



The Global Ventotene

“The United States of Europe can only be based on the republican constitutions of federated countries. And, once the horizon of the old Continent is superseded, and all the peoples who make up mankind are included in a single design, it will have to be recognized that the European Federation is the only conceivable guarantee ensuring that relationships with American and Asiatic peoples will work on the basis of peaceful co-operation, waiting for more distant future when the political unity of the entire world will become possible”. (*The Ventotene Manifesto*, 1941)



HOW TO FINANCE THE GLOBAL GREEN DEAL

**The Union of Federalists
(UEF-WFM)**

Meeting No 1



**THE ALTIERO SPINELLI INSTITUTE
FOR FEDERALIST STUDIES**

The Global Ventotene

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Contents

Introduction	p. 4
1. Global monetary governance. Adjustment or Reform of the International Monetary System?	7
FABIO MASINI	
2. The Supranational Monetary-financial Governance for the Global Green Deal	12
GUIDO MONTANI	
Appendix 1	
The Montreux Declaration	19
Appendix 2	
Mobilising an Earth Governance Alliance (MEGA).	
List of Commissioners of the Climate Governance Commission Report	21
Appendix 3	
For a Global Green Deal.	
The Federalist Campaign for an Environmental Global Governance	22

Introduction

On 8th December 2022, World federalists and European federalists celebrated in Brussels, in the European Parliament - the first supranational parliament in history - the 75th anniversary of the Montreux Declaration (see Appendix 1). In the summer of 1947, in Montreux, European and World federalists met simultaneously: the European in the first ordinary congress of the European Union of Federalists (UEF) and the World federalists in the congress of the Movement for World Federal Government, the organisation now called the World Federalist Movement (WFM). These two movements then conducted their action separately at the European and world level until the 1990s, when a common cultural debate began, particularly at the level of youth organs, but without agreeing on common political initiatives.

The Brussels conference was very useful in terms of the debate on the worrying international situation, where there is an ongoing clash between major powers, particularly visible in Europe after Russia's invasion of Ukraine. There was also a useful exchange of information on their respective political activities. The European federalists are committed to promoting, with the help of the MEPs of the Spinelli Group, a new constituent phase of the European unification process; a phase that should result in a new European Convention and the creation of a European defence. The World Federalists outlined the successes of the campaign for a United Nations Parliamentary Assembly (UNPA) and the campaign for a sustainable development of the planet, called Mobilising an Earth Governance Alliance (MEGA). Appendix 2 contains the list of Commissioners who have agreed to write a report, on the basis of the MEGA discussions, for the next UN environmental meetings.

However, the Brussels conference ended without any commitment for future joint activities. The final communiqué states that UEF and WFM: “remark that the 75th anniversary celebration of the Montreux Declaration marks an additional step towards the global recognition of commonly-agreed rules for relations between states”. After a careful evaluation of the Brussels conference, a small group of federalists belonging to the two organisations decided to propose a structured dialogue in order to bring the thinking and action of European and World federalists closer together. The possible point of agreement seemed to be environmental policies, because the threat of a planetary ecological catastrophe threatens the existence of many animal and plant species, including the human species. No country can meet this challenge in isolation. There is growing concern among the world's citizens about increasingly visible and violent environmental disasters. Many non-governmental organisations and political forces in every country have spoken out for effective action against climate change and the destruction of biodiversity. In short, it seemed to some federalists that the proposal of a Global Green Deal (GGD) could be accepted by both organisations, initially as a common ground for debate, in order to agree on effective political action on a European and global scale in the future.

In Appendix 3, you will find the document that was submitted for approval by both organisations. The initiatives concern both discussions with political and cultural representatives from various countries and the deepening of some crucial issues for the realisation of an effective GGD. Here we can only summarise a few chapters that should be included in the Global Green Deal.

a) *The Brown Deal*; the ecological conversion of the world production system in order to eliminate all greenhouse gases (GHG) from the atmosphere and freshwater pollution.

b) *The Blue Deal*; for an effective governance of the oceans, through a renewal of the Law of the Sea, today insufficient for their protection.

c) *The Light Blue Deal* for the governance of outer space and space exploration.

d) *The Earth Constitution* is finally needed as a solemn pact between mankind and nature, because mankind has always, since the Stone Age, regarded nature as its property that could be plundered without limits. Today, institutions are needed to set limits and ensure a harmonious coexistence between humanity and nature.

Beyond these proposals, it is worth mentioning some possible political consequences of the Campaign for a Global Green Deal. The most obvious is the attempt to increasingly widen the area of political consensus in Europe and the world for a GGD. The European Union has already approved an effective environmental policy. The US is also moving in this direction, albeit with objectives that do not always coincide with those in Europe, and so is China, which has taken the lead in some crucial environmental technologies, such as solar panels. But it is clear that the campaign for a GGD will not have an important outlet until all the states on the planet come to an effective agreement: no state can hope to save its citizens if the other states do not unite in a common project. The ecological salvation of the planet is a global public good that requires peaceful and intensive cooperation by all the world's citizens and their governments.

The federalists are aware that their task will be doomed to failure as long as the clash between great powers for international political supremacy continues. Power politics is not only a constant threat to peace because of the possibility of nuclear war, but it is also an insurmountable obstacle to a policy of peaceful cooperation for the ecological salvation of the planet agreed between the great powers (USA, China, Russia, European Union, India, Brazil, Japan, Canada, South Africa, Indonesia, Australia, etc.). The Global Green Deal is a global public good and no agreement will be possible until the UN, now in deep crisis, is also reformed, at least partially. The Security Council is paralysed because of the permanent conflict between the five countries with veto power. The Bretton Woods and international trade institutions - the IMF, the World Bank and the WTO - are no longer able to perform an effective function in governing the world economy because of the political quarrels that prevent them from developing multilateral policies, i.e. policies that can be shared by all countries as a common global good. For example, the IMF does not allow loans to some countries that are not allied with the "Western" front, so that countries that need financial aid are forced to turn to China or some other lender.

