Towards a Planetary Super-Organism

Transitioning to a Sustainable Monetary System — From Debt-Based Models to the Relative Theory of Money

EXECUTIVE SUMMARY

This policy paper examines the inherent limitations of the current debt-based monetary system, highlighting its incompatibility with ecological sustainability, its dependence on perpetual economic growth, and the disproportionate power it grants to banks in allocating financial resources.

The paper explores the Relative Theory of Money (RTM) as a viable alternative that addresses these challenges by proposing a monetary system where money creation is decoupled from debt and interest. It outlines the principles of RTM, discusses how it operates, and presents a roadmap for transitioning from the existing system to a more sustainable and equitable financial model.

1. INTRODUCTION

The global financial system is at a crossroads, dealing with profound challenges that demand a deep rethink. The traditional debt-based monetary system, while historically a driver of economic development, has exposed inherent vulnerabilities that harm ecological balance and exacerbate social inequities.

These systemic issues manifest in unsustainable resource exploitation, financial instability, and widening economic disparities. As environmental crises escalate, from climate change to biodiversity loss, and as wealth concentration intensifies, it becomes clear that the current system is ill-equipped to meet the demands of a sustainable and equitable future. Contrary to most other recommendations, which consist in "tweaking" the current system, keeping its foundations intact, this paper wishes to propose a complete rethink of the monetary system.

At this critical time, there is an urgent imperative to not only reevaluate but also redefine the foundational principles of our monetary system to align with the pressing needs of humanity and the planet.

2. LIMITATIONS OF THE DEBT-BASED SYSTEM

- **2.1 Incompatibility with Ecological Sustainability:**
    - **Resource Overexploitation**: The debt-based system mandates continuous economic growth to service interest payments, inherently leading to unsustainable extraction of natural resources. It is not that the system intentionally seeks to exploit resources, but rather that its design makes such exploitation inevitable. The need for perpetual growth, embedded in its very structure, creates an unyielding demand for more resources, often exceeding ecological limits. This relentless dependency on growth disregards the planet's finite resources and undermines long-term sustainability.
    - **Disruption of Natural Cycles**: Nature operates in cyclical patterns, providing resources and services (like pollination and water purification) for free. The linear growth model fails to accommodate these natural processes, resulting in environmental degradation.
- **2.2 Dependence on Perpetual Growth:**
    - **Economic Instability**: The necessity for constant growth creates boom-and-bust cycles. When growth slows, debt burdens become unsustainable, leading to financial crises.
    - **Unsustainable Consumption**: To maintain growth, consumers are encouraged to perpetually increase consumption, often through programmed obsolescence, which exacerbates waste and environmental harm.
- **2.3 Concentration of Financial Power in Banks:**
    - **Allocation of Credit**: Banks have the authority to decide which projects receive funding, often prioritizing profitability over social and environmental benefits. This centralizes economic power and can sideline essential sustainable initiatives.
    - **Interest-Based Debt Creation**: Money creation via debt with interest inherently favors those who can afford to borrow, perpetuating inequality and limiting access to capital for sustainable community projects.

- **2.4 Programmed Obsolescence:**
  - Products are often designed with limited lifespans to encourage repeat purchases, supporting continuous growth but leading to resource depletion and increased waste. This practice accelerates the consumption of raw materials and energy, contributing to pollution and ecological imbalance.
- **2.5 Incompatibility with Nature's Free Services:**
  - The current system fails to account for the invaluable services provided by ecosystems, such as clean air, water, and biodiversity. This oversight becomes critical when considering the coexistence of nature's free services and a debt-based monetary system. For instance, imagine a farmer running an organic farm that relies on balanced natural processes, with no further investments required after initial setup. The ecosystem's free services—pollination, nutrient cycling, and rainfall—allow the farm to produce fruits and vegetables with minimal external input. However, when this farmer brings the produce to the market, a major issue arises: since no new loans or credits are required to sustain the farm's operation, no additional money is created in the economy. This absence of money circulation means potential buyers lack the financial means to purchase the produce. Conversely, in a conventional farming scenario requiring loans for expensive tractors, pesticides, and fertilizers, money is created when the loan is taken. This money flows to the employees of the tractor and pesticide factories, who then have the purchasing power to buy the farmer's produce, allowing the cycle of loan repayment and reinvestment to continue. The organic model, though sustainable, reveals the systemic flaw: a debt-based system inherently requires constant financial injections, making it incompatible with nature's ability to provide for free.

