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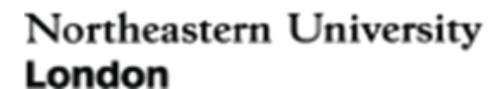
Monetary policy and ecological crisis: Towards a climate justice approach

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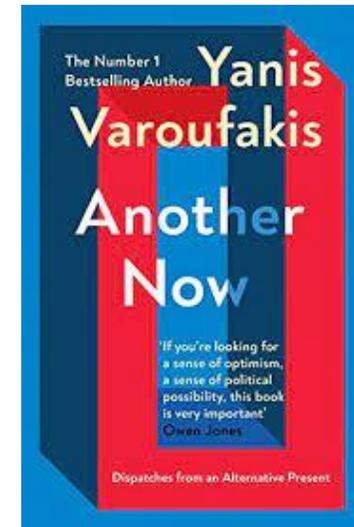
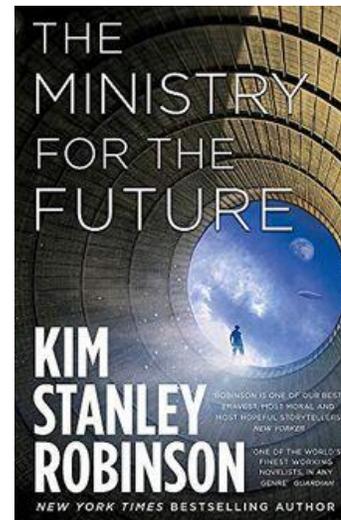
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Ecological crisis requires new approaches...

- ‘**Fundamental uncertainty**’ on steroids...
- No modelling / no figures...
- Arguing for an ***intentional* disruption**....
- Expand our imagination...

