



FS Club Events



Creating Lifeboat Money For The Next Financial Crisis: And Eternally Sustaining Humanity

**Dr Shann Turnbull | Principal, International
Institute for Self-governance**

09:00, Tuesday, 21 May 2024



FS Club Events

A Word From Our Chairman



Mike Wardle

Chief Executive Officer
Z/Yen Group



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Today's Agenda

- 09:00 - 09:05 Chairman's Introduction
- 09:05 - 09:25 Keynote Presentation - Dr Shann Turnbull
- 09:25 - 09:45 Question & Answer



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Today's Speaker



Dr Shann Turnbull

Principal
International Institute for Self-governance

Why do we need lifeboat money?

- 1. To survive cash shortages in a pandemic lockdown or financial crash anticipated by some experts.**
- 2. For the survival of humans and biodiversity - by stopping market failure creating climate change**

“Climate change is the greatest market failure the world has ever seen”

2006 report by Lord Stern to the UK Government



Stern made four key recommendations including emissions trading. But none to stop the cause of climate change”*

*Turnbull, S. 2022. **Stopping the cause of climate change**, *Long Finance*, at: <https://www.longfinance.net/news/pamphleteers/stopping-the-cause-of-climate-change/>

Carbon taxing and/or trading accepts that market failure continues!



U.N. Secretary-General Antonio Guterres speaking at the COP27 climate change summit in Sharm El-Sheikh, Egypt. “We are on a highway to climate hell with our foot still on the accelerator,” he told attendees.

Gehad Hamdy | Picture Alliance | Getty Images

Two years ago, the Secretary General of the UN stated: “We are on a highway to climate hell with our foot still on the accelerator,”

Carbon taxing and/or trading is like trying to run up an escalator that is taking us down to a climate hell

Why do markets fail?

Because economic value is neither defined or related to the wellbeing of people or planet.

Instead, value is determined by self-referential unpredictable volatile markets that can be moved by US Presidential tweets!

Economic value is an undefinable dysfunctional social construct (a modern mystic “totem”) not used to allocate resources in premodern societies researched by Elinor Ostrom.

Global Education Gap in Self-governance

In her 2009 Nobel Prize lecture she described how to solve complex economic problems **without market or state** by introducing distributed decision-making described as “**polycentric self-governance**”.

I am not aware of any graduate school of business, management or government that provides an education in polycentric self-governance. As result all their graduates are being educated how to undermine democracy with ever more effective dictatorships!

Options for avoiding market failure:

Remove market failure by removing the need for markets with polycentric governance from local to global - **illustrated in Olympic sports and in living things.**

Simplify the role of money to become only a medium of exchange. **This type of “Lifeboat” money** was widely **privately issued** in the Great Depression in the form of Stamp Scrip. It could not be used as a store of value because It had a negative interest rate that funded its redemption. Neither was it a unit of account as it was tethered to official money.

Option for reversing market failure:

3. **Introduce an ecological form of lifeboat money that reverses market failure** tethered to an index of eternal sustainability for each bioregion of the planet. The exchange rate between bioregions is then determined by how much market failure is being reversed between each bioregion. It would act in a similar way as a border tax on imports from less sustainable regions as suggested by Martin Wolf on page 256 of his 2022 book.

An eternal digital memorial for Central Banking

Ecological lifeboat money introduced by a Central Banking Digital Currency (CBDC) would create an eternal memorial.

It would immediately provide financial stability and resiliency on basis that could be replaced with private bioregional issuers

It would also be a memorial for Mervyn King. He stated in 1999 that “Societies have managed without central banks in the past. They may well do so again in the future.” King explained how digital technology could make Central Banks unnecessary. He stated: “The successors to Bill Gates would have put the successors to Alan Greenspan out of business.”

Managing Central Bank Conflicts

Parliament should authorize financial “sandboxes” for the private sector to introduce digital Lifeboat Money as soon as possible.

