

A Green New Deal for Scotland (and pretty much anywhere.)

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Richard Murphy, a member of the Green New Deal Group and Professor of Practice in International Political Economy, City, University of London, spoke at a sold-out CommonSpace Forum on 29 August on a Green New Deal for Scotland. In preparation for the talk, Murphy wrote this long read essay on his vision for a Green New Deal. We publish it in full below.

IN MY opinion the Green New Deal is a radical environmental, economic and social programme intended to tackle three issues. These are the crisis created by global heating; the gross economic inequality created by 40 years of neoliberalism and the social injustices that neoliberalism has created and which the climate crisis might exacerbate unless addressed properly now.

I am not an environmental expert and have never claimed to be. But I think it is now settled science that human activity is warming the climate; that this could have catastrophic consequences and that we may be able to avert that disaster if we take action now.

For the record I accept that some do not agree with these suggestions about climate change. There again, some people also believe the earth is flat; that there really are fairies and the moon is made of cheese. We are not required to take such opinions seriously in the absence of evidence. I am not convinced there is alternative evidence to that I have noted on climate change.

Having said this please note that the Green New Deal is not just about the global climate crisis: the issue is at least as serious with regard to the rapid loss of biodiversity on this planet. David Attenborough is right to say we are now living in the sixth great extinction of our planet's history, and this may well also be down to us. If in doubt, just note that the Amazon is ablaze and there is a very good chance that this is not an accident or a natural phenomenon: much of this looks like the result of deliberate

human action.

The questions to address then are, I suggest, these:

- * ***What is the change that is required?***
- * ***Can we deliver it?***
- * ***If so, how?***
- * ***What will it cost?***
- * ***What will the world look like when it's done?***
- * ***And, what's the Scottish dimension to all this?***

That is a lot to take on in the time I have available so please forgive me if I address what I think are the more topical parts. That means the bits about which I can have most to say and those that relate to Scotland. I'll just have to gloss over the rest.

- * ***What is the change that is required?***

I want to summarise this quite quickly, because I think the issues are well known.

First, in global heating we know we have to keep change to 1.5 degrees, if at all possible. And then we have to reverse the trend: containing the change is not enough. That's the goal. It will be very hard to do. We have to do it.

With regard to biodiversity, we have to protect the land and oceans from degradation. We have to protect habitats. And there is a serious need for reversion to former patterns of land use, which will include significant replanting. We also have to protect species, generically and specifically. And we need to eliminate the causes of ecological degradation, whether from farming, waste, heating or otherwise.

Third, there is the issue of population. Most people don't mention this, but I will. We are heading for 10 billion people on this planet. That will stress it to its limits. We do have to encourage birth control. There really is no other way to put it. We're not going to stop population growth. But we do need to manage it.

- * ***Can we deliver these changes?***

I think the honest answer has to be that we do not know.

I do, however, and perhaps optimistically, think that based on what I have read and am told by those with much greater expertise than me that in principle we could.

In that case what I do know is that we have a duty to generations to come - and billions of people already alive who will have to live with the true horrors of failure if that

happens - to try.

If we do not try now then the generation that did not bother will in my opinion be guilty of genocide. And that's us. I lay the charge. Our actions now will form our defence.

* ***If we can deliver the change, how?***

It's impossible to suggest all the ways in which this change can happen, especially in a limited time period. In that case what I want to make clear is that we can all contribute. That said, what each of us can do is insignificant without the efforts of others. What we are then looking for is the need for collective action on an almost unimagined scale.

It is then fair to ask who has to take collective action. These include governments, businesses, civil society in all its forms, and us. That's the one list I can offer that I think few can dispute: it's pretty much all encompassing.

* ***What should government be doing?***

Most people think this is where the focus of attention should be. Maybe that's because thinking on the Green New Deal has come mainly from the left of the political spectrum. Maybe that is in turn because few can imagine business getting its act together. And maybe it's because individual acts seem so small. Whatever is true this government has been the focus of attention. And I will not dispute the importance of that.