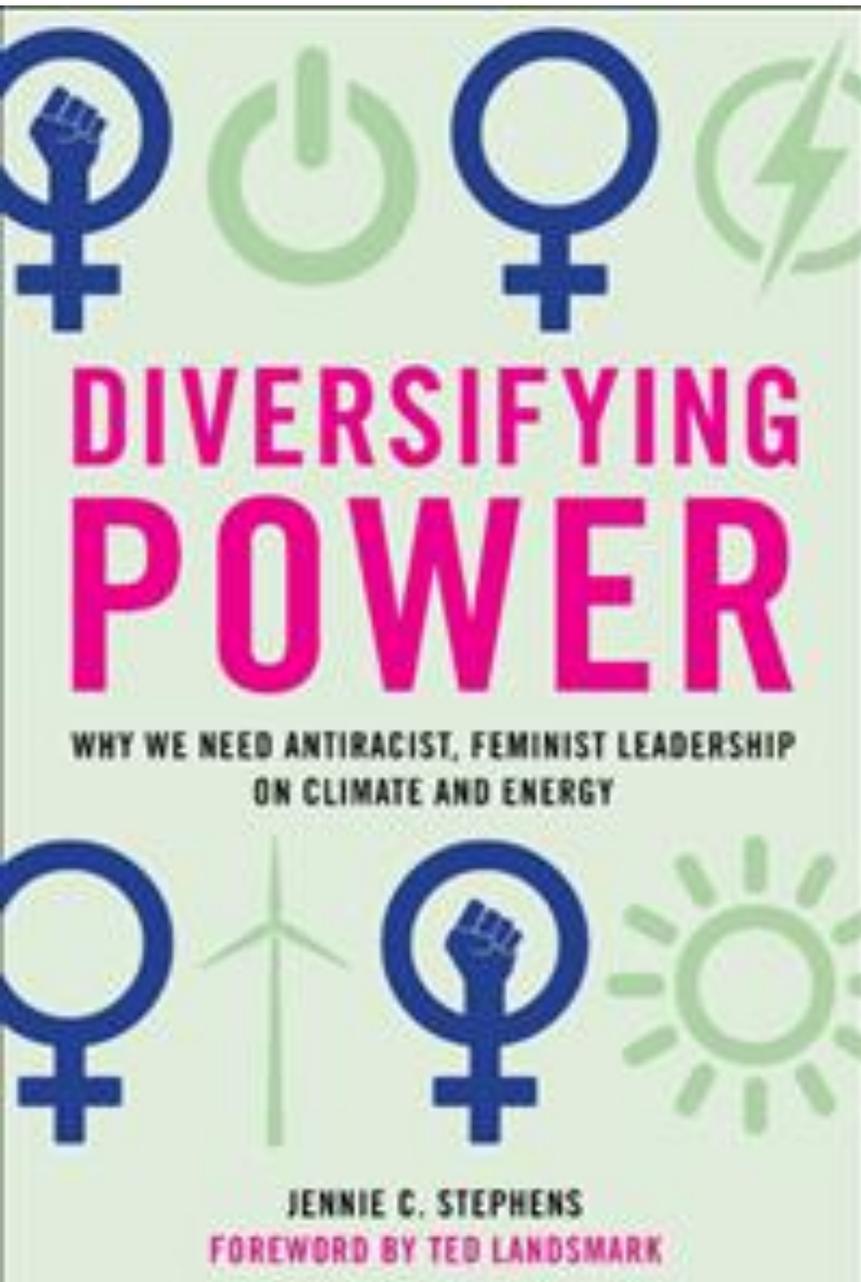


Climate Justice Approach to Monetary Policy

1. Monetary policy & climate justice: **integrate climate action with social, economic and spatial justice** (alignment of monetary policy with a range of policies – fiscal, energy, housing policy, etc. ...)
2. Short-term **'creative disruption'** of the financial system for long-term sustainability and stability



- cf. Schumpeter (1942):
'creative *destruction*'
- Minsky (1986): financial system
inherently unstable
+ climate change → even more so!

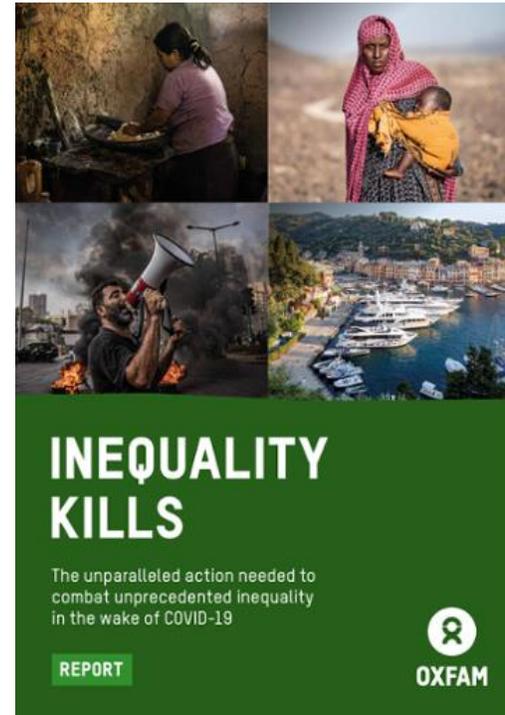
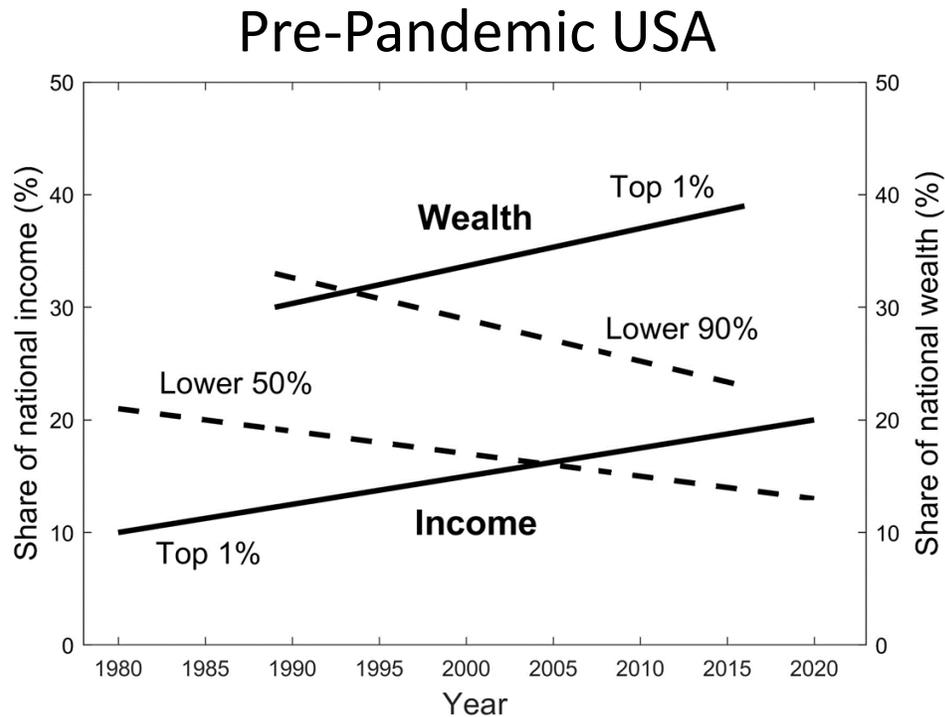


