



Forum for Stable Currencies

Advocating Economic Democracy through Freedom from National Debt

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From 'Green Stick Taxation' to 'Green Carrot Funding'

Environmental Economics from a Mathematical Perspective as a Supplementary Memorandum to 'Green Credit for Green Purposes'

Executive Summary

1. This supplement addresses two major dimensions of two witnesses to the Stern Review:
 - a. the ethical dimensions which Sir Nicholas Stern recognized as the author
 - b. the use of 'green carrot funding' to match 'green stick taxation' as which John Healey MP as the Financial Secretary to the Treasury mentioned in their respective oral evidence.
2. In his oral evidence, Sir Nicholas identified one of the messages of his report as being the issue of which ethical questions 'should be put at centre stage'. He went on to say 'If one is talking about making decisions now which have an impact over 50, 100, 150 or 200 years the ethics of how one makes judgments as between changes in investments in the next few years and their implications 150 years down the track raise some quite difficult questions. We felt that the economics of policy could not be taken on without confronting those things.' [See Tuesday, 6 February, answer to Q.2]
3. Long-term thinking for long-term sustainability is necessary when applying economic measures to quantifying economic growth.
4. Economic growth is measured by GDP on an annual basis, accompanied by inflation in much shorter time frames. When both measures are considered over longer time periods, the following becomes apparent:
 - a. measuring inflation as an increase of prices needs to be accompanied by measuring the increase of the money supply
 - b. when measuring the growth of the money supply as a whole, the increase of *credit* and of *cash* as its components needs to be measured independently
 - c. to reduce the Government's duty of making interest payments, the Treasury can cut its Public Spending Borrowing Requirements as far as zero
 - d. to increase the Government's budget to fund environmentally beneficial activities, the Treasury can use its ability to issue cash as 'green carrot' payments.
5. The concern for economic growth needs to be balanced by the Government's use of taxation as its other source of revenue.
6. In his oral evidence, John Healey MP told the Committee that "the ultimate test of effectiveness of tax in the green territory is not the overall tax revenue ... from what are classified as green taxes but ... the behavior changes and the environmental gains that come as a result of the tax policies'. [See Wednesday, 7 February, answer to Q.258] Change of behaviour- by using money as a stick addresses environmentally detrimental behaviour. Fostering environmentally beneficial behaviour means funding green activities in all sectors and on all levels: individual, corporate and Governmental.
7. By using 'green taxation' as a stick, environmentally detrimental behaviour may be reduced. But economic growth is stifled, for money is withdrawn from economic activity. By using money as a carrot, 'green stick' taxes could be matched by growing 'green carrot grants'.
8. 'Green carrot grants' could match 'green stick taxes' on individual and corporate levels or gradually increase at the rate that is determined by the cash : credit ratio.

*A Voluntary Initiative of Parliamentarians and Concerned Citizens
across the full political spectrum and from all religious persuasions*

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