

Growth, MMT and the Green New Deal

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I debated with Rupert Read at Norwich Quaker Meeting House last night.

The event was largely motivated by Rupert's concern that if people believed modern monetary theory permitted government spending to the limits of capacity then a Green New Deal linked to it might actually become a new form of Keynesianism where a new form of growth was substituted for an old form of growth and the planet still burned.

I hope I persuaded him otherwise. That's not my belief. If MMT permits spending to limits then, as I suggested, there are at least two key limits. One is full employment. The other is the environment. Which is not just carbon but biodiversity too.

And I agree with Rupert that we do not have all the answers on how to achieve this as yet: it is clear that limits on damage will have to be imposed and I am inclined to agree with Rupert that some form of rationing may be a necessary part of this. Pure price mechanisms will not be enough, although I am currently working in ways where those mechanisms might help, at least in accounting terms.

We did, then, agree on much more than we disagreed on. And that actually made the whole discussion lively, enjoyable and without rancour, as you might expect at Quaker Meeting House.

I think we even agreed on what growth in this context means. We both accepted that GDP is not a useful measure of well-being. But I am not opposed to growth that fulfills the potential of the person. So if we can do that, and let people do what they're good at, then I think that has to be for the benefit of society, if, as I noted, we get more home-baked bread, poetry written and music made, that will be very good indeed. There is room for growth in our society, but not in consumption of ever more meaningless goods that serve little real purpose bar boosting profit and the dissatisfaction that advertising sows.

Maybe the agreement we reached was also helped by the fact that I could advise Rupert that I would be voting for him in Thursday: he is number 2 for the Greens on the

East of England list in the European Parliament elections.

These were my speaking notes:

Debate with Rupert Read

- * **The givens**
- * **We face very real issues with climate change**
- * **This is not now the issue of debate: it is a fact**
- * **The need for change is very urgent: there is very limited time available to effect change**
- * **The consequences of failing to act are almost unthinkable**
- * **Let's not panic though: that won't help**

- * **The options**
- * **I think it's fair to say that there are four options**
- * **Some would still do nothing**
- * **Others think that if we invest in some tech changes then we can pretty much carry on as normal - a new research centre being created at Cambridge University seems to have this logic implicit in it, for example. Much of business seems to have this view**
- * **There is the Green New Deal**
- * **I think Rupert would argue the Extinction Rebellion view is the last option - and the most important. I should add I am a supporter of Extinction Rebellion - so I am not averse to what Rupert is saying.**

- * **The Green New Deal**
- * **Created in 2007/08 in the UK by the Green New Deal Group - of which I am a member. I am continuing as an active member and wrote much of its material from 2010 to 2018**
- * **The aim:**
- * **To invest in the creation of a Green transition within the economy to:**
- * **Reduce carbon usage by absolute cuts and by creating alternative energy sources**
- * **Increase sustainable behaviour e.g. on transport, food, housing and other issues**
- * **Create social justice by job creation through the planned investment**

programme, also linked to tax reform

- * **The implications**
- * **Making every building a power station**
- * **Releasing a 'carbon army' to achieve this**
- * **Social housing building**
- * **Major changes to transport investment i.e. local and public**
- * **Creation of a Green Investment Bank to route funds for technology investment in particular but to build capacity for the transition in general**

- * **As now transferred into the USA (straight from the UK) the theme has expanded to include**
- * **Commitment to universal healthcare**
- * **A job guarantee**

- * **Modern monetary theory**
- * **This one takes an explanation because it has become very closely associated with the Green New Deal, which is again at least in part my fault.**
- * **Fundamentally it suggests that since we came off the gold standard all money is 'fiat' currency**
- * **It's a promise to pay and nothing more**
- * **The promise backed by the power of the state to tax**
- * **But the state does not need tax to spend. All spending is effectively settled with money created by banks on demand from a customer. It is not paid for out of a stock of savings. And in the case of a government it is not paid for out of tax received. Instead gov't spending is paid for by the government asking its bank - the Bank of England - to make payment for it**
- * **This is exactly akin to the fact that banks do not lend out customer funds: rather they make the funds they lend by a process of double entry book-keeping and bank deposits are the result of that process, and not where it starts.**
- * **The result is that a government with its own central bank and currency can never run short of money - because it can instruct that it be made at will**
- * **And it can never go bankrupt if it borrows solely in its own currency**

because it can always create the funds to make payment

*** *But of course it cannot print money at will - because inflation will result. So action has to be taken to keep inflation under control - and that is the real purpose of tax in MMT. Its secondary purposes are to***

*** *Ratify the value of money***

*** *Redistribute income and wealth***

*** *Reprice market failure***

*** *Reorganise the economy***

*** *Raise representation in a democracy***

*** *So, the concern on this issue can be addressed***

*** *And what we end up with is something quite different from where we are now***

*** *This is a form of Keynesian fiscal policy***

*** *It rejects monetary policy as a mechanism to redistribute wealth upwards***

*** *It delivers low long term interest rates - and so reduces exploitation of ordinary people by those with wealth***

*** *And it rejects money as the constraint on action***

*** *The new framework says the constraint on action is what resources we have available to us***

*** *We must use people to best effect if they want to work - because our labour is non-renewable***

*** *And we must respect the physical constraints as we head for zero carbon***

*** *I see this as compatible with Extinction Rebellion***

*** *The political imperative***

*** *The need is to deliver this change***

*** *But this requires that we carry people with us***

*** *And people have to be persuaded that not all in their world will fall apart as we head for the transition we need***

- * ***This demands a massive amount of thinking on how we manage the process of change:***
- * ***Accounting (because right now it is very hostile to sustainability)***
- * ***Economics (as above)***
- * ***Governance mechanisms (how we manage this change - from the Treasury and Bank of England downwards)***
- * ***What has to happen on the ground.....***
- * ***And how we tell the story of what we need to do that takes everyone with us***
- * ***That is the political imperative.***