Climate Justice



- ... emerging as an **urgent global policy priority** (Robinson 2018, Kashwan 2021, Newell, Srivastava et al. 2021).
- goes **beyond the technological emphasis** on decarbonization and reducing greenhouse gas emissions, focuses attention on **social, economic, and institutional innovations** that link technological change with societal transformation by centering social justice and economic equity (Stephens 2022, Sultana 2022).
- recognizes huge **societal risks** associated with increased **social instability** and the **geopolitical dangers** of growing inequities, and how the climate crisis exacerbates all of those risks (Harlan, Pellow et al. 2015, Stephens 2020)
- attempts to redress the legacy of **coloniality, economic injustice, extractive finance, and systems of exploitation** that are worsening climate vulnerabilities
- prioritizes **transformative econ. investments, social policies, and innovative practices**
- **disrupt the status quo financial and political systems** that continue to concentrate wealth and power among those individuals and organizations that are already privileged (Schapper 2018, Newell, Srivastava et al. 2021, Whitaker 2021, Sultana 2022)

Climate Justice links ecological crisis with economic inequities



During the pandemic top billionaires doubled their wealth

Oxfam, 2022

- Polluter elite:** Strategic investments to resist transformation – climate obstruction deny, delay and distract (Kenner, 2019)
1. misinformation to deny climate science & promote fossil fuels
 2. undermine public trust in government & public investments
 3. minimize worker protections and worker rights to disempower

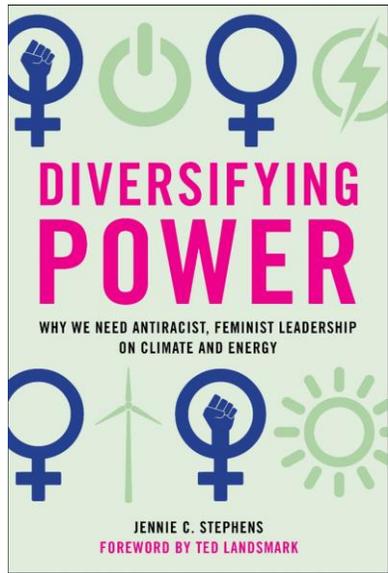


Climate Justice: Resist, Reclaim & Restructure

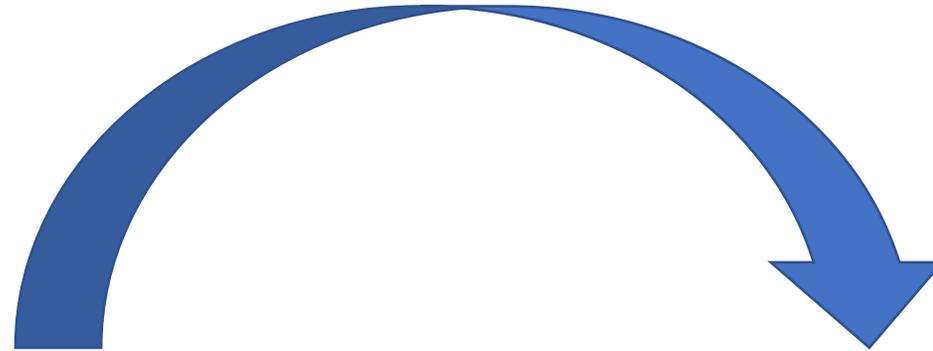
RESIST systems that perpetuate economic injustice, the concentration of wealth and power

RECLAIM the power of public investments for the public good

RESTRUCTURE the economy to reduce the concentration of wealth & power that reinforces climate obstructionism and fossil fuel reliance



