Funding the Future

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In July 2008 I was one of the authors of what a group of us called the Green New Deal. It was a plan to revitalise and transform the UK economy in the face of an impending crash that we were sure was imminent.

We were right about that imminent crash. But no one has done the Green New Deal. Ann Pettifor, another member of the Green New Deal group suggested on Saturday that Labour should now adopt the idea as the basis for a coherent economic policy. I agree with her. I never expected the plan to remain so relevant for so long, but with minor tweaks it is still what the country needs.

So I review my call for a Green New Deal, and Green Infrastructure Quantitative Easing, which was a part of it and which was called People's Quantitative Easing in Corbynomics. This is the core of the plan:

* Executing a bold new vision for a low-carbon energy system that will include making 'every building a power station'. Involving tens of millions of properties, their energy efficiency will be maximised, as will the use of renewables to generate electricity. This will require a £50 billion-plus per year crash programme to be implemented as widely and rapidly as possible. We are calling for a programme of investment and a call to action as urgent and far-reaching as the US New Deal in the 1930s and the mobilisation for war in 1939.
* Creating and training a 'carbon army' of workers to provide the human resources for a vast environmental reconstruction programme. We want to see hundreds of thousands of these new high- and lower-skilled jobs created in the UK. It will be part of a wider shift from an economy narrowly focused on financial services and shopping to one that is an engine of environmental transformation. The UK has so far largely missed out on the boom in 'green collar' jobs, with Germany already employing 250,000 in renewable energy alone.
* Ensuring more realistic fossil fuel prices that include the cost to the environment, and are high enough to tackle climate change effectively by creating the economic incentive to drive efficiency and bring alternative fuels to market. This will provide funding for the Green New Deal and safety nets to those vulnerable to higher prices via rapidly rising carbon taxes and revenue from carbon trading. We advocate establishing an Oil Legacy Fund, paid for by a windfall tax on the profits of oil and gas

companies. The monies raised would help deal with the effects of climate change and smooth the transition to a low-carbon economy.

* Developing a wide-ranging package of other financial innovations and incentives to assemble the tens of billions of pounds that need to be spent. The focus should be on smart investments that not only finance the development of new, efficient energy infrastructure but also help reduce demand for energy, particularly among low-income groups, for example by improving home insulation. The science and technology needed to power an energy-and-transport revolution are already in place. But at present the funds to propel the latest advances into full-scale development are not.
* Re-regulating the domestic financial system to ensure that the creation of money at low rates of interest is consistent with democratic aims, financial stability, social justice and environmental sustainability. Our initial proposals for financial renewal are inspired by those implemented in the 1930s. They involve the reduction of the Bank of England's interest rate to help those borrowing to build a new energy and transport infrastructure, with changes in debt-management policy to enable reductions in interest rates across all government borrowing instruments. In parallel, to prevent inflation, we want to see much tighter controls on lending and on the generation of credit.
* Breaking up the discredited financial institutions that have needed so much public money to prop them up in the latest credit crunch.We are calling for the forced demerger of large banking and finance groups. Retail banking should be split from both corporate finance (merchant banking) and from securities dealing. The demerged units should then be split into smaller banks. Mega banks make mega mistakes that affect us all. Instead of institutions that are 'too big to fail', we need institutions that are small enough to fail without creating problems for depositors and the wider public.
* Re-regulating and restricting the international finance sector to transform national economies and the global economy. Finance will have to be returned to its role as servant, not master, of the global economy, to dealing prudently with people's savings and providing regular capital for productive and sustainable investment. Regulation of finance, and the restoration of policy autonomy to democratic government, implies the re-introduction of capital controls. These are vital if central banks and governments are to fix and determine one of the most important levers of the economy — interest rates
* Subjecting all derivative products and other exotic instruments to official inspection. Only those approved should be permitted to be traded. Anyone trying to circumvent the rules by going offshore or on to the internet should face the simple and effective sanction of 'negative enforcement' — their contracts would be made unenforceable in law. Ultimately our aim is an orderly downsizing of the financial sector in relation to the rest of the economy.
* Minimising corporate tax evasion by clamping down on tax havens and corporate financial reporting. Tax should be deducted at source (i.e. from the country from which payment is made) for all income paid to financial institutions in tax havens. International accounting rules should be changed to eliminate transfer mispricing by requiring corporations to report on a country by-country basis. These measures will provide much-needed sources of public finance at a time when economic contraction is reducing conventional tax receipts.

The details are here. I would tweak them now. But not a lot.