay in Africa (and other places where states agree to use it) putting trillions into circulation where it is needed most and acting as a stimulus to sustainable development. In addition, a full-reserve central bank could be created and ecos would be spent into existence as needed and at such a rate that inflation would be no higher than in the host countries. The governors of this central bank could initially be composed of a majority of donor country representatives, but after the eco becomes strong enough to exist without outside guarantees, the administration would become fully African and become a hard currency on its own. The rising wealth would allow poor countries to eventually become significant trading partners. There would also be a resource council to make sure that resource extraction by transnational corporations would fairly compensate the local populations and that the money would benefit all, thus preventing the corruption associated with the "resource curse."

Global CO2 levels are higher now than they have been in about three million years. The 2018 Intergovernmental Panel on Climate Change (IPCC) **Special Report on Global Warming** warns that "deep emissions reductions" are required to prevent exceeding a rise of 1.5°C above pre-industrial levels. Failure to do so will cause "rapid, far-reaching and unprecedented changes in all aspects of society." This means that drastic action is urgently called for. As sustainable energy products such as solar panels are manufactured in the global South, the rich countries should institute more stringent carbon taxes while also subsidizing the conversion to clean energy. Revenue from carbon taxes, as well as the judicious use of a Money-Financed Fiscal Program could be used in the rich countries to finance the installation of solar panels, thermal energy storage facilities (to even out solar energy production), wind turbines and other clean energy sources. Shared, zero emissions, self-driving vehicles would allow us to vastly reduce the number of vehicles in the world while also eliminating a major source of greenhouse gases. Financing solar panel manufacturing and local installation with MFFP in the developing world and then subsidizing the installation of spare production in rich countries could create a virtuous circle to replace the vicious circle that is now leading us toward eco-suicide.