Every government has to recognise that there is a climate crisis. This is not a mere phrase. It's the reality that unless we take action life on earth is very likely going to be over. I admit, not just yet. But it could be within the span of the generations we can easily conceive of. Let's put it like this. Our future could be much shorter than the past with which we feel pretty comfortable. I was brought up thinking that the future was billions of years, and humans would have a role for a period so long I need not worry about the prospect of change. And that is no longer true. The future is very close indeed. The term climate crisis means that there is nothing more important than this issue on any government's agenda.

What this means is that all the assumptions government has to make as to priorities have to change.

So, if continual growth has been the singular prevailing narrative of government for 75 years - and I would suggest it has been - then that can no longer be the case. Survival is the narrative now.

And if it has been assumed that wealth would trickle down - and that has been the assumption even though the evidence for the theory has been very thin on occasion and virtually non-existent of late - then this approach to the relief of poverty and the redistribution of well-being has to also end. If everyone is to have a chance now that can only happen as a result of positive action by government. Nothing less will do.

Whilst if government has for the last 40 years of the neoliberal era believed it's been its job to stand back and let business take the lead in society because markets can apparently generate the answers to all problems then we also need to radically change that assumption as well. Markets have led us to where we are. And we're out of control. The invisible hand has proved to be remarkably malign. Government has to believe in itself like it never has in the time most people alive have known of it. That's the most massive challenge.

This means the most enormous change of mindset by everyone with regard to government. For most people's lifetimes it's been the supposed source of all failure - the butt end of every joke about efficiency and innovation. And now we have to expect both from it. And that might require a very different type of politician as well.

But it also demands that government knows how it works.

Governments are autonomous entities. They are not the agents for others. Putting people and resources together in the way government does will always and inevitably change outcomes in society. That should be obvious. Government is not then a neutral agency. And we should not in that case seek to represent that it is. Rather we should embrace what it can do.

Government can do four things. First, they can change the mood of a nation. What governments and politicians say and do matters. They can change behaviour. It is their duty to do so responsibly. And right now that is their primary obligation. Of course, health, education, inequality, and a myriad other issues are of importance in politics still. No one says otherwise. I stress that. But the climate crisis and global heating are the big issue that should frame all others now.

Second, government can legislate to back up the demands for change that it can create. I will come to what that they might do on this issue very soon.

Third, government must back up its desires with action. That means it must spend. Many will know that I am broadly speaking an adherent of modern monetary theory - and I stress the 'broadly speaking'. What as far as I am concerned this means is that a government can decide, if it so wishes, to spend as it will using its ability to create funds via its own central bank to deliver its policies within the constraints imposed by full employment within the economy it manages. That's a lot to pack into one sentence. But what it means is that the priority is to create full employment to fulfil the promise of gainful work to those in its jurisdiction and to make sure that this work is directed towards the essential tasks that fulfil its policies.

<https://www.youtube.com/watch?v=uYNKncmX4Q0>

And, to continue this broad adherence to modern monetary theory, I would then, fourthly, argue that it is the job of government to manage the economy to support its planned actions. That means that I argue that it is the job of government to tax to the extent necessary to prevent inflation. I stress, not to balance its budget, which is an almost meaningless accounting nonsense (which I say that as a chartered accountant) but to prevent the real threat of significant inflation. I stress, this puts me at odds with true MMT.

But that then means that government must spend to good effect. And it also means that tax policy must be designed to reinforce the policies of government. The aim is not to maximise revenue - because no one ever knows what maximum revenue is in any case and because maximum revenue is not required since a government can always create the money it needs to settle its bills if it has to if it does have its own central bank and currency - but to reinforce the social policy of a government. I have argued this means that tax, in addition to reclaiming money created by government as part of its spending programmes to assist control of inflation also:

- * Ratifies the value of the currency by requiring that taxes be paid using it;
- * Redistributes income and wealth;
- * Reprices market failure;
- * Reorganises the economy so that priority issues are dealt with;
- * Reinforces democracy as people who pay taxes by and large care about what government does

So let's get back to the critical issue of what government should do. I want to highlight some of the more important issues I think it should address, although I am not for a minute suggesting that the list is complete.