Official Money is not fit for purpose

(Noted by Keynes in 1923)

Some of the more important non-technical reasons are because it:

- (a) Creates market failure, and climate change,
- (b) Magnifies inequality by earning interest,
- (c) Cannot provide price stability as its value is not definable, or tethered, and
- (d) Too complicated, as it is used for functions not required by a medium of exchange to avoid the inconvenience of barter.

Lifeboat money may already be legal?

It was been issued again in Germany since 2003.

It was initially introduced in Germany by hundreds of stores in the 1920's like modern fly-buy points systems to promote sales.

It was first used as a financial lifeboat to resuscitate a Bavarian coal mine in 1931.

Its first recorded use by a non-profit organization was in the Austrian town of Wörgl in 1932.

Model Legislation for government lifeboats

The US Bankhead-Pettengill Bill

<https://userpage.fu-berlin.de/~roehrigw/fisher/stamp-ap-1.html>

Bill introduced to US Congress 17 February when banks were closing and President Roosevelt taking office two weeks later on March 4th.

Bill proposed a government issue, not Federal Reserve, of \$1 billion paper dollars valid for 52 weeks provided a two-cent postal stamp was affixed every week. The US post office then redeemed the notes making at least a \$40M profit.

The **Central Bank would become extinct**. Except on March 9th Congressman Steagall read out aloud (no time for printing) a Bill to keep the Fed going and the **government continuously in debt** with the first New Deal Bill that was passed the same day without debate.

Delaying Central Bank Extinction

- Roosevelt closed all remaining banks on March 6, 1933. On March 9th Roosevelt convened an emergency meeting of both the House of Representatives and the Senate.
- Congressman Henry Steagall did not have time to print a Bill to avoid the Stamp Scrip Bill making the Federal Reserve extinct. So, he read out aloud the first New Deal Bill to preserve the Fed for second time. The President signed it into law without discussion the same day.
- As a result, the US government has become trapped into ever more borrowing while at the same time having to bail out Fed again in the 2008 financial crisis.

Buying power gifted to citizens by issuer



Generates a surplus of 4% costing users less than 0.3% per day so less cost than a credit card fee.