The first half of the 20th century was characterised by power politics, culminating in the Nazi-fascist attempt for world supremacy. The second half was characterised by the Cold War, culminating in the break-up of the USSR and the brief illusion of a US-led monopolar world. In the 21st century, the citizens of the world will have to choose between two paths for their future. The first is that of a multipolar world with great powers fighting for planetary and spatial supremacy: power politics will not end until a world ruler is recognised as the winner and a universal empire is formed. In the 21st century, an empire on planet Earth will no longer be sufficient to satisfy the emperor's ambitions, the empire will have to extend to the extra-terrestrial cosmos. In this perspective, what may happen to the ecological future of the planet and all living beings will be an entirely secondary objective.

The second path is that of peaceful cooperation for the preservation of life on the planet Earth and a space policy that prioritises the goals of scientific research over the economic exploitation of the natural resources of planets and satellites. European and world federalists propose to all citizens of the world and their rulers the way to international cooperation, whose ultimate goal is a peaceful development of the world's economy and society, as the precondition for a future policy of controlled disarmament. Both essays in this collection do not only put forward proposals for a new world economic order, they also contain proposals for the renewal of politics, from international to supranational politics: these reforms are the first step towards new world institutions for a more just and peaceful world. It is part of human nature to imagine and act for her possible progress.

Guido Montani

1. Global Monetary Governance.

Adjustment or Reform of the International Monetary System?

FABIO MASINI*

1. A common commitment for global public goods

There are a few doubts that climate change is currently a global public bad. Without concerted action by all humankind any attempt to stop global warming and reducing lethal carbon emissions cannot effectively affect the whole planet.

The global nature of this and other public goods/bads and the problems associated with their production are well described in the economic literature. Public goods are usually underprovided: free riders are likely to emerge each time externalities are not fully internalized, and social marginal benefits/costs do not reflect private marginal benefits/costs.

While within nation-States (that match the administrative dimension in which policies can be enforced) this process of free riding can be effectively reduced, the production of transnational (public and/or merit) goods clashes with the usual problem of collective action. As unanimity or consensual decision is the rule in supranational decision-making, collective choices concerning the provision of global goods ends up being set below the required level.

Hence the question: is the current architecture of the international economic, financial, and political governance fit for the provision of the necessary amount of global public goods? In case it is not, does such architecture require only small adjustments or does it need a dramatic change in nature, scope, and structure? This note suggests that the latter is the correct answer, although the path towards reform is neither easy nor plausible in the current geopolitical framework; and that some steps to manage the transition towards such goal can be effectively implemented.

This issue is not new. It was raised several times in the past, since the emergence of widespread awareness of the global (or transnational) nature of some public goods, such as: resource constraints on growth in the early 1970s and again in the late 1980s; and financial stability after the 2007-08 financial crisis. The covid-related emergency further strengthened the perception that a wide-range of public goods are global in nature. During the financial crisis, demands for a major reform of the international economic and financial governance forcefully emerged in public debate and global institutions (Zhou 2009).

At the G20 in London in April 2009 pressures were mounting for convening a Bretton Woods 2 conference, to reshape the balance of powers and redesign the governance of the international monetary system (IMS). Zhou Xiaochuan, the Governor of the People's Bank of China, said: "Issuing countries of reserve currencies... cannot pursue different domestic and international objectives at the same time ... The Triffin Dilemma, i. e. that issuing countries of reserve currencies cannot maintain the value of the reserve currencies while providing liquidity to the world, still exists" (Zhou Xiaochuan, 2009). On September 21, 2009, the UN Stiglitz Commission published its Report on *Reforms of the International Monetary and Financial System* suggesting new regulatory global institutions and a dramatic change of the nature of the economic and financial global framework.

In the meanwhile, suggestions were made for an increasing role of the IMF's multicurrency basket unit of account, such as an amended Special Drawing Right (SDR) to reflect the evolving

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balance of economic power in the world. The debate and proposals soon faded away, although pressures led to the insertion of the Chinese renminbi in the SDR's basket. The world had to wait until the covid pandemic to see the IMF issue the unprecedented amount of \$650bn in SDRs in August 2021, six months before the Russian invasion of Ukraine halted any further attempts towards multilateralism.

Although the conflict froze concrete proposal towards multilateral governance of the international economic and political system, a renewed bilateral confrontation (in broad terms, the policy of democracy vs autocracy) clashes against the need for global collective action and, sooner or later, a profound revision of the international system is needed. In this framework, we suggest that SDRs are a reasonable instrument to relieve multilateralism, especially if used to finance development and redistribution projects worldwide.

2. The potential role of the SDRs

The SDRs were the result of an intellectual struggle that lasted for a few years during the 1960s. Thanks to initiatives led by Machlup, Fellner and Triffin several groups of academics and policymakers reflected on possible reforms of the IMS in order to escape the so-called *Triffin dilemma*: the fact that international liquidity cannot be provided uniquely by an hegemonic country because, when demands for liquidity increase the only way to provide it is through domestic and foreign payments unbalance of the pivot country (the USA), thus leading to the end of convertibility (Triffin 1960).

The proposal to issue SDRs was therefore meant to supply a new, multilateral, liquidity instrument. SDRs were indeed first issued between 1970 and 1972 (during the historical phase that brought to the end of the Bretton Woods regime and towards flexible exchange rates) precisely to provide non-gold (whose supply is inelastic) and non-dollar (whose extreme supply elasticity undermines the credibility of the system) liquidity to the international economic system. US hegemonic interests determined, until recently, an under-provision of SDRs.