Climate Justice Calls for Societal Transformation Beyond Technology



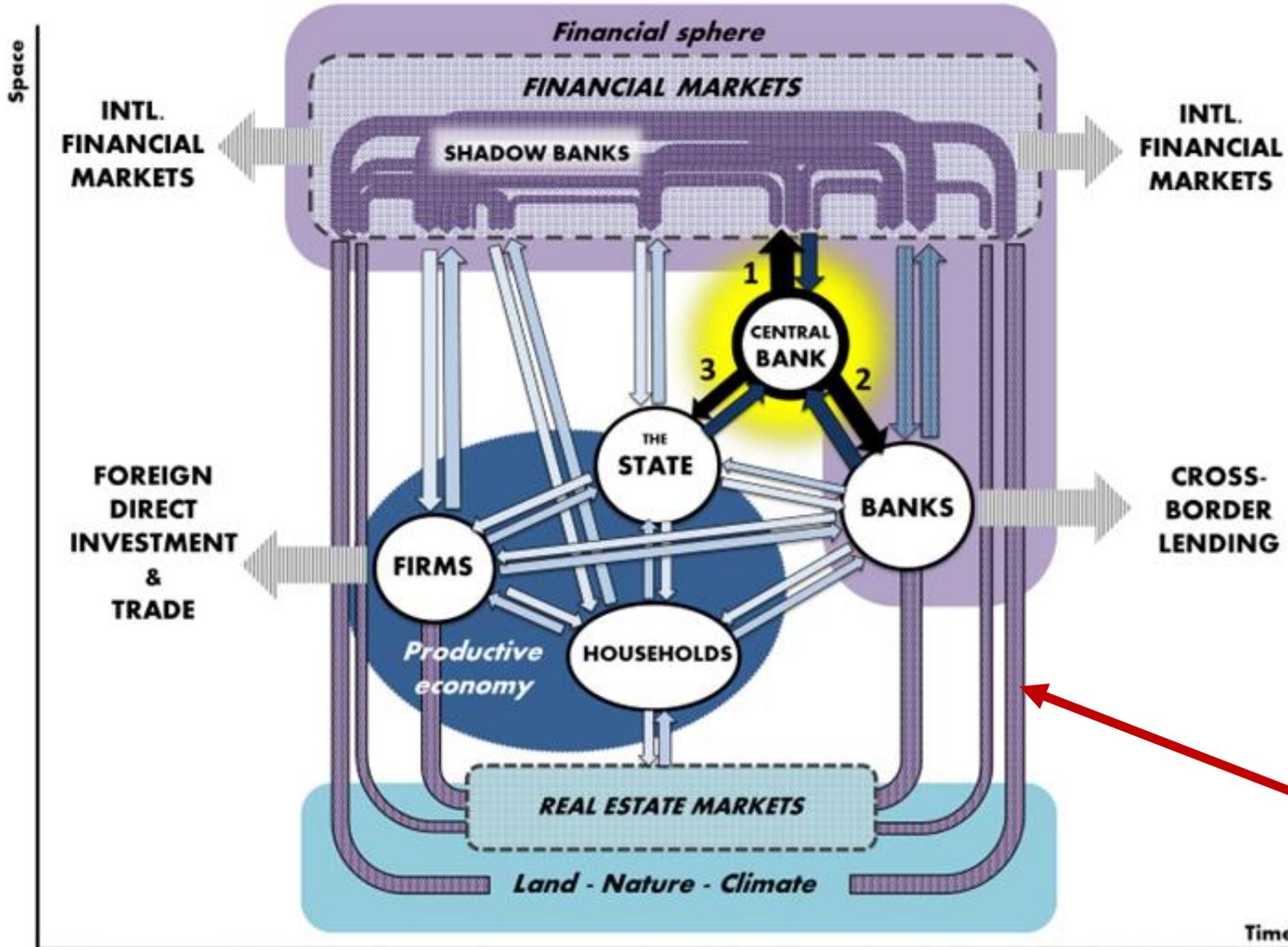
Climate Isolationism

- Narrow technocratic lens
- Based on patriarchal, colonial ideas of domination & control
- Technological optimism
- Perpetuates exploitative economy
- Missing opportunities for investing in people and communities

Social/Economic Justice Climate Justice

- Broad Investments in people & communities
- Based on human dignity & basic needs
- People First Approach
- Distribute Power (literally & figuratively)
- Leverage climate urgency for transformation

Central Banks are Central in Financialised Capitalism



Central Financial Chains:

1 – Central bank interventions on financial markets (e.g. asset purchases – including purchasing government and corporate bonds; in turn, financial players and corporations can make further investments and the government can borrow more cheaply)