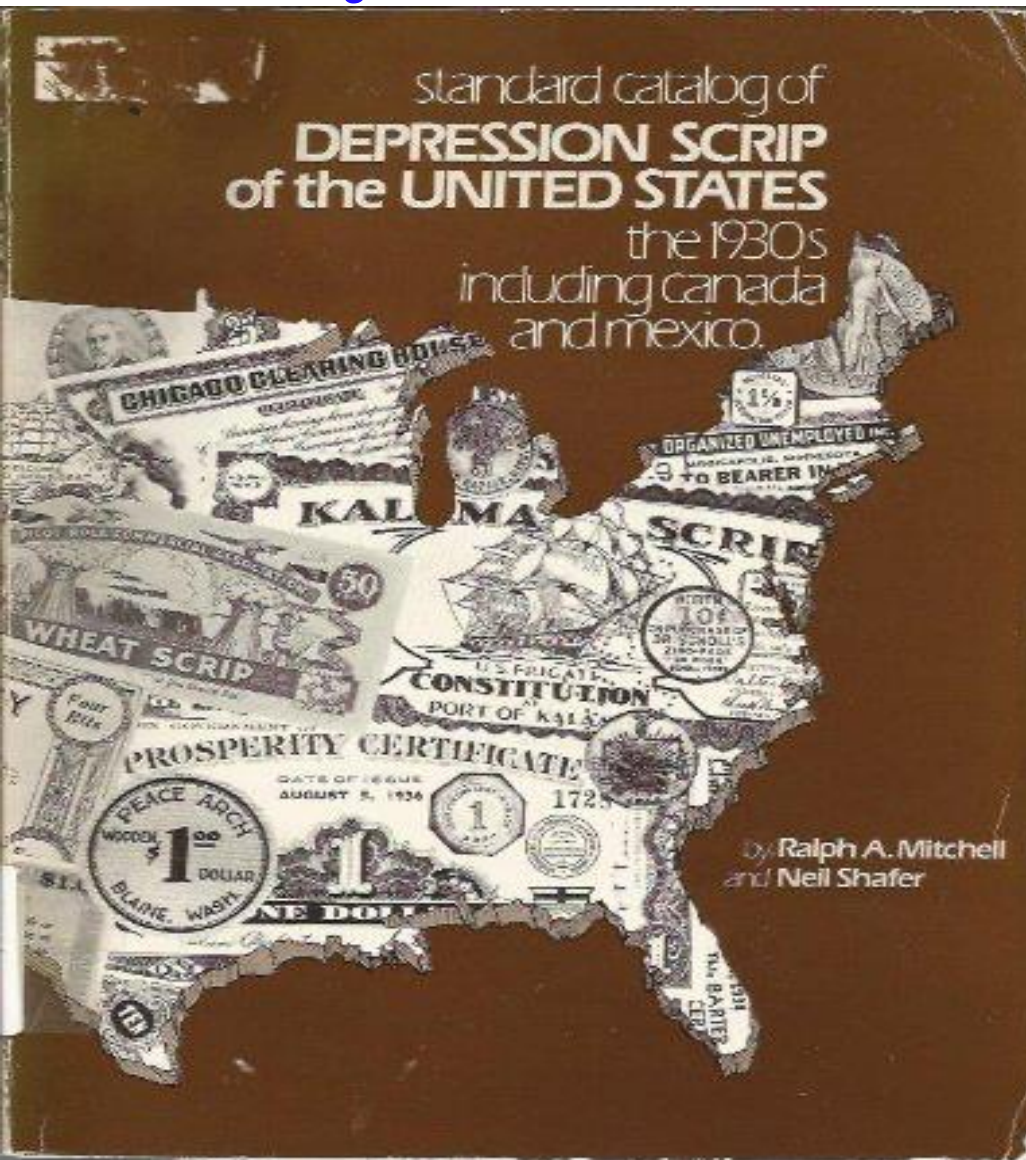
Redeemable at Treasurers office when fifty-two 2 cent stamps are affixed [one year]

Paid back + 4% to issuer by citizen users over one year



Stamps sold by issuer affixed on backside of note generating revenues of \$1.04

Privately issued terminating paper lifeboat money: Widely used in Great Depression- now in Germany



Standard Catalogue of Depression Scrip of the United States: The 1930s Including Canada and Mexico Paperback – January 1, 1985 by Ralph A. Mitchell & Neil Shafer

Reintroduced into Germany in 2003 by Christian Gelleri who created the Chiemgauer local negative interest rate Euro money to promote the local economy

<https://www.researchgate.net/profile/Christian-Gelleri>

WIR complementary Swiss currency

- In 1934 Lifeboat money was established in Switzerland known as WIR.
- Like other Stamp Scrip systems, it was, and still is, tethered to the national currency.
- Unlike other issuers of Stamp Scrip, it was a closed cooperative system that shared interest free credit creation amongst approved members. It began with 16 members, obtained a banking license in 1936 and now has 50,000 small and medium size businesses as members.
- In 1948 the practice of using negative interest rates was terminated.

The case for parallel official moneys

Like the US based International Reciprocal Trade Association, the WIR represents a supplementary currency that Stoddard suggests could improve macro economic resiliency.

These examples raise the possibility of establishing an officially accepted ecologically based official supplementary currency. This could introduce a choice in currency as promoted by Hayek, establish a financial lifeboat in the event of a monetary or pandemic crisis, and a basis for weaning economies away from exacerbating market failure.

Governors King and Carney raised need for a money tether

- ❖ Mervyn King (1999: 26) referred to a “**commodity standard**”
- ❖ Mark Carney (2019:15) referred to a “**Synthetic Hegemonic Currency** (SHC)” **Perhaps a Sustainable Wellbeing index?**
- ❖ However, the Bank of England neglected consideration of a “stable unit of value” made in my 2020 submission to the Bank and its subsequent consultations on a Central Bank Digital Currency (CBDC). **Was this because it would make Central Banks extinct?**
- ❖ This led me to organize a round table Financial Services Club discussion on 7 July 2022. It is described on the next power point.