SDRs are a basket currency, now including (differently weighted) five major currencies: US dollar, euro, renminbi, yen, and pound sterling. SDRs are issued by the IMF and distributed to each country following the capital key rule: each country receives a share of the issue depending on its share in the IMF capital. This means that the largest recipient of SDR is the USA, followed by other industrialized countries, implying that unless some redistributive measure is taken, this currency cannot be used to promote development in underdeveloped or developing countries. But it can be used to promote the production of global public goods, assuming that the most advanced economies should contribute to their provision more than others.

When they were designed, during the Sixties, SDRs were thought of (also) as a source of potential financing to the economy, not as a mere reserve asset, and as a potential anchor to the international monetary system. Their current nature is still that of a reserve asset; but after the covid a debate emerged as to the means to transform this money into spendable liquidity, not just as mere settler of international payments.

In August 2021 this debate culminated in the issue of \$650bn of SDRs and suggestions emerged as to the ways to use this money to support development, increase the resilience of financial safety nets in specific areas, etc. Many countries in fact do not need balance of payments assistance and would simply keep SDRs as a reserve asset, without letting them circulate in the economy, which is economically inefficient. Hence the emergence of proposals to channel such SDRs for reducing development gaps and asymmetries, and promoting sustainable goals (Plant 2021, Wolf 2021, Masini 2022).

One further step for their greater use would imply establishing a multilateral clearing for SDR operations, as was the case with the BIS for ECUs. This would pave the way to the private use of SDRs, assuming they are made convertible into claims held by central and private banks.

Let me add one remark on global liquidity and safe assets. We are living in an era of excess saving over investment, and these resources are channeled towards the only safe asset available worldwide: the US Treasury bond. This is happening also in this very moment, in which the US GDP is decreasing in global terms. This is leading to the impossibility for the US T-bond to keep pace with safe asset demand, the only viable alternative being euro-denominated T-bonds, that nevertheless are still a ridiculous share of global liquidity and meet ideological resistance to EU indebtedness, or an increasing role of the SDRs, so as to create a debt for the global economy, directed to the provision of global public goods.

3. From financial speculation to investment

One of the most pressing worries of economists and policymakers in the last years has been understanding why Central Banks (CBs) seemed unable to counter price dynamics, both deflation and inflation. The liquidity trap during the years of the quantitative easing before 2020 and the current inability to push inflation down seem to weaken the credibility of monetary policy as an effective policy tool.

Quantitative easing only resulted in an increasing financialization of the economy and an explosion of Central Banks balance sheets (Ghymers 2021). Most commentators underline how the *rush to the bottom* of interest rates, even negative in some cases, pushed markets to abandon long-term investment (with promising but late-coming returns), and prefer high-yield short-term speculation (de Larosiere 2022). In turn, this decreased aggregate demand, thus requiring new monetary expansions in the attempt to ignite growth. In a vicious circle that seemed to be unstoppable.

Following Wicksell's logic, market rates below the natural ones resulted in overinvestment; more accurately, in misallocated investment in hot money, until and (mostly) exogenous event took place. Skyrocketing energy prices and upset global value chains, exacerbated by the Russian invasion of Ukraine, made inflation suddenly rise. Accordingly, Central Banks were forced to raise interest rates, thus further weakening any perspective for long-term investment in the real economy and dampening projects with long-term returns on investment.

There are several flaws in this – today dominant – logic. The first is that only in a neoclassical perspective interest rates do play a significant role in investment decisions, while in a Keynesian perspective they depend on the marginal efficiency of capital: a highly unstable and unpredictable, subjective assessment by entrepreneurs of the relative role of the cost of debt and cash flows deriving from returns on investments. If future demand is high and stable, companies do invest, despite the (high) absolute level of the cost of money. As a counterfactual testimony of this Pangestu, Pazarbasioglu and Stern (2023) observed that despite declining interest rates in the last two decades, real/productive investments dropped.

When uncertainty about the future prevails, a portfolio reflecting subjective propensity to balance risk choosing zero-yield risk-free bonds with high-yield speculative assets is preferred to long-term productive projects. Declining investment in the real economy, especially in Europe, reflected the endogenous flaws of its economic and strategic governance, that relies on unanimity decision-making processes, therefore uncoherent with the other major global actors. Had a supranational European budget existed, it would presumably have followed the USA and other

regional aggregates in implementing strategic investments, thus reducing the fragility of both the real and financial sectors.

This leads to the second flaw, which concerns the role of fiscal policy, usually neglected in debates on the effectiveness of monetary policy. Monetary policy may fail in pushing to produce specific supranational (merit) goods, but an ad-hoc policy mix of coordinated fiscal and monetary policy might be quite effective. Again, the governance of the EU is uncoherent with the need to take timely and efficient decisions. Is there any way out, both at the European and global level? We suggest that a special role, in this process, may be played by Multilateral Development Banks (MDBs).

4. Managing the transition: the role of MDBs

The provision of a few global public goods is key for the survival of humankind. And cannot be waiting for a new institutional architecture that implies a deep revision of the geopolitical balance of power in the world. Managing the transition towards such goals becomes crucial.

One key actor that may help revitalizing multilateralism, at the same time strengthening regional ties and promoting long-term development investments, are MDBs. Being financial institutions, whose shareholders are groups of nation States, MDBs do not directly represent global choices; but they are particularly fit for a few steps that might be taken immediately in that direction.

Firstly, they are all *prescribed holders* of SDRs. The IMF recently added five more MDBs to the list of institutions that are allowed to hold and deal with SDRs, making them the most powerful agent in a transition towards greater use of such currency in development projects.