Government must ensure that business reacts to the climate crisis.

Business is not reacting to the climate crisis at present. Even the best businesses are still doing greenwash. And they're not telling us how they will really become net zero carbon emitters by 2030, which is what they need to be. So I believe that governments must impose this demand and have worked out a way to deliver this.

This is possible. To achieve this goal I suggest that the government must impose a new accounting demand on businesses. All but the smallest of businesses would be required to prepare a plan for them and their supply chains to be net zero carbon by 2030. Those businesses must cost this plan. And they must publish it. And the costs of the whole process of change must be included in their accounts by no later than 2022. If as a result they cannot either indicate how they might make this change, or if they think that they can but cannot see a way to fund that transition then they must be declared

carbon insolvent. That would mean that they would not make it to the era when we have a sustainable economy. Let me not beat about the bush. This would mean that they would have to close. And the capital that they now use would have to be reallocated to those businesses that can operate sustainably.

I stress, this is revolutionary in one way. That is because nothing like this has been imposed on business before. But, we have not recognised that we have a climate crisis until recently. And that, as the saying goes, changes everything.

This is all based upon existing accounting principles. For those who are accounting geeks I have simply combined International Accounting Standard 36 on the impairment of assets and International Accounting Standard 1 on the presentation of financial statements to create this idea, whilst the idea that accounts should indicate how capital should be allocated in society is the whole purpose of the profession according to the International Financial Reporting Standards Foundation. So before anyone says I am doing something deeply anti-business by suggesting this, actually, I'm saying the government need to remind business to play by its own accounting rules and follow the criteria it sets for how accounting should take place in the current situation.

Quite literally, at a stroke government could force business to become carbon compliant. And I think it should. Of course there will be consequences. Some companies will go out of business. So they should. They're killing our planet. Others will not be able to pay dividends for a while. And some people will say that this will hit pension funds unfairly. But I promise you, nothing will hit pension funds as much as there being no planet to live on, so that's really not an argument at all.

I would suggest that little is as important as this one change. Government cannot deliver the required changes without the cooperation of business: this plan will ensure it gets it. It is reasonable and appropriate response to this crisis.

What does government do after that? I would start with this list.

b.By 2030 it makes sure every building is as thermally efficient as possible;

c.At the same time it must have a policy of installing solar panels wherever it can, and effective revenue sharing mechanisms with those who benefit from them;

d.It must push hard to eliminate all non-renewable energy generating capacity for all but emergency purposes - and some may need to be retained for that reason for a while, I accept.

e.It must invest heavily in alternative technologies, such as tidal energy.

f.And build new social housing to alleviate the crisis in this sector, ensuring that all that are built are net carbon neutral, or better.

g.Public transport must be transformed to cut the waste within private transport systems. This may well require nationalisation of large parts of this system to deliver the required degree of co-ordination between networks. The future is not the electric car. The future is either not travelling or doing so on public transport charged with renewable energy.

h.Investment must be made in the transformation of land use to reforest where appropriate. The days of grouse and pheasant shooting may be numbered.

i.New food technologies must be invested in to increase local food supply.

j.Differential tax rates to encourage alternative sources of protein that replace meat production will need to be considered: only integrated thinking can solve this issue.

k.Levies to reduce air travel will have to be introduced: we can no longer afford the mentality of being able to fly at will as if no consequences arise from doing so.

l.Through a Green Investment Bank the government must help provide the capital to ensure that investment in the businesses required to deliver these changes can be made. It will take stakes as well as loans, unreservedly making a claim on the benefits arising from the capital it invests in to provide for the long term.