How should Central Bank conflicts be managed?

7 July Webinar 2022: <https://fsclub.zyen.com/events/all-events/how-should-central-bank-conflicts-be-managed/>

Moderator & Host:

Alderman Professor Michael Mainelli, founding partner of Y/Zen.
Former Sheriff of the City of London and currently its 695 Lord Mayor.

Speakers:

*Emeritus Professor Charles Goodhart, London School of Economics,

*Professor Willem Buiter, Independent Economic Advisor,

Dr Andrew Hilton Visiting Professor, The London School of Banking,

Dr Shann Turnbull, Principal International Institute for Self-governance.

** Former members of Bank of England Monetary Policy Committee*

The need for monetary tethers

In 1983 Charles Goodheart became an advisor to the Hongkong Monetary Authority for linking its currency to the US dollar.

The need for a monetary tether was identified by *The Economist* newspaper when it introduced light heartedly its “Big Mac Index” in 1986. This is still maintained because it provides a way to compare the different purchasing power of national currencies.

In January 1990, *The economist* cover story announced the need “to tether currencies”. Its April 2022 cover story was “The Fed that failed”.

Prices replaced by eternal wellbeing index

- Wellbeing in each bioregion will require different behaviors and technology as illustrated by traditional Australians who have sustained their existence for 65,000 years well before the last Ice Age. Wellbeing for people and country requires knowledge contained in hundreds of their bioregional languages.
- **Competition would encourage cryptocurrencies to use a wellbeing index. This would then make them uncompetitive!**
- Simplifying money introduces a more resilient and self-reliant decentralised banking system.

Central Banking is a specialized form of central planning!

Miss-allocation of resources can exceed those of taxes or tariffs

- **Consider a mind experiment.** Assume that the demand for Foreign Exchange (FX) earnings is in proportion to the population.
- Western Australia possess 10% of the Australian population and earns 70% of Australia's FX. WA citizens earn seven times the FX then they need!
- Eastern citizens only earn 30% of the FX they consume.
- If each region possessed its own currency, then the value of the \$West would be much higher than the \$East.
- Manufacturing and the export of educational and tourist services would be invigorated in the East. Local solar cell production would become more competitive.

A composite wellbeing index is required for each bioregion to create efficient eternal circular economies

The index would be determined by physical elements of wellbeing for each bioregion. This would determine the exchange rate between bioregions that could then self-determine how they maintain their population level for eternity

In this way modern society could become governed mainly by the nature of their local eternal renewable resources. It explains why modern society requires a “Total Reset” to replace its toxic top-down hierarchies with bottom-up stakeholder governance like every other specie on the planet.