Second, they are precisely devoted to finance investments related to real-economy projects, such as infrastructure. Third, they can mobilize private capitals, thanks to their solidity (being assisted by national governments for their collateral) and the return on investment that investment projects ensure; providing also a potentially efficient mediation between State intervention and market forces. Forth, being mostly characterized by geographical proximity, they allow for a better and more effective control, without the need to resort to strict and explicit conditionality rules, thus being more acceptable as a source of financing and more efficient in tackling regional spillover effects that usually characterize development projects.

5. Concluding remarks

The IMS needs profound reforms to face the current and forthcoming global challenges, that require a much more efficient structure than only relying on loose international cooperation. Enforcement and democratic legitimacy are urgent. As is manifest once again, once conflicts prevail over diplomacy, global public goods cannot be provided, and the world cannot afford delays in many areas, such as the struggle against climate change.

Pending a more radical reform of the IMS, we highlighted how an increased role of the SDRs as international money could help rescue multilateralization against bilateral confrontation. We also suggested that further channeling SDRs to MDBs might help strengthening regional integration and investments in the real economy, thus providing also a guidance for the sustainability of the increased CBs balance sheets.

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2 - The Supranational Monetary-financial Governance for the Global Green Deal

GUIDO MONTANI*

1. *Market failure or international politics failure?* - In a survey of the Stern Review (2006), Nicholas Stern states: “Greenhouse gas (GHG) emissions are externalities and represent the biggest market failure the world has never seen. ... current emissions will have potentially catastrophic impacts in the future” (Stern 2008; 1). Many years after this warning, it must be acknowledged that the continued failures of the COPs, where the UN brings together its 193 member governments each year, force us to investigate a second major cause of failure: the UN's inability to address the environmental challenge. The international decision-making system, international global governance, must be replaced by supranational governance. Stern warned that: “Climate change is global in its origins and in its impacts. An effective response must therefore be organised globally and must involve international understanding and collaboration” (p. 26). The failure of the COPs clearly demonstrates that “understanding and collaboration” were not possible within the UN. The remote causes of the failure are to be found in the changed post-Cold War international political order. The condition of “peaceful coexistence” agreed between the US and USSR after the Soviet missile crisis in Cuba ended with the break-up of the Soviet Union. The UN Security Council, which is supposed to guarantee international peace and security, was humiliated when the US unilaterally decided on the war in Iraq in 2003 and when Russia unilaterally decided on the invasion of Ukraine in 2022.

In the age of the Anthropocene, it is therefore necessary to eliminate the cause that is leading humanity towards a possible ecological catastrophe. Responsibility cannot only be attributed to the externalities of the production process, which certainly exist, but also to the inability of national governments to find institutional remedies appropriate to the severity of the challenge. Here I will try to show that it is necessary to move from an international to a supranational decision-making system, to “supranational governance”. The first step is to clarify the difference between an international decision-making system of states and a supranational decision-making system.

2. *Governance in the international system of states and the supranational system* - To illustrate the difference between the two systems, I will use a model based on the difference between the functioning of the UN and the European Union.

A. *The Middle Ages society.* Let us imagine a number of villages (30-40) on the Mediterranean coast in medieval times. Between these villages, a regime is established that cannot be defined as either war or peace. The predominant activity of the populations is agriculture and cattle breeding. Peaceful (unwritten) rules of behaviour are established between a village and its neighbours: territorial limits are respected for the exploitation of natural resources and personal friendships are also established, for some exchange of products and marriages between members of different villages. However, these peaceful relations are sometimes violated by more or less ferocious quarrels between neighbouring families. One could define this form of coexistence as a

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'spontaneous order' in the sense used by Friedrich von Hayek. It is a predominantly cooperative order¹, albeit based not on common governance, but on customary rules.

B. - *The international society of states.* In the villages of the spontaneous order, decisions are taken by bodies (a primitive democracy, as under the *arbre à palabre* in Africa) that include all villagers without precise rules. The organisation of government power (governance) changes - compared to case A - to meet two crucial challenges. The first is the challenge of a village frequently responding with violence to an offence (real or alleged) from another village or seeking to expand to include other villages (a form of imperialism). The second cause of change concerns external threats, e.g. an attack by pirates from remote countries. In such cases, the villages that decide to respond with arms to the violence are obliged to become states (a power endowed with armaments), although the process may take a long time. The collection of village-states that form our whole should therefore be called a system of sovereign states, if each state decides not to accept any external imposition (sovereignty is *summa potestas*). In a system of sovereign states, there is no governance. In the Treaty of Westphalia (1648), where this form of coexistence between human communities is recognised for the first time, it is accepted that relations between sovereign states are governed by the equilibrium of forces among states, the balance of power. War becomes inevitable if the balance of power is violated by a power with hegemonic intent.

C. - When an external threat hangs over all villages - for instance an attack by fierce pirates - a collective defence must be organised. At first, a small number of villages may decide to resist the pirate attack. However, if the coalition is poorly coordinated or too weak, defeat is inevitable. The most powerful weapon that all united villages can oppose the pirate attack is a form of collective governance, uniting their forces and entrusting them to a supreme commander. The case of the UN is exemplary: there is no such thing as collective governance for the environment. The existential challenge of the Anthropocene can only be met by uniting forces - not military but civil - and organising supranational governance. The appropriate model is that of the European Union. Supranational governance does not require a total transfer of powers from nation states to European or global governance, but only some powers, as the European Union has done with the Economic and Monetary Union.