3. TRANSITIONING TO A NEW MONETARY SYSTEM

A new system must align economic activity with ecological sustainability, recognizing the finite nature of natural resources and the critical importance of environmental stewardship. By decoupling economic success from the necessity of growth, it becomes possible to foster a system that supports both human development and the planet's resilience.

Furthermore, promoting social equity requires transitioning to a system that ensures equitable access to financial resources, enabling a fairer distribution of wealth and reducing inequality. Such a shift can empower communities by providing the means to participate actively in the economy. By eliminating the reliance on debt for money creation, more individuals and enterprises can engage in economic activities without the burden of unsustainable debt, fostering inclusivity and creating opportunities for a broader range of participants to thrive.

4. THE RELATIVE THEORY OF MONEY (RTM)

- **4.1 Principles of RTM**

RTM introduces the concept of the Universal Dividend, a transformative approach to money creation where funds are distributed equally to all members of society. This ensures a balanced and equitable monetary system that respects both temporal and spatial symmetry. Temporal symmetry guarantees that no generation is favored over another, promoting intergenerational equity and a sustainable approach to economic growth. Spatial symmetry ensures that resources are fairly distributed across regions and communities, eliminating geographical biases in monetary access.

A cornerstone of RTM is the collective generation of money, free from the constraints of debt and interest. Unlike traditional systems where banks and financial institutions dominate money creation, RTM decentralizes this process, empowering individuals and reducing dependency on interest-bearing loans. By integrating these principles, RTM lays the groundwork for a financial system that prioritizes fairness, sustainability, and shared prosperity across society.

- **4.2 How RTM Works:**

RTM operates through the innovative mechanism of Equal Distribution, where a regular and equal amount of new money—referred to as the universal dividend—is issued to every individual. This approach ensures a steady increase in the money supply in a controlled and predictable manner. The principle is rooted in a solid mathematical foundation, relying on a formula that incorporates the average life expectancy to determine the appropriate proportion of money to be created. This calculation is critical to maintaining both stability and consistency in the system. For example, if the average life expectancy in a society is 80 years, the formula ensures that monetary creation is proportional to this timeframe, distributing the wealth equitably over time.

The system's self-regulating nature is another hallmark of RTM. The universal dividend dynamically adjusts in response to changes in population size and economic activity, ensuring that the money supply remains balanced. Unlike traditional absolute systems that assign static values to goods and services, RTM operates on a relative value system. This means the value of money and goods is not fixed but is continually recalibrated in relation to the collective economic activity and shared baseline of wealth.

For instance, consider a small community adopting RTM. Every member receives a periodic universal dividend, enabling them to participate in the local economy. A farmer selling produce in this system would price their goods relative to the average purchasing power of the community. If the population grows or economic output changes, the universal dividend adjusts accordingly, ensuring that the system reflects the community's evolving needs. This adaptability makes RTM not only fair but also resilient to external shocks, fostering a sustainable and inclusive economic environment.

- **4.3 Benefits of RTM:**

RTM fundamentally transforms the economy by eliminating the cyclical booms and busts that are a hallmark of debt-based money creation. This stability emerges because RTM avoids the reliance on debt for monetary expansion, ensuring that money supply grows consistently and predictably without overburdening the system with unsustainable credit cycles. By creating a steady financial environment, RTM fosters resilience in both businesses and households, reducing the economic shocks that often derail progress.

One of RTM's most profound benefits is its alignment with ecological sustainability. By decoupling money creation from the imperative of perpetual growth, RTM reorients economic incentives away from overexploitation of natural resources. This creates a system where economic activities are measured and valued in harmony with ecological limits. For example, industries that prioritize regenerative practices and long-term resource stewardship can flourish under RTM, as they are no longer constrained by the constant demand for financial returns driven by debt repayment.

