

The QuEST for a Green New Deal

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Few can now really doubt the environmental mess that our planet is in. The USA is burning, as is Siberia. Germany and the Benelux countries are flooding, as is China and southeast Asia. Canada and Northern Ireland have recorded all-time record temperatures. All these events are happening within weeks of each other. The global threat from climate change cannot now pass anyone by.

At the same time chaos is exacerbated by a pandemic, and the failing reaction to it, both nationally and internationally. The maintenance of global financial power structures on issues like medicine patents and taxation, coupled to decades of chosen underinvestment in healthcare, infrastructure, social care, education, and other essential services means that many countries have been desperately ill-equipped to handle the stresses that have been created by Covid-19.

The world faces a dual crisis in that case. That crisis is both green and social. Extraordinarily, in reaction the response of too many governments has been to indicate that they plan cuts in spending, as the pandemic eases to address what their political narratives call the 'mountains of debt' that it has created. The inevitable consequence is that unless alternative methods of funding for the essential investments that we all know to be needed are both found, and then promoted, and properly understood, we are stuck on a pathway to mutually assured destruction more certainly than at virtually any time in history.

Working with Colin Hines, I am sure that such alternative methods of funding for the environmental and social programmes that we need are available. Our confidence underpins what we are calling the QuEST for a Green New Deal. I am pleased to say that the Polden Puckham Charitable Trust is now supporting us in this work through our partnership Finance for the Future LLP, to which they are giving a grant of £20,000 a year for the next three years.

The Green New Deal is the [programme of change](#) required to tackle both the climate crisis and social crises that we face both nationally and internationally.

QuEST stands for Quantitative Easing, Savings and Taxation. Importantly, in this context savings represent the money that people might deliberately choose to invest in government incentivised schemes to promote the Green New Deal, providing it with some of the capital that it requires to invest in our collective futures.

There are four ideas that underpin QuEST. The first is that tax, government money creation and saving are all essential parts of the government funding cycle, which is an ongoing process where the three are balanced against each other and the needs of our society and planet to create the overall level of desired economic activity required to ensure that all needs are met, sustainability is assured and as many wants as possible can reasonably be satisfied.

Second, it is suggested that within this cycle it is needs, sustainability and wants that should drive the balancing of finance required. The idea that one issue in isolation in this cycle — that tax and government expenditure should equate to each other — makes no sense. All that would mean is that, inevitably, needs, sustainability and wants would be treated as inferior issues, when their supply should clearly be the problem that finance is meant to solve, rather than impede.

Third, it is noted that all these funding issues are within the control of government. It can design and control tax systems, and invest in their effectiveness. It can also define the rules that shape the [tax-driven savings mechanisms that are used to manage 81% of UK wealth](#), including ISA accounts and pension funds. And the government is also responsible for deciding how much money it wishes to create and inject into the economy through the quantitative easing (QE) process to fund the investment that society needs.

Fourth, money and its creation has to be understood. This requires that it be comprehended that all money is just a promise to pay. It says so on our bank notes. Neither gold or any other asset backs up that promise. Instead there is just a promise to pay made by the government, through the Bank of England. And all that this promise is backed up by is the government's ability to tax. The result is that the government creates the money we use by spending it into existence. It cancels the money it spends through tax. That's literally how the money creation system works — it is that simple.

What this means is important. If the government wants there to be government-created money in the economy — and that is vital to its operation — then it has to run deficits or it must do quantitative easing. It has been claimed both of these mechanisms create debt. We do not agree: they create the money that keeps the economy going round. And given that is the case, all talk of 'repaying' this debt is misplaced, unless the government wants to risk the economy literally being short of money.

That, of course, nearly happened in the economic crises of 2008/09 and 2020. More than £800 billion of government-created money - made using QE - saved the economy on those occasions. That proved the power of money creation - or QE. Now we just need

to understand that this is a force for good, and not just for emergencies.

QuEST aims to explain these little appreciated facts (for facts they are) in plain English in ways that it hopes people, politicians, civil society and those who yearn for a better and sustainable society can understand. The goal is understanding. The hope is that how we can pay for a Green New Deal can be explained. The desire is that the last obstacle to progress — the lack of understanding that says we cannot have what we need when it is so obvious that we have the human and tangible resources required to deliver it — can be overcome. This is why we call this project the QuEST for a Green New Deal.