3. *The Global Green Deal is a global public good.* No existing state, including the great powers, today can hope to avoid ecological catastrophe if other states do not cooperate in the effort to remove pollutants from the biosphere: greenhouse gases (GHG) must be reduced and the Sixth Extinction, the biodiversity loss, must be prevented. The Global Green Deal (GGD) is a covenant between humanity and nature enshrined in a *Constitution of the Earth*; it is a global public good that can be provided to the citizens of the world by a global supranational governance, in short a world authority that has sufficient power to compel UN member states to comply with decisions taken by world institutions, such as the General Assembly. The term “coercive power” means that there are legitimate means to “punish” governments that do not respect collective decisions. This clarification is necessary because today, so-called “international laws” do not have this meaning. They can be violated when a government (as the US and Russia have done) can violate them if it believes it will suffer no punishment: they are not laws but recommendations, a kind of common law. Since the last century, the European Union has established a set of procedures that allow European Governance - the Commission in agreement with the European Parliament and the Council of Ministers - to

¹ I have analytically discussed the relationship between spontaneous order, cooperative order and coercive order using game theory in (Montani 2010); and by a political approach in (Montani 2019).

enforce member governments to respect decisions taken on the basis of a democratic procedure. It should be noted that when the Commission reminds a member government to respect a rule, such as the rule of law, it can invoke the treaties it has signed and exert economic pressure, such as suspending certain funding from the European budget. A general reform of the UN is not proposed here; it is sufficient to point to a procedure that makes global governance of the Global Green Deal possible.

4. *The governance of UN resources.* On 30th December 2022, the UN Fifth Committee approved the *Programme Budget* of \$3.4 billion for the year 2023. To understand the size of this budget, it suffices to recall that national governments, depending on their more or less centralised constitutions, have budgets of 25-50 per cent of their GDP. For the UN, its budget is 0.004 per cent of World GDP. However, the *programme budget* only covers annual administrative expenses. There are other expenditure items: peacekeeping operations budgets, which cover the expenses for collective military interventions that become necessary and are financed by the participating national governments, and voluntary contributions and specialised agencies, which in some cases can only operate thanks to donations. My proposal is that the financial resources for the GGD should be entrusted to the Secretary General for their management, and rules should be adopted to allow the Secretary General to suspend any funding to defaulting governments. This procedure is essential in order to avoid the free rider problem: a typical behaviour concerning the financing of public goods. Each individual beneficiary of the public good finds it convenient to avoid paying his or her share in the hope that other taxpayers will pay the full cost of the public good. This behaviour is at the root of the repeated failures of COPs.

5. *Finances for the Global Green Deal.* At the end of COP27, Secretary General Antonio Guterres stated: “I welcome the decision to establish a loss and damage fund and to operationalize it in the coming period. Clearly this will not be enough, but it is a much-needed political signal to rebuild broken trust”. Since this fund is totally insufficient to tackle global environmental problems, it is necessary to indicate how much money is needed for the sustainable development of the planet.

It must be kept in mind that an assessment of the volume of funding needed for the Global Green Deal necessarily includes assumptions about the availability for the introduction of new technologies (such as solar and wind), the costs of financing investments (interest rates) and the political relations between industrialised and emerging economies (the loss and damage fund). Here I simply point to the results of a few studies in order to identify a reference quantity in view of the forthcoming COPs.

Nicholas Stern points out some crucial concepts of an economic policy for the sustainable development of the planet. The first concerns the risk that humanity must urgently face, in order to avoid a possible catastrophe. The risk is enormous because the very survival of humanity and the lives of countless animal and plant species are at stake. It is therefore not sensible to assess an economic magnitude of the impending risk (such as a discount rate). “The stakes we are playing for with respect to climate change are absolutely immense” (Stern 2022: p. 1276). From this first observation it is possible to draw a precise orientation for the economic policy of climate change: “The sensible, consequentialist approach to such immense risk and the need for radical change is to put in place targets or guard rails (e. g., temperature increase of 1.5°C) and then examine how best to manage the transition necessary to keep within them. This was the approach taken within the Paris Agreement in 2015 (COP21)” (p. 1277).

To stay within the boundaries of the “guard rails”, economic policy measures are needed to limit the temperature increase to no more than 2°C - and if possible 1.5°C. - in order to meet the constraints set by scientists (IPCC). It is necessary to increase global demand with a policy that

stimulates a uniform expansion of growth in all countries in order to achieve the *net zero economy*, i.e. the reduction of carbon dioxide emissions to zero by 2050. “To bring through the new ways of doing things and the new technologies required, we have to increase investment by around 2-3 percentage points of GDP across the world, relative to the previous decade - more in some places, less in others - as well as change the composition of investment” (p. 1270).

How to achieve this goal? The institutions necessary to finance a plan of this size already exist in the international economic system, provided that national governments allow it. There are international monetary and financial institutions such as the IMF, the World Bank, the European Investment Bank, and so on. The credit technique is well explained by Homi Kharas (2022) in a study on the lessons of the Marshall Plan for environmental policies. “The money can be mobilized through the magic of leverage. Multilateral development banks (MDBs) show how. One dollar invested in their capital can lead to \$5 in lending to a project. But MDBs do not have to provide all the finance for a project. They could mobilize \$4-5 of private domestic and foreign capital for each dollar they lend for a project's investment. The total leverage, then become 20-25 times that amount. \$40 billion a year in official finance can support annual investments with a value of \$1 trillion” (p. 3).

Once the crucial function of the financial multiplier has been clarified, I recall a further contribution from a study group presented at COP27. According to this study (Songwe, Stern, Bahtharya 2022): “The world needs a breakthrough and new road up on climate finance that can mobilize the \$1 trillion per year in external finance that will be needed by 2030 for emerging markets and developing countries (EMDCs) other than China. There is significant role for public policy and government action to foster investment, and complementary roles for the private sector, MDBs, international financial institutions (IFIs), and concessional finance of various forms. Powerful multipliers can emerge from the complementary strengths of all sources of finance” (p. 5).