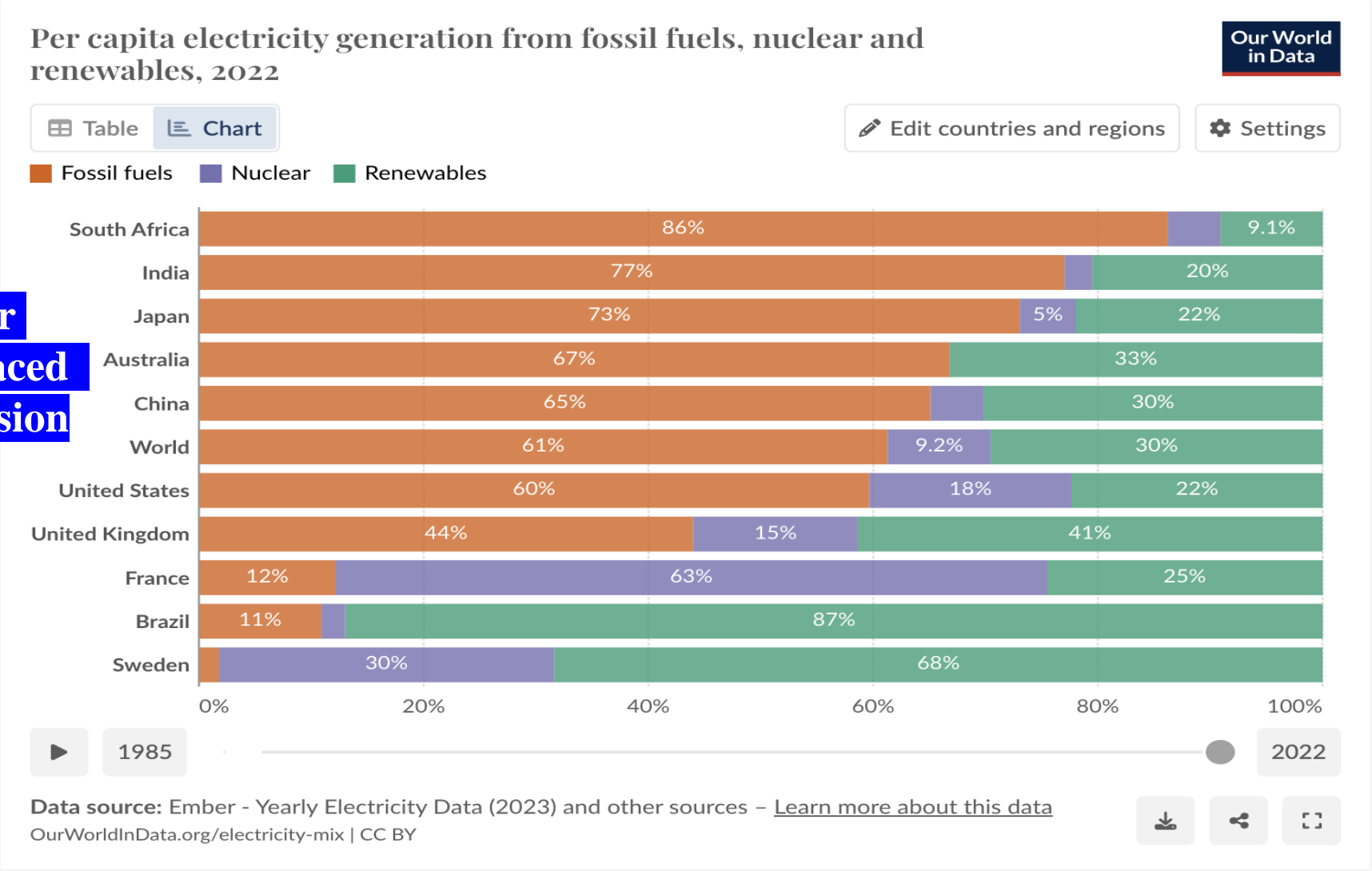
Stakeholder governance v's Dictatorships

- Bottom-up polycentric self-governance is also demonstrated in the communication and control circuits in living things.
- This includes the human brain that has no central chief executive neuron.
- Modern human society is the only specie on our planet that uses toxic dictatorships. It could be leading us to extinction.

Consider a single component of an Index

How Renewable Energy would determine exchange rates between regions

Ideally Nuclear Fission is replaced by Nuclear Fusion



Lifeboat Money initiative 12 February 2012 at ICAEW

Inaugural public meeting of the Sustainable Money Working Group

Institute of Chartered Accountants England and Wales (ICAEW),
Grand Hall, One Mortgate Place, London

Left to right are:

Ed Mayo: Secretary General, Coops Limited UK (*10 million members*)

Steve Hughes, Economist, British Chambers of Commerce (*Employed 5.5 million workers*)

Prof. Dr Margrit Kennedy: author and promoter of local currencies in Germany

Tony Greenham, Head of finance and business, New Economics Foundation (NEF)

Sargon Nissan: Manager Sustainability, (ICAEW) (*130K members*)



Sustainable Money Working Group dinner London 17 February 2012

Left to right:

Maksym Putiy, Economic Advisor, The 40 Foundation

John Longworth: Director General, British Chambers of Commerce

Yurij Riphyak, Secretary, The 40 Foundation that sponsored initiative

Dr Shann Turnbull, Principal International Institute for Self-governance

Josh Ryan-Collins, New Economics, Senior researcher, monetary reform

Ed Mayo: Secretary General, Coops Limited UK



How to progress the adoption Lifeboat money?

