

Proposal for a special issue of the Economic Review

The ecological transition: towards a monetary and financial paradigm shift?

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At COP21 in Paris in December 2015, nearly 200 countries from around the world agreed to the goal of limiting temperature increases to below 2°C above pre-industrial times by continuing their efforts to reach the 1.5°C target. The report "Global warming of 1.5°C" (IPCC, 2018) highlighted the scale of change needed to achieve this goal. Jointly halting biodiversity loss (IPBES, 2019) and keeping human activities within global sustainability limits (Steffen et al., 2015) implies much more than simply quantifying new or redirected investments, as COP15 in Kunming will show at the end of 2020. The financial and monetary sector must transform in all its dimensions: assets must green the balance sheets of banks, asset managers and other investment funds, financial behavior must green, monetary policy and financial regulation must green ... and the taxonomy of what can be considered "green" must be built and evolve in line with technological developments and advances in the understanding of environmental upheavals.

Axis 1 - Scope and limits of the risk-based financial approach to ecological transition.

Awareness has begun. This is evidenced by the emergence of discourse on "stranded assets" (assets devalued in the case of an effective ecological transition), on "physical and transition risks" (possibility of a financial crisis linked to a transition that is too rapid or, on the contrary, too late), on a "tragedy of the horizons" (Carney, 2015), and on the need for transparency of financial information with regard to the carbon content of portfolio choices. Do these concepts capture the nature of the problem of ecological transition for the monetary and financial system? What transformations do they induce (climate stress tests, green bond markets, green micro- and macro-prudential rules)? Do they provide perspectives that are commensurate with the issues highlighted by climate and biodiversity scientists?

Axis 2 - Transformational finance and new monetary paradigms for transition.

Beyond the reflections to be conducted on the new risks (essentially climate-related today, but which will undoubtedly open up to other ecological frontiers) for the financial sector and the practices of the financial sector to evolve, the ecological transition also invites us to develop the possible framework of a new monetary and financial paradigm (Aglietta and Espagne, 2016). What is now called ecological macroeconomics addresses these premises, including at the same "epistemological" level an accounting of money and material flows in the economy. This approach has its limits (Svartzman et al., 2019) in that it is based on a constant institutional system, where the history of technological and energy transitions shows a profound adequacy between financial systems and the dominant energy system of the moment (Perez, 2002). How, then, can we define a monetary and financial system that fully incorporates and supports the ecological transition? At what spatial scale should it be deployed

(from local currencies on a territorial scale to green special drawing rights on an international scale)? Can we green the objectives of central banks? What new institutional arrangement would be desirable between commercial banks, central bank and government? What new financing circuits, going beyond the traditional dichotomy between public and private resources, would allow the preservation and rehabilitation of these new global commons?

Axis 3 - North-South financial circuits disrupted by the ecological transition?

These reflections, which are now emerging mainly in European countries, are also highly topical in developing and emerging countries. The latter are the most subject to climate and biodiversity impacts, while at the same time they have to make choices in terms of carbon-free infrastructure that will be decisive for the global dynamic in the 21st century. Financial conditions deteriorated by trade tensions and the economic slowdown that is beginning in the main countries of the North are at the same time constraining decisions on an ecological transition. Southern countries have both fewer opportunities to protect themselves from the effects of climate and ecological inaction and a specific institutional framework that makes it difficult to implement the traditionally advocated policies of carbon pricing or payment for ecosystem services. What are the specific institutional challenges faced by developing countries in financing mitigation and adaptation? What aid tools can be explored in the framework of North-South solidarity? What is the current state of climate finance in emerging countries and how effective is it?

This special issue of the Economic Review will attempt to address these various empirical and theoretical questions, by welcoming contributions along these three lines. The articles will be able to propose (without limitation) regional or national case studies, more theoretical analyses at the global level (with an emphasis on the North-South relationship), methodological reflections on the role of money in the ecological transition, as well as public policy recommendations focusing in particular on the evolution of monetary policy and financial regulation. Selected papers will be examined in a double-blind review.

Articles will be submitted on this platform: <https://reveco.hypotheses.org/comment-soumettre-un-article>.

Guest editors:

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A workshop, co-organized by AFD and the Energy and Prosperity Chair, will be held on July 8th, 2020 in AFD premises. The papers invited to be presented there may be submitted for publication in this special issue.

Invitation to the workshop (espagne@afd.fr and jezabel.coupey@univ-paris1.fr):

- long abstract: **1st of May 2020**;

- working paper: **15th of June 2020**

Submission to the Economic Review (<https://reveco.hypotheses.org/comment-soumettre-un-article>): September 1st 2020