In these econometric estimates on the magnitude of the volume of investments necessary for sustainable development, the financing of the “loss and damage fund” mentioned by Antonio Guterres is also included. However, since the amount of this fund is controversial, it is helpful to consider the formula suggested by Raghuram Rajan (2021). Rajan observes: “industrialized countries such as US are concerned that while they work hard to reduce emissions, developing countries will keep pumping them out with abandon. But at the same time, developing countries like Uganda point out that there is profound inequality in asking a country that emitted just 0.13 tons of carbon dioxide per capita in 2017 to bear the same burden as the US or Saudi Arabia, with their respective per capita emissions of 16 and 17.5 tons”. This is the problem called “common but differentiated responsibility” between rich and poor countries. Rajan proposes a global carbon incentive (GCI): “every country that emits more than the global average of around five tons per capita would pay annually into a global incentive fund, with the amount calculated by multiplying the excess emissions per capita by the population and the GCI. If the GCI started at \$10 per ton, the US would pay around \$36 billion, and Saudi Arabia would pay \$4.6 billion. ... countries below the global per capita average would receive a commensurate payout (Uganda would receive \$2.1 billion)”.

6. *International monetary policy and international financial policy.* The reform of the IMF is already underway, as shown here by Fabio Masini in his paper. Here I merely list the advantages that could be achieved by using the SDRs (a basket of currencies consisting of dollar, euro, pound, yen, yuan) as the reserve currency of all national central banks.

a) The first benefit would be the achievement of international monetary and financial stability, a global public good. Each central bank would have an interest in setting a fixed exchange rate between its currency of account and the value of SDRs. This would facilitate exports and imports of goods and services, as was the case in Europe with the creation of the Economic and Monetary Union. From a legal point of view, there would be no world currency, but in fact the

international market would find it convenient to negotiate using the value of SDRs as a unit of account. In this context, it becomes possible to reactivate the WTO, which is currently in trouble due to the dispute settlement mechanism (DSM) crisis. With the reactivation of the DSM, a kind of supranational appeal court for international trade, the international trade system would once again function according to the principles of multipolarity, as small and large countries would be able to resort to a supranational body for the settlement of trade disputes.

b) Through its Board of Governors, composed of representatives of the SDRs moneys, the IMF would become the central bank of all central banks, as Keynes had proposed at Bretton Woods. The Board of Governors could set the rules necessary for international monetary and financial stability. As far as monetary stability is concerned, it can be seen that it would be possible to overcome the difficulty that all national central banks encountered during major banking crises (as happened in 2008 and more recently with the failure of the SVB in the US and Credit Suisse in Switzerland). This is the “too big, to fail” problem: in every banking system there is a maximum limit to the deposits guaranteed in the event of a bank's insolvency. However, if the bank is very large, its failure could drag the entire national and global system into a devastating crisis. Therefore, as was the case recently, the national central bank offers an unlimited guarantee to all savings deposited with the large bank. However, this guarantee cannot also be offered to medium-sized or small banks because the amount of aid would become unsustainable for any central bank; if realised, it would cause irrepressible inflation (as happened in the Weimar Republic in 1923). In a world economic system, where there is free movement of capital and goods, only a World Central Bank would be able to impose effective rules to safeguard the world monetary and banking system (i. e. limiting the size of the banks).

c) The IMF, in its role as the world's central bank, could allow, if authorised (e.g. by the General Assembly) to issue Global Green Bonds to address important financing needs on a global scale. The funds should be entrusted to the Secretary General for their management, as was the case in the European Union when the Next Generation EU plan had to be financed during the pandemic.

d) With the use of SDRs as the currency of international transactions, it becomes possible to design uniform taxation of all multinational corporations through uniform corporate accounting. The proceeds from the profits of multinationals should be paid partly to the governments of the states in which they do business, partly to the UN, to support the GGD. Other possible taxes could concern air and sea travel, taxes on minerals. Ultimately, an end could be put to the existence of tax havens (Lopez-Claros 2021).

e) International monetary and financial stability is in danger today because of the uncertain situations caused by the crises of the new century (e.g. the 2008-9 financial crisis and the Russian-Ukrainian war) through the use of excessive currency issues, which have led to a worrying increase in global inflation. Jacques de Larosière (2022) rightly criticises international monetary laxity in defence of growth based on production, employment and sustainable development. A possible consequence of the use of SDRs as reserve currency and the new role of the IMF as the world's central bank would be better control of investment and interest rates, which could be significantly reduced for emerging economies, which today are forced to issue their public debt in dollars, a currency that exposes them to exchange rate risks and to pay interest rates that are double or triple those of countries that can issue public debt in their own currency.

f) Finally, let us consider the use of SDRs as a unit of carbon price measurement. William Nordhaus (2021: 278-9) points out precisely what the benefits of a world price on carbon dioxide would be: “The most effective incentive to induce the transition [in accordance with the Paris Agreement] is a high carbon price. Raising the price of carbon will achieve four goals. First, it will signal to *consumers* which goods and services are carbon intensive and should therefore be used sparingly. Second, it will provide data to *producers* about which inputs are carbon-intensive (such as coal and oil) and which are low carbon-intensive (such as natural gas or wind power), thereby inducing firms to switch to low-carbon technologies. Third, it will give market incentives for *inventors, innovators and investment bankers* to invent, finance, develop and commercialize new

low-carbon products and processes. Finally, a carbon price will save on the *information* required to undertake all these tasks” (italics original). I would add a fifth benefit of the global carbon price: the possibility of not using a Carbon Border Adjustment Mechanism (CBAM), as the European Union has been forced to do, to avoid importing polluting goods from countries that do not impose an appropriate carbon price on their goods. A global carbon price is equivalent to uniform global taxation of carbon dioxide.