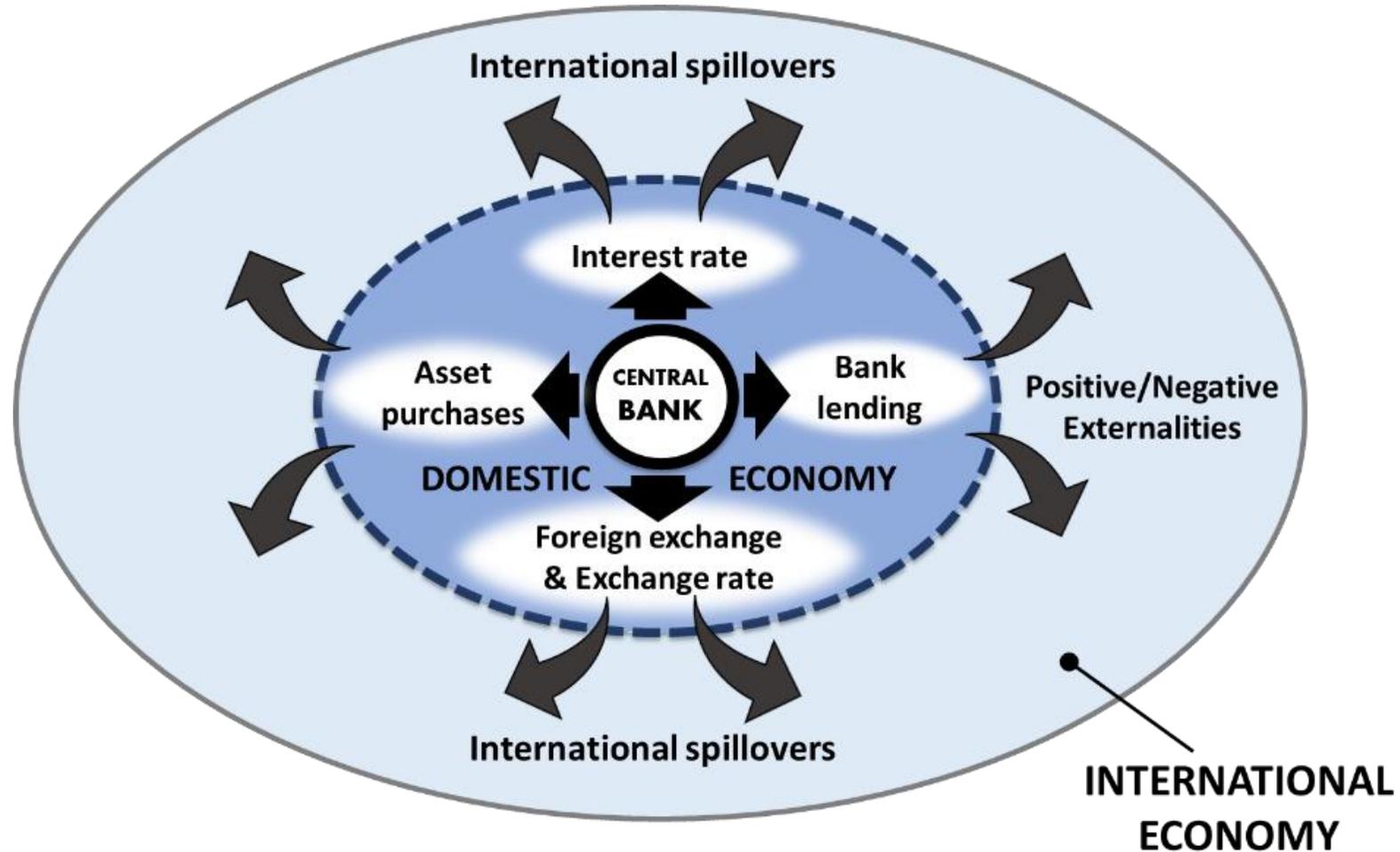
2 – Central bank lending to banks (banks can then lend directly to firms, households and the government, or invest in the financial markets or real estate markets)

3 – Potential direct lending by the central banks to the government, e.g. 'direct monetary financing' (the government can then spend/invest in the economy or finance the 'green transition')

Financial chains

Adapted from Sokol (2022)