- 1) UK Parliamentary Treasury Committee to manage Bank of England existential conflicts arising from CBDC Lifeboat Money (LBM).
- 2) UK Treasury to invite local governments and private experiments in issuing LBM tethered to official currency as an official complementary currency with ecological options (Provide familiarization & education)
- 3) Chambers of Commerce and others to educate public about LBM.
- 4) UK Treasury and/or others to initiate discussion on composition of a Sustainability Index.
- 5) Philanthropic climate activists to fund the creation of a well-being Index. Once established, like the Big Mac index, it could introduce politically compelling positive policies to stop market failure.

My many thanks to:
Mike Wardle for moderating,
his Y/Zen support colleagues,
The Financial Services Club,
And all their sponsors

Turnbull articles posted by Long Finance

2024, May, 21, [Creating Lifeboat Money For The Next Pandemic Lock Down Or Financial Crisis: And Eternally Sustaining Humanity](#)

2022, September, 15, [Stopping The Cause Of Climate Change](#)

2022, July, 7, [How Should Central Bank Conflicts Be Managed?](#)

2022, June, 26, [Correcting Central Banks' Failures](#)

2021, March, 21, [RegistryZ To Replace Stock Exchanges?](#)

2021, October, 21, [De-Tax Yourself To Eternal Wellbeing](#)

2021, February, [Privatising Regulation To Enrich Democracy](#)

2020, April, 15, [Curing Infected Economies With Self-Financing Money](#)

2019, November, 1, [Holacracy - How Extinction Rebellion's Success In Organising Protests Is Based On Management Science](#)

018, March 8, [Why No International Standard Unit For Value?](#)

2017, August, 24, [Should Money Have A Stable Predicable Value?](#)

2015, April, 9, [Why Should The UK Adopt A Digital Currency?](#)

2013, February 26, [Can Democratic Money With Environmental Values Reduce Market Failures?](#)

[Related article by Mainelli](#), 2021, March 21, Mainelli: [RegistryZ To Replace Stock Exchanges?](#)

Existing and Ecological Money

	Diff. between:	Existing money	Ecological value \$Z
1	Money created by:	Government & banks	Consumers, producers, traders and investors
2	Interest rates set by:	Central Bank	Cost of risk insurance
3	Expansion of money:	Government ratios/regulation	Value of market transactions
4	Value defined by:	Government fiat	Benign renewable energy
5	Unit of value	Not defined	Renewable kwhs (\$Z)
6	Store of value	Yes, subject to inflation	Not a store of value
7	Integrity of value	Indeterminate	Tethered to renewable energy
8	Integrity of system	Exposed to contagion	Little exposed to contagion
9	Choice of currency	Government monopoly	Determined by currency region
10	Inflation control by:	'Blunt' policy instruments	Value of renewable energy
11	Structure of money:	Unlimited accrual of interest	Carrying cost limiting life
12	Economic flaw-1	Incentive to own money	Disincentive to hold money
13	Economic flaw-2	Allocates resources to finance	Real assets more attractive

	Difference between:	Existing money	Ecological money \$Z
14	Economic flaw-3	Distorts price relativities	Prices set by renewable energy
15	Financial system cost	Ever increasing	Minimized
16	Financial assets/real	Ratio increases	Incentive to minimize
17	Economic growth	Required to pay interest costs	Accommodates de-growth
18	Social flaw-1	Compounds unearned income	No unearned income
19	Social flaw -2	Concentrates influence	Localizes influence
20	Political flaw-1	Concentrates power	Enriches local democracy
21	Political flaw-2	Low accountability	Cooperative accountability
22	Environmental flaw 1	Incentive to burn carbon	Favours renewable energy
23	Environmental flaw 2	No feedback from nature	Nature controls price signals
24	Ecological feedback	None	Local renewable energy service
25	Sustainability	Highly questionable	More likely

