Why economic policy matters for the Greens

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As readers here will be aware, I have been tackling those who are seeking to drive the Greens in what they might describe as a Marxist direction, but which does, in reality, do two things.

The first is that it would place the party's economic thinking within the frameworks used by, for example, John McDonnell when he was Shadow Chancellor of the Exchequer for Labour. That framework was as firmly based on the supposed necessity of fiscal rules to appease markets, and so to cede power to them and to the City of London, as anything the Conservatives ever did.

Second, it denies the power of the state to take control of the economy through its ability to create money, which means that it need never be dependent on market whims. Those dedicated to fiscal rules and to ceding power to markets always deny this to be possible because they refuse to accept the reality, as it is, that modern monetary theory describes.

The refusal by those proposing these ideas to accept that reality means that, in effect, they promote the idea that the state depends on the private sector. This results, first, in their inability to explain the role of money, tax, borrowing, and the whole fiscal management cycle that lies at the core of macroeconomics, and second, in their failure to confront how economic power is exercised in modern economies, which confrontation is inevitably required to deliver the green transition we need. I believe that their views are, as a result, mistaken, and dangerously so, which is why I am taking this issue on.

The green transition, on which I have campaigned for a long time, will not be delivered by good intentions, ethical markets, or better pricing signals alone. It will only be delivered when political movements are willing to challenge the power of finance and markets directly, together with the flawed ideas on which their supposed power is based. And that cannot be done without understanding the role of money creation and the state's capacity to use it for public purposes.

The problem is not that the Greens care too little about economics. It is that too many of them might accept an economic framing that treats markets as the ultimate arbiters of what is possible. Within that potential framing, government is cast as financially constrained, dependent on private capital, and permanently at risk of market punishment. As a result, green ambition could be trimmed to what markets will tolerate, not what climate science demands, and that is how radicalism is quietly neutralised, as I fear might be possible if those whom I am challenging get their way.

If you accept that the state must first persuade or appease financial markets before it can act, then the green transition is already compromised. Large-scale public investment becomes conditional. Industrial strategy becomes hesitant. Public ownership becomes politically “difficult”. And climate action is reduced to nudging private behaviour rather than reshaping the economy. Those promoting these ideas might call themselves Marxist: in action, their policies were very hard to distinguish from those of George Osborne and all who succeeded him.

The result is what we see from government now: plans that look acceptable on paper but collapse under the assumed power of markets.

This is why understanding money creation matters so much. A government that issues its own currency is not financially constrained in the same way as a household, firm, or local authority. It does not need to “find” money from markets before it can spend. It creates money through spending and withdraws it through taxation. The real constraints are inflation, real resources, skills, technology, and ecological limits, not the bond market’s mood.

Until that reality is grasped, Green policy will remain trapped inside a narrative of scarcity that markets have every incentive to maintain.

The irony is that the Green Party recognises that climate breakdown is a systemic crisis, but it is at risk of proposing responses that rely on the very systems that caused it if it adopts this thinking. If fiscal rules and other structures are adopted that effectively require markets to deliver transformation, even though they are structurally short-term, profit-driven, and deeply resistant to changes that threaten existing asset values, then any attempt to tackle that systemic climate breakdown will fail.

This is not a technical failure. It is a failure of power analysis.

Markets do not lead transitions that undermine their own profitability. They resist them. That resistance can only be overcome by a state willing to act decisively: investing directly, owning strategically, regulating firmly, and accepting that public purpose must take precedence over private return. But that requires abandoning the idea that the state must ask permission from capital before it acts.

Without that shift, the Green Party risks offering an inspiring diagnosis paired with an inadequate economic toolkit.

This is why debates about fiscal rules, deficits, and “credibility” are not distractions from climate policy. They are central to it. A green transition constrained by arbitrary financial rules designed to reassure markets, or a lack of understanding of money, will always be too slow, too small, and too fragile. Climate breakdown does not wait for bond yields to settle.

Nor is this about being reckless. It is about being realistic. The greatest risk we face is not that the state will spend too much, but that it will do far too little, far too late, because it accepted a story about money that was never true.

If the Green Party wants to deliver a genuine green transition, it must liberate itself from the long-standing myth of market supremacy. That liberation begins with understanding money creation and recognising that democratic governments have far more agency than they have been told. Without that understanding, green policy will remain trapped in a world of constraints defined by others.

The green transition will not be delivered by markets acting kindly. It will be delivered by political movements willing to reclaim economic power and use it in the public interest. Until that happens, climate ambition will continue to be scaled back to fit an economic story written by finance, not by science.

And that is why this debate matters.

Comments