

Funding the Green New Deal

Published: January 14, 2026, 8:46 pm

These were the notes for the talk I gave on funding the Green New Deal last night for Brave New Europe:

Funding the Green New Deal

Good evening

We're talking about the Green New Deal - which is pretty much universal - but in a European context - where there is ample variation in funding mechanisms

So tonight we're talking with a UK focus and covering the principles that can apply anywhere - thinking very particularly about the theory and practice of this

What is the GND?

- * *A plan to tackle*
- * *Climate change*
- * *Threats to biodiversity*
- * *Social exclusion*
- * *The need for jobs*

- * *Written in 2008*
- * *Updated regularly*

*

- But still suggesting that we*
- * *Making housing thermally efficient*
 - * *Green energy generation*
 - * *Transform transport*
 - * *Build sustainable infrastructure*
 - * *Transform agriculture*
 - * *Meet local need e.g. social housing in the UK*
 - * *The training and support services that all this requires: a strong social element.*
-
- * *Creating*
 - * *A carbon army of people employed*
 - * *A whole new way of living*

How much will it cost?

- * *Estimates in the U.K. vary from £60bn to £100bn a year*
- * *That is 3% to 5% of GDP per annum*
- * *This is the 10 year figure*
- * *If spending is sufficient in that decade it is thought the returns then reduce the net costs*
- * *So assume the same in the EU*

Is funding the real question?

- * *Modern monetary theory would suggest:*
- * *If the balanced economy requires the spend then do it*
- * *If the resources are available and unused in the economy then do it*
- * *If the resources are not available in the economy but the work is essential then tax to make the resources available and then do it*
- * *Is there any choice but do a GND? I suggest not. So, the MMT decision criteria are appropriate.*

Is funding the right word when governments can create

money?

- * Yes, because money is still required even if it is created*
- * Yes, because even in MMT there is a funding cycle*
- * $G = T + \hat{\Delta}B + \hat{\Delta}M$ (government spending can be equated to tax revenues, plus the net changes in borrowing and government created money supply)*
- * Which has also to be related to the proportion that is government and non-government funded*

Funding options

- * Borrowing*
- * The private sector*
- * QE*
- * Tax reform*
- * A combination of these*

Key issues:

- * QE works, even in the EU*
- * The key issue is being sure how the right funding benefit gets to the right state*

- * QE has so far:*
- * Not produced inflation*
- * Not resulted in a loss of confidence in currencies*
- * Has not collapsed the credibility of government*
- * Has not undermined the role and credibility of central banks*

- * But QE has:*
- * In an overgeared world there is simply no chance of significant interest rate rises*
- * Left conventional monetary policy dead in the water*
- * And it is likely to stay there*

However QE has also resulted in a massive increase in private wealth in all countries where it has been used

- * Government money creation creates private assets*
- * MMT teaches us that*
- * Inequality is rising fast*
- * Direct money creation would have exactly the same consequence - this is not a flaw in QE - it is the result of deficit spending*
- * This means simply saying running direct deficits is not the answer to funding by QE if we care about inequality - and I do*

So what to do?

- * First, run the deficits*
- * The situation demands it*
- * Urgent action is needed*

- * Second, tax the resulting wealth*
- * Biden has this right*
- * But remember that we are not taxing to fund anything - government spending is not dependent on tax per se, even in Europe (I would argue, given the role of the ECB and its ability to attribute the benefit of its money creation to states) but is instead a fiscal control mechanism*
- * Instead, we are taxing simply because this is required to tackle the growth in inequality - we are taxing because the rich are rich*

- * Third, also tax if required to tackle inflation if it happens - but this is a different tax policy*
- * And there is an urgent need to rethink indirect taxes on a progressive basis to make this possible*

- * Fourth, change the tax reliefs on savings so that instead of subsidy being given to conventional forms of saving they only go to savings that provide real capital to underpin programmes supporting the management of climate change*
- * Remember almost all saving now is unrelated to investment - it is in cash or shares and second hand property and so speculation and that produces nothing*
- * We actually need to re-establish the link between savings and capital*

- ## How much can be raised?

- We have the power to make the required changes. It is time to do it*

[illegible]