International Coordination is Essential



What Central Banks are Doing Now

Climate-Mitigating Policies and Actions	Actions Accelerating Climate Crisis
'Green' mandate (Bank of England)	Focus on (short-term) financial stability in the Global North, not overall (long-term) climate stability
'Green shift' (ECB)	Unconditional quantitative easing (QE) – a subsidy for the fossil fuel industry
Building forward-looking scenarios (the Fed)	Unconditional lending to banks (no 'green' criteria attached)
Incorporating climate change risk within macro-prudential stress testing	International spillovers may increase vulnerability in the Global South
Purchasing green bonds (to a limited degree)	No attention to climate justice
Moves towards 'greening' their own balance sheets	

Toolbox for climate action (examples)

Adapting existing monetary tools of central banks for climate justice

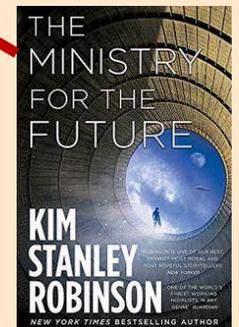
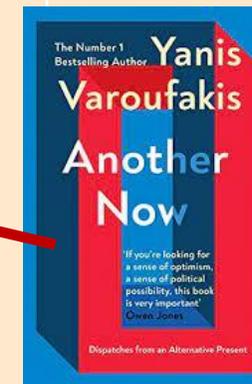
- **Green quantitative easing (QE)**, purchasing 'green bonds' (e.g. Dafermos, Nikolaidi, et al. 2018; Mazzucato, Ryan-Collins et al. 2020, Boneva, Ferrucci et al. 2022) and phasing out fossil fuel industry asset purchases
- Lending to banks / **green collateral** (e.g. Abdelli and Batsaikhan 2022; Dafermos, Gabor et al., 2022b)
- Lending to banks / **Preferential interest rates** (Batsaikhan and Jourdan 2021; Positive Money Europe 2022)
- **Green differentiated capital requirements (GDCRs)** (Dafermos and Nikolaidi, 2022)

Creating new monetary tools or structures for climate justice

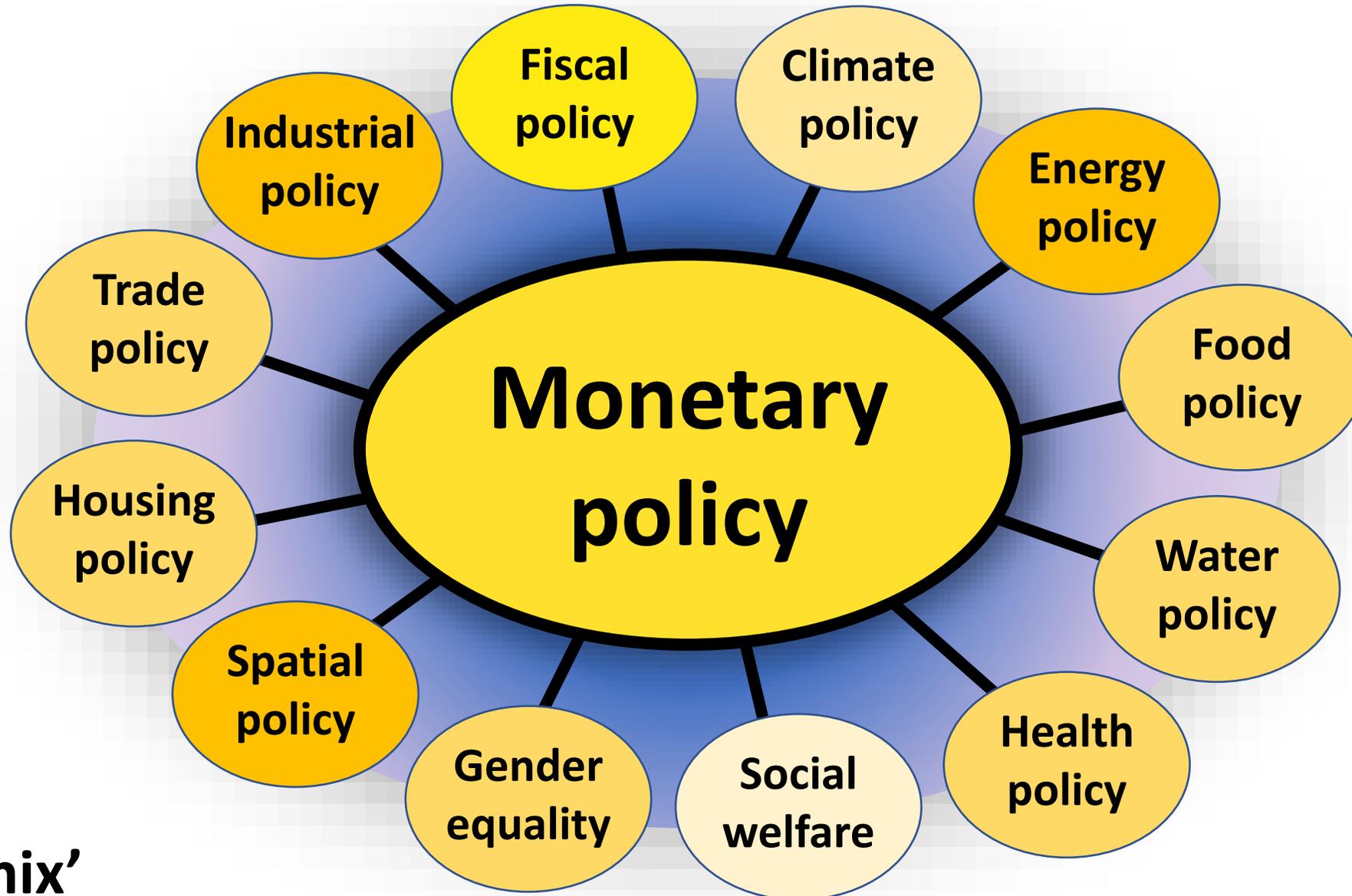
- **Green World Central Bank (GWCB)** and 'ecor' currency (Aguila, Haufe and Wullweber 2022)
- **Climate Coalition of Central Banks (CCCB), carbon coins (carboni)** (Robinson 2020a, Robinson 2020b)
- MMT (Kelton 2020); **direct monetary financing** (Diessner 2020) for green transition without creating debt (see Sokol and Pataccini 2021)
- **Climate bailout** (Kroll 2018)
- **Central bank digital currency** (e.g. Varoufakis 2021a, 2021b)
- **Democratic transformation and fundamental repurposing of central banking** (Langley and Morris, 2020)