7. *Political aspects of the Global Green Deal.* After the end of the Cold War, the US phase of world unipolarity is coming to an end with the emergence of new world powers, such as China, India and Brazil, and Russia's claim to reconstitute the Soviet empire. The multipolar world is proving to be even more dangerous for the future of humanity than the Cold War world. Each major power wants to develop the conventional and nuclear technologies that could give it world hegemony. The ideology adopted by the major players is that of the inevitable clash between democracy and authoritarianism. However, the race to create new world empires has no reasonable outlet. Modern technologies - think of AI or bioengineering techniques - make it possible to increase the offensive potential indefinitely. An international balance between great powers, such as was possible after the Congress of Vienna, is today a pious illusion. According to Henry Kissinger and other authors: “The potential military uses of AI are broader than those of nuclear arms, and the divisions between offense and defence are, at least currently, unclear. ... the great powers that possess high-tech capabilities will have to undertake a permanent dialogue” (Kissinger, Schmidt, Huttenlocher: 225). The clash between great powers must and can be avoided.

During the Cold War, the two nuclear superpowers at one point wisely decided on a “peaceful coexistence policy”. Today, a situation of dialogue and peaceful coexistence must be achieved to design a sustainable future for humanity. The proposal for a Global Green Deal fits into this political horizon. Every year, more and more deaths are caused by global warming, mountain glaciers and polar ice melt, hurricanes increase and oceans become dangerously warm. What sense does it make for the citizens of the great powers and for all citizens of the world to invest more and more economic and human resources in military projects while destroying material living conditions in the biosphere? The Global Green Deal is an endeavour that will require loyal and intensive cooperation for several decades, because the possibility of respecting the limits set by the Paris Agreement is fading. If the goal of ecological neutrality is achieved by 2050, it is conceivable that the climate of loyal cooperation will allow all governments to continue peaceful coexistence beyond 2050.

A final consideration concerns young people. For some time, many politicians and governments have been expressing their desire to ensure a future for the younger generations. However, they fail to realise that future generations are already present and vocal: today, young people on every continent are demanding that governments respect nature and devote more resources to fighting climate change and protecting all life; and they are protesting. However, protest, if unheeded, can yield violence. In politics, the alternative to violence is democracy: we need to create a world parliament of young people so that they can indicate, vis-à-vis the “great leaders of the Earth”, what to do now, not at the next COP.

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Appendix 1

Montreux Declaration

23 August 1947

We world federalists meeting in Montreux [Switzerland] at the first international congress of the "World Movement for World Federal Government," call upon the peoples of the world to join us in our work. We are convinced that mankind cannot survive another world conflict. Two years have passed since the fighting ended, but Europe and Asia are still strewn with the wreckage of war. The work of rehabilitation is paralyzed; the peoples suffer from lack of shelter, food and clothing, while the nations waste their substance in preparing to destroy each other. The second attempt to preserve peace by means of a world organization, the United Nations, is powerless, as at present constituted, to stop the drift of war.

We world federalists are convinced that the establishment of a world federal government is the crucial problem of our time. Until it is solved, all other issues, whether national or international, will remain unsettled. It is not between free enterprise and planned economy, nor between capitalism and communism that the choice lies, but between federalism and power politics. Federalism alone can assure the survival of man.

We world federalists affirm that mankind can free itself forever from war only through the establishment of a world federal government. Such a federation must be based on the following principles: Universal membership: The world federal government must be open to all peoples and nations. Limitation of national sovereignty, and the transfer to the world federal government of such legislative, executive and judicial powers as relate to the world affairs. Enforcement of world law directly on the individual whoever or wherever he may be, within the jurisdiction of the world federal government: guarantee of the rights of man and suppression of all attempts against the security of the federation. Creation of supranational armed forces capable of guaranteeing the security of the world federal government and of its member states. Disarmament of member nations to the level of their internal policing requirements. Ownership and control by the world federal government of atomic development and of other scientific discoveries capable of mass destruction. Power to raise adequate revenues directly and independently of state taxes.

We propose to make use of any reasonable methods which can contribute to the early achievement of world federal government to prevent another world war.

We consider that integration of activities at regional and functional levels is consistent with the true federal approach. The formation of regional federations – insofar as they do not become an end in themselves or run the risk of crystallizing into blocs – can and should contribute to the effective functioning of federal government. In the same way, the solution of technical, scientific and cultural problems which concern all the peoples of the world, will be made easier by the establishment of specialist functional bodies.

Taking into account these principles, we recommend the following lines of action:

The mobilization of the peoples of the world to bring pressure on their governments and legislative assemblies *to transform the United Nations Organization into world federal government* by increasing its authority and resources, and by amending its Charter.

Unofficial and concerted action: in particular the preparation of a *world constituent assembly*, the plan of campaign for which shall be laid down by the Council of the Movement in close cooperation with the parliamentary groups and federalist movements in the different countries. This assembly, set up in collaboration with organized international groups, shall meet not later than 1950 for the purpose of drawing up a constitution for the world federal government. This plan shall be submitted for ratification, not only by the governments and parliaments, but also to the peoples themselves, and every possible effort shall be made to get the world federal government finally established in the shortest possible time.

Without prejudging the results of these two methods of approach, we must expand our action as quickly as possible, so that we may take advantage of any new opportunities which present themselves to the federalist cause. One thing is certain, we shall never realize world federal government unless all the peoples of the world join in the crusade.