Why fiat money is not fit for purpose - 1

1. Value not specified by any one or more goods or services to create false price signals & market failure, eg Stern Report
2. Volume determined by fractional banking, FX practices and QE and so less than 2% of real economic activity;
3. Biases resource allocation to financial assets as money is a store of value that can offer more attractive returns than those that *sustain* prosperity but depreciate and/or wear out. i.e. Creates “Financialisation”.
4. Competes with procreative assets that are the only way to *increase prosperity* without increasing human exertion or working hours or to increase human and environmental “well-being without consuming more non renewables;

Why fiat money is not fit for purpose - 2

5. Increases inequality from unearned interest income;
6. Nations cannot control the value of their own currency;
7. Volume of money not determined by real economic activity;
8. Money value subjected uncertain volatility;
9. No environmental feedback to allocate people or resources sustainably on the planet.

Why not use Bitcoins?

1. Bitcoins must be purchased, they cannot be given away to pensioners, unemployed, SMEs or used to finance infrastructure;
2. Bitcoins are not tethered to the Euro;
3. Bitcoins have volatile value;
4. Validating transactions takes ten minutes as majority of Bitcoin holders must confirm all transfers;
5. Validation is costly in computer time and energy consumption.

Technology introduces monetary options

Digital technology has introduced new options for designing, using and regulating money besides the 3T policy concerns of Timing, Transmission and Traction.

Swipe card and cell phones make it practical to introduce money with a new 3T architecture of:

1. Tagged to allow integrity of use to be traced;
2. Terminating to remove price distortions, inequality, financialization & control volume.
3. Tethered to sustainable, non-volatile, objective units of value like Kwhrs of electricity generated from benign renewable source anywhere in the world at different relative values to allocate humans and resources in perpetuity.

Would market forces limit excessive issue of speed money?

Acceptance of speed money as a supplementary currency could rapidly decline as its use as a medium of exchange becomes saturated.

Excessive issue of Speed Money could result in it being discounted to inhibit its excessive issue?

A private issuer of a supplementary speed money would obtain an incentive to reduce the negative interest rate. Wörgl's conversion fee was little used.

A government issuer of a supplementary speed currency would also have the option of imposing a tax on deposits of competing "slow" official money.

Taceable Lifeboat money?

- All Bitcoins are tagged to avoid them being duplicated - like numbering notes
- Tagged speed money would inhibit it being used in the “black economy” for tax avoidance, money laundering, bribes, fraud or funding terrorists;
- Greek black economy was estimated at 28% of GDP by World Bank from 1999-2007.
- Likely acceptance as tagged money if gifted to voters such as welfare recipients

Keynes view on Lifeboat money?

Gesell had proposed that a stamp of 0.1% of the face value of the notes be affixed every quarter to create a negative interest rate of 5.4% a year.

Keynes (1936: Chapter 23, part VI) supported the idea and referred to Gesell as “unduly neglected prophet”. Keynes thought the rate “would be too high in existing conditions, but the correct figure, which would have to be changed from time to time, could only be reached by trial and error”.



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Comments, Questions & Answers



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Question & Answer

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Forthcoming Events

- Wednesday, 22 May 2024 (15:00 - 15:45 BST) The Achilles' Heel Of AI: How A Major Tech Risk To Your Business Could Be One You Haven't Heard Of - And What You Should Do
- Thursday, 23 May 2024 (15:00 - 15:45 BST) Are We Asking The Right Questions About Profit?
- Friday, 24 May 2024 (11:00 - 11:45 BST) Why The UK-India Relationship Matters? Opportunities For The Financial Centre Of The World

Visit: <https://fsclub.zyen.com/events/forthcoming-events/>

Watch past webinars: <https://www.youtube.com/zyengroup>