Beyond monetary systems

- **Beyond money** (Nelson, 2022)
- **Non-capitalist and post-capitalist systems**
- **Eco-socialism**



Monetary policy: Alignment for climate justice



**New
'policy mix'**

Conclusions

For **long-term stability**, central banks need to **leverage their tools** to...

- constrain investments in fossil fuel
- support investments of all kinds that reduce climate vulnerabilities

Otherwise, they will continue to destabilize both the economy and the climate

An intentional **'creative disruption'** is needed to reset financial systems to include.....

- A new kind of **coordination and alignment** (domestic & international) in monetary policy to advance climate justice.
- **Policy-mixes'**, aligning monetary policy with other policies, are essential for the **transformative societal changes** needed for stability



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Thank you!

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Monetary policy and ecological crisis: towards a climate justice approach

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This paper contributes to the post-Keynesian debate on central banking by arguing that for monetary policy to be effective in countering the growing risks of climate disruption it will have to adopt a climate justice approach and thus integrate climate action with social, economic, and spatial justice. This will require a new kind of alignment of monetary policy with other key policies, including fiscal policy, climate policy, energy policy, housing policy, food policy, water policy and other social policies as well as alignment with policies aiming to achieve territorially balanced development at various spatial scales.

The global financial crisis and the pandemic both demonstrated that central banks are prepared to make bold interventions in the economy through monetary means. However, the key problem is that their actions (aimed at stabilising the financial system) helped to preserve a system that is profoundly unjust, deeply uneven and inherently unstable. In other words, as the ecological crisis worsens, unless there is transformative change central banks will continue to perpetuate inequities in climate vulnerabilities. It is clear now that central banks are exacerbating human suffering around the world by stabilising financialised economies in the short-term while delaying the required transformation needed to achieve sustainability in the long-term. In this paper, we contend that the opposite approach may be required: a short-term 'creative disruption' of the financial system to secure a long-term, durable sustainability. By describing how financialisation has been preventing effective action toward climate justice while also exacerbating spatial inequities and social injustices, this paper expands assumptions regarding financial stability and climate politics and reconceptualises the design of transformative financial disruption to accelerate systemic change to move toward a more equitable, just, healthy, sustainable future.

Keywords: Monetary policy, central banks, climate justice, financialisation, creative disruption