The universal dividend at the heart of RTM is a powerful tool for reducing income inequality. By ensuring that every individual receives an equitable share of newly created money, RTM provides a safety net that fosters social cohesion. This mechanism directly addresses systemic inequities by redistributing wealth across all demographics, empowering underserved communities and creating opportunities for participation in economic activities. The result is a society where financial security is a universal right rather than a privilege.

5. TRANSITIONING TO THE RTM

- **5.1 Phased Implementation Strategy:**

Transitioning to the Relative Theory of Money (RTM) requires careful planning and adaptation, with strategies tailored to different scenarios. In a "gradual transition," RTM could be introduced as an alternative currency, similar to the existing G1 (see www.duniter.org), and promoted by local communities and municipalities. These entities could foster its use in regional economies as a complementary system to national currencies, encouraging citizens to adopt it for local transactions and as a tool for economic resilience.

In contrast, a "rapid transition" might be necessary during a financial collapse. In such a scenario, initiatives like the digital euro could facilitate the swift implementation of RTM. Existing money could be converted into universal dividends, ensuring every citizen receives their share in a secure account. This approach leverages existing digital infrastructure to minimize disruption and ensure a seamless shift to the new monetary system.

A critical element in this transition is rethinking loans. Under RTM, loans would not be created via debt but through covered bonds. Individuals who do not immediately need to spend their universal dividend could lend it to others, following models like the Danish mortgage system. Over time, all loans would be funded by community savings rather than bank-created debt. This would steer the financial system toward "hard" currency, fundamentally altering its reliance on debt-based money and fostering a more stable, equitable economy.

6. POLICY RECOMMENDATIONS

- **6.1 Legal Recognition of Alternative Currencies:** Amend regulations to allow for the use of currencies based on RTM principles alongside national currencies.
- **6.2 Tax Incentives:** Provide tax benefits to businesses and individuals who participate in the RTM system, encouraging adoption.
- **6.3 Collaboration with Financial Institutions:** Work with banks to adapt their services to the new system, mitigating resistance and leveraging their infrastructure.
- **6.4 International Cooperation:** Engage with other nations interested in RTM to share best practices and establish compatible systems.

- **6.5 Inflation Control:** Carefully calculate the universal dividend to prevent excessive inflation, using RTM's mathematical models.
- **6.6 Economic Integration:** Ensure that the new system integrates smoothly with existing economic activities, minimizing disruption.
- **6.7 Monitoring and Evaluation:** Establish oversight bodies to monitor the system's performance and make data-driven adjustments.

7. CONCLUSION

The limitations of the current debt-based monetary system present significant obstacles to achieving ecological sustainability and social equity. The Relative Theory of Money offers a compelling alternative that addresses these challenges by redefining how money is created and distributed. By transitioning to a system based on universal dividends, we can promote a stable economy that operates within ecological boundaries and fosters a fair distribution of wealth.

Policymakers have a critical role in facilitating this transition. Through careful planning, legislative action, and public engagement, it is possible to evolve our financial system to meet the needs of both people and the planet. Embracing the principles of RTM is not just an economic decision but a step towards a more sustainable and equitable future.

8. ABOUT

YoumanE.T (www.youmanet.life) is an independent consultancy focused on future-proofing social innovation and fostering conscious policy-making. Founded by Martin Schmalzried, it bridges the gap between policy makers, innovators, and thinkers exploring fundamental questions about reality and humanity's role in it. By connecting philosophical insights with contemporary challenges like climate change, artificial intelligence, and blockchain, YoumanE.T helps craft innovative solutions for a rapidly evolving world.

Inspired by the Gaïa hypothesis and the vision of Earth as an evolving planetary super-organism, YoumanE.T explores how human systems like the internet and financial networks contribute to this transformation. Through fresh narratives and paradigm-shifting perspectives, it aims to help individuals and organizations navigate complexity, align with deeper purpose, and contribute to building a sustainable future for humanity and the planet.