

## Empowering Monetary Policy:

### Special Lending for a Future of Neighborhood Parks, Playgrounds, and Community Gardens Across America.

By Lloyd S. Etheredge<sup>1 2</sup>

**Proposal:** A Special Borrowing Rights initiative to allow states, counties, and cities to acquire land and pay for the design and construction of as many neighborhood parks, playgrounds, and community gardens as they wish to have, financed with near-0% long-term loans. Financing for up to one neighborhood park, playground, or community garden/block will be available if states, counties, and cities commit to the stimulus projects within the next 18 months.

#### **Discussion:**

- The plan is structured to improve the effectiveness of monetary policy by adding psychological elements to a rational case for borrowing. The marketing package adds a motivating framework that encourages people to imagine, vividly, new benefits to their future quality of life from a new infrastructure and stimulus investment.
- The plan will benefit from a strategy that secures support from many groups to market the idea, secure community participation, and provide political incentives for state, county, and municipal governments to participate.
- It will require further work to create the mechanism of these Special Borrowing Rights at near-zero % interest. However, these are solid loans, with collateral. They meet the public policy objective of stimulating new borrowing for projects with positive societal returns (in this case, daily and for future generations).

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<sup>2</sup> This paper continues a series of ideas from the Rapid Learning Economics Project, showing how creative social science can accelerate economic recovery. The historical context is that current interest rates are close to 0%. Thus a simple key to faster G-20 economic recovery (and to a more effective monetary policy) is to organize and frame attractive options for governments, corporations, and individuals to borrow from the trillions of dollars of available funds and create additional demand. (Merely waiting for corporations to borrow for added plant and equipment – a traditional pathway – has not been working as it did in the past.)

- Because costs will be paid, it should be easy to acquire a lot or piece of land in each neighborhood, demolish the property, and construct the park, playground, or community garden.
- There is precedent for these types of investments. During the Depression the CCC and other government investments helped to build and improve parks and wilderness areas in every state.
- The stimulus loans also could be used to upgrade green areas around suburban public schools to become attractive neighborhood parks and playgrounds. The initiative could be drafted to support cross-neighborhood projects like the NYC High Line or biking.
- A bolder dimension to encourage stimulus borrowing: **Might loans include modest endowments to pay for future maintenance costs or – if the numbers check-out – to repay the loan itself?** Borrowing now, at near-zero%, perhaps a municipal foundation (for example) could earn a higher long-term return on the endowment to repay the loan and assure a well-maintained system without adding to local government budgets?
- This stimulus package might be organized by the Executive branch and the Fed, without requiring new Congressional approval. However, if expressions of strong grass-roots support are organized, there also might be strong bipartisan support in Congress. Empowering monetary policy expands a creative political tool: rather than giving government grants that expand the size of the federal government, or tax deductions, the societal benefits are secured by loans that will be repaid.
- Standby authority might be acquired to extend the program to commercial areas and to provide the loans directly to real estate developers. This stand-by authority could be kept in reserve as a fast trigger policy tool to prevent recessions. <sup>3 4</sup>
- This is an exciting project that can contribute to the quality of daily life across America. As part of a stimulus package, it allows America to exit a period of dreary economic news with enduring new benefits that everyone can feel good about. <sup>5</sup>

DRAFT - 4/20/2016

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<sup>3</sup> The design and marketing of new Special Borrowing Rights and incentives can be linked to the size of the additional stimulus package that is desirable.

<sup>4</sup> Another standby option might be to make credit-worthy non-government actors eligible for these Special Borrowing Rights loans. This could accelerate the stimulus lending and national impact by allowing environmental and other groups to work around state, county, and local governments if necessary.

<sup>5</sup> Perhaps, as a one-time stimulus investment, the Special Borrowing Rights could be expanded to include near-zero % loans to fill all of the potholes in America, for all governments that will complete the job in 18 months? “Fixing broken windows” research suggests that a kind of civic demoralization can be created by deterioration of public maintenance. Filling all of the potholes in Baltimore? These are infrastructure investments that the American people can see and understand.