More than ever time presses. And this time we must not fail.

[Source: World Movement for World Federal Government. Montreux Declaration, 23 August 1947. Switzerland: Secretariat for World Movement for World Federal Government, 1947.]

Appendix 2

MEGA

Mobilising an Earth Governance Alliance

List of confirmed Commissioners of the Climate Governance Commission report

Mary Robinson	Lead co-Chair/Chair	Chair of the Elders, Former President of Ireland
Maria Fernanda Espinosa	Co-Chair	Group of Women Leaders, C4UN, Former President of the United Nations General Assembly
Johan Rockström	(Scientific) Co-Chair	Director, Potsdam Institute for Climate Impact Research
Arunabha Ghosh	Commissioner	Chief Executive Officer, Council on Energy, Environment and Water (CEEW)
Adriana Erthal Abdenur	Commissioner	Co-Founder and Executive Director, Plataforma CIPÓ
Sharan Burrow	Commissioner	General Secretary, International Trade Union Confederation
Sandrine Dixson-Declève	Commissioner	Co-president, Club of Rome
Wanjira Mathai	Commissioner	Managing Director, Africa & Global Partnerships, World Resources Institute
Ma Jun	Commissioner	Director, Institute of Public & Environmental Affairs (IPE), Beijing
Nobuo Tanaka	Commissioner	Chair, the Steering Committee of Innovation for Cool Earth Forum (ICEF) Former Executive Director, International Energy Agency (IEA) 2007-2011 CEO, Tanaka Global, Inc.
Ellen Johnson Sirleaf	Commissioner	Former President of Liberia
Xiye Bastida	Commissioner	Re-Earth Initiative, Co-Founder, Climate Activist
Mahmoud Mohieldin	Commissioner	UN Climate Change High-Level Champion
Ambassador Bader Al-Dafa	Commissioner	Executive Director, The Global Drylands Alliance, Special Envoy for Climate Change and Sustainability
Ambassador Thilmeeza Hussain	Commissioner	Permanent Representative of The Maldives to the United Nations

Chido Mpemba	Commissioner	Youth Envoy at the African Union Commission and Youngest Diplomat in the African Union
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Appendix 3

FOR A GLOBAL GREEN DEAL The Federalist Campaign for an Environmental Global Governance

After the repeated failures of UN conferences (COPs) to promote international cooperation on climate change and biodiversity loss, a group of federalists, from the *Union of European Federalists* (UEF) and the *World Federalist Movement* (WFM), argues that it is necessary to reform the international decision-making system. The UN has organized conferences between 193 national governments, but at the end they have made non-binding commitments (NDCs). The result is, according to UNEP (2022): “that unconditional NDCs point to a 2.6°C increase in temperatures by 2100, far beyond the goals of the Paris Agreement”. The method of spontaneous and voluntary cooperation between national governments has failed. A global governance for a common and determined goal is necessary.

To prevent the collapse of the biosphere and defend the future of young people, the conferences organized by the UN must have as their objective a “Global Green Deal” (GGD), a global governance that provides for intrinsically (a priori) effective policies. The federalist campaign for the GGD will take place in two phases: a first phase for studies and proposals (1-2 years); a second phase which, based on the results achieved in the first phase, the UEF-WFM will indicate the objectives which can be proposed to the UN and national governments.

In the first phase a series of seminars will be organized on: A) geostrategic aspects; B) sectoral aspects.

A) *Geostrategic aspects*. Seminars will be organized with study centers, university departments or individual experts in order to understand how a certain national government can contribute to the establishment of the Global Green Deal. The geostrategic areas envisaged are: Asia (China, India, Japan); Africa (African Union); Australia; Latin America (Brazil, Argentina); North America (USA, Canada); Europe (European Union). The experts who will participate in the seminars will be asked the following questions: Do you think that a GGD can be useful for solving global environmental problems? What can be your country's contribution to the GGD? Do you think that the creation of financial resources for the UN is necessary to increase international solidarity and the realization of the GGD? Can the Constitution of the Earth lead to greater harmony between humanity and nature?

B) *Sectoral aspects*. Some seminars will concern specific problems of the GGD, such as: the conversion of polluting energies (coal, oil, natural gas, etc.) into renewable energies (wind, sun, nuclear fusion); ocean governance; the governance of space; how to allow young people, thanks to a world parliament for young people, to express their point of view on the future of the planet.

Proposals to start the debate on the Global Green Deal.

a) *a reform of the IMF*, thanks to the use of the SDRs, as an international reserve currency and as a means of financing solidarity policies between industrialized economies and emerging economies (for instance, loss and damage); moreover, as means to allow the UN to finance research on sustainable technologies (carbon capture, green hydrogen, etc.) that the international market does not finance;

b) *a Constitution of the Earth*, a pact between humanity and nature, which translates into articles the Report of the Secretary General of the UN (*Gaps in international environmental law*), approved by the General Assembly on November 30, 2018, which includes the proposal for an International Environmental Court (§ 90). This is a reform limited to environmental problems, necessary to affirm the duties and rights of humans towards all living beings, improve the governance of the oceans and regulate the exploration and conquest of space.

Conclusion of the first phase and transition to the second.

For each seminar, concerning topics A and B, each speaker will send a written report (in English) for provisional publication in the *Global Ventotene* series, published by the “Altiero Spinelli Institute for Federalist Studies”. Each report/paper should not exceed 4,000 words. The publication of each report/paper will be made available to the participants in the seminars and disseminated for knowledge to a wider public. At the end of the seminars, it will be proposed to an English-language editor to publish all the contributions in a single volume.

In the second phase, a political synthesis, made by the UEF and WFM executives, will be submitted to the UN, the COPs and all national governments.

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