Funding the Future

What do we want? A Green New Deal. When do we want it? …

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I share this from The Observer, who published it yesterday. As co-creator of the Green New Deal I claim the right to do so:

The Green New Deal is probably the most fashionable policy in the English-speaking world. In Britain it is advocated by both Tory MPs and Jeremy Corbyn; while a non-partisan Canadian coalition of nearly 70 groups are backing such a scheme. However, it has been made flesh by US Democrats, in particular the political phenomenon in the US House of Representatives, Alexandria Ocasio-Cortez. Ms Ocasio-Cortez has spelled out what a Green New Deal involves in a House resolution: rejecting economic orthodoxy to confront climate change. She ought to be congratulated twice over.

At present the thinking is for governments to tackle global warming by including the social cost of carbon in the prices people pay, either through a carbon tax or a system of tradable carbon-emission permits. Such ideas have a role to play in changing the way societies consume and produce energy, but they are only moving us incrementally — if at all — towards sustainability. Global emissions of carbon dioxide are higher than they have ever been, almost three decades after the first global conference aimed at reducing them. The situation is becoming dangerous for human life. The latest figures show there is little more than a decade to save ourselves and the other creatures with whom we share the planet. To do so we must decouple economic activity from carbon emissions and ecological destruction.

This will not be easy. Economic power has become increasingly concentrated, giving rise to grotesque levels of inequality — both within and among countries. With financial speculation now a feature of capitalism, so are fraud and instability. Meanwhile, investment in public goods across the globe has stagnated. Growth increasingly relies on resource extraction, threatening civilisation itself. Ms Ocasio-Cortez's plan recognises this and is rooted in making the economy both greener and more equitable. Her prospectus calls for a reduction in the inequality of income and wealth, essential given that the world's richest 10% are responsible for half of carbon emissions. It sees large public spending to transform the US economy with an industrial base that would be net-zero in carbon emissions in a few decades. The plan is to create good job opportunities as the economy is made sustainably viable for the future.

Critics claim such ideas are pie-in-the-sky and would require huge spending, sparking inflation or resulting in massive tax increases. Democratic leaders fret that it would make the party unelectable in conservative-leaning US states. Yet the issue is not the money to pay for the investments proposed. US government deficits are historically normal and often economically necessary. The constraint is what a nation can produce. As the economist Stephanie Kelton, who is advising Bernie Sanders, notes in her defence of the Green New Deal: “Inflation isn’t triggered by the amount of money the government creates but by the availability of biophysical resources that money tries to go out and buy.”

Policymakers ought not wait for economic theory to catch up to real-world events. Ms Ocasio-Cortez rightly sees parallels with the response to the 1930s crisis where President Roosevelt dispensed with economic orthodoxy and tamed Big Finance. He created a New Deal jobs programme that employed millions, oversaw a massive expansion of government and remade the US industrial base. Humanity will run out of limited global resources long before the US runs out of dollars. Britain needs something like Ms Ocasio-Cortez’s Green New Deal. And we need it now — before it is too late.

Some thoughts. First, I like that this is the most fashionable policy in the English speaking world.

Second, The Observer might have noted it began here in the UK in that case.

But, third, that would require that it be recognised that UK politicians ignored this issue for a decade.

Fourth, as the editorial makes clear, you also have to embrace modern monetary theory to see how the Green New Deal is possible, which I know it is.

Fifth, it does not help that Labour resoundingly denies modern monetary theory's relevance.

Sixth: it's time the world discussed what this is really all about before it is all too late, because the clock is ticking on that remarkably fast. We've already used more than 5% of the available time. We really do need a Green New Deal now.