As I have stressed these are indicative, but all are desirable.

* ***What will it cost?***

I find this question rather boring. What it implies is that we have a choice about doing these things. We don't. I do have a choice when it comes to the life of my dog - and yes I have one. Given his age there would definitely be a cost I would not pay for him if a vet asked me to do so. I am not apologising for this: that's, literally, a dog's life. But ask me the same for my children and there is no price I know of that I would not pay if I had to. And that's what this is about. How much does this cost? 'Whatever', is my answer. And it will still be a price worth paying.

That said, best estimates are that it will cost the UK as a whole at least £50 billion a year, or about 2.5 per cent of GDP. Call it chicken feed if you like. As a proportion it may be higher in Scotland - but who knows? As I am fond of saying, who knows what the true economic statistics for Scotland might be? I think its GDP is definitely higher than that attributed to it right now because so much value is extracted from it and transferred to London. And I also can't give you a price as yet because we have not got a Scottish currency as yet. But you have an indication of scale now. And if you think 2.5 per cent to 3 per cent of national income to save life on earth is a price not worth paying I am very worried about your sense of priorities.

So how is this paid for, having noted what I have already said about the fact that all government spending is originally paid for by central bank credit and then the resulting

currency creation is managed to deliver the objectives of full employment and the other social priorities which I have already noted? There are five options:

- * Reallocating existing resources;
- * People depositing money with the government;
- * Additional tax;
- * Private investment;
- * Green quantitative easing.

Reallocating capital

Reallocating existing resources is something I am keen to do, not least because so many resources are currently really badly allocated within our society. Something like 80 per cent of all wealth in the UK as a whole is tax incentivised. Of that sum 42 per cent is held in pension funds, who in turn invest most of it in shares, company debt and commercial land and buildings. 35 per cent is in people's homes, which are tax incentivised because we under tax them, which is creating excess value that is denying our young people the chance to own their own homes, which is destabilising societies. And another 4 per cent is held in tax driven savings schemes like individual savings accounts (ISAs). There are now plenty of ISA millionaires, paying not a penny in tax on their income earned through these schemes.

I'm not going to touch on housing in this context. I will address the other two.

I suggest that all new pension fund contributions, all of which enjoy tax relief costing the UK as a whole more than £54 billion a year (which is evidence enough that we can afford a Green New Deal), should now be subject to the condition that if tax relief is to be given then 25 per cent of the contributions made must be invested in the Green New Deal. That will reallocate considerable capital. This one change might provide funds exceeding £20 billion a year.

In addition I suggest that all ISA savings now be dependent solely on the funds saved being invested in the Green New Deal, whether that be in housing, bonds issued in the National Investment Bank, private companies developing Green New Deal related products or government bonds. Given there is no other priority now this makes sense and indicates exactly what I mean by everything being driven in this way. The latest ISA statistics show that in the UK as a whole almost £70 billion was subscribed to ISAs in 2017/18 and given the options available from Green New Deal ISA accounts as I outline them I think that a change in the law will have little impact on this sum. I could rest my case at this point and say that the Green New Deal could be funded.

In case of doubt though, there might also be new green housing bonds issued to fund

new social housing with a guaranteed rate of return by the government. If private investors can make 5 per cent or more by renting why can't the government guarantee at least 2 per cent in the current market? Given the current rates of interest these bonds might have to be rationed to meet demand for them.

My point is this: the reallocation of capital is possible. We can fund a Green New Deal in this way alone.

Tax

So too is additional tax possible, but to deliver Green New Deal related policy objectives. Most of this will arise because there will be more people in work. And I would suggest that no new Green New Deal job should be paid at less than a living wage. So earnings should rise. The Green New Deal can pay for itself in this way. But other tax changes are also essential.

For example, corporation taxes must rise: business is undertaxed at present and that is helping create damaging inequality in society.

So too must income tax rates on the wealthy increase for the same reason, as should capital gains tax rates, which should be at the same rate as income tax, whilst national insurance should be charged on all earned income and investment income should be subject to an equivalent charge: it's absurd that we tax unearned income less than earned income in the UK. Scotland should not be making such mistakes and should be demanding the powers to correct these anomalies now. But that will not be to pay for the Green New Deal: these changes are needed to deliver the social justice that has to go with it if we are to have fair societies in to the future. We have the capacity to tax more. We could use it if we need to do so. I am not sure we will do so for anything but social reasons.

Increasing deposits with the government

So what of increasing deposits with the government? This is conventionally called government borrowing but we don't call bank deposits saved by those with money to spare 'bank borrowing'. Instead we call them savings, which is exactly what they are. So we should be consistent when people do the same thing and choose to place their savings with the government. That is not government borrowing. It's the government offering a deposit account facility.

My suggestion is that we should permit this saving to the extent that people want to deposit their funds in bonds to finance the Green New Deal. They might want to indicate where they want the funds used e.g. in their own locality, or nationally. They might also want to indicate which sector they want the funds used by e.g. I would encourage housing, transport, energy and other bonds. This is not hypothecation: it is letting people indicate how they want to contribute to saving our planet.

I would also encourage a National Investment Bank to issue bonds. Some of them might be performance related and so carry variable rates of return. I would be happy with that. But given the climate crisis we face we need to stop the continual flow of funds into the purchase of second hand shares - which is all that stock markets have to sell - and second hand buildings, which is all that most commercial estate agents have on their books. These are utterly unproductive savings mechanisms. We have to instead direct savings to where they might be used - and right now that is likely to be government based savings schemes used to provide capital for the Green New Deal.

Private investment

This might change if and when business realises that it will also need massive capital to adapt to the Green New Deal. Then people might have a market choice of Green New Deal options as well. But for the sake of safety I suspect many want to save with the government. We should let them.

Green quantitative easing

And as a backstop? The backstop is to use green quantitative easing (QE). Let's be clear, no one would use QE unless they have to do so. QE is the process by which the government buys back its own debt. Why might it want to do this? It would only do so if investors either lose faith in saving with it (which is unlikely in any foreseeable situation) or if investors are not willing to save enough to fund the government's plans and there is still capacity to use additional funds in the economy, and the government effectively creates them using quantitative easing. That's it: those are the only uses of Green QE, but having the option available is a powerful weapon. What it really says is that anyone who saves with the government will always be repaid, come what may. That's a valuable guarantee.

Do all these sources of funds add to the at least £50 billion required for a Green New Deal for the UK as a whole? Yes, easily. Could they do the same for Scotland? Yes, I guarantee it.

**** What will this world look like?***

The straightforward fact is that this world will be different from the one we are living in now. That said, I am not a futurologist so I am not pretending I know precisely how. I don't. I can only offer some speculative thoughts.

I have no doubt that we will have to consume less 'stuff'.

On the other hand I think we might enjoy much better services, and many of them will be local. Our future is in caring for each other.

We will live in houses that are more thermally efficient than now. But maybe we will also need to wear more pullovers too.

More of that housing be socially owned, but it will be the best social housing there has ever been.

I think we will eat less meat. But we might eat better overall.

We will still have the internet and a lot of the entertainment we're used to.

But how we travel will have to change and we will be less dependent on cars: electric cars are not the future, at least not as they are developing now.

And we may staycation more than now.

Work will be different: we may well work more flexibly, and maybe more often from home. But that worries me slightly. I am very aware of the social value of work. I think we're really going to need to make sure we all keep talking in a world where transport changes. The coffee shop is going to be a big part of our futures.

But most importantly - we'll be able to look our children in the eye and say 'you've got a future'. Right now I can't be sure I can do that. That's the change we're striving for.

* ***And so, what for Scotland?***

The above is based on my vision for an independent Scotland with its own currency, central bank and legislative powers. It could lead the world on the Green New Deal and would win massively from it. Few countries are as well equipped to win as much from the sustainable future as Scotland is.

As a result I am very confident that a Scottish Government that goes for a Green New Deal could drive renewables in Europe, both in generation and technology terms, if it wanted to. It could be an energy powerhouse all over again. And Scotland will be a country where people will want to live because this is where the good life will be. And achieving this is affordable, doable, and might well be better, more enjoyable world than the one we live in now. With the right social, employment, tax and other policies to support the Green New Deal that could be done, without difficulty.

But there is a question still left to address. That is what happens before independence when so many powers required to achieve these goals are reserved to Westminster? What's the role for Holyrood and local government in Scotland before then?

Let me go back to near the beginning. I said that the first role of government was to change the mood of a nation, and that what governments and politicians say and do matters. They can change behaviour. It is their duty to do so responsibly. And right now that is their primary obligation. I meant it. And I think this obligation exists with regard to the Green new Deal even though many of the required powers are not devolved. The plan to have a Green New Deal must be developed as if the powers are devolved, not least because simultaneous planning for independence will achieve that.

But even if that independence does not happen or is delayed there is no excuse for inaction. There are problems with:

- * Funding constraints because Scotland has very limited control of its budgets;
- * Restrictions on the capacity to control taxes;
- * Limited borrowing powers, which are also constrained by 'prudential borrowing' rules;
- * The limited reserves of many of the Scottish Government and many local authorities;
- * The restriction on many of these authorities engaging in trading-related activity where risk to authority funds might arise.

This said, whilst the Green New Deal is seeking to challenge a global problem many of the solutions it proposes are inherently local in the main or in part, including action on:

- * Housing;
- * Transport;
- * Energy use;
- * Raw material usage and waste;
- * Food production and consumption;
- * Employment;
- * The way we live and work;
- * The way that the local economy supports itself - the circular economy.

And whilst it would seem that many of the GND issues require major upfront funding (and in some cases that is indisputable) much can also be done by highlighting how local people might work together to effect change. In that case the Scottish Government and Scottish authorities might consider the following possibilities for action (which are indicative, and not necessarily complete by a long way):

a. Housing

- * Promote energy efficiency schemes and exploit other grant funding as if it is a local programme;
- * Consider local generation and cooperative ownership schemes for them;
- * Promote new carbon neutral housing schemes either as authority owned projects or with partners, and emphasise this in local planning arrangements;
- * Transform its own properties to maximise their own potential for energy production

and saving;

- * Consider a local 'green building society' to fund such a policy.

b. Transport

- * Promote energy efficiency in local transport;
- * Promote cycling;
- * Promote car sharing;
- * Consider car exclusion zones or access charges;
- * Promote the use of electric cars by providing charging points;
- * Consider innovative approaches to local transport and its licensing to overcome 'the last mile problem' that means so many commute by car when they would prefer to use other arrangements;
- * Improve public transport integration;
- * Consider how transport contracts can be used to promote green travel.

c. Energy use

- * Promote low energy use;
- * Consider providing funding for solar energy installations on the basis of shared returns;
- * Review the authority's own energy use;
- * Consider creating a local energy company.

d. Raw materials

- * Review waste and recycling policies.

e. Food consumption

- * Are there any licensing, outsourcing and other issues that could be considered?

f. Employment

- * Is a local employment fund or even a local venture capital fund possible - or can it be encouraged by match funding?

g. The way we live and work in the local economy

- * Promote a local currency;
- * Create effective ways to work at home;
- * Support people who want to do so;
- * Promote support services for local businesses;
- * Provide training for Green New Deal related businesses.

Most importantly, the key point is that the Green New Deal is one policy that is not all about big spending and which does require partnership. Doing the small stuff as well as the big projects is equally important. And all must be heavily promoted. Changing opinions is vital, and actions are persuasive